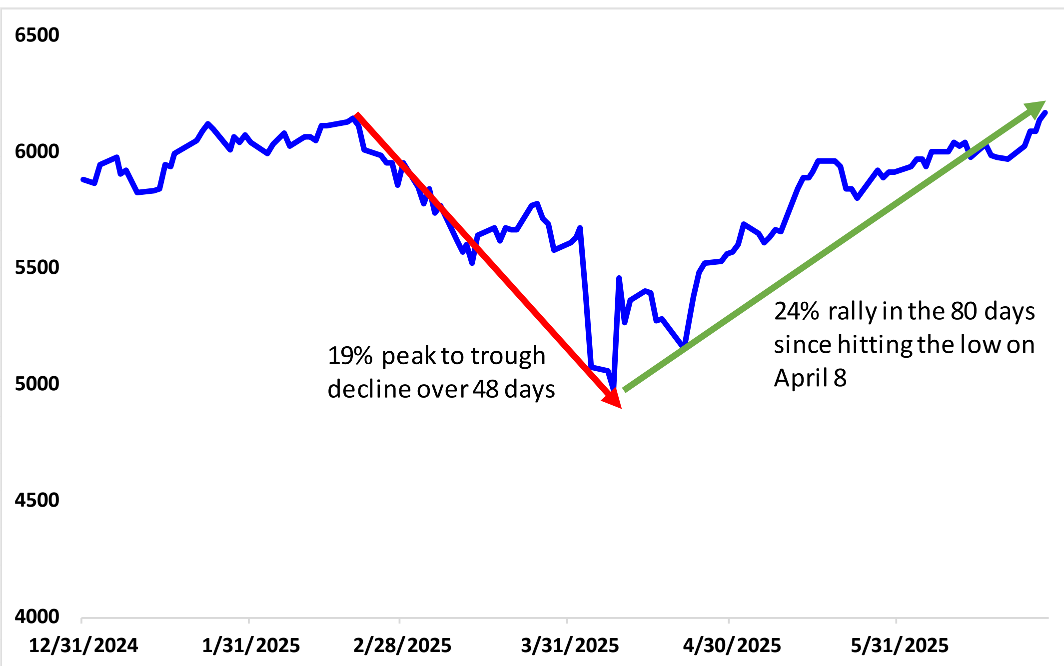
When news broke that the U.S. had attacked three Iranian nuclear facilities on Saturday, June 21, most investors assumed markets would react sharply to the downside once trading resumed Monday morning. Sure enough, when stock futures opened the following evening, they were firmly in the red. However, markets sharply reversed course, and the S&P 500 finished up 0.7% once the closing bell hit Monday afternoon. The upward trajectory continued throughout the week, with the index finally hitting a new all-time high on Friday.

There are a number of reasons why risk assets (i.e. equities) reacted favorably, including an announced ceasefire between Iran and Israel. As investors digested the news, it became apparent that the Straight of Hormuz, one of the most important energy corridors in the world, would remain open, curtailing the risk of a global oil supply shock. While we could write at length detailing the recent conflict, the bottom line is that market participants have moved past it, clearing the path for the next leg higher. The bullish trend in place since the lows in April remains well intact.

S&P 500 Index Level



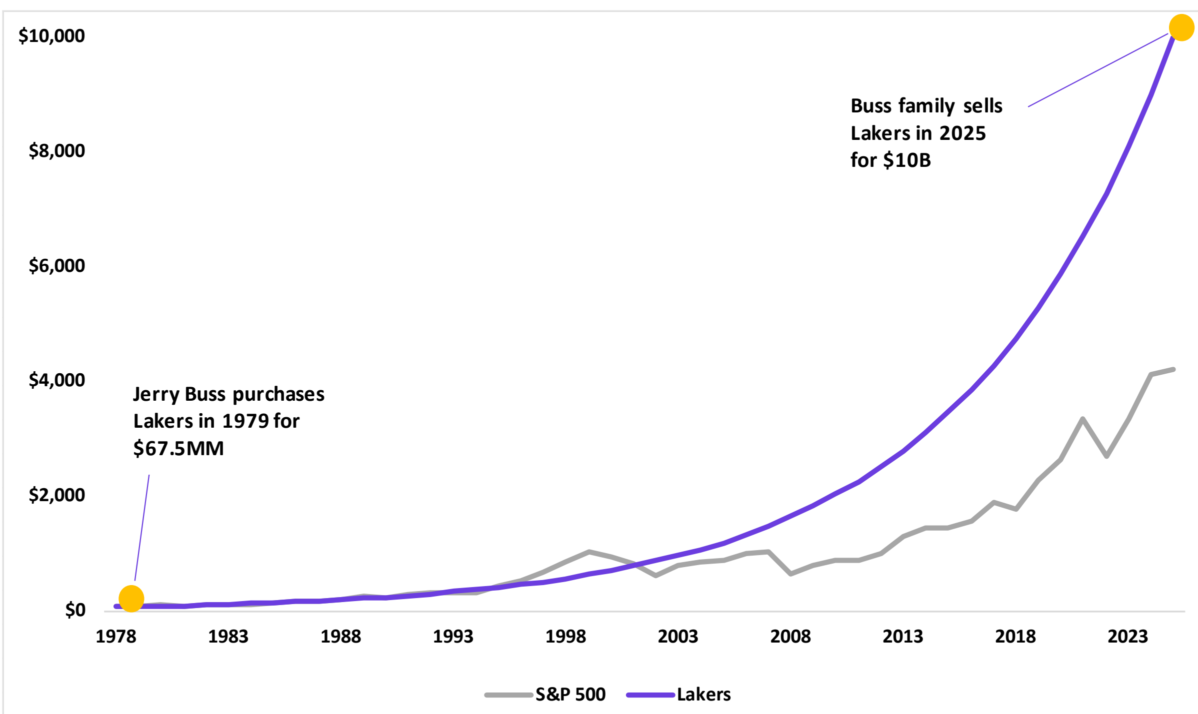
Source: S&P Global

Undeniably, macro events have dominated the headlines in recent weeks, with few earnings announcements or major news releases from the most consequential companies. Trade negotiations are still a significant source of investor interest given implications regarding the magnitude of tariff duties, which directly impact companies' bottom lines, being considered. That said, the risk of a wide-spread margin hit as a result of the extremely draconian tariff rates proposed on Liberation Day in early April has largely been taken off the table. In other words, markets have continued to climb the wall of macro worry, volatility subsiding once worst-case scenarios appear increasingly less likely.

In other news, it was announced just over a week ago that the Buss family sold the Los Angeles Lakers at a valuation of $10 billion (still retaining a minority stake). Jerry Buss purchased the franchise for $67.5 million in 1979, and as I sat watching the announcement on ESPN, I found myself wondering how Mr. Buss would have fared over that same period as a stock investor. While it's not an apples-to-apples comparison given the massive benefits the Buss family certainly enjoyed (i.e. recurring, growing operating cash flow and tax benefits) while owning of one of the most successful franchises in sports history, the comparison peaked my interest nonetheless.

If Mr. Buss had instead invested in the S&P 500, ignoring dividends, his initial investment of $67.5 million would now be worth $4.2 billion. So, on the one hand, kudos to the Buss family for more than doubling their money versus investing across a broad index of U.S. stocks. However, the 62-fold increase in the S&P over this 46-year period is certainly nothing to sneeze at. Since 1979, the Buss family has managed to grow their team's valuation at a compound annual rate (using the purchase and sale valuation figures) of 11.2%, compared to the S&P's annualized price return (excluding dividends) of 9.2% over that same timeframe.

<u>Lakers Valuation Vs. S&P 500 Performance (Price Return) Since 1979 ($MM)</u>



Note: Initial investment of $67.5MM in 1979 (Lakers purchase by Jerry Buss); Uses a compounded annualized return for the Lakers (starting at $67.5MM in 1979 to $10.0B upon sale in 2025)

Source: S&P Global, ESPN

Absent being among the very few with the means to purchase a sports franchise, and subsequently building that team into the perennial powerhouse of the sport (sorry, Celtics), it's a powerful reminder that remaining invested over the long term is the most prudent wealth creation strategy. It's an approach available to every investor, large or small, but requires discipline and patience, staying the course even when the waters seem the choppiest. You might not get a front row seat watching the likes of Magic or Kobe dazzle on the court, but generational wealth creation, borne from years of compounding returns, is a great consolidation prize.

Andrew P, Kerai, CFA®