



## **COLBERT INVESTMENT MANAGEMENT**

**The year in review** – 2025 was a strong year for our equity (stock) portfolios – closing comfortable ahead of the S&P 500 Index for the year. I’d like to provide some background on one of our top performing stocks last year, Vertiv.

Allied-Signal bought Honeywell in 1999 resulting in a merged conglomerate with little in common, a classic case of ongoing corporate value destruction. One of the talented executives who was passed over as CEO-successor to the legendary Jack Welch at GE, David Cote, left a few years later to become CEO of the mess that had become Honeywell. David Cote is a no-nonsense straight shooter, an exemplary executive who turned Honeywell around. Honeywell’s market capitalization went from \$20 billion when he started in 2002 to \$112 billion when he handed the reigns over to a successor in 2018, a cumulative performance to over 700% versus over 300% for the S&P 500 Index during that period.

*(Note: David Cote wrote an excellent business book in 2020 called “**Winning Now, Winning Later: How Companies Can Succeed in the Short Term While Investing for the Long Term**”)*

Unfortunately, I had not invested in Honeywell back then, but I vowed to watch the next train Mr. Cote embarked on as a possible investment candidate. I didn’t have to wait very long. Mr. Cote partnered with Goldman Sachs in the formation of a Special Purpose Acquisition Company (a “SPAC”) called GS Acquisition Corporation (symbol: GSAH) in 2018.

SPACs are blank check companies, vehicles that raise funds from investors, usually at \$10 per share, and then go hunt for a business to buy. While they look around for something to buy, the money raised sits in a bank account until a target is identified. Importantly, if they find nothing to buy after a couple of years usually, investors are given their money back, resulting in opportunity cost at worst. However, one should be reticent to invest in most SPACs because greedy behavior there often leads to bad outcomes for investors. That’s because the incentives to sponsors (the people raising the funds) to make just about any kind of deal in many cases has led to terrible consequences for stockholders. In short, the sponsors put almost no money down and are often very extremely richly rewarded for acquiring a company, even if it’s a bad business (too often), for which they overpay (mostly). My advice: try to stay away from SPACs.

In this specific case, Mr. Cote’s good reputation meant to me that he was unlikely to succumb to that kind of behavior through GSAH. We consequently bought shares in 2018 around \$10/share, investing the equivalent of 2% of equity (stock) portfolios we manage. Eighteen months later, in

December 2019, GSAH announced the acquisition of Vertiv for the total price of roughly \$5 billion. According to the GSAH press release at the time, “*Vertiv solves the most important challenges facing today’s data centers, communication networks and commercial and industrial facilities with a portfolio of power, cooling and IT infrastructure solutions and services that extends from the cloud to the edge of the network.*”

(Note: You can see Vertiv’s products and services on their website [www.vertiv.com](http://www.vertiv.com))

**What is so attractive about Vertiv’s business?** First, some background. The rapid growth of the internet during the 1990s drove an unprecedented need for data storage and web hosting. In response, large internet data centers emerged, allowing multiple companies to share physical infrastructure and reduce costs. Amazon too was building its own internal infrastructure to support its expanding e-commerce operations and soon recognized that this highly scalable system could be offered to others. The launch of Amazon Web Services (AWS) in 2006 marked a major turning point. By delivering storage and computing resources as a business service to others over the internet, AWS introduced the modern cloud model and transformed IT by eliminating the need for businesses to invest heavily in physical hardware upfront. The fast-growing revenues and cash flows of the Amazon cloud model attracted giant users in the field like Microsoft and Google and others. Data centers in general have been growing sector, a vital infrastructure, with many more years of growth ahead. Only 20% of corporate data centers had been converted to the cloud model, which means in simplistic terms that 80% of the market was up for capture (that’s before A.I. came to forefront).

Vertiv’s products is a key supplier to the whole data center industry. No matter which company wins in this super competitive arena (cloud giants like AWS, Microsoft Azure, and Google Cloud Platform are now called hyperscalers), Vertiv is a reliable supplier to all of them, a company with annual revenues (sales) of about \$4 billion at the time of the SPAC acquisition. The vital equipment Vertiv makes is perhaps an unexciting product line to most people, but it was profitable and growing business, bought at a fair price by GSAH, and backed by a well-respected owner/manager (David Cote). Vertiv was therefore a solid investment candidate in my opinion.

- Year-End 2019: Stock price about \$11/share = 2% of portfolios  
(Our GSAH shares converted to Vertiv [symbol: VRT] shares on February 10, 2020)
- Year-End 2020: Stock price about \$19/share = 3% of portfolios. Very good!
- Year-End 2021: Stock price about \$25/share = 4% of portfolios. Great!

*And then ...*

Vertiv was hit hard by a myriad of Covid pandemic-era manufacturing difficulties, cost increases, bad product pricing decisions and complex logistical problems. Profit margins and cash flows collapsed, with Vertiv share prices tumbling down over 50%. As a result, Mr. Cote became more immersed in day-to-day operations, made many necessary management changes, and generally implemented the playbook he used to turn around business operations at GE and at Honeywell.

He also critically elevated Giordano Albertazzi from head of Europe/Middle East/Asia to running the Americas region in 2022, and finally to CEO of Vertiv since 2023.

- On April 22, 2022, we bought another 1% in portfolios at ~\$12/share
- On May 24, 2022, we bought another 1% in portfolios at ~\$10/share

Vertiv shares represented about 4% of equity portfolios at the time. Things were looking bad for our portfolios in part because the stock market in general was doing poorly, and in part because Vertiv had hit a wall. But the operational turnaround happening at Vertiv meant that I, on the contrary, was very optimistic that its stock price represented an unusual bargain.

- Year-End 2022: Stock price about \$13/share = 5% of portfolios

*And then ...*

*OpenAI's ChatGPT became widely known in the market immediately following its public launch as a research preview on November 30, 2022. The news quickly went viral, and the chatbot reached significant user milestones in record time, leading to widespread media coverage and market awareness in the subsequent months. Within five days of its launch, ChatGPT had already accumulated over one million users. By January 2023, just two months after its release, the application had reached an unprecedented 100 million monthly active users, making it the fastest-growing consumer software application in history. The rapid adoption and media buzz in early 2023 firmly established AI as a major topic in technology, business, and general public discourse, triggering a wave of development and investment in generative AI products across the market. – Google AI Overview*

Artificial Intelligence (or machine learning) require enormous use of data and enormous capacity expansion of data centers, representing staggering additional future revenue growth for data center suppliers like, you guessed it, Vertiv.

- Year-End 2023: Stock price about \$48/share = 14% of portfolios. Yes!
- On February 2, 2024, we sold some shares at \$60/share = going from 17% to 14% of portfolios
- On May 23, 2024, we sold some shares at \$100/share = going from 20% to 16% of portfolios
- Year-End 2024: Stock price about \$113/share = 16% of portfolios
- Year-End 2025: Stock price about \$160/share = 18% of portfolios

Vertiv now has a market capitalization of around \$62 billion, up from about \$5 billion in 2018, reflecting expectations (i.e. hope) that prospects continue to be very bright. Annual revenues (sales) are now approximately \$12 billion, up from roughly \$4 billion in 2018.

## **Performance**

Our stock (equity) portfolios have done very well, closing comfortably ahead of the S&P 500 Index for the year. Many financial markets all over the world had a good year: bonds, U.S. stocks, non-U.S. stocks, emerging market stocks, are all doing well. And gold was up 60%, while silver was up a whopping 160%!

I don't consider gold and silver to be investments per se because they don't generate any cash flow, so it's practically impossible to calculate their intrinsic value. Lots of money has been flowing into gold and silver for various reasons: Russia's frozen assets held in foreign currencies due to its invasion of Ukraine pushed other "non-aligned" countries' central banks to also buy more gold for fear of future asset freezes; a general lack of trust in fiat currencies (dollar, euro, yen, sterling, etc.) due to rich countries' deficit spending and growing pile of sovereign debt; rapidly increasing numbers of individuals speculating. Will those trends continue? Stop? Or reverse? Who knows... My take on gold and silver prices: enjoy the ride but look out below!

Going back to the portfolios we manage, some of our progress last year is attributable to the proverbial tide lifting all boats. Some of our progress is also attributable to our portfolio composition which differs from broader market indices like the S&P 500 Index.

Furthermore, some of our progress is also due to decisive actions we have taken during the market swoon earlier this year. We acted decisively while stock markets were grinding down, between mid-March and April, making gradual changes, selling some companies' shares selectively to buy other more appealing companies' shares, based on their respective underlying business intrinsic value.

Although you surely have a recollection of what happened to financial markets last March and April, I have excerpted a section of our letter to clients covering the environment at the time. From our April 2, 2025, letter:

***First, some background.***

*Stock markets had been exuberant since the November 4 election of Donald Trump based upon expectations for the most pro-business incoming administration ever. The actions sponsored by Elon Musk's Department of Government Efficiency ("DOGE") acolytes to dramatically shrink government bureaucracy further excited bullish sentiment. In addition, U.S. stock markets had been in a two-year long period of enthusiasm around the world-changing possibilities for businesses (and humanity) implied by advances in artificial intelligence.*

*What changed? In late January, there was the Deepseek news. Deepseek is a China-based firm developing open-source large language models ("LLMs") whose AI ("Artificial Intelligence") training models were disclosed to be developed at a fraction of the cost of*

*leading western firms like Open AI, Google, Anthropic, Meta, and Mistral. This shocked the AI world. Deepseek's incredible cost advantage caused stock prices of AI-related technology companies to drop from their recently inflated market valuations.*

*Another change was the negative implications of the chainsaw-like action from the DOGE, resulting in seemingly indiscriminate slashing of government employees. These negative consequences begun to worry consumers and thus contributed to retrenching stock prices. On top of this, an almost daily equivocating by Trump about new tariff threats (or not) was also deflating confidence in the administration.*

*It's in this context that stock markets were already slipping, while bracing themselves for the forthcoming "Liberation Day" tariff announcement. The announcement was even worse than expected, and markets have been very weak ever since.*

Here is how I had summed up back then:

#### **Implications of the Trump Tariffs Announced on April 2**

**Summary:** *It may take several months to know the effective (final) tariffs imposed by the U.S. on every major country. The Trump announcements were the worst case expected, injecting great uncertainty about future economic impacts. Stock markets hate uncertainty, and they are reacting in a negative manner. It seems improbable that the tariffs remain as announced in the end, and Trump will therefore probably declare some form(s) of victory. Hence, it would be reasonable to expect that markets will gradually stabilize and recover from their recent decrease in the months ahead.*

So, here we are today: the US economy has been doing well for the last 3 years, and the stock market has done well for the last 3 years. Although markets have been doing well under both American political parties in recent years, many people still want to believe that one is so much better at it than the other. My centrist's view is that both political parties have bad parts, and nowadays, extreme nonsense dominate politics. But I digress...

#### **Some thoughts on machine learning, or artificial intelligence ("AI")**

Depending on what you read or hear, artificial intelligence holds either boundless human benefits or may end humanity as we know it. Here is what Sam Altman, the CEO of OpenAI, said at one time, perhaps half-jokingly: "I think that AI will probably, most likely, sort of lead to the end of the world. But in the meantime, there will be great companies created with serious machine learning."

So much has been written about AI that I would add little of value in this letter. What I can say is that most incredible past technological advances have ended up being great for humanity but have not necessarily translated to profitable businesses. In fact, the early leaders of the field (and their investors) usually end up poorly. Electricity's propagation has been exhilarating but also killed most of the early leading electrical companies (Thomas Edison was forced to cede control

of Edison Electric to General Electric [GE] in 1892); enthusiasm for automobiles did not prevent the ultimate failure of most of the early leading automobile manufacturers, including Duryea (first to mass-produce gasoline cars, 1890s); most leading companies of the internet have disappeared after the internet bubble burst in 2000 (Sun Microsystems was absorbed by Oracle in 2010). The same thing happened to trains and train companies, or airplanes and airlines. In other words, great inventions don't make for good, durable businesses at first.

So, are we in an AI bubble? It's possible. The early leaders in artificial intelligence today are losing billions of dollars now and are valued by investors at tens or hundreds of billions of dollars already. Will OpenAI, Anthropic, Anysphere (known as Cursor), Mercor, xAI, Thinking Machine Labs, World Labs, Crusoe, Lambda, CoreWeave, Cohere, Perplexity, or Elevenlabs be each worth \$1 trillion or more in 5 years? Will they be kaput in 10 years? Remembering Sam Altman earlier comments, one might say: yes, and yes. But nobody can know in advance.

**Conclusion**

Trying to predict the future is futile. We must think about all kinds of scenarios that the future may hold, good or bad, and be prepared for surprises, always endeavoring for the best possible outcome. I aim to keep trying to find other good companies like Vertiv available for purchase at a fair price. Please contact me with your comments or questions. And thank you for your confidence.

Sincerely yours,



Karim Armand President

## OTHER PORTFOLIO HIGHLIGHTS

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**IMPORTANT NOTE: Not all accounts have the same trading or average prices per share or percentage holdings. This letter refers to equity portfolios we manage, but each equity portfolio will have different prices/percentages/performances based on when the account was opened, individual account deposits and/or withdrawals, and any other account's specific situation, needs, restrictions or other factors that may apply.**  
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### **Top 5 contributors to our performance in 2025**

Vertiv [VRT], CompoSecure [CMPO + RHLN], Millicom International Cellular [TIGO], Delek US Holdings, Alphabet (Google) [GOOGL]

### **Bottom 5 detractors to our performance in 2025**

Caesars Entertainment [CZR], Charter Communications [CHTR + LBRDK], Black Rifle Coffee [BRCC], DXC Technology [DXC], Liberty Global ([LBTYA])

### **Top 5 contributor & Bottom 5 detractor company descriptions:**

Alphabet (Google) [GOOGL] – Google Search, YouTube, Android, Chrome, Waymo, Google Cloud Platform, Gemini AI. Initiated a 2% position in December 2018.

Black Rifle Coffee [BRCC] – A premium beverage company in the U.S. coffee category and the U.S. energy drink category through the wholesale and the direct-to-consumer channels. Initiated a 2% position in February 2024.

Caesars Entertainment [CZR] – Offers diversified gaming, entertainment and hospitality amenities, one-of-a-kind destinations, and a full suite of mobile and online gaming and sports betting experiences. Initiated a 2% position around \$40/share in June 2018, added 1% position in December 2018 (~\$35/share), sold all shares in June 2019 (~\$50). Started a new 2% holding in June 2022, bought more in 2024 and 2025 with an average cost of roughly \$33/share, now a roughly 6% holding.

Charter Communications [CHTR] – Top cable TV company and second biggest broadband provider in the US with 30 million customers. Agreed to acquire Cox Communications (7 million customers), acquisition closing in June 2026. Charter is also merging with its own largest stockholder Liberty Broadband [LBRDK] in June 2026. Charter and Liberty Broadband together represent about 4% of portfolios at average prices of \$310 and \$88 respectively.

CompoSecure [CMPO] – Top manufacturer of high-profile premium metal cards for companies like American Express, Chase (Sapphire), Citibank (American Airlines), Barclays, HSBC, as well as a technology platform called Arculus. We initiated with a 2% position in November 2024, and we invested another 2% in January 2025. CompoSecure spun off to all stockholders shares in Resolute Holdings Management [RHLN] for free (zero cost) in February 2025.

Delek US Holdings [DK] – Owns 4 refineries Texas, Arkansas and Louisiana with a combined crude throughput capacity of 302,000 barrels per day manufacturing gasoline, diesel, jet fuel, heavy oils, petrochemicals, liquified petroleum gas (LPG), natural gas liquids (NGL) and asphalt. (N.B.: the U.S. has over 130 refineries with a total capacity of 18 million barrels per day). Initiated a 2% position in January 2024, increased by another 2% in March 2025.

DXC Technology [DXC] – Bought a 2% position in August 2023, sold in August 2025 at a loss.

Liberty Global [LBTYA] – A world leader in converged broadband, video, and mobile communications, providing more than 80 million fixed and mobile connections across Europe (U.K., Netherlands, Belgium, Ireland) through advanced fiber and 5G networks. First bought shares in 2004 (around \$5/share), increased in 2005 (~\$5), reduced in 2007 (~\$6.50), increased in 2009 (~\$4.75), reduced in 2012 (~\$10), increased in 2013 (~\$11), increased further in 2022 (~\$11) and 2023 (~\$8.50), reduced in November 2024 (~\$12). {LBTYA historical prices are adjusted for the Sunrise \$8/share spinoff in 2024}. Now a 2% holding in portfolios at an average cost of \$11

Millicom International Cellular [TIGO] – a leading provider of fixed and mobile telecommunications services to 43 million customers in Latin American countries like Guatemala, Colombia, Panama, Paraguay, Bolivia, El Salvador, Nicaragua and Costa Rica. Doing business as “Tigo” in local markets. We started at 2% of portfolios in July 2023.  
Vertiv [VRT] (see description above).

We own a total of 25 companies in equity (stock) portfolios we manage. The other companies not mentioned above are: Amazon [AMZN], Apple [AAPL], Atlanta Braves [BTRK], Brookfield Business Corporation [BBUC], Comcast [CMCSA], Fairfax India [FFXDF], Formula One (Liberty Media) [FWONK], GCI Liberty [GLBK], Howard Hughes [HHH], Liberty Live [LLYVK], Live Nation Entertainment [LYV], Microsoft [MSFT], TIC Solutions [TIC], and Warner Bros. Discovery [WBD].

#### **ADMINISTRATIVE NOTE:**

Each year we are required by the U.S. Securities and Exchange Commission (SEC) to offer existing clients a copy of our updated ADV-Part II filing. Kindly inform us if you would like to receive this documentation.

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