

THE EQUUS REPORT

—BY BARNABY LEVIN

PERSPECTIVE

September 11, 2025



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Almost ten years ago (in May 2016), I wrote an EQUUS Report titled “Essential Context,” regarding which I’ve been remiss – for not bringing it to people’s attention more often – because it was a **pivotal time** for me. I invite you to re-read it by logging into my website at levin.hightoweradvisors.com and clicking on the “**EQUUS Report**” Tab.

In that article, I made several predictions that have since come true – starting with Obama’s decision to release more than \$100 Billion in frozen assets – as part of his Nuclear deal (known as the “Joint Comprehensive Plan of Action”) with Iran. Iran was struggling at the time, and I suggested this “largess” would “inadvertently help them fund **terrorism**” and – given all the attacks against Israel (whether directly or at the hands of their proxies, including Hamas, Hezbollah and the Houthis) – it **has**. But it also funded their **nuclear** program, bringing them to the brink of completing the very thing the “Plan” was meant to deter. Fortunately (thanks to Operation Midnight Hammer) the latter has now suffered a substantial setback, but the battle isn’t over.

I said the Market would continue to be like “a big bathtub, where water’s constantly washing back and forth, from one side to the other” – and (as Warren Buffet suggested in 2007)¹ instead of trying to hedge one’s downside risk with Puts and Calls; Inverse Index shares; or actively trading with some Stop-Loss strategy, it would be better simply to buy and hold (for example) the S&P500. Instead (like Ray Dalio **attempted** to do with his “All Weather” Portfolio)² I suggested investors (if they hadn’t done so already) simply add exposure to several, **non-correlated** Asset Classes (including Precious Metals;³ a top-tier, market neutral Hedge Fund; and a new idea at the time for me, Floating Rate Credit with limited maturities) for **their** sake, **not** as a “hedge,” per se. I felt each would add diversification and value for the money allocated them by using the same, longer-term, buy-and-hold strategy we use with stock – but with the **added** advantage they all had qualities that could hold up (if not rise) in the face of most **equity** sell-offs. Historical returns for these more “defensive” Asset Classes indicate each might be more protected in times of uncertainty – but also have the ability to do well when times are good, in a win-win.

I was already beginning to highlight the widening income-inequality gap between the “Haves” and “Have Nots,” about which (years later, in 2023) I would write a **series** of articles, starting with (no surprise) “The Battle between the HAVES and HAVE NOTS,”⁴ where I suggested this was the greatest threat we face as a nation. That remains my opinion, as many of the protests we see today are still about people’s inability to afford basics like food and shelter. But rather than simply throwing money at the problem, I’ve been saying it’s time we stop with all the campaign promises and handouts. We need solutions that **end** the

¹ In 2007, Buffett wagered \$1 Million that the Vanguard 500 Admiral Index Fund would outperform a portfolio of five hedge funds – chosen independently by Ted Seides of Protege Partners – net of fees and expenses over the ten years ending December 31, 2017. It did.

² “Money: Master the Game,” by Anthony Robbins, Simon & Schuster, 2014. Dalio’s **mistake** was over-allocating 55% to Bonds in his effort to “Preserve Capital.” As longer-term bond yields rose from ~1.7% in 2015 to 4.25% today, his Model experienced a significant drag on performance over the following decade, as bonds fell in value.

³ Which Asset Class should now include Bitcoin as “Digital Gold” and a long-term store of value

⁴ “The Battle between the HAVES and HAVE NOTS,” by Barnaby Levin, The EQUUS Report, December 4, 2023



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problem (as Michael Shellenberger said about drugs in his book, “San Fransicko,” in 2021) once and for all. Like Lao Tzu once said: “Give a man a fish and you feed him for a day. Teach a man to fish and you feed him for a lifetime,”⁵ we must **start** by teaching those in need **a Trade** – so they can earn a living on their own, with Pride and Dignity – and **then** we can turn to things like Affordable Housing. And if they **are** on the street, in the grip of drugs, we need to **start** by helping them get “clean;” get them **temporary** housing; and **then** teach them a Trade. But it must always end with people taking **responsibility** for **themselves** or it will never last and, before long, they’ll be **back** on the street.

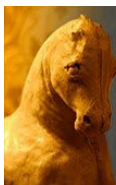
Importantly (when I wrote that article), I had just reached several, critical conclusions which, from that point forward, would have an incredible impact on my returns and instill me with a new sense of purpose – like my decision to eliminate Small Cap exposure in my Model Portfolios.

When I started with Kidder Peabody in 1987, investing in smaller companies became a meaningful part of my Models – because my earliest Mentors (in one of the most-successful offices in the firm) said it was a way to add “value.” Because many of the fastest growing Tech and Biotech companies were based in the Bay Area, we could visit them in person and see things first-hand – **theoretically** giving us greater insight and a leg-up over other Portfolio Managers. So (of course) I “bought” into it (hook, line and sinker).

Instead, what I found over time was – while a small company might **initially** be considered “best in class” (with a dominant Market Share in a given product), the odds of them coming up with another “home run” would (almost inevitably) prove elusive, if not impossible. And (in fact), getting to know senior Management on a more personal basis was, in many regards, a **disadvantage** – because (if you ended up liking them) it made it more likely you would lose some of your objectivity and become biased – seeing things through **their** eyes, when their **job** is to believe in the path they’ve chosen and to convince others of their ultimate success.

Most importantly, however – because of my decision to allocate a portion of our equity exposure to this more volatile and (clearly) more speculative group – I was unable to **effectively** play to my greatest **strengths**, which are **Concentration** and my ability to take advantage of the power of **Compounding**. The fact is, with a small company that only has one “hit” to its name, I could **never** be as confident as I could with my “Global Gorillas” – each with multiple “Shots on Goal” and seasoned Leadership that has shown it’s ability to deal with adversity, emerging on the other side even stronger. In my opinion, we should only own things we’d be willing and able to add without hesitation, when the Market punishes them due to some, short-term miscalculation and – with a high degree of confidence – “know” their misstep wouldn’t prove fatal. That Leadership would **realize** they made a mistake before it got **too** far out of hand; set a new course; and (understanding it typically takes six quarters, from beginning to end, once a mistake becomes evident) implement it (Make a Plan; Work a Plan) – with more than enough cash on their Balance Sheet to get through it all without having to borrow. With smaller companies, one **must** be broadly diversified, knowing there **will** be blowups and, by adding on the way down, compounding can all-too-easily work in the **other** direction as well (that is, to the **downside**). The Bottom Line (I realized)

⁵ More on this later, but Lao Tzu has been attributed with authoring the **Tao Te Ching**; is considered the founder of Taoism; and was a contemporary of Confucious, who I often quote in my articles and podcasts.



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was the way *I* manage money simply wasn't suited for owning just one or two small companies (in a "swing for the fences," as it were) and that it would be better – if we wanted exposure – to simply choose an index (like the IWM or QQQ), like Buffett has always recommended for the broader Market, when it comes to Large Cap, where I've consistently added value, over many years.

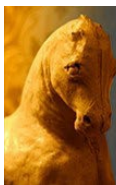
The **good** news is – as Friedrich Nietzsche said in his 1888 work, "Twilight of the Idols" – "That which does not kill us makes us stronger." It's not **always** true...but if one starts by acknowledging we **all** make mistakes – and **commit** ourselves to **learning** from them – surviving hardships is what builds resilience; teaches wisdom; and give us strength. Like Jensen Huang (founder and CEO of Nvidia) said to Stanford students as a Keynote Speaker at SIEPR's 2024 Economic Summit: "**I hope suffering happens to you** [because, he said] Greatness comes from character, formed out of people who have suffered."

Turning to the present – now that a few months have passed since Trump's infamous "Independence Day" on April 2nd – I thought it would be a good time to check in and make sure everyone's alright. Depending on where you stand (politically), I know there were more than a few of you out there who truly believed it was the end of the world and, while I did my best to prepare Clients for some of the turbulence ahead (in my articles "Good!"; "Believe It or Not"; and my Podcast on "Trump's Tariffs") I think most would agree that, economically, we're fine for now – with GDP growing; inflation under control; and a substantial amount of investment coming into the country to build factories in some of our most critical industries – including semiconductors; key resources like lumber and steel; energy; and pharmaceuticals.

For the first time (as I alluded earlier) people are finally beginning to question the value of higher education, **in and of itself**, given the tremendous burden it saddles students with by the time they graduate. And – in addition to the efforts of people like Mike Rowe who (through his Foundation and program "Mike Rowe Works") has been grinding away for more than seventeen years, to show young people they **do** have **alternatives** – there's **finally** a growing recognition and emphasis on promoting skilled jobs (from welders and pipe fitters to electricians and plumbers) which represent a meaningful part of the 7.2 million job openings (current and projected) today.⁶ More focus is going into changing the stereotypes plaguing these careers and (perhaps) we'll see a rebirth of "Shop" Class in our high schools again, because these Trades offer – not only a great wage – but a sense of pride and self-respect for those who choose that path in life instead. And at the same time – when thinking about which jobs might be most at risk of being replaced by AI (or continuing to tell our kids how important it is to learn how to "code") – it's these "Blue Collar" jobs that now seem **least** at risk, for many years to come (robots or not).

As another example of (if not "misinformation") mis**understanding** – I'd like to remind folks that what we **don't** know can often make **all** the difference, when it comes (as I say in my Podcast) to making **Informed Decisions**. As the following reminds us, it's critical we dig a little deeper (when we hear people making "statements") and stop accepting **anything** anymore at face value (and, as I often say) to start any analysis by questioning our **Assumptions**.

⁶ According to the US Bureau of Labor Statistics "Job Openings and Labor Turnover Survey (JOLTS)," July 2025



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For example – when asked why we’re putting secondary sanctions on **India** but not **China** (for buying Russian crude and, thereby, **abetting** Russia’s war in Ukraine) – US Treasury Secretary Scott Bessent recently explained⁷ how, before Putin invaded Ukraine in 2022, China was importing 13% of their oil from Russia. Today, it’s 16%. With **India** (on the other hand), it was only 1% -- and *today* it’s **37%**, which is startling. **India** has been buying Russian oil – not just for their own **needs** – but reselling it for more than \$16 Billion in excess **profits**, by some of the country’s richest families. All of a sudden (assuming our goal is to **stop** the killing), the difference in policy makes more sense. So – it’s all about perspective – and taking the time to gather as much information as possible, before making a decision.

In conclusion – on this 24th Anniversary of **9/11** – I’d like to share something I recently read again myself (in Stanford’s Alumni Magazine, dated December 2022). It was about Psychology Professor Alia Crumb and the power of the mind – and her discovery that what you **think** about what you’re doing can have as much of an effect on outcome as whatever it is you’re **doing**:

“One night in the middle of grad school at Yale, Crum was working late in the lab – beset with stress over deadlines and doubts about her dissertation – when a friend peeked in and, reading the anxiety on her face, said:

‘It’s just a cold, dark night on the side of Everest.’

It took weeks for the meaning of the comment to dawn on her, but – given the fact she was at one of the world’s greatest universities trying to contribute new understandings to the field of psychology – climbing the metaphoric mountain wasn’t **supposed** to be easy!”

“Stress can bring out the best in people and it can be toxic – but your **expectations** can act as the thumb on the scale in deciding **which** prevails.”

In other words, it’s **how** one responds to difficulties, set-backs and failure that often makes all the difference – because (as she says) “(while) the power of the mind is likely not limitless, we just don’t know where those limits **are**.”⁸ **This** (and the power of the spirit) is what we must remember – to return to “First Principles” by breaking down complex problems into their most fundamental, undeniable truths and stripping away as many layers of assumptions and conventional thinking as we can. **Sometimes**, this can mean challenging existing paradigms in the process – like Elon Musk did with SpaceX. He began by questioning why (regardless of cost) people simply assumed they would always use a rocket once and (then) “throw it away,” because **that** was the way things had “always” been done. As he said, we don’t do that with airplanes, so why do so with rockets?

Today, I think the future looks brighter than it has in a long, long time. And whether it’s because

⁷ “Squawk Box,” CNBC, Tuesday, August 19, 2025

⁸ “Better Believe It,” by Sam Scott, Stanford Alumni Magazine, December 2022



of the work people like **Charlie Kirk** and Mike Rowe have done or not, I'm hopeful our young people are finally beginning to see the world in a better light, no longer seeing themselves as "victims" and thinking more in terms of what **unites** (rather than **divides**) us, in an atmosphere of civil discourse.

A handwritten signature in black ink, appearing to read 'BLevin', is positioned above the author's name.

Barnaby Levin

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