

CLOTHIER SPRINGS  
CAPITAL MANAGEMENT



# Premium Points

Timeless Truths | New Perspectives | Endless Evolution

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## From the CIO's Desk

The U.S. large cap and many Developed Markets stocks closed the 2Q-2025 at an all-time high, despite the myriad uncertainties and inconstancies of the current administration's economic policies. We'll take it. Our mission on behalf of our clients is to take whatever the markets give us.

The frenzy around all things AI--artificial intelligence--continues to grow, driving some stocks like NVIDIA (NVDA) to multi-trillion dollar market caps. We don't invest in individual stocks but we own NVDA for our clients through several of our broad based index ETFs.

I must admit I have not yet wrapped my mind around the potential of AI. From my limited knowledge and use, AI appears to be good at summarizing numerous other thoughts and opinions. I cannot imagine ceding the creation of this newsletter or anything else to an AI engine. Can AI have original thoughts? Can AI actually create anything? I surely don't know.

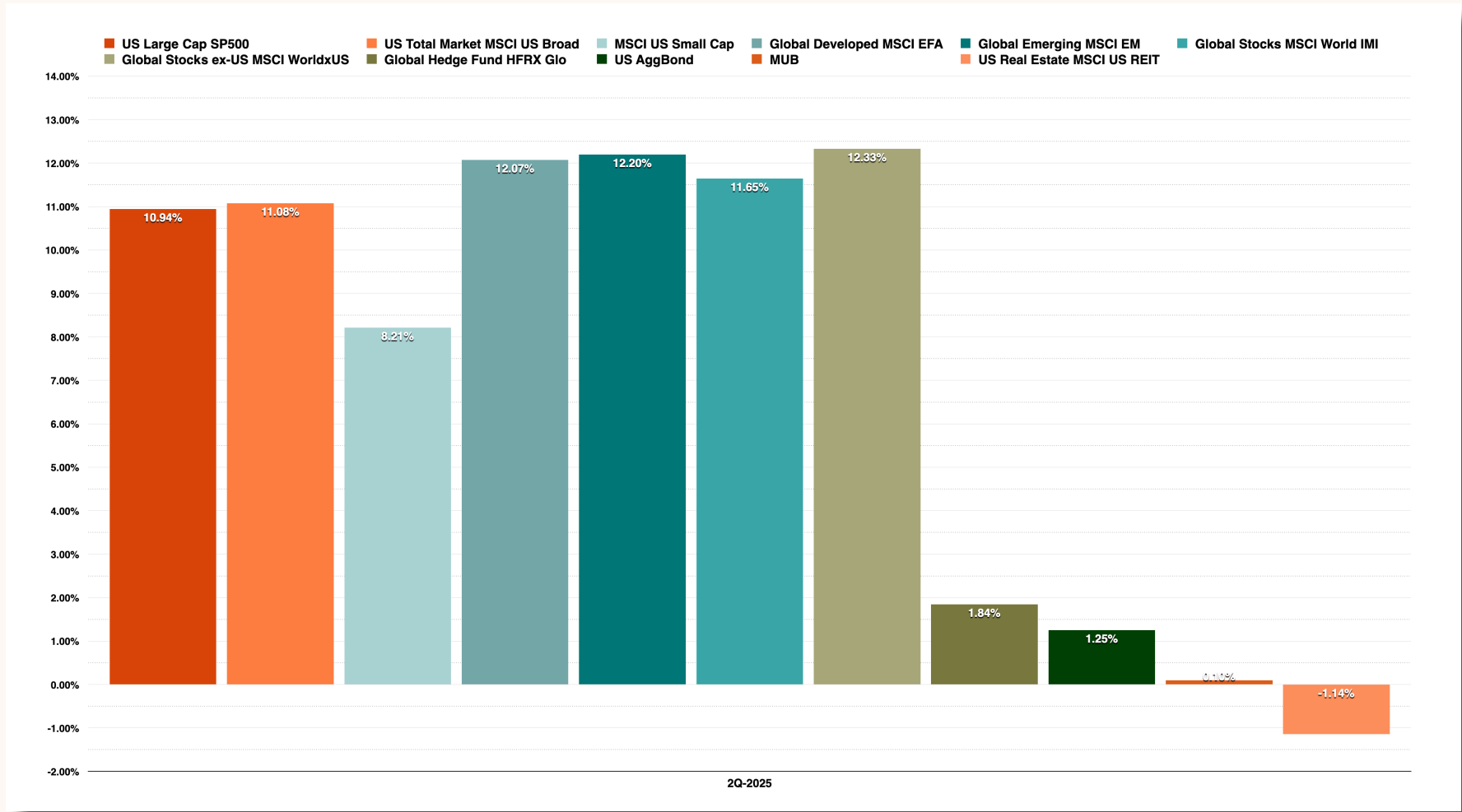
Clothier Springs reached its 15th anniversary on June 30, 2025. Here's to at least fifteen more years of helping our clients achieve their investment objectives.

We hope you get to spend some time with family and friends this summer. It is a time to recharge, get away and visit with people that you love and who lift you up. Enjoy the rest of the summer...time seems to be moving far too quickly.

*Thomas F. McKeon, CFA | July 11, 2025*







### Review & Outlook 2Q-2025

The equity markets reacted negatively early in 2Q-2025 as the across the board tariffs were announced. They reversed course when the administration back-tracked on the tariffs and the equity markets (largely US and Global Large Caps) surged to new highs by the end of the quarter.

It appears that the Wall Street complex is starting to take whatever policies this administration proposes, with a large grain of salt. It appears that the Street has no faith in the proposals, the rationale(s) or especially the follow through. So far, that has been a good thing for the equity markets as they are effectively at new highs, primarily large caps.

The Federal Reserve has held it's ground on interest rates, prudently taking a cautious approach to reducing them too quickly, lest they instigate more inflation. Still, their long term target is in the 3.5% to 4.0% range, somewhat lower than current 4.25% to 4.50%. A lower cost of capital will support and drive market valuations.

The U.S. markets are fully valued after a good multi-year stretch and it is probably best to keep short-term expectations subdued. Yet one more reason why we allocate globally. Other markets around the world and even U.S. mid and small cap stocks are more reasonably valued than the mega caps. We will look to re-balance there this quarter.

### Clothier Springs Birthday

As our application to be Registered Investment Advisor (RIA) was approved by the Pennsylvania Department of Banking and Securities on June 30, 2010 **we just reached our 15th anniversary.** We're happy to be here and happy to be helping our clients achieve their desired investment outcomes.

For perspective, the S&P 500 Index closed at 1,316.03 on June 30, 2010 and closed at 13,712.71 on June 30, 2025--a gain of 699.47% or 14.86% annually.

Over that period, one out of every five quarters was negative and four quarters were negative by more than 10%. We endured Covid disruptions, inflation and numerous other short-term issues that spooked the markets. Over time, none of that mattered.

Our logo was designed by the good people at Modern Graphics and what may look like an abstract image actually contains the Greek letter theta.

Our original portfolio offerings emphasized rules-based hedged

strategies, namely buy-writes also known as covered calls. These strategies pair a traditional investment in something like the S&P 500 with a short position in a one-month, at-the-money call option. As the option price decays over the one month the aim is to keep the underlying position in the S&P 500 and then sell a new call option hedge each month. As the time value component decays to zero each month, the portfolio gets the benefit of that decay.

In the world of options and other derivatives, there is a set of numbers that reflect the dynamic characteristics of option pricing, commonly referred to as the "Greeks."

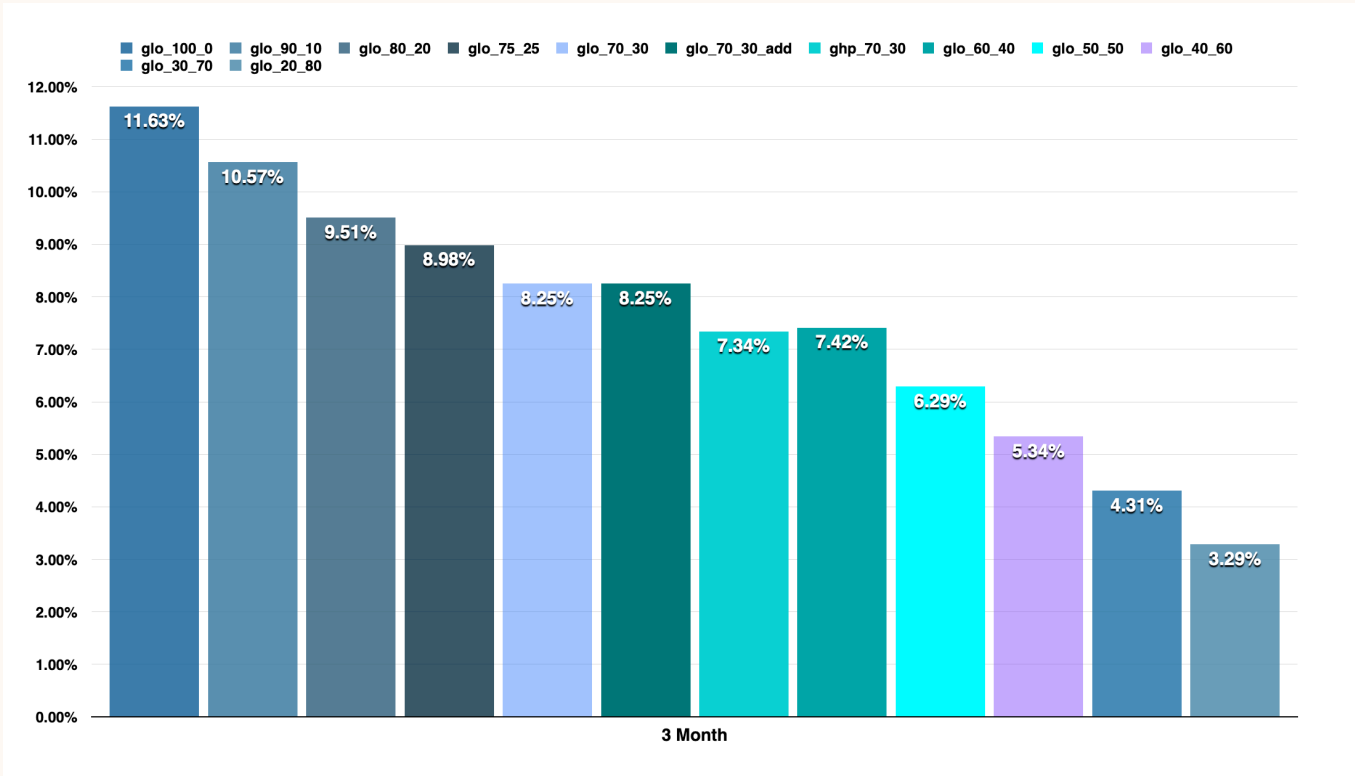
***Delta - rate of change of option price relative to underlying.***

***Gamma - rate of change of the delta.***

***Theta - rate of time value decay.***

These basic hedged strategies are still a component of what we do here at CSCM, but mostly within globally allocated, broadly diversified portfolios.

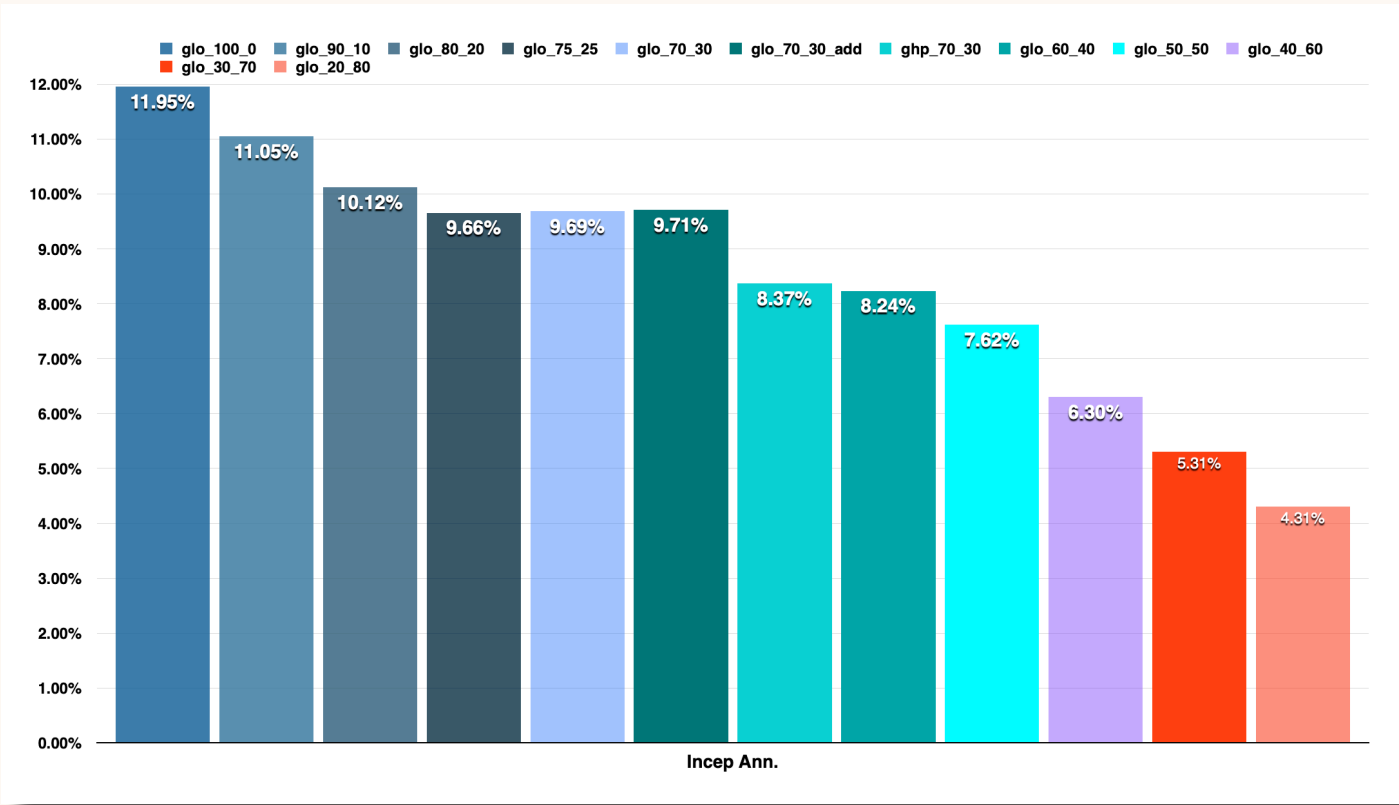
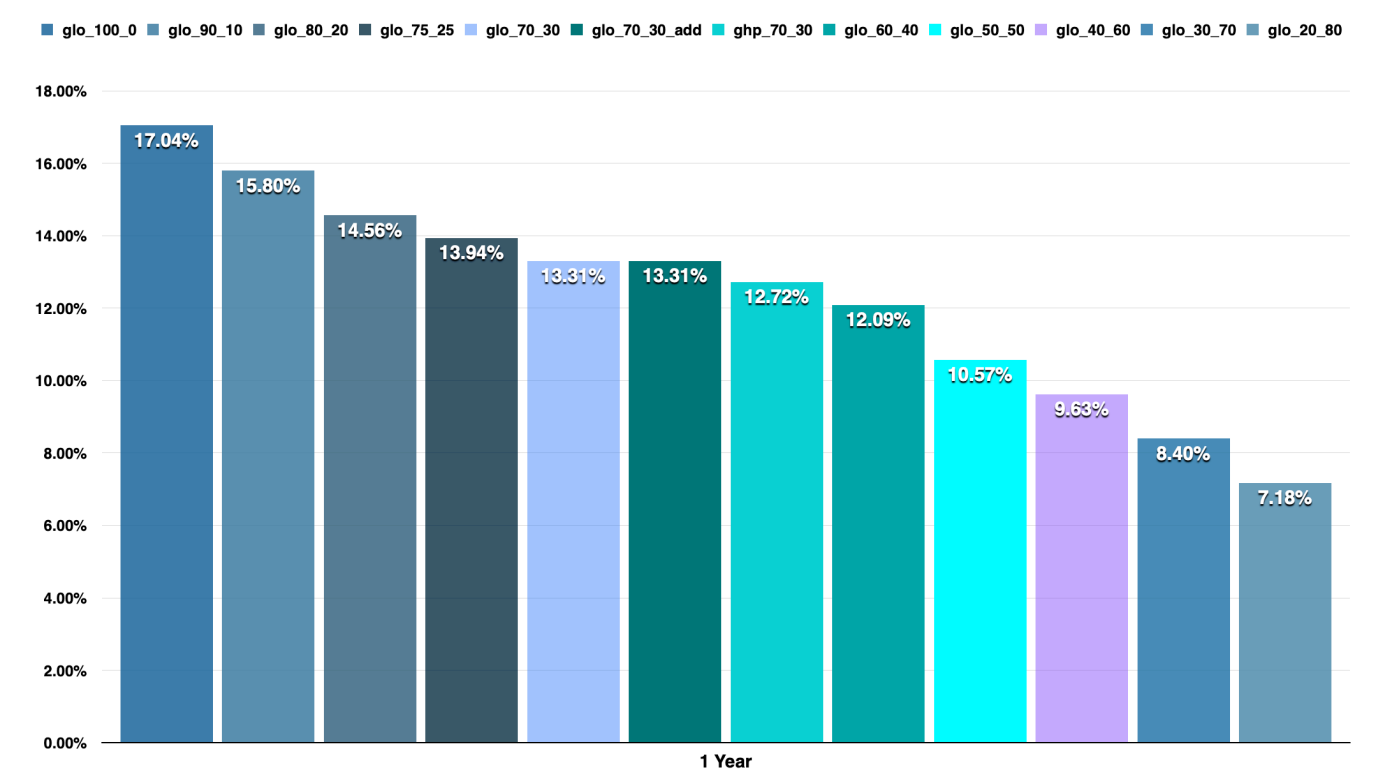
CSCM Model Portfolio & Benchmark Update



The graphs on this spread show the benchmark performance for our suite of portfolio benchmarks for the one year thru 6-30-2025, for 2Q-2025 and from inception on 6-30-2010.

In 2Q-2025, the equity markets surged to new all-time highs and most provided total returns that would be equal to a good year’s total return. What these graphs don’t show is a risk metric. But intuitively and empirically, higher return model portfolios exhibit the greatest risk, as measured by price volatility. Accordingly, the graph also reveals that lower risk portfolios come with a price--lower average returns.

The one benchmark that does not follow the natural stair-step down the return and risk ladder is the Global 70-30 (glo\_70\_30) benchmark. We built this benchmark with a slightly higher exposure to the S&P 500 than the Total US Market Index--for no particular reason. All the other benchmarks have the same proportional exposure the US and Global Total Market indexes....proportion being a 3 to 2 ratio, with total equity exposure equal to the first number in the benchmark, i.e. 70(%). All the other benchmarks have the same asset mix in varying proportions.





## Revisiting the Humble Buy-Write

In any well-allocated portfolio and in any given time period, some market exposures will be doing better than others. That is the point of allocation--to get an aggregate return with minimal risk. Combining market exposures that are not perfectly correlated reduces risk.

One of our standard market exposures is the humble buy-write--a basic hedged strategy that pairs a short one-month, at the money call option with an underlying position in the S&P 500.

Usually, one side of that position, the long or the short is profitable in any given month, but once in a while, both sides of a buy-write can profit. That happened last month when both the long S&P 500 and the short call option were profitable in the May to June expiration cycle.

At the May expiration we sold the June at the money call option at a striking price of 591. One month later at the June expiration, we bought back the short June 591 call and sold a July 599 call and collected \$2.58 for the hedge roll trade.

So the buy write had an unrealized gain of \$8 (599 minus 591) for the month and the option trade netted \$2.58. The total return for the month is thus \$10.58 which annualizes to 21.4% annually. Not bad for a simple, repeatable strategy.



## 10 Best Small Towns to Live in the U.S., According to Real Estate Experts

Want to leave city life behind? Consider moving to one of these small towns.

By [Lydia Mansel](#) | Published on June 22, 2025

### Phoenixville Named Best Small Town in the U.S.

Believe it or not our little hometown of Phoenixville has been named the Best Small Town in the U.S. by Travel & Leisure Magazine in June. When we bought a lot in 1985 and built a house, Phoenixville was indeed a gritty, rough around the edges former steel town. Since then it has risen--dare I say--like the proverbial Phoenix into a marvelous small town, and it is still getting better. The magazine says it best.

*“Phoenixville is a town that got knocked down—and then turned that comeback into a community-wide celebration,” says Casey Gaddy, realtor at The Gaddy Group, referencing the closure of the Phoenix Steel Company in the 1980s. “What used to be steel and soot is now sidewalk cafés, murals, music, and pizzazz.” About an hour outside of Philadelphia, Phoenixville is a hub for those who want to experience culture without battling city traffic. “Come First Friday, Bridge Street shuts down and becomes a block party, music spills out of storefronts, and families explore among art vendors,” he adds.*

*Those hoping to buy a home in Phoenixville may also be able to find a good real estate deal. “With home prices around \$400,000, this is one of the last Philly-adjacent towns where you can still find magic, momentum, and a mortgage that doesn’t break you or your wallet,” he says.*

### 01 of 10 Phoenixville, Pennsylvania



The Colonial Theater in Phoenixville, Pennsylvania.  
Credit: Bastiaan Slabbers/NurPhoto via Getty Images



## BHK Rights Offering

Most of our portfolios hold a position in the Blackrock Core Bond Trust (BHK) - a closed end bond fund with an attractive yield of more than 9% They recently had a rights offering whereby every shareholder was granted rights to purchase additional shares at a discount. We exercised those rights on behalf of our clients and in June our portfolios bought those additional shares at a 5% discount to the recent 5-day average closing price.

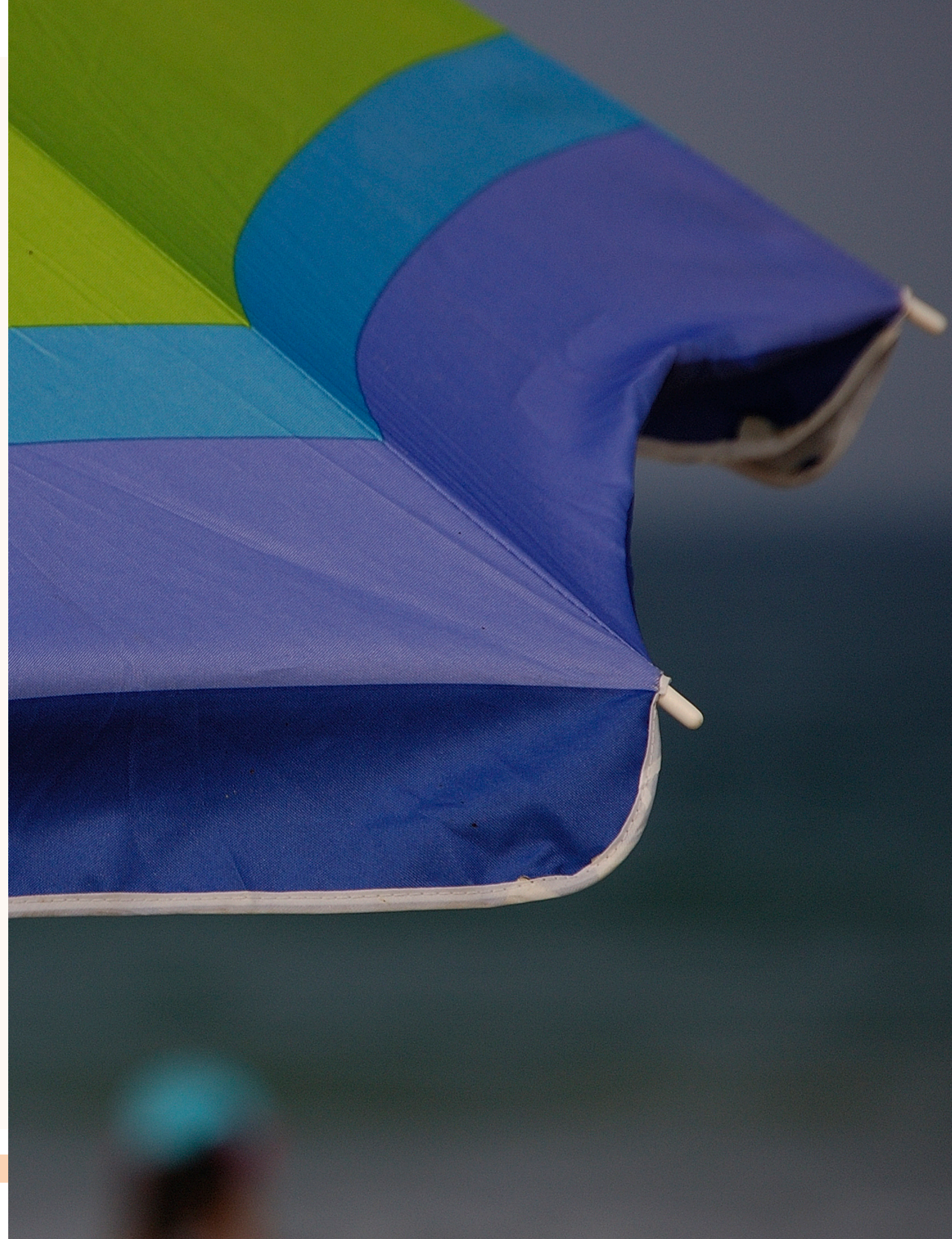
### From Blackrock:

NEW YORK--(BUSINESS WIRE)--BlackRock Core Bond Trust (NYSE: BHK) (the “Fund”) today announced the successful completion of its transferable rights offer (the “Offer”) which expired on June 18, 2025 (the “Expiration Date”). The Offer entitled rights holders to subscribe for up to an aggregate of 18,056,056 shares of the Fund’s common shares of beneficial interest, par value of \$0.001 per share (each, a “Common Share”). The final subscription price of \$9.22 per Common Share was determined based upon the formula equal to 95% of the average of the last reported sales price per Common Share on the New York Stock Exchange (the “NYSE”) on the Expiration Date and each of the four (4) immediately preceding trading days.

As a result of high investor demand, the Offer was over-subscribed, and the Fund will exercise the over-subscription privilege. Pursuant to the over-subscription privilege, shareholders of the Fund as of May 27, 2025 (the “Record Date”) who fully exercised all rights issued to them were able to subscribe at the price indicated above, subject to certain limitations and allotment, for any additional Common Shares which were not subscribed for by other holders of rights. The shares subscribed for pursuant to the over-subscription privilege of the Offer will be allocated pro-rata among those fully exercising Record Date shareholders who over-subscribed based on the number of rights originally issued to them by the Fund. The Fund will return to those investors that submitted over-subscription requests the full amount of their excess payments as soon as practicable.

*“We are very pleased with the results of the BHK rights offering. We continue to see resilient fundamentals in the market, attractive yields, and the potential for lower financing costs in the coming quarters, increasing income to our shareholders. We look forward to putting more cash to work and to continue seeking to provide stable monthly income for our shareholders.” – Scott MacLellan, Portfolio Manager for the Fund.*

The Offer is expected to result in the issuance of more than 18.0 million Common Shares (including Common Shares subscribed pursuant to the over-subscription privilege and notices of guaranteed delivery), resulting in anticipated proceeds to the Fund of approximately \$166 million. The Fund will receive the entire proceeds of the Offer since BlackRock Advisors, LLC, the Fund’s investment adviser, has agreed to pay all expenses related to the Offer. The Fund intends to invest the proceeds of the Offer in accordance with its investment objective and policies. Shares issued pursuant to the Offer will be entitled to receive the monthly distribution expected to be payable in July.





# Client Safeguards

BUSINESS

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## Scott Mason, who took clients’ millions to pay for his Main Line lifestyle, gets 8 years in prison

Mason used money from clients at Rubicon Wealth Management in Gladwyne for vacations, a Shore home, and his children’s weddings.

The above headline is from a June 2025 article in the Philadelphia Inquirer. The subject in question is an independent Registered Investment Advisor. He will be a guest of the authorities for the next eight years. The article goes on to explain that restitution to the clients will be very limited, because he spent the money. Believe it or not, we see these incidents more frequently than you might think.

Our primary custodian of client accounts is Interactive Brokers--a very robust and well-capitalized broker-dealer with extensive technology, risk management and compliance regimes. Our permissions to act on client accounts is officially called Limited Power of Attorney (LPOA) which allows us to manage, trade and supervise client accounts.

**We have no ability to move client money--full stop.** Interactive Brokers does not allow it or give us advisors any ability to do it. And that is as it should be. We are allowed to debit our quarterly fee and if a client has set up standing instructions linking their IBKR account with their bank account, IBKR allows us to transfer money out to client accounts. That is the extent of our ability to move client money...protection for us both.

Beyond that critical basic safeguard, all clients should make themselves familiar with the IBKR client portal and reporting system. Our portfolio reports are built from the foundational data of the IBKR accounts: holdings, trades, income, commissions, fees, cash, etc.

Our portfolio reporting takes the IBKR data and puts it into what we hope is a better, more client-friendly and intuitive reporting suite: portfolio summary and appraisal, transactions, realized and unrealized gains, dividend and interest income, Time Weighted Return (TWR) for discrete periods, (months, quarters, years) and Historic Returns versus portfolio objectives.

So please make sure you are familiar with the IBKR portal and the bank linking...it is the critical layer of protection and security for your accounts.

CLOTHIER SPRINGS  
CAPITAL MANAGEMENT





**WITH DOORS TO INVESTMENT ADVICE AND PRODUCTS EVERYWHERE, HOW DO YOU KNOW THE DOOR BEFORE YOU HAS A REAL FUTURE ON THE OTHER SIDE?**

**WHAT IF YOU CHOOSE THE WRONG ONE?**

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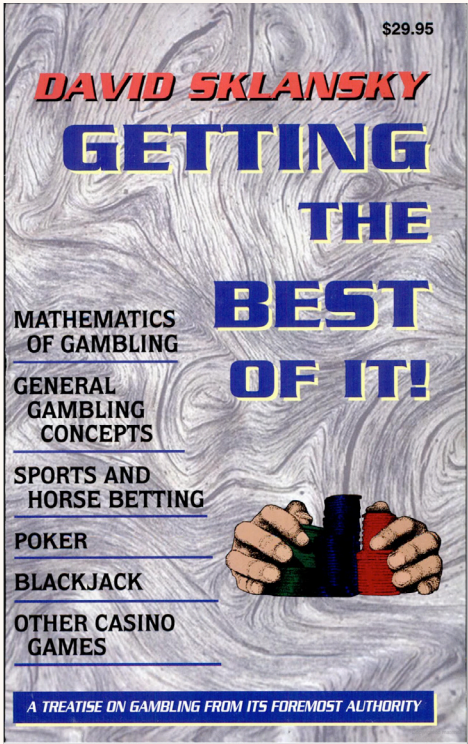
Getting the Best of It

We picked up a book in the late 1990s titled “Getting the Best of It” by David Sklansky. It is a book aimed at serious card players-gamblers with the intention of arming them with the best understanding of odds, chance and conditional probabilities so players can get the best of it.

I have never been much for gambling or poker but I understand the concept and how it relates to operating in the capital markets. In fact, our whole mission and raison d’etre at CSCM is to give our clients the best of it.

Investing necessarily requires committing capital to the markets and accepting the uncertainties that entails. We organize client portfolios to put all of the structural biases and historical tendencies in your favor, but there are no guarantees.

Any commitment of capital to the markets will have a result--good, bad or indifferent. With the right account permissions an investor could make a near unlimited range of trades and investments. Access to markets,



products, and advisors has never been greater.

For example an investor could buy shares in one company and hold it for 20 years, or 20 minutes. One could speculate in commodity or currency markets. One could day trade options.

Once could buy mutual funds with a holding period of anywhere from one day to 40 years. You get the point.

There is however, one best way to organize a client portfolio to give them the best chance to meet their unique objectives over their stated time horizon with the lowest risk. That is actually known as an ‘efficient’ portfolio. It is a Nobel Prize winning concept. It is the way prudent investors and

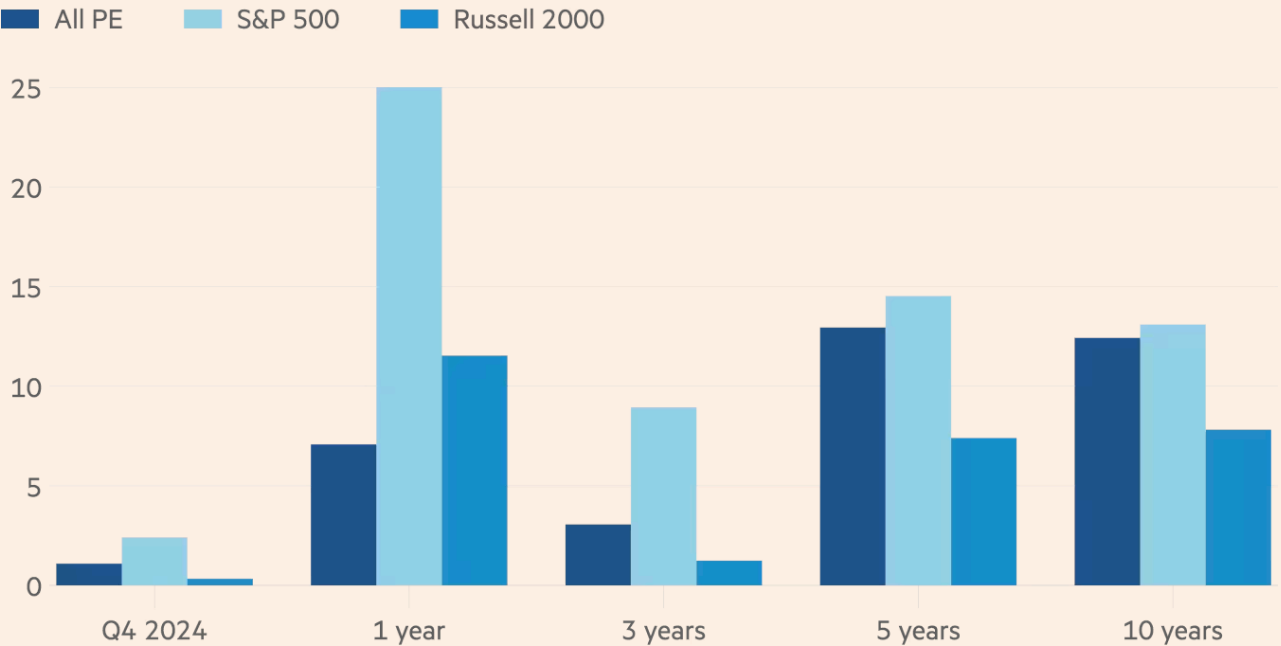
institutional assets are managed. It aims to maximize the return to risk tradeoff.

It relies on a broad global allocation, broad diversification and low costs. I hope that sounds familiar, because that is exactly what we do here at CSCM on behalf of our clients.

We give our clients “the best of it.”

The S&P 500 outperformed the State Street private markets index on all time horizons

Data as of Q4 2024



Sources: State Street Global Markets, DataStream

S&P 500 versus Private Equity

The Financial Times recently reported that private equity has underperformed the S&P 500 index over all time period over the past decade.

Full disclosure, we are not fans of private equity. It is an extraction and financial engineering business, with exorbitant fees. The private equity plunderers have recently been implicated in the bankruptcy of a major county hospital in our area and the state has moved to prohibit private equity firms from investing in hospitals.

The premise that P/E relies on to charge their heavy fees is performance: investors should pay their fees because of their great performance. Actually data now says not so much. Investors large and small can now own the S&P 500 for mere basis points versus a typical 2.0% (200 basis point) fee and a 20% of the profits incentive fee for private equity. Historic data says that is a bad deal.





[Olivia Rodrigo covers the Cure’s hit “Just Like Heaven” with Cure front-man Robert Smith at the Glastonbury festival this summer.](#)



## Closing Thoughts

Where does the time go? CSCM just reached it's 15 year anniversary. Was not long ago I was attending summer swim meets, high school basketball and volleyball games. Before that it was T-ball and teaching my kids how to ride a two-wheeler. Before that...never-mind. Now, two of them have their own babies with more to come.

15 years...60 quarters...180 months...780 weeks...5,479 days. The river of time flows ever onward. That time is finite for us all becomes ever more obvious as we age.



How should we spend our time? My social media feeds are now loaded with grand-parenting advice, live music acts, travel advice, woodworking and photography.

The algorithms are clever at discerning what keeps our eyeballs on the screen and sending more of that our way. Probably some AI involved there and perhaps that is one thing that AI is good for.

The last half of the summer is upon us. Take it easy, and know that your portfolios are still at work while you recharge.

*Thomas F. McKeon, CFA | July 11, 2025*



**PremiumPoints**

Timeless Truths. New Perspectives. Endless Evolution.

Structure **IS** the Strategy

