

GDS Investments

Client Note, July 14, 2025

*“Microeconomics is what you do,
macroeconomics is what you put up with.”*

– Charlie Munger, former vice chairman of
Berkshire Hathaway

After the tumult of the past several months, you may have begun reading commentary suggesting that the investing “rule book” of the past 15 years has been discarded and that we now face a fundamentally different economic reality demanding changes to *how* we invest.

But is that true?

“I think the rule book has changed,” Brad Klapmeyer, a senior portfolio manager at Macquarie, [told](#) Yahoo! Finance in May. He explains that from November 2008 (the Great Recession) to March 2022, the economic environment in the U.S. was defined by quantitative easing (QE), but with the onset of post-pandemic inflation and Trump’s apparently isolationist economic policy, everything has changed. “We had zero rate policy going to higher rates. We had no inflation, a Goldilocks inflationary scenario, going to now a sort of anchored embedded inflation. We had globalization, now going to isolationism. And we’re still trying to play that a playbook that we had over the last 15 plus years. I think that’s dangerous territory.”

He’s not the only one making such an argument. That same month, Citigroup CEO Jane Fraser wrote on her company’s blog, “Long-held assumptions are being challenged, not just by tariff announcements but by a deeper confidence shock.... [S]omething deeper is going on—investors aren’t just pricing near-term risks; they’re reevaluating the credibility of long-held certainties.”

It’s certainly true that some structural conditions have shifted: interest rates are higher, inflation is stickier, and [Trump’s tariffs](#) have introduced enormous uncertainty and risk. These are real changes that will have long-lasting effects.

But at the end of the day, as ever, what’s happening at the company level remains the key variable in the investment process.

Yes, current macro-economic conditions are creating genuine headwinds that will hurt weaker firms. When credit is cheap (as in a QE-type environment) and demand is easy, companies can end up papering over weak business models. Then, when uncertainty rises, costs spike, or supply chains break, those companies get winnowed. Or, as Warren Buffett colorfully [put it](#), “Only when the tide goes out do you learn who has been swimming naked.”

But *strong* businesses can perform in all kinds of economic conditions. They don’t survive because conditions are always favorable. They survive and grow because they have the internal discipline, strategic moats, balance sheet strength, and operational flexibility to navigate a wide array of difficult environments. Our current economic environment isn’t necessarily worse than, say, COVID-19 or the financial crisis. Everything happening now is just one more environment, harder to navigate in some ways, easier in others. A well-positioned, well-managed

company will be able to leverage its strengths to respond to current conditions and emerge stronger. We wrote about this back in 2022 in discussion of that year's then-historic inflation:

We wouldn't take a position – or refuse a position – because some external market factor was one way or another. In fact, being overly reactive to “market conditions” regularly causes a lot of people to short-circuit great ideas that might do well over a long time. They sell when they should hold, or vice versa, because they're reacting to something separate from the inherent value of the position.

Obviously, investors should not operate in a vacuum. It's worth understanding what's happening in the larger economy, but the market is efficient enough that by the time there's worry about inflation or labor or a recession, the market has probably already priced those market conditions in. To quote famed value investor Warren Buffett: “The stock market is there to serve you and not to instruct you.”

To that end, it is our company-specific judgments that will ultimately determine investment success or failure. From a decision-making perspective, we want to find ways to understand the DNA of the company itself, what they're doing to create success, and figure out if their approach is sustainable over time.

Plus, periods of turmoil can create compelling entry points. As we've written [before](#), chaos can be a crucible of opportunity. When panic sets in, even high-quality companies can trade at significant discounts that pay off in the long term. Remember: those who put money into the stock market at the worst of the Great Recession, for example, earned [more than twice](#) the annualized returns as those who put money in at the high point.

This is, in fact, part of what has driven some of our own newer acquisitions, like Rivian (**NSQ: RIVN**), Constellation Brands (**NYQ: STZ**), and Novo Nordisk (**NYSE: NVO**), among others. We already liked these companies on their own merits, but for a long time they were unattractively priced. We can't make money even from the best companies if we don't pay a reasonable price relative to value, but recent dips have provided us a decent entry point.

One lesson of the last twenty years is that every period of market upheaval feels unique and insurmountable while it's happening. The Dot-Com Bubble, the Great Recession, the COVID-19 pandemic, and more have all produced genuine dislocation and economic destruction that, in that moment, felt endless. But the companies that navigated those periods well often emerged with stronger market positions and healthier balance sheets.

So, while the “rule book” may have changed in some respects, the core principles of long-term value investing remain the same: focus on the underlying strength and adaptability of the businesses we own, resist the temptation to overreact to each new headline, and remember that time in the market, not market timing, is what builds wealth.

As always, we are grateful for your trust. Each of the firms in the GDS Investments portfolio are examples of companies positioned to ably weather today's uncertainties. We intend to benefit from their strength. GDS Investments is, and will continue to be, your trusted partner in building a safe and secure financial future for you and your family.

With warm regards,

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