



Investment Advisor

CONVERSATIONS ON INVESTMENT MANAGEMENT

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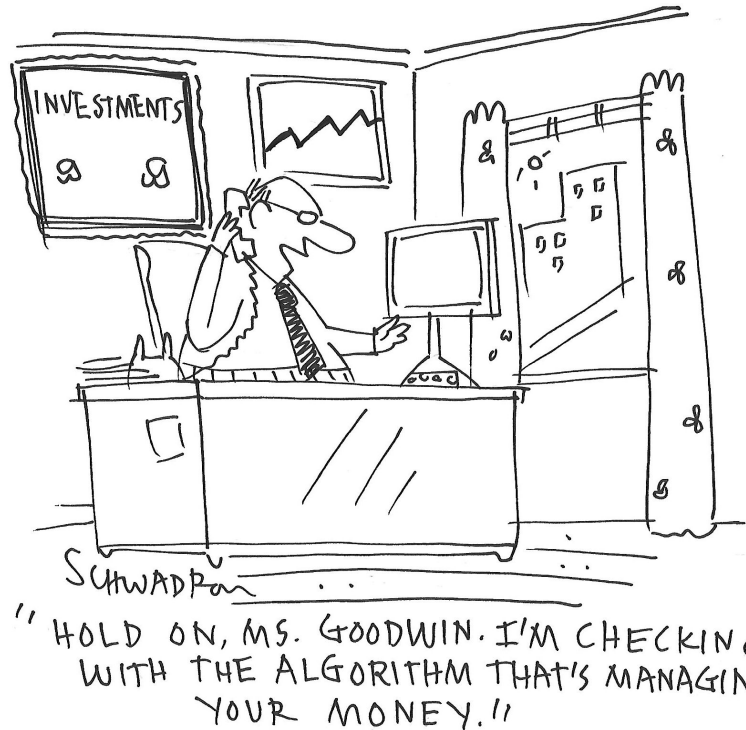


Mark A. Miller, JD, CFA
President

Miller Capital is a Registered Investment Advisor [RIA] serving individuals, families, business entities, and trusts.

“Investment is most intelligent when it is most businesslike.”

The Intelligent Investor, Professor Benjamin Graham



THE PREPARED MIND

With investing, as in life, sound thinking and asking good questions are essential; to setting up a solid plan, to taking action, and to achieving measurable progress. Artificial intelligence [AI] and computers, can strengthen or weaken sound thinking and the curiosity that leads to good questions.

The late, highly respected investor Charlie Munger was well known for his focus on sound thinking and mental frameworks. According to Charlie, “People **calculate too much** and **think too little**.” [Seeking Wisdom: From Darwin to Munger, Peter Bevelin, 2003]. Yet people can also **calculate too little** and **think too much**, often influenced by greed or fear. With investments, both sound thinking and calculating are foundational. For as Charlie said, “Opportunity comes to the prepared mind.”

We hope this issue of *Investment Advisor* is helpful to you. If you would like more information about our investment services, please contact us.

PERSONAL REFLECTIONS: KEY INVESTMENT PRINCIPLES

This month marks the 27th anniversary for Miller Capital. Over that time, we've seen extreme world events and market conditions, with very few years of stability. There is almost always something for investors to worry about. As we've written about before, a few key investment principles have guided us in our work for clients.

- Investing the proper amount in appropriate equities [or assets with equity-like returns], purchased at reasonable prices. This provides the opportunity to achieve required returns over the investment time horizon, as risk also includes the inability to fund future cash flow needs due to inadequate returns.
- Analyzing the proper amount to be held in cash or more liquid, high quality fixed income [or similar assets] to be a "cash flow reserve". This allows equities or other equity-like assets to not be sold at low prices, below their true economic value [also known as "intrinsic value"], to fund cash flow needs.
- Avoiding permanent losses of capital that can occur from over-paying for investments or selling investments at low prices when they should have never been purchased in the first place.

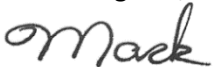
What Clients Want. While each client is unique, most clients appreciate the following:

- Clear explanations of what they own and why they own it.
- Confidence their investment advisor deeply researches the available investment opportunities and utilizes them for their portfolio in a tailored fashion; not a "one size fits all" approach.
- Proactively thinking of their situation and contacting them with important updates or action items.
- Following up on all important items, showing attention to detail that provides peace of mind.
- An investment strategy that is tailored to them and reasonably expected to achieve required returns.

Peace of Mind in a Rapidly Changing World. Technological changes seem to accelerate each year, now even more with the rollout of AI. At Miller Capital, keeping up with these changes requires more research and greater focus. We hope our dedication to clear thinking, asking good questions, and thorough research is effective in the work we produce for clients. If so, perhaps we can provide clients with greater peace of mind. What is that worth? Based on our experience, it is priceless.

In closing, it might be helpful to know that *Investment Advisor* is not written for our clients. It is written for our business contacts and prospective clients, providing general investment insights without giving investment advice. We only provide detailed research and investment advice directly to our clients. Nonetheless, we hope you find our thoughts in this edition of *Investment Advisor* to be of interest, and helpful in some way.

Best regards,



Mark A. Miller, JD, CFA
President

P.S. This edition of *Investment Advisor* pays more attention to the topic of AI since it is receiving so much attention in the media and is top of mind with many investors.

TRUST INVESTING: THE DIVERSIFICATION PLAN

Due to the significant appreciation in certain trust equities, many irrevocable trusts are now facing greater levels of concentration; at an industry, sector and individual security level. Because irrevocable trusts often have different investment laws and standards than a personal portfolio, trustees need to be adept at managing trust asset concentration issues. We wrote about concentration in our prior edition of *Investment Advisor* [Trust Investing: Uncompensated Risk and Friction, Fourth Quarter 2025]. A qualified trust investment advisor [if retained] would hopefully be leading or assisting the trustees in identifying and managing concentration risk within trust investment portfolios.

Trust Investment Laws

Most state trust laws have a Prudent Investor Rule that governs trust investing, even though the trust document itself may have overriding trust investment language. Such laws usually draw from a standard or uniform trust code that requires a trustee to exercise reasonable care, skill and caution in managing trust assets. Most Prudent Investor Rules also require the trust assets to be diversified unless there are special circumstances that result in the purposes of the trust being better served by not diversifying.

Written Investment Strategy

Regardless of whether the trust document overrides or modifies a state Prudent Investor Rule, it is good practice for the trustees to have an overall investment strategy for trust investments. In fact, Prudent Investor Rules often require an overall investment strategy having risk and return objectives reasonably suited to the trust. Common sense would suggest this investment strategy be in writing, to document a well-designed process in carrying out the trustee management duties. If a qualified investment advisor is properly retained and monitored, a written investment strategy should also apply to the investment advisor's role, in our view.

Diversification Plan

When we are a trust investment advisor, we prefer a written investment strategy that includes diversification guidelines. These guidelines might provide a maximum acceptable limit or range for concentration in an individual security. Once a limit/upper range is reached, the investment strategy can then dictate the steps or action the trustee and/or investment advisor should or must take – in essence, a Diversification Plan. These steps could include [among others]:

- Identification and communication of the limit being approached or reached,
- A timeline for addressing the concentration issue,
- Various courses of action at different levels of concentration,
- Documenting the review and decisions that either a) reduce concentration or b) maintain the concentration after consideration of the risks and benefits of the concentration.

At Miller Capital, we have extensive experience serving as investment advisor to individual and corporate trustees for a wide variety of trusts. Given that trustees of irrevocable trusts have a duty to properly manage trust assets, they should consider [not required] retaining a qualified investment advisor that leads them well and reduces their exposure to trust investment issues.

For more on the duty of trustees to properly manage trust assets from the point of view of a prominent fiduciary investment litigator, see our article titled “*Serving Trustees as Investment Advisor*” [Fourth Quarter 2015], available on our website [millercapital.com] under Resources.

INVESTMENT QUESTIONS: WHAT IS TOP OF MIND?

Do you ever wonder what conversations other people are having or what questions they are asking about certain investment topics? Here are some questions we would ask if we were the client, given current events and investment markets. As mentioned previously, asking good questions is essential to setting up a solid plan.

On Artificial Intelligence [AI]:

- **Q:** Are we in a new world with new economic realities due to AI or is this a similar situation to the dot.com bubble/crash from 1999 to 2000? Compare/contrast both periods, or other relevant periods.
- **Q:** How are your answers to the above question actually incorporated into my portfolio, not just in theory but in reality? What is my portfolio's AI exposure, and is it appropriate in your opinion?
- **Q:** For investments in my portfolio purchased mainly for their AI benefits, how have you examined the valuation of these investments prior to purchase - or is it more just based on the AI theme?
- **Q:** How might AI impact all of my investment holdings [not just the actual AI related investments] noting your views on the positive impacts/benefits and the potential negative impacts/risks?
- **Q:** If you are incorrect on your AI views [whether they be positive or negative], what are the risks to my portfolio? In other words, if you have expressed your AI views through my portfolio selections, what risks am I incurring in my portfolio based on your AI views and selections?

On Diversification:

- **Q:** How do you evaluate the amount of diversification I have in my portfolio, by asset class, by category, and by specific security?
- **Q:** If my portfolio has areas of concentration, what are they, and do you believe the portfolio is being compensated for this level of concentration risk?
- **Q:** What factors are at play, if any, in evaluating whether to hold a more concentrated position?
- **Q:** Do I have a duty to more broadly diversify the portfolio if I'm serving as a trustee of an irrevocable trust? If I'm a trust beneficiary that is able to engage with the trustee, is the trust properly diversified? What diversification guidelines are in place and how are they administered?
- **Q:** Is there a written Investment Strategy in place that has diversification standards? If so, how is it [including diversification standards] implemented in ongoing management of the portfolio?

On Portfolio Taxation, Expenses and Inflation:

- **Q:** Is my portfolio properly structured to meet my planned future withdrawals, plus taxes, expenses and inflation? Is that reasonably possible, or are my expectations unrealistic? What are your investment return assumptions for my portfolio in the future [realizing nobody can predict the future]?
- **Q:** How are capital gain taxes considered when reviewing opportunities to improve my portfolio?

On Other Topics:

- **Q:** Are there planning techniques [consulting with proper legal and tax counsel] that I should be considering to lower income and estate taxes, and to better maximize, preserve or protect my assets [including from creditors, undue influence, or future mismanagement by heirs]?
- **Q:** Are any of the above planning techniques available or applicable to benefit/protect my children, grandchildren etc., either now or in my estate plan for the future?
- **Q:** Do you coordinate my portfolio [that you manage] with outside investment accounts [that you do not manage], if provided with that information, especially when relevant to my overall financial and investment situation? How is this done [if at all] in a tangible way for me, or is this not an option?
- **Q:** What is your investment research process, and how has it changed over time?
- **Q:** Can you detail my portfolio expenses, by each investment security and for my overall portfolio?
- **Q:** Can you provide my portfolio performance annualized for various time periods compared to index returns, and further detail the performance by asset class [equities, fixed income etc.]?

Bottom Line:

- Talking about AI is different from seeing what it means to an actual portfolio; in portfolio design, in investment selections, and in past performance. The breakout of modern AI is nearly four years old, so there is a period of past performance that can be verified as to AI related performance, if any.
- It is popular to invest based on a theme or story. Yet a “businesslike” approach to investing, which we prefer, goes beyond a theme or story. It involves deep research and knowing the financial numbers, with reasonable future estimates - not just hope.
- The current attention on AI can distract from other important investment questions. **The questions we would ask if we were the client extend well beyond AI to foundational investment issues.**

At Miller Capital:

- We have clear views on AI, and explain how it is relevant to a client’s portfolio.
- Every client receives a tailored approach, and AI related investments are incorporated into each portfolio based on the client’s unique circumstances and objectives
- We believe prudent investing goes well beyond just AI. We strive to give client portfolios broad attention on other important matters expressed in our list of questions.
- We believe it is appropriate for any client of any investment firm to ask detailed, relevant questions; that is what we would do.
- If you do not know what questions to ask, then perhaps **you could ask your investment advisor what questions they would ask if they were the client. Hopefully this article helps in that regard.**

INVESTMENT INSIGHTS: RESEARCH

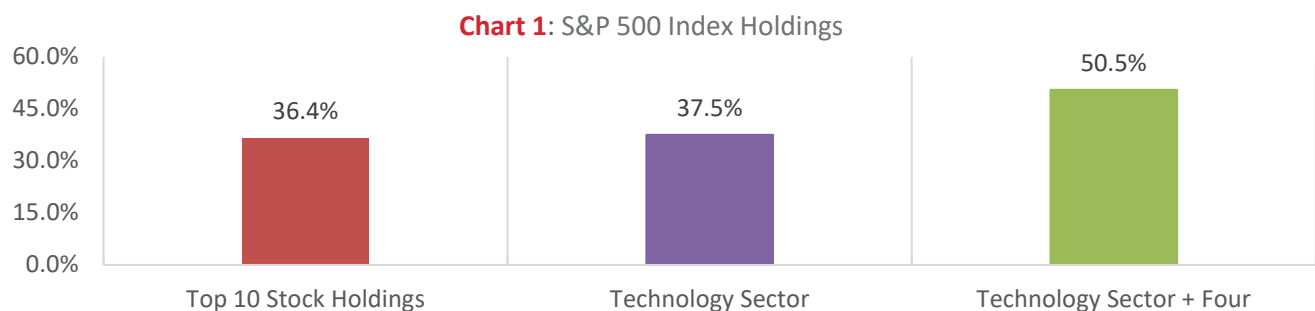
We organize our investment research into four categories:

1. **Macro:** Big picture economic, demographic, geopolitical, and financial issues.
2. **Trends & Developments:** A broad range of topics that impact investment decisions.
3. **Industries:** Insights within certain industries and sectors.
4. **Micro:** Insights from companies that impact their own securities, or other research categories.

Whether a portfolio is invested in equity index funds, actively managed equity mutual funds, directly into individual stocks, or a combination, it is important at Miller Capital to research various investment topics that impact equities. The reason being that some index funds, such as an S&P 500 Index, may not be as “broadly diversified” as one might expect, with concentrations in a few large stocks or tech related stocks. As a result, a certain level of investment research on those companies or sectors informs us in our decisions for clients.

As shown in the Chart 1 below, the S&P 500 Index has the following holding characteristics [as of 6/25/2026]:

- 36.4% invested in the Top 10 Stock Holdings
- 37.5% invested in the Technology sector [as defined by S&P]
- 50.5% invested in technology related stocks when expanding the Technology sector to include just four index companies outside the Technology sector: Amazon [Consumer Discretionary], Alphabet/Google [Communications], Meta [Communications], and Tesla [Consumer Discretionary].



Here are a few insights from our research categories.

AI in the Physical World

Many technology experts, including technology executives, believe we are currently in the fastest acceleration of technology in decades, if not our lifetimes. Since the introduction of ChatGPT and its wider adoption that began in early 2023, the focus has been on using AI to train on pattern recognition – and then how to “think” for users. Now, we are seeing more movement to using AI in the physical world – to see, move, connect and build. Robotics and self-driving vehicles have received the most attention, but the future use of AI to solve physical world opportunities and problems will require hardware that has yet to be designed or built. Arguably we are not in the late stage of an old cycle, but in the early stage of a new structural system; physical AI.

Yet the AI toward physical AI is not new, just expanded. Many technological advances over the last ten years are early versions of physical AI, just not called as such. Consider the following examples which we’ve written about in past editions of *Investment Advisor*.

Precision Farming. In the agricultural machinery sector, most major companies have incorporated AI and advanced imaging/computing technology into their sprayers, planters, tractors, and combines for years, providing immense cost savings and productivity enhancements to farmers through this “precision farming”.

- Precision farming uses cameras and sensors on sprayers to identify and spray herbicide precisely on just the weeds, without hitting crops and surrounding soil, reducing herbicide use.
- Precision farming can be used with targeted fertilizer applications and planting seeds at high speed at just the right depth based on soil conditions, pulled behind GPS directed tractors [soon self-driving].
- Farming costs are reduced while improving crop yields and soil/food quality. This allows ag equipment companies to charge more for automated equipment with software subscriptions, increasing profits.
- AI has been transforming farming for years but the AI impact is now accelerating more rapidly.

Retail. Retailers have utilized AI and advanced computing technology for many years, with robotic warehouses receiving a large amount of media attention.

- AI enabled imaging systems and high speed computing identify goods that are not paid for, often inadvertently, with alert systems preventing unpaid goods from leaving the store.
- Reducing retail “shrinkage”, or loss due to unpaid items, is a large expense to retailers which justifies larger spending on AI systems.
- In addition, the ability to reduce reliance on hard to find/costly labor lends itself to AI systems.
- While not just tied to retail, credit card processors have been using forms of AI for years to reduce fraud in real-time, improving not only retail profits but also benefitting credit card companies.

Bottom Line:

- In a world with less available labor due to aging demographics globally, keeping costs down and improving productivity should be greatly enhanced through robots, automation, and the benefits provided by advanced computing and AI.
- The impact of AI on the physical world should be broad based by industries but requires foresight and adequate technology spending and supply chains to produce results and competitive advantages.

Circular Investments

Over the last few years, some technology companies have agreed to large purchase commitments with their suppliers or customers, while also obtaining an ownership interest in them. Concerns have been raised about these Circular Investment agreements, as they were misused in the dot.com bubble/crash in the late 1990s.

The Historical Example of ASML [Modern Semiconductor Industry]. Not all Circular Investment agreements have weak business logic or turn into financial failures. Take the example of ASML nearly 15 years ago. Back then, to continue moving forward with technological advances in semiconductor manufacturing [further shrinking the size of the chips while increasing performance], a major technology process upgrade was required. ASML was the only company that could make the required technological changes. But ASML did not have the billions of dollars needed to develop the new technology based on extreme ultraviolet light [EUV].

In 2012, ASML established a Circular Investment agreement for its largest customers [Intel, Taiwan Semi, and Samsung] to **a]** acquire equity ownership in ASML and **b]** provide ASML with cash needed for research and development [R&D] for its EUV development program. These three semiconductor manufacturers:

1. Provided ASML R&D funds to develop and build machines that could help produce leading edge chips.
2. Invested in ASML common stock to benefit from their purchases of ASML’s equipment.
3. Gained preferred access to purchase the new, advanced EUV machines from ASML.
4. Purchased the new ASML EUV machines, providing massive revenue and profitability to ASML.
5. Sold their ASML stock at a large profit, recovering all their original cash outlays related to ASML.

Evaluating Business Necessity and Logic. The advanced computing chips now enabling AI [both logic and memory] would not exist but for the Circular Investment agreement made between ASML and its largest customers nearly 15 years ago. This was likely the best way for ASML to fund its EUV development program. In this case, the business necessity and logic were sound, and all parties benefitted, including the broader technology sector and technology users at large, via better products and services.

Bottom Line:

- With any Circular Investment agreement, it is important to determine if the underlying business purpose and rationale is solid, and to monitor its effectiveness and potential ramifications.
- Many Circular Investment agreements will fail to achieve their desired results even with a valid business purpose and rationale. But if a deal lacks business purpose and rationale up front [as frequently occurred in the dot.com bubble/crash], it is wise to be cautious.

Heavy Asset Low Obsolescence (“HALO”)

The “Anti-AI” Focus. Even before the military conflict with Iran started in late February 2026, investment markets were rewarding public companies for their assets that were expensive to replicate and could not easily be harmed by AI. It was essentially an “anti-AI” focus, labeled as “HALO”, short for “Heavy Asset Low Obsolescence”. Any company with assets and/or business plans that can withstand competitive threats, regardless of their source, will often gain a higher valuation, assuming those assets are managed skillfully, profitability, and without excessive leverage. We would call those companies an excellent combination of “People, Business, Price”.

Location Protection from Geopolitical Risk. Once the Iran conflict started and the Strait of Hormuz was closed, another aspect of HALO received greater attention. Public companies with HALO assets that were located in lower risk regions [not impacted by military threats in the Middle East or closure of the Strait of Hormuz] gained a higher relative valuation. If a fertilizer company, natural gas company, or chemical company, for example, was located in North America, with access to low cost inputs from natural gas or other materials and lower shipping costs with safer distribution routes, a higher value was generally placed on those assets, reflected in higher stock prices. So far, this higher valuation is sticking even with the recent reopening of the Strait. Plus well located companies may receive a lower cost to borrow and raise equity, due to lower risk.

ABOUT MILLER CAPITAL

- Miller Capital was established in 1999 and is independently owned and operated.
- We are a Registered Investment Advisor.
- We offer both investment management and investment consulting services.
- We represent individuals, private trusts [serving individual and corporate trustees], businesses and investment partnerships/companies.

CAUTIONARY DISCLOSURE

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- are not a forecast of future events or returns.