B.D. STERLING CAPITAL

November 2025 Letter
Dec 3, 2025

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To those following our investment journey:

This letter documents our personal investment journey and analytical process. It is shared for educational purposes and is not investment advice or a solicitation of any kind.

Portfolio performance for November 2025, QTD (Q3 2025), YTD (2025), and since inception (9/17/24) is summarized below.

	MTD	QTD	YTD	Cumulative
BD Sterling	1.35%	6.55%	45.59%	77.27%
S&P 500	0.24%	2.63%	17.76%	23.72%
Alpha (α)	1.11%	3.92%	27.83%	53.55%
Beta (β)	1.53	1.34	1.13	1.14
Sharpe Ratio	0.7	1.8	1.62	1.95

Cummalative number represents since inception (9/17/24)
Numbers are from Bloomberg LP and Interactive Brokers LLC
S&P 500 returns are calculated with IVV with dividends reinvested

November began with us on the edge of our seats (but more importantly still remained in our seats). We watched the market slide just as we were navigating the operational complexities of getting the fund off the ground. It was a chaotic start, but we focused on executing small tasks every day. Since "Liberation Day" in April, the portfolio has moved steadily up and to the right, roughly +35% from those tariff days. As we slid about 5% from our all-time highs in November, the commentary machine turned predictably loud. Suddenly, everyone was calling the end of tech, questioning the durability of hyperscaler spend, and highlighting "circular" AI accounting relationships between Nvidia, Oracle, OpenAI, and others. The same names that were "can't miss" in October were "obvious bubbles" a few weeks later.

In moments like this, when the noise becomes deafening, I remind myself and our investors of a speech by Peter Lynch regarding market timing and draw downs:

> *You should study history. History teaches you the market goes down. It goes down a lot. The math is simple. There have been 93 years this century. The market has had 50 declines of 10 percent or more. So 50 declines in 93 years, that means about once every two years, the market falls 10 percent. We call that a 'correction'—that means that's a euphemism for losing a lot of money rapidly.*

Of those 50 declines, 15 have been 25 percent or more. That's known as a 'bear market.' We've had 15 declines in 93 years. So every six years, the market's going to have a 25 percent decline.

That's all you need to know. You need to know the market's going to go down sometimes. If you're not ready for that, you shouldn't own stocks. And it's good when it happens. If you like a stock at 14 and it goes to 6, that's great. You understand the company, you look at the balance sheet, and they're doing fine, and you're hoping to get to 22 with it—14 to 22 is terrific, 6 to 22 is exceptional. So you take advantage of these declines. They're going to happen, no one knows when they're going to happen.

It is expected that market participants are nervous given the amount of times the 2000's dot com bubble is quoted to a 5% sell off, but we are here to remind that pullbacks are healthy and we refuse to exit high-quality businesses simply because the broader market is fearful of a pullback. We understand that during a severe market sell-off, correlations in a basket of companies can converge to 1, meaning everything sells off together. However, we take a view longer than monthly price displacements.

BD Sterling was able to recover from the early month drawdowns given our emphasis on high-conviction holdings like Alphabet (Google). **Google has arguably been our best trade of the year,** providing resilience even when sentiment soured on other tech names.

The Alphabet and the Rest of the Vocabulary

The run-up in Alphabet (GOOGL) during October and November 2025 was driven by a "perfect storm" of product execution and financial validation. The market finally transitioned from fearing Google's massive CapEx spending and search distrption to realizing that the investment was generating undeniable ROI. This sentiment shift was anchored by the Q3 2025 earnings report, where Alphabet posted its first-ever $100 billion revenue quarter (up 16% YoY), smashing expectations and proving that their AI infrastructure is not just a cost center, but a money-printing machine.

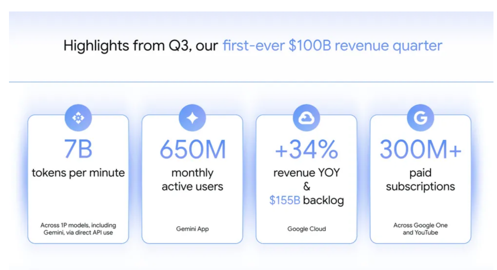

Figure 1: Q3 earnings call: Remarks from our CEO

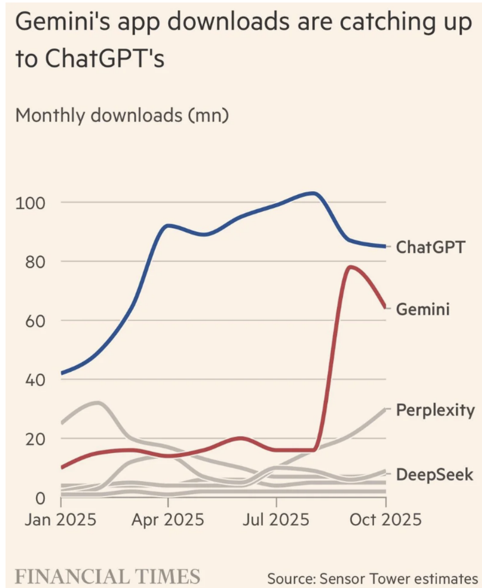

Figure 2: Gemini's app dowloads are catching up to ChatGPT's via FT

The "Nano Banana" Phenomenon & Gemini 2.5/3.0 The most culturally significant driver was the release and subsequent viral adoption of "Nano Banana" (officially Gemini 2.5 Flash Image). Originally an internal codename that leaked during public testing on LMArena in August, the market reacted enthusiastically when Google embraced the meme and officially rolled it out in October. Unlike previous image models, Nano Banana offered "world knowledge" editing, allowing users to "fix the lighting to match a cloudy London afternoon" or "remove the sunglasses and open the eyes," and it worked flawlessly. This was quickly followed by the Gemini 3.0 announcement in November, which introduced "reasoning" capabilities similar to OpenAI's o1, but with faster inference times. The market realized Google wasn't just catching up; with Gemini 3, they were arguably leading in speed to utility.

Crucially, Google paired this technical leap with a sticky strategic moat: an aggressive rollout of Gemini Education accounts, upgrading students to Gemini Pro with 2TB of storage. While other models have certainly rolled out their own educational incentives to capture early users, Google's strategy is fundamentally different due to its ecosystem depth. In the long term, the seamless integration of Gemini into the suite of products students already live in, Gmail, Google Calendar, and Drive, is the real differentiator to watch. By embedding AI directly into the workflow of these growing, tech-reliant generations, Google isn't just offering a chatbot; they are becoming the invisible operating system of their future careers. This ecosystem lock-in was further cemented by the Gemini 3.0 announcement in November, which proved that Google could match the reasoning capabilities of competitors like o1 while dominating the utility layer that actually retains users.

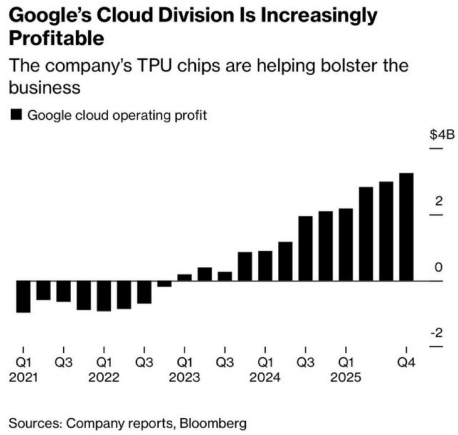

Figure 3: Q3 earnings call: Remarks from our CEO

Cloud Growth & The "CapEx Imperative" The financial engine behind the stock surge was Google Cloud, which saw revenue jump 34% to over $15 billion in the quarter. This was the "smoking gun" investors were looking for. For months, the narrative had been that Google was spending too much on Nvidia GPUs without a clear payoff. The October numbers silenced that critic. The backlog for Cloud grew to $155 billion, and operating income in the Cloud segment more than doubled. Wall Street realized that enterprise customers were locking into the Google ecosystem because of the superior TPU/GPU infrastructure, validating the "CapEx Imperative" strategy management had preached all year.

Based on the data from late 2025, the autonomous vehicle landscape has bifurcated into two distinct operational philosophies: **Waymo's** "Active" depth versus Tesla's "Testing" breadth. The data clearly delineates this split, with Waymo operating as a fully public, driverless service in dense urban cores, evidenced by its "Active" status and 89 square miles of coverage in Austin, while Tesla remains in a "Testing" phase. However, Tesla's strategy, shown by the vertical explosion in its growth graph to over 1,000 square miles, represents a "Big Bang" approach that prioritizes massive suburban coverage over curated precision. While Waymo has successfully executed the "Uber/Lyft playbook" of incremental city-by-city launches, locking in high-value routes like airports and business districts, Tesla is attempting to unlock entire regions simultaneously, betting that its generalized vision system can cover the sprawl where Waymo currently does not operate.

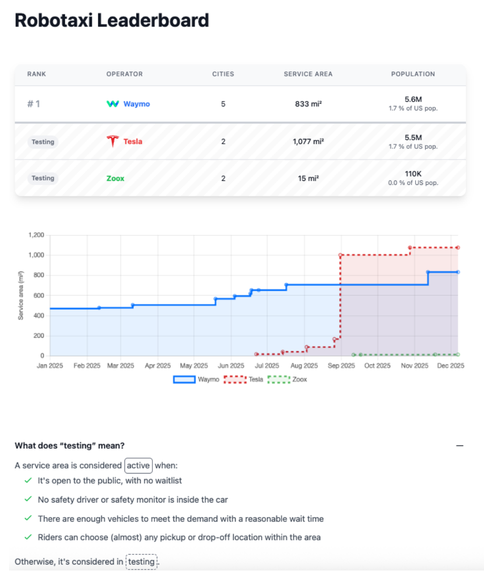

Figure 4: Waymo vs Robotaxi market share

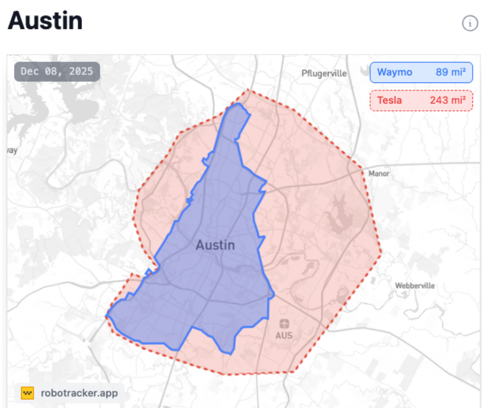

Figure 5: Waymo coverage in Austin

Consequently, what we are expecting from Waymo is a disciplined adherence to its city by city expansion strategy, where safety remains the absolute priority. We are looking for a controlled rollout that systematically unlocks an increasing number of cities, ensuring that the "Active" status implies the same high standard of reliability in every new market. The "step-ladder" growth pattern visible in the data is not a sign of hesitation, but of validation; it represents a safety case being successfully exported to new environments. Success for Waymo will be defined by their ability to steadily increase their city count, moving into Dallas, Nashville, and beyond, without compromising the safety standards that currently give them the lead in public trust. We are not looking for a chaotic explosion of coverage, but rather the assurance that every new city added is a sustainable, fully autonomous win.

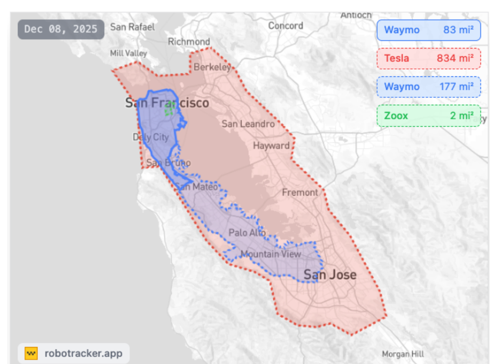

Figure 6: Waymo coverage in San Francisco

Furthermore, we are expecting Waymo to demonstrate precisely how operational leverage will materialize to offset their higher upfront hardware costs. This leverage kicks in through two primary vectors: hardware industrialization and network density. First, we expect the per unit cost of the sensor stack to decline aggressively as production scales, turning a bespoke engineering marvel into a commoditized manufactured good, much like the cost curve of EV batteries. Second, and more importantly, is the leverage found in the "depot model." The heavy fixed costs of leasing land, building charging hubs, and staffing maintenance crews are initially high, but they stay relatively flat as the fleet grows. As Waymo saturates a city, the "deadhead" (empty) miles between rides decrease, meaning each vehicle spends more time generating revenue and less time driving empty. It is this combination, cheaper cars running tighter, more efficient routes, that allows Waymo to amortize its fixed infrastructure costs and flip its unit economics from an expensive R&D expense to a high-margin cash flow generator.

A Note on Benchmarking

Finally, to provide some clarification on our benchmark. To keep it transparent for our current and potential investors, we measure our performance against the IVV (iShares Core S&P 500 ETF) with dividends reinvested. We aim for absolute returns over a long time horizon, and we believe there is simply no better standard to be compared against than the S&P 500.

While technology dominates the headlines, the market is not a monolith. This month, we witnessed robust performance across the healthcare, insurance, and financial sectors, underscored by Eli Lilly (LLY), which surged approximately 24%. We view our portfolio through this nuanced lens. Although we retain significant tech exposure, we maintain a general beta tilt, utilizing high-quality companies as the primary instruments to navigate this landscape. Our capital is currently allocated to Uber, Google, Amazon, Hilton, UnitedHealth, Booking Holdings, ASML, and Gold. We are acutely aware that generating returns has been relatively straightforward in the market's double-digit growth over the past three years. However, we do not mistake a rising tide for brilliance; we are fully prepared to tackle the heightened challenges the coming years will present.

Lastly, we wanted to give slight update on Dhruv and my career progression. This summer Dhruv will be interning at General Electric working as an aero derivative engineer and I will be at UTIMCO. We will share what this looks like for BD Sterling as we get closer to the summer.

With much gratitude,
Bhuvan and Dhruv

The performance figures depicted herein relate to Sycamore Fund LP. This account serves as the model account for the taxable accounts B.D. Sterling Capital Management manages. The performance of investor partner accounts may differ from the figures depicted herein for several reasons, including, but not limited to, cost basis differentials, the timing of account inflows, and tax considerations.

Pre-entity performance inception date is from September 17, 2025.

The statistical data regarding the performance of the S&P 500 was obtained from Bloomberg LP and Interactive Brokers LLC. The S&P 500 returns shown do not represent the results of actual trading of investable assets/securities.

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