



Missive

DECEMBER 18, 2025

The 1999 and 2025 Rhyme

Dear fellow investors,

Mark Twain said, "History never repeats itself, but it rhymes!" *Time* magazine just came out with its "Person of the Year." As you can see in the picture, it wasn't one person; it was the architects of artificial intelligence (AI) pictured in a photo replicating workers sitting on a steel beam from a building in Midtown Manhattan from a *Time* cover in 1932:



The person of the year has featured only four business-related covers over the last 26 years, and one of those was for negative reasons (accounting whistle-blowers in 2001), who exposed the Enron-WorldCom debacle. Here is the *Time* "person of the year" for December 27, 1999:



If you knew how many people have told me that the 1999 DotCom mania was more egregious than this mania, you would be astounded. This AI mania is happening at the end of the greatest momentum stock market run in US history. This momentum has sucked investors into tech, bitcoin, leveraged ETFs and option trades. It has also made the S&P 500 Index massively top-heavy, removing the diversification benefits championed by its greatest evangelist – Jack Bogle. Eight companies among the 20 largest cap stocks are directly related to AI and they currently make up 38% of the entire index as of December 11, 2025!

Therefore, let's start by asking how Amazon investors did in the aftermath of Jeff Bezos being named on the late December 1999 cover:



Source: Bloomberg.

Amazon lost 95% of its market cap by 2001 and took a full nine years to get back to even. By the way, it became the most successful stock that went public during the DotCom bubble.

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In psychology, there are two main forms of rejection (duration and magnitude). For those of us who know history and appreciate the rhymes that Twain taught us, this mania has already lasted longer (duration) and been more all-encompassing than the DotCom bubble (magnitude). It has taken the S&P 500 Index to a more expensive position relative to most of the respected valuation metrics (Schiller CAPE, Buffett's stock market indicator, US household equities as a percentage of US financial assets), to name a few. And anyone who stays late at this party could run the risk that Cinderella took at the ball. Warren Buffett said, "At midnight, everything is going to turn to pumpkins and mice! But the trouble is, there are no clocks on the wall."

At Smead Capital Management, we have no urge to be involved in investments that stand any likelihood of turning into pumpkins and mice. Thank you, as always, to our investors.

Play The Long Game,



Bill Smead
Chairman & Chief Investment Officer

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