B.D. STERLING
CAPITAL

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July 1st, 2025

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.

The performance of our portfolio for the first quarter of 2025 and since inception is summarized below.

	BD Sterling Model Account	S&P 500
	Gross	Total Return
2025:		
H1	18.45%	6.31%
Since Inception (9/18/2024):		
Cumulative	44.22%	11.42%

BD Sterling is our personal long-only investment project built on four non-negotiables: disciplined capital allocation, structured risk taking, adaptive learning, and aligned stewardship. Our entire net worth is committed to a single account, concentrated in a handful of deeply researched positions. We primarily focus on **Dislocated High Quality** businesses. These are high quality companies with durable fundamentals that are temporarily mispriced due to short-term market inefficiencies and/or misunderstood narratives. Cash is held when opportunities are scarce. We act only on evidence, not noise, and communicate with transparency.

For us, outperformance has never hinged on short-term, quarter-to-quarter fluctuations but on the disciplined realization of our investment theses through thick and thin. Although the first half of this year demonstrated significant alpha capture (in the model portfolio) relative to the broader market, such outcomes do not afford us the luxury of complacency.

Market volatility, abrupt sentiment shifts, and macroeconomic headlines were particularly abundant in the first half of 2025. These are significant factors that can distort short term returns but we found they rarely affect the long term outlook of our core businesses. Admittedly, during Q1 2025, our positions in certain high-beta stocks were maintained longer than optimal, influencing our returns when market sentiment shifted unexpectedly. Reflecting on this, we acknowledge we were slower than ideal in adjusting portions of the portfolio, especially after the significant run-up extending into early February. This experience reinforced our understanding of how swiftly elevated valuations and heightened expectations can reverse, potentially turning strong gains into short-term setbacks, even in positions where we initially realized substantial upside. In practical terms, we're closely monitoring our high beta positions to promptly exit those that rapidly become significantly overvalued, aiming to avoid the kind of sharp downturn we encountered in mid-Q1 2025. This doesn't imply we'll hastily sell positions at the first sign of unrealized gains just to capture small profits while potentially missing further substantial upside. Rather, it's about maintaining the discipline to critically assess when valuations become excessively inflated and clearly unsustainable relative to our growth projections.

However, even after saying all of that, it was a net positive for the overall portfolio. We capitalized on a few exceptional opportunities at extremely attractive valuations, and the market subsequently corrected these valuations upward, albeit somewhat overzealously. Most importantly, the foundational theses behind our largest positions remain robust. As these businesses continue to deliver, compound their earnings, and sentiment stabilizes, we anticipate the market will gradually recalibrate their valuations closer to intrinsic value, fully unlocking the alpha we foresee from our core theses.

Short term drawdowns are natural components of our investing journey. However BD Sterling's core objective remains consistent: to steadily compound capital by holding resilient businesses capable of sustainable growth across market cycles, while also remaining ready to opportunistically redeploy capital when compelling valuations arise. Although BD Sterling's track record is still in its early stages, we see this half reinforced the discipline, continuous learning, and steadfast long-term approach essential to achieving sustained outperformance in the model portfolio. We take great pride in the depth and rigor of our stock research, and seeing our performance surpass benchmark indices has been very rewarding. Looking ahead, we remain confident in our ability to consistently deliver outperformance in the model portfolio over the long term and demonstrate the progress of our own thinking and process since early 2025.

Performance Attribution

Positions that had a material impact on the portfolio's mark to market performance for the half are outlined below.

Performace Attribution	
H1 2025	
Robinhood	9.48%
ASML	2.30%
Uber	2.17%
Google	1.29%
Amazon	0.27%
Schwab US Large-Cap Growth ETF	-0.27%
Other	3.21%
Gross Performace	18.45%

Note that SCHG was a position while we were waiting for deployment opportunities after an influx of captial

Portfolio Composition

The composition of the portfolio at the end of the quarter is depicted below

Portfolio Composition	
Equities	85.11%
Cash	6.39%
Commodities	8.50%

To hedge our position, we increased our gold position (AAAU). AAAU was selected since we only wanted to capture the exposure to gold and reduce idiosyncratic risk with physical gold.

Select Portfolio Updates

Robinhood Markets Inc. | Nasdaq : HOOD

Since we first pitched Robinhood, we've been questioned repeatedly if it aligns with our criteria for high quality, value oriented investments. Our answer is clear: Absolutely. Some investors categorize Robinhood strictly as a growth stock rather than a high quality value play, but we fundamentally disagree. Growth and value are not mutually exclusive. Value is in identifying opportunities where the market fails to reflect the company's underlying fundamentals and growth potential in the stock price. A higher than market P/E ratio does not disqualify a stock if its growth trajectory significantly surpasses market averages. Growth doesn't cancel out value, it can be the very reason value exists. In fact, many of the best value opportunities arise when the market underestimates the quality and sustainability of a company's growth. With Robinhood, we saw a business expanding revenues at a 50%+ 5 year CAGR, reducing costs, and improving profitability and operating margins. That's not just a growth story, it's a textbook value opportunity hiding under the label of a techy, high-beta growth name. We look for mispriced excellence, and when growth is both real and underappreciated, it becomes a core part of our value thesis. Since then, it has been one of our biggest drivers of growth following the Q1 tariff crash.

Currently, Robinhood has a P/E ratio of around 52.90, a huge margin expansion from when we bought it around march when it was 22. The company is still delivering revenue growth at a remarkable 54% 5-year CAGR, coupled with operating margins at 39%.

Robinhood operates a brokerage platform combining stocks, options, and cryptocurrency trading with various financial services. Its mission is to democratize financial markets, offering retail investors trading without minimum balance requirements. The company generates revenue primarily through Payment for Order Flow, interest income, margin lending, and subscription based offerings such as Robinhood Gold.

Financially, Robinhood has demonstrated remarkable improvement, transitioning from significant losses to sustained profitability. This turnaround has been driven by disciplined cost management and increased operational efficiency, reflected in reduced R&D and general administrative expenses.

These improvements indicate Robinhood's evolution from aggressive expansion to a more sustainable, profitability focused model. With outstanding margins, gross margin at 85.8%, profit margin at 47.8%, and operating margin at 35.8%, the company is exceptionally well positioned to leverage ongoing operational efficiencies and product expansion, reinforcing its potential for continued outperformance.

Alphabet Inc | NASDAQ : GOOGL / Uber Technologies Inc | NYSE : UBER

The biggest narrative on Google since ChatGPT's arrival has revolved around search dying (12). However, this statement is backed by a speculative assumption that the data contradicts, as well as not encapsulating Google's abilities to monetize this new technology. Sundar Pichai framed it as a way that Gemini overview will provide the bleeding edge experience of AI while the search page is still available for access to the web. As Gemini overview gets better, more and more features will get integrated into the search page we know.

We think a more insightful question is understanding how people react to the difference in prompting. Chat GPT was instrumental to bridge the gap between your mind and machine. Your exact thought or question can now be an input straight into Chat GPT, creating a frictionless experience from question to answer. This fuels curiosity in people, which is addictive. The top models such as Chat GPT, Claude, Llama and Gemini have all honed in on this experience. Google is now offering that same experience in AI mode search (not AI overview), creating frictionless AI search with Gemini on the Google search page we all recognize. Overall, this is a net positive for the way society operates, with the layer of value that Google provides.

The core thesis of Google is around Youtube, Cloud and Waymo. Youtube is what every Gen Z kid grew up with. Youtube is watched around a billion hours a day and is only growing. This equates to around 180 billion hours in just H1 2025! (9) With Youtube being the go to for any video needs, Youtube.com is the 2nd most searched website in the world, right behind Google.com (10). Google takes advantage of this traffic by targeting ads. To avoid any slippage in revenue, they have also made an effort into cracking down on ad blockers and also offer multiple tier subscription plans, if you are a person who hates ads. Youtube Ads in Q1 2025 generated 8.9 billion. A 37% annualized return since Google acquired the business in 2006 for $1.6 billion. Youtube still grows at around 12% YoY, while users move away from traditional streaming. The youtuber creator economy has provided a strong base for this business model. Youtube's creative economy has supported 490,000 full time jobs in just the US and added $55 billion to the US GDP in 2024(7). Youtube is becoming even more important as the people who grow up watching their beloved creators becoming even bigger, created a flywheel for the business to compound. The content on Youtube is never ending. People think it is too late to be a youtuber, however IShowSpeed, who grew to 40 million subscribers since getting its first recognition in 2021. Proving it's never late.

The second leg of Google is Google Cloud. Google Cloud was late to the party, but has nevertheless proven to be a powerful revenue segment for Google. Since Q4 2021, Google Cloud revenues have more than doubled from $19.2 billion to $45.9

billion (TTM). More importantly, Google Cloud operating margins have gone from 2.6% (Q1 2023) to 17.8% (Q1 2025). This operating leverage that Google Cloud has proven makes it attractive in the tech boom of 2025. Cloud is the backbone of the world that we live in and the need for cloud will only increase in the future. Google Cloud excels where data, AI, global consistency, sustainability, or burst economics are the main design constraints. Its serverless analytics, open model marketplace, private backbone, and 24/7 carbon-free roadmap give it unique strengths that neither AWS or Azure fully replicate today.

In June Google came out with their inference token number that shows how valuable they are to the AI race. Google's TPUs are custom-designed chips for accelerating AI tasks, especially efficient for large-scale matrix operations found in neural networks. Open AI, wanting to be at the cutting edge of what is being offered is reported to use Google TPUs could signal a strategic shift towards diversifying hardware providers and addressing inference cost concerns. OpenAI is reportedly not using Google's most powerful TPUs (like Ironwood), suggesting they might be reserved for internal Google projects. OpenAI's reported use of (11)

Lastly but possibly the biggest driver, Waymo. Waymo has proven itself as the leader in AV technology by being deployed in multiple cities while also expanding in the coming years to New York City and more. AVs are built on trust. For example, Cruise had a very unfortunate event that led to the project being scrapped. This leads us to believe that investing in Lidar is something that is very important, even if it makes scalability a little slower. (Waymos are estimated 180,000 (2) vs robotaxi 30,000(3)). Even if you liked robotaxi, you have to deal with idiosyncratic risk (Elon, EV market share and Politics), something that doesn't meet the criteria for BD Sterling.

This is Sundar Pichai's take on Waymo and the robotaxi competition: "We don't compete with Tesla directly. We are not making cars etc right, we are building L4-5 autonomy." They are making Waymo general purpose technology that can be applied to a lot of scenarios. Waymo not having the whole market is completely obvious, but that doesn't mean that Waymo can't be the market leader. As AV becomes more in favor by gaining trust, the applications of Waymo technologies can provide great horizontal market share.

Their partnership with Uber (another B.D. Sterling core position) has led them to be effective in penetrating a new city and have incredible execution. We look at Uber for its operational excellence and fleet management. A good question we get is, "Who would want to use an Uber while AV technology takes over?" But that represents a misunderstanding in the ride hailing market, the fact that it's mutually exclusive. While Waymo and other AV technology grows, Uber is established well to be a dominant leader in all kinds of mobility.

While we take concentrated bets, we are diversified through the business itself. Uber operates in 15,000 cities in 71 different countries (4). Uber Eats is available in over 6,000 cities across 45 countries.(5). While Uber is increasing the operational ability in current cities, Uber is focused on the innovation in mobility by creating new niche products for smaller cities, seniors and other forms of transportation.

Recently Uber Advertising was at Cannes (Oscars for the ads business) and they mentioned a new ad format that allows brands/advertisers to pay for users' next ride! A way to foster brand affinity and customer loyalty, while providing real value to the users. Since the division's launch in late 2022, Uber Advertising is now doing 1.5 billion in annual revenue run rate (Q1 25) , a growth of 60

Hilton Hotels Corporation Common Stock | NYSE: HLT

One of Bill Ackman's investment concepts is to own businesses that do not need to invest new capital to run the business. A great business is one that owns a brand and receives a royalty or fee of growth in perpetuity. Hilton is an example of this business model. Hilton owns the brand but other people put up the capital to run the hotel. This is the same business model that can be observed in Uber. These companies are aggregating the supply/demand of the logistics business, while not owning any of the hard assets, but earning a royalty on the aggregation service. A common question asked about this business model is, "Why not AirBnB then?" AirBnB is if Hilton and Uber have a child, but took the worst part of each. It takes on the limited brand control from Uber (compared to Hilton's white glove brand maintenance) and the interest rate sensitive assets (real estate) from Hilton. This is a very general way to look at it which could a fault, but for right now, it's not a business that we are overly excited about.

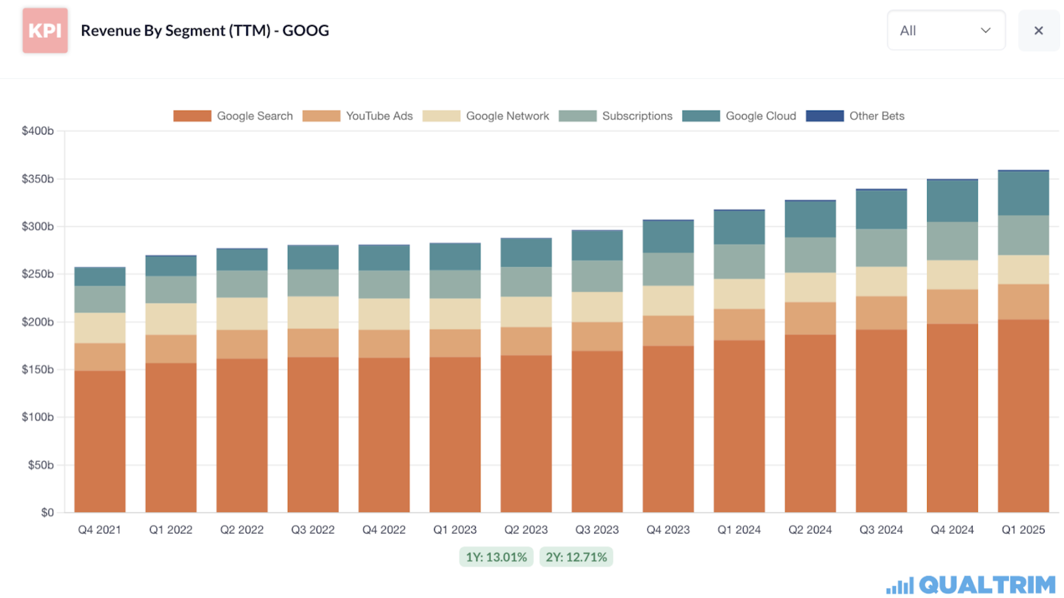
Hilton seemed like a no brainer when we were reading a pitch that came across our desk. Simplifying Ackman's statement from earlier, we can consider ROIC to measure a business that will receive a fee in priority on capital invested today. Today Hilton's ROIC is around 25%(8), while the drivers for growth are still present. Hilton owns around 47 hotels themselves, but the revenue driver is the Franchises Fees it is entitled to on the 7722 hotels owned and operated by independent individuals. These royalty fees are growing around 5 basis points per year. There is also clear growth of Hilton's capacity given the company's development of 503,400 rooms, compared to 1,282,192 rooms operated today, equaling a 40% increase in Hilton's hotel capacity. Pulling on both levers of price and volume, Hilton is an attractive business to own for the foreseeable future. With pulling on both volume and price lever, coupled with debt issuance, Hilton is a sharebuyback machine.

In the hospitality business, brand and delivering a white glove experience is very important. Hilton is #1 rated hotel brand and #2 by unit account to Marriott International. To lead Hilton and be a steward of the Hilton experience, President and CEO Chris Nassetta (who owns $990 million of HLT stock) has proven his leadership ability to take basis points in global market share for 18 years.

Our personal portfolio is well-positioned for the current market environment, maintaining our long-term focus. We remain committed to achieving strong returns through disciplined investing. Thank you to mentors, peers and friends who have shared feedback, insights and encouraged our investment journey.

With much gratitude,
Bhuvan and Dhruv
Future Co-CIOs

Appendix:
(1)


KPI
Revenue By Segment (TTM) - GOOG
All
Google Search
YouTube Ads
Google Network
Subscriptions
Google Cloud
Other Bets
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$350b
$300b
$250b
$200b
$150b
$100b
$50b
$0
Q4 2021
Q1 2022
Q2 2022
Q3 2022
Q4 2022
Q1 2023
Q2 2023
Q3 2023
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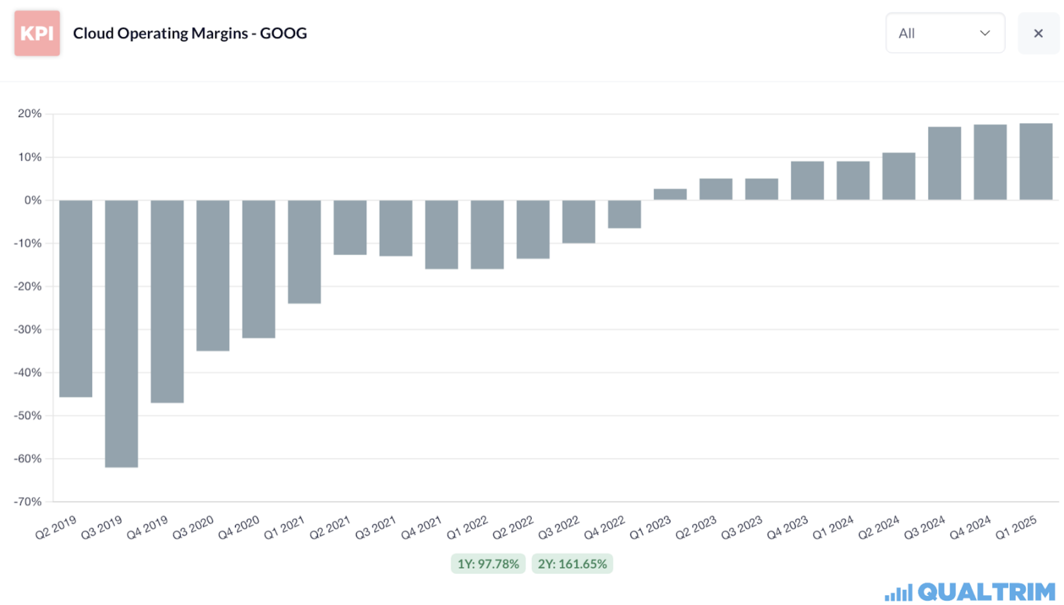
2Y: 12.71%
QUALTRIM


KPI
Cloud Operating Margins - GOOG
All
20%
10%
0%
-10%
-20%
-30%
-40%
-50%
-60%
-70%
Q2 2019
Q3 2019
Q4 2019
Q3 2020
Q4 2020
Q1 2021
Q2 2021
Q3 2021
Q4 2021
Q1 2022
Q2 2022
Q3 2022
Q4 2022
Q1 2023
Q2 2023
Q3 2023
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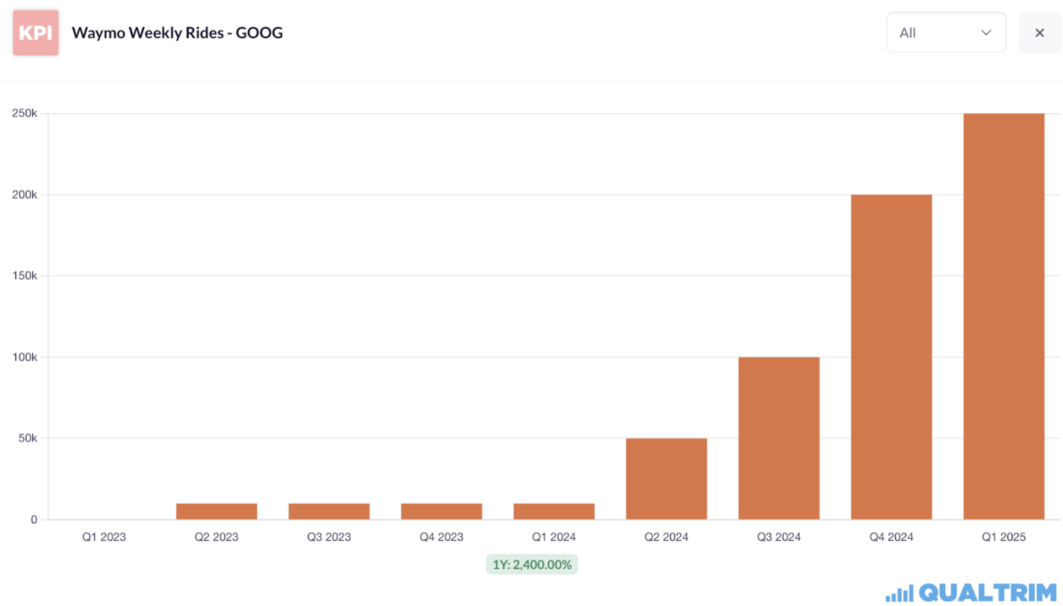
1Y: 97.78%
2Y: 161.65%
QUALTRIM



(2) https://x.com/SawyerMerritt/status/1931885649663078904 https://www.nytimes.com/2024/09/04/technology/waymo-expansion-alphabet.html

(3) https://tinyurl.com/4frjw8cu

(4) https://www.uber.com/us/en/r/cities/

(5) https://help.uber.com/ubereats/restaurants/article/when-and-where-is-uber-eats-available-?nodeId=3f8de61e-09dd-4844-afb2-749c9ffc65a8

(6) https://www.uber.com/blog/uber-advertising-expands-ride-offers/

(7) https://services.google.com/fh/files/misc/us_full_report.pdf

(8)

(9) https://www.socialpilot.co/youtube-marketing/youtube-statistics

(10)

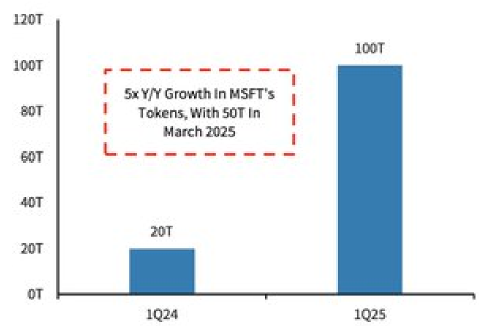
Rank	Website	Category	Rank Change	Avg. Visit Duration
1	google.com	Computers Electronics and Technology > Search Engines	=	00:10:46
2	youtube.com	Arts & Entertainment > Streaming & Online TV	=	00:20:47
3	facebook.com	Computers Electronics and Technology > Social Media Networks	=	00:10:59
4	instagram.com	Computers Electronics and Technology > Social Media Networks	=	00:08:41
5	x.com	Computers Electronics and Technology > Social Media Networks	=	00:12:37

(11) https://www.reuters.com/business/openai-turns-googles-ai-chips-power-its-products-information-reports-2025-06-27/: :text=OpenAI

FIGURE 1. GOOGL Monthly Tokens Accelerating Post AI Overview Expansion...

Source: Barclays Research, Company Disclosures

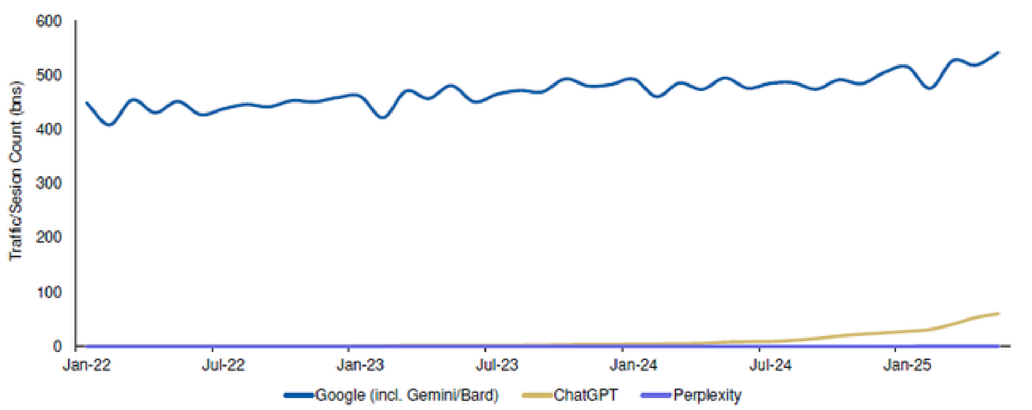
FIGURE 2. ...While MSFT Tokens Grew 5x in a Similar Time Period



Source: Barclays Research, Company Disclosures

(12)

Exhibit 5: ...however, GOOGL's scale and traffic has continued to gradually grow and is ~9x that of the nearest competitor ChatGPT



Source: SensorTower, SimilarWeb, Morgan Stanley Research