

2025 Q2 Shareholder Letter

July 25, 2025

Dear Fellow Shareholders:

A lot can change in a quarter. The president backed down from the most draconian version of his tariff threats, and the market staged a relief rally, which unfortunately left us behind this quarter. We don't necessarily position the fund to be "aggressive" or "defensive" per se, but we do try to remain focused on fundamentals rather than shifting with market sentiment. Several of our underperforming holdings, including Berkshire Hathaway and AutoZone, declined not due to operational issues, but because of their perception as "safe stocks."

But the biggest hit to the fund this quarter had nothing to do with tariffs or a trade war. UnitedHealth Group's (UNH) stock dropped by almost half this quarter, which took off 2.0% from the fund, and we discuss in full below. Progressive hurt the fund by 0.5%, and Eagle Materials, which reported disappointing earnings, took off 0.4%.

On the positive side of the ledger, our tech giants Microsoft and Alphabet benefited from the positive sentiment and were our strongest contributors, adding 1.4% and 1.1%, respectively. American Express, sensitive to travel and consumer spending, added 1.1%.

Total Returns as of June 30, 2025

	2nd Quarter	1 Year	3 Years	5 Years	10 Years	Since 9/30/10 Inception
Bretton Fund	2.70%	10.71%	10.02%	16.40%	11.92%	12.52%
S&P 500 Index (B)	10.94%	15.16%	19.71%	16.64%	13.65%	14.30%

(A) 1 Year, 3 Years, 5 Years, 10 Years, and Since Inception returns include change in share prices and, in each case, include reinvestment of any dividends and capital gain distributions. The inception date of the Bretton Fund was September 30, 2010.

(B) The S&P 500® Index is a broad-based stock market index based on the market capitalizations of 500 leading companies publicly traded in the US stock market, as determined by Standard & Poor's, and captures approximately 80% coverage of available market capitalization.

Performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. You may obtain performance data current to the most recent month-end at [here](#) or by calling 800.231.2901.

All returns include change in share prices, reinvestment of any dividends, and capital gains distributions. The index shown is a broad-based, unmanaged index commonly used to measure performance of US stocks. The index does not incur expenses and is not available for investment. The fund's expense ratio is 1.35%.

Portfolio as of June 30, 2025

Security	% of Net Assets
Alphabet Inc.	9.10%
The Progressive Corporation	8.02%
AutoZone Inc.	6.68%
American Express Company	6.63%
JPMorgan Chase & Co.	6.26%
Microsoft Corporation	5.73%
Visa Inc.	5.69%
Bank of America Corporation	5.36%
The TJX Companies Inc.	5.22%
Mastercard Inc.	4.74%
UnitedHealth Group Incorporated	4.69%
NVR Inc.	4.58%
S&P Global Inc.	4.41%
Ross Stores Inc.	3.98%
Dream Finders Homes Inc.	3.85%
Moody's Corporation	3.75%
Eagle Materials Inc.	3.56%
Berkshire Hathaway Inc.	3.28%
Union Pacific Corporation	3.18%
Revvity Inc.	0.96%
Cash	0.33%

*Cash represents cash equivalents less liabilities in excess of other assets.

The fund did not add or eliminate any positions in the quarter.

UnitedHealth Group

UNH had a quarter from hell.

On April 11, its stock closed at \$599. About a month later, it lost over half its value, closing at \$274. If the sudden evaporation of 55% of the firm's market capitalization was simply a matter of animal spirits resetting and the underlying business was unaffected, we might, with great effort, convince ourselves that this was merely a particularly dramatic display of the random walk of Wall Street.

That is not what happened.

In January, the company announced its 2024 results and affirmed its earnings guidance for the current year, projecting adjusted earnings would grow 7% in 2025. That was a lower-than-ideal growth rate, but the company was seeing greater healthcare utilization and dealing with unfavorable changes in Medicare payment rates.

On April 7, the federal government announced that Medicare payment rates would increase by 5.1% for 2026, more than double the 2.2% it had originally proposed and materially greater than inflation. Medicare Advantage providers looked to recoup some of the margin compression they experienced in the last two years, and UNH's stock was close to its all-time high.

On April 17, UNH announced first quarter adjusted earnings 4% above the prior year's, but unfortunately, UNH also revised down its earnings forecast for the full year to around \$26 per share, down from \$30. That is, instead of growing 7%, UNH now expected to shrink 6%, which implied an especially steep drop for the back end of the year.

Then-CEO Andrew Witty gave two explanations for the change in prospects: 1) Its Medicare Advantage patients, particularly those who access Advantage through groups such as public employee retirees, consumed far more healthcare than expected. And 2) its OptumHealth division, which provides comprehensive care to its patients, added large slates of new enrollees from plans that exited the market, and those new patients were much sicker than expected, requiring more care. Perhaps these problems would be transitory. If public employee retirees were unusually crowding doctors' offices in the first quarter, maybe behavior would revert to norms over time. If seniors who had previously fallen through the gaps were now seen by Optum doctors, it would be expensive to treat right away, but then these members would be healthier next year and more profitable.

It turned out the problems were not transitory. On May 13, the company announced that the increased medical usage had not only spread to other Medicare Advantage enrollees, but to its corporate and Medicaid members, particularly those with complex conditions. It pulled guidance entirely, and CEO Witty was fired with immediate effect—officially designated as a departure for "personal reasons"—and replaced by Stephen Hemsley, the company's éminence grise and CEO from 2006–2017. Witty was never ideally suited for this CEO role. He was previously the CEO of pharmaceutical giant GlaxoSmithKline, which is technically in the broader healthcare space, but drugs really are a different beast than insurance. Hemsley's many years running the core insurance business seems to be a better fit for the company's current challenges.

Just two days later, on May 15, the Wall Street Journal reported that the Department of Justice was now investigating the company for criminal Medicare fraud for "upcoding" patients with medical conditions they did not have. On June 2, the Wall Street Journal ran the obligatory story lambasting Witty for being an absentee CEO who commuted by jet to Minnetonka, Minnesota, from Buckinghamshire, England, and was in over his head. Hemsley, who had started coming into the office to meet with senior executives almost daily since April, had essentially deposed Witty weeks before the formal announcement. Victory has a thousand fathers, defeat is an orphan.

Where does this leave us today? The market value of UNH is around \$280 billion. For that price, we are getting a company that earned \$26 billion in 2024 and was originally projected to earn \$27 billion this year, a real bargain at only 10 times earnings. Of course, management no longer thinks it can earn that, and for what it's worth, Wall Street analysts expect earnings to come in at about \$20 billion, which is still a really attractive valuation.

In some sense, the company's utilization challenges are similar to the one that Progressive faced post-pandemic when used-car prices skyrocketed and drivers got into more accidents. Progressive re-priced their policies to account for this, which hurt subscriber growth in the short term, but improved margins back to their target levels. Healthcare insurance isn't the same as auto insurance, but some of the same principles apply. UNH management is re-pricing its plans for 2026 to account for higher utilization, which should bring its margins back in line, likely giving up some growth, similar to Progressive. Given how low expectations are and how cheap the stock is, we don't think the company has to pull off anything miraculous for things to work out.

The raw math is compelling, but the risks are real. A DOJ investigation is never good news. Is there more to the fraud investigation than meets the eye? How could the company, in a matter of weeks, go from a modestly rosy outlook to such a disastrous decline in guidance that resulted in firing the CEO? Has something structurally changed in the industry that we're not aware of that will permanently depress the business's economics?

We're betting no. The health insurance industry is often the punching bag for the other stakeholders in the healthcare landscape and people frustrated with the American healthcare system. For decades, UNH managed to generate significant cash flow and grow it at a torrid rate despite a regular drumbeat of bad press. We continue to believe that industry fundamentals are powerful, and UNH in particular has excelled over decades. UNH provides coverage for 50 million people in the US and performs health services for over 100 million patients a year, almost a third of all Americans. We're cautiously optimistic they'll stabilize their business and the stock will eventually respond in kind.

As always, thank you for investing.

Stephen Dodson Raphael de Balmann
Portfolio Manager Portfolio Manager

Need to reach us? Call or email us.

Contact Us

The fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The prospectus contains this and other important information about the investment company, and it may be obtained [here](#) or by calling 800.231.2901. Read it carefully before investing.

An investment in the fund is subject to investment risks, including the possible loss of the principal amount invested. There can be no assurance that the fund will be successful in meeting its objectives. The fund invests in common stocks which subjects investors to market risk. The fund invests in small and micro-cap companies, which involve additional risks such as limited liquidity and greater volatility. The fund invests in undervalued securities. Undervalued securities are, by definition, out of favor with investors, and there is no way to predict when, if ever, the securities may return to favor. The fund invests in foreign securities which involve greater volatility and political, economic and currency risks and differences in accounting methods. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. More information about these risks and other risks can be found in the fund's prospectus. The fund is a nondiversified fund and therefore may be subject to greater volatility than a more diversified investment.