RAMIFICATIONS OF THE "ONE BIG BEAUTIFUL BILL"

KEY TAKEAWAYS AND INVESTMENT IMPLICATIONS

July 9, 2025

Situation: The One Big Beautiful Bill (OBBB) Act (H.R. 1), 887-pages of sweeping tax and spending policies, was recently signed into law. It includes several major implications for investors.

View of the &Partners Investment Team

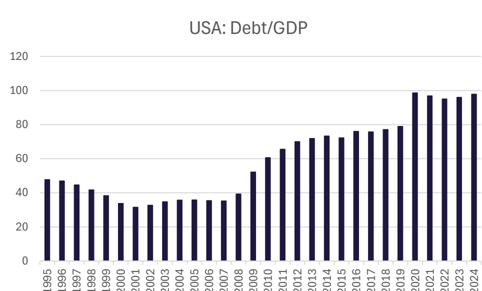
In the short to medium term, the OBBB may have positive impacts on capital markets and growth rates, which could support risk assets such as equities or credits. That said, we need to recognize that some of these short-term effects have already been discounted into market prices.

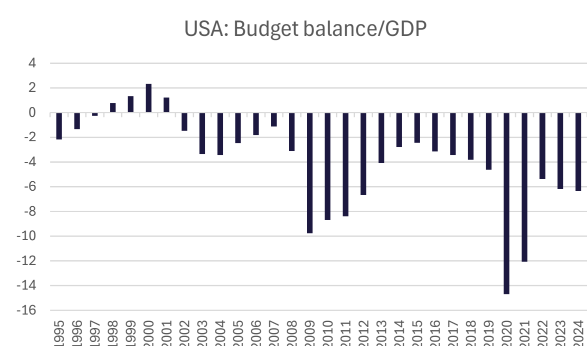
The effects will not be evenly distributed across industries. While traditional and nationally oriented firms and sectors will most likely see a boost to their baseline earning projections, companies with strong ties to the renewable energy space or medical services providers with a heavy reliance on government-sponsored programs will most likely experience some downward pressure on earnings. See further sector comments later in this report.

Longer-term, the sustainability of U.S. debt levels becomes challenging. The nonpartisan Congressional Budget Office (CBO) estimates that the bill will result in revenue losses of $4.5 trillion, which will only partially be offset by $1.2 trillion in spending cuts. The bill also raises the debt ceiling by $5 trillion. Debt concerns come as Moody's recently stripped the United States of its AAA rating. In its May 16 press release, the rating agency stated that it expects debt/GDP ratios to rise to 134% by 2035, far above the 120% threshold that many economists still consider sustainable. The budget deficit is expected to increase to 9% of GDP with interest payments representing 30% of total government revenue, up from 18% in 2024 and 9% in 2021. While higher growth rates could mitigate the debt problem, the CBO's baseline projection of rising debt/GDP ratios suggests that the positive growth effect will not be sufficient to finance the projected tax losses.

In combination with a tariff-driven disintegration of global trade and capital markets, the status of the U.S. dollar and U.S. Treasuries as global safe-haven investments could be at risk. As an investment team, we reiterate our recommendation to consider safe-haven diversification, with (hedged) exposures to foreign government bonds or gold being appropriate solutions to help diversify exposure to a potential sell-off in the U.S. dollar and U.S. Treasuries.

Higher interest rates or inflation expectations may affect bond markets and rate-sensitive sectors





Source: &Partners Investment Team calculations, FactSet, Congressional Budget Office

Main points of the bill

1. **Permanent tax cuts**

- *Individual and corporate rates:* The bill makes the 2017 Tax Cuts and Jobs Act rates permanent, which could support corporate earnings and stock valuations.
- *Standard deduction increase:* The deduction was raised to $15,750 (single, from $15,000) and $31,500 (married filing jointly, from $30,000), indexed for inflation.

Investment implication: Lower taxes may boost consumer spending and corporate profits, potentially benefiting equities, especially in consumer discretionary and financial sectors.

2. **Health care and health savings account (HSA) changes**

- *HSA contribution limits Increased:* The new limits are $8,600 (individual, up from $4,300) and $17,100 (family, up from $8,550), with expanded uses (e.g., fitness expenses).
- *Medicare participants eligible for HSA contributions:* Those with Medicare Part A and a qualifying high-deductible health plan can now contribute.

Investment implication: HSAs become more attractive and more accessible, possibly increasing demand for HSA-eligible investment products.

3. **Clean energy incentives rolled back**

- *Electric vehicle (EV) and solar/wind credits eliminated:* EV tax credits end after September 30, 2025; solar and wind credits will not be eligible for projects placed in service after December 31, 2027 (there is a grandfathering rule for projects that started construction within 12 months of enactment of the law).
- *New fees:* Annual federal registration fees are now $250 for EVs and $100 for hybrid vehicles.

Investment implication: The bill presents a negative for the clean energy and EV sectors and may shift investor focus back to traditional energy or infrastructure plays.

4. **Estate and gift tax reform**

- *Exemption doubled:* The exemption was raised to $15 million per individual ($30 million per couple), indexed for inflation. Without the law, the current exemption of $13.9 million would have dropped to $7 million in 2026.

- *Annual gift exclusion:* The gift exclusion increased to $19,000 per recipient (up from $18,000 in 2024).

Investment implication: Wealthy families may accelerate estate planning and gifting strategies, potentially increasing demand for trust services, estate attorneys, and wealth management. Specifically, asset management firms with charitable programs like donor-advised funds could benefit from this development.

Sector-specific effects

A number of measures target specific sectors. Below, we have highlighted some of the most important changes by sector.

Technology	+ A lower corporate tax rate plus a permanent R&D expensing provision could increase, tech innovation and profitability, which should benefit large tech firms with positive cash flows.
	- Higher interest rates could hurt high growth valuations.
Health care	+ HSA expansion could boost consumer-directed health care and fintech.
	- A work requirement and stricter eligibility may reduce Medicaid enrollment, which could weigh on hospitals and Medicaid-heavy providers.
Renewable energy & EVs	- Elimination of solar and EV tax credits plus annual fees for EVs and hybrids could weigh on EV producers and renewable energy-heavy companies.
Infrastructure & industrials	+ Increased federal spending on defense, border security, and transportation could increase demand for nationally oriented firms.
	- A “Buy American” provision could lead to inefficiencies and higher costs and puts international competitors at a disadvantage in this space.
Financials	+ Higher exemptions for estate taxes plus clarity of the tax environment could increase demand for tax and wealth management services.
Consumer discretionary	+ Tax cuts for individuals and an increase in the standard deduction will lift average spending power and could thereby benefit consumer companies’ revenue streams.
Fixed income & bonds	- An increase in deficit spending could lift interest rates. A higher inflation risk could erode bond returns.

The list above includes just some of the measures of the comprehensive package that was signed by President Trump on July 4, 2025. While some sectors like consumer discretionary, infrastructure, or defense seem to benefit from the bill, others like renewable energy and EVs are mostly negatively affected. However, tax effects are nuanced even within industries. We advise investors to remain broadly diversified and refrain from cherry picking sectors in anticipation of tax driven impacts. The intense discussions and high visibility around the tax bill gave markets enough time to prepare for it. The most obvious effects have already been discounted in market prices, and the specifics of sector and company adjustments remain to be seen.

About &Partners Investment Team

The &Partners Investment Team is a group within &Partners comprised of experienced asset management professionals which serves as a resource for &Partners LLC and its financial professionals. The opinions of the &Partners Investment Team expressed herein: (i) may not reflect the individual opinions of the financial professional(s) servicing your account(s); and (ii) are not intended as, and may not be relied on in any manner as, legal, tax or investment advice, a recommendation, or as an offer or solicitation to buy or sell any security, financial product or instrument, or otherwise to participate in any particular trading strategy. Past performance is no guarantee of future results.

Disclosures

Investment and portfolio diversification is generally recommended to reduce the overall volatility of a portfolio, but diversification will not assure a gain or prevent a loss (especially in declining markets). Diversification is generally more effective to reduce volatility when a portfolio includes investments that are uncorrelated or negatively correlated with one another from a performance and investment risk standpoint. Historical correlation of investment performance correlation (or lack thereof) is, by its nature, backwards looking and does not guarantee the correlation (or lack thereof) will continue or remain constant. Diversification and strategic asset allocation do not assure profit or protect against loss in declining markets.

&Partners℠ is the enterprise trade/marketing name for Ampersand Partners LLC, a Delaware limited liability holding company, and its subsidiary, &Partners LLC, a Tennessee limited liability company. Securities and advisory services offered through &Partners LLC, member FINRA, SIPC. AndPartners_Market_Update_.1 MR8151258.1.

Visit us at andpartners.com