

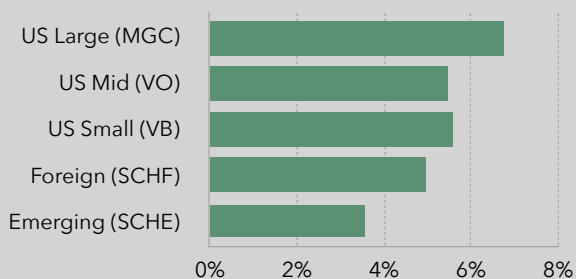
## May 2025

### Economic Data

- 138,000 jobs were added in May as government jobs continued their decline; the unemployment rate remained at 4.2%
- Retail sales were up 0.1% in April, with restaurants and bars up 1.2%
- Y/y inflation (CPI) grew at a 2.4% pace in April; the core rate (less food and energy) was steady at 2.8%
- Existing homes declined 0.5% in April and are down 2.0% y/y; the median home price rose to \$414,000

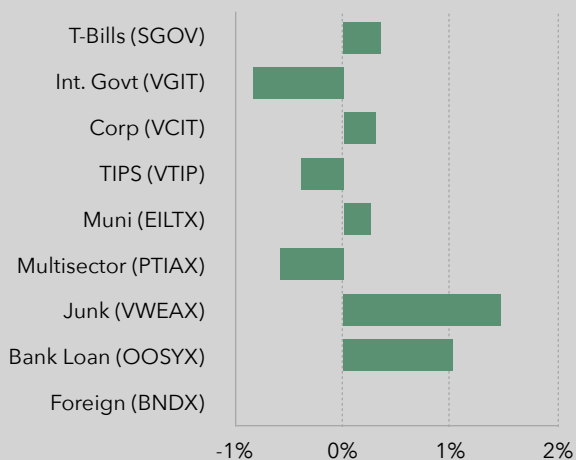
### Stocks

#### May Returns



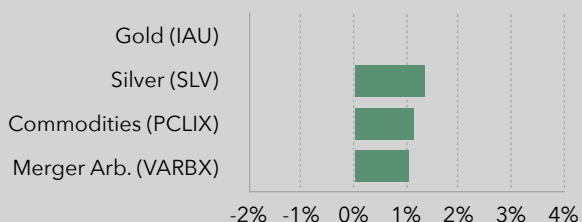
### Bonds

#### May Returns



### Alternatives

#### May Returns



Performance data provided by Morningstar

The brain uses two systems to process information. The first type is intuitive but lazy, rapidly forming judgements with no conscious input. The second system is slow, reflective, and not guided by emotions. It is that second system — type 2 — that we want in control of our investment portfolios.

### Professor Layton and the AI Conundrum

While hunting for the Aurora Borealis (and Santa Claus) in the 24-hour darkness of a Svalbard December, I received a call from the dean of the School of Business at Michigan Tech. The dean, whose name is, coincidentally, Dean, was down a professor for the spring semester and wanted to know if I, along with one of my best friends, Tim, would like to fill in and teach FIN 4500–Risk Management. I foolishly agreed. Not for the money —there was none—but for the glory and the title. I would from that day forth be known as Professor Layton, which is somewhat of a household name.



The Professor Layton video game franchise, now clearly named after me before the fact, was originally developed for Nintendo DS. It follows Professor Layton, an archaeologist and puzzle enthusiast, and his apprentice as they solve mysteries through story-driven adventures filled with brain teasers and logic puzzles. I have never played it, but I bought a copy for my mom years ago to help stave off dementia. It's working so far.

Ever since watching *Indiana Jones and the Last Crusade*, I fancied the idea of becoming an adventurer professor. Tim and I taught the class remotely, so I was free to continue to explore the deserts of Namibia and vineyards of South Africa in between classes. We approached the class with great passion and diligence, spending untold hours reading the assigned text, preparing lectures, writing assignments and exams, grading papers, and keeping office hours. If I am honest, it was a much larger undertaking than I had anticipated. It was all going to be worth it, though, as we were sharing our knowledge with the next generation and giving back to the alma mater that gave us so much. Or so we thought.

I spent days crafting the two-hour final exam that would test our 26 students on everything we had taught them over the previous four months. It would be a challenging, closed-book exam, with nothing but a one-page formula sheet to help them. We arranged for a proctor to make sure strict rules were followed and the integrity of the exam was not compromised. It was all for naught, though. Despite our efforts, it was reported to us by a couple students that there was widespread cheating on the exam with many students openly discussing using AI after the exam. I was crestfallen to hear this, and felt betrayed by my students. Why are we even doing this anymore?

I have softened a bit on this over the past six weeks. I had a European history teacher in high school that forbid us from referencing sources from the “interwebs” and insisted we did all of our research in the library. Am I just being the modern version of that curmudgeon when it comes to AI? Should we just accept and embrace it? Probably.

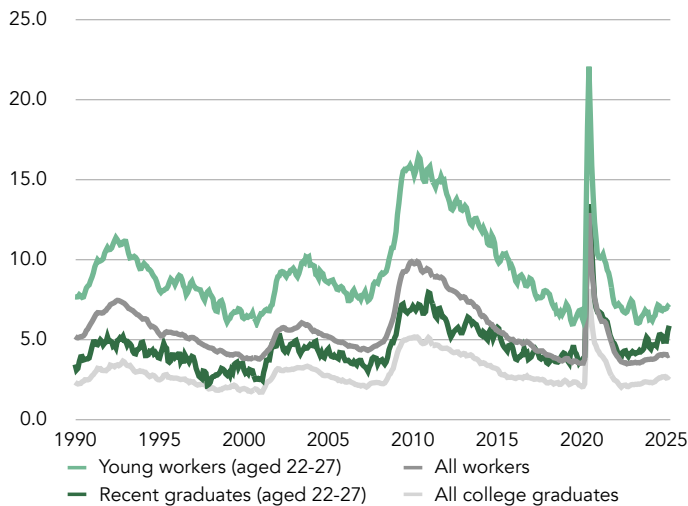
### Is College Still Worth It?

This experience led me to question the value of college today. The university AI cheating crisis is widespread. ChatGPT and dozens of other AI tools have made homework assignments, research papers, and exams as easy as copying the assignment instructions or questions into an AI prompt and clicking a button. It casts a dark shadow over academic integrity, and further raises questions about the value of a college degree.

It is also making the skills that used to come with a college degree less valuable. You see, AI may be helping some to get their degree, but it has also started to claim the entry-level jobs that degree was supposed to get them.

The Federal Reserve Bank of New York highlighted a noticeable deterioration in the labor market for recent college graduates in the first quarter of 2025. “The unemployment rate jumped to 5.8 percent—the highest reading since 2021—and the underemployment rate rose sharply to 41.2 percent.” There are two things that jump out at me in

Unemployment Rates for Recent College Graduates Vs. Other Groups



Source: U.S. Census Bureau and U.S. Bureau of Labor Statistics

Binge Box

Common Side Effects (Max)

I finally broke free of my Taylor Sheridan love affair to find something a bit different to watch. *Common Side Effects* is a bold, animated gem that was recommended by a friend of mine. Its blend of dark humor, surreal visuals, and sharp social commentary make it a must-watch. Marshall and Frances, former high school lab partners, uncover a conspiracy around a miraculous mushroom that cures all ailments, pitting them against Big Pharma and the DEA. The unique animation and stellar voice acting elevate a gripping, thought-provoking thriller. Binge the full season on Max, which I guess is what we are calling HBO now.

Tactical Asset Allocation					
Asset Class	Heavy Under-weight	Under-weight	Neutral	Over-weight	Heavy Over-weight
Fixed Income					
Duration					
Inflation					
Credit					
Foreign					
Equities					
Large Cap					
Mid Cap					
Small Cap					
Developed Intl.					
Emerging					
Alternatives					
Commodities					
Merger Arbitrage					

the chart below. The first is that for most of the available data going back to 1990, newly minted college grads have had a leg up on the broader labor pool as evidenced by lower unemployment rates. This flipped negative in 2019 and has continued to deteriorate, meaning recent grads have a higher unemployment rate than the broader labor pool.

Second, recent college grads are finding their degree doesn't help them as much as it used to compared to their non-college peers of the same age. An unemployment gap advantage that was as wide as 9.3 percentage points in 2010 has narrowed to only 1.1 points as of March of this year. What if it goes to zero? What if it flips?

As I'm running out of room here, I am realizing I could write chapters on this. Why is college so expensive? Which degrees have the best return on investment (ROI)? Which jobs will be most in demand in the new age of AI? Electricians, plumbers, welders, and other skilled vocational jobs pay really well and are much safer from AI than a lot of white-collar jobs.

Facebook founder Mark Zuckerberg, who dropped out of Harvard to build his nerd empire, is an understandable skeptic of college. "I'm not sure that college is preparing people for, like, the jobs that they need to have today," he said on Theo Von's podcast in April. "I mean, the fact that college is just so expensive for so many people and then, like, you graduate when you're in debt," he said. "If it's not preparing you for the jobs that you need and you're kind of starting off in this big hole, then I think that's not good." He warned, "There's going to have to be a reckoning."

In the end, I think the notion that going to college is a necessary step on the way to success is fading. But that doesn't mean your children shouldn't go. Most of what I learned in college didn't come from a book, and the biggest benefit wasn't the piece of paper I got in the end. Those were formative years, where I grew up, developed emotionally, learned how to live independently, and figured out who I was. And many of the people I shared that experience with became friends for life. And during the whole process of it, we had fun. So

much fun! And all of that was worth the price of admission. I will never be as financially wealthy as Mark Zuckerberg, but I will always have more friends—real friends—than he does.

*Note: this newsletter was written by me but edited by AI :)*

Ryan P. Layton, CFA  
p: 612-810-2230  
e: [ryan@emeraldspark.com](mailto:ryan@emeraldspark.com)

## About EmeraldSpark

EmeraldSpark Investments, LLC is a Registered Investment Adviser based in Chicago, IL. We were founded by Ryan P. Layton, CFA in 2015 to provide personalized financial planning and fiduciary investment management services to select clients. Our investment process blends the foundations of Modern Portfolio Theory with the latest research in the field of behavioral finance. We specialize in asset allocation and investment due diligence to help provide our clients with investment strategies personalized to match their specific goals and risk comfort zone.

This Newsletter has been prepared by EmeraldSpark Investments. Information contained within has been obtained from sources believed to be reliable, but we do not guarantee its accuracy, completeness or fairness. Views and opinions expressed are for informational purposes only and do not constitute a recommendation by EmeraldSpark Investments to buy, sell, or hold any security. Views and opinions are current at the time of writing and may change. Before acting on this material, you should consider whether it is suitable for your particular circumstances and, if necessary, seek professional advice. Past performance is not indicative of future results.



NOT FDIC INSURED | NOT BANK GUARANTEED | MAY LOSE VALUE