MARKET RECAP

I hope this letter finds you well. As we navigate this unique and challenging economic landscape, I remain committed to keeping you informed about market developments, how they're impacting your portfolio, and the steps we're taking to actively manage risks and pursue growth opportunities. The purpose of this update is to share insights into the current tariff-induced market sell-off, our current investment strategy, and how we are proactively positioning your investments to align with your long-term financial objectives.

SUMMARY OF WHAT HAS TRANSPIRED

In the past few weeks, the financial markets have experienced significant volatility following President Donald Trump's announcement of extensive tariffs on April 2, 2025. These measures included a universal 10% tariff on all imports, with higher rates for specific countries—54% on Chinese goods and 20% on European Union imports[1]. The announcement led to immediate and substantial declines across global stock markets. **For instance, the S&P 500 Index fell over 274 points (4.88%) on April 3, marking the second-largest daily point loss in its history[2]. The Nasdaq Composite also dropped more than 1,050 points (5.97%) the same day, its largest point loss ever[3].**

The Dow Jones Industrial Average experienced a two-day loss of over 4,000 points (approximately 9.48%) by April 4[4]. International markets mirrored this turmoil; Japan's Nikkei 225 fell nearly 8%, triggering a trading curb, and Europe's Stoxx 600 declined by 5%[5].

In response to these tariffs, China imposed retaliatory measures, including a 34% tariff on U.S. goods, further exacerbating market instability[6]. The heightened trade tensions have raised concerns among investors about potential inflation, increased consumer prices, and the possibility of a global recession. Financial leaders, such as JPMorgan Chase CEO Jamie Dimon, have warned that these tariffs could slow economic growth and harm the U.S.'s global standing[7].

Despite the market's negative reaction, the Trump administration remains steadfast in its tariff policies, asserting that they are necessary to address unfair trade practices and will ultimately benefit the U.S. economy[8].

WHY DIDN'T WE GET OUT OF THE STOCK MARKET?

Most money managers didn't exit the stock market before the tariffs were announced due to several key factors:

1. **Unexpected Timing and Magnitude**
The scale and suddenness of the tariff announcement took most investors and analysts by surprise[9].

2. **Market Participation**
Markets had been trending upward prior to the announcement, and exiting prematurely could have meant underperformance relative to benchmarks[10].

3. **Diversification and Long-Term Strategy**
Best practices in investment strategy emphasize staying invested and diversified, even through volatility[11].

4. **Historical Precedent of Political Negotiation**
Trade threats are often part of broader negotiations, and not always implemented to their full extent[12].

5. **Regulatory and Fiduciary Obligations**
Registered investment advisers are fiduciaries who must avoid speculative, reactionary trades[13].

6. **Economic Data**

   Prior to the announcement, U.S. economic data was strong:

   - **Employment:** March 2025 saw 228,000 new jobs, surpassing the prior 12-month average[14].
   - **Unemployment:** Held steady at 4.2%, indicating a tight labor market[15].
   - **Interest Rates:** The Federal Reserve held rates steady at 4.25% to 4.5% on March 19[16].

MARKET OUTLOOK: HOW BAD AND FOR HOW LONG?

JPMorgan raised the probability of a U.S. recession by the end of 2025 to 60%, largely due to the new tariffs[17]. Goldman Sachs adjusted its estimate to 35%[18]. These warnings are based on fears of inflationary pressure and suppressed corporate profits.

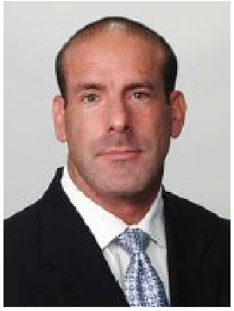
The S&P 500 has already dropped over 20% since the tariff announcement[19]. For historical context:

- **During the 2008 financial crisis, the S&P 500 fell about 57%[20].**
- **In the 2020 pandemic recession, it declined around 34%[21].**

While severe, the current market downturn is not unprecedented. The length and depth of recovery will depend on several evolving factors.

FACTORS THAT COULD LEAD TO A QUICK "V-SHAPED" RECOVERY	FACTORS THAT COULD LEAD TO A "U-SHAPED" RECOVERY
1. Diplomatic resolution with China and the EU	**1. Prolonged trade war and retaliatory tariffs**
2. Tariff reductions or industry-specific exemptions	**2. Lingering damage to supply chains and company margins**
3. Federal Reserve stimulus or liquidity injections	**3. Weak consumer and business confidence**
4. Resilient corporate earnings and labor market	**4. Ineffective policy response from Congress or the Fed**
5. Investor reentry driven by long-term optimism[22]	**5. Structural challenges in relocating supply chains[23]**

I will closely monitor the Administration's actions regarding the tariffs, as well as the market's reactions. Our goal is to strike the right balance between patience and a clear-eyed understanding of the seriousness of the situation and its potential impact on the economy and financial markets—while also staying alert to opportunities to invest in some of the world's best companies at what may feel like "last year's prices."



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Footnotes

[1]White House Press Office, "Remarks on National Trade Emergency," April 2, 2025.
[2]Bloomberg Market Summary, "Markets Dive on Tariff Shock," April 3, 2025.
[3]Nasdaq Composite Daily Historical Data, April 3, 2025.
[4]CNBC, "Dow Falls Over 4,000 Points in Two Days," April 4, 2025.
[5]Financial Times, "Global Markets React to U.S. Tariffs," April 4, 2025.
[6]Ministry of Commerce, China, "Tariff Retaliation Measures," April 4, 2025.
[7]CNBC Interview with Jamie Dimon, "Impact of Tariffs," April 5, 2025.
[8]Office of the U.S. Trade Representative, "Statement on Tariff Policy," April 3, 2025.
[9]Goldman Sachs Global Markets Note, Q2 Outlook, April 2025.
[10]Morningstar Investment Commentary, "Pre-Tariff Positioning," April 2025.
[11]CFA Institute, "Principles of Investment Discipline," 2024.
[12]Peterson Institute for International Economics, "Trade as Leverage," 2023.
[13]U.S. Securities and Exchange Commission, "Fiduciary Duty and Investment Advice," 2024.
[14]Bureau of Labor Statistics, "March 2025 Employment Report."
[15]Ibid.
[16]Federal Reserve Board, "FOMC Statement," March 19, 2025.
[17]JPMorgan Economic Research, "U.S. Recession Risk Update," April 6, 2025.
[18]Goldman Sachs Economic Outlook Memo, April 7, 2025.
[19]S&P Global Index Report, YTD Performance, April 8, 2025.
[20]Federal Reserve Bank of St. Louis, "S&P 500 Data, 2008–2009."
[21]Bloomberg Markets, "2020 Recession Market Recap," April 2020.
[22]Brookings Institution, "Potential for a V-Shaped Recovery," 2023.
[23]McKinsey Global Institute, "Global Supply Chain Realignment," 2023.