MARCH 2025 – MONTHLY UPDATE

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Investment Department

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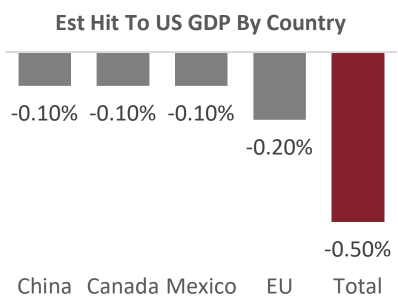
THE STORY

Tariffs Hurt GDP Growth[1]

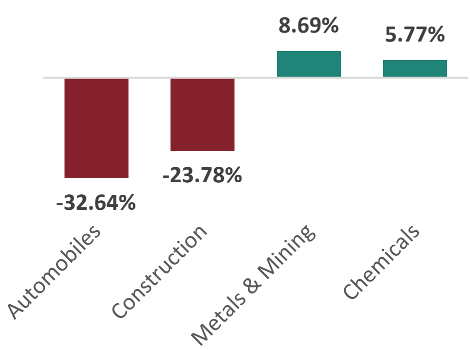


Barriers Increase Costs[2]

$4.4B/mo

Est. Cost To US Consumers In 2018 Trade War

Industry Winners & Losers YTD[3]



[1]Source: Tax Foundation Report, Trump Tariffs: Tracking The Economic Impact of the Trump Trade Ware March 2025
[2]Source: Centre For Economic Performance 2019 paper 'The impact of 2018 trade war on US prices and welfare.
[3]Source: Morningstar Direct data on each S&P 500 industry performance as of 3/6/2025

TAXING TRADE: WHO WINS, WHO LOSES?

The return of tariffs and trade tensions has reignited debates on their economic impact. While protectionist policies create clear winners and losers, their broader indirect effects are often more nuanced. Today we explore the three key impacts of potential trade taxes.

Suboptimal Growth. Tariffs create barriers that slow global trade and in turn weigh on total GDP growth. This is because global supply chain disruptions result in suboptimal cost structures and declining trade volumes. The IMF estimates that the 2018 US-China trade war alone shaved 0.1% off global GDP annually (~$130B) during its peak. However, while negative, economists believe the proposed tariffs on their own are insufficient to tip us into recession.

Inflation & Consumer Costs. Trade wars often lead to higher input costs which trickle down to consumers. The last major tariff wave (2018) saw direct price increases on imported goods, with US consumers absorbing an estimated $4.4 billion per month in added costs. The inflationary effects of tariffs are particularly visible in sectors reliant on imported raw materials. Fortunately, these increases are often only a one-time hit as sticker prices adjust.

Targeted Winners & Losers: Important for investors, tariffs impact industries unevenly. While domestic producers in protected industries – such as steel & semiconductors – can benefit from reduced foreign competition, the firms they supply downstream are often hurt in indirect, unpredictable ways. The challenge is in distinguishing short-term disruptions from lasting shifts in competitive industry structures.

Balancing Trade-Offs: All that said, though tariffs come at a cost, they can be appropriate. As Adam Smith argued, the wealth ceded for economic self-sufficiency can be well worth its strategic value. In the end, trade wars reinforce the importance of a nimble yet well-diversified strategy in navigating uncertain global markets.

UPCOMING EVENTS

Jobs Report – 3/7

Monthly CPI – 3/12

FOMC Meeting – 3/19

"Defense Is More Important Than Opulence."

- Adam Smith

WHAT HAPPENED?

ECB Expected To Cut Rates Again As Growth Concerns Persist: Following last month's cut, the European Central Bank is expected to cut yet again to a deposit rate of 2.50% on March 6, 2025, as they aim to stimulate the eurozone economy amidst ongoing growth challenges. (Reuters).

U.S. Goods Trade Deficit Widens: In January 2025, the U.S. goods trade deficit widened, suggesting that businesses were preemptively importing ahead of anticipated tariffs, reflecting the complexities of ongoing trade policies. (Reuters).

President Trump Announces and Postpones Tariffs on Canada and Mexico: President Trump announced and then postponed punitive tariffs of 25% on goods from Canada and Mexico. The American president is using the threat of tariffs to address trade imbalances and protect domestic industries. (Economist).

US Job Growth Slows; Unemployment Remains Low: Employers added 143,000 jobs in January, while the unemployment rate slipped to 4% in a sign of a solid, if more subdued economy. (BBC).

EQUITIES MIXED

Global equity markets were mixed in February with the S&P 500 down -1.3% while international equity markets rallied with the MSCI World ex-US Index up 1.4%.

	MONTH*	YTD*
US Large	-1.3%	1.4%
US Mid	-4.3%	-0.7%
US Small	-5.7%	-3.0%
Global ex-US	1.4%	6.2%
Int'l Dev	1.9%	7.3%
Emerging	0.5%	2.3%

ALTERNATVIES GAINED

Credit alternatives continued to produce stable, high yield income while infrastructure assets rallied to kick off the year and liquid alternatives yielded mixed results.

	MONTH*	YTD*
Gold	0.8%	7.5%
Merger Arbitrage	1.0%	2.1%
Infrastructure	3.2%	5.8%
Direct Lending	0.7%	1.7%
Managed Futures	-0.7%	1.8%

Due to reporting lags, some data represents the latest return as of the month prior to this period.

FIXED INCOME CLIMBED

Fixed income markets continued to rally in February as the market reacted to concerns around slowing growth pushing the Bloomberg Agg Index up over 2.2% in the period.

	MONTH*	YTD*
Ultra-Short	0.3%	0.8%
Short	0.6%	1.0%
Core	2.2%	2.7%
Long	5.6%	6.1%
High Yield	0.7%	2.0%
US TIPS	2.2%	3.5%
Intl Bonds	1.4%	2.0%
EM Bonds	1.9%	2.9%

*Sources: Each asset class is represented by a corresponding index or fund as of each report's month-end date. The associated indexes can be found below. This has been provided for informational purposes only, and reflects the current opinion of the author, which is subject to change without notice, as are statements of financial trends, which are based on current conditions.

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Model index performance does not represent actual performance and should not be construed as an indication of such performance. The model index performance results do not represent the impact that material economic and market factors might have had on the management decision-making process compared to actually managing client money during that period. Model performance also differs from actual performance because it is achieved through the retroactive application of an asset allocation designed with the benefit of hindsight.

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Illiquid Investments. Illiquid investments may not be suitable for all clients. Investors in illiquid investments must qualify for these investments based on suitability criteria, and they must complete subscription documents.

Reference Above	Benchmark Index	Reference Above	Benchmark Index
US Large	S&P 500 Index	Hedge Funds	Eurekahedge Hedge Fund NR Index
US Mid	S&P 400 Index	Managed Futures	Credit Suisse Mgd Futures Liquid TR
US Small	S&P 600 Index	Ultra-Short	Bloomberg US Treasury Flt Rate Index
Global ex-USA	MSCI World ex-USA All Cap NR Index	Short	ICE US Treasury 1-3Y Bond Index
Intl Dev	MSCI EAFE NR USD Index	Core	Bloomberg Aggregate Bond Index
Emerging	MSCI EM NR US Index	Long-Term	ICE US Treasury +20Y Bond Index
Gold	S&P GSCI Gold TR	High Yield	Bloomberg US Corporate HY Index
Merger Arbitrage	IQ Hedge Merger Arb TR USD Index	US TIPS	ICE US Treasury Inflation Linked Index
Infrastr (Infrastructure)	MSCI ACWI Infrastructure NR Index	Intl Bonds	Bloomberg Global Agg ex-USD Index
Direct Lending	Cliffwater Corporate Lending I	EM Bonds	Morningstar EM BD GR Index