PORTFOLIO CONSTRUCTION

CI ASSANTE WEALTH MANAGEMENT

Tarrif Troubles Continue

April 2025

Alfred Lam, CFA, Senior Vice-President, and Co-Head of Multi Asset

CI Global Asset Management

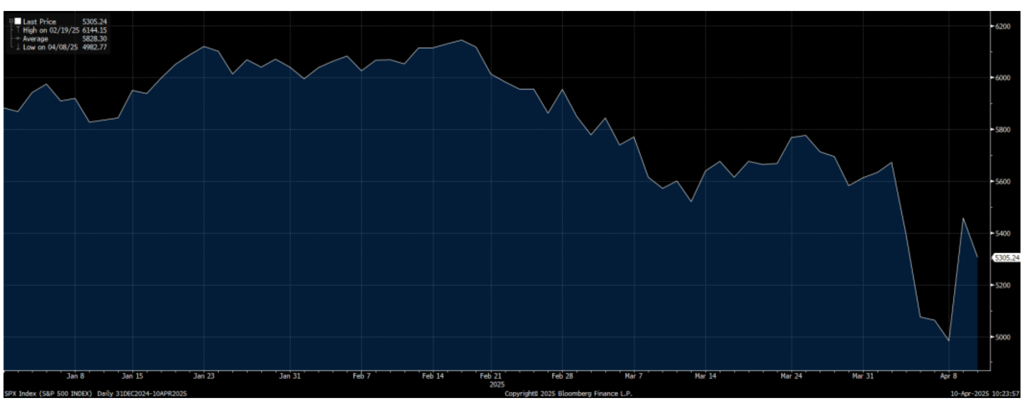
What Happened?

The April 2 U.S. tariffs announcement was a “known unknown.” While it was expected that President Trump would reveal his plan, the specifics were uncertain. Investors had already braced for some level of damage, with the S&P 500 Index dropping 8% from its February 19, 2025, high to the market close just before the announcement. It was widely anticipated that the news wouldn’t be as bad as feared and that the risk had already been “priced in.” Unfortunately, the details were worse than expected, with generally higher tariffs and more countries affected, including the Antarctic Islands, which are home to only penguins.

As is often the case in negotiations, the first offer is rarely the final one. While we expect a worst-case scenario to eventually be avoided—meaning that tariff rates could be renegotiated between the U.S. and the affected countries—the market's reaction assumed the worst. This was due in part to President Trump’s aggressive stance and the apparent lack of appetite for negotiation among trading partners. As a result, the market experienced a sell-off, with the S&P 500 Index falling another 12% from April 2 to April 8.

The tariff proposal lasted less than 24 hours before the President announced a 90-day reprieve. The S&P 500 rallied by 10% on the news, though it remained 11% lower than its high earlier this year.

The following chart shows the levels of the S&P 500 Index in 2025.



Source: Bloomberg Finance, LP

Is a Larger Market Decline Normal?

Yes, market declines within a cycle are normal. Everyone, including the President, makes mistakes, and sometimes unforeseen events disrupt the status quo. Despite the challenges the world faces, it always recovers stronger. In our career, we have witnessed worse situations, such as the bursting of the tech bubble in 2000, the global financial crisis in 2008, Brexit in 2016, the COVID-19 pandemic in 2020, and the U.S. regional banking crisis in 2023. Each of these events eventually created opportunities for significant returns.

What's Next?

Hopefully President Trump has learned that the world doesn't revolve around him. The U.S. operates within a democratic system, where the public continually evaluates the administration's actions and votes accordingly. The stock market functions as a "voting machine," and both Congress and the House of Representatives provide checks and balances.

We expect Trump to adopt a more balanced approach to trade negotiations over the next 90 days. Some tariffs will likely still be implemented, and U.S. consumers will bear the costs. However, the damage to relationships (and trust) with allies from this "drama" has been done. If Trump remains President, the anti-American sentiment among consumers may persist. This could negatively affect American brands and their sales, and ironically, widen the trade deficit.

We anticipate that investors will price in lower growth for U.S. companies and higher growth for others. This is a better scenario than a global recession driven by supply chain disruption and high tariffs.

Combined top 15 equity holdings as of March 31st, 2025 of the Assante Private Portfolios 40i60e Standard portfolio with Alphastyle exposure:

1. Amazon.com, Inc. 2. Microsoft Corporation 3. NVIDIA Corporation 4. Constellation Software Inc. 5. SAP SE	6. Taiwan Semiconductor Manufacturing Co., Ltd. 7. London Stock Exchange Group plc 8. GE Vernova Inc. 9. Safran SA 10. CRH Public Limited Company	11. Meta Platforms Inc Class A 12. Mastercard Incorporated Class A 13. Boston Scientific Corporation 14. Compagnie de Saint-Gobain SA 15. Mitsubishi Heavy Industries, Ltd.

For more information, we encourage you to speak to your advisor or visit us at assante.com

IMPORTANT DISCLAIMERS