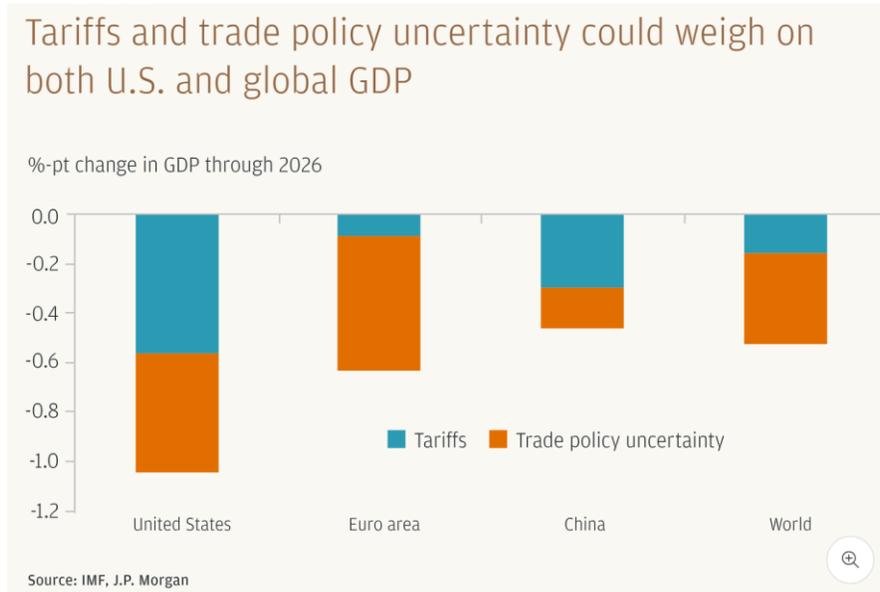




Balancing Acts: U.S. Economic Strength, Trade Policy, and Shifting Capital Allocations

As of mid-2025, the U.S. economy demonstrates unexpected resilience! This strength comes amid significant policy and market developments, including renewed tariff initiatives under the Trump administration, rising fiscal deficits, and a rise in the “Sell America” trade, as global investors rebalance portfolios away from U.S. assets.

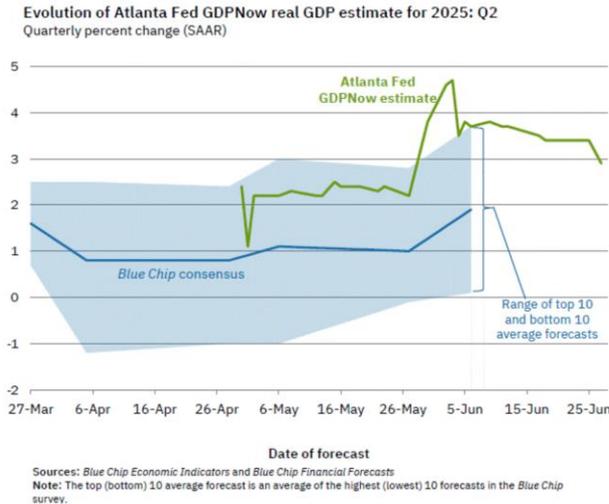
Chart 1: Tariff Policies



President Trump’s tariff policies have reshaped U.S. trade dynamics. Chart 1 provides a forecast that current trade policy could negatively impact annual change of gross domestic product in the U.S. and other major countries, from -0.4% to -1.0%. The policy will significantly impact ports and capital markets. Ports like Los Angeles saw cargo volumes drop as importers rerouted supply chains to avoid steep tariffs, particularly on Chinese goods. This led to job losses and reduced throughput. In capital markets, the uncertainty surrounding tariff implementation triggered volatility, with the S&P 500 initially plunging over 10% following major tariff announcements. Investors grew cautious, reallocating assets toward defensive sectors and inflation-protected securities. While some tariffs were paused or renegotiated, the broader effect has been a climate of unpredictability, dampening investor confidence and slowing global trade momentum.

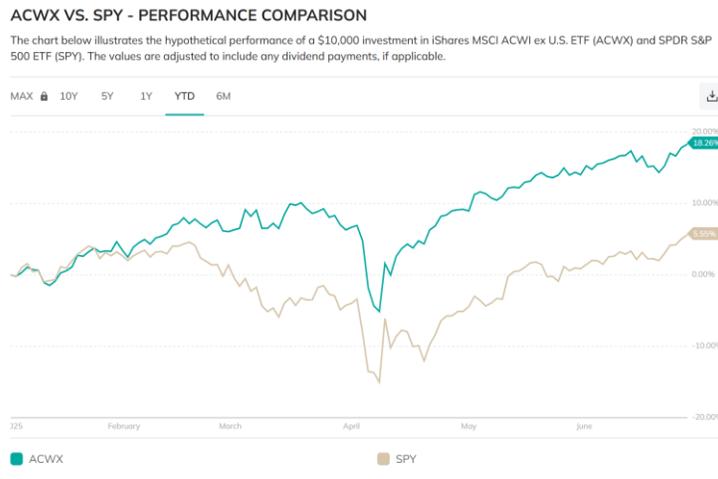


Chart 2: Resilient U.S. Economy



The U.S. economy has shown surprising resilience in 2025, defying expectations amid global uncertainty and shifting trade policies. According to the Atlanta Fed’s GDPNow model, real GDP annual growth for Q2 2025 is projected at 2.8%. This revision reflects a small gain of consumer spending and a rebound in net exports. Despite lingering inflationary pressures and elevated interest rates, the economy continues to expand at a healthy pace. The forecast underscores the adaptability of U.S. businesses and consumers, reinforcing confidence in the recovery’s momentum and suggesting that recession fears may be overstated. This resilience increases the likelihood that the Fed may delay rate cuts.

Chart 4: Sell America Trade



Moody’s 2025 downgrade of U.S. debt from AAA to Aa1 has intensified concerns over America’s fiscal trajectory, triggering a sharp decline in the U.S. dollar and fueling the “Sell



America” trade. The downgrade cited ballooning deficits and the potential passage of President Trump’s “Big Beautiful Bill,” which proposes extending 2017 tax cuts and increasing spending—adding an estimated \$4 trillion to the deficit over the next decade. Investors responded by shifting away from U.S. assets, pushing bond yields higher and weakening the dollar nearly 10% year-to-date. The bill’s provisions, including cuts to Medicaid and clean energy incentives, have also sparked political backlash. Together, these developments have eroded investor confidence, prompting capital flight and raising questions about the future stability of U.S. financial leadership. The “Sell America” sentiment has led to foreign investors pulling back from U.S. equities and Treasuries, reallocating to gold, bitcoin, and international markets. In Chart 3, the international markets exchange traded fund, ACWX, is up 18% compared to the S&P 500 at only 5% for the year to date!

Disciplined Approach

Despite a backdrop of shifting global trends, the U.S. economy in 2025 has shown notable adaptability. From recalibrated trade flows to investor portfolio shifts, the data highlights a system that continues to evolve.

We realize that there could be risks that we simply cannot plan for. We address these risks by staying true to our investment discipline. We continue to focus on companies that will survive catastrophic events based on the firms’ leadership and competitive advantage. So, sticking to our mantra of profitability, expectations of stable or growing earnings, and valuation is how we manage these unknown risks.