



April 3, 2025

Dear Valued Castleview Clients & Friends,

Today's "Tariff Tantrum" follows on the heels of recent equity market weakness in late February and most of March. Much of this tumult has been centered on headlines highlighting U.S. Federal Government employment reductions and international trade and economic growth concerns emanating from tariff posturing and possible retaliations. As a result, concerns about a correction across higher growth/high valuation equity sectors which began in mid-February has intensified with last night's official tariff announcements from President Trump.

Specifically, as part of the administration's renewed trade agenda, President Trump announced a new series of tariffs, including a 10% base levy on all imports, and elevated tariffs on goods from China (34%), Vietnam (46%), and the European Union (20%). A 25% tariff on imported automobiles and parts has also recently been introduced, with implications for global supply chains and consumer pricing. Looking ahead, key considerations include the following:

- ❖ **Inflation Pressure & Market Volatility:** These tariffs are likely to drive up input costs and consumer prices, and markets may respond with heightened volatility.
- ❖ **Global Trade Uncertainty:** Tensions with major trade partners raise the risk of retaliatory measures and potential slowdowns in global economic activity.
- ❖ **Economic Outlook:** While the intent is to support U.S. manufacturing, there's a growing debate about the longer-term impact on growth and stability.

While last night's announcement may be the immediate catalyst, recent equity market responses have resulted from conditions that have been in place for several quarters. Markets responded slower than anticipated, but recent "risk-off" rotations appear reasonable with inflation presently running above 2%, general economic activity slowing, interest rates higher than most of the past 15 years and certain segments of the U.S. equity markets recently positioned at all-time high valuations.

While acknowledging the difficulty of timing market movements in a precise manner, we did deem risks to be elevated enough to raise awareness on a few occasions over the past year. For example, concerns over heightened risks were communicated:

- ❖ [2024 Year Ahead Outlook \(January 2024\)](#)
- ❖ [Valuation Concerns - US Large Growth Equity \(July 2024\)](#)
- ❖ [On Topic Webinar - Interest Rates \(March 2025\)](#)

Recalling prior asset allocation recommendations over the past several quarters, our intentions have focused on the following:

- ❖ Moving up the corporate capital structure (increasing debt exposure to gain collateral backing)
- ❖ Opportunistically tilt Value > Growth in US
- ❖ Overweight valuation-oriented ("Value" focused) international equity managers
- ❖ Add exposure to hard assets ([energy/agriculture commodities and precious metals](#))
- ❖ Increase exposure to high-quality secured fixed income vs low-quality unsecured fixed income
- ❖ Add low-correlated non-correlated investments to help mitigate possible heightened risk in equities

We continue to believe the general investment strategy tilts outlined above are appropriate and will be rewarded over the intermediate and longer term. Valuation levels across all assets are dynamic in nature presenting new opportunities as prices fluctuate relative to one another. Because of this perpetual ebb and flow in asset prices, attractive valuation levels among asset classes are fluid with different sectors and asset segments becoming attractive at different times. Such developments, as they occur, will afford us with better long-term opportunities and we will continue to adjust as conditions warrant.



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Furthermore, we recognize each investor pursues their distinct financial objectives aligned with their unique required rate of return to meet their longer-term financial goals. Assuming no material change to one's financial situation, recent events have not likely impacted financial plans to any significant degree over the past few weeks. These periodic notes are intended to provide a reminder to remain prudent and to remain objective in maintaining a disciplined approach to asset allocation decisions. As always, our intent is to communicate risks and opportunities in advance as we continually evaluate a dynamic risk-asset environment.

Looking ahead, and using history as a guide, we anticipate an upcoming monetary response from global central banks. Fiscal packages from European and Asian countries are also likely. Should one or both of these entities respond with an influx of liquidity via increased money supply or with increased fiscal spending packages, then our primary concern likely shifts even more to protecting against the loss of purchasing power. I expect these decisions will become clearer in the days ahead and we will follow up with additional thoughts as events unfold.

IDEAS TO CONSIDER

Similar to comments expressed over the past few quarters, and our expectation for continued uncertainty and volatility in financial markets in 2025, we continue to recommend to clients of the firm to stay diversified and scrutinize your long-term financial planning objectives. It is these planning objectives formulated in close consultation with the expertise of your advisor that should largely dictate macro-level asset allocation decisions. Our current outlook continues to recognize the need for investors to defend against both rising costs as well as [higher than average valuations](#) in large cap US equities.

Finally, as we look ahead, and as personal circumstances dictate, it may be worth considering a greater tilt toward value-oriented and international (DM and EM) equities, high-quality intermediate duration fixed income, as well as an increased allocation to what are often times referred to as "alternative investments" ([commodities](#), tactical and/or hedged equity strategies as well as selective private credit or equity strategies). Monitoring balance sheet strength remains a focus in 2025.

In closing, on behalf of the entire Castleview team, thank you for your continued trust and confidence.

Sincerely,

Scott

Scott Zachary
Director – Investment Management



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