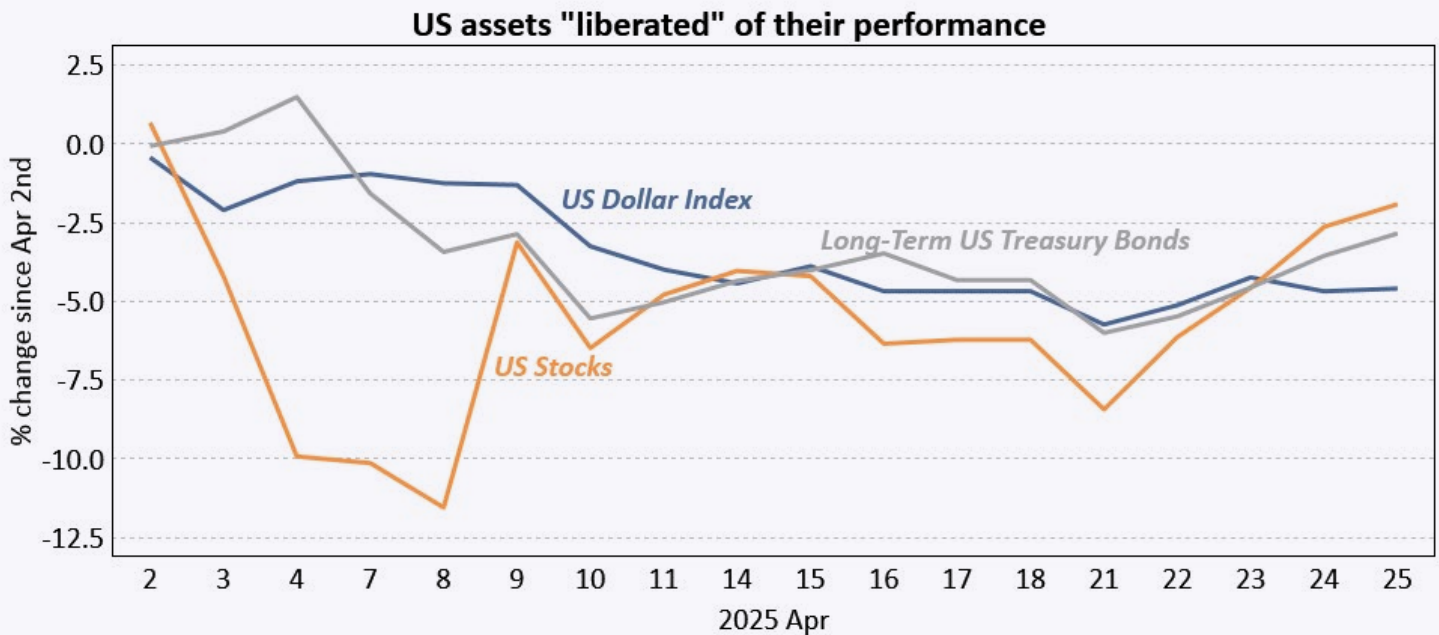


Liberation Deliberations

In the run-up to Trump’s tariff announcements, economists and research analysts worked feverishly to produce comprehensive summaries of the various trade barriers imposed against the US by nations around the world. This was a difficult undertaking, as tariff and non-tariff measures are applied in countless product categories and industries, and their lack of uniformity necessitates a healthy dose of subjectivity to quantify. Clearly the US administration shared in their frustrations, as “Liberation Day” featured a giant cardboard sign, a drastically simplified calculation based on trade balances and much more punitive than expected tariffs on almost every nation (including uninhabited islands home to robust penguin populations). While most measures outside of a “baseline” universal 10% tariff (and an eye-popping

cumulative 145% levy against China) have since been paused, the announcement sent a shockwave through financial markets.

The initial casualty has been US assets, as per the chart below, stocks, bonds and the US dollar all fell simultaneously since April 2nd. This is unusual for a major developed nation. A coordinated sell-off in all of a country’s major asset classes typically occurs in emerging markets when a crisis (political, economic or otherwise) causes foreign investors to rush for the exits. In this case, it was likely the plunge in US treasuries that caused Trump to blink on tariffs, as shades of a “Liz Truss moment” (where bond yields in the UK surged in response to a profligate budget) became a threat to financial stability.



Sources: Macrobond, Blackrock, S&P Dow Jones Indices, Intercontinental Exchange, Forstrong Global Asset Management

Looking ahead, the looming question is whether erratic US policymaking will push foreign central banks and institutions to repatriate or reallocate US treasury holdings (or at minimum discontinue future purchases).

While Trump and his team fret over treasury yields, investors are left to ponder over the “US exceptionalism” narrative which until recently helped power a roaring bull market in the largest US stocks. The story had already suffered a major setback late last year when Chinese startup [DeepSeek's](#) R1 large language model called into question the perceived moat around US companies' lead in the artificial intelligence field. With ambitious growth expectations already embedded in their valuation multiples, US mega-caps now face new vulnerabilities from potential international retaliation and boycotts (their size and global scale may make them easy targets), and wavering consumer confidence at home. However, a whole generation of investors have come of age in an environment where US technology stocks were a one-way bet. Accordingly, there will likely be a strong “buy on weakness” impulse that could be hard to shake.

International assets have also had a bumpy ride this month, but currency gains have helped to mitigate some

of the volatility. Stocks in the Eurozone and Japan have fared better than their American counterparts, despite having a notably higher degree of trade sensitivity in their respective indices. While true that nobody wins in a trade war, the decision by the US to pick a fight with everyone at the same time has eroded the nation's advantage in trade negotiations and poured cold water on an economy that was previously humming along at an impressive clip. The focal points for international investors will now be prospective trade deals, their terms and substance and what domestic support measures will be introduced to help offset any hit to exports.

The upside for the US is less clear. While trade deals can be made, trust in the US as a reliable partner has been badly shaken. Investors may demand a “policy premium” on US assets to compensate for the constant uncertainty emanating from the White House. But worst-case scenarios should be avoidable. While the media is abuzz with talks of a deep recession and stagflation, that is not our base case scenario as private sector balance sheets are starting from a strong position and leverage in systemically important financial institutions is not high. US GDP is also driven more by services than goods.

Global Strategy Overview

Cash

Despite falling domestic short rates, cash remains a viable source of portfolio stability during market turbulence. However, instead of solely holding excess cash to offset equity risk, we have elected to implement a diversified approach of cash, increased (and longer duration) fixed income allocations and gold. Cash has been increased modestly in client portfolios.

Bonds

US trade policy is contributing to investor anxiety, elevated volatility and a wider range of potential economic outcomes. Additional “shock absorption” is thus warranted in client portfolios. Developed markets fixed income exposure has been increased this quarter.

Equities

The fiscal impulse in Europe has gapped higher, as Germany and the EU have recently made significant commitments to defense, security and infrastructure spending. With central bank rate cuts already easing monetary policy, a pivot to fiscal expansion should help offset trade and geopolitical uncertainty and provide a much-needed growth impetus for the continent. Pro-cyclical European financial sector stocks are well-suited to benefit from this pivot and have been added to in client portfolios.

Opportunities

Residential REITs may struggle as rising property oversupply is driving vacancy rates higher and limiting rental price growth. The appointment of Robert F. Kennedy Jr. as US Secretary of Health and Human Services introduces regulatory uncertainties for the biotech space, while cautious capital allocation from big pharma is dampening the prospects for M&A activity. We have elected to liquidate targeted US equity holdings in the residential REIT and biotechnology industries this quarter.

Forstrong Strategies	Inception Date	1 Month	Ytd	1 Year	3 Year	5 Year	10 Years	Since Inception
Balanced								
Global Income	30/06/08	-0.48%	3.43%	10.87%	6.71%	6.09%	4.84%	7.30%
Global Balanced	30/06/03	-1.01%	3.07%	10.51%	6.21%	8.62%	6.01%	7.08%
Global Growth	30/06/03	-1.41%	3.19%	11.74%	7.29%	11.79%	7.49%	8.30%
Canadian Income	30/06/08	-0.07%	3.31%	11.19%	5.91%	6.44%	4.47%	6.33%
Canadian Balanced	30/06/03	-0.54%	3.25%	11.13%	5.84%	9.42%	5.86%	7.15%
Canadian Growth	30/06/03	-0.65%	3.65%	13.07%	6.38%	12.36%	7.10%	8.18%
Global Equity								
Emerging Markets Equity	31/01/19	1.19%	5.44%	9.97%	4.57%	7.41%	NA	3.58%
Global Ex-North America Equity	31/12/19	0.71%	8.10%	12.86%	9.48%	10.78%	NA	6.29%
Alternative Income								
High Income Opportunities	30/06/22	1.27%	7.60%	12.41%	NA	NA	NA	12.47%

* Performance as of March 31st, 2025
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