PARKSIDE INVESTMENTS

Market Commentary

April 3, 2025

Dear Parkside Clients and Friends,

After nearly two months of anticipation and market uncertainty, President Trump has finally announced a comprehensive set of tariffs targeting a range of countries, with rates varying from 10% to over 50%. While yesterday's announcement provides some clarity, uncertainty remains regarding whether these tariffs will be permanent, serve as a negotiating tactic, or be adjusted upward in response to retaliatory measures taken by other nations.

Economic theory and historical precedent suggest tariffs typically result in reduced economic growth and lower corporate profit margins, effectively functioning as a tax increase on U.S. consumers, U.S. corporations, and foreign entities alike. Combined with potential retaliatory actions from foreign governments and foreign consumers boycotting American goods, these tariffs are expected to dampen business confidence, reduce consumption, and hinder international trade.

It remains to be seen whether the administration views these tariffs as a sound long-term policy or if they are being used as a negotiating tactic for some larger, grand plan (e.g., a Mar-a-Lago Accord). Furthermore, do U.S. companies, many of whom have invested billions in moving production out of China to Vietnam and elsewhere, now decide to replicate their supply chains stateside (and how long will this take) or do they hope for negotiations or plead for exemptions?

To mitigate anticipated negative economic impacts, we expect the Federal Reserve will consider reducing interest rates, potentially as early as May, despite the risk of higher short-term inflationary pressures. Such a move could eventually help stabilize the markets and encourage a shift in investor sentiment from bonds/cash to equities, as market participants await further stimulus measures later in the year, including tax reforms.

As we entered 2025, we took a cautious approach by modestly reducing equity exposure, partly due to concerns over valuations and the potential impact of challenging trade policies. We also selectively reduced exposure to companies and industries most vulnerable to tariffs and retaliatory actions.

Though the announced tariff actions are more severe than we and the market anticipated, given the market sell-off since early February (and including today), we believe financial markets may have largely priced in the current negative tariff developments and anticipated stimulus later this year. As noted above it remains unclear what degree of retaliation may arise.

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At some point in the coming months, we will look to reinvest/reallocate the added cash/bond exposure at what should be more attractive re-entry points. In the interim, we will continue to accumulate dividends and interest and increase dry powder available for future actions.

If you would like to discuss the markets or portfolio further, please contact us.

Sincerely,

Alan Cole	Chris Engelman	John Kearney
President/ Chief Investment Officer	Managing Director	Portfolio Manager

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