Shorepoint
Capital Partners

Maximum Uncertainty

Here at Shorepoint we had prepared our usual newsletter, chock full of political developments and commentary on the markets. Given the President's tariff announcements and the subsequent market reaction on April 3 and 4th of 2025 we have decided to toss the newsletter for Q1 in the trash.

Our view of the past two days is that there is no economic plan in the traditional way we have thought of planning. ***Our only guess is that this tariff announcement is some kind of a salvo to negotiating a re-order of world trade.*** We want to be clear on this; Shorepoint does not endorse the use of across the board and significant tariffs which can start a global trade war.

President Ronald Reagan gave his view on tariffs in his famous 1982 radio address; the following are some highlights:

> "*High tariffs inevitably lead to retaliation by foreign countries and the triggering of fierce trade wars. The result is more and more tariffs, higher and higher trade barriers, and less and less competition. So, soon, because of the prices made artificially high by tariffs that subsidize inefficiency and poor management, people stop buying. Then the worst happens: Markets shrink and collapse; businesses and industries shut down; and millions of people lose their jobs."*

As Warren Buffett said, and we paraphrase: *tariffs are akin to an act of war*. One need only look at trade wars in history to see the disastrous results.

And as Josh Brown, CEO of Ritholtz Wealth Management, noted the other day, this is a truly historic moment in that these massive, short-term losses in the stock market are the result of one person's choices; we would add that they are based on bad math, poor communication, and uncoordinated policy. Over $8 trillion in market losses occurred in 48 hours.

Shorepoint has always advocated for diversification when managing our client portfolios. This at times seems like expensive insurance. However, this equity market's significant pullback from an unforced error show why we diversify. ***The Balanced Index was down 6.1% while the S&P 500 was down a full 10.5% on April 4th and 5th.*** Meanwhile, bonds (Bloomberg Aggregate Index) were up 0.7% and money market funds (cash) were yielding about 4%.

Shorepoint Views:

We have been reducing equites in client accounts over the last year, and we again reduced equities in March 2025 while adding the proceeds to bonds. As you know from our previous communications, Shorepoint has maintained high levels of cash (money market funds) and fixed income and positioned your portfolios as conservatively as we have ever been as a firm in the last 15 years. At the same time, as we navigate these risks, we are identifying opportunities to invest some of that cash deliberately. Unfortunately, at times of great stress and uncertainty, there is an element of faith-based investing with just a hope for the future of America, which has always served us well in the intermediate and long-term especially. We are confident we will rise again from the hole we are in but first the President must stop digging and cooler heads must prevail.