TRIAD
INVESTMENT MANAGEMENT

What We're Seeing Right Now - April 2025

Produced exclusively for clients and friends of Triad Investment Management

You may not be a fan of The Economist, but in our opinion, they call ‘em as they see ‘em. Donald Trump refers negatively to folks like this as “Globalists” who put too much emphasis on international concerns, instead of largely domestic concerns. The problem with ignoring the world is simple. What happens outside the United States eventually impacts us whether we like it or not.

Tariffs, Trump’s favorite word, are a good example. The history of using tariffs during trade disputes generally ends in one result. The entire world is poorer. We’ll spare you the details. Team Trump knows this. But, as we suggested last month, The Donald is a poker player who has negotiated his entire life. Also, he’s a “lame duck” President at this point, as he can’t run for President again, his recent comments notwithstanding. So, looking at his last shot, he’s not inhibited by political norms and can operate more radically. And that’s just what he’s been doing.

We’re not opposed to many of Trump’s criticisms and objectives. It’s clear that many friends and foes need a little “urging” to take action that the U.S. believes necessary. For example, Europe needs to spend more on its own defense. This has been clear to us for years. Prior to Trump, Europe paid a bunch of lip service to U.S. pleas, while spending generously on its “social safety net.” Now with Trump threatening to abandon NATO, suddenly Europe has “gotten religion” and decided that perhaps spending more money keeping the Russian Bear in its cage isn’t a bad idea. We’re looking at you, Germany.

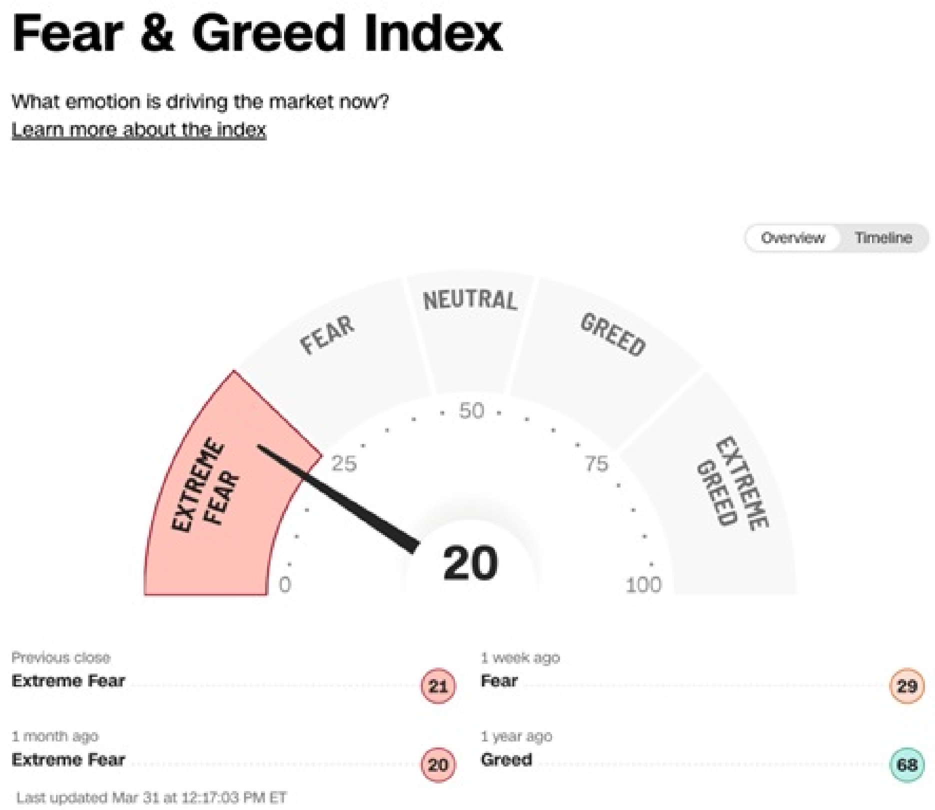
Tariffs are a similar situation. The U.S. does have trade deficits in goods with many countries while we often have trade surpluses in services. Why? Simple. We do software better than we do tee shirts. We’re a high-income and therefore higher-cost country when it comes to manufacturing many basic goods, while we provide many highly advanced goods and services that many countries cannot.

Our largest trade deficits are with China, Europe, Mexico, Vietnam, Canada, etc. Similar to defense spending, many of our friends and foes have taken advantage of our generosity and have erected barriers to our products. Trump is saying no more to these practices. But he’s also aware that shutting off global trade flows completely will bring negative consequences for the U.S. and the global economy. Everyone suffers.

The “turmoil” caused by Trump’s radical actions has taken a toll on consumers, businesses, and foreign governments. Consumer sentiment and confidence have plummeted recently. Given that roughly 70% of our economy is consumer spending, we could be headed toward a recession. Businesses see consumers cut back and do the same.

To the extent you believe some of Trump’s goals are worthy, and we do, one positive in today’s mess is that global friends and foes now must think about a wider range of potential U.S. actions compared to pre-Trump. Never before has Europe considered the possibility of the U.S. abandoning NATO. Now it must. While we doubt the U.S. would leave NATO, the possibility, however remote, has pushed Europe to start spending hundreds of billions of Euros on its own defense. Good, we say. Same for the border, where Mexico has been lax in policing. Mexico could do much more about drugs flowing across its border as well. We’ll see what happens on that front, but we’d guess there will be progress on immigration and drugs.

Given the above, it’s no surprise how investors are feeling. As we’d expect and you should expect, the mood is sour, dark and gloomy. Below is the CNN Fear and Greed Index. Investors are completely predictable and right on time with their emotions likely leading some to bail out, thereby missing the eventual rebound:



The American Association of Individual Investors, aka AAII, also surveys investor sentiment. It's also in the negative or "bearish" camp.

Our take on all of this is always the same. Resist the urge to act on your emotions. It's a normal human tendency to run for the hills when difficulties arise. Which they always do, with plenty of regularity. Such is the life of a long-term investor. We need to build up our ***"financial immune system"*** through repeated inoculations and repetitive messages that say one thing: don't bail out when the going gets tough. It's just too hard to time these episodes, and even if you manage to get out near the top, you'll potentially face a tax bill, and then you'll have to figure out when to get back in. We've been at this game for decades, and you'll have to trust us when we say ***"it ain't easy to figure out the guessing game of getting out and getting back in."*** Better to accept the periodic declines as inevitable, but always temporary.

Ultimately, your financial rewards from long-term investing come from the business progress of each company you own. When businesses, not pieces of paper, but real businesses with millions or billions of dollars of sales, income and cashflow, grow over time, guess what? The prices of those businesses in the stock market tend to increase in line with that business progress. And we're fortunate that we can invest in some of the greatest businesses on the planet, right here in the United States. Whatever happens to the economy over the next 6-12 months, we're highly confident that the businesses we've selected for your investment plan will come through as a group in excellent condition.

Stay the course.

John Heldman, CFA
Partner | Portfolio Manager
jheldman@triadim.com
(949) 294-9803

Dave Hutchison, CFA
Partner | Portfolio Manager
dhutchison@triadim.com
(949) 381-7614

Past performance does not guarantee future results. Results are presented net of fees and include the reinvestment of all income. The opinions expressed herein are those of Triad Investment Management, LLC and are subject to change without notice. Consider the investment objectives, risks and expenses before investing. The information in this presentation should not be considered as a recommendation to buy or sell any particular security and should not be considered as

Triad Investment Management | 1301 Dove Street Suite 1080 | Newport Beach, CA 92660
US