



Dear Fellow Investors

RE: Tariff War Sell Off:

The past week has brought significant market volatility, with investor sentiment shaken by a new wave of tariffs announced by the Trump administration. While moments like these are unsettling, they also highlight the value of diversified portfolios, clear thinking, and proactive decision-making, all things we've consistently built into our approach.

So, what's triggered the sell-off?

In short, a dramatic escalation in U.S. trade policy. The Trump administration introduced sweeping "reciprocal tariffs," not just on China, but across Asia Pacific with Cambodia, Laos, and Vietnam facing tariffs of up to 50%, and even U.S. allies like Japan and South Korea seeing duties in the 24–26% range. China itself was hit with a 34% tariff, alongside clear efforts to target not only "Made in China" but also "Made by China elsewhere." It's a sharp departure from the expected playbook and markets were caught off guard.

China's response was swift.

Within 48 hours, Beijing matched U.S. tariffs with 34% retaliatory duties on all U.S. imports starting April 10th and introduced new export controls on rare earth minerals. This time, China isn't holding back, a notable shift from previous trade episodes. We now appear to be in a far more direct standoff, with geopolitics leading the narrative.

Markets reacted accordingly. U.S. equities fell sharply, the S&P 500 and NASDAQ dropped nearly 10% in just two sessions. Margin calls and forced selling intensified the move, and safe havens were few and far between. Even typical defensives like gold and commodities came under pressure as investors liquidated to raise cash.

But context matters.

This is not a war, a pandemic, or a banking collapse. It's a self-imposed policy shock and those, while painful, can also be reversed more quickly if political incentives change. There's still uncertainty about what the endgame is: whether this is about protectionism, negotiation leverage, or a broader macro reset. That's precisely why remaining measured is so critical.



Our positioning has reflected this mindset.

As you know we started the year with caution and maintained diversified portfolios across geographies, sectors, and asset classes. While no portfolio is completely immune, especially when the sell-off is this broad and keeping in mind we do have exposure to risk assets, our allocation to China, for instance, has provided some resilience. Mainland equities (CSI300) have held up better than global peers, supported by a relatively stable currency and ongoing stimulus potential. Managers like Prescient China, for example, have already taken steps to reduce downside exposure and build in protection, showing the value of active management in volatile times.

Importantly, our bond allocations have played a stabilizing role.

As equities declined, yields moved lower and our exposure to duration, particularly in U.S. Treasuries, helped cushion the blow. But beyond that, one of our core bond managers for example, Rubrics, is now positioned to go on the offensive.

While credit spreads have started to widen, they haven't yet hit full panic levels perhaps because the bond market still believes that some form of sanity will ultimately prevail. That opens a window of opportunity. Rubrics has kept duration short and credit exposure low while spreads were tight and now has the dry powder to begin buying quality credit at discounted levels. These are the moments we've been patiently waiting for and are able to act accordingly.

Macro view (by Alpine Macro):

"The current selloff in stocks has become highly emotional, suggesting we may be approaching a cathartic low – a potential signal of a turnaround in prices. Speculators, however, can consider opening a long position in SPY."

Against the backdrop of a reckless trade war, the Federal Reserve must act decisively. Rate cuts are necessary to counter the tightening effects of higher tariffs and mounting trade uncertainty. Fed Chair Powell appears hesitant, possibly due to concerns that tariffs could fuel inflation. However, the reality is that rising tariffs will inflict far greater damage on real economic growth than any potential increase in core PCE inflation. Until the Fed demonstrates a firm commitment to easing policy, equity markets are likely to remain volatile.



The big picture?

Markets are experiencing a sharp repricing, but one that could quickly shift if policy rhetoric softens. While it's impossible to predict the next headline, we are not sitting still. We're engaging daily with our underlying managers, actively monitoring portfolio risks, and prepared to act if needed.

Given how fresh and fast-moving these developments are, we're still working closely with managers to fully assess the impact and changes being undertaken if any. Numbers across the board are fluctuating and we'll be in a better position to provide clearer detail as the weeks progress. We did however want to provide a note in the meantime given the size of the moves we have seen so far in markets.

These are the moments where clear strategy beats noisy headlines. We'll continue to keep you informed and thank you, as always, for your ongoing trust.

Warm regards,

The Iza Capital Partners Team