FREEDOM
INVESTMENT MANAGEMENT

Quarterly Commentary

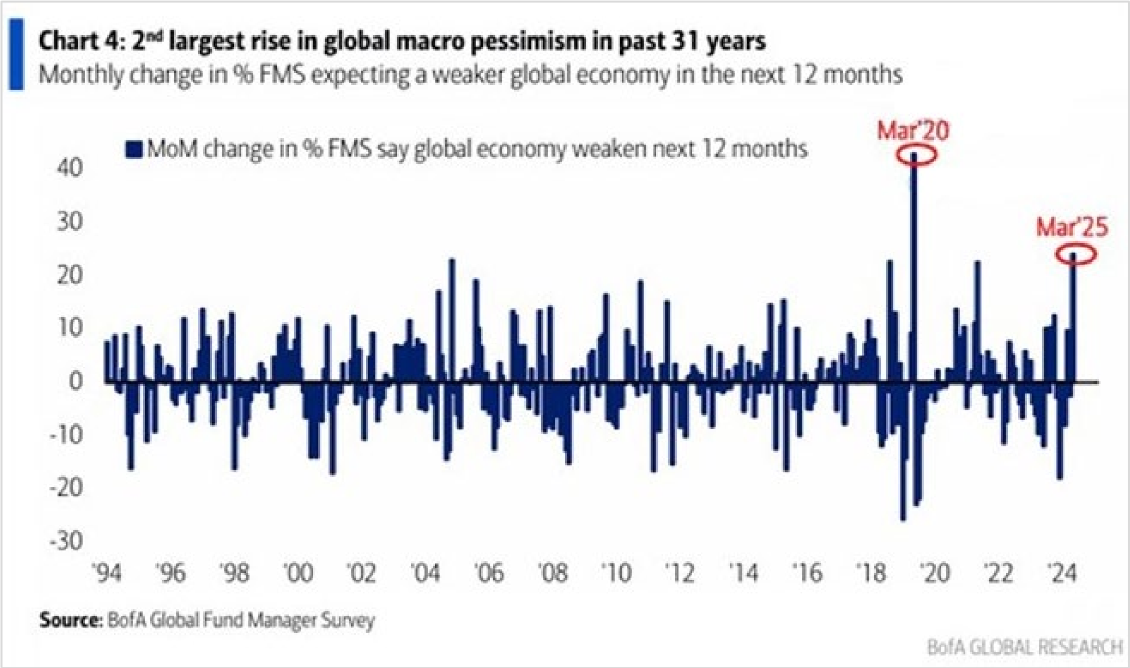
Q1 2025

Summary and Implications

- The U.S. economy is showing signs of softening if not outright contraction, but the risk of an enduring recession remains at low probability levels. Safe-haven and defensive assets such as U.S. Treasuries and precious metals are benefiting from the uncertainty stemming from tariff headlines.
    - Despite near-term uncertainty, strong labor markets and AI-driven productivity gains will likely continue supporting long-term corporate earnings growth. A weaker dollar could benefit multinationals.
- Long-term investors should remain neutral on equity positioning with a preference for high quality U.S. stocks with strong balance sheets and reasonable valuations. AI-driven large caps can recover from the 1st quarter sell-off as expectations remain high for growth and spending, while small and mid-caps will likely lag unless they see a turnaround in earnings prospects. Hard assets like real estate and natural resources can still provide inflation protection in the face of higher tariffs.
- Fixed income remains attractive from a real yield standpoint but also as a diversifier for pro-cyclical assets such as equities and commodities. Investors still have an opportunity to lock in moderately high real rates by extending the maturity profile of their fixed income allocation.

Investment Summary and Outlook

Global stocks ended the first quarter with moderately negative returns, as U.S. equity losses were not enough to offset positive U.S.-dollar based returns across international markets, led by European and Chinese stocks. Throughout the quarter, equity investors were whipsawed with trade tariff headlines as the Trump Administration implemented initial tariffs on aluminum/steel and auto imports, threatening to broaden the scope of tariffs (reciprocal, sector-based) to be announced on April 2, so-called “Liberation Day.” Safe-haven and defensive assets such as U.S. Treasuries and precious metals are benefiting from the uncertainty weighing on economic growth and sentiment, as President Trump threatened to implement tariffs across “all countries” announced on social media during the final weekend of the quarter. Investor macroeconomic anxiety reached levels not seen since the peak of COVID per the BofA Fund Manager Survey.



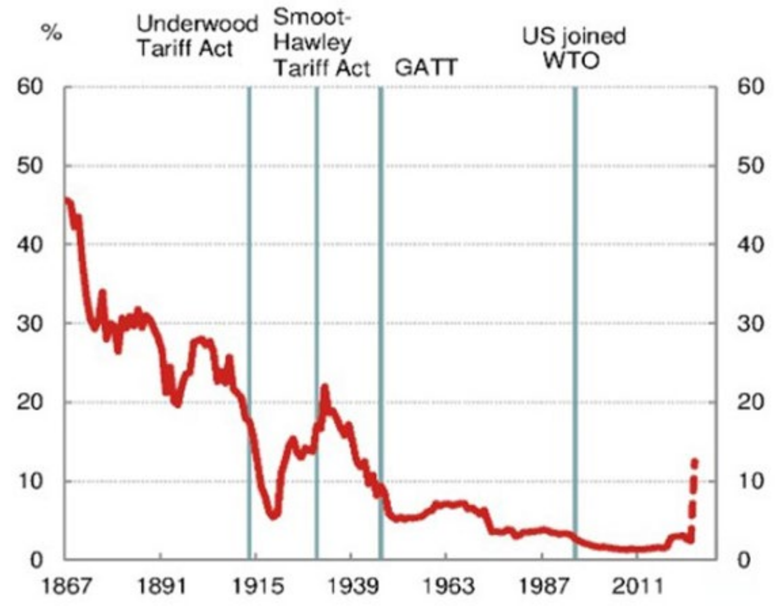
Wall Street strategists have been pulling back their year-end projections for economic growth and price targets on U.S. stocks. Matthew Hornbach, Morgan Stanley strategist, summed up in a note, "Unless the U.S. administration clarifies the pathway forward and purpose of its tariff agenda such that investors face less uncertainty about the possible response, subsequent action, and specific goals, we expect investors to lose increasing amounts of confidence in the global economic outlook." Top trading partners across pan-Asia, Mexico, and Canada came under acute selling pressure as the Trump tariff plan could target them the most. Emerging markets beyond China would face an enormous economic hit when scaling U.S. exports relative to the size of their local economies.

President Trump did campaign on restoring balance to U.S. trade, most directly through reciprocal tariffs. His administration argues that the practices of many American trading partners, whether tariffs, subsidies, and/or value-added taxes, put their own exporters at an unfair competitive advantage. The president believes that by building a tariff wall around the U.S. economy, foreign producers and U.S. companies operating abroad would have greater incentives to reshore production to the U.S. and hire American workers. In addition, the Administration aims to generate tariff revenue to help pay for proposed tax cuts that will take shape during budget reconciliation later this spring.

Even when the new tariff policies were announced, the Trump Administration stressed that they were open to further negotiation, aiming to advance U.S. policy goals—such as increasing purchases of American exports or securing cooperation on defense, drug trafficking, and migration. However, even excluding a worst-case scenario of maximum reciprocal tariffs, the tariffs announced so far would raise the average U.S. tariff rate to over 10%, a post-war high and surpassing the 1930s Smoot-Hawley tariff regime.

Fig. 5: Even the least aggressive scenario is likely to push the effective tariff rate to the highest level since the late 1930s

The effective tariff rate for overall US imports



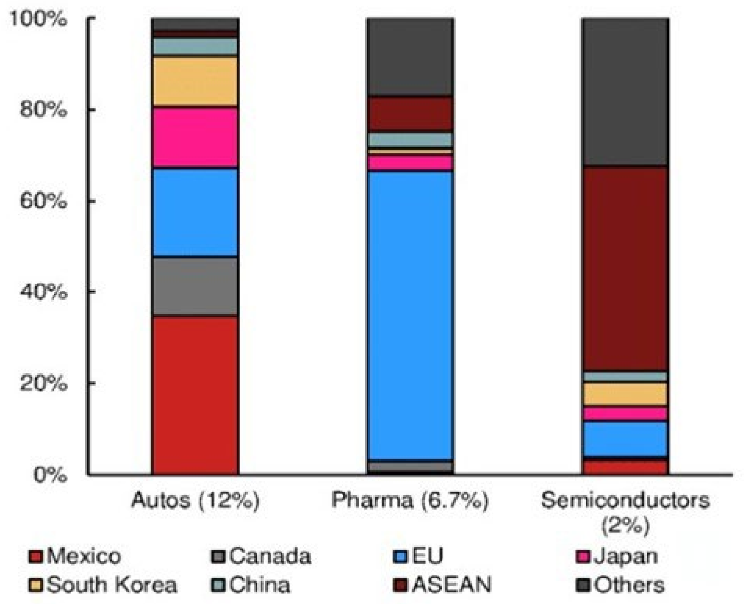
Source: The White House, NBER, USITC, Haver, Nomura

The U.S. economy is showing signs of softening if not outright contraction, but the risk of an enduring recession remains at low probability levels. The net export component of the U.S. real GDP will skew the overall print for the first quarter, as businesses sped up imports ahead of proposed tariffs. There are also indications that consumer and business spending/investment softened throughout the quarter, reflecting anxiety and uncertainty over U.S. trade policy.

According to the Atlanta Federal Reserve GDPNow model, when excluding the significant negative contribution from an unusual volume of gold imports, 1Q25 real GDP is tracking at -1.4% (as of April 1) with consumer spending (PCE) expected to contract -0.4%. Regional Federal Reserve and industry surveys such as the ISM point towards cautious posturing on the part of businesses that have paused further investments and hirings in the face of slowing orders and higher price inputs. If the tariffs are implemented as expected, the U.S. is likely to see higher prices and lower volume across major import categories such as autos, pharmaceuticals, and semiconductors.

Fig. 4: Vehicles (excluding railways and tramways) accounted for 12% of total US imports in 2024

Decomposition of imports by country (as of 2024)



Note: Number in parentheses denotes the share of respective sectors in total imports. Autos refer to HTS code 87, pharmaceutical products refer to HTS 30, semiconductors refer to HTS 8541 and 8542.
Source: USITC, USTR, Haver, Nomura

At the January and March 2025 FOMC meetings, the Fed paused benchmark rate cuts that began last September. The Fed acknowledged that GDP growth and labor market conditions remain solid, albeit cooling in a gradual manner, but that inflation remains stubbornly above the Fed's policy target. Despite the highly publicized federal employee layoffs, the Fed did not see any meaningful softening of labor market conditions and is treating tariffs as a temporary boost to inflation, rather than a structural increase in the underlying trend.

The Fed also updated its Summary of Economic Projections (SEP) to account for lower economic growth and sticky inflation throughout 2025 and into 2026. Specifically, the Fed lowered its 2025 GDP forecast from 2.1% growth to 1.7%, while 2026 was revised from 2.0% to 1.8%. For 2025 inflation, core PCE projections rose from 2.5% to 2.8%, with progress towards reaching the Fed's long-term target expected to stall temporarily due to perceived tariff risks. The Fed did not change its inflation projections for 2026 and 2027 core PCE projections (2.2% and 2.0%, respectively).

With increasing anxiety over Liberation Day tariffs amid a slowdown in U.S. economic activity, interest rate traders are pricing in expectations of three rate cuts in 2025, starting in the 2nd half.

Region: United States »		Instrument: Fed Funds Futures »	
Target Rate	4.50	Pricing Date	03/31/2025
Effective Rate	4.33	Cur. Imp. O/N Rate	4.329

Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate	A.R.M.
05/07/2025	-0.187	-18.7%	-0.047	4.282	0.250
06/18/2025	-0.818	-63.1%	-0.205	4.124	0.250
07/30/2025	-1.465	-64.7%	-0.366	3.963	0.250
09/17/2025	-2.126	-66.1%	-0.531	3.797	0.250
10/29/2025	-2.525	-39.9%	-0.631	3.698	0.250
12/10/2025	-3.036	-51.1%	-0.759	3.570	0.250
01/28/2026	-3.245	-20.9%	-0.811	3.518	0.250
03/18/2026	-3.541	-29.6%	-0.885	3.443	0.250
04/29/2026	-3.675	-13.4%	-0.919	3.410	0.250
06/17/2026	-3.855	-18.0%	-0.964	3.365	0.250
07/29/2026	-3.925	-7.0%	-0.981	3.348	0.250
09/16/2026	-3.735	+19.0%	-0.934	3.395	0.250
10/28/2026	-3.735	+0.0%	-0.934	3.395	0.250
12/09/2026	-4.407	-67.2%	-1.102	3.227	0.250

Source: Bloomberg World Interest Rate Probability

Business sentiment is also weighed down by the uncertainty around how and when Congress will enact tax legislation with final budget reconciliation discussions this spring. The problem is especially acute for small businesses, as the number of small firms planning capital expenditures has now fallen for three straight months per the National Federation of Independent Business survey.

Near-term uncertainty aside, the U.S. economy still enjoys historically low unemployment and steady wage growth which should buttress consumer spending, even when faced with higher cost of living. Household balance sheets remain strong, helped by investment and real estate gains over the post-pandemic period. Infrastructure spending legislation is still making its way through to state and local spending even though emergency pandemic relief has largely ended. S&P 500 earnings are expected to grow 10-12% in 2025, driven by productivity gains from artificial intelligence and technology adoption across sectors. U.S. tech hyperscalers, alongside a revitalized industrial base should reshoring efforts gain momentum, could push U.S. profit margins even higher as investment spending pays off down the road in the form or higher productivity. A weaker U.S. dollar in this scenario—perhaps due to global confidence in U.S. stability—might further boost multinational earnings.

For now, uncertainty reigns as investors pull back on expectations for another year of robust market gains.

U.S. Fixed Income Markets

Index Performance as of 3/31/2025	1Q2025	YTD	1-Year	3-Year (Ann)
Bloomberg US Agg Bond TR USD	2.78	2.78	4.88	0.52
Bloomberg US Treasury Bill 1-3 M TR USD	1.04	1.04	5.03	4.33
Bloomberg 1-5 Yr Treasury TR USD	2.04	2.04	5.47	2.48
Bloomberg Treasury 5-7 Yr TR USD	3.40	3.40	5.29	0.87
Bloomberg Treasury 7-20 Yr TR USD	4.28	4.28	3.76	-2.55
Bloomberg US Treasury 20+ Yr TR USD	4.59	4.59	0.08	-8.53
Bloomberg US Agency TR USD	2.11	2.11	5.25	2.12
Bloomberg ABS TR USD	1.53	1.53	5.90	3.51
Bloomberg US MBS TR USD	3.06	3.06	5.39	0.55
ICE BofA US Corporate TR USD	2.36	2.36	5.27	1.48
Bloomberg US Corporate High Yield TR USD	1.00	1.00	7.69	4.98
Bloomberg US Convertible Comp TR USD	-1.29	-1.29	7.28	2.32
Bloomberg Municipal TR USD	-0.22	-0.22	1.22	1.53

Source: Morningstar Direct

U.S. fixed income posted moderately positive returns with the U.S. Aggregate Bond Index up 2.78% for the quarter, as U.S. interest rates dropped. Despite concerns about the inflationary impact from the potential of higher U.S. tariffs, fixed income market participants seem more concerned about slowing economic growth and the implications for future labor market conditions. U.S. Treasuries benefited the most from these concerns with rates falling across maturities as bond traders anticipate two or three Fed rate cuts, starting in the second half of this year.

Corporate bonds (both investment grade and high yield) underperformed the broader fixed income market as borrowing spreads widened with the sell-off in U.S. equities even though borrowing spreads remain below pre-pandemic levels. U.S. mortgage-backed spreads outperformed as the sector benefited from a decline in implied rate volatility and renewed demand from institutional investors. Municipal bonds underperformed due to a combination of higher supply from state and local issuance and lower federal spending support with the end of pandemic-era emergency stimulus.

Implications: Real Rates Continue Decline Even as U.S. Inflation Remains Sticky

Duration or Rate-Sensitivity drove the bulk of this quarter’s positive performance as longer maturity bonds most benefited from the fall in interest rates. The 10-year Treasury yield settled at 4.20% at the end of the quarter, down from 4.54% at the beginning. The spread between short-term and long-term borrowing rates ended the quarter unchanged, but the 10-2 year Treasury yield remains positive as the short end of the curve anticipates a resumption in Fed rate cuts later in the summer.

Long-term inflation-adjusted rates dropped throughout the quarter even though core inflation metrics remain stubbornly above the Fed’s long-term target. Further fixed income gains would likely need a significant economic slowdown that would prompt the Fed to cut rates sooner rather than later. Corporate bonds look more attractive as borrowing spreads widened with the sell-off in U.S. equities, more so with high yield than investment grade. Fixed income remains attractive from a real yield standpoint but also as a diversifier for pro-cyclical assets such as equities and commodities. Investors still have an opportunity to lock in moderately high real rates by extending the maturity profile of their fixed income allocation, although duration overweights could be scaled back with the drop in real rates. Asset- and mortgage-backed securities also remain attractive as high quality alternatives to U.S. Treasuries.

International Fixed Income Markets

Index Performance as of 3/31/2025	1Q2025	YTD	1-Year	3-Year (Ann)
Bloomberg Global Agg ex US TR USD	2.53	2.53	1.46	-3.47
Bloomberg EuroAgg TR USD	3.38	3.38	2.07	-2.50
Bloomberg Asian Pacific Agg TR USD	1.35	1.35	0.74	-4.57
Bloomberg EM Local Currency USD	3.99	3.99	3.96	2.50

Source: Bloomberg

In U.S. dollar terms ("USD"), international bonds performed well in the first quarter, primarily from currency appreciation against the U.S. dollar. The Bloomberg Global Aggregate Bond ex US Index (USD) and the Bloomberg EM Local Currency Index (USD) returned 2.53% and 3.99%, respectively. European rates rose in anticipation of greater fiscal spending, primarily industrial and defense spending, while Japan is still grappling with rising inflation. The 10-year German Bund yield spiked 50 basis points in early March. Higher proposed U.S. tariffs contributed to the drop in the Bloomberg Dollar Spot Index, returning -2.70% for the quarter, with more of the dollar depreciation coming against western European currencies than Asian currencies.

Apart from the threat of higher U.S. tariffs, diverging fiscal spending paths between Europe and the U.S. catalyzed the 4.4% appreciation of the euro against the dollar. Germany's new governing coalition is proposing a €500 billion infrastructure fund to help revive Europe's largest economy, as borrowing €150 billion in European Union loans to boost defense spending as the Russia/Ukraine conflict shows few signs of resolution.

Asian currencies did not fare as well as Europe, primarily because the region's major U.S. trading partners (Japan, China, and South Korea) bore the brunt of U.S. tariff rhetoric, especially over threats of being labeled currency manipulators to depreciate their respective currencies to remain price competitive with U.S. goods. China's currency (Yuan) may also have reached peak appreciation against the USD as structural tailwinds such as a peak in global annual trade surplus ($994 billion ending 2024) and slowing outflows start to fade over the coming years.

Implications: Near-Term Bottom for the USD as U.S. Trade Policy Comes into Greater Focus

Ex-U.S. fixed income performance will be heavily influenced by the timing and scope of U.S. trade policy with respect to tariffs. Should there be a global escalation in trade conflicts, investors will turn defensive and flock to safe havens such as the Japanese yen. Beyond the tariff headlines, the USD may see further depreciation should U.S. economic fortunes diverge from that of the rest of the world, which would likely produce a narrowing in rate differentials as the Fed would likely accelerate policy easing in the face of a slowdown.

The main risk to USD-denominated international fixed income is that the U.S. economy remains on firm footing with inflation remaining at uncomfortable levels for the Fed to cut rates sooner rather than later. This would narrow the perceived growth outlook differential between the U.S. and the rest of the world. In addition, the pro-cyclical tailwinds enjoyed by Europe and Asia could be overwhelmed by a slowdown in global trade activity because of the ongoing tariff conflicts. Canada and Mexico remain most exposed to an escalation in trade tariffs as these two countries represent the largest trading partners with the U.S. besides China. However, foreign currency weakness against the USD could be offset by lower rates if pro-cyclical forces pushing up rates do not pan out.

US Equity Markets

Index Performance as of 3/31/2025	1Q2025	YTD	1-Year	3-Year (Ann)
S&P 500 TR USD	-4.27	-4.27	8.25	9.06
Russell 1000 Growth TR USD	-9.97	-9.97	7.76	10.10
Russell 1000 Value TR USD	2.14	2.14	7.18	6.64
Russell Mid Cap Growth TR USD	-7.12	-7.12	3.57	6.16
Russell Mid Cap TR USD	-3.40	-3.40	2.59	4.62
Russell Mid Cap Value TR USD	-2.11	-2.11	2.27	3.78
Russell 2000 Growth TR USD	-11.12	-11.12	-4.86	0.78
Russell 2000 TR USD	-9.48	-9.48	-4.01	0.52
Russell 2000 Value TR USD	-7.74	-7.74	-3.12	0.05
S&P Cmmncton Svces Select Sector TR USD	0.00	0.00	19.53	13.16
S&P Cons Staples Select Sector TR USD	4.48	4.48	9.81	5.40
S&P Consumer Disc Select Sector TR USD	-11.72	-11.72	8.38	3.21
S&P Energy Select Sector TR USD	9.98	9.98	2.32	10.97
S&P Financial Select Sector TR USD	3.52	3.52	20.18	11.24
S&P Health Care Select Sector TR USD	6.54	6.54	0.40	3.93
S&P Industrial Select Sector TR USD	-0.19	-0.19	5.65	10.27
S&P Materials Select Sector TR USD	2.72	2.72	-5.61	1.35
S&P Real Estate Select Sector TR USD	3.58	3.58	9.60	-1.19
S&P Technology Select Sector TR USD	-11.01	-11.01	-0.16	10.19
S&P Utilities Select Sector TR USD	4.94	4.94	23.87	5.27
S&P 500 Dividend Aristocrats TR USD	3.20	3.20	3.19	5.04
S&P 500 Low Volatility TR USD	7.26	7.26	15.79	6.22
S&P 500 High Beta TR USD	-11.49	-11.49	-9.99	2.03
S&P 500 Momentum TR USD	-2.38	-2.38	16.32	16.62
S&P 500 Quality TR USD	-0.76	-0.76	11.15	11.81
DJ US Select Dividend TR USD	3.25	3.25	13.49	5.92

Source: Morningstar Direct

Following a strong start in January in reaction to positive 4Q earnings releases, U.S. stocks pulled back over uncertainty of U.S. trade policy and further signs of a slowdown across consumer and business spending. U.S. mid-caps fared better, only dropping 3.40%, but U.S. small caps underperformed the broader market, dropping 9.48% for the quarter. As businesses warn of a spending slowdown and pause in capital investments and hiring, Wall Street is having to ratchet down expectations for earnings growth over the coming year. While S&P 500 earnings announced in the fourth quarter grew 7.1% YOY, earnings are now only expected to grow 11.4% in CY-2025, down from 14-15% growth that was expected at the beginning of the year.

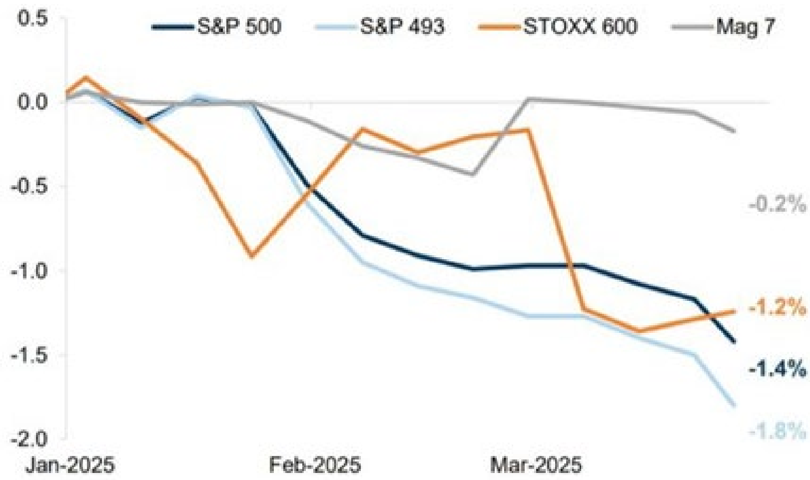
Small caps and value stocks initially underperformed large cap growth earlier in the quarter as U.S. technology companies continued to report strong earnings driven by spending on artificial intelligence. However, concerns over slowing economic conditions and trade war uncertainty led to a rotation into value and high dividend-paying market segments. Commodity-sensitive sectors such as energy and materials also benefited from higher commodity prices, led by industrial and precious metals. Technology and consumer discretionary stocks came under pressure as investor expectations for AI-driven spending were scaled back while many consumer-facing companies warned of a slowdown in spending and the higher operating costs associated with trade war uncertainty. Industrials were also weighed down by weakness from the transportation sectors.

Implications: Stick with High Quality and Value and Hedge Tariff-Driven Inflation Risk with Hard Assets

Despite the pullback in U.S. stocks, the S&P 500 Index still trades at the higher end of its 10-year valuation range with the forward price/earnings ratio hovering at 20.5x next 12-month earnings according to Bloomberg estimates. U.S. valuations remain at risk should analysts continue to revise down their expected earnings, especially if the U.S. economy were to meaningfully contract. The valuation gap between large cap growth and small cap value also remains historically wide with the former trading at 11.7x price/book versus 1.3x price/book for the latter.

The good news for investors is that the U.S. market has broadened out from the narrowness driven by the Magnificent 7 tech leadership. However, the broader market ex Mag7 is now facing downward revisions in forward earnings as we enter the first quarter reporting season. Should earnings growth remain limited to the secular capital spending cycle of the buildout in artificial intelligence then the broader market could continue to lag the technology hyper-spenders.

Exhibit 7: 2025 EPS revisions since the start of the year
Percentages



Source: Factset, Goldman Sachs Global Investment Research

Although Freedom Investment Management remains of the view that we are still in the mid-cycle rather than late-cycle phase of the post-pandemic period, we moved to a neutral position on U.S. equities versus the rest of the world. We continue to favor U.S. stocks with strong balance sheets and durable profitability trading at reasonable valuations that have served as beneficiaries of defensive positioning in the face of trade policy uncertainty. We are now neutral on relative positioning between large and small caps and remain neutral between value and growth stocks. We also continue to advise investors to investigate hard asset plays across natural resources and real estate as a potential hedge against inflation reacceleration risk stemming from higher tariffs.

International Equity Markets

Index Performance as of 3/31/2025	1Q2025	YTD	1-Year	3-Year (Ann)
MSCI ACWI NR USD	-1.32	-1.32	7.15	6.91
MSCI ACWI Ex USA NR USD	5.23	5.23	6.09	4.48
MSCI ACWI Ex USA Growth NR USD	1.96	1.96	1.15	1.75
MSCI ACWI Ex USA Value NR USD	8.58	8.58	11.35	7.23
MSCI ACWI Ex USA Mid Growth NR USD	2.82	2.82	2.80	0.90
MSCI ACWI Ex USA Mid NR USD	4.31	4.31	5.20	2.81
MSCI ACWI Ex USA Mid Value NR USD	5.68	5.68	7.40	4.62
MSCI ACWI Ex USA Small Growth NR USD	-1.66	-1.66	-0.40	-1.55
MSCI ACWI Ex USA Small NR USD	0.64	0.64	1.87	0.99
MSCI ACWI Ex USA Small Value NR USD	2.94	2.94	4.14	3.50
MSCI China NR USD	15.02	15.02	40.44	3.53
S&P Japan BMI NR USD	1.04	1.04	-1.21	5.26
MSCI AC Asia NR USD	1.29	1.29	6.11	3.08
MSCI Europe NR USD	10.48	10.48	6.87	7.33
MSCI EM NR USD	2.93	2.93	8.09	1.44

Source: Morningstar Direct

In USD terms, international equities outperformed the U.S. market in the first quarter, driven by strong market advances across Europe and China as well as U.S. dollar (USD) weakness. The MSCI All-Country World ex-USA Index (ACWI Ex USA) returned 5.23%, outperforming the U.S. market (S&P 500 returned -4.27% for the quarter). The international equity performance was largely global financials, notably European and Pan-Asian banks, as well as European industrials and defense sectors. Small caps underperformed large caps and value outperformed growth as global technology stocks lagged the recovery in traditional cyclicals and financials.

MSCI China and Europe were the standout performers across global markets, although both regions surrendered some of that outperformance late in the quarter. During the quarter, there was a shift in investor sentiment away from U.S.

equities, driven by concerns over slowing domestic economic growth and uncertainty surrounding U.S. trade policies. The incoming Trump administration's focus on tariffs and an "America First" agenda introduced volatility, with fears of a trade war dampening confidence in U.S. markets. This uncertainty may have pushed investors to seek opportunities elsewhere, particularly in regions less exposed to U.S. policy shifts

European stocks benefited from attractive valuations and optimism around improving economic conditions as well as prospects for bank deregulation. In China, policy shifts aimed at stimulating the economy, such as increased fiscal support or improved corporate governance, as well as the roll-out of cheaper versions of generative artificial intelligence ("Deepseek"), drove a recovery in technology companies that had lagged the broader tech sector.

Although not directly targeted by U.S. tariff announcements, Japan and pan-Asia markets came under pressure as U.S. tariff threats expanded beyond North American and European trading partners. Japanese auto stocks declined sharply following additional tariff announcements in early February targeting the auto sector. Pan-Asia markets, including export-driven economies like South Korea and Southeast Asia, also felt the heat, with fears of a broader trade war dampening sentiment. In addition, the Bank of Japan's cautious stance—despite rising government bond yields—signaled a slow normalization of monetary policy, which failed to inspire confidence amid global uncertainty.

Implications: Questionable Sustainability of China's Recovery and Renewed Concerns of Trade Protectionism and Currency Devaluations to Maintain Export Competitiveness

Historical cycles suggest a pendulum swing was due for international markets to outperform the U.S. given valuation disparities. After over a decade of U.S. dominance, international stocks were primed for a rebound, especially as their valuations had lagged, as well as priced in diverging growth prospects and a weakening USD.

Global markets continue to be valued at a discount to the U.S. although those discounts had narrowed slightly in the first quarter. Developed markets, as proxied by the MSCI EAFE Index, and emerging markets, as proxied by MSCI EM Index, are now trading at 14.6x and 12.2x forward 12-month earnings, respectively. This valuation discount will likely persist as the rest of the world is expected to grow earnings at a slower rate versus the U.S. Overall, international stock markets are projected to see earnings growth in 2025 ranging from mid-single digits (e.g., 7-8% in Europe) to low double digits (e.g., 11%+ in China), although these estimates remain fluid given the uncertainty over the global trade environment.

Attractive valuations offset by weaker profitability keep us neutral on regional allocations, as investors maintain a watchful eye on the sustainability of international market recovery and whether international economic growth does begin to outpace the U.S. As with the U.S. market, we emphasize positioning in high quality stocks trading at reasonable valuations and that fundamental price discrimination should provide a tailwind for active stock pickers.

Conclusion

Investors have turned cautious on global equities following a strong 2-year run and are shifting towards safe haven assets and precious metals in the face of macroeconomic uncertainty. The consensus outlook remains mid-cycle, although there are increasing signs of a spending and hiring slowdown in the U.S. Fixed income investors have opportunities to secure moderately high real rates by extending maturities, while high grade sectors (corporate, asset- and mortgage-backed securities) trade at more favorable spreads. For investors with significant foreign currency exposure, hedging to the USD or reallocating to U.S.-based fixed income is advised, as USD weakness incorporates much of the tariff uncertainty until some clarity is reached sometime in the second quarter.

Although we are neutral across major equity regions, we continue to favor U.S. equities, particularly those with strong balance sheets and sustainable profitability, trading at reasonable valuations. Until the earnings landscape broadens out beyond AI-driven sectors, small and mid-caps will be challenged to match the pace of large caps should U.S. stocks recover from the first quarter year sell-off. In addition, investors are encouraged to explore hard assets like natural resources and real estate to hedge against inflation risks, in light of the higher costs that will likely result from U.S. tariffs. Global markets, while trading at a discount to the U.S., continue to face subdued profitability, will need to demonstrate greater growth potential versus the U.S. to maintain their leadership. This keeps regional allocations neutral until some clarity is reached on the global trade front. Across both U.S. and global markets, a focus on high-quality, reasonably valued stocks, coupled with active stock picking, is emphasized for future returns.

FREEDOM
INVESTMENT MANAGEMENT

1-800-949-9936 · freedomadvisors.com

Advisory services are offered through Freedom Investment Management Inc. (“Freedom”), a registered investment adviser. Investment strategies carry varying degrees of risk, including the total loss of principal. Freedom does not provide tax or legal advice.

The index data shown was obtained through Morningstar unless otherwise specified. Other specific figures shown were obtained through Bloomberg unless otherwise specified. While Freedom believes the data to be reliable, no representation is made as to, and no responsibility, warranty or liability is accepted for the accuracy or completeness of such information. Indexes are unmanaged and cannot be invested in directly. Past performance is not a guarantee of future performance. This material reflects the opinions of Freedom and is an assessment of the market environment at a specific time. This is not intended to be a forecast of future events or a guarantee of future results.

This should not be considered a recommendation to buy or sell individual securities, nor should this information be relied upon as research or investment advice regarding any security in particular. Diversification does not ensure a profit or protect against loss.

Except as otherwise specifically stated, all information and portfolio manager commentary are as of April 3, 2025.

© 2025 Freedom Investment Management, Inc. All Rights Reserved. MT-714067