

## CURRENTS: Currency Shifts, Tariffs & Global Investing

April was volatile and leadership in financial markets is changing. To us, volatility always signals change and we offer perspectives about how those changes will impact returns.

For much of the past four years, the U.S. dollar has been on a strong run, gaining ground against major global currencies like the Japanese Yen, British Pound, Canadian Dollar, and Euro. That strength has reversed in 2025. So far this year, the dollar has weakened against all four of those currencies, providing a meaningful tailwind for U.S. investors with international exposure.

For example, the Euro is up roughly 8% year to date versus the dollar. That means U.S. investors in European equities have seen an additional ~8% return simply due to currency appreciation, on top of any gains (or losses) from the underlying companies. This currency boost has helped make international equities some of the strongest performers in our portfolios so far this year. Below is a YTD comparison between the Vanguard FTSE Developed Markets ETF (VEA) and the SPDR S&P 500 ETF (SPY):



Tariff talk is stealing financial market headlines. While actual policies are still evolving, the near-term economic impact of higher tariffs is fairly straightforward: they're inflationary. The U.S. relies heavily on imported goods and does not currently have the domestic manufacturing capacity to replace everything it sources from abroad. As a result, higher tariffs often mean higher costs for businesses, and ultimately, for consumers. Trade deficits will likely persist, but the cost of trade is likely to rise.

We believe the world has been in a period of deglobalization since at least the onset of the COVID-19 pandemic, and some would argue the trend began during the 2008 financial crisis. In response, many nations are pivoting toward policies which prioritize domestic manufacturing and supply chain resilience.

In this environment, we believe global infrastructure, from energy to transportation to digital connectivity, stands to benefit. Our positioning reflects that belief, and we continue to view overweight exposure to infrastructure investments as a sensible long-term strategy.

In parallel, it is likely we see a wave of deregulation, particularly in the financial sector designed to stimulate lending and economic growth. While this may support certain industries and encourage capital formation, it also risks loosening standards at a time when inflation is already under pressure. Easy money, fewer rules, and higher costs for goods and labor can quickly compound into broader price increases.

One of the easiest ways to pay off debt, or at least make it less expensive, is to inflate your way out of it. That doesn't mean it's an ideal strategy, but historically, inflation has often served as a release valve for economies carrying heavy debt burdens. We are reminded of U.S. policy and inflationary pressures in the early 80's. We will continue to look for ways to augment the risk of higher inflation with treasury inflation protected securities, real estate assets and dividend growth.

While currency movements and policy shifts may create short-term volatility, the underlying case for global diversification remains strong. Investors benefit not just from access to new growth opportunities, but also from exposure to different economic cycles, regulatory regimes, and innovation ecosystems. The world is still deeply connected, even as it reconfigures.

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