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**Andrew Johnson:** I'm Andrew Johnson and it is Monday, April 7th, 2025, and we're recording this after markets have closed. Joining me today is our President, Jim Hall. Jim also leads our EAFE large cap strategy and has played a key role across many of our strategies over his 27 years with the firm. Thanks for being here, Jim.

**Jim Hall:** Thanks for inviting me today, Andrew.

**Andrew Johnson:** Jim, you and I are pretty well-steeped in the news cycle when it comes to the markets, but many others may not be. For many, the conversation, the rhetoric, and the threats around tariffs from the U.S. administration has probably felt like a slow burn. And then all of a sudden things become very real. One viewpoint out there is that markets are just simply reacting to all of this uncertainty. But I'm curious, is it the tariffs themselves, or is it the unpredictability around what comes next that might have markets most concerned?

**Jim Hall:** I think it's both...and more on top of that. So yes, we've certainly seen a lot of volatility to the downside in the last several days here in markets. You know, right across the board in—not just equity markets where we've seen it, but also in commodities and currencies, even in bond markets today and credit markets.

**Jim Hall:** So, we've seen lots of outsized moves and many of them to the downside. I think the news is certainly in the last few days all about tariffs. But you're right, it's about more than that. It's about uncertainty in general. I think it's also about a lot bigger picture things that have been going on and developing over the last several months, if not last several years.

**Jim Hall:** There's uncertainty around tariffs, but that is tying into what's happening with the global geopolitical system. We've seen some negotiations around Ukraine go awry. We've seen the U.S. have some stronger relationships potentially with Russia and other countries.

**Jim Hall:** Potentially we're getting into a new world order here where not only is the economic side of things different, but so is the political side of things. People have questioned the rule of law these days. What good are our treaties with the United States and potentially others? And all of that's been brewing in the last several months.

**Jim Hall:** The latest headlines are around tariffs. Those have been in the background, now they're in the foreground. But I think they've just triggered concerns that have been brewing. It's uncertainty around how they're going to unfold, but it's really I think as you point out, uncertainty about how the whole world is unfolding. And that's leading to a lot of angst in markets and a flight to safety.

**Andrew Johnson:** Yeah, it certainly feels like a lot of what I've known about markets, the economy, and the world in general for my entire life is changing. I think a question that's on our clients' mind and maybe others is just through this recent volatility: how are our portfolios holding up relative to the broader markets?

**Jim Hall:** The portfolios overall are holding up quite well. I mean, markets are down quite a lot in some cases.



Certainly on the equity side, we're seeing the U.S. market down double digits, S&P 500 down 13 ish percent, NASDAQ's down nearly 20. We're seeing the same weakness in Asia with Japan down 22%.

**Jim Hall:** I think Chinese markets are down about 9% - 10%, in Europe down about 5% overall. So that's on the equity side. In our case, our portfolios are down considerably less than that, and in some cases, we're actually up as of yesterday year-to-date. So, our international equity portfolio was up about 5%, but after today, it'll be probably around flat.

**Jim Hall:** But that's pretty fantastic performance when you consider double digit declines elsewhere. Our U.S. equity strategy similarly while down, has outperformed the S&P 500 or the market index by about 800 or 900 basis points...so we're seeing some really good defense on the equity side.

**Jim Hall:** On fixed income, our portfolios, as you'd expect, are holding up well. They're either positive or close to zero year-to-date. And, as a result, our balanced fund—same thing—is around flat year-to-date as of yesterday. Might be down a little bit today, but not by much. So overall, the markets are, are extremely volatile and in many cases down quite a bit. And what we're seeing is—as we normally see with our portfolios—they holding up quite a bit better on the downside.

**Andrew Johnson:** It is good to hear. Perhaps much of the work is done in advance of moments like this, but walk us through what you and the team are doing through the turmoil and the volatility.

**Jim Hall:** We've been around a long time as a firm and many of the people on the team have been through lots of these types of market periods with lots of uncertainty around them. So, we have a pretty well developed playbook for dealing with upheaval like this. The first thing is just being prepared in the first place for these types of things that do happen. So that means having well diversified portfolios, made up of companies that themselves are resilient to market shocks. And then being careful about not being overexposed to any one thing that might happen. Being well diversified around the world in terms of companies and currencies and so on.

**Jim Hall:** So that is really the first step: being prepared in the first place. But once you get into these things, we have, again, a well-developed playbook. The first thing on the playbook actually is to remain calm. And not let emotion dictate your short-term actions.

**Jim Hall:** It's often in these times of stress where we do exactly the wrong thing because we're reacting to fear, usually, or sometimes greed. But we're reacting on emotion rather than on cold, rational calculations that we've done beforehand. So, first thing is to remind ourselves always, keep calm and take emotion out of it.

**Jim Hall:** The next step is really just making sure that as we look across the landscape, is there any further risk that we're exposed to. So, maybe some moves that we need to address right away. If we're overexposed to, let's say, a country or a company that has the U.S. as a big part of its market and now it's subject to tariffs, maybe we don't want to have a big exposure to that company within our portfolio. So sometimes you have to take those immediate risks off the table right away. You go through portfolios and see where might we have very immediate short-term risks that we might need to deal with. Once we've done that, it's really sharing what we're learning across the team, what we're seeing, so we're gathering data, facts, information from around the world in real time. We have a team of 43 people here in the research department to do that. We're getting lots of information and feeds about what is going on. And so we can gather that up and make informed decision of what we might need to do next. Then the next step is mitigation. So we've had new risks that are coming in, so do we need to trade anything? Are we overexposed somewhere? Do we have what we call sharp edges in the portfolio? Usually not because we've anticipated a lot of these scenarios, but if we have those we'll make those changes, which we've been doing a little bit of lately.

**Jim Hall:** There's not a lot of areas where we felt we were overexposed to this risk or the others that I mentioned



off the top. Sometimes it's: hey, look some opportunities have opened up, so let's see if we can take advantage of those. We're doing some of that now very, very slowly and not in a huge way, but we're actively out there buying some companies that have improved in value and we think the underlying fundamentals that may well be challenged in the next several months, will be fine over the next several years. And so there's some of the places we've been adding to, and that's normally what we do in these types of scenarios.

**Jim Hall:** You know, stay calm, identify any immediate risks, deal with those, then identify, maybe mid-term or longer term risks. Deal with those and then also at the same time, look for opportunities and make sure that our portfolios are not overexposed to the downside and yet still have participation on the upside. Just execute that plan and then repeat it the next day, which is what we've been doing all week.

**Andrew Johnson:** Excellent. I think, as I can only assume, that part of those conversations that you're having includes spending some time looking ahead and, and maybe that's where my curiosity lands. What are the broad scenarios that you're weighing as most plausible from here, whether it's in terms of policy responses, market impact...whatever's on your mind.

**Jim Hall:** A lot of things are possible now. They were always the scenarios before. There's lots of scenarios that could happen and could unfold. What we're in is one that we certainly had on our list of things that could happen. What's happened is just the probabilities of those kind of tail-like scenarios have kind of gone up.

**Jim Hall:** So we're in a place now where let's say we had 10 different scenarios of things that could happen before. And then we had a central tendency on three or four of those, and then some more risks in the tails. What's happened is those tail risks have all moved up and so now we're in a period of a lot greater uncertainty as to exactly how the world is going to unfold.

**Jim Hall:** You know that central forecast is that people and businesses will figure out a way to make money, to grow, to adapt. And I think that's still what is going to happen. The path to get there, I think, though, is going to be a lot more uncertain and a lot bumpier than maybe we would've thought six months ago.

**Jim Hall:** So, what you do in a world like that where the uncertainty level has just increased and kind of flattened across the board, is you want to reduce your exposure to any one of those scenarios. And you want to increase your exposure to maybe some of the ones that were lower probability before—I'm talking about the upside cases. Another way to put that is, make sure that you're diversified.

**Jim Hall:** Don't try and predict what scenario is going to happen next. Recognize that you're in a world of heightened uncertainty. And the way to deal with that uncertainty is not to try and reduce it by gathering more facts and data and predicting what's going to happen next; but rather to get yourself diversified or the way we express it is, to get flat.

**Jim Hall:** Make sure you have exposure to that upside while you're making sure you're not overexposed to some of those downside scenarios and keep doing that. That's what's most important right now. Rather than trying to say what's going to happen, is to make sure that you're resilient in all of the different scenarios that could happen.

**Andrew Johnson:** Well, that's probably a great place to wrap things up, Jim. Thanks for taking the time to talk through these questions that I know are on the minds of our clients as well as many others watching the market and their portfolios.

**Andrew Johnson:** So, thank you again.

**Jim Hall:** Yeah, my pleasure. Thanks Andrew.

