

Liberation Day Fallout

INSIGHTS FROM PICTON MAHONEY

Equity markets suffered a sharp downturn following President Trump's Liberation Day announcement on April 2, which imposed significant tariffs on countries around the world. If fully implemented, the average U.S. tariff rate would rise to its highest level since 1933.

Implications for the Economy and Markets

- Tariffs raise the uncomfortable possibility of stagflation: For the U.S., Trump's announcement is akin to the biggest tax hike in over 40 years. Should the administration not reverse course quickly, a recession is likely.
- While a short-term bounce in stock prices is possible given depressed sentiment, the tariffs will hurt profit margins in the months to come—and should lead to reduced capital spending in the field of Artificial Intelligence (AI), among other sectors.
- Over time, the U.S. economy and U.S. stock market seem set to suffer from Liberation Day: A loss of trust in the U.S. by other countries should lead to reduced foreign investment, and lower valuations for U.S. stocks.

How to Capitalize in These Volatile Times

Watching stocks nosedive can unnerve even the calmest investor. The good news, though, is that there's opportunity amid all the volatility—especially with a modern approach that goes beyond traditional assets (think stocks and bonds).

Here's why today's savviest advisors include alternatives in client portfolios:

1. Greater Diversification is Your Shield and Secret Weapon

Diversification isn't just about spreading your risk — it's about embracing sources of growth that don't move in lockstep with traditional assets. Alternative strategies offer the best of both worlds: downside protection during market downturns and the potential for steady risk-adjusted returns in bull markets. The right mix of alternatives ensures your portfolio is resilient, flexible, and always ready for what's next.

2. Alternatives Keep You Moving Forward

When markets get unpredictable, it's tempting to make quick, emotional decisions like panic selling or moving to cash. Alternatives provide a steady hand and a stable foundation to help you stay focused on long-term goals, no matter what's happening in the headlines. With greater certainty in uncertain times, investors can continue to build wealth without missing a beat.

3. Building a Stronger, Smarter Portfolio

Think of your portfolio as a high-performance engine: traditional assets such as stocks and bonds are the foundation, but alternatives help fortify your portfolio so its ready for any type of market. In a world of tariffs and volatility, alternatives help you stay ahead and achieve your financial goals with greater certainty.

Picton Mahoney Portfolios: Steady Hands in Rocky Markets

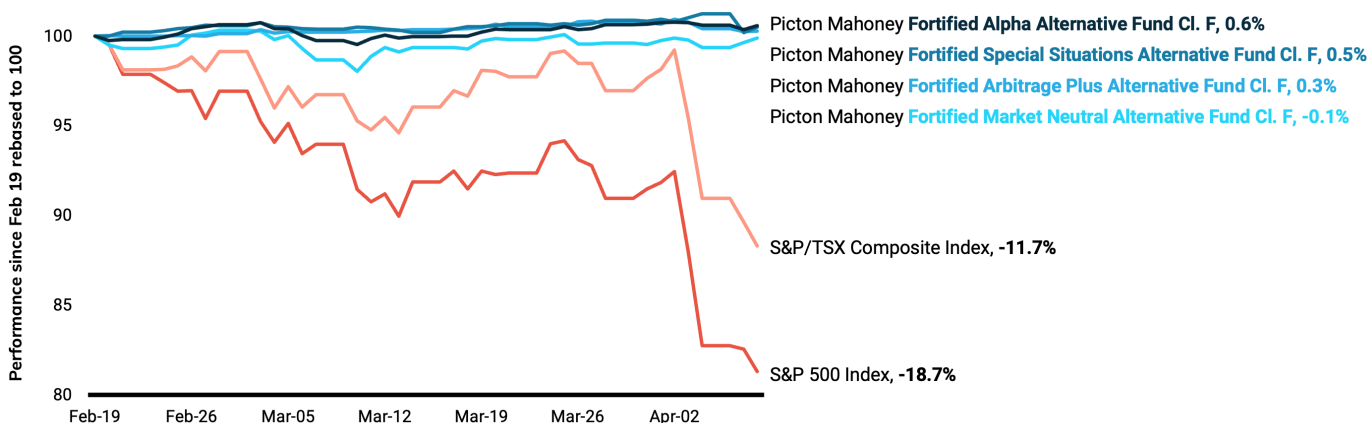
A rising tide tends to lift all boats. But perhaps the true measure of an investment strategy is how it performs when the tide recedes. On this score, Picton Mahoney has delivered for investors:

- Our firm has a 20-year track record of building resilient portfolios designed to navigate volatility, not just benefit from the upside.
- We've successfully navigated events such as the Global Financial Crisis of 2007-2009 and the COVID-19 pandemic.
- We prepare for bouts of extreme market volatility. That preparation is proving its value now, with our strategies displaying resilience as the market falters.

Here's how some of our strategies have performed during this period. These are all-weather funds, which can serve investors no matter the economic environment.

Mitigating Downside Risk When it Matters Most

Performance between Feb 19 to Apr 8



Source: Morningstar Inc, From 2/19/2025 to 4/8/2025. Return in local currency terms. The S&P 500 Index is used to represent the U.S. equity market. The S&P/TSX Composite Index is used to represent the Canadian equity market. The comparison shown above is to illustrate how the Picton Mahoney Fortified Funds compared to the broad U.S. and Canada equity markets.

Trailing Performance (%)

As of 4/8/2025	Since Liberation Day (4/3 - 4/8)	1M	3M	6M	YTD	1Y	3Y	5Y	Since Common Inception (5/4/2022)
Picton Mahoney Fortified Special Situations Alternative Fund Cl. F	-0.3	0.1	1.1	2.8	1.2	7.5	5.2	—	5.5
Picton Mahoney Fortified Alpha Alternative Cl. F	-0.2	0.9	0.8	3.3	0.9	9.4	—	—	7.4
Picton Mahoney Fortified Arbitrage Plus Alternative Cl. F	-0.7	0.0	0.8	1.7	1.2	4.2	3.7	11.0	4.1
Picton Mahoney Fortified Market Neutral Alternative Cl. F	0.0	1.2	-0.8	2.6	-0.4	8.9	7.1	9.3	7.4
S&P 500 Index	-12.1	-13.5	-15.5	-12.8	-15.0	-2.9	5.2	14.4	7.9
S&P/TSX Composite Index	-11.1	-8.8	-9.5	-5.1	-8.3	4.1	4.2	13.5	5.9

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Staying invested during market downturns provides an opportunity to capture gains as markets recover. We build funds backed by alternative strategies designed to enhance diversification within investment portfolios for exactly this reason: to help you stay invested, avoid reactive decisions, and ride through uncertainty with a clear plan.

Diversify your portfolio with us today.

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Disclosure

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