SIERRA
INVESTMENT MANAGEMENT

SPECIAL UPDATE: APRIL 7, 2025

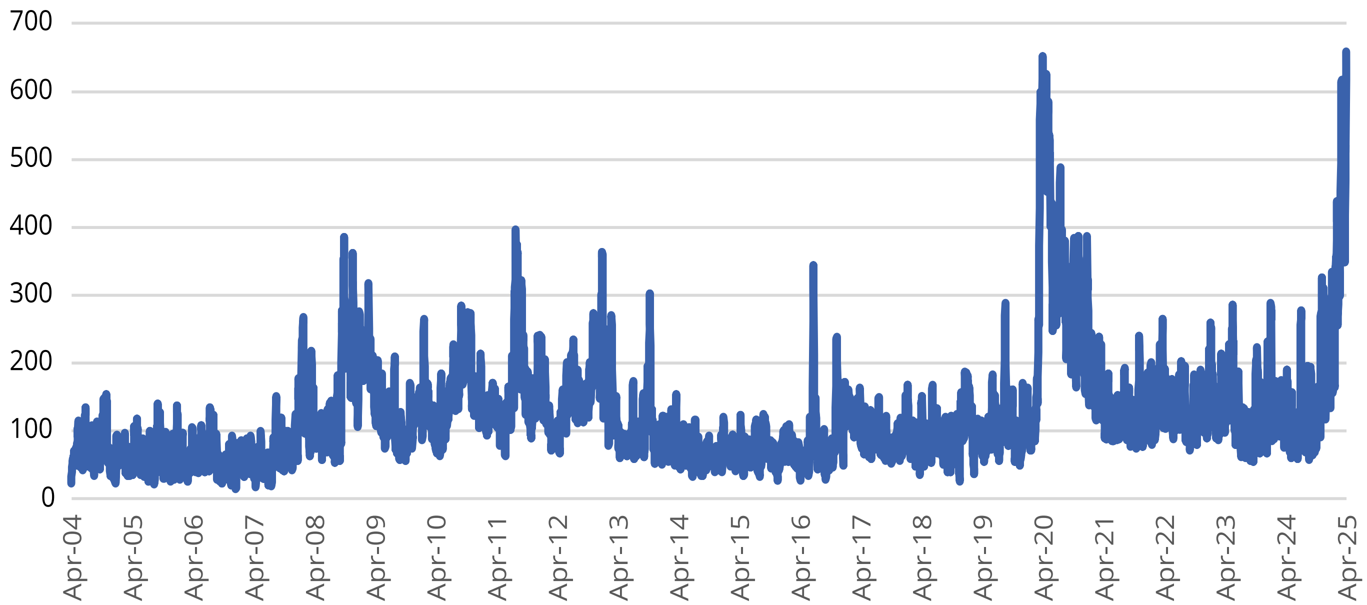
Investment Insights

Disciplined Risk Management

Navigating Uncertainty

Financial markets continued to wrestle with heightened uncertainty to start the week as investors digested the potential fallout from President Trump's aggressive trade policy stance announced last Wednesday. Escalating tariff threats between the US and China over the weekend exacerbated investor anxiety. Equities sold off sharply across Asia and Europe on Monday, with the negative sentiment carrying over to US markets.

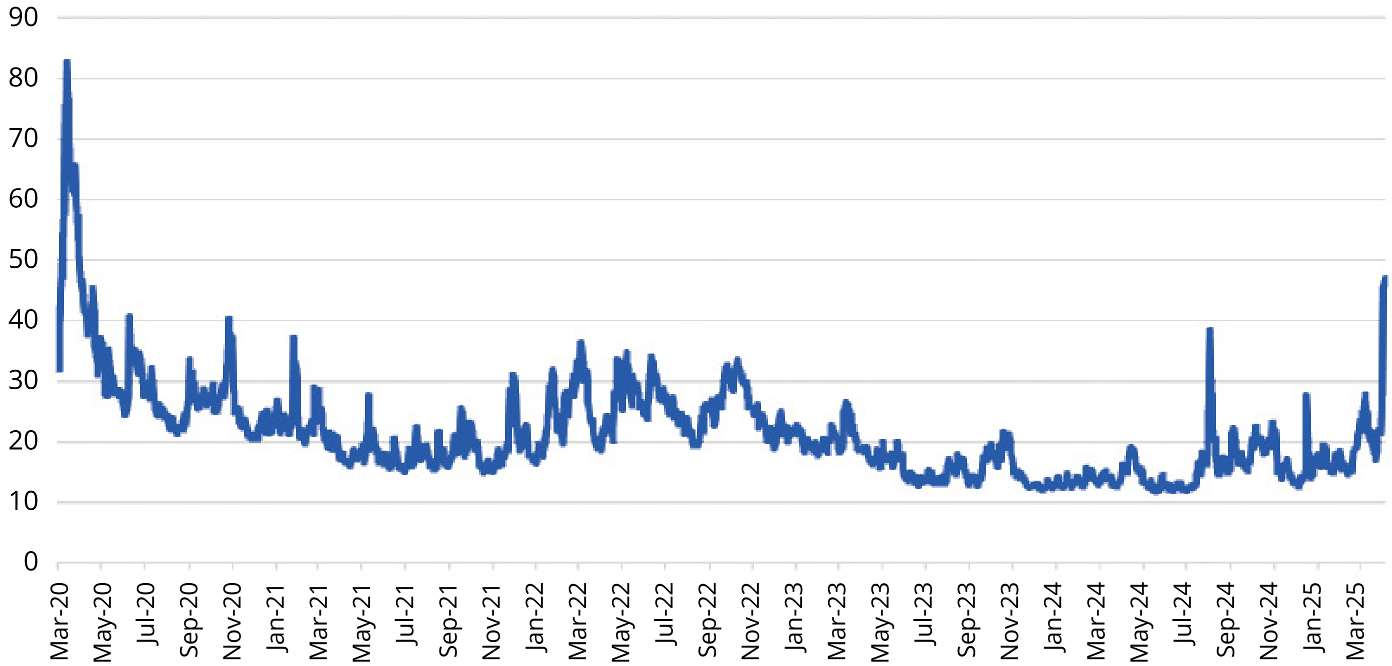
Baker, Bloom and Davis Economic Policy Uncertainty Index
(5 day MA)



The S&P 500 Index initially plunged over 4% at the open, extending losses from late last week, before staging a dramatic 8% intraday rebound on an unsubstantiated rumor about a possible delay in tariff implementation. While the rumor proved unfounded and the index gave back most of its gains, the wild swing underscores the market's extreme headline sensitivity and the degree of fear around the economic repercussions of an all-out trade war.

The CBOE Volatility Index (VIX), a key gauge of market uncertainty, surged to 47 - a level not seen since the early days of the COVID-19 crisis. Credit markets are also showing signs of stress, with high yield and investment grade corporate bond spreads widening significantly over the past three sessions. High yield corporate bond spreads have blown out by over 100 basis points since Trump's announcement.

Chicago Board Options Exchange Volatility Index



Meanwhile, the reflexive flight to safety initially drove yields on longer-dated US Treasuries lower. However, yields rebounded later on Monday as investors questioned the outlook for foreign demand and took profits after the recent rally.

Portfolio Positioning

Amid the ongoing turmoil, we continue to monitor our signals and act accordingly. The pullback in stocks and corporate credit has triggered sell signals across multiple portfolio holdings. In line with our trailing stop discipline, we are comfortable raising cash and await evidence of reestablished uptrends before redeploying capital.

We will continue to provide updates as the market conditions evolve. As always, we remain vigilant and ready to adapt to changing trends while focusing on prudent risk management.

James St. Aubin

Chief Investment Officer (CIO)

James St. Aubin, CFA®, CAIA®, is Chief Investment Officer for Sierra Investment Management. He has oversight of all Investment Management department activities, in collaboration with Sierra Co-founders David Wright and Kenneth Sleeper. An experienced investment management executive, his career of more than 20 years includes leadership roles in asset allocation, manager research and portfolio construction. James earned a Bachelor of Science in Finance from DePaul University and is a CFA® and CAIA® Charterholder.

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DEFINITIONS:

Trailing Stop Discipline: This proprietary Discipline has the objective of limiting the magnitude for portfolio drawdowns. The Discipline is based on a manual process that defines sell levels/signals for security holdings in decline, as measured by its price falling below the recent high of its lower band. These are not market orders.

For more resources and materials:

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