A Conversation with Our Fiduciary Investment Advisors

As we continue to navigate the evolving global trade landscape, we appreciate our investment advisors' insights into the recent changes in tariffs and their impact on our investment strategies. They recently provided their reflections and analysis of how the Administration's newly imposed tariffs may influence market trends, sectors, or specific investments. As fiduciaries, they act in our church investors' best interest by providing disciplined guidance with all of our faith-driven portfolios. Their expert perspective helps us make the most informed decisions possible.

How does your strategy help us navigate unexpected market shifts? Our investment strategy is rooted in strategic and tactical policies that guide us in volatile times. These policies instill the disciplined approach for us to make decisions that are positioned to perform well in a specific economic environment. For instance, rebalancing between equities and fixed income, allocating assets to certain market sectors, or overweighting particular investment strategies are calculated decisions regularly employed in collaboration with our fund managers. Of course, all of these disciplined practices are overseen by the Foundation's Investment Committee. Our focus is on creating long-term value and proactively managing investments to support the mission and goals of our church investors. Staying focused on our mission is imperative. When markets decline, our first objective is to assess the facts. Here is the overarching fact: The Administration's tariff announcement last Wednesday has resulted in far more severe tariffs than market participants were expecting.

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How do you describe these new tariffs and their market impact? The new tariff rates represent a considerable change in trade policy and are causing high levels of uncertainty. It is clear throughout history that markets do not react well to uncertainty. Massive change and uncertainty result in sharp market declines. Given this repetitive, historic reaction, we are not surprised that markets have declined significantly over the past several days.

Here is a quick synopsis of the United States new tariff policy:

> *What is a tariff?* It is a tax levied by the federal government on goods and services that are imported from another country.
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> *Who pays the tariffs?* Technically, tariffs are paid by the business importing the goods into the country. However, the added cost of the tariffs is often passed on to consumers in the form of higher prices, resulting in higher inflation.
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> *What is the scope of the new U.S. tariffs?* The baseline tariff is 10% on all imported goods coming into the United States. Additional tariffs on specific

countries range, including 20% on the European Union all the way up to 46% on Vietnam.

What is the typical result of higher taxes? As taxes increase, economic activity historically decreases. The vast majority of economists agree that the economy is expected to slow down. Generally, stock prices tend to decline when an economic slowdown is projected. A decline may remain for a brief period of time but can span a longer stretch. Market downturns usually last at least until data patterns emerge and more certainty is realized.

Why should investors stay focused during market declines? As with most issues related to the market and the economy, timing is the key factor. While we cannot possibly know the outcome of the tariffs and related political issues, we do know that our continued commitment to macroeconomic theory and steadfast investment principles will reveal investment opportunities. We seek exceptional value when markets are down. We will adhere to our tactical methodology. Why? History shows us time and again that 10-20% market declines are common, and the most likely outcome is a recovery that lasts far longer than the downturn. We also know that regimes of government and their corresponding policies have a limited duration.

How should investors navigate uncertainty in today's market? Prior to the major tariff announcement, the U.S. economy was experiencing low unemployment rates, strong corporate profits, slowing inflation, declining interest rates, and above trend growth. These signs all point to the long-term strength and resilience of the U.S. economy and the investment markets. We remain confident that the U.S. economy is very likely to grow again over time. During these times of uncertainty, we reassure you that our commitment to disciplined investment strategies and long-term value remains unwavering. Trust in the process, stay patient, and know that we are here to guide you through these market fluctuations with steady hands and a focus on your future growth.

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