Dear xxxx;

On February 19th, the S&P 500 reached its all-time high of 6,152.87 while the Nasdaq traded less than 0.5% away from its December 2024, all-time of 20,173.89. Unfortunately, the second half of the quarter was less euphoric than the first. After crossing into a correction on March 13th, the S&P 500 rebounded slightly before finishing the quarter -8.79% below its all-time high and -4.59% for the year. The Nasdaq entered its own correction on March 6th, before ending the quarter -10.42%. The exuberance seen in the US stock market 2023 and 2024 has been replaced with caution, fear, and worry.

Looking at the performance of the broad market indices we track, all indices aside from US equities delivered solid returns during the first quarter. Commodities (Q: +5.02%) were followed by international equities (Q: +4.59%), and US fixed income (Q+2.78%). US equities (Q: -5.15%) finished squarely in the red. This letter will provide an analysis of the major geopolitical, financial, and thematic events that shaped the first quarter and our thoughts on the remainder of 2025 and beyond.

Department of Government Efficiency (DOGE)

Throughout President Trump's campaign he stated he would remove the US government waste and reduce our country's ballooning debt. He vowed to cut expenses and reduce our budgetary imbalance which has caused our national debt to grow by $30 trillion or 700% throughout the last 25 years. Trump pledged to fulfill this promise by creating the Department of Government Efficiency (DOGE).

As soon as President Trump took office, DOGE began acting on this promise by shutting down programs, cancelling contracts, selling buildings, and eliminating jobs. As of March 31st, DOGE, self-certified that it has saved the US $140b or $869.57 per taxpayer. However, the economic cost of these savings has not been overlooked by the stock market. Cancelling contracts and eliminating jobs directly impacts corporate earnings, the US GDP, and the US employment rate.

Tariffs

As defined by the Oxford Dictionary, "tariffs are taxes that increase the price US consumers pay for foreign goods." Tariffs can be used to protect domestic industries by preventing countries from dumping cheaper alternatives into the US markets. However, if a tariff is set too high, Americans will forgo the purchase, or purchase a similar item made either domestically or in a country that we do not tax. Strategically placed tariffs, those not too high to change consumer behavior, can cause inflation.

President Trump has advocated for tariffs since the 1980s to "retaliate against foreign nations that he believes have been ripping off Americans". Since taking office, President Trump has either threatened, postponed or implemented tariffs almost every day. Earlier this year, President Trump defied the USMCA, the trade agreement he signed during his first Presidential term by imposing 25% tariffs on all Mexican and Canadian products plus an additional 10% on energy from Canada. Mexico is the largest US trading partner followed by Canada. In 2024, Canada imported $350b worth of US goods while Mexico imported $334b. Since Trump initiated his tariffs on Canada, their citizens have shifted away from US goods towards Canadian goods, and year over year demand for US air travel has dropped by 71-76%.

Due to President Trump's many different social media posts and interviews, it is hard to decipher exactly which tariff threats will be implemented and which are hyperbole. Each comment threatening tariffs has driven the US stock market down while each comment postponing or exempting tariffs has caused the US market to rally. We believe the most likely outcome of the trade wars will be a sharp decrease in US exports.

International Stocks Soar

With tariffs and trade wars causing volatility and uncertainty in the US stock market, through early March, international equities were experiencing their best start to a year since the late 1990s This breakout performance is being led by defense, aerospace, and infrastructure stocks as buyers look for ways to reduce dependence on the United States. In the first quarter, the MSCI EMU Aerospace and Defense Index outperformed the Magnificent 7 Index by more than 53%. We expect foreign stock markets will continue to outperform.

Federal Reserve Guidance

On March 19th, the Federal Reserve unanimously voted to hold rates steady at 4.5%. These latest projections reveal expectations of slower growth and higher inflation due to the ongoing trade wars. The Fed also announced they will further slow the pace of quantitative tightening by $20b per month. The CME FedWatch tool tracks the probabilities of changes to the Fed rate as implied by 30-day Fed Funds futures prices. Currently, traders believe the Fed Funds rate will end the year with a target rate of 3.50%-3.75%. We have a different outlook. We believe the trade wars will increase US inflation and the US unemployment rate, which will prevent the Fed from cutting rates in 2025.

Cryptocurrency Update

As we mentioned last quarter, the price of bitcoin spiked to over $110,000 following Donald Trump's November victory in the Presidential election. The price dropped during December, but regained ground and moved above $100,000 as soon as Trump took office. While some bitcoin bulls see it as both a hedge against inflation and an asset uncorrelated to the US stock market, we disagree. As soon as Trump threatened the first tariff, the price of bitcoin sank 3x as fast as the US stock market. By the time Trump announced the cryptocurrency reserve, the price of bitcoin had fallen below $80,000.

Most cryptocurrency enthusiasts believed the US crypto reserve would be set up to actively purchase bitcoin. Instead, the crypto reserve will keep the crypto coins recovered from criminals rather than selling them on the open market. The reserve will hold Bitcoin, Ether, XRP, Solana, and Cardano. These are the largest cryptocurrencies created within the United States. These reserve currencies skyrocketed on the news but have since given up most if not all their gains.

Artificial Intelligence Update

Earlier this month we attended the Vanderbilt Convoy Conference for Entrepreneurs and Investors. The speakers and attendees included some of the most impressive businesspeople we have ever met. Though not official, the theme of the conference seemed to be Artificial Intelligence (AI). The power of

AI is transformative. It has a place in every company and in every industry enabling the creation of new tools to make employees and procedures more efficient.

While the role AI plays within all organizations is continuing to grow, the largest publicly traded companies in this space have led the stock market lower during the last 90 days. These pureplay AI companies are Nvidia, Marvel Technologies, Palantir, C3.ai, SoundHound AI, and Upstart Holdings. Aside from Palantir which is up 11.60% this year, the other five companies are down 19-59+%. There are two primary reasons for the drawdown. The first is that these companies have seen tremendous stock market performance since the launch of ChatGPT on November 30, 2022, and this decline is due to profit taking. Second, investors fear the trade wars, especially those with China. Should foreign nations and companies reduce spending while also improving their own AI chip manufacturing businesses, the US AI industry will suffer.

Conclusion

Do you remember that during the first 9.5 months of 2022, the S&P 500 dropped by 25%? It's ok if you don't. When it comes to investing, most people have short-term and/or selective memories. We are certain that during 2022, you were acutely aware that your portfolio was shrinking because the Fed was raising rates to tackle high inflation. If you remained invested, your portfolio is substantially higher today than it was on October 14th, 2022.

Today, we are in the early stages of a drawdown like 2022. The reasons are different, but the market reaction is similar. Remember, the stock market is forward looking. Once market participants price in the economic impact of the current political climate, they will look even further forward to what President Trump will do next. We believe the next leg of policies will be pro-business growth through lower taxes. Should this be the case, the US stock market will likely roar back to significantly higher levels than were seen on February 19th.

APPENDIX

Diversification

As you know, GA Pincus Funds uses a proprietary algorithm embedded within custom software to deliver tax-adjusted returns that aim to outperform your blended benchmark. We aim to use a broad set of asset classes so that each of your portfolios represents the global stock, bond, and commodity markets. Each year there will always be a best performing asset class and a worst performing asset class. Diversification ensures stability since your portfolios own a blend of the global market. Part of our investment strategy involves shifting portfolio weightings to minimize the exposure to the underperforming asset classes while maximizing exposure to the stronger asset classes. We will continue to monitor the changing ETF landscape to further diversify each of your portfolios when it is applicable.

Client Referral Network

One of the oldest and most successful methods to grow a business is through word of mouth. GA Pincus Funds has been fortunate and has grown substantially due to referrals made by you and your fellow clients. We would like to use our future quarterly newsletters to return the favor to our clients. We plan to dedicate a section of our newsletters to our client's businesses. Rather than list your name or company name, we will instead indicate the category of business and location where you operate. For example, Real Estate Professional in Chicago, or Employment Lawyer in Georgia, or Public Relations Professional in New York, etc. If you would like to participate in this program, please let us know. This referral program is **free marketing** for your business. **We will not accept payments for these referrals.**

Performance Calculations

The performance of your accounts is calculated daily, taking into consideration daily deposits and withdrawals, and those daily returns are combined to form your quarterly, YTD, and since inception returns. When we round off this enhanced precision it may shift your performance by 0.01-0.02% when compared to the calculation ((end date value – start date value)/start date value). Please note, the performance figures in your statement are accurate and are GIPS (Global Investment Performance Standards) compliant.

Exchange Traded Funds (ETFs) are required to distribute all excess cash, net income, and dividends received from their constituent companies to their shareholders annually. These distributions take the form of dividends. Many ETFs issue special dividends at the end of the year to ensure compliance with this rule. The amount of the dividend is removed from the ETF on x-date, and the shareholder receives the funds on the pay date. The x-date and the pay date can at times straddle New Year's Day. Please be aware, your full year returns may be slightly lower than expected due to this nuance.

It is impossible to predict whether and by how much the market will increase or decrease. Our algorithm rebalances your accounts according to changes in the relative weightings of the securities you hold. As one security becomes too heavily weighted the algorithm sells shares in that security. Conversely, as one security becomes too lightly weighted, the algorithm purchases shares of that security. Instead of rebalancing based on time (as most managers do), this algorithm rebalances based on a securities' relative weighting in the portfolio. This gives GA Pincus Funds a long-term advantage. No matter what the market does in the future or has done in the past, if your time horizon is long enough (>1 year), this algorithm has proven itself to be successful.

Please stay safe and healthy. I am always available to answer any questions you may have.

Best regards,

Gabriel

GA Pincus Funds
Gabriel Pincus, President
1574 Woodberry Court
Brentwood, TN 37027

www.gapincusfunds.com
m: 917-597-1450
e: gabriel@gapincusfunds.com