

# Weathering the Storm

## Navigating tariff risks and protecting portfolios

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The tariff war has officially begun and with it comes new challenges for investors on both sides of the border. Combined with the ever-changing geopolitical landscape, we believe financial markets will remain volatile. Tariffs, predictably, will have a significant impact across the board, from monetary policy to valuations and corporate fundamentals. While there is no shortage of information in the news on how this affects consumers, I'd like to take this opportunity to explain how this impacts our approach to managing your capital.

I believe, to weather this storm optimally, we must balance defence and offence. Our primary objective is to generate returns for our investors by investing wisely and actively taking advantage of mispriced opportunities across global bond markets. Over the past 15 years, volatility has been our intermittent companion, and as always, we aim to continue generating strong risk-adjusted returns for our investors in all market environments. Today, doing so requires rigorous stress testing, strong conviction in our positions, and the flexibility to adapt to evolving economic or geopolitical information.

At RPIA, this is a collaborative effort, and our risk management team works side-by-side with our portfolio managers to perform rigorous stress tests and scenario analysis on all our portfolios. We also individually analyze every exposure we have in our portfolios to ensure our conviction in companies in light of the many risks prevalent today. Our global focus has also enabled us to provide ample diversification, the importance of which is clearer today than ever. Given the environment, we are conservatively positioned across all our strategies and have made use of hedging instruments where appropriate. We remain vigilant and nimble, actively adjusting our positioning as new information comes to light or we see changes in valuations or market corrections.

The reality is, times of uncertainty can often be times of great opportunity. Hence, we have come into this period lightly positioned so we can add exposure to the portfolios when attractive opportunities present themselves. We have seen more pronounced dislocations across major bond markets this year, which has provided some excellent opportunities to add value. We have also been very involved in the new issuance market, including for example, the recent growth of issuance of hybrid debt securities in Canada and the US.

The current US trade policy has reminded me and many other Canadians of the importance of supporting our own economy. For years Canada has been falling behind in productivity and as a result has experienced weaker economic growth. At this time, I believe it's incumbent on all of us to support Canadian industries where we can. Within the asset management industry, there are a number of firms that can offer Canadian clients world class investment solutions from their own back yard. I am proud of the business my partners and I have built at RPIA, and we strive to continue to provide you – our clients – with world class investment solutions to meet your needs.

To close, I want you to know that my partners and I stand with you and share your apprehensions about this trade war and what it might mean for you, your family, and your businesses; this is undoubtedly a stressful time for many. As we weather this storm together, we are proud to be in partnership with you, aligned with your values, and working diligently to help you meet your investment goals.

If you would like to discuss the current market environment or our strategies and positioning, please feel free to reach out at any time.

Sincerely,  
Richard

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