



## Trump's Tariffs: A game changer or investment opportunity?

**Elisa Di Marco** [00:00:12] Hello, and welcome to this quick update from Magellan on Trump, tariffs and why investors should look through the noise. My name is Elisa Di Marco, Investment Director at Magellan, and today I'm joined by Arvid Streimann, Head of Global Equities and Portfolio Manager. Welcome Arvid.

**Arvid Streimann** [00:00:27] Great to be here with some.

**Elisa Di Marco** [00:00:28] Thanks Arvid. So, as we were expecting heading into Trump's second term, trade war 2.0 was on the cards. Last week, Liberation Day, Trump put out the information that we were longingly waiting for. So, the market has sold off almost 10% over the past week. Clearly there are concerns about a deep recession and stagflation. What do you think?

**Arvid Streimann** [00:00:52] Well, yeah, it's a really interesting time, Elisa. I can certainly understand why the market sold off a lot because Donald Trump is injecting a large amount of uncertainty and you just have to look at what's happening to consumers, consumer sentiments down a lot. You just have to look what's happening to businesses, business confidences down a lot. You just to look the market, I would say that investor confidences down a lot and you have to just look at what's happening on the diplomatic front. I would say that there's a lot of diplomats around the world which are scared. So everyone is scared here from Donald Trump and you know what? This guy wrote the book the art of the deal and I think that's what he's trying to do, is to exactly scare people. So it's a tick for him. He's got people right where he wants them, but when it comes to what he is going to do with this strong negotiating position, which he's created for himself it really comes down to what he wants. And I would say there's two things which he wants number one, he wants strong growth in America, number two, he wants reshoring to America to occur, and if I think about those two things, I think that he is in a strong position to be able to do that. The question now comes down to the execution, and I'm confident that he will be able to do it, and that we're not going to get a worst-case scenario of a deep recession. Why? Because like every single politician on the face of the planet, I don't think Donald Trump wants a deep recession. Small recession, I think he'd be okay with if he gets what he wants. deep recession, I think that's a no-no for a politician like Donald Trump. Importantly I think the Xi Jinping, who is at the other end of some of these most pointed negotiations, doesn't want one either. And if I look at what Donald Trump's done throughout his career, he's a tough negotiator, but there's a reason why he's become a billionaire, he is very rich, is because I think he's actually quite good at it and so I think, that he would be in a very strong position to get what he wants for America.

**Elisa Di Marco** [00:02:35] Thanks, Arvid. I hear you there, but what gives you confidence that he's going to be able to get the deals done this time around, both within Congress and with his trade allies?

**Arvid Streimann** [00:02:44] Yes, so there's a few swing factors here, Elisa, which I think are really important for investors. Number one is what happens to the US-China relationship. And the US has obviously put down what it wants from China in terms of those narrower trade deficits, put on some tariffs, and China, not surprisingly, has just put

them straight back onto America. At the end of the day, both of these leaders, I think you know that the world's decoupling, they're decoupling from each other, but I think what they don't want is that to happen too fast. and so they're both incentivised to not have that happen too quickly and the way that they get to that outcome is to talk to each other. Now I think there's going to have to be a little bit more pain before they actually start talking to each, but I do think that there is a pathway here because of that mutual desire to have a slow decoupling that they will get a deal in some form. That's number one. Number two is I do you think that the US government will introduce some stimulus at the fiscal level and if you just look at what's been happening in the Republican Party I would say Donald Trump's got a pretty strong hold over that party and that party has the numbers in the Senate and has the number in the House of Representatives so I'd say that eventually going to get some sort of fiscal stimulus. I know that the US government is cutting jobs at the moment, that's bad for growth but I would say that money is going to come back into the American economy when they get hands on it and they get that budget passed. So I look at those two things I know that there's corporates that are investing in America I think that's interesting but I don't think that that's a game changer but I do think that Donald Trump is shaking things up. I think he has the power in Congress. I do you think that the Chinese and also Donald Trump don't want a deep recession, so I say that something's going to occur here which is going to be positive. The uncertainty is how long it's going to take before we get to that point, and I think the markets are really reacting to that also.

**Elisa Di Marco** [00:04:35] So it sounds like short-term noise, but over the long-term you have high conviction in the growth opportunity. Does that mean that you're leaning to this market weakness?

**Arvid Streimann** [00:04:43] Yeah, look Elisa, I think that as investors, when you see what's happened over the past week or so, and you see the amount that share markets have fallen, you really have to ask yourself has the valuations of the companies fallen as much as what the prices have. And it's really these types of marketing environments which scare a lot of people which we look at as an opportunity. And we've spent a lot of time at Magellan looking at and analysing company quality and we've already done that, so we know which companies are quality. That hasn't changed. We've spent a lot at Magellan looking at company valuation so we're ready to go on when those opportunities arise. Now not every stock and company has fallen by the same amount, but I would say that there's clearly some really interesting opportunities that are out there and we're ready to get them.

**Elisa Di Marco** [00:05:27] And how then are you positioning the portfolio?

**Arvid Streimann** [00:05:30] Look, I think that with the Magellan Global Fund, as you would know, it takes at least 20% less risk than the market and so that's served us very well and I'm very happy to say that the portfolio is doing exactly what we'd expect it to do in a market volatile situation that we have right now, which is to outperform the market. And so when we're thinking about when we might deploy some of that risk into the market and we might lean into things, I really think it comes down to getting Thanks for watching! are very attractive valuations and some of those are coming out at a company level but also getting some certainty on the economic outlook and we're not going to get that to the degree that everyone wants that's why people are worried and why markets have gone down but I do think strongly that you have to look at the long-term earnings potential of companies and really ask yourself has it declined as much as the share prices have And I think in a lot of situations the answer is no.

**Elisa Di Marco** [00:06:26] Thanks for your insights today, Arvid, and thank you for listening. Please feel free to share with clients and colleagues.

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