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Tariffs. We are very sorry that we did not anticipate the market decline linked to the tariffs. Typically, we would defensively raise cash as we have done at virtually every major downturn event over the past 40 years. We of course knew tariffs were pending however approximately 85% of our goods and services are produced in the U.S., and only about 15% of goods are imported; it seemed nominally disruptive to the U.S. (but so much more so for our trading partners). Furthermore the U.S. has a $1.2 trillion trade deficit. It would seem the tariffs would only benefit us as we are punished more than any other nation. To many in the manufacturing sector, tariffs must seem long overdue.

On April 2, 2025, President Trump unveiled sweeping tariffs; stating it was "Liberation Day" for the U.S. The administration imposed a 10% baseline duty on all imported and additional reciprocal tariffs-ranging from 20% on the EU to 49% on nations like Cambodia, targeting countries with trade surpluses and/or barriers (currency manipulation, etc.) against U.S. goods.

The intent of the measure is to boost American manufacturing and sales of U.S. goods (including agriculture and other) to reduce trade deficits. There are serious problems for the U.S. dollar and other instruments and factors long-term if we continue the current policies. The tariffs ignited market volatility as businesses adjust to the uncertainty, higher import costs, and global trading partners potentially retaliate.

Economists warn of inflation, supply chain disruptions, yet history suggests U.S. markets readily adapt and stabilize. Studies show (including China tariffs in 2018) that virtually all higher tariff costs are absorbed by businesses and not passed thru to consumers. When Trump implemented the 20% China tariffs in 2018, the U.S. inflation rate only increased 7/10th of a percent. While tariffs may not appear to impact U.S. consumers nearly as much suggested, the benefits could materially impact our manufacturing, production, export ability, bringing jobs and production back to the U.S.

Despite current volatility, we encourage clients to remain invested as we believe the long-term outlook is excellent.

Wealth Transfer Guide. Enclosed with this quarterly report, you will find our new "Wealth Transfer Guide". We recently developed this document as an aid for our clients. The "Wealth Transfer Guide" is not a legal document nor is it intended to provide legal help, the document is designed to help you organize your resources and estate, to bring clarity and provide useful information for your beneficiaries. We hope the document will be a valuable tool to help you establish a comprehensive starting point to organizing your various accounts and personal information, to provide definitions, resources and tools for you and your family. As always, our team at Woodard & Company is here to assist you in preparing for your financial needs and to help ensure a sound financial legacy. Please contact us if you need any assistance with the document, additional sheets, or you want a more extensive version.

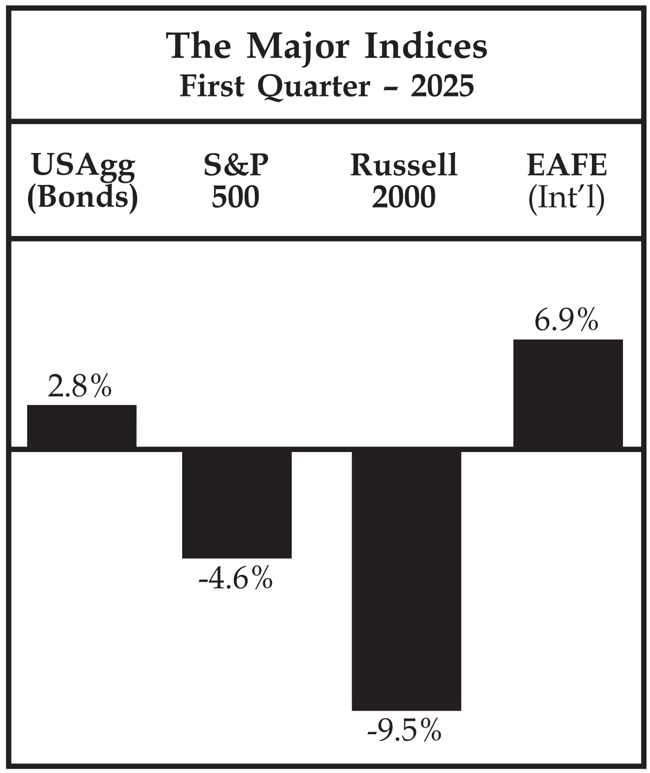
Quarterly Reports. If you would like to receive your quarterly report from us by secure email instead of paper quarterly statements, please let us know. We sincerely believe our portfolio management software service provider, Tamarac, has developed a very secure system and we would encourage you to consider transitioning away from paper. Therefore, if you prefer to receive quarterlies by email and eliminate the paper statements, you can email us at woodard@wcamg.com to let us know or you can call us at (336)998-7000. You may call either during office hours or you can leave a message after 5:00PM. Either way please leave your email address so we can communicate the material to you. This secure platform offers immediate access to quarterly reports instead of waiting for us to mail them. If you choose to do this, you will receive a verification email to establish the link. Our team is available to assist throughout the setup process.

Online Technical Assistance. As you are aware, we custody the assets under our management with Fidelity Investments. However, our firm does not have access to your Fidelity credentials, including account login, username, or password. We are very sorry that we can't help you very much when you have an online issue with Fidelity. If there is a problem signing in with Fidelity, they are pleased to assist you with their website. Please call us anytime and we will be pleased to do all we can, but also you may contact Fidelity Investments at (800) 343-3548, as they can do basically anything regarding their website.

Charitable Giving. Many of our clients are seeking opportunities to direct their assets to select qualified charities. There are numerous ways to give to charity, some better than others. The very best way to give to charity is for those individuals aged 70 ½ or older to give from your retirement account (IRA, etc.) thru what is called a QCD (Qualified Charitable Distribution). It is the very best way to give to charity for tax savings as the entire gift would be taxed as ordinary income (the highest rate) otherwise. You can give up to $108,000 from an IRA thru the QCD, these were pretax dollars and with the charitable gift, there are never any taxes on it. Giving appreciated stocks is also a good way as you do not realize the capital gains, but tax wise if the gains are long-term, they are not as beneficial tax wise as gifts treated as ordinary income. If you would like to discuss your charitable giving, we are always pleased to assist and talk with you.

Markets Review and Forecast. Well, it wasn't a pretty quarter, as you can see on your statements. As we write this newsletter, we are in the middle of a market meltdown brought on by tariff uncertainties. During the quarter, the stock market (S&P 500) corrected a full 10% from the high, although the S&P YTD was only down 4.6%. Bond values rose, and yields declined, the price movements were primarily on recession fears and a flight to quality in conjunction with tariffs. Currently we do not anticipate a recession this year in the U.S., but we may revisit the concept as many more analyst's concerns grow. There is certainly the likelihood of recession in many countries around the world.

The tech/growth sector was hit hardest during the 1st quarter as you are likely aware, however these stocks (particularly the "Magnificent 7") have done the best in recent years. Small and midcap stocks have been hit very hard this year. Some consider that a recession indicator, but we have not concluded that yet. Healthcare, Energy, and Financial Services stocks were among the stronger sectors in the 1st quarter and helped stabilize portfolios.



The Major Indices
First Quarter – 2025

In our "Market Leader's" Stock Portfolio, we harvested some tax losses, selling a few disappointing, underperforming positions just after quarter-end. We would be inclined to do the same in our "Tactical Asset Allocation" fund portfolios but we do not trade them as often and consequently the long-term gains in positions do not readily provide the opportunity to take a loss after the good years we have had. We did shift towards value this quarter, away from the tech/growth allocations in our "Tactical Asset Allocation" fund portfolios which so far looks to be the correct move.

Finally, in our "Tactical Asset Allocation" fund portfolios, particularly in retirement accounts where the is no taxable event, you may have noticed we sold a fund and then purchased one that essentially does the same thing. The reason we do that and change funds is that funds have underlying expense ratios, and we are constantly trying to reduce costs as it improves your return, consequently we move to the funds with the lowest expense ratios we can find. It is a continuous and ongoing process.

Interest Rates. As of the writing of this newsletter, President Trump's tariff policy is in full force and effect. Equities have sold off, seeing the S&P 500 register a 20% decline (intra-day from the recent February all-time highs). The 10 Year Treasury Bond opened 2025 yielding 4.58%. Currently it is yielding 4.46% after touching 3.99% earlier in April. Earlier this week, it was yielding 4.14%. The 10 Year U.S. Treasury bond has seen some historical moves over the past several trading sessions.

Some economists predict the odds for the Federal Reserve cutting rates this year have increased, but so have the odds of them raising rates, time will tell. Currently the Federal Funds Target Rate remains at 4.25% to 4.5%. The Prime Rate is 7.5%. 30-year fixed mortgages are at 6.68% while 15-year fixed mortgages are 6.04%. a five-year ARM (Adjustable-Rate Mortgage) is 6.13% and a four-year auto loan is 7.52%

Oil prices have fallen on concerns that demand may slow. OPEC also reports they will continue increasing supply. Lower oil should act as a deflationary force as fuel costs impact almost everything that is built, harvested, shipped and consumed. Crude Oil currently is $56.93 a barrel and Brent Crude is $60.03 a barrel.

Market volatility will continue in the coming weeks and months as President Trump's tariff policy continues to unfold. Interest rates have moved lower as investors sell equities and buy safe haven fixed income instruments. Commodities have sold off with the stock market. Clients should expect this market volatility to continue, possibly, into the next six months but hopefully not.

If you have any other questions about your account or any concerns, please give us a call at 336-998-7000. We always enjoy talking with our clients.