



APRIL 2025

UPDATE ON GLOBAL IP OPPORTUNITY FUND

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Brenthurst Wealth Management (Pty) Ltd FSP No. 7833

GLOBAL IP OPPORTUNITY FUND

CLIENT UPDATE

On April 2, President Trump announced a broad range of tariffs affecting nearly 184 countries. The reciprocal rates were initially scheduled to take effect on April 9.

The scale of the tariffs exceeded market expectations, triggering a sharp sell-off across major global equity sectors. In response, U.S. bond yields fell significantly—reflecting slower growth expectations—while the dollar weakened.

However, in a dramatic turn of events, US President Donald Trump announced on Wednesday, the 9th April that he would temporarily reduce the hefty tariffs recently imposed on dozens of countries.

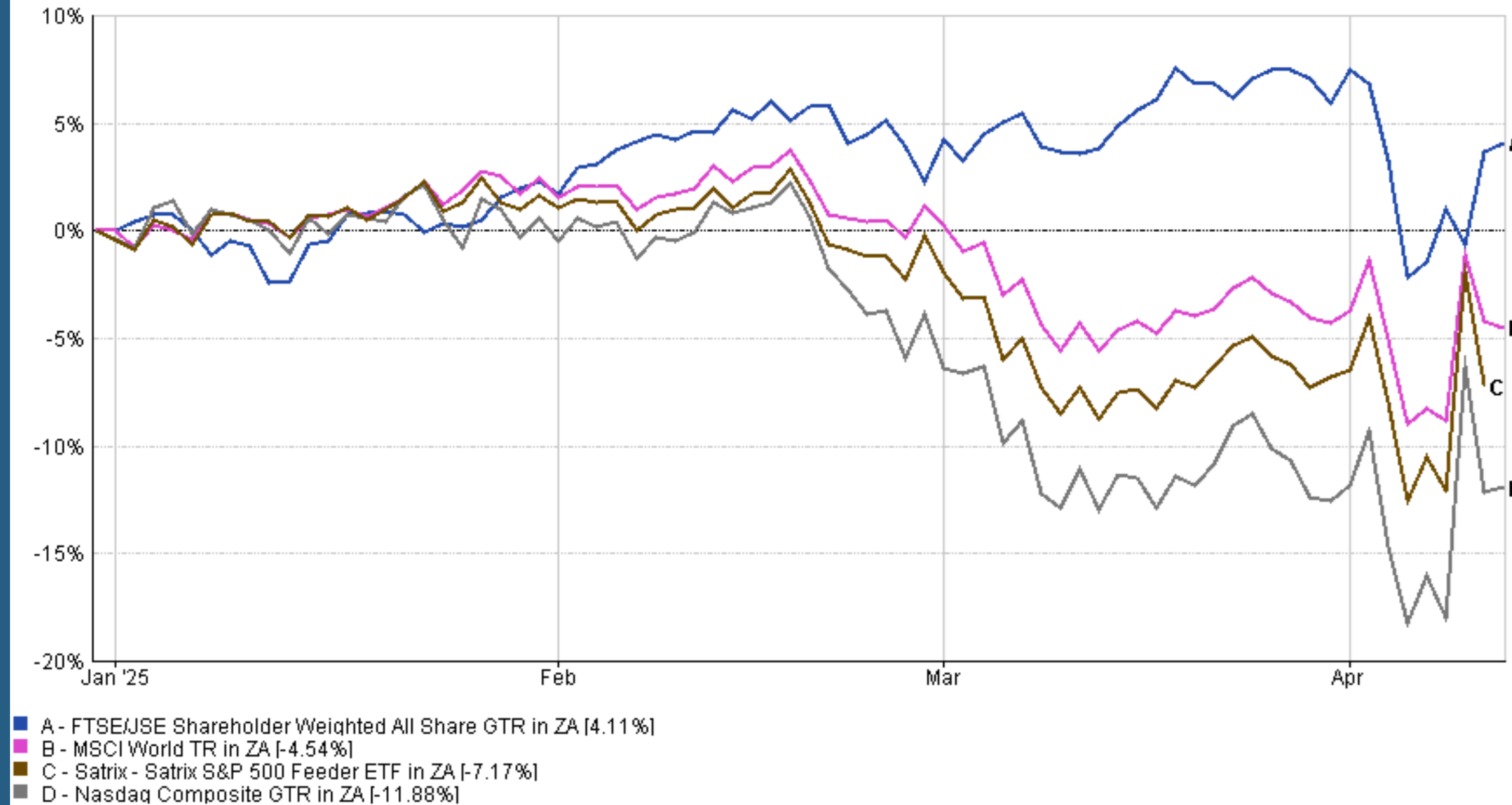
This move comes as he intensifies pressure on China, causing US stocks to soar. Trump's reversal, occurring less than 24 hours after the new tariffs took effect, followed a period of extreme financial market volatility reminiscent of the early days of the COVID-19 pandemic.

The turmoil wiped out trillions of dollars from stock markets and triggered a sharp rise in US government bond yields, catching Trump's attention. Investors worldwide are shaken by these developments and uncertain of how to navigate the impact on their portfolios.



GLOBAL IP OPPORTUNITY FUND

CLIENT UPDATE



31/12/2024 - 11/04/2025 Data from FE fundinfo2025

CHART 1:
GLOBAL EQUITY MARKETS
YEAR ADATE **09 APRIL 2025**

STOCK INDEXES SINCE 'LIBERATION DAY'

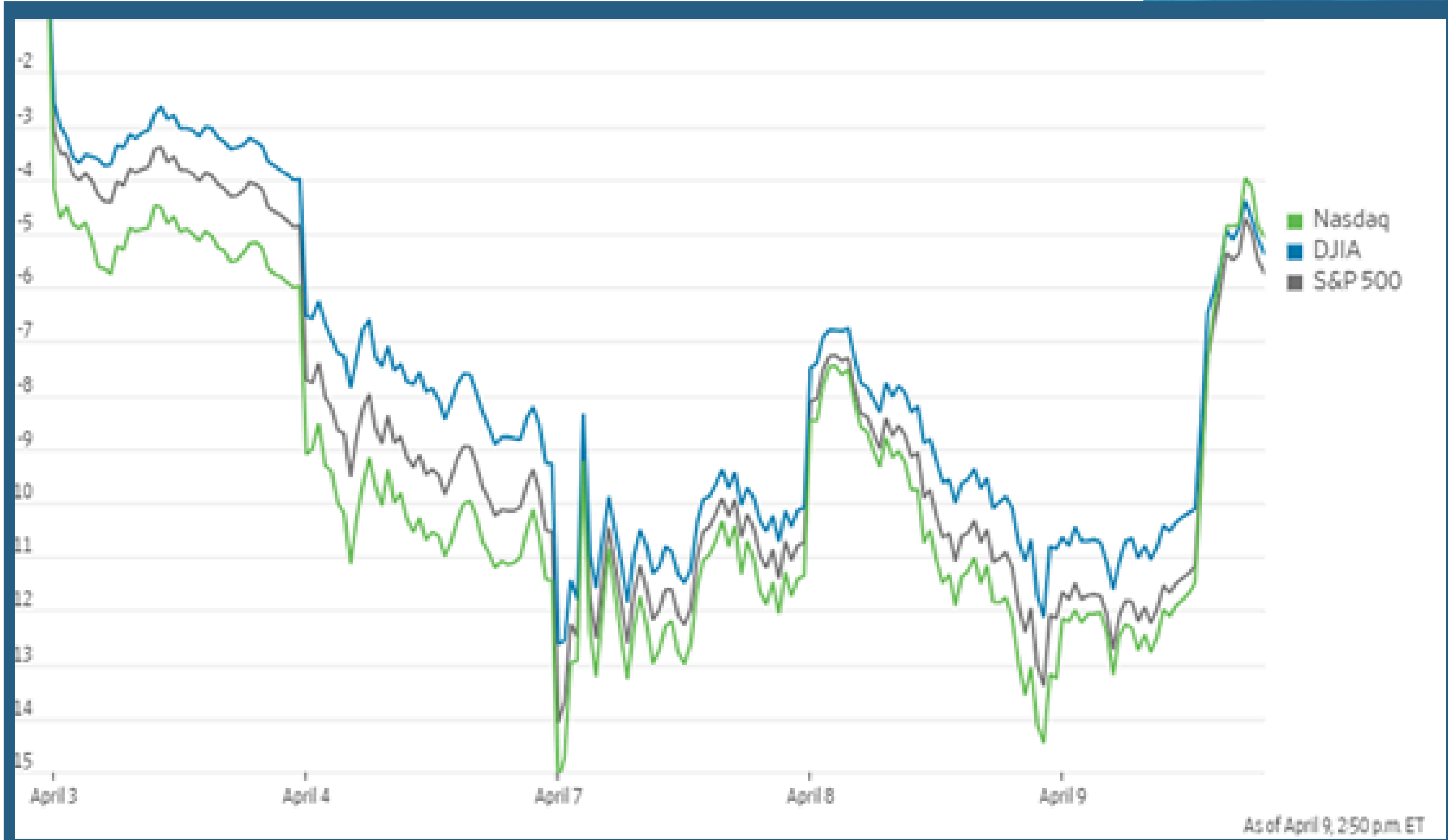


CHART 2:
GLOBAL EQUITY MARKETS
YEAR TO DATE **10 APRIL 2025**

UNDERSTANDING TARIFFS IN A NUTSHELL



It seems that there is a great deal of confusion around tariffs. Many Americans have been sold on the concept that the exporting country pays for tariffs and that the policy pursued by President Trump redresses past imbalances. While this is partly true, the simple position is that tariffs are taxes paid by the American importer.

The tax, paid by the importer at the point of entry, goes to the US government. The exporting country pays no tax. The impact on US consumers is that they pay more for their imported goods. So, a car imported from China costs 30% more today than it did yesterday.

WHY IS THE US IMPLEMENTING THIS FRAMEWORK?

In November last year, Trump's key economic advisor, Stephen Miran, published a paper focusing on restructuring the global trading system.

The basic thesis is that the US is burdened by having to fund the rest of the world's growth as it needs to continue to create the dollars required.

The framework recommends the need for tariffs to address trade deficits and recommends devaluation of the dollar, although it acknowledges that this (dollar devaluation) thesis has never been tested.



HOW HAVE WE ADDRESSED THESE RISKS IN THE GLOBAL IP OPPORTUNITY FUND?

In late December 2024, we started derisking the portfolio by trimming exposure to several high-profile stocks that looked very full.

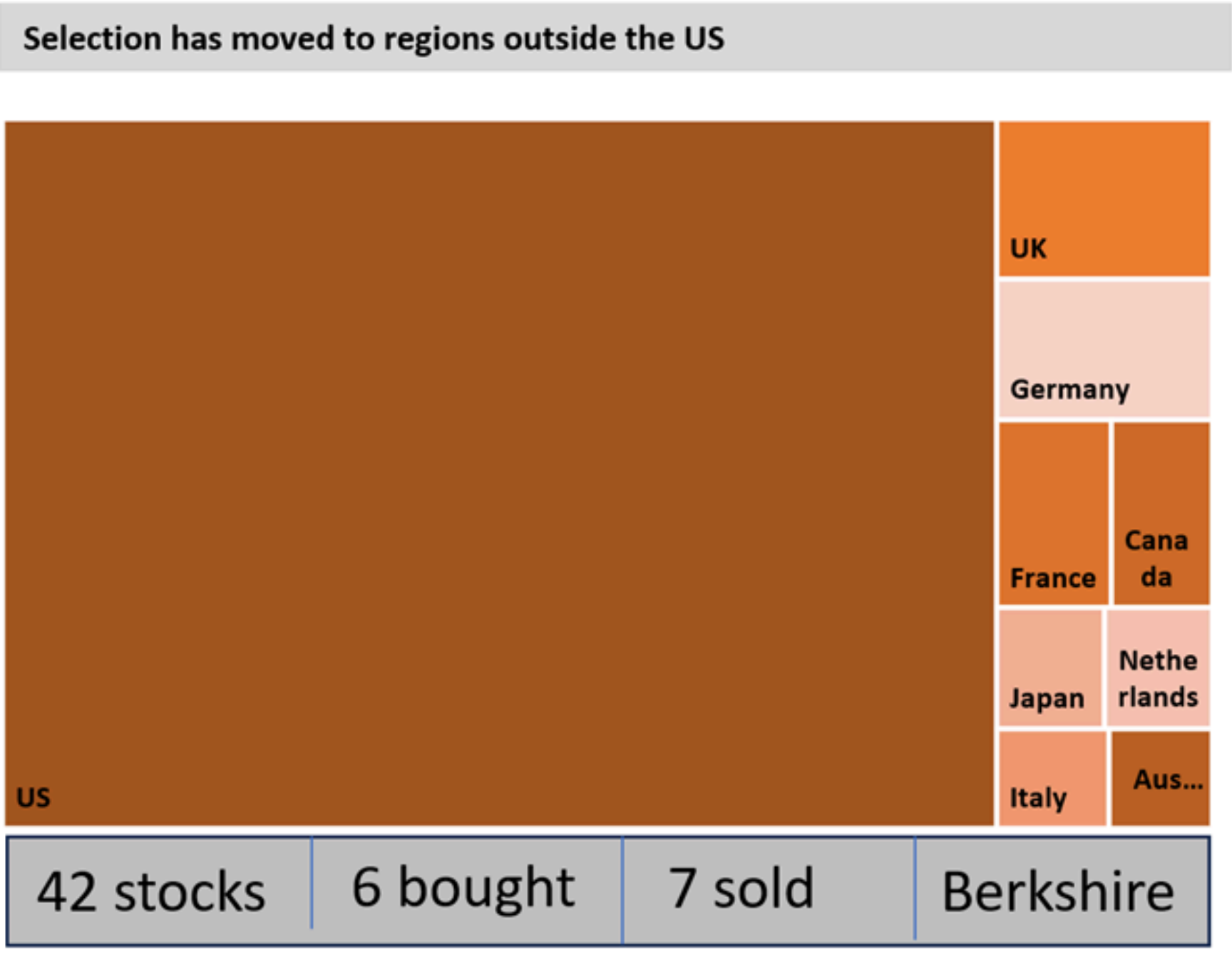
In early February, we took this adjustment process to a new level by aggressively adjusting exposure to many of the high-beta stocks we assessed as vulnerable to Trump's policy changes.

We added Berkshire Hathaway, Gold, and defensive positions in Philip Morris and IBM, increased our exposure to Asia and Europe, added to our US bond position, and transferred USD to EURO.

Cash invested in US government bonds (both short-dated and long-dated) now approximates 9% of fund value. We have positioned your portfolio extremely conservatively, with nearly 30% in cash, and the bulk of equity exposure is now focused on very defensive stocks such as Berkshire Hathaway at 5%.



CHART 2: CHANGES IN STOCK SELECTION FAVOURS NON US



As the chart below shows, portfolio performance has weathered the storm well, given its historic positioning in high beta high growth stocks.

CHART 3: PORTFOLIO PERFORMANCE



01/10/2024 - 01/04/2025 Data from FE fundinfo2025

SIGNALS WE ARE MONITORING:

- The direction of US long bond yields – current 10-year yields are 4.4%. This signals a potential challenge to Trump's tariff policy coupled with slower growth ahead – we have positioned accordingly.
- Trade-weighted dollar – the weakness we have seen since the start of the year is reflective of investors moving out of US equities.
- Key currencies such as the Euro and Yen – strength in these currencies point to a clear shift away from the US dollar.
- Volatility (VIX Index) is currently elevated due to policy uncertainty – any further escalation would add additional protection measures to the portfolio.
- Gold – the ultimate hedge – we have added to our position.

OUTSIDE OF THESE NEGATIVES, WE SEE OPPORTUNITIES IN SEVERAL HIGH-QUALITY GROWTH STOCKS.

TIME IS ON OUR SIDE AS WE HAVE A VERY HIGH CASH POSITION LINKED TO A VERY DEFENSIVE EQUITY POSITION TO MANAGE CURRENT MARKET RISK AND VOLATILITY.





APRIL 2025

PORTFOLIO COMMENTARY

INVEST BETTER
with **BRENTHURST**

PORTFOLIO COMMENT



Headlines that seemed unthinkable three months ago now appear daily in credible publications. A glance at research from late last year tells a very different story—talk of “US exceptionalism,” China being “uninvestable,” and Europe’s “dull outlook.”

Fast forward a couple of months, and everything’s changed. According to Bank of America, more money has flowed out of US equities than at any other time in recent memory.

President Trump either doesn’t see the consequences of his policy framework—stagflation and a weaker dollar—or he’s working towards something else entirely. His tariff and security policy is, in many ways, easier to make sense of.

Drawing heavily from Stephen Miran’s ideas, Trump seems determined to reduce global reliance on the US dollar by cutting trade deficits and—at least in his view—imposing a kind of “wealth tax” on countries like China.

Broadly, the logic goes something like this: as the world’s reserve currency, the US subsidises global growth by running trade deficits (importing more than it exports).

This leaves Americans worse off, transferring wealth to countries like China, where manufacturing jobs are growing. To remedy the imbalance, the US slaps tariffs on countries that don’t toe the line.

This thinking also extends to post-1947 security arrangements—the US protected countries like Japan and, later, Taiwan through formal negotiations or tacit agreements. Taiwan, in particular, was shielded at Intel’s request.

They needed access to cheap labour for chip manufacturing, and in return, the US guaranteed military protection and helped fund capital investments into Taiwan Semiconductors, including Intel.



SO, WHAT'S CHANGED?

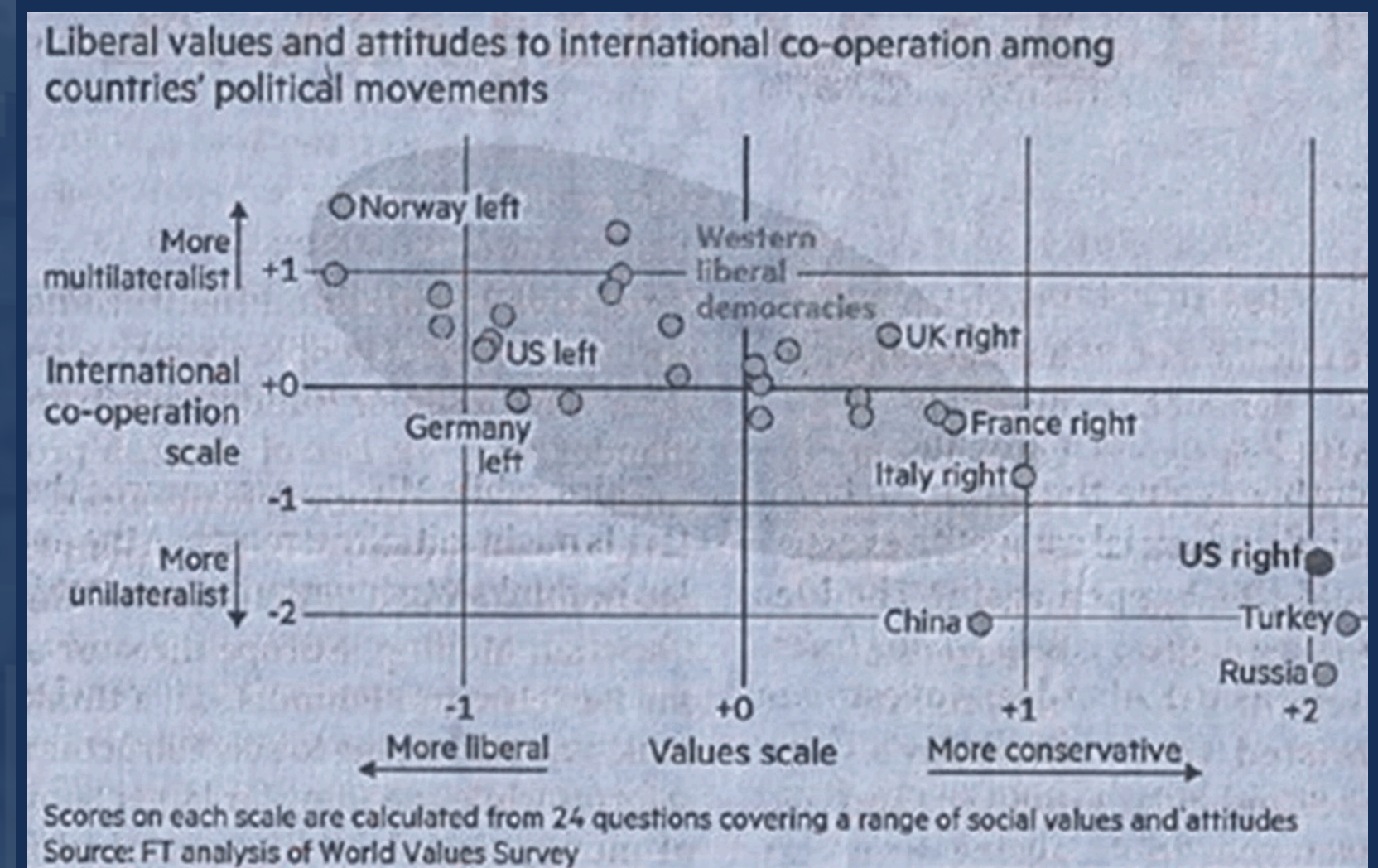
Every 5 to 10 years, the World Values Survey collects data from thousands of people across different countries to measure cultural differences, beliefs, and values. Usually, it's done at a country level.

However, in the most recent survey, responses were broken down by political leaning—left versus right.

The chart below highlights something stark:

Trump's America is now an outlier—way outside the norm for Western Europe or even the broader Anglo world. Worryingly, the **“Make America Great Again” mindset aligns more closely with Putin's Russia or Erdogan's Turkey.**

Even when you narrow it down to party level, Trump-era Republicans don't look much like the traditional right in the UK, France, or Germany. The goals, strategies, and worldviews of Trump and Vance seem fundamentally different.



It's a dynamic that puts the world in a precarious position as Trump's position on tariffs, security, and dollar links isn't likely to be reversed soon.

They'll hurt US growth and push up inflation in the short term. Consumer spending—which has driven US growth over the past four years—will likely come under pressure as confidence wanes.

Capital investment is already slowing down—Microsoft, for example, seems to be anticipating lower demand and is shuttering some of its AI development centres.

Tesla could see a sharp drop in sales across Europe as buyers shift toward alternatives like BYD. The list goes on.

More recently, Canadian Prime Minister Carney's decision to pull the plug on several commercial arrangements with the US is nearly unprecedented. Trump's response—threatening a devaluation of the Canadian dollar—mirrors his reaction to Denmark's reluctance to give up Greenland.

These provocations will only likely accelerate countries pulling back from their ties with the US. NATO could be at risk, potentially weakening or dissolving the presence of over 200 US bases in Germany and Italy. The recent confrontation with President Zelensky and the withdrawal of military support from Ukraine lays this shift bare.

Let's rewind to September 22, 1985: the Plaza Accord saw Britain, Japan, Germany, and France agree to a coordinated devaluation of the US dollar.

Now, 40 years on, Trump's thinly veiled threats toward Canada and Denmark seem to be pointing toward something similar—a possible "Mar-a-Lago Accord."

Could we see a return to a partial gold standard? A deliberate break in the system linking global currencies to the US dollar?

It all sounds almost inconceivable—but given where things are heading, it's not entirely out of the question. These ongoing trade dramas might be the opening act to something much bigger.

HOW DO MARKETS RESPOND TO THE MIRAN/TRUMP AGENDA?

The forecast for S&P 500 earnings in 2025 is around 10–12% growth.

But we estimate that tariffs, inflation, and weaker consumer demand could knock 5–6 percentage points off that. If bond yields rise in response to inflation fears, that'll impact equity risk premiums (which still feel too low) and compress price-to-earnings multiples.

These multiples tend to fall much faster than they rise. Under that kind of pressure, a drop to around 4,900 on the S&P wouldn't be implausible. With the market having peaked at 6,200 in February, that would represent a 20% fall. As of now, the index has already pulled back 10%.

This scenario hinges on deep economic pain—and it's not considered fringe thinking among Trump's core advisers. For the more curious reader, you may like to read the works of Nobel Laureate James Buchanan. While Americans grapple with Donald Trump's chaotic presidency, we may be missing the key to changes that are taking place far beyond the level of mere politics.

There may be no going back once these changes are locked into place. They believe that a recession will lower rates and bring allies back to the table—cap in hand. Lower asset prices, in their minds, would help unwind the financialisation that's plagued the US economy and a social construct that reflects the views of James Buchana. As Alice in Wonderland reminds us, "I am not crazy; my reality is just different from yours."



TONY BELL

CHIEF INVESTMENT OFFICER



Award-winning fund manager Tony Bell joined Brenthurst as a consulting investment advisor in 2022.

With his extensive expertise, Tony Bell, Chief Investment Officer at ThinkCell, collaborates closely with our internal investment committee and the team at Mi-Plan. Together, they ensure optimal asset allocation and selection within the Brenthurst fund of funds range based on thorough research, benefiting the construction of client portfolios and delivering superior investment services and solutions to our valued clients.

This includes the Brenthurst BCI Balanced Fund of Funds, Brenthurst BCI Cautious Fund of Funds and Brenthurst BCI Worldwide Flexible Fund of Funds.



ANOTHER PERFECT 10!

MI-PLAN IP GLOBAL MACRO CELEBRATES 10 YEARS OF TOP-QUARTILE PERFORMANCE



Bell's successful management of the GLOBAL IP OPPORTUNITY FUND for Brenthurst clients via Mi-Plan for more than 10 years showcases an exceptional track record and earned the prestigious Raging Bull Award in the Global Multi-Asset Flexible category. The fund, more than R1.5 billion in size, has been a top quartile performer for many years.

Furthermore, their management of the MI-PLAN IP GLOBAL MACRO FUND has garnered 10 awards, including seven consecutive Raging Bull Awards from 2016 to 2022, setting an industry milestone.

TONY BELL & MI-PLAN JOIN BWM INVESTMENT COMMITTEE

Award-winning fund manager Tony Bell, joined Brenthurst Wealth as a consulting investment advisor in 2022.

Thinkcell is an authorised financial services provider FSP49017