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Dear Client,

This letter contains news and views that I feel will be of interest to you. As always, please call us at your convenience to set up your quarterly investment meeting.

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Going, Sebastien, Fisher & Le Bouef, LLP (GSF&L) News:

- As an update to the three closed end (interval) funds Cliffwater (CCLFX & CELFX) and Variant (NICHX) GSF&L added in 2022 to our clients' investment fixed income allocation to provide income and diversification to clients' portfolios, see the following 2023 and 2024 returns. The three funds have a low to negative correlation with the S&P 500 and U.S Bond Aggregate Indexes. For the year ended December 31, 2023, annual returns for the funds were CCLFX 12.66%, CELFX 12.66% and NICHX 9.50%, which compares to the BBgBarc US Agg Bond index of 5.53%. For the year ended December 31, 2024, the annual return for NICHX was 4.87%, for CCLFX the return was 12.61%, and for CELFX the return was 13.01%, which compares to the BBgBarc US Agg Bond index of 1.25%. The 2024 distribution rates ranged from 8.05 -11%. Through April 04, 2025, the S&P 500 index SPX lost -13.42%, while the three above funds' returns were a positive 1.38% - 1.69%. Feel free to contact one of the Investment Advisors at GSF&L should

you wish to learn more about the funds and how they may further diversify your investment portfolio.

Investment Views:

- ***YCharts - Through March 31, 2025 – Index Year-to-date returns*** – Dow Jones Industrial Average -0.87%, S&P 500 -4.27%, NASDAQ -8.07%, Russell 2000 -9.48%, S&P MidCap 400 -6.10%, Morgan Stanley Capital International Europe, Australasia, Far East (MSCI EAFE) 7.01%, S&P GSFCI (Broad-Based Commodities) 4.89%, and BBgBarc US Aggregate Bond 2.78%.
- ***Northern Trust – Weekly Economic Commentary – March 21, 2025*** – In mid-February, the White House issued an executive order entitled, “The Fair and Reciprocal Plan” for trade. It chartered work to remedy situations where countries charge higher tariffs than the United States does. The Administration’s proposed approach is simple: if a country places a tariff on an American product, an equal tariff will be placed on comparable imports. However, administering such a system would be complex and time consuming.
- ***Bureau of Economic Analysis – March 27, 2025*** – Real gross domestic product (GDP) increased at an annual rate of 2.4% in the fourth quarter of 2024, according to the “third” estimate released by the Bureau. In the third quarter, real GDP increased 3.1%. Personal income increased 0.3% in November, according to estimates released by the Bureau. Personal income increased 0.8% at a monthly rate in February, according to estimates released today. Personal consumption expenditures increased 0.4%, with “other nondurable goods” increasing 21.1% at a seasonally adjusted annual rate.
- ***Bureau of Labor Statistics – March 12, 2025*** – The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.2% on a seasonally adjusted basis in February, after rising 0.5% in January, the Bureau reported. Over the last 12 months, the all items index increased 3.8% before seasonal adjustment. The index for shelter rose 0.3% in February, accounting for nearly half of the monthly increase. Despite the decrease in the gasoline index, the energy index rose 0.2% over the month as the indexes from electricity and natural gas increased.

Craig’s Thoughts and Views:

Policy Uncertainty and Tariff Threats Create Market Volatility

Volatility gripped markets in the first quarter of 2025 and the major stock indices saw moderate declines as chaotic U.S. trade and tariff policies caused a steep plunge in business and consumer confidence, which raised concerns that economic growth would dramatically slow and corporate earnings growth would disappoint.

Stocks started the new year by extending the declines of late 2024, as worries the Federal Reserve could pause interest rate cuts weighed on the markets early in January.

However, solid economic data, encouraging inflation readings and positive commentary from Fed officials about future rate cuts pushed back on those fears and the S&P 500 recovered much of those initial losses by mid-month. Additionally, stocks rallied into and following Inauguration Day, as investors anticipated a “pro-growth” administration taking power while fears of dramatic tariffs on “Day One” of the Trump presidency went unfulfilled. The S&P 500 hit a new all-time high shortly after President Trump’s inauguration and the rally continued into late January after the Fed signaled it still expected to cut rates in 2025, further calming fears of a pause in rate cuts. However, at the very end of January, investors got a preview of looming tariff/trade volatility when President Trump threatened 25% tariffs on Colombia. However, those tariffs were not ultimately implemented, so markets largely ignored them and stocks finished January with a solid gain.

Trade and tariff policy became a major influence on markets in February, however, and dramatically increased market volatility by month-end. During the first few days of February, President Trump threatened and then delayed 25% tariffs on Mexico and Canada, which temporarily spiked market volatility. However, the one-month delay of those tariffs led markets to believe that President Trump was using tariff threats as a negotiating tactic and that substantial tariffs would not be implemented after all. That sentiment helped to ease investor concerns while economic data remained solid. Those factors combined to send the S&P 500 to a new all-time high on February 19th. However, the rally would not last. In late February consumer confidence declined dramatically and some economic reports implied the trade and tariff uncertainty was starting to slow economic growth. Those fears were reinforced when the Atlanta Fed’s GDPNow turned negative, implying economic growth may be stalling. Meanwhile, tariff threats and general policy volatility continued through the end of the month and that, combined with plunging consumer sentiment, sparked a “growth scare” amongst investors that weighed on stocks and sent the S&P 500 marginally lower in February.

The market declines accelerated in March as President Trump made good on his threat to implement 25% tariffs on Mexico and Canada (and an additional 10% tariff on China). President Trump delayed some of those tariffs on Mexico and Canada until early April, but many other tariffs were left in place and that shattered investors’ belief that tariff threats were just a negotiating tactic. Meanwhile, several corporations from various sectors began to lower earnings guidance, citing reduced consumer spending and business investment. Those guidance cuts reinforced fears that policy uncertainty could cause an economic slowdown, and the S&P 500 fell to a six-month low. In late March, markets tried to rebound amidst a lull in tariff threats but it didn’t last as President Trump announced 25% auto tariffs on March 26th, sending stocks lower once again. The S&P 500 finished the quarter near the year-to-date lows.

In sum, investor optimism for a pro-growth agenda and tax cuts was replaced by rising concerns about a new global trade war and a slowing U.S. economy, as policy uncertainty and ineffective communication crushed investor and consumer confidence.

Tariffs and What Investors Need to Know for the Long Term

The stock market got hammered last week thanks to a material escalation in the global trade war initiated by President Trump’s tariff announcement. Stagflation economic data (for the moment) didn’t help either, and when the dust settled Friday the S&P 500 had lost 9.08% for the week and is now down about -13.42% through April 04, 2025.

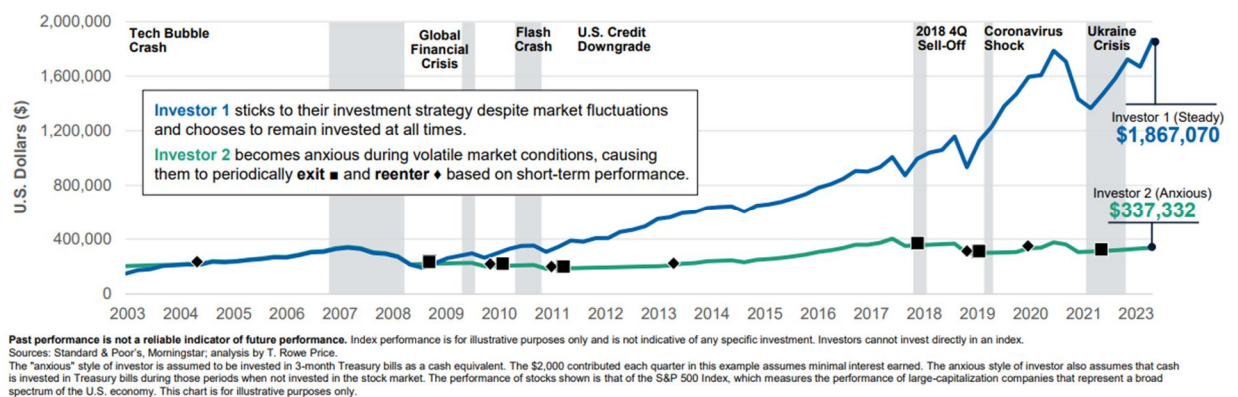
As compared to Trump's first administration in 2017 and his tariffs on China, the current tariff proposals are significantly larger in scope than those put in place in 2017. In 2017, only a few specific products were targeted – most notably aluminum and steel. This time the scope is much broader. Back then, the effective tariff rate that the U.S. imposed went from 1.6% to 3.1%, according to www.policyuncertainty.com/macrobond. This time around, the rate could move to above 20%, as being reported by various news sources.

What is the Trump administration trying to achieve? While the ultimate objectives of the tariff proposals are uncertain, the president's public statements suggest three goals:

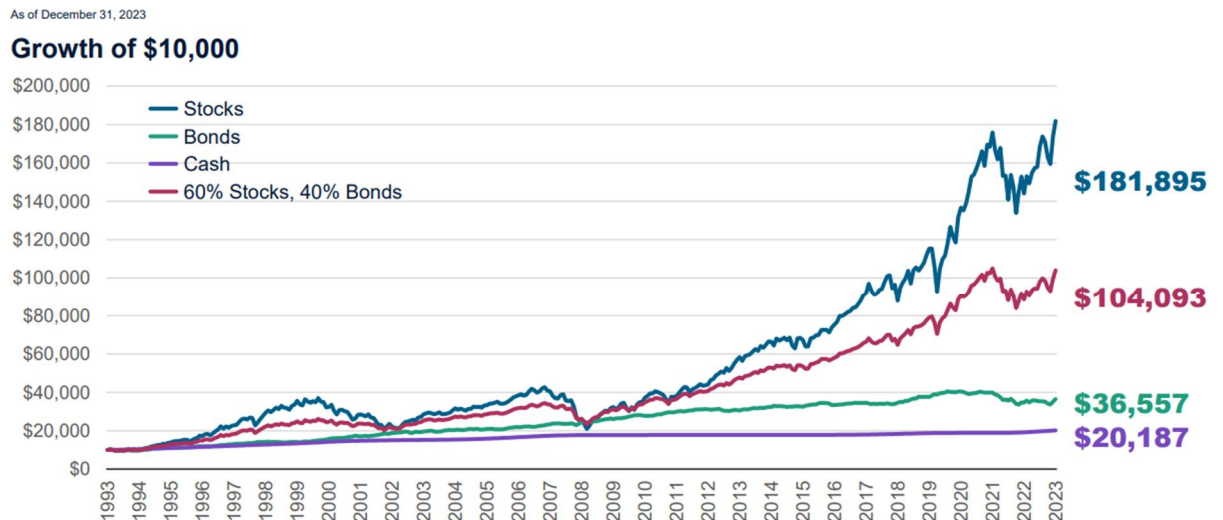
1. To strengthen the U.S. trade negotiating position because the U.S runs trade deficits with most countries.
2. To raise revenues. In theory, higher tariffs could help reduce the U.S. federal government's large budget deficit.
3. To bring manufacturing jobs back to the U.S. If tariff rates were set high enough, it could make it cheaper for U.S. and foreign companies to shift production of domestically sold goods to factories in the U.S.

If President Trump's primary goal is to gain negotiating leverage, and U.S. trading partners are willing to make deals, then any tariff hikes might be temporary and the ultimate economic impacts could be minimal.

In the past, investors who maintained their stock exposure through market downturns tended to fare better than investors who cashed out. In the below example, two investors with identical portfolios achieved vastly different returns based on their decisions to either stay invested during periods of volatility or repeatedly exit and reenter the market. Both investors started investing in 1990 in the same portfolio. By March 30, 2001, both investors have \$177,502. Starting in the second quarter of 2001, Investor #1 continued to invest the same way and Investor #2 decided to avoid steep losses and exited the market. Investor #2 reentered in 2004. The balances to the right of the chart is as of December 31, 2023.



Investors may be better off long term focusing on fear of future regret rather than fear of current regret. The below shows the growth of \$10,000 for various asset classes and portfolio allocations: stocks, bonds, cash, and a 60% stocks/40% bonds portfolio.



Sources: T. Rowe Price, created with Zephyr StyleADVISOR; S&P; Bloomberg Index Services Ltd.; and FTSE. See Additional Disclosures. **Past performance cannot guarantee future results.** It is not possible to invest directly in an index. Chart is shown for illustrative purposes only. Stocks: S&P 500 Index, Bonds: Bloomberg U.S. Aggregate Bond Index, and Cash: FTSE 3 Month US T-Bill Index.

For clients who are feeling stressed about their portfolio, they should talk to their financial advisor about staying invested, staying diversified, and reviewing their financial plan. Understanding the current market and how to respond can help investors achieve good investment outcomes. Discussing with your financial advisor keeping a long-term perspective, the high cost of cashing out, the potential of profiting from patience, optimizing your portfolio allocation, and understanding the roles of fixed income and alternative strategies could help investors achieve their financial goals.

GSF&L, LLP Registered Investment Advisors:

We can never know what the future holds, but we can make informed decisions regarding investment strategies and portfolio allocations. We (GSF&L) make changes based on our perception of opportunities in the capital markets. We assimilate fundamental, technical, and economic information to make informed decisions. Of course, it is important to have long-term focus on portfolio management, but with a critical analysis of intermediate strategies.

Managing risks and opportunities are important to portfolios and reaching one's financial needs and goals. Having a complimentary understanding of investment horizon and attitude toward risk are equally important. Markets and economies do not always behave as we expect them to. That is the problem with investing! There is no luck to professional investing. You can no more have a successful, disciplined approach by luck or accident than you can win a chess tournament by luck or accident.

If you know of someone who may fit our financial and investment planning philosophy, please mention our name. We are a small organization and intend to remain so. A solid organization makes it possible for us to spend our time managing our business rather than each

other. Because everyone has so much to do, much gets done. We will forego any growth opportunity that may detract from our ability to serve our clients as they have become accustomed to. We never expect to be among the biggest, but our attention to be among the best is not subject to compromise.

Regards,

Craig

Craig C. Le Bouef, MBA, CPA/PFS, CFP®

NASDAQ composite measures the performance of all issues listed in the NASDAQ Stock Market, except for rights, warrants, units, and convertible debentures. The S&P 500 is made up of 500 common stocks representing major U.S. industry sectors. The Dow Jones Industrial Average contains 30 stocks that trade on the New York Stock Exchange (NYSE) which reflect the performance of 30 large American companies. The Morgan Stanley Capital International Europe, Australia, and Far East Index (MSCI EAFE) is a market-weighted aggregate of 20 individual country indexes that collectively represent many of the major markets of the world, excluding Canada and the U.S. The BBgBarc U.S. Aggregate Bond Index tracks performance of debt instruments issued by corporations and the U.S. Government and its agencies. The returns for this index are total returns, which includes reinvestment of dividends. The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 index, which represents approximately 8% of the total market capitalization of the Russell 3000 index.

All indices are unmanaged. It is not possible to invest in an index.

Past performance is no guarantee of future results. Diversification does not assure against market loss.