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The Tariff Tipping Point: What the Long View Reveals That Others Won't Tell You

April 28, 2025

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It is about Temperament, Not Intellect

In the past few months, most headlines have been dominated by a familiar Trump policy tool and favorite word, "tariffs". As we begin this analysis, I must share this quote from The Oracle of Omaha: Warren Buffet says: **"The most important quality for an investor is temperament, not intellect".** At first glance, the quote may seem counterintuitive. Isn't investing about intelligence—analyzing markets, reading financials, spotting trends?

Warren Buffett argues otherwise. He believes the key to successful investing isn't brainpower—it's **emotional discipline**.

Markets rise and fall. Fear dominates during downturns. Greed takes over during rallies. The investors who succeed aren't necessarily the smartest, but those **who stay calm, patient, and consistent through it all. That's temperament.**

It means resisting the urge to panic when the market crashes or chasing gains when it surges. It's what allowed investors who held steady during the 2008 crisis or the COVID-19 crash to benefit from the powerful recoveries that followed.

Buffett's point is clear: intelligence can help you find opportunities—but **temperament is what allows you to capture them.**

Beyond the Headlines: What History Tells Us About Markets and Tariffs

As the global economic landscape becomes more fragmented and as the United States reassesses its trade relationships with allies and competitors, many investors and business leaders ask the same questions:

- Will tariffs derail economic growth?
- Are we on the brink of a trade war-induced recession?
- Should we retreat from the markets?

The answer, as history teaches us, is far more nuanced.

As a believer in the power of long-term perspective—especially in uncertain times, the data, the history, and the patterns are clear: markets have endured and even thrived in the face of tariff regimes. The real risk lies in policy shifts and emotional responses to them.

Let's step back and examine what the long view truly reveals.

Tariffs Are Not New—Nor Are They Unprecedented

From the Smoot-Hawley Tariff Act of 1930 to the steel tariffs of 2002 and the China-focused tariffs of 2018, the United States has long used tariffs as a tool for industrial protection, economic leverage, and political signaling. While the tone and targets of these tariffs have varied, their immediate impact has often been misunderstood—or overstated.

In 2002, under President George W. Bush, the U.S. imposed temporary tariffs on imported steel to protect domestic manufacturers. Market reaction was mixed in the short term, with uncertainty-driven volatility. Yet, over time, markets stabilized and resumed their upward trajectory. The short-term pain did not override the long-term trend: investors who stayed the course were rewarded.

Fast forward to 2018, when the Trump administration initiated a sweeping tariff campaign targeting China. These actions sparked widespread fears of a trade war. Global headlines warned of economic collapse, disrupted supply chains, and inflationary pressures. And while the S&P 500 ended the year nearly flat, it posted substantial gains in 2019—rising over 28%. Again, those who remained invested emerged stronger. The lesson? Tariffs may shift the narrative in the short term but rarely alter the long-term fundamentals of disciplined investing.

The Market Is Resilient—and Has the Track Record to Prove It

Since 1950, the U.S. equity market has experienced numerous bull and bear cycles. Yet despite wars, inflation spikes, energy crises, financial meltdowns, pandemics, and yes—tariffs—the long-term arc of the market has remained upward.

Each bear market, on average, has lasted about 13 months and produced a median decline of roughly 33%. But each bull market that followed ran longer and soared higher. This pattern reveals a powerful truth: volatility is the price of admission for long-term gains.

More importantly, these cycles have been immune to political cycles. Whether markets were under Democratic or Republican administrations, in high-tax or low-tax environments, or amid trade wars or free trade agreements, the long-term trajectory has been positive.

Staying Invested Is Not Just Good Advice—It's Quantifiably Powerful

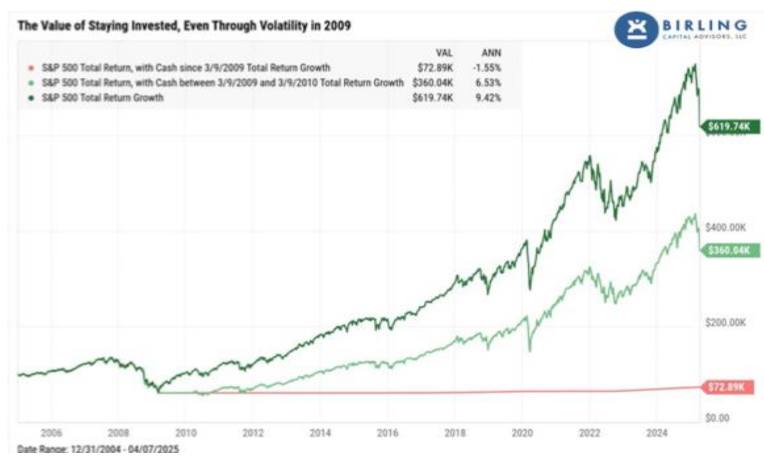
Let's revisit two pivotal historical moments: the 2008 financial crisis and the 2020 COVID-19 market crash.

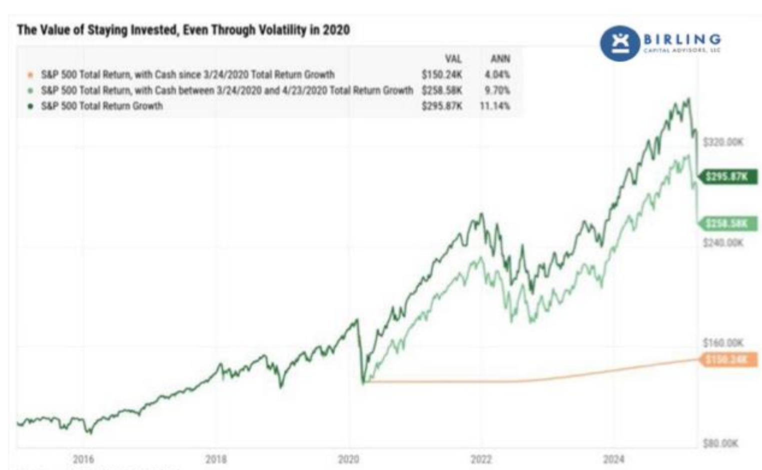
During the depths of the 2008 crisis, investors faced historic declines. The S&P 500 lost more than 50% from peak to trough. Many panicked, moving to cash and exiting the markets altogether. Yet, those who stayed invested recovered losses and realized gains that set the stage for over a decade of sustained growth.

Similarly, in early 2020, markets plunged as the world entered lockdowns. Within weeks, the S&P 500 lost 34%. But this crash was followed by one of the fastest recoveries in history. Investors who exited missed out on that rebound—and many never fully reentered at the right time.

The takeaway is critical: **missing even a few months of market recovery can mean missing years of returns.** According to multiple studies, missing the top 10 performing days in a decade can cut your long-term gains in half.

For all these reasons, I firmly believe in disciplined, long-term investing—even—and especially—when fear dominates headlines.





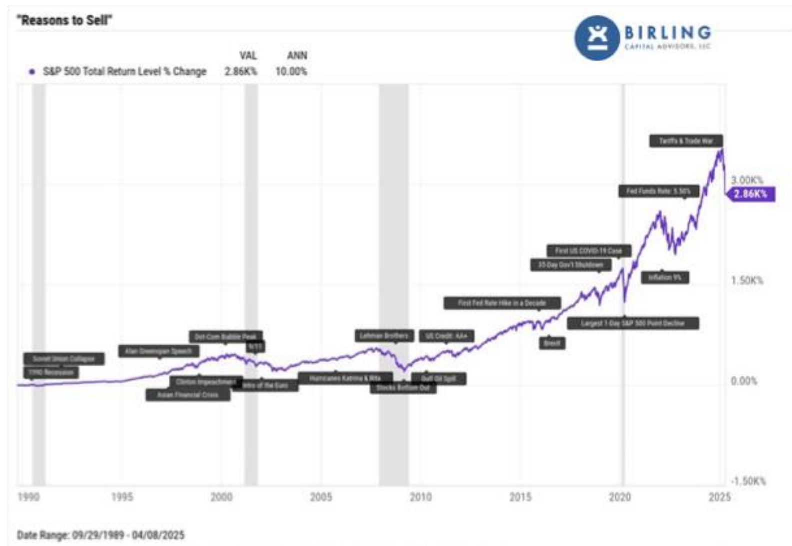
Emotional Decisions Have a Price Tag

Markets are complex systems, but human behavior is often predictably irrational. The temptation to "do something" during periods of uncertainty can be overwhelming. But history is unkind to those who act on fear. Emotional decision-making consistently underperforms passive, disciplined strategies, whether selling during a downturn, chasing performance after a rally, or attempting to time the market.

In fact, according to DALBAR's widely cited Quantitative Analysis of Investor Behavior, the average equity mutual fund investor has historically earned significantly lower returns than the market itself—mainly because of poorly timed entries and exits.

Our job as investment professionals is not merely to manage portfolios—it's to manage behavior.

Panic Has a Price Tag

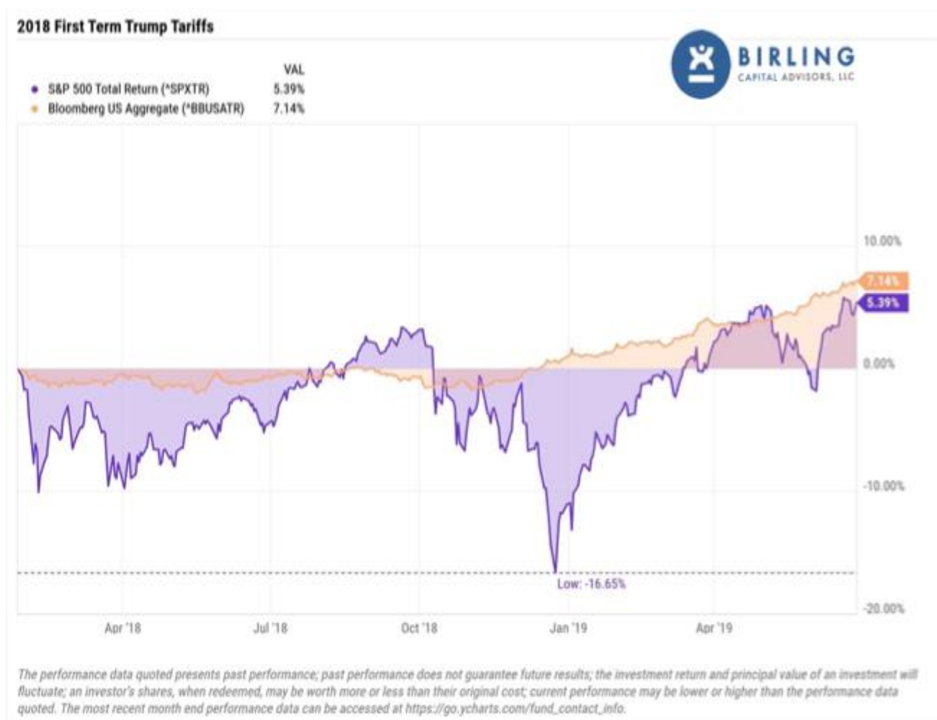


Tariffs Add Noise, Not New Rules

What's often missed in the public conversation about tariffs is that they do not fundamentally rewrite the rules of capitalism. They may impact trade flows, input costs, or sector performance in the short term—but they do not eliminate the innovation, productivity, and growth that drive markets forward.

A tariff may increase the cost of imported steel, but it does not stop an entrepreneur from building a better logistics platform. It may create headwinds for global manufacturers, but it does not erase the value of digital transformation in healthcare or AI-led efficiencies in finance.

The innovation engine continues—and investors with patience and perspective continue to benefit.



Volatility Is Routine, Not Rare

As I aim to prove these points, included is a compelling chart titled "**Corrections are Loud, Recoveries are Quiet.**" It tracks every 5%+ market pullback since 2009, documenting their size, duration, and catalysts. From debt ceiling debates to oil price shocks to geopolitical flashpoints, the causes are diverse—but the pattern is consistent: corrections come and go. At the same time, the market recovers quietly and relentlessly.

This data is not meant to predict the future but to prepare us for it. Volatility is not an aberration; it is part of the investment landscape. The difference between long-term success and underperformance is not who avoids volatility—it's who manages through it.

Corrections are Loud, Recoveries are Quiet

S&P 500 Corrections that Made Headlines since March 2009

Correction Period	# Days	Start of Period	End of Period	% Decline	"Stocks Fall On..."
2025: Feb 19 - Apr 7*	47	6144	5062	-17.61%	Tariffs, Trade Wars and Recession Fears
2024: Jul 16 - Aug 5	20	5667	5186	-8.49%	Recession Fears, Fed Behind Curve, Nikkei Crash
2024: Mar 28 - Apr 19	22	5254	4967	-5.46%	Stubborn Inflation, Fed Pushing Back Rate Cuts, Iran/Israel Conflict
2022: Jan 4 - Oct 13	282	4794	3670	-23.44%	Inflation, Rising Rates/Fed Tightening, Russia/Ukraine War, Recession Fears
2021: Nov 22 - Dec 3	11	4683	4538	-3.09%	Covid Omicron Variant, Fed Taper Fears
2021: Sep 2 - Oct 4	32	4537	4300	-5.21%	China Contagion Fears, Fed Taper Fears, Covid Delta Variant
2021: Feb 16 - Mar 4	16	3933	3768	-4.17%	Inflation Fears, Rising Rates
2020: Sep 2 - Sep 24	22	3581	3247	-9.33%	Coronavirus, No New Stimulus Deal, Election Fears
2020: Feb 19 - Mar 23	33	3386	2237	-33.93%	Coronavirus, Global Depression Fears
2019: Jul 26 - Aug 5	10	3026	2845	-5.99%	Trade War, Tariffs, Yuan Devaluation, Recession Fears
2019: May 1 - Jun 3	33	2924	2744	-6.13%	Trade War, Tariffs, Inverted Yield Curve, Global Slowdown/Recession Fears
2018: Sep 21 - Dec 26	96	2930	2468	-15.77%	Rising Rates, China Slowdown, Trade War/Tariffs, Housing Slowdown
2018: Jan 26 - Feb 9	14	2873	2620	-8.82%	Inflation Fears, Rising Rates
2016: Aug 15 - Nov 4	81	2190	2085	-4.79%	Election Fears/Concerns/Jitters
2015/16: May 20 - Feb 11	267	2126	1829	-13.96%	Greece Default, China Stock Crash, EM Currencies, Falling Oil, North Korea
2014/15: Dec 29 - Feb 2	35	2091	2021	-3.34%	Falling Oil, Strong Dollar, Weak Earnings
2014: Dec 5 - Dec 16	11	2075	1973	-4.95%	Falling Oil, Strong Dollar
2014: Sep 19 - Oct 15	26	2010	1862	-7.36%	Ebola, Global Growth Fears, Falling Oil
2014: Jan 15 - Feb 5	21	1848	1752	-5.23%	Fed Taper, European Deflation Fears, EM Currency Turmoil
2013: May 22 - Jun 24	33	1655	1573	-4.97%	Fed Taper Fears
2012: Sep 14 - Nov 16	63	1466	1360	-7.22%	Fiscal Cliff Concerns, Obama's Re-Election
2012: Apr 2 - Jun 4	63	1419	1278	-9.93%	Europe's Debt Crisis
2011: May 2 - Oct 4	155	1361	1124	-17.43%	Europe's Debt Crisis, Double-Dip Recession Fears, US Debt Downgrade
2011: Feb 18 - Mar 16	26	1343	1257	-6.41%	Libyan Civil War, Japan Earthquake/Nuclear Disaster
2010: Apr 26 - Jul 1	66	1212	1027	-15.24%	Europe's Debt Crisis, Flash Crash, Growth Concerns
2010: Jan 19 - Feb 5	17	1150	1066	-7.31%	China's Lending Curbs, Obama Bank Regulation Plan
2009: Oct 21 - Nov 2	12	1081	1043	-3.56%	Worries About The Recovery
2009: Sep 23 - Oct 2	9	1061	1025	-3.36%	Worries About The Recovery
2009: Jun 11 - Jul 7	26	945	881	-6.76%	World Bank Neg Growth Forecast; Fears Market Is Ahead Of Recovery
2009: May 8 - May 15	7	929	883	-4.99%	Worries That Market Has Gotten Ahead Of Itself
Median	**26**			**-6.59%**	

Why This Matters Now

With new tariffs being implemented in 2025 and uncertainty gripping the global investment community again, it's tempting to ask: "Is this time different?" But history, data, and strategy say otherwise. This time is familiar. This time is another test of temperament. This time is another opportunity to stay grounded.

We are at a tipping point—not of collapse, but of clarity. The investors and institutions that embrace long-term thinking will navigate these waters with strength. Those who panic may watch from the sidelines while the recovery unfolds—quietly, steadily, and without announcement.

The Final Word: The Power of Perspective

I began this presentation with a quote I hold close:

"The most important quality for an investor is temperament, not intellect."
—Warren Buffett. It's a reminder that while data and models are essential, success is ultimately behavioral. It is about staying committed when it's hard to do so. It is about understanding that volatility is the toll we pay for long-term value creation.

At Birling Capital, we aim to provide clients with insight and foresight. To look beyond the headline, to understand the historical context, and to prepare—not panic. To see the noise but hear the signal.

In the end, markets reward discipline. They reward perspective. And they reward those who, even in uncertainty, remember that trees planted long ago provide shade today.

Because, In Uncertainty Perspective is, Capital

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