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Monthly Letter: Part of the deal

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US presidents typically start their terms by making bold promises, but this time, the volume, breadth, and speed of executive action are causing unusual levels of uncertainty. Our latest monthly letter explores what this means for investors and how to position portfolios. While volatility may rise, the US economy remains solid, and key growth themes like AI and electrification should stay intact. We recommend investors focus on US equities, AI, and power and resources, while ensuring portfolios are well diversified with assets including quality bonds, gold, and alternatives.

All US presidents start their terms by making bold promises for dramatic change. Yet this time, the volume, breadth, and speed of executive action, as well as the unorthodoxy of some of the proposed policies, are causing unusual levels of uncertainty.

Against this backdrop, a failure of imagination about what the president might say, try, or achieve is a significant risk. Volatility is likely to be elevated as markets consider a wider range of potential future outcomes.

At the same time, after over a decade in politics, it is still difficult to tell the difference between President Trump's negotiation tactics and bona fide policy plans. His detractors and his supporters can all too easily get caught up in the noise. We believe it's crucial for investors to stay grounded in the data to try and separate rhetoric from reality and diversion from direction.

The initial data do not appear to support sensationalist news headlines around migration, spending cuts, and foreign policy. For example, despite heated words between Trump and Ukrainian President Zelenskiy, the US is continuing to negotiate a security agreement with Ukraine.

In our new monthly letter, we share our views on the latest developments in US trade, domestic, and foreign policy, how they may affect investors in the months and years ahead, and how to position portfolios. We present our latest investment scenarios to help investors navigate a still wide range of potential outcomes and conclude with our latest investment views.

In short, we note that the US economy is entering this period of heightened uncertainty in robust health. So far, the enacted policy measures should not have large direct impacts on growth or inflation, in our view. Meanwhile, underlying growth in themes like artificial intelligence and electrification should remain unaffected by the scope of the policy measures announced so far. And the Trump administration's approach of forcing changes or concessions around core issues could unlock longer-term opportunities.

But hasty policymaking across a broad range of areas is making indirect risks to growth harder to ignore. And with the risk of a government shutdown and federal agencies' reports on tariffs due in the coming weeks, we believe volatility is likely to rise.

To navigate the months ahead, we recommend being invested with a focus on US equities, AI, and power and resources, but also hedging those equity exposures to manage near-term risks, and ensuring portfolios are well diversified with assets including quality bonds, gold, and alternatives.

Read more in the latest monthly letter, "Part of the deal," and watch a short video on these themes [here](#).

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