



Sound Income Strategies

Monthly Equity Newsletter



Sound Income Strategies, Monthly Equity Update

April 30, 2025

Monthly Maxims

"Those who cannot remember the past are condemned to repeat it."

– George Santayana, Philosopher / Historian

"Nearly all men can stand adversity, but if you want to test a man's character, give him power."

— Abraham Lincoln

Executive Summary

Macro: The April 2nd Liberation Day tariff program marked a significant escalation in the Trump Administration's trade war by jacking up the import tax rates US consumers and businesses will pay on products coming from other countries to levels far above what most others charge on US goods. This surprise jump in the cost of overseas goods (and the expected retaliation against US companies) sent stocks plunging, as the first-order effects were forecast to clip up to 3% off of US GDP and send the US into a recession by year-end. China retaliated to its 145% penalty by announcing 125% reciprocal tariffs of its own. After a week of freefall, with pressure mounting from executives, Trump delayed the enforcement of most of the tariffs by 90 days, to calm the markets and give his team time to negotiate trade deals. Adding to this injury, Stephen Miran, Chair of the White House Council of Economic Advisors, repeated his comment that the US might not pay the full interest on Treasury bonds owned by foreigners (which would be an effective default), as a trade imbalance tax. Further, Trump threatened to fire Fed Chairman Powell for dragging his feet on lowering interest rates, which knocked markets down again. Soon thereafter, Trump recanted his Powell threat, and Scott Bessent tried to walk back the extremeness of the tariffs, by characterizing them as part of a negotiating strategy that would all end in 90 days, under terms people would likely be happy with; however, the damage to the worldview that the US is a reliable counterparty was done. As a result, April was the most volatile month for global sentiment and US stock prices since the Covid-19 shutdown policies Q1 2020.

Markets: US Equity indices fell by 13% in the first week of April, led by cyclical, retail and manufacturing stocks that would be the most hurt by a slowdown in trade, rising inflation, and a recession. However, by month-end, the S&P 500 regained 62% of that dive, as the tariff delays and favorable earnings reports gave investors' hope that things would not be as bad as initially thought. Still, trade flows, travel bookings, and sentiment indicators all fell, foreboding a slowdown ahead, with economists now collectively predicting a > 40% chance of a recession in 12 months. Most notably, the Administration's policies killed the value / cyclical stock rebound that characterized the first quarter's advance, and reignited investor enthusiasm for AI, Internet service, and software names, as these areas are least threatened by tariffs, whereas material, consumer cyclical, energy, and industrial names are most at risk.

Portfolios: After three good months, the Sound Income equity portfolios underperformed the S&P 500 in April, as low or no-yielding technology names that do not fit our mandates rebounded more than our diversified, more-cyclically exposed funds did.

To take advantage of the volatility, we aggressively reviewed fallen angels, but we did not change any positions because we don't know what is real or temporary with the Administration's ever-changing policies. We do know that the current tariff terms are temporary and company estimates for most sectors are too high. So today's hot stocks seem likely to come down once the situation stabilizes, and with tariff relief, those most oversold should rise.

As a reminder, we invest with a three-year horizon and do not look to make day trades, though sometimes they look attractive. Also, we must sell things to buy things, and the safest areas for downside protection (utilities, healthcare, and staples), offer the least upside, should most of the high tariffs be negotiated away. Similarly, the expensive technology havens, whose multiples were deflating before the tariff situation changed everything, will likely take a breather again too, once the dust settles.

Part I: Macro Factors and Thoughts

Tariff Tumult: April Fools in the China Shop Could Break The Global Economy, Or Not

When Donald Trump was elected President, there was great global optimism that his deregulatory and government cost-cutting efforts could make the US Government and economy more efficient than before and possibly fund an extension of his 2017 tax cuts with the combination of lower costs and higher revenues. In fact, spurred by economic growth, there was hope that he, with some help from his Republican majorities in the House and Senate, and the Fed, via lowering interest rates, could tame the gigantic Federal Budget and even reduce the National Debt load before he left office, thanks to economic growth causing rising Federal income. Even his campaign rhetoric about using tariffs as a stick to motivate nations, like India, which places high duties on US goods, to lower them, seemed like a viable tactic that could lead to an increase in global trade, as they might motivate others to cut their tariffs rather than raise them. Indeed, with so much potential for policy progress, along with the prospect of lower interest rates, stocks rose from election day through most of Q1.

Unfortunately, those good vibrations and glass-half-full optimism started to crack in February and March, when the on-again, off-again tariff antics started, and the rates discussed kept rising. Instead of only targeting those who were putting up barriers against US imports, he started targeting everyone, friends and foes alike, as a way to redress past grievances and drive a redomiciling of as much manufacturing as possible – even from our partners in the US, Canada, and Mexico Free Trade Agreement, where all sides were benefitting from the arrangement. Further, his penalties seemed capricious and disproportionate to what others were charging their citizens to buy US goods, as his reckoning conflated tariffs (which target imported goods) with value-added and general sales taxes, which are charged on all goods, regardless of their country of origin. So, instead of equalizing tariffs, the US is now threatening higher tariffs on many others than they are charging on US imports, which, if the laws of economics still hold, will reduce global trade and purchasing power. No one wants that outcome, but the President is willing to trade losses in economic prosperity (estimated by JP Morgan to be 2.5% and by Bloomberg to be 3% of US GDP) for increases in self-sufficiency and tax income.

Clearly, investors, via the markets, gave him feedback that this is not such a good trade, and they responded favorably to every delay and reduction in these plans. What investors want is free trade, with as few frictional costs as possible. What the President wants is for the world to stop treating the

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most powerful nation on Earth and its leader as its servants, like it has for the last 85 years, or so his policy proponents say. Those two goals are not generally compatible, as emotions and politics are frequently at odds with raw economics. Also, trying to change others' habits quickly, without their consent, is generally an uphill battle. But such a battle is greatly affecting the world's DCF models right now; hence, we are likely to see lots of violent swings up and down until this matter is resolved.

To recap, on April 2nd, the President unveiled his "Liberation Day" tariff plan, which sent the markets plunging by 12%. A week later, he delayed the imposition of them by 90 days, which sent stocks soaring, with the indices reclaiming 60% of their losses, though many cyclical stocks stayed down, because their fates still rest upon what the outcome of the 90 period of negotiations might be. Treasury Secretary Bessent said the 90-day reprieve was implemented to give the Administration time to negotiate lower tariffs and terms, though the President insisted on a 10% tariff on most nations, as a revenue generator, which he says the US needs. Mexico was exempted, because its President chose to talk with Trump rather than announce more retaliatory tariffs, which has been the response of many nations, who view the actions as an attempt by Trump to bully them into accepting unfavorable terms. China retaliated, so Trump raised the rate on Chinese goods to 145% and China raised its tariffs on US goods to 125%, though there are quite a few exceptions going both ways.

Reflecting on this situation, it seems possible that the April 2nd Rose Garden Ceremony could be remembered in history books as being a pivotal event in the early 21st Century, as it in some ways parallels the infamous Hawley Smoot Tariff Act of 1930, which helped to tip the already reeling world over into the Great Depression. In this case, the Administration's rather swift retreat from its full program shows that some of its members are mindful of the historical lesson from Smoot Hawley, and are eager to not repeat that mistake, but clearly not everyone is.

The three men most often "credited" for selling Trump on his extreme tariff agenda are Peter Navarro, the Harvard trained, ex-UC Irvine Economics and Public Policy Professor (who Elon Musk described as being "as dumb as a brick,") Stephen Miran, Chairman of the Council of Economic Advisors, who also holds a Harvard PhD in Economics, and former Ambassador Robert Lighthizer, a Georgetown trained-attorney, whose expertise is international law. Lighthizer served as US Trade Representative in Trump's first administration, but he is only an advisor now. However, he has been very clear about disaggregating the tariffs as being for 3 distinct purposes, depending on the tariff: a) negotiating better trade terms; 2) lessening national security threats (and he views the 90K Americans who die from fentanyl as being such a threat), and 3) as a motivating tool to redomicile manufacturing and jobs to the US. He often talks about these goals as benefits of the tariffs, but I have yet to find any recordings of any of these men acknowledging their costs. In fact, two personal characteristics that tie all three of these advisors together, along with their push for tariffs, are that they have no business experience, and they all have strong personalities in interviews, where they have insisted on the soundness of their views, despite evidence that suggests otherwise.

Luckily, Treasury Secretary Scott Bessent, Commerce Secretary Howard Lutnick, and Trump himself, have real business experience, as does Elon Musk, who made his thoughts known. These men seem to be getting the message loud and clear that their initial tariff trial balloons need some redirection. How this critical episode will end remains uncertain, but it is the largest elephant in the economic room, displacing the deficit, tax rates, and interest rates for the time being, as the most pivotal lever for the economy. We wish the tariffs were the only April policy drama, but there was more.

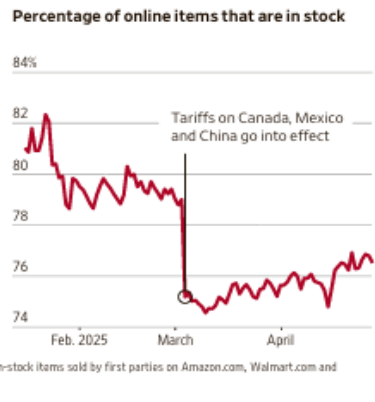
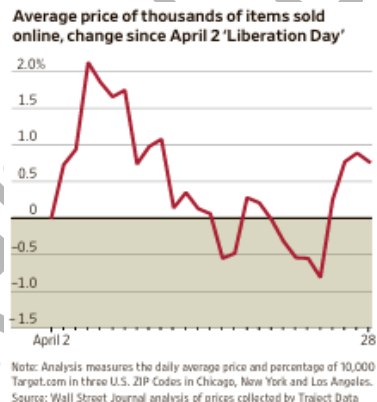
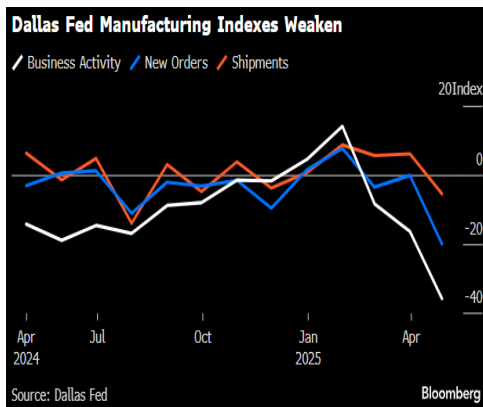
In April Stephen Miran suggested the US could treat foreign Treasury bond holders differently than Americans, by taxing them more, or paying them less interest than domestic buyers. This snafu, made

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at Mar-a-Lago, along with the puzzling comment that having Treasuries as a reserve asset was unduly costly to the US, immediately kited US interest rates, as such a move suggested both lower real yields for US bonds, and, if tried, it might be deemed a technical default, which could have cascading effects. This trial balloon seems to have drifted off and been dismissed, thanks to the bond market's reaction, but it is not unequivocally dead, as Miran is still floating around the Oval Office. How someone can say so many reckless things and still be an advisor to the President is beyond me, but here we are.

On the positive side for US companies, the Administration seems to be making some headway in getting companies to commit to building more manufacturing plants in the US. However, developing such capacity will take several years, and it likely to be more costly than the way things were pre-tariffs as the cost of the new plants will need to be amortized, and the higher US labor costs mitigated through greater automation. In the meantime, companies need ingredients from offshore and consumers need goods, so everyone will pay more for a while. Eventually, if companies are able to develop automated facilities, with global scale in the US, to replace the low-cost capacity currently available offshore, then the country will be more self-sufficient, and costs in time should start improving again. That sunny day probably won't happen while Trump is in office, simply due to the time it takes to rebuild supply chains; hopefully, it will.

In the more immediate term, the tariffs have reduced trade, as business spending is down, inventories are down, and shipments are down as companies need to remanifest their orders to be compliant with new duties terms. This unexpected repapering orders, with every tariff change has slowed commercial transactions down, at a time when many importers have tried to order ahead to avoid the risk of higher tariffs. Some of these effects are illustrated in the cutouts below.



Bloomberg 4-28-2025

- Cargo shipments from China to the US have plummeted by as much as 60% since the US raised tariffs to 145% in early April, and thousands of companies will need to replenish inventories by mid-May.
- The supply shock could lead to empty shelves, higher prices, and significant layoffs in industries such as trucking, logistics, and retail, with some economists warning of "Covid-like" shortages.
- Even if hostilities ease, restarting transpacific trade will bring additional risks, including delays and bottlenecks at ports, and a surge in orders could overwhelm the network, causing further disruptions.

WSJ 4-28-2025

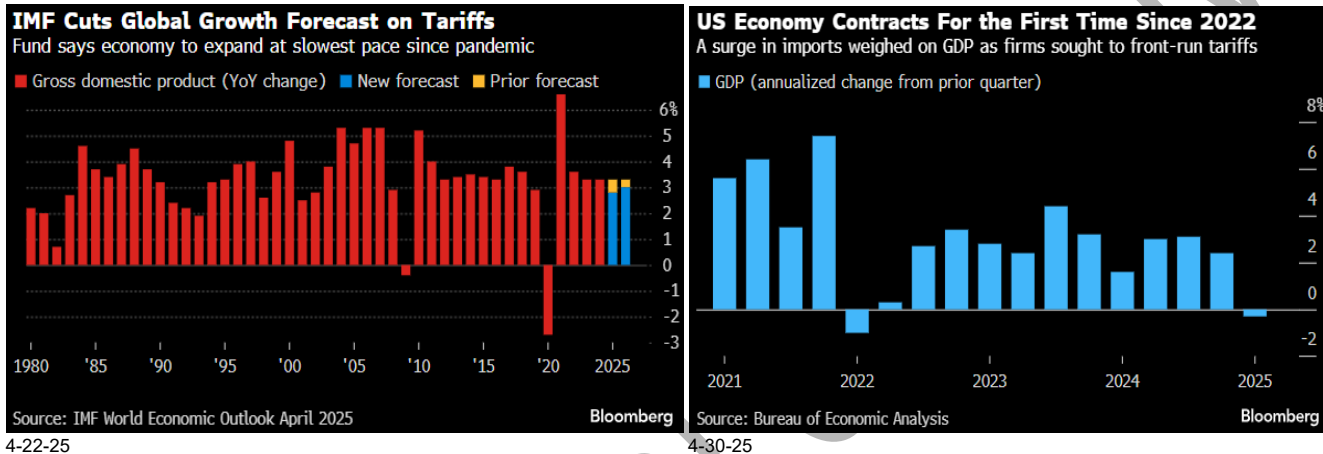
The White House's on-again, off-again tariff directives mean companies have little predictability to make moves such as greenlighting investments or redistributing longstanding supply chains. But they can resort to the time-honored playbook of cutting costs in highly uncertain times.

GDP & Tariff Effects

As we mentioned in the executive summary, if the full Liberation Day tariffs were implemented, they would be estimated to clip 2.5% to 3% off of US GDP within a year of full implementation. We have not seen good estimates of what the 10% tariffs would do to GDP, but if one assumes 17% of GDP comes from imports, which is a widely used US Government figure, then the hit would be 1.7%, if there was full

elasticity of demand, but more likely the hit will be a quarter of that, as most things have 50% to 75% elasticity, depending on available substitutes. So, maybe it would be a 1/2% hit to US GDP, which is a negative event, but survivable. On the plus side, no one has estimated the revenue gains from this lower level tax increase either. It could be as much as 1/2% of GDP, which would be meaningful.

As a result of the new tariff / trade war, in April, the IMF trimmed its GDP growth estimates by ~25 bps, as shown below. The bigger hit came in the US Q1 GDP report, which was negative and slightly worse than expected, on account of the sharp negative trade balance that resulted from US companies buying things they import ahead of the tariffs, and foreign buyers delaying purchase of US manufactured goods, as a kind of protest to the belligerent US trade policies being pursued by Trump.



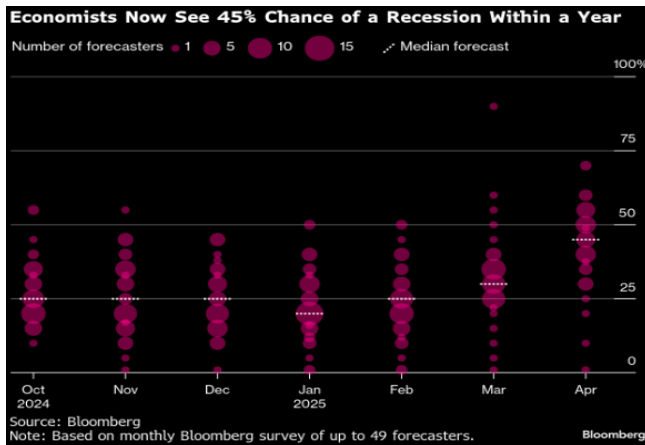
Slightly confusing matters, the same day that the worse-than-expected GDP report came out, higher-than-expected consumer spending (2/3 of GDP) and PCE inflation reports came out. Under normal conditions, consumer spending and PCE would decline with a drop in GDP, but this time they rose, as the underlying growth rate in the US in Q1 was +3%, not -0.3% – if we take out the -4.8% trade imbalance factor. So, the Bloomberg headline that the US Economy contracted in Q1 was more misleading than truthful. Also stirring the pot, the day before these figures were released, the ADP jobs report indicated that employers were beginning to cool their hiring and employees were increasingly concerned about their jobs. This feedback is consistent with what companies are reporting too.

These mixed data put a little extra focus on the May 1st jobs report, (which was a little soft, but not much) as offering possible ammunition for the Fed to lower rates in June, even if the PCE remains above its 2% target, as the Fed's full employment mandate could trump price stability. If the unemployment rate begins to trend above 4.5%, for example, (the Fed's forecast, as shown below), that could be enough for the Fed to lower the overnight rate, as the Fed is now behind its global peers in lowering interest rates.

FOMC Forecasts	2021	2022	2023	2024	2025	2026	2027
Real GDP (yoy%)	6.10	2.50	2.90	2.80	1.70	1.80	1.80
Core PCE (yoy%)	3.57	5.35	4.15	2.81	2.80	2.20	2.00
Unemployment (%)	5.35	3.64	3.63	4.03	4.40	4.30	4.30

The Probability of a Recession Has Risen Materially Since Trump Began His Tariff Tirade

Before the Administration paused the full brunt of the April 2nd tariff proposals on pause for 90 days, the probability of a recession within a year was estimated to be nearly 100%. However, the prospect of reduced tariffs has reduced the probability of that outcome to ~45%, which is still more than double the January mean. On the bright side, the stock market has often been a better forecaster of future events than economists. Analysts say it is pegging the odds of a recession at 30%, as shown below.



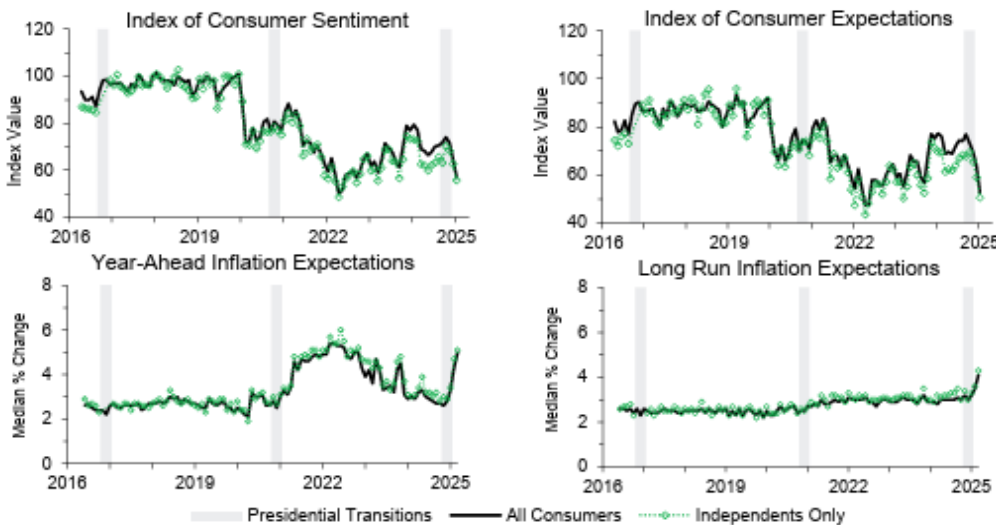
Business Sentiment: Weary, Concerned, but Also Determined to Make Things Work

As reported in the Wall Street Journal on April 28th, “The CEOs of American Airlines, Pepsico, Proctor & Gamble and many other major US companies warned that the shape-shifting tariff threats make it virtually impossible for them to plan, and the tariffs are spooking customers. American, Southwest, and Alaska Air all told investors that leisure travel has already softened, and they pulled their full-year outlooks because it is too difficult to forecast.” They are not alone, as management teams on more than half of the 30+ earnings calls that I listened to this month have pulled their guidance because they no longer know what to expect. UPS said they are running endless scenarios to be prepared to react to what might come next. However, along with anxiety, the managers also expressed resolve to fight the uncertainty with action. “In today’s uncertain times, we are committed to controlling the controllables,” Carlos Abrams-Riviera, the CEO of Kraft Heinz said on April 29, 2025. What that means, in most cases, is that companies are reducing spending and accelerating cost-cutting efforts, which will soon show up in rising unemployment, as the 20,000 people that UPS announced it would cut this past week suggests.

Consumer Sentiment, Spending and Confidence Again Were Softer Than Expected

Backing up the airlines’ reports of consumers cutting domestic travel plans, the 4/11/25 University of Michigan surveys show sharp drops in both sentiment and rises in inflation expectations.

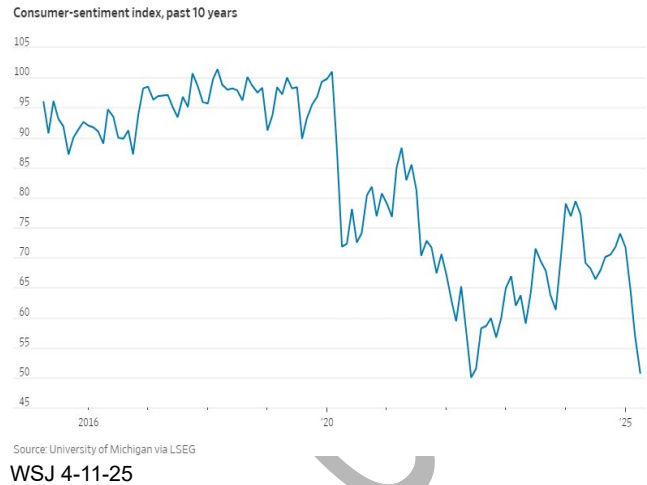
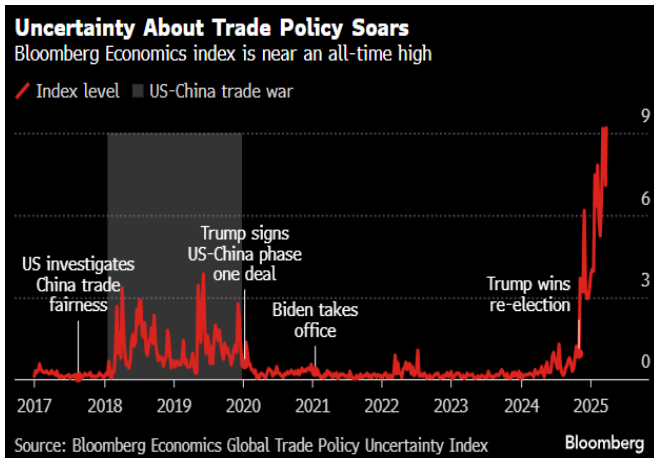
(1) Despite large partisan differences in consumer sentiment and expectations, national estimates are consistently aligned with that of independents, even during presidential transition periods



In fact, in large part due to the President’s abrupt policy shifts, US consumer sentiment is approaching 10 year lows, as shown below. and inflation expectations have reached 40 year highs.

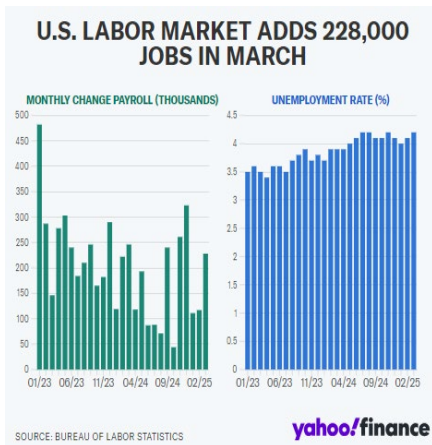
Americans remain pessimistic about the economy

The UMich consumer sentiment survey showed one-year inflation expectations jumped to 6.5% — the highest since 1981. Yahoo, 4-11-25



Wages, Job Creation & Employment Trends Remain Steady

Importantly, not only is the US Consumer spending, but they are still employed, with unemployment remaining fairly stable in the sub-4.3% range. In the April 30th BLS report, compensation costs rose by 9/10 of a percent in Q1 (3.6% annualized), and wages rose by 3.2% annualized, which is more than core inflation, so real income grew. Health insurance costs spiked, but overall, stability was the word.



Inflation Moved Lower in March, But Continues to be Above Fed's 2% Core PCE Goal

Core PCE and PCI nudged lower in March, but the pending tariffs will shift costs and prices higher.



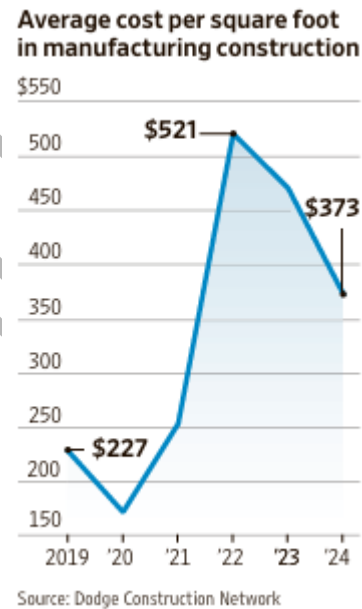
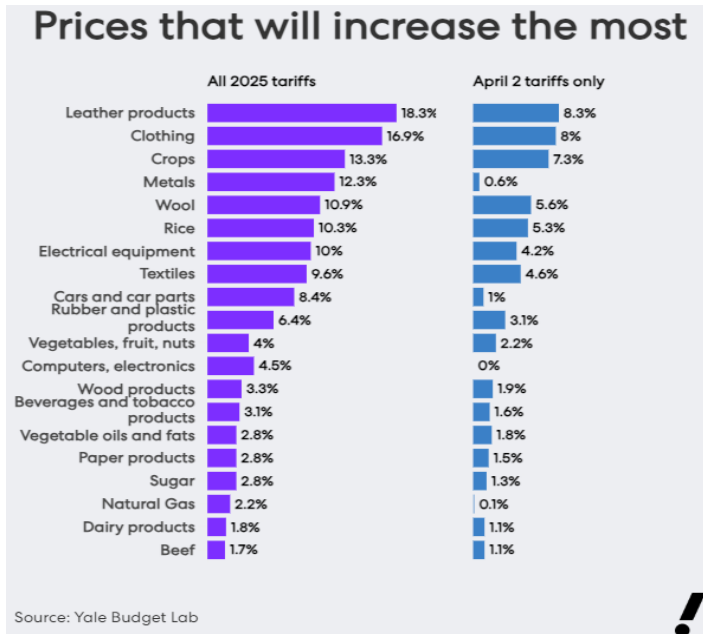
Metric	Actual	Estimate
CPI MoM	-0.1%	+0.1%
Core CPI MoM	+0.1%	+0.3%
CPI YoY	+2.4%	+2.5%
Core CPI YoY	+2.8%	+3.0%

What Bloomberg Economics Says...

“March’s surprisingly soft CPI report shows limited to no pass-through so far from the 20-ppt increase in tariffs on Chinese goods in February and March. What it does show is consumers pulling back discretionary spending in both goods and services categories. The April CPI report due May 13 – covering a period when China tariffs were further raised to more than 100% – will provide more evidence on the extent of price pass-through.”

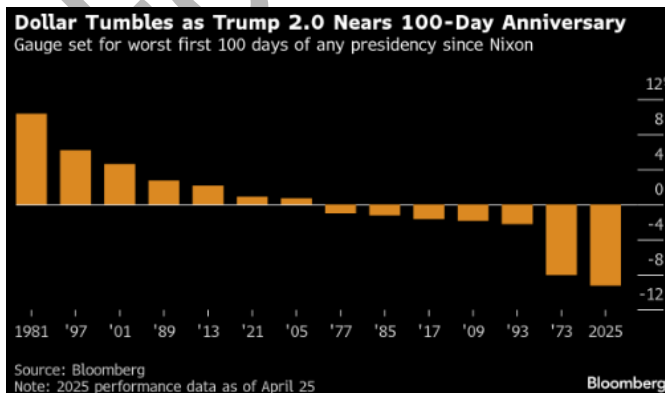
– Anna Wong and Stuart Paul

The Yale Budget lab estimates that Trump’s 2025 tariffs will increase inflation by 2.3% — with more than half of that hike coming from his new “Liberation Day” levies. Their estimate of the most affected products are presented in the Yahoo Finance chart on the LHS below. The lower RHS chart shows the 30% retreat in building construction costs from the 2022 peak. Higher labor and lumber prices are expected to back this figure up by 10%, but still be lower than before.



The Soft Dollar is Still a Bright Spot

Company after company has noted on Q1 earnings calls that the soft dollar is helping their results. Ironically, this drop is a direct benefit of Trump’s tariff policies and the trade imbalance. If other central banks continue to lower rates and the US does not, then the soft dollar benefits will likely vanish soon.



Housing: Still Facing an Affordability Wall, With Rates Close to 7%

U.S. median existing-home price, change from a year ago

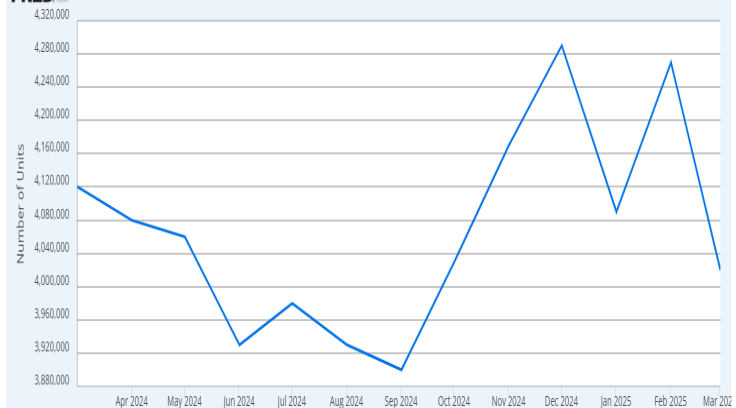


*Preliminary
Sources: National Association of Realtors (price); Freddie Mac (mortgage rate)

Average rate on a 30-year fixed mortgage, weekly



FRED Existing Home Sales



Source: National Association of Realtors via FRED®

Part II: The Monthly US Equity Market Report

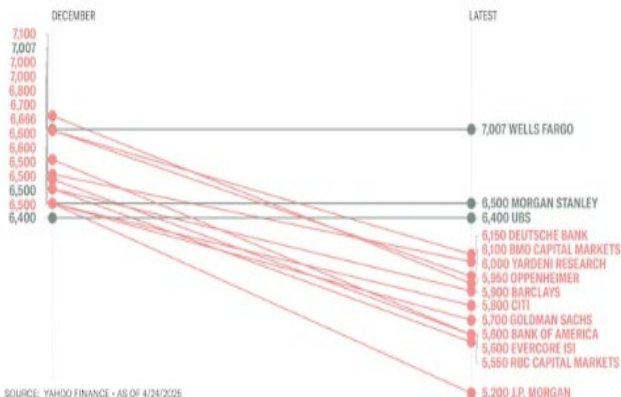
The US equity index slide that began in February when the Trump Administration started to ramp up its anti-globalism rhetoric blew out in April with his Liberation Day tariff blitz, which led stocks to drop 13% in a week before rebounding by 62%, after the most onerous tariff hits were to be delayed by 90 days.

With many companies having no choice but to pay tariffs for needed items, some raised prices immediately, while others held off until they worked off their inventory. Other firms pre-ordering goods in Q1, which created unusual inventory patterns, and still others stopped ordering altogether, hoping to get better terms later. All three strategies have pros and cons, but for security analysts, none of them matched year-over-year comparisons, so it is difficult to forecast where this is heading on many levels.

The companies with Chinese content in their products are the most affected, along with retailers that sell Chinese goods, as these tariffs are set to be 145%. As a result of this huge tax hike and the elimination of the sub-\$800 de minimus duty-free exemption, orders from China have dropped, as many retailers are hoping that they can wait out the 90 days for better terms. If they can't mitigate the tariffs, they might not have products to sell, as one Chinese goods importer told me, "We are out of business, unless something changes quickly. This slowdown and uncertainty are creating extra volatility in stocks, as many companies have pulled guidance and analysts are cutting their outlooks.

More Wall Street outlooks are getting cut

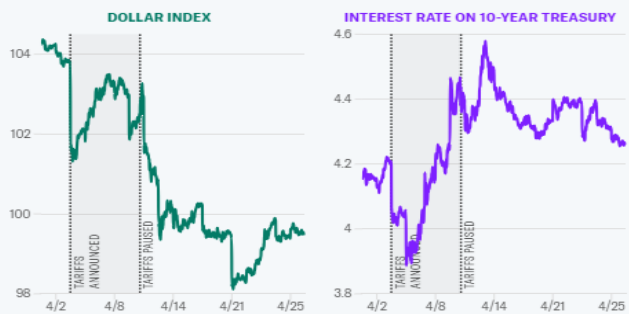
Wall Street bulls continue to get more bearish.



SOURCE: YAHOO FINANCE - AS OF 4/24/2025

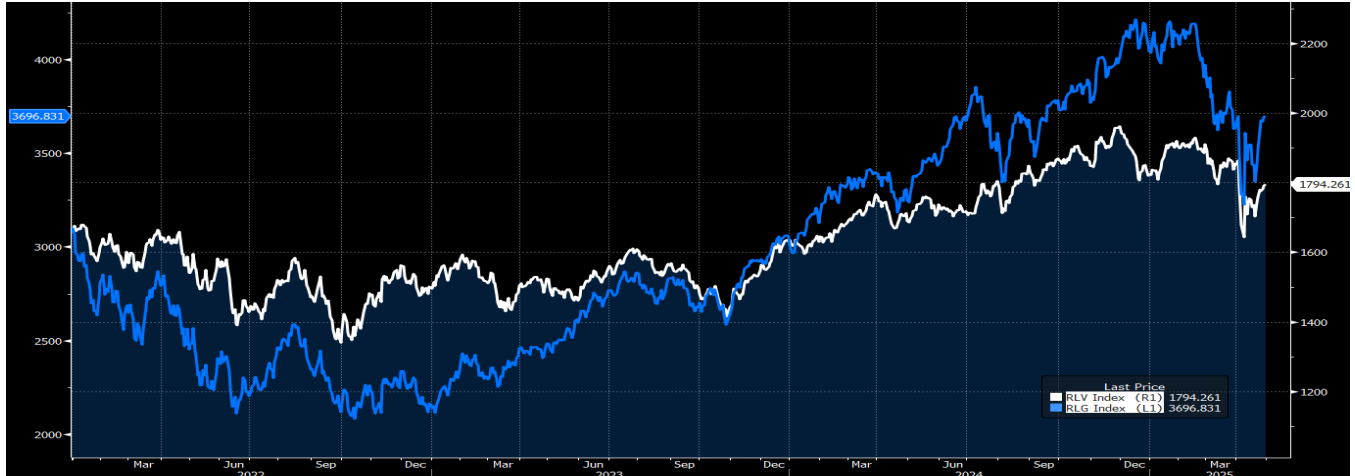
INVESTORS CREEP BACK INTO U.S. SAFE HAVENS AS SOME 'SELL AMERICA' TRENDS REVERSE

DX-Y.NYB and ^TNX since 4/1/25



SOURCE: YAHOO FINANCE - AS OF MARKET CLOSE 4/25/25

Russell 1000 Value Versus Russell 1000 Growth – Last 40 Months



As you can see in the chart above, at the beginning of April, before the Libaration Day tariff announcement, the relative performance of value and growth stocks over the last 3.5 years had normalized, as growth stocks were coming down, on negative estimate revisions, and cyclical stocks were rising on positive earnings growth. Then “poof” with the tariff announcement, cyclicals got beheaded by the imposition of unpredictably higher input costs, new competitive disruptions, retaliatory tariffs, and order cancellations. These changes then forced many firms to abandon their expansion plans because suddenly their economic models were no longer valid, which will have knock-on effects until a new normal is established and new plans can be made.

In contrast, AI and internet-based technology names do not rely on foreign suppliers, so even if their estimates were too high, their business models are much more insulated from the effects of capricious tariffs, especially software companies that lack factories, than automobile, retail, and chemical firms that depend on global trade for their business models to work. So, the reversion-to-the-mean trade got up-ended precisely at the moment when it was starting to pick up momentum in our favor.

While the cyclicals in value-land got crushed, particularly energy and materials stocks, some of the bunker names in healthcare, utilities, and consumer staples that are also considered value stocks did relatively well. Regretably, our relatively high weighting in materials names, plus UPS and Carters’ sank our April performance in Dividend River, while our auto companies in Total Return Yield also got whacked, as these names are directly impacted by the high tariffs being pursued by the Administration, in terms of costs and volumes. We have held on, with the belief that the high tariffs will be negotiated down, and when that happens, these names will rebound. However, this viewpoint, even if it turns out to be accurate, may be undermined by earnings declines from sales that will be permanently lost as counter-parties renegotiate terms with more predictable, lower-cost alternatives.

April Returns

Russell 1000 Value (RLV)	(3.05%)	Russell 1000 Growth (RLG)	+1.77%
S&P 500 (SPX)	(0.68%)	Dow Jones Ind’l Average (INDU)	(3.08%)
S&P 500 Equal Weight (SPW)	(2.29%)	iShares Select Dividend ETF (DIVY)	(4.40%)
NASDAQ (CCMP)	+0.88%	Sound Equity Income ETF (DIVY)	(6.56%)

Buy This Dip?

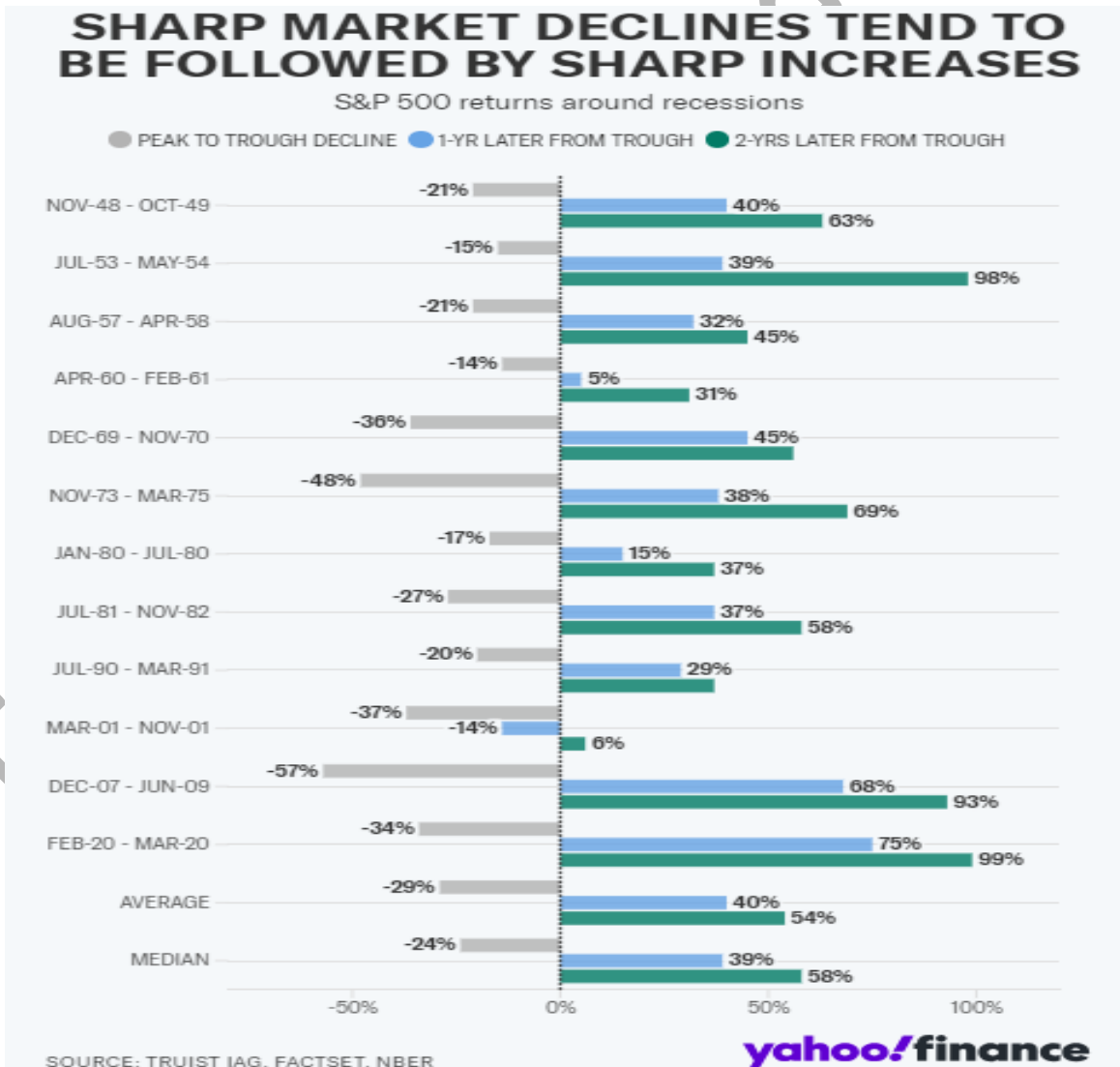
As the illustration from Yahoo below shows, it has historically been profitable to buy stocks or stock indices after a swoon, but the hidden trap in the data is that, in hindsight we know when the bottoms were, in foresight, picking that spot is not so easy. Hence, we are advocates of dollar cost averaging, nibblers, rather than spot picking plungers. In fact, most of the April dive has already been recaptured.

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The estimated hits to US company earnings, and by extension, their fair market values vary widely, depending on the forecaster, the company, and their assumptions. Based on what we have seen, the range is a 1% to 3% hit to GDP and a 0% to 100% hit on company earnings, with large and midcap index averages likely to show a 5% to 10% reduction from prior estimates – assuming further adjustments to the April 2nd tariffs are made, before the 90 day 10% general tariff rate expires.

These hits will be unevenly born by the cyclical stocks, and consumption patterns will change, just like the did in covid, with consumers replacing expensive goods with less costly alternatives. It is one of the reasons why Netflix and Spotify are replacing cable TV packages and individually owned content.

With over \$7T in money markets on the sideline, according to the WSJ as of 4/725, stocks still have some wind at their back, should there be any good news, but with the Fed on hold and the deficit not likely to fall, interest and tax rates are large factors that still need to be decided. We are always fans of nibbling on dips and dollar cost averaging for those with positive cash flow, which improves one's average purchase price, without the risk of plunging too soon or late.



Monthly US Equity Market Report

4/30/2025

Fundamental, Technical, and Valuation Snapshots

Fundamentals: Tariff costs have completely disrupted most cyclical industries.

Trends: AI demand is solid, but order rates for companies with large overseas sourcing have frozen.

- (+) Information Tech AI and related demand for servers and chips continues to be strong.
- (+) Communications Telcos & Internet names reported relatively good results & are tariff insensitive
- (-) Utilities Most utilities are holding up as safe-havens, with notable idiosyncratic names.
- (-) Financial Services Trading & credit quality are good, but transaction volumes are falling.
- (-) Healthcare Concerns about regulation & a pullback in elective care has hit sector.
- (-) Consumer Staples Fundamentals are soft, but stocks are holding up as defensive plays.
- (-) Real Estate Commercial occupancy has improved, but weak retail & high rates are biting.
- (-) Industrials Mixed: data center & infrastructure demand is outpacing trad'l activity.
- (-) Consumer Discretionary Sales & sentiment are down due to tariff concerns & mixed consumer activity.
- (-) Materials Worst hit by trade slowdown due to tariff and recession concerns.
- (-) Energy Opec production creep has hurt prices & recession concerns outlooks.

	4/30/2025		Earnings Revisions		Performance (Total RoR)			
	Mix		3 Mo.	6 Mo.	MTD	QTD	YTD	
S&P 500			-2.8%	-3.3%		-0.7%	-0.7%	-4.9%
Communications	9.6%	2nd Best =>	0.5%	1.7%		0.7%	0.7%	-5.5%
Consumer Discretionary	10.9%		-6.3%	-6.0%	2nd Worst =>	-0.3%	-0.3%	-14.1%
Consumer Staples	6.8%		-3.0%	-5.1%	2nd Best =>	1.2%	1.2%	6.5%
Energy	3.2%	Worst =>	-13.4%	-19.2%	Worst =>	-13.6%	-13.6%	-4.8%
Financial Services	14.0%		-1.3%	1.5%		-2.1%	-2.1%	1.3%
Healthcare	10.8%		-2.2%	-3.0%		-3.7%	-3.7%	2.6%
Industrials	8.4%		-5.1%	-7.8%		0.2%	0.2%	0.0%
Information Tech	29.6%	Best =>	0.8%	-1.5%	Best =>	1.6%	1.6%	-11.2%
Materials	1.9%	2nd Worst =>	-8.3%	-14.8%		-2.2%	-2.2%	0.6%
Real Estate	2.2%		-3.2%	-4.4%		-1.2%	-1.2%	2.3%
Utilities	2.5%		-0.6%	-0.6%		0.1%	0.1%	5.0%

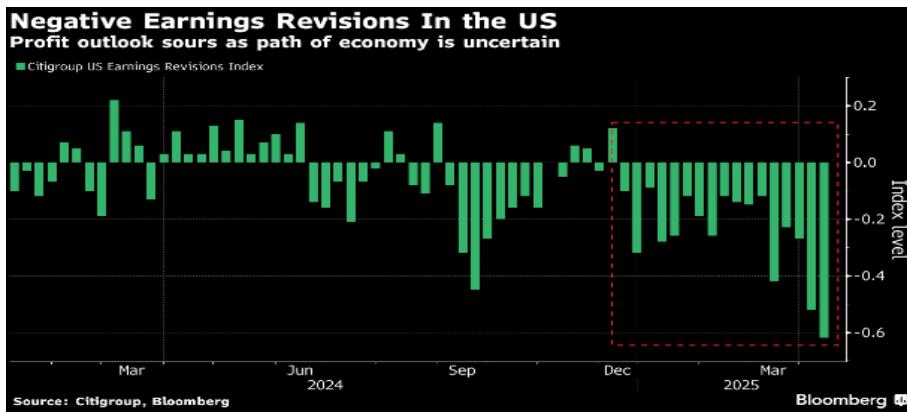
As indicated in the deteriorating earnings revision table above, earnings estimates continue to fall as companies shelf their 2025 capital spending plans in light of the increasing costs and reduced sales expected to come as a result of the Government's new tariff policies. However, we are seeing some shifting in consumption already to online names for personal entertainment and advertising, and AI technology names as companies are aggressively elevating their cost efforts.

There is still something of a bubble in AI names, Netflix and even Gold, but they have the merit of relative safety that has attracted capital. In fact even crypto currencies have come back because relative to other things, they seem safe from Government intervention for now.

The contrarian in us says that the biggest opportunities are often in the most oversold names, but that strategy does not work an a manic depressive market, like we have. It requires calmness and patience.

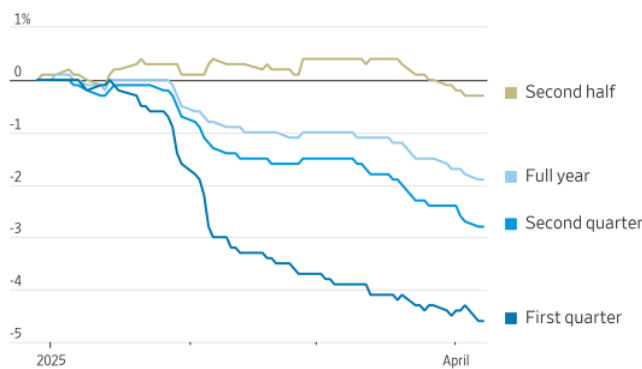
Below are some illustrations by Citigroup and FactSet that depict the trends in earnings revisions overall and by index.

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4-24-25

Change in analyst earnings per share expectations for S&P 500



WSJ 4-11-25

Exhibit 4: International Earnings Revisions Are Catching Down to the US...



Technicals: Overall Neutral: ST & IT are Neutral; LT is Bearish, per StockTA.com

Key Positive indicators: ST EMA, RSI, TDD, ST Fibonacci, IT Highs & Stochastics
Key Negative indicators: IT & LT EMAs, All MACDs, IT & LT Fibs, ST & LT Highs, All Lows, All Trends.

(--) Trend: 6/11 sectors fell on concerns about slowing growth.
 (+) Fund Flows: April began strongly negative but finished on an upnote.

	Price	30 Day	50 Day	100 Day	200 Day	
(--) Golden Cross [50 dma > 200]	5,569	5,465	5,613	5,811	5,746	
(--) Price / Moving Average [3 / 4 are "< 1"]		1.02	0.99	0.96	0.97	
(--) Support Levels (scope for gaps)	5,498	-1.3%	5,428	-2.5%	5,338	-4.2%
(--) Resistance Points	5,573	0.1%	5,672	1.8%	5,811	4.3%
(--) Volatility, (VIX)	Spiked > 50 before dropping back to 24.7, a rise of 2.42, on Tariff/Recession.					
(--) Trading Volume	Rose y/y, as investors aggressively sold US equities and later came back in.					

Technically speaking, as we mentioned in last month's letter, the market got oversold even before April 2nd and was due for a bounce, so when it got pushed down further, and then a relief rally took place, the technicals improved, just as the fundamentals deteriorated. Now, the technicals are neutral, but if more permanent tariff deals are struck that lower the rates, and don't just win promises of US plants to be made in the future, then stocks should move higher. That is the expected path forward, and stocks have partially discounted that outcome, but we have to see it for the recent gains to hold.

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Part III: Portfolio News and Changes

In April, we did very little trading in both portfolios. However, in Total Return Yield, our Berry (BERY) packaging position was acquired by global peer Amcor (AMCR) ahead of schedule, which had the positive effect of boosting the dividend rate on that position from 1.8% to 5.5% and increasing the expected EPS growth rate by several percentage points.

As indicated below, our performance this month was much less than the major indices due largely to our tariff exposed cyclical exposure and underweight, relative to most indices in technology and growth stocks that do not offer the level of dividend yields that we seek. These qualities, which helped us relative to the major indices in Q1, on a total return basis, hurt us mightily in the April risk-off trades.

Performance (non-GIPSSs)	Q1'25	April	4/30/25 YTD
Dividend River (est.)	+1.61%	(6.13%)	(4.62%) gross
Total Return Yield (est.)	+2.60%	(5.58%)	(3.13%) gross
DIVY TRA (Bloomberg)	+1.34%	(6.56%)	(5.30%) (after fees)
DIVY NAV (Toroso)	+1.42%	(6.61%)	(5.29%) (after fees)

Characteristics – Cheaper Than the S&P 500, With Lower Betas & Higher Yields

Our portfolios are ~50% cheaper than the S&P 500 on a 2025e PE basis, with higher dividend yields and lower betas, which means that they should rise and fall less than the market.

As of April 30th, Dividend River was paying a 5.1% dividend yield, 3.5X that of the S&P 500 at 48% below its 2025e PE price, while the Total Return Yield was paying a 4.0% dividend, 2.7X the yield of the S&P 500 at 52% below its PE price. Dividend River has a 15.8% weighted average 2025e EPS growth forecast that is 4.0% above the S&P 500, while the Total Return portfolio is expected to grow EPS by 19.4%, 7.6% above the popular benchmark. With Betas of 0.7X and 0.6X the Index, both portfolios should be less volatile than the S&P, based on the historical movements of their constituent shares.

Dividend River Portfolio Characteristics						Total Return Yield Portfolio Characteristics					
April 30, 2025						April 30, 2025					
SECTOR WEIGHTS	SIS	SPX	KEY METRICS *	SIS	SPX	SECTOR WEIGHTS	SIS	SPX	KEY METRICS *	SIS	SPX
Communications Services	9.5%	9.6%	Dividend Yield	5.1%	1.5%	Communications Services	6.8%	9.6%	Dividend Yield	4.0%	1.5%
Consumer Discretionary	7.9%	10.9%	2025e PE	11.0	21.0	Consumer Discretionary	9.3%	10.9%	2025e PE	10.2	21.0
Consumer Staples	5.7%	6.8%	EV/ EBITDA	12.1	14.9	Consumer Staples	10.5%	6.8%	EV/ EBITDA	10.8	14.9
Energy	13.8%	3.2%	PB	6.2	4.7	Energy	12.4%	3.2%	PB	2.7	4.7
Financial Services	17.6%	14.0%	2025e Sales Growth	3.9%	5.4%	Financial Services	18.4%	14.0%	2025e Sales Growth	3.1%	5.4%
Healthcare	15.4%	10.8%	2025e EPS Growth	15.8%	11.8%	Healthcare	14.1%	10.8%	2025e EPS Growth	19.4%	11.8%
Industrials	2.8%	8.4%	BETA	0.6	1.0	Industrials	7.9%	8.4%	BETA	0.7	1.0
Information Technology	8.2%	29.6%	EPS Gr. + Div %	21.0%	13.3%	Information Technology	9.4%	29.6%	EPS Gr. + Div %	23.4%	13.3%
Materials	11.9%	1.9%				Materials	11.0%	1.9%			
Real Estate	0.0%	2.2%				Real Estate	0.0%	2.2%			
Utilities	7.3%	2.5%				Utilities	0.0%	2.5%			
Totals	100.0%	100.0%				Totals	100.0%	100.0%			

* Based on Bloomberg consensus data.

The EPS growth plus dividend lines in the tables above indicate that our expected total returns for Dividend River is 6.7% above that of the S&P 500 in 2025 if multiples don't change, while the Total Return Yield combination is 10.1% higher. The reason for these differentials is that investors have more confidence in the durability of the earnings in the higher multiple, large cap technology-based Technology, Communications, and Consumer Discretionary names than they do in the traditional brick and mortar based cyclicals, especially with a Tariff war making traditional products more expensive. If this situation is resolved favorably, we expect our stocks to rebound, but that won't likely happen until the end of the second quarter, based on Scott Bessent's negotiating timeline.

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While stock prices are generally based on discounted future cash flows that look beyond the current year, the simple CY EPS growth + dividend yield heuristic has proven to be an accurate guide over time, and it suggests that our portfolios should perform relatively better than they have YTD. On these bases, we think it is fair to project a positive return for our portfolios this year, despite the rise in volatility.

Looking Ahead

We are not out of the woods with regards to the President's disruptive geopolitical actions yet, but we do expect that Tariff uncertainties to be largely resolved before the end of Q3 and the Fed to lower rates by then. These actions, along with the dynamic cost actions that companies are taking now to improve their corporate nimbleness, give us faith that we will avoid a recession, and US corporate earnings growth can rebound from the activity swoon caused by the recent tariff adventure. Such a reversion to economic stability and growth also bodes well for a rebound in the cyclical side of the high yield value stocks that got socked this month, but it will likely take a few months for them to recover. In the meantime, we expect more negative revisions to full-year company earnings and more volatile days that should create opportunities for long-term investors like us. While the S&P 500 and NASDAQ index multiples are high, there are many truly cheap stocks out there right now, but not too many with fat dividends.

As always, we continue to look for opportunities to upgrade our holdings, so that you can realize higher yields and lower volatility than the market averages. With high-yield, low beta portfolios, we are structured to realize this outcome, though not every name will work, and not every marking period will be pretty. The good news is that history is on our side, we stand to benefit from the hard work of our companies who are full of earnest people, striving to do the right things..

As always, we cannot thank you enough for your hard work in serving your clients and for the trust you place in us to do the same. May this note find you well and May be a better month than April was.

Equitably yours,

Eric

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Investment Advisory Services are offered through Sound Income Strategies, LLC, an SEC Registered Investment Advisory Firm.

All data not specifically cited comes from publicly available sources, like Bloomberg, that we believe to be accurate.