

April 8, 2025

While tariff headlines have added to investor unease, we believe it is critical to separate short-term noise from long-term opportunity.

How Are Tariffs Impacting DSM's Equities?

The tariffs have had a negative impact on equities performance and overall market sentiment. If implemented, the tariffs will likely lead to slower global economic growth, which could result in reduced consumer spending, lower business confidence, and rising inflation. These factors have the potential to negatively affect corporate earnings, particularly for companies operating in cyclical sectors. Despite the market's recent turbulence, we remain confident in the strong outlook for technology, particularly AI-driven spending. We are continuously gathering data points that support this trend. The current economic uncertainty, while posing some risk, also presents a potential opportunity to acquire high-growth companies at lower valuations.

Is the Market Reaction Excessive?

The ultimate size of the tariffs is not yet known. Therefore, the impact on the economy is difficult to project. In our view the market reaction reflects realistic concerns about slower global growth and inflation. This short-term market volatility is understandable, given the uncertainty surrounding future global trade dynamics. We view the recent market correction as likely reflecting close to a worse case economic outcome. Our expectation is that compromise will take place and while the impact will be negative, it will be smaller than the current market reaction is discounting.

Historically, markets have rebounded after periods of turmoil—whether during the 2008 financial crisis or the initial shock of the COVID-19 pandemic. Both times, markets eventually recovered as investors regained confidence in the resilience of key sectors and companies. Similarly, while the tariffs may pose some near-term challenges, particularly by stoking uncertainty and potentially slowing economic growth, the underlying growth drivers for many of our portfolio holdings, such as AI and cloud technologies, remain strong. The long-term outlook for technology companies continues to be positive, as does the outlook for the other companies in the portfolio. We believe the market will in-time look beyond these short-term disruptions.

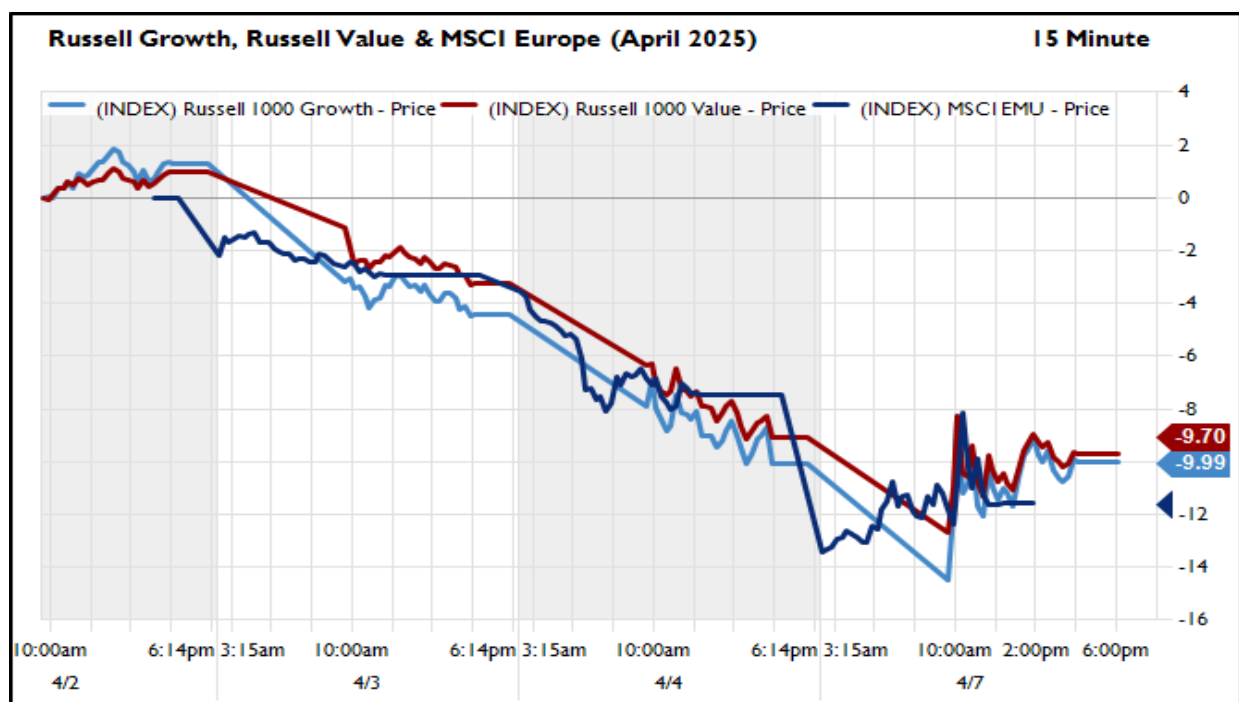
Will Relative Performance Benefit or Suffer?

We expect our relative performance to benefit over the long term. The DSM portfolios, which are at attractive valuations with forward four-quarter P/Es of approximately 21-22x, and projected 20% plus growth rates, are well-positioned to weather the current economic uncertainty. The tariffs may cause short-term volatility, but our portfolio's holdings are expected to outperform the broader market in the coming years. Additionally, the strong demand for AI-related technologies and other growth sectors within our portfolio should continue to drive earnings growth, giving us confidence in our outlook.

Additional Thoughts: Growth vs. Value Performance

In our opinion, the reality is that the Russell 1000 Value Index (RLV) and MSCI EMU Index (MXEM) are very similar indices given their value-oriented holdings. Accordingly, over time these two indices reflect similar fundamentals and therefore, similar performance. In addition, we believe US Value and European equities are generally more economically sensitive than US Growth equities and these indices would therefore underperform the Russell 1000 Growth Index (RLG) in a challenged economic environment. Importantly, growth stocks are driven in large part by the secular tailwind of technology. As shown in the chart below, thus far growth stocks in the US have performed roughly equally to the MXEM and RLV indices since the tariff induced market decline began.

Comparable Index Returns: Apr 2-Apr 7, 2025



Source: FactSet

We continue to monitor developments closely and can reaffirm that our core views remain unchanged. While this is clearly a disappointing development from a market sentiment standpoint, we are using this environment to our advantage — seizing the opportunity to invest in some of the world's highest-quality growth businesses at valuations approaching decade lows. History has shown that market dislocations of this nature, however unsettling in the moment, often create the foundation for future outperformance.

At DSM, we remain resolute in our approach — focused on fundamentals, long-term secular trends, and high-conviction stock selection. We appreciate your continued trust and partnership as we navigate this volatility. Rest assured; we are not sitting still. We are actively turning this period of uncertainty into one of opportunity.

*** DSM First Quarter 2025 Investor Update - Wednesday, April 23rd at 10:30 am (EST) ***

For those who would like to participate in the webinar, please use the registration link provided below. You will be prompted to provide your name, email and company name. After registering, you will receive a confirmation email about joining the webinar.

https://us06web.zoom.us/webinar/register/WN_rUQakjkGTcSE02hQhFI5Qw

In order for the webinar to start on time, it would be helpful if you could dial in 5 minutes prior to the scheduled start time.

Please submit your questions in advance via e-mail to questions@dsmcapital.com. DSM's investment team will answer all questions; however, we will not have a facility for "live" questions on the call.

The call is open to DSM clients, prospects, consultants, and representatives. This invitation is intended for the sole use of the recipient. Should you wish to recommend someone whom you believe should be on our invitation list, please contact DSM at clientservices@dsmcapital.com.

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