

STAFFORD CAPITAL PARTNERS

PRIVATE MARKETS US TARIFFS UPDATE

APRIL 2025

INVESTOR UPDATE

“Remember Suez” And Alternatives

“Remember Suez” is a shorthand warning by the UK’s Civil Service mandarins to remind politicians of the risks associated with foreign policy decisions, particularly those taken unilaterally.

In 1956 following the nationalisation of the Suez Canal by Egypt, the UK (and France) unilaterally launched military action to recover this strategically important trade route. Their lack of prior consultation with allies, notably the USA, proved to be a significant strategic error. President Eisenhower threatened to collapse the pound by dumping the significant positions in UK Gilts held by the US government. For the UK, this was a seminal moment insofar as its decline as a country with global influence was accelerated and sterling was no longer perceived as a safe haven.

Whilst this event from UK history books may only be of passing interest to many; are parallels to be drawn regarding the future standing of the US as leader of the free world and/or its currency as the primary reserve for the global economy?

It’s somewhat ironic that, amongst other things, we find ourselves with an American administration whose ambitions include control of another strategically important canal. But it wasn’t waterways or threats to annexe Canada or Greenland that led to recent market turbulence – this was firmly attributed to the administration’s very expansive and perhaps evolving strategy to address perceived injustices in global trade balances, amongst other things.

Whilst the resulting response from public markets was not surprising, what has caused concern was the reaction of capital markets, where Treasuries fell dramatically and demand for new issues was significantly muted – explaining in part the decision to pause ‘reciprocal tariffs’ for a 90-day period.

This exposed a weakness in conventional portfolio theory, where it is anticipated that a fall in equity markets will, to a degree, be compensated for by a rise in bond values. So, what happened?

In this case, capital markets anticipated policy induced headwinds including a suppression of growth, rising inflation and uncertainty. Of particular concern to markets was that investors were selling US Treasuries – traditionally a safe haven in times of stress. Whether this was because of disposals by hedge funds to meet margin calls or was a more co-ordinated response by investors and/or countries, remains to be seen.

However, is it possible that capital markets are fearful of a looming storm?

- US Debt in 2024 was 123% of GDP¹. The fiscal deficit is running at ~ 6.2% of GDP² and a recession is being touted. Bond markets consider that if Debt:GDP reaches ~130% there is a high probability of default.

INVESTOR UPDATE

- A fiscal event is expected later this year (tax cuts) to boost the economy. It's anticipated that DOGE will deliver the savings to fund this. If that initiative falls short and the tax cuts are enacted at the levels anticipated, then debt levels will increase further;
- “American Exceptionalism” is being challenged – was it just a consumer sugar-rush funded by government deficits that are at levels not seen other than in times of war, recession or high unemployment?
- US debt service now accounts for 16% of Federal Spending³ – more than is spent on defence⁴. Currently, the average interest rate on US Government Debt is 3.3%⁵. With ~27% of US debt due for refinance this year⁶, if prices remain low (high yields) then affordability may be challenged, causing prices to fall further – a “Liz Truss Doom Loop”?; and finally
- At the geopolitical level, China (including Hong Kong) which has been strategically reducing its exposure to US debt, still holds ~3% of the total. Arguably, it is less leveraged than the US and could theoretically exert pressure to secure better trade terms, just by threatening to sell down some of its holdings. Japan, another major exporter to the US also holds 3% & EU countries 7%⁷.

So much for capital markets – what lies ahead for equities?

Well, the recent steep falls in equities have abated somewhat following the 90-day pause on reciprocal tariffs. Clearly, if those are reinstated or are higher than current levels, then further falls can be expected. There are however further downside risks:

- Markets are pricing in up to 5 rate cuts in the US this year⁸. Given the inflationary outlook and current high employment, this is very unlikely;
- If further falls occur in capital markets, then there is a high probability that equities will also suffer, given the impact on the cost/affordability of debt cost amongst other things;
- In early 2025, the market cap of the 10 largest US banks was \$2.2trn⁹ – as at 4Q24, US commercial banks held USD 1.8trn (5%) of US Government debt;
- If, to satisfy bond markets, stringent Federal cuts are required, then this will materially impact growth and therefore equities; and
- The US economy is fuelled by consumer expenditure. Low to medium income families will be impacted most by the regressive nature of tariffs. For medium to upper income households, their willingness to spend is influenced by their sense of personal wealth. In each case, tariffs and the impact on equity markets are significant threats to that expenditure¹⁰.

Clearly, much uncertainty remains, not just from these shifts in US policies and geopolitical challenges but also from the awakening threat from capital markets, each of which has the potential to further adversely impact the global economy and public markets.

Diversification through Alternatives

So, what options are open to investors when conventional risk management approaches fail to deal with unconventional policies? We believe the answer lies in alternatives.

INVESTOR UPDATE

The rationale for increased allocations to alternatives could not be more compelling: enhanced diversification offering the opportunity for higher risk adjusted returns; providing inflation protection; and enabling access to differentiated opportunities. With long-term capital, institutional investors are uniquely positioned to harness the illiquidity premium, support innovative sectors, and contribute to global transformation, including the very pressing need to reverse the impact of climate change. As challenges to traditional portfolio construction intensify, integrating alternatives should not be a peripheral consideration – it is a core component of a resilient, future ready investment strategy. As a house we favour an approach that includes secondaries to provide this - an approach that is particularly compelling in times such as these.

Implications for our Private Market Portfolios

Attached are the assessments from our Infrastructure, Timberland and Private Equity teams following the immediate impact of recent events. Whilst not immune from all that is going on, the relative resilience of our approach in each strategy, when compared to public markets, is evident.

We are working closely with our managers to assess the outlook for portfolio companies and planned mitigants. Simultaneously, we are actively reviewing the new investment opportunities that are before us for both risk exposure and strategic upside in a changing global environment. Our secondaries strategies are, in addition, increasing their sourcing activity in anticipation of increased, high quality deal flow, at increased discounts as investors seek to rebalance their portfolios.

While much uncertainty remains, private markets are uniquely positioned to take a long-term view, deploy flexible capital, and support agile operators. As always, our priority is to preserve and grow your capital through a disciplined, proactive approach.

Please do not hesitate to reach out with any questions, either to me or to the contacts listed below.

Yours sincerely,

David Lindsay

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STAFFORD TIMBERLAND

99.9% of Stafford’s Timberland portfolio is either in the US or a 10% tariff country

Country	Tariff Rate	Stafford Exposure	Legacy Portfolio Exposure	Lumber exposure to US
US	-	65.0%	56.1%	-
Australia	10%	11.6%	7.4%	0%
New Zealand	10%	10.7%	24.4%	20%
Uruguay	10%	7.1%	2.1%	6%
Brazil	10%	4.3%	8.9%	5%
Other	10%	1.3%	1.1%	N/A
Canada	39.4%	0%	0%	55-60%



- Imports account for 25-30% of US lumber demand
- ~85% of this is from Canada with the remaining largely from EU countries and low-cost Brazil
- Tariffs should accelerate shift of capacity away from Canada towards US production
- The share of lumber production exported to the US from ANZ/Uruguay/Brazil varies from 0-20%

Source: UN FAOSTAT, ERA Forest Products Research

TARIFFS IMPACTS - US

Near-term impacts skew favorable for US exposure



Canadian lumber will face a combined 39.4% levy in the US

- Announced on April 2, 2025, a 25% tariff will be in instated
- 25% tariff applied on top of existing antidumping and countervailing duties of 14.4%



US lumber prices are likely to rise

- Over the short-term lumber produced in the US PNW will benefit the most as it competes directly with Canadian imports
- Higher prices will eventually spill over to Southern Yellow Pine lumber



US sawmills expected to increase output

- Many large forest product companies operate on both sides of the border, but this environment is expected to lead to a greater focus on US operations
- Operating rates in the US will likely rise



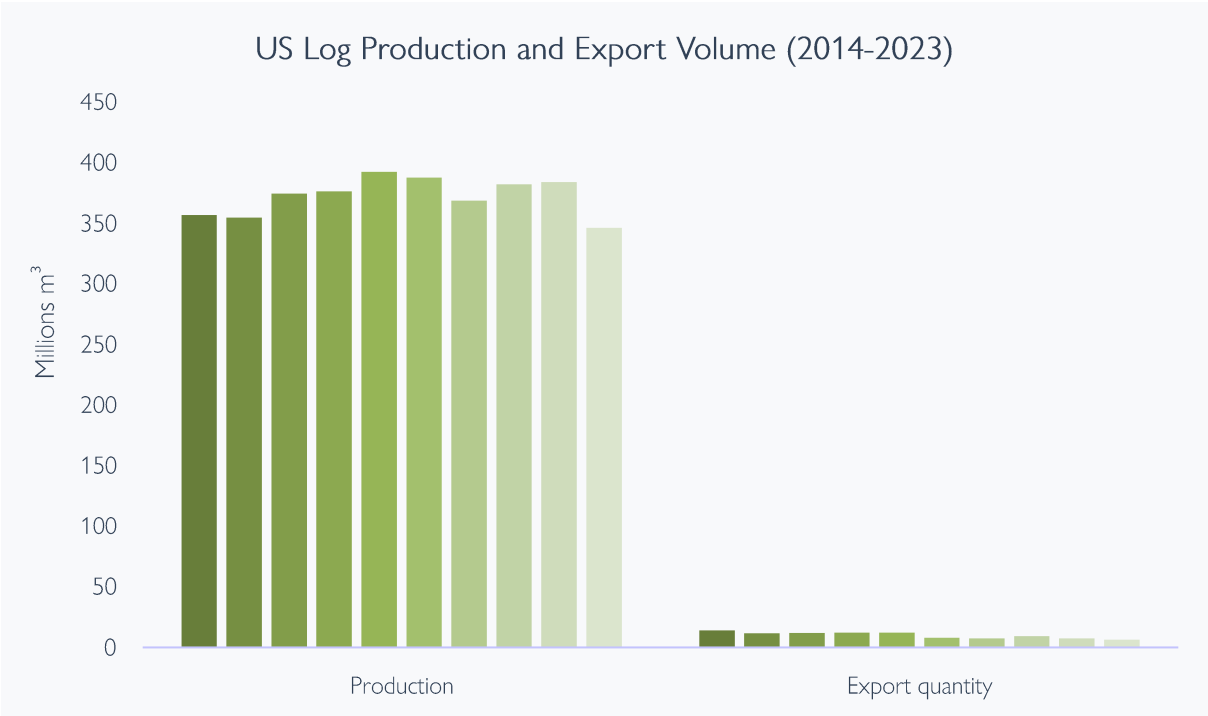
Log price impacts likely to vary by wood basin

- Log prices in the PNW are most likely to increase, given tight supply environment in this region
- Log price appreciation in the US South will depend on local supply and demand conditions

US LOG IMPORTS

Stafford has an exposure of less than 2% to US log exports

- US exports only 2% of its log production, mostly heading to China, Japan, and in recent years, Canada
- 55% of these exports are softwood logs from the US PNW
- These softwood log exports represent 8% of the annual harvest volume in the PNW
- Stafford has an exposure of 11% to the PNW and therefore an exposure of 0.9% to this export market
- The remaining 45% of log exports are mainly hardwoods from the US Northeast
- Stafford has an exposure of 15% to US hardwoods, however the majority of this is in the US South and processed domestically. Exposure to the US Northeast is only 1.5% of the portfolio, and therefore exposure to this hardwood export market is minimal



Source: UN FAOSTAT

STAFFORD INFRASTRUCTURE

While the impacts of tariffs are continuing to evolve, Stafford's infrastructure portfolio benefits from high levels of diversification and limited direct exposure to US-linked trade flows



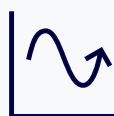
The potential consequences are still evolving

- Infrastructure is a defensive asset class with an inflation hedge. Infrastructure assets provide essential services, which means their revenue line is relatively stable and resilient to fluctuations in the macroeconomic backdrop.
- Potential impacts:
 - Cost of construction and supply chains
 - Ports and logistics
 - Transportation assets
 - Subdued M&A activity
 - Global economic slowdown affecting GDP correlated assets



Stafford operates a highly diversified Infrastructure program

- Our investment mandates emphasize diversification across geographies, sectors, asset sizes and GPs
- Limited exposure to assets within the sectors and/or geographies that are likely to be most impacted (e.g. ports and China)



Downside likely to be offset by inflation correlation

- A softer market environment may result in longer holding periods and delayed exits for assets, potentially impacting IRRs.
- However, strong inflation correlation may offset the downside.
- The SISF portfolios are well tested through recent black swan events, including Covid-19 which resulted in a small NAV impact on the portfolio overall due to the core nature and high diversification.



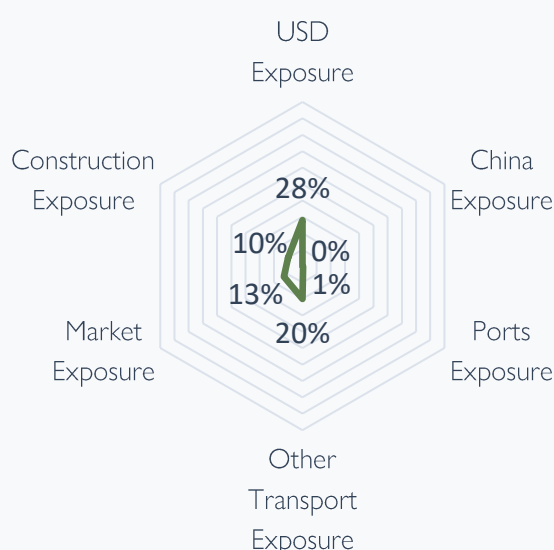
Uncertainty can create opportunity

- Historically, investing during periods of economic dislocation has delivered strong returns — driven by reduced competition, lower entry valuations, and opportunities to exit during future recoveries.
- Stafford continues to take a proactive, data-driven approach to navigating unfolding global developments. We work closely with our GP partners to safeguard portfolio performance
- SISF V will likely benefit from increased deal flow and attractive pricing with potential denominator effects due to listed equities volatility.

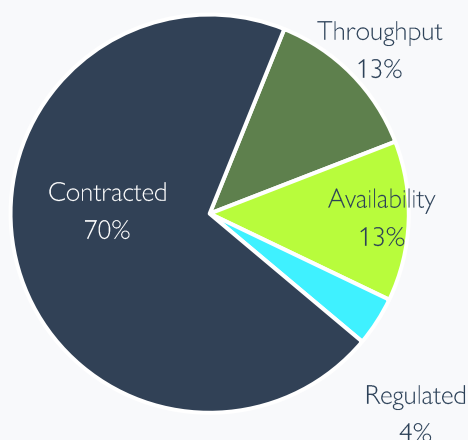
TARIFFS IMPACTS - SISF

Stafford infrastructure secondaries program focuses on global, diversified and core brownfield infrastructure assets with inflation protection and minimal market risk

Portfolio Exposure to US Tariff Impacts



Portfolio Exposure to Revenue Types



- Stafford's global infrastructure portfolio comprises several hundred assets (through either fund investments or direct co-investments), representing a total NAV of ~2bn USD across multiple investment mandates.
- Given the broad diversification of the portfolio, we expect a relatively muted direct impact from the proposed Tariffs with currency likely to be the largest swing factor. Even under the more aggressive Tariffs announced on 2 April 2025, the portfolio would have negligible exposure to external trade with the US.
- Based on Stafford's inflation sensitivity analysis on the portfolio which estimates a 0.8% increase in IRR for every 1.0% increase in inflation, negative impacts from the announced tariffs are likely to be largely offset by inflation.

TARIFFS IMPACTS – SECONDARIES OPPORTUNITIES

Triple catalyser of secondary deal flow driven by listed-market drops:

1. Denominator effects as alternatives will be oversized, meaning institutions will need to rebalance and sell alternatives.
2. The IPO market will be closed for the foreseeable future: this is very likely to reduce exits from PE sector and force institutions to create liquidity via secondaries
3. The same lack of an IPO market is likely to encourage managers of large infrastructure assets to favour GP-led secondaries over other liquidity solutions

If markets do not recover, we would expect these effects to start impacting dealflow within 6 months. In 2022, a ~20% drop in stock market saw a 17% increase in dealflow over historical trendline.

STAFFORD PRIVATE EQUITY

While the impacts of tariffs are continuing to evolve, Stafford's private equity portfolio benefits from high levels of diversification and limited direct exposure to US-linked trade flows



The potential consequences are still evolving

- Portfolio assessment currently focuses on direct impacts, with recognition that broader, indirect consequences will emerge across all asset classes and sectors.
- Indirect impacts are expected to be widespread, as market confidence softens, and economic growth potentially slows.
- The situation remains fluid and evolving — with countries evaluating the implementation of retaliatory tariff measures, the near-term outlook is uncertain in scale and duration



Stafford operates a highly diversified Private Equity program

- Stafford's PE programs are highly diversified, with over USD 1.1bn in NAV spread across several hundred companies.
- Our investment mandates emphasize diversification across geographies, sectors, asset sizes and GPs
- Certain Stafford separately managed accounts (SMAs) are 100% Australian-focussed. The 10% tariff rate applicable to Australia is comparatively favourable relative to other jurisdictions
- There is no material exposure to US importers or non-US exporters into the US.



Likely to be short-term valuation drops

- Valuations may decline in the short term as assets are marked-to-market.
- A softer market environment may result in longer holding periods and delayed exits for PE-backed companies, potentially impacting IRRs

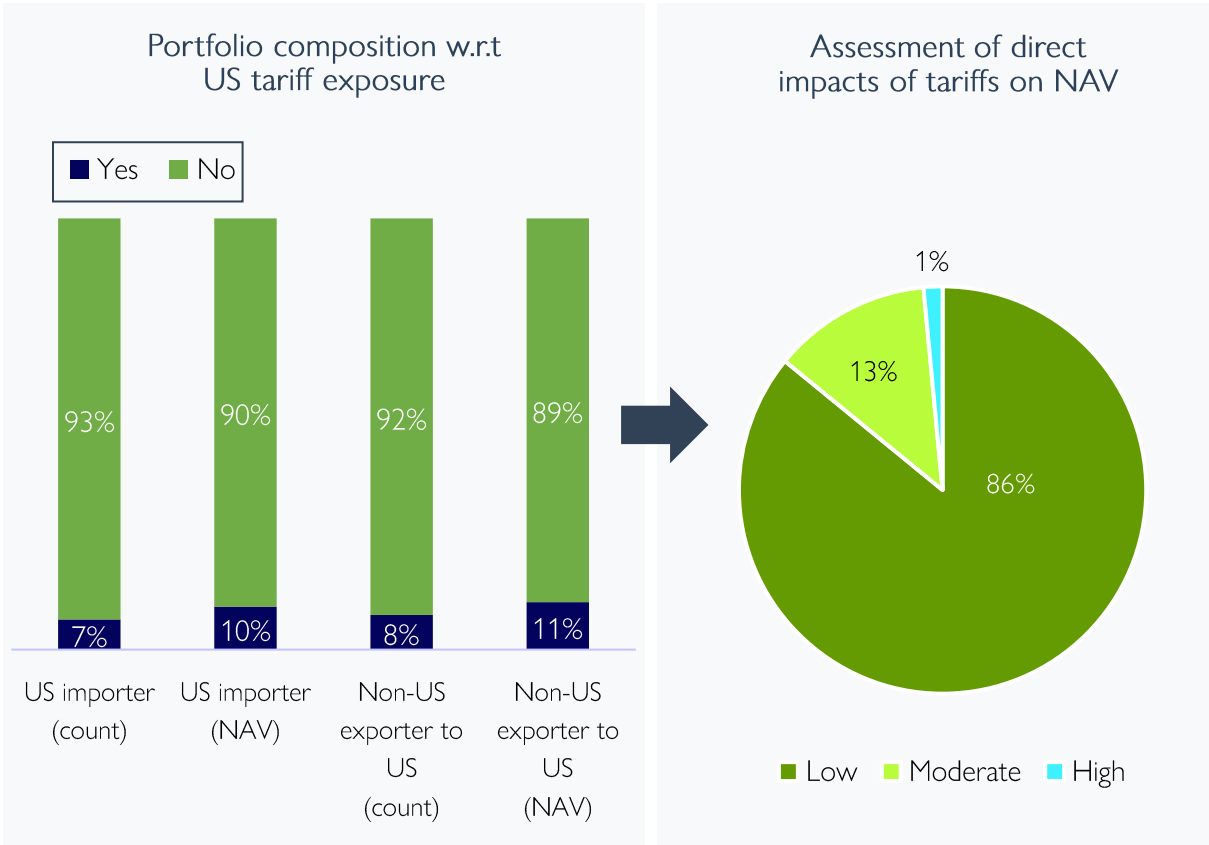


Uncertainty can pose an opportunity

- Historically, investing during periods of economic dislocation has delivered strong returns — driven by reduced competition, lower entry valuations, and opportunities to exit during future recoveries.
- Stafford continues to take a proactive, data-driven approach to navigating unfolding global developments. We work closely with our GP partners to safeguard portfolio performance
- We remain steadfast in our commitments to providing transparent communication and prudent investment strategies for our investors

TARIFFS IMPACTS - PRIVATE EQUITY PORTFOLIO BREAKDOWN

Stafford assesses the majority (~86%) of our PE NAV will incur a ‘low’ direct impact from the new US tariff regime; however indirect negative impacts will be felt across equities globally



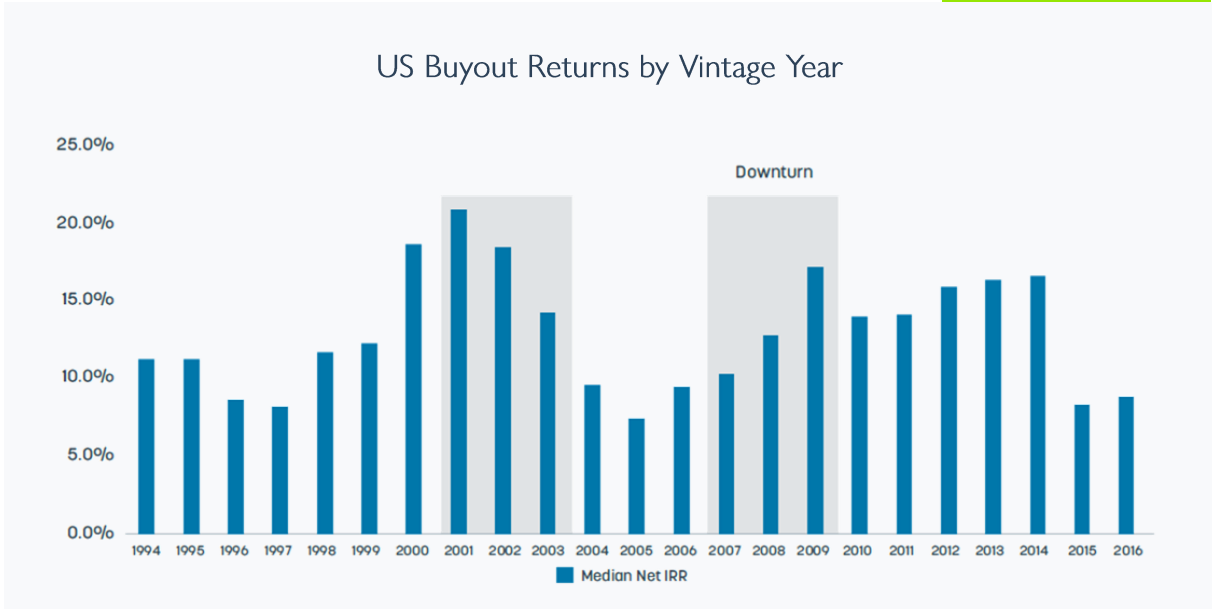
- Stafford’s global private equity platform comprises several hundred portfolio companies (through either fund investments or direct co-investments), representing a total NAV of ~1.1bn USD across multiple investment mandates.
- Exposure to this portfolio is diversified across clients — no single client is exposed to the full underlying portfolio.
- Companies that are predominantly US-based importers, or non-US based exporters to the US, are likely to exhibit the most material negative direct impacts in the short term. We estimate these companies represent ~15% of companies across all our portfolios.
- Certain Stafford separately managed accounts (SMAs) are 100% Australian-focussed. The 10% tariff rate applicable to Australia is comparatively favourable relative to other jurisdictions.

Note: the analysis above has focused on the largest PE exposures and represents ~70% of the total exposure across the portfolio

TARIFFS IMPACTS - PRIVATE EQUITY RESILIENT ASSET CLASS

Private Equity as an asset class has historically showcased its ability to outperform during downturns

ILLUSTRATIVE



Source: Cambridge Associates US Buyout Index, as of March 2019. 2016 is the latest vintage available.

- Some of private equity’s strongest-performing vintages have historically emerged from periods of economic downturn
- In times of uncertainty, Stafford has found that investor caution typically reduces competition for deals — allowing buyers to access high-quality assets with less bidding pressure
- This can create opportunities to acquire businesses at lower entry multiples, often below long-term market averages
- The typical private equity investment horizon of 4–5 years means that assets acquired in downturns are often exited in more favourable market conditions, capturing upside from economic recovery
- Unlike public markets, where exits are largely dictated by market liquidity, private equity managers (GPs) usually retain discretion over exit timing — allowing them to extend holding periods until valuations recover
- During extended hold periods, private equity managers can continue to drive operational improvements, potentially enhancing value at exit despite short-term market volatility
- Valuation volatility in private equity can be comparatively muted relative to public markets, due to the nature of less frequent mark-to-market pricing and longer investment cycles
- Overall, Stafford believes that private equity’s combination of long-term investment horizons, active ownership, and flexibility in entry/exit timing makes it relatively well-positioned to navigate — and often benefit from — economic dislocations

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