HEALTHIER, LONGER, BETTER LIVES

AIA Investments

Special Fund Insights

Trump's Reciprocal Tariffs Announcement

7 April 2025

For Internal Use Only

WHAT ARE THE RECIPROCAL TARIFFS TRUMP ANNOUNCED?

President Trump's return to the White House has been marked by aggressive trade protectionism, culminating in the announcement of reciprocal tariffs on April 2, which he referred to as a "liberation day." These measures represent the most substantial trade barriers since the 1930s, surpassing previous protectionist policies in both scale and economic significance.

On April 2, 2025, President Donald Trump announced a comprehensive tariff strategy, termed the "Declaration of Economic Independence," aiming to address longstanding trade imbalances (trade deficit) and bolster domestic industries.

This policy introduces a universal baseline tariff of 10% on all imports, effective April 5, 2025, with additional higher tariffs targeting specific nations with significant trade surpluses with the United States.

Key aspects of the reciprocal tariffs include:

▶ Effective Date: April 9, 2025

▶ Key trade partners highlight (check the full list in Appendix I):

- China: Additional 34% tariff (totaling over 50%)
- European Union: Additional 20% tariff
- Japan: Additional 24% tariff
- Vietnam: Additional 46% tariff
- Taiwan: Additional 32% tariff

▶ Exemptions:

- Canada & Mexico: Temporarily exempt until April 2, 2025, after which they may be subject to tariffs unless a new deal is reached.
- Exempted Goods: Pharmaceuticals, semiconductors, lumber, copper, gold, energy resources, and select minerals. Aluminum, steel, automobiles, and auto components remain covered under Section 232 duties.

▶ Potential Adjustments: Tariffs may be revised if trading partners take substantial steps to address trade imbalances and align with US economic and national security interests.

What Is a Trade Deficit?

A trade deficit happens when a country imports more goods and services than it exports. In simple terms, it means more money is going out to buy foreign products than coming in from selling local products abroad.

A trade deficit is often seen as a problem for several reasons:

- **Loss of Domestic Jobs** – When a country buys more from abroad, local industries may struggle, leading to job losses.
- **Dependence on Foreign Goods** – Relying too much on imports can weaken domestic industries and make the country vulnerable to supply chain disruptions.
- **Weaker Currency** – A persistent trade deficit can lower the value of the country's currency, making imports more expensive over time.
- **Higher Debt Levels** – To finance the deficit, countries may borrow more, increasing national debt.

How Can Tariffs Help Correct a Trade Deficit?

Tariffs are taxes imposed on imported goods, making them more expensive. Here's how tariffs can help reduce a trade deficit:

- **Encouraging Local Production** – Higher import prices push consumers to buy more locally made products, boosting domestic businesses.
- **Reducing Import Demand** – When imported goods become expensive due to tariffs, demand for them may decrease, lowering the trade deficit.
- **Generating Government Revenue** – Tariffs provide extra funds for the government, which can be used for infrastructure or economic development.
- **Improving Trade Negotiations** – Countries may adjust their trade policies to avoid tariffs, leading to more balanced trade relationships.

The Trade-Offs

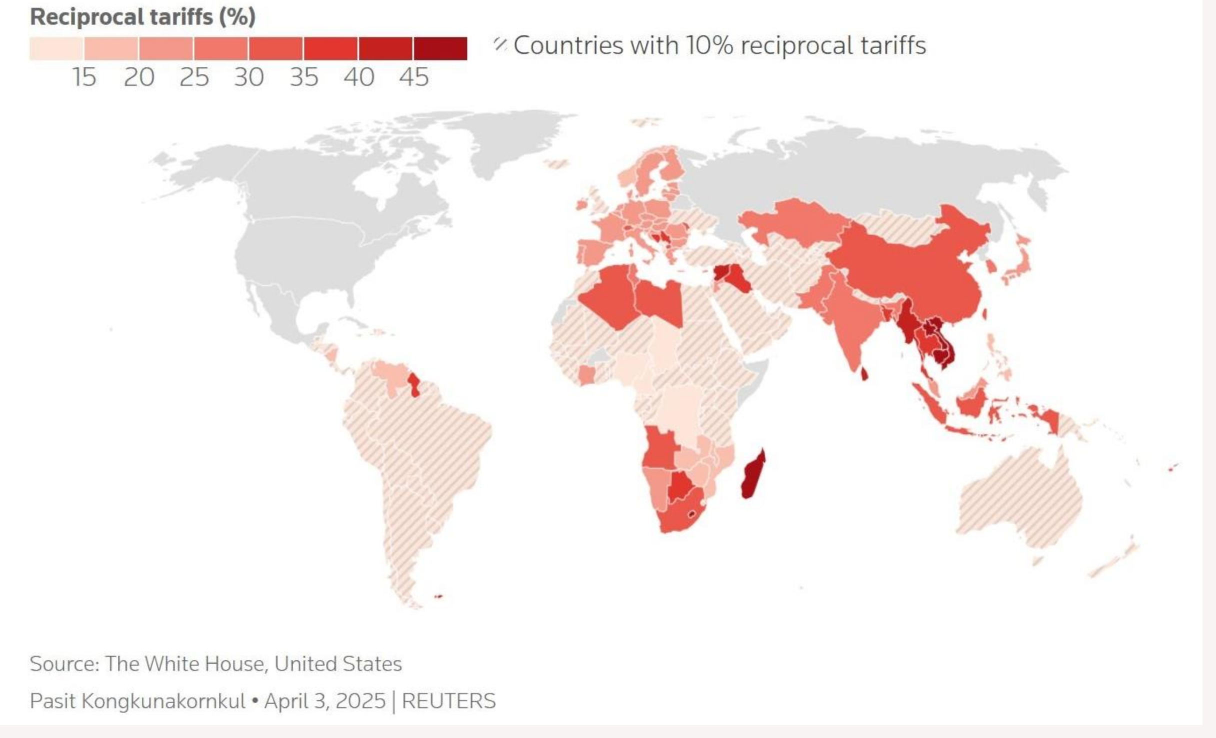
While tariffs can help reduce a trade deficit, they also come with risks:

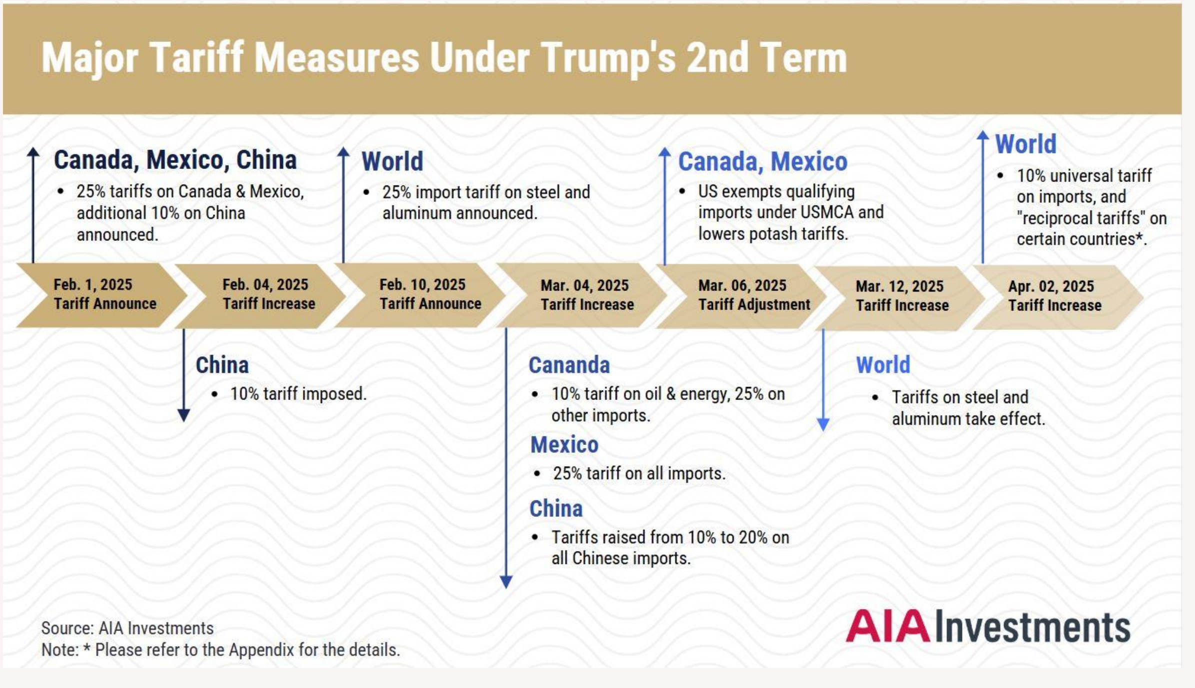
- **Higher Prices for Consumers** – Imported goods cost more, which can lead to inflation.
- **Retaliation from Other Countries** – Trade partners may impose their own tariffs, hurting exports.
- **Supply Chain Disruptions** – Businesses relying on foreign materials may face higher costs.

Conclusion

A trade deficit signals an imbalance in trade and can create economic challenges. Tariffs can be a tool to correct this, but they must be used carefully to avoid negative side effects. Finding a balance between fair trade and economic growth is key.

Who is hit hardest by proposed US tariffs?





IMPACTS AND IMPLICATIONS

The table below provides an overview of the potential economic and financial market impacts of the new tariffs, highlighting key areas of concern and their implications.

Key Impact Areas	Details and Implications
Slower Economic Growth & Inflationary Pressure	- **Slower Growth**: The increased cost of imports will raise prices for consumers and businesses, leading to reduced consumer spending and business investment. Companies facing higher expenses may cut back on hiring and expansion plans, contributing to a slowdown in economic activity.
	- **Inflation Pressures** New import levies may drive inflation to pandemic levels, complicating the Federal Reserve's efforts to balance inflation control with economic support.
	- **Rate Cut Expectations** Market participants now expect more Federal Reserve rate cuts this year, increasing from previous 2 cuts, reflecting the challenging policy landscape. However, Federal Reserve Chair Powell stated recently that the central bank doesn't need to rush to adjust interest rates, as policymakers await further clarity on the administration's policies and their economic impact.
Supply Chain Disruptions	- **Higher Production Costs** The surge in production costs due to tariffs presents multinational manufacturers with a difficult dilemma: whether to reallocate their production capabilities across different countries. This decision could lead to significant disruptions in global supply chains as companies navigate the complexities of adjusting their manufacturing strategies to mitigate the impact of tariffs.
	- **Delayed Investments** The threat of future trade restrictions may lead companies to postpone or cancel capital expenditure plans, potentially hindering economic growth and innovation.
Retaliatory Measures & Trade Wars	- **Escalating Tensions** Major trading partners like China and the EU may retaliate with tariffs on US. Post Liberation Day, China levied an additional 34% tariff on US imports starting April 10, potentially escalating tensions and disrupting global trade flows.
	- **Economic Consequences** Increase global inflation as businesses pass on higher costs; reduce demand for American goods, impacting key US industries and potentially causing job losses; force companies to rethink sourcing and production strategies, leading to a reconfiguration of global trade patterns.
Increased Market Uncertainty & Volatility	- **Negative Market Reaction** Global equities sell-down on weaker sentiment and outlook: • S&P 500: totaling a 9.1% drop for the week; Nasdaq: Entered bear market territory, marking its worst week since March 2020. Emerging Market equities: down 2.2%; Asia ex-Japan down 1.7%; MSCI China down 2.6% so far (China markets closed for holiday on 4 Apr) - as of 4th April 2025. US Investment Grade Credit: Spread widened 14 basis points (bps) since 2 April. US Treasuries: Since 2 April, 10-year yield fell by 14bps, 30-year yield fell by 9bps.
	- **Fragile Sentiment** Investors are uncertain about the tariffs' impact, the nature of negotiations, and the potential for further escalation or exemptions. This uncertainty fuels increased volatility and a shift towards safe-haven assets like gold and US Treasuries.
Sector Winners & Losers	- **Possible Losers: (See analysis in Appendix II)** Technology (electronics) / Automobiles / Agriculture / Retail
	- **Possible Winners: (See analysis in Appendix II)** US steel/aluminum producers / US domestic manufacturers with localized supply chains

HOW TO NAVIGATE MARKET UNCERTAINTY?

In today's climate of heightened market volatility and economic uncertainty due to recent tariff announcements, a disciplined strategic approach to portfolio management is essential. At AIA Investments, we advocate two key principles to help investors navigate these turbulent times:

Stay Invested

Resist the urge to react to short-term market fluctuations. History shows that trying to time the market often leads to poor outcomes. Staying invested allows you to benefit from the market's long-term growth potential and avoid emotional decision-making.

- ✓ **Avoid Impulsive Actions:** Reacting to volatility can lead to decisions that harm long-term performance.
- ✓ **Stay Focused:** Keeping your eye on long-term goals helps you weather temporary downturns.

Diversify Your Portfolio

Diversification is crucial for managing risk, especially during times of tariff-induced uncertainty. A well-diversified portfolio spreads investments across various asset classes, geographies, and sectors, mitigating the impact of market volatility.

- ✓ **Broaden Your Exposure:** Diversification allows you to capture growth opportunities in different market conditions.
- ✓ **Balance Risk and Return:** By diversifying, you can achieve a balance that aligns with your risk tolerance and financial goals.

At AIA Investments, our Stewardship model emphasizes staying invested and maintaining a diversified portfolio, guided by our professional oversight. By aligning your asset allocation with your risk tolerance and long-term objectives, you can withstand market fluctuations and capitalize on long-term growth opportunities, even amidst uncertainty.

AIA HOUSE VIEWS

Asset Classes	Our View	Key Thesis
Global Developed Market Equities	N	• **Why:** New Trump tariffs causing market shock; stocks under pressure. Prefers rest of world equities vs. US equities. • **Next:** Monitor economic indicators and Trump/Fed/policy responses for potential shifts in growth prospects. Watch for improvement in technical and support from policymakers before re-engaging.
Asia ex-Japan Equities	N	• **Why:** Tariffs and supply chain disruptions affecting Asia. Cautious outlook in Korea & Taiwan due to tech supply chain sensitivity (exemptions for now). • **Next:** Watch for regional trade agreements and diversification efforts that could support growth. Watch and monitor China's tit-for-tat response - key to trade war escalations vs de-escalations
US Treasury	N	• **Why:** While Treasuries offer a safe haven, rising inflation concerns from tariffs could erode real returns. • **Next:** Monitor Fed policy and inflation expectations for potential yield curve shifts.
US Investment Grade (IG) Credit	UW-	• **Why:** Credit spreads widening from near-record lows. Expected to continue due to economic uncertainty and potential corporate earnings declines. • **Next:** Focus on high-quality issuers with strong balance sheets to mitigate risk.
Cash	OW+	• **Next:** Maintain some cash for tactical opportunities when markets stabilize.

- OW+ = Overweight
- N = Neutral
- UW- = Underweight

APPENDIX I: TRUMP'S RECIPROCAL TARIFFS BY COUNTRY

Country/Territory	Country/ Territory Tariff*	US Reciprocal Tariff	Country/Territory	Country/ Territory Tariff*	US Reciprocal Tariff	Country/Territory	Country/ Territory Tariff*	US Reciprocal Tariff
Afghanistan	49%	10%	Gambia	10%	10%	Norway	30%	16%
Albania	10%	10%	Georgia	10%	10%	Oman	10%	10%
Algeria	59%	30%	Ghana	17%	10%	Pakistan	58%	30%
Andorra	10%	10%	Gibraltar	10%	10%	Panama	10%	10%
Angola	63%	32%	Grenada	10%	10%	Papua New Guinea	15%	10%
Anguilla	10%	10%	Guadeloupe	10%	10%	Paraguay	10%	10%
Antigua and Barbuda	10%	10%	Guatemala	10%	10%	Peru	10%	10%
Argentina	10%	10%	Guinea	10%	10%	Philippines	34%	18%
Armenia	10%	10%	Guinea-Bissau	10%	10%	Qatar	10%	10%
Aruba	10%	10%	Guyana	76%	38%	Reunion	73%	37%
Australia	10%	10%	Haiti	10%	10%	Rwanda	10%	10%
Azerbaijan	10%	10%	Heard and McDonald Islands	10%	10%	Saint Elena	15%	10%
Bahamas	10%	10%	Honduras	10%	10%	Saint Kitts and Nevis	10%	10%
Bahrain	10%	10%	Iceland	10%	10%	Saint Lucia	10%	10%
Bangladesh	74%	37%	India	52%	27%	Saint Pierre and Miquelon	99%	50%
Barbados	10%	10%	Indonesia	64%	32%	Saint Vincent and the Grenadines	10%	10%
Belize	10%	10%	Iran	10%	10%	Samoa	10%	10%
Benin	10%	10%	Iraq	78%	39%	San Marino	10%	10%
Bermuda	10%	10%	Israel	33%	17%	São Tomé and Príncipe	10%	10%
Bhutan	10%	10%	Jamaica	10%	10%	Saudi Arabia	10%	10%
Bolivia	20%	10%	Japan	46%	24%	Senegal	10%	10%
Bosnia and Herzegovina	70%	36%	Jordan	40%	20%	Serbia	74%	38%
Botswana	74%	38%	Kazakhstan	54%	27%	Sierra Leone	10%	10%
Brazil	10%	10%	Kenya	10%	10%	Singapore	10%	10%
British Indian Ocean Territory	10%	10%	Kiribati	10%	10%	Sint Maarten	10%	10%
British Virgin Islands	10%	10%	Kosovo	10%	10%	Solomon Islands	10%	10%
Brunei	47%	24%	Kuwait	10%	10%	South Africa	60%	31%
Burundi	10%	10%	Kyrgyzstan	10%	10%	South Korea	50%	26%
Cabo Verde	10%	10%	Laos	95%	48%	South Sudan	10%	10%
Cambodia	97%	49%	Lebanon	10%	10%	Sri Lanka	88%	44%
Cameroon	22%	12%	Lesotho	99%	50%	Sudan	10%	10%
Cayman Islands	10%	10%	Liberia	10%	10%	Suriname	10%	10%
Central African Republic	10%	10%	Libya	61%	31%	Svalbard and Jan Mayen	10%	10%
Chad	26%	13%	Liechtenstein	73%	37%	Switzerland	61%	32%
Chile	10%	10%	Madagascar	93%	47%	Syria	81%	41%
China	67%	34%	Malawi	34%	18%	Taiwan	64%	32%
Christmas Island	10%	10%	Malaysia	47%	24%	Tajikistan	10%	10%
Cocos (Keeling) Islands	10%	10%	Maldives	10%	10%	Tanzania	10%	10%
Colombia	10%	10%	Mali	10%	10%	Thailand	72%	37%
Comoros	10%	10%	Marshall Islands	10%	10%	Timor-Leste	10%	10%
Congo (Brazzaville)	10%	10%	Martinique	10%	10%	Togo	10%	10%
Congo (Kinshasa)	22%	11%	Mauritania	10%	10%	Tokelau	10%	10%
Cook Islands	10%	10%	Mauritius	80%	40%	Tonga	10%	10%
Costa Rica	17%	10%	Mayotte	10%	10%	Trinidad and Tobago	12%	10%
Cote d'Ivoire	41%	21%	Micronesia	10%	10%	Tunisia	55%	28%
Curacao	10%	10%	Moldova	61%	31%	Turkey	10%	10%
Djibouti	10%	10%	Monaco	10%	10%	Turkmenistan	10%	10%
Dominica	10%	10%	Mongolia	10%	10%	Turks and Caicos Islands	10%	10%
Dominican Republic	10%	10%	Montenegro	10%	10%	Tuvalu	10%	10%
Ecuador	12%	10%	Montserrat	10%	10%	Uganda	20%	10%
Egypt	10%	10%	Morocco	10%	10%	Ukraine	10%	10%
El Salvador	10%	10%	Mozambique	31%	16%	United Arab Emirates	10%	10%
Equatorial Guinea	25%	13%	Myanmar (Burma)	88%	45%	United Kingdom	10%	10%
Eritrea	10%	10%	Namibia	42%	21%	Uruguay	10%	10%
Eswatini	10%	10%	Nauru	59%	30%	Uzbekistan	10%	10%
Ethiopia	10%	10%	Nepal	10%	10%	Vanuatu	44%	23%
EU	39%	20%	New Zealand	20%	10%	Venezuela	29%	15%
Falkland Islands (Islas Malvinas)	82%	42%	Nicaragua	36%	19%	Vietnam	90%	46%
Fiji	63%	32%	Niger	10%	10%	Yemen	10%	10%
French Guiana	10%	10%	Nigeria	27%	14%	Zambia	33%	17%
French Polynesia	10%	10%	Norfolk Island	58%	29%	Zimbabwe	35%	18%
Gabon	10%	10%	North Macedonia	65%	33%			

NOTE: * Including currency manipulation and trade barriers, according to White House.
Source: Bloomberg, as of April 3rd, 2025

APPENDIX II: ANALYSIS OF SECTORAL IMPACT

The new tariff regime presents a mixed landscape for US industries. While some sectors, like steel and aluminum producers and domestic manufacturers with localized supply chains, may benefit from reduced competition and potential market share gains, others, particularly technology, automotive, agriculture, and retail, face significant challenges due to increased costs, disrupted supply chains, and retaliatory measures. The overall impact on the economy will depend on the duration of the tariffs, the ability of affected industries to adapt, and the effectiveness of any mitigation strategies implemented.

Possible Losers:

1. Technology (Electronics) Sector

- Exposure to China and Taiwan: With 54% of its supply chain reliant on China and 32% on Taiwan, the technology sector, particularly electronics, is poised for significant disruption.
- Cost Implications: US tech companies that depend on Asian manufacturing will face substantial cost increases due to tariffs, which could erode profit margins and necessitate price adjustments for consumers.

2. Automotive Industry

- Direct Impact: A 25% tariff on foreign-made automobiles represents a direct hit to both automakers and consumers. This could lead to higher vehicle prices, reduced consumer demand, and potential shifts in purchasing behavior.
- Supply Chain Disruption: The tariff may also disrupt global supply chains, forcing automakers to reconsider their manufacturing and sourcing strategies.

3. Agriculture

- Vulnerability to Retaliation: US farmers are particularly vulnerable to retaliatory measures from China, especially given the significant US$20 billion in vegetable exports to China.
- Market Access: The imposition of tariffs could lead to a loss of market access, affecting the livelihoods of farmers and potentially leading to surplus production and price declines domestically.

4. Retail (Apparel/Footwear) and Consumer Goods

- Cost Structure Disruption: The cost structures of these sectors are severely impacted due to tariffs affecting multiple stages of global supply chains.
- Consumer Prices: This could result in higher prices for consumers, reduced margins for retailers, and potential shifts in sourcing strategies to mitigate costs.

Possible Winners:

1. US Steel and Aluminum Producers

- Reduced Import Competition: The tariffs provide a competitive advantage by reducing import competition, allowing domestic producers to potentially increase market share and prices.
- Economic Boost: This could lead to increased production and employment within the sector, contributing positively to the US economy.

2. US Domestic Manufacturers with Localized Supply Chains

- Market Share Gains: These manufacturers may gain market share as they are less affected by tariffs compared to competitors reliant on foreign imports.
- Strategic Advantage: The tariffs could incentivize more companies to localize their supply chains, further benefiting domestic manufacturers.

DISCLAIMER

AIA Investment Management Pte. Ltd.

This document/presentation has been prepared for information purposes only and does not have regard to the specific investment objectives, financial situation and particular needs of any persons. Neither should this document be construed as an offer or the solicitation of an offer, recommendation or solicitation to enter into any transaction or adopt any hedging, trading or investment strategy, in relation to any securities or other financial instruments issued or managed by AIA Investment Management Private Limited ("AIAIM") or its affiliates (collectively the "AIA Group") in any jurisdiction in which such offer is not authorised to be made to any person. Nothing in this document/presentation should be construed as investment, tax, legal or other advice. References to specific securities are presented to illustrate the application of our investment philosophy only and are not to be considered as recommendation by the AIA Group.

The information herein should not be used as the basis of any investment decision. This document/presentation is not research material and it has not been prepared in accordance with legal requirements designed to promote the independence of investment research. All views expressed and references to specific securities are included for illustrations only and does not necessarily represent the views of every function within the AIA Group. No representations or warranties are given as to the reliability, accuracy and completeness of the information. Opinions, projections, estimates and other information presented in this document/presentation are solely those of AIA Group as at the date of this document/presentation and subject to change without notice. The AIA Group may have interests in the securities or instruments mentioned in this document/presentation.

Past performance figures, and any economic and market trends or forecast, are not necessarily indicative of future performance of any strategy or portfolio. Investment is subject to investment risk, including the possible loss of the principal amount invested.

AIAIM and the AIA Group, their respective officers and employees, accept no liability for any damage or loss, including loss of profit, whether direct or indirect or consequential in respect of the use or reliance of any information contained herein and whether arising as a result of AIAIM's negligence or otherwise.

You may wish to seek advice from a financial adviser before making a commitment to invest. You should consider carefully whether an investment is suitable for you in light of your own circumstances, financial resources and entire investment programme.

This document/presentation may only be used and/or received in accordance with the applicable laws in your jurisdiction.

AIA Investment Management Private Limited (UEN Registration No. 201616304H).

DISCLAIMER

AIA Singapore Pte. Ltd.

This presentation is for your information only and does not have regard to the specific investment objectives, financial situation and particular needs of any persons. It is intended only to be a simplified description of the product features of the Investment-Linked Policy (ILP) funds and is not exhaustive.

The information indices contained here on has been obtained from sources believed reliable but we do not guarantee its accuracy, completeness or fairness, and it should therefore not be relied upon. The AIA investment-linked policy (ILP) funds are offered by AIA Singapore Private Limited (AIA Singapore) and are only available under AIA investment-linked policies. AIA Singapore is the product provider. Investments are subject to investment risks including the possible loss of the principal amount invested. Past performance, as well as the prediction, projection or forecast on the economy, securities markets or the economic trends of the markets are not necessarily indicative of the future or likely performance of the ILP funds. The performance of the ILP funds is not guaranteed and the value of the units in the ILP funds and the income accruing to the units, if any, may fall or rise. A product summary relating to the ILP funds is available and may be obtained from your AIA Financial Services Consultant. A potential investor should read the product summary before deciding whether to subscribe for units in the ILP funds. AIA Singapore does not warrant or make any representations regarding the use or the results of the use of the figures generated in terms of their correctness, accuracy, reliability, or otherwise.

Investment risks include foreign exchange risks for US$ denominated policies, as such the Singapore dollar return will depend on prevailing exchange rate which may be highly volatile.

These insurance plans are underwritten by AIA Singapore Private Limited (Reg. No. 201106386R) ("AIA"). All insurance applications are subject to AIA's underwriting and acceptance. This presentation is not a contract of insurance. The precise terms and conditions of these plans, including exclusions whereby the benefits under your policy may not be paid out, are specified in the policy contract. You are advised to read the policy contract.

The actual Policy Value will depend on the actual performance of the policy as well as any alterations such as variation in the Insured Amount or premium, such as premium holiday or partial withdrawals. There is a possibility that the Policy Value will fall to zero and in this case, policyholder can avoid the policy lapsing by topping up additional premium.

You should seek advice from a qualified advisor and read the product summary and product highlights sheet(s) before deciding whether the product is suitable for you. A product summary and product highlights sheet(s) relating to the ILP sub-fund(s) are available and may be obtained from your AIA Financial Services Consultant or Insurance Representative. A potential investor should read the product summary and product highlights sheet(s) before deciding whether to subscribe for the ILP sub-fund(s).

As buying a life insurance policy is a long-term commitment, an early termination of the policy usually involves high costs and the surrender value, if any, that is payable to you may be zero or less than the total premium paid. You should consider carefully before terminating the policy or switching to a new one as there may be disadvantages in doing so. The new policy may cost more or have fewer benefits at the same cost. Protected up to specified limits by SDIC. This advertisement has not been reviewed by the Monetary Authority of Singapore.

The information in this presentation is prepared and presented by AIA Singapore Private Limited.

The information is presented as of 7 April 2025.