

A quarterly publication by Smithfield Trust Company on the latest wealth management trends. Our goal is to empower our valued friends and customers with essential information that directly impacts their financial well-being and enduring legacy.

A Message From Our President & CEO

I am excited to share the first revamped Smithfield Forecast with you. In addition to a new layout, each quarter members of the Smithfield Team will impart insight from their areas of expertise with a range of topics from trust and estate administration, investment management, and tax & estate planning. An integral part of Smithfield that is not part of our service offerings, but is part and parcel of our business and customer service, is information security. Therefore, given the importance of technology in our lives, we thought that it would be worthwhile to share helpful tips relating to cybersecurity awareness for our readers as well.

We continue to be thankful for economic commentary submitted by Michael Drury, an essential part of the Forecast still front and center on page 1. And while they are last, they are certainly not least—the book reviews submitted by friends of Smithfield. Those who kindly submitted reviews have also ranked the book with a star system, which you will see beside the review. Better yet, an image of the cover is also pictured so it is an easy find should you want to purchase it online or in a bookstore.

I welcome your comments and suggestions for future topics for the new and improved Smithfield Forecast, and of course, book reviews you wish to share at forecast@smithfieldtrustco.com. Happy Reading!

—Betsy

Economic Insights

By Michael Drury

The furious pace of policy change in the earliest days of President Trump's return to office has generated a paradigm shift in the sources of global stimulus, altering investors' perceptions of returns on domestic and international stocks and bonds, the value of the dollar, and the price of gold, oil and other commodities. Significant uncertainty remains about the timing, intensity and efficacy of President Trump's policies, due to court challenges from adversaries within the US and responses from abroad. However, Trump's aggressive use of leverage to generate negotiations or capitulation argues that resolutions will be forthcoming swiftly. Many are looking for a recession early in 2025. We see a soft first quarter—which is as much due to consumer strength in the fourth quarter, weather and fires, as Trump induced caution. A rebound to potential growth of 1.8% is likely for the remainder of the year—cooler than in 2024, but also with lower inflation.

Trump's early moves have shaken the foundations of the post-war alliances on trade and security, renewed a trade war with China, and opened negotiations with Russia for an end to the Ukraine war. In reaction, Germany's new leader has removed their debt brake, and promised a massive \$550 billion increase

in debt for defense and infrastructure over the next twelve years. The EU is working on making loans to members for an additional \$165 billion in defense spending, with a target of \$880 billion over the next four years. At its annual “two meetings” in March, China agreed to increase its spending by more than 2% of GDP to enhance domestic consumption and shift their economy away from dependence on US trade. Meanwhile, the US appears on track to limit its deficit growth, with a six-month continuing resolution that holds spending at 2024 levels and upcoming negotiations for the FY2026 budget target a smaller \$2 trillion deficit.

This is a 180 degree turn from the post-covid norm of large US deficits and a reticence to spend in the rest of the world—and has led to a rebound in foreign equity markets, a retreat in the US, and a weakening of the dollar (which reinforces foreign investors reasons to stay at home). With the shock and awe of new policies moving to the rear-view mirror, the bigger question is whether they generate better growth for the US and the world in the future. Trump and his billionaire advisors are taking a page from the corporate playbook, where a new CEO—or in this case, a returning CEO after what he views as a disastrous run under his predecessor—takes all the pain up front to clear the decks for future growth. In 2018, Trump led with stimulative tax cuts before shifting to tariffs and trade, with the renegotiation of NAFTA to USMCA and the Phase One Agreement with China. This time around, tariffs and immigration reform have come first, while promised tax cuts are likely delayed until September. Deregulation is coming fast and furious, but the benefits take time to generate profits—while tariffs raise costs now.

Trump's biggest challenge is that the strong expansion of the past ten quarters came with rising deficits—running at \$2.2 trillion over the year ended in February. He has a narrow margin in the House, and passed the continuing resolution by a single vote, as one Republican fiscal conservative voted against it. To just extend his sunset tax cuts costs \$3.8 trillion over ten years, never mind new commitments for a 15% corporate rate, and no taxes on tips or social security. Thus, we expect a deep knife to previously favored spending policies—including trimming of entitlements. Moreover, we feel that tariffs are more than a negotiating tool, as the revenue is needed to offset other cuts.

Bottom line, Trump is in favor of replacing the income tax with a sales tax on foreign goods in the form of a tariff. The proposed tax on ships of Chinese origin coming into US ports is a similar measure. This reverses the efforts of the early 1900s when a new amendment allowed income taxes to replace tariffs. Trump has made clear his admiration for President McKinley and taxing by tariffs. Left unspoken is the fact that tariffs were difficult to administer and fraught with corruption at the customs house. Perhaps new technology makes that easier. Meanwhile, the income tax has become increasingly evaded by multinationals, now tax based in foreign lands.

At the heart of recent market moves is that investors are weighing the expected costs, benefits, inevitability and durability of Trump's proposals—and global reactions. Trump is moving fast because the Washington calculus says he will lose House seats at the mid-term—and control of government purse strings—unless he can show economic progress. Meanwhile, businesses are determining the cost of tariffs versus moving facilities—knowing that a future flip in government could result in another rug pull on policy. Back in early 2022, stocks and bonds retreated 25%—albeit from elevated levels—when it became clear that monetary policy would become much more restrictive. The recent retreat is on caution that fiscal policy may be less accommodative—and that the Federal Reserve is sitting on its hands. (Note there were nine rate cuts priced in last October and only two now.) Meanwhile, foreign governments are pouring on the fiscal coal to economies that have been languishing for many years due to covid, war, energy shocks and housing crisis. Trump's advocacy for a weaker dollar to enhance US production exacerbates the flow away.

We hope for more clarity when reciprocal tariffs are set, and lead to more trade negotiations likely in the second quarter. Better insights on future taxes should roll out this summer. Meanwhile, the initial shock of tariffs and immigration reform will be offset by more deregulation. We have long argued that it would be hard to have a slowdown in the US economy that wasn't passed to the rest of the world via trade—but the recent reset in US tariff policy and rising foreign deficits for domestic stimulus challenges that view. Our advice to all has been to widen the box that limits your thinking, because there are a lot of previously unimaginable events taking place globally.

Investment Commentary

*“If you can keep your head when all
about you / are losing theirs”
—Rudyard Kipling, “If”*

Throughout history, financial markets exemplified impartiality...an arena devoid of political bias, solely focused on the relative certainty of future financial stability, liquidity and growth. Regardless of political affiliations, financial markets hold every leader and their policies accountable, no matter which side of the aisle their political beliefs rest. As a result, the transition of power following a presidential election has consistently required markets to swiftly assess and adapt to shifting policy agendas.

Following the 2024 election, U.S. equity markets maintained their upward momentum, reaching record highs in the subsequent three months. This surge in optimism largely stemmed from expectations that the new administration's emphasis on corporate deregulation and more flexible fiscal policies would propel markets even higher. However, since peaking in mid-February, U.S. markets have become notably unsettled.

While multiple factors have contributed to recent market volatility, the new administration's wavering stance on U.S. trade policies has disrupted what once appeared to be a clear path to continued near-term gains across U.S. equity markets. Although business-friendly fiscal policies are still anticipated, growing uncertainty surrounding trade policies and the permanence of the executive actions has cast doubt on the market's direction.

In 1910, Rudyard Kipling authored the poem “If”, a message of life lessons passed on from a father to a son. His words emphasize self-control, patience and a balanced perspective — all qualities that remain highly relevant for each of us as long-term investors. Over the past 27 months, investors have endured bank failures, geopolitical conflicts, the Japanese “flash” crash and most recently, the latest trade policy shifts dubbed “Tariffs 2.0.” Despite all these events, U.S. equities have risen by over 50% since the start of 2023.

While it remains uncertain whether the current downturn represents a healthy correction or something more severe, patience and resilience remain essential. Market fluctuations are inevitable, but those who maintain a long-term perspective will be well-positioned to navigate uncertainty and achieve success in any market environment.

Tax & Estate Planning Insights

Using Federal Tax Withholdings to Catch Up if You're Behind

The U.S. income tax system is a pay-as-you-go tax system. This means that you must pay income tax as you earn or receive income through the year. Failure to pay tax on income when it is earned or received may result in penalty (interest) being assessed on the underpayment.

Wage earners generally satisfy federal tax obligations on their wages through federal tax withheld by their employer. Tax obligations on other sources of income such as retirement income, including Social Security payments, pension plan distributions, or IRA distributions, may be handled through withholding, estimated payments, or a combination thereof. In the case of investment income such as interest, dividends, and capital gains or self-employment income, tax obligations are likely satisfied through estimated payments.

If you find yourself behind on federal tax obligations as the year progresses, either because your withholdings

have been insufficient or perhaps because you forgot to submit a quarterly estimate, you can catch up using withholdings or estimated payments. Should you opt for estimated payments, the IRS credits such payments on the date of remittance. Should you instead opt for additional withholding to catch up, the IRS treats all tax withheld as having been withheld ratably throughout the year.

If you submit an estimated payment later in the year to make up for a shortcoming during the earlier part of the year, you may still be subject to underpayment penalties for the earlier period(s). If, however, you have income sources from which tax can be withheld, additional withholding from such sources would be treated as paid ratably throughout the year and would lessen the chance that you would incur an underpayment penalty upon filing your tax return.

When considering your individual tax situation, understanding the mechanics the IRS utilizes to calculate underpayments allows you to make an informed decision on how to catch up on your payments throughout the year, should you find yourself behind. Utilizing your federal tax withholdings may provide a financial benefit to you, potentially alleviating penalties that you would otherwise owe.



Trust is part of our name for a reason.

We establish a personal relationship with our customers and provide solutions for their unique positions in life.

Cybersecurity Awareness

3 Tips to Make Cybersecurity a Practical Part of Your Daily Life

Cybersecurity is a critical part of daily life, not just for businesses, but for individuals as well. Each quarter, we will be sharing practical tips to help you maintain your individual cybersecurity.

You may be wondering “what does cybersecurity mean for me?” As an individual, cybersecurity means the protection of your digital devices, data, and activities, to ensure your personal information remains safe and protected. Just as you do routine maintenance on your home or your car, you must also perform routine maintenance on your digital assets, including your email, cell phone, and your online accounts.

In order to make cybersecurity a practical part of your daily life, we encourage you to try the following three items:

1. Keep your home computer and cell phone updated.

Because cyber criminals get smarter every day, so too must our devices and software to keep us protected. Software updates often implement new security

measures, targeting the latest threat trends. By regularly updating your phone and computer, you are taking advantage of the new protection mechanisms being released. One way to remember to update your devices is to schedule a monthly meeting on your personal calendar, reminding yourself to check for updates to your phone and computer.

2. Create hard-to-guess passwords.

When creating a password for a website or computer, try to make your password 12 or more characters in length and avoid generic passwords, like “123456”, or readily known facts about you, like your birth date, your phone number, or the name of your spouse. Instead, consider making your password a phrase that you remember, but would be an unlikely guess. Always keep your passwords confidential—they are personal to you and should not be shared.

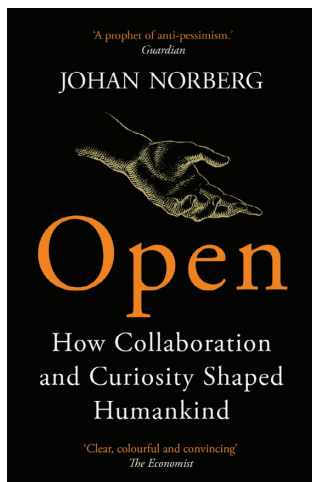
3. Monitor your accounts.

Routinely review your accounts, such as your credit cards and bank accounts, for unusual transactions. If you see something unusual, call the institution immediately for assistance.

At Smithfield, we view cybersecurity as a team sport—we all must do our part, to help keep each other safe from the cyber criminals.

Disclaimer: The purpose of this publication is to provide information rather than advice or direction. The information contained herein is accurate to the best of the provider’s knowledge as of the date it was written, but it does not constitute, and cannot be substituted for, the advice of your economic, investment, legal, tax, estate or IT professional advisor. The information and data used in the preparation of this publication were obtained from public or private sources deemed to be reliable, but Smithfield Trust Company does not guarantee their accuracy. Any examples described herein are for illustrative purposes only. All opinions or predictions expressed herein are subject to change, without notice to the reader, based upon prevailing political, economic or securities markets conditions. Accordingly, you should not rely upon (or act upon or refrain from acting upon) the material herein without first seeking advice from your professional advisor.

Book Reviews



OPEN: How Collaboration and Curiosity Shaped Humankind, Johan Norberg

★★★★★

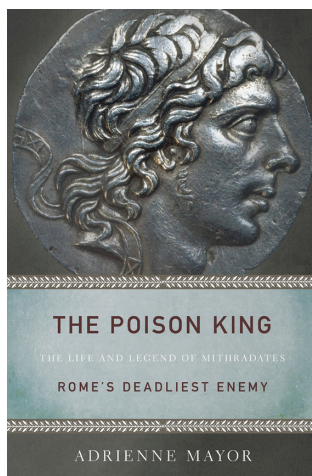
Review by: Henry Haller, III

Although Norberg is a senior fellow at the libertarian Cato Institute, this book is not explicitly libertarian. His thesis is that openness is the key to our success as a society. However, there are barriers in human nature to openness. People tend to be tribalists, and thus leery of outsiders and not open to new ideas that come from outside their “tribe.”

The book is divided into two sections. Part 1, labeled “Open,” explores what openness involves. He devotes chapters to free trade, free migration, open minds, and open (i.e. not authoritarian) societies. In each he uses a lot of examples from history to show how these manifestations of openness have benefited humanity.

Part 2, labeled “Closed,” explores four factors that tend to limit openness. These include “us versus them” mentality, zero-sum thinking, and fear of the future. The fourth he calls “fight or flight,” and it follows from the way that populist politicians use fear of outsiders to rally support to their movement. I could not avoid thinking about President Trump and his anti-immigrant, anti-trade agenda.

In the final chapter he offers things we can do to avoid falling into the populist, anti-open trap. Here I was somewhat disappointed because I did not see his ideas as being particularly new or workable. However, it was refreshing to see a discussion of politics from outside the conventional left-right paradigm. If only more people could get familiar with these ideas!



The Poison King, by Adrienne Mayor

★★★★☆

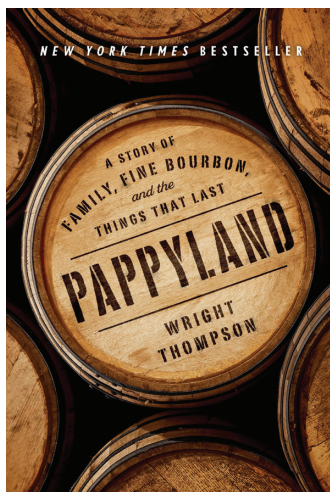
Review by: Sam Adams

This is a biography of Mithradates VI (134-63 BC), who ruled Pontus, a kingdom located in the northeast portion of modern-day Turkey. Before launching a rebellion against Rome, Mithradates met the Roman general Marius, who advised him to “Either make yourself stronger than the Romans, or obey them.” Mithradates devoted himself to the first option.

The book is an interesting and at times, almost unbelievable, recounting of Mithradates’ exploits. Claiming descendancy from both Alexander the Great and Darius of Persia, Mithradates organized a Greco-Persian resistance to Rome. Assembling vast armies, Mithradates was defeated by numerically inferior Roman forces, but he would elude capture and later gloriously reappear with new armies. He battled leading Romans of the Late Republic, including Sulla, Lucullus and Pompey, with one of his sons later suffering a defeat by Julius Ceaser.

The author presents a knowledgeable, immersive and pragmatic history of Mithradates. Attention is provided to Mithradates murdering subversive family members, orchestrating the synchronized slaughter of 80,000 Romans living in the East, ingesting small doses of poison to strengthen his immunity and creating the world’s first “multi-vitamin,” again laced with toxins. Period events, including other rebellions against Rome, are also discussed and add context. The book is also an unexpected study in botany, pharmacology and astrological events, and such detours sometimes detract from the overall narrative.

Largely forgotten today, antiquity romanticized Mithradates for his opposition to Rome. In a final ode to Mithradates, the book ends with a verse from Racine, a French 17th century playwright, as follows “May the Romans, hard pressed from one end of the world to the other, be unsure where you will be, and find you everywhere.”



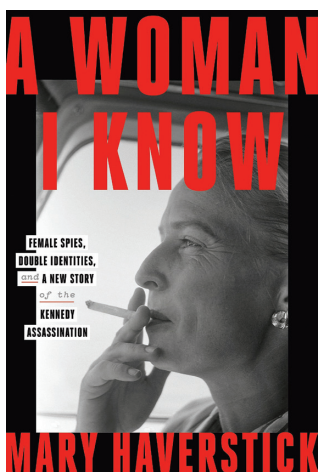
Pappyland, by Wright Thompson



Review by: Rob Kopf

As someone who was born in Tennessee, and went to school down in SEC country, it seemed counterintuitive that I knew nothing about the large spectrum of bourbon, notably the premium brands. So in talking with a friend of mine late last year at a party, he mentioned this book Pappyland, which detailed the history of the Van Winkle family and their Pappy Van Winkle spirits as told by Julian P. Van Winkle III. Make no mistake, this book is nothing more than a leisurely walk through the bourbon trail across the southern US, so it is meant to provide an escape. The author did a nice job of weaving in some of his personal family travails into those described by Julian Van Winkle, which gets us in present day as well as decades back through the book. The read is a great way to get the flavor of all of the blends created over time and allows the reader an opportunity to sample the famous names like Weller without the headache that might follow a long night. I know I have been able to now try something a little more confidently versus before reading this, so if you would enjoy

a diversionary read, and a little insight into the craze of the Pappy Van Winkle availability, it is worth your time.



A Woman I Know, Mary Haverstick



Review by: Henry Haller, III

Mary Haverstick is an independent film producer who set out to create a documentary on a female aviator named Jerrie Cobb. Ms. Cobb was quite an interesting subject, having completed astronaut training along with the Mercury 13 group of female would-be astronauts in 1960. She was intent on being the first woman in space until NASA decided that they did not want any female astronauts. Nonetheless she had quite a few noteworthy accomplishments including being awarded the Amelia Earhart Gold Medal of Achievement. She also set three aviation records including longest distance non-stop flight for a female.

As the author was researching her subject, she was visited by a high ranking Defense Department official who warned her not to delve too deeply into Jerrie Cobb's history. From there the plot

thickened, as they say. Undeterred by the warning, she dove deeper and discovered another woman by the name of June Cobb who bore amazing similarities to Jerrie Cobb. Both women were aviators, both came from the same home town in Oklahoma, and both had traveled to the same places around the world. However, June Cobb was a CIA spy who had spent time in Cuba as a secretary to Fidel Castro while feeding information back to the CIA. Since Jerrie Cobb had acknowledged that she too had spent time in Cuba, the obvious question was whether these two women were one and the same.

Ms. Haverstick spent years digging through CIA files from the 50s and 60s. She learned about double agents, female spies, hidden identities, code names, and the secret section of the CIA devoted to assassination. She gives details on the assassination of Patrice Lumumba in the Congo, and the attempted assassination of Castro. This led to questions about the Kennedy assassination, and Jerrie Cobb admitted to being in Dallas on the day that Kennedy was shot, at a place called Redbird Airport. Interestingly, it appeared that Oswald was heading in the direction of that airport when he was detained. What surprised me was the amount of Cold War era CIA information that apparently is not classified.

Although this book is nonfiction, it often reads like a spy novel. Like a spy novel. I found it hard to keep track of the characters due to all the code names and hidden identities. I would recommend it for anyone who questions whether the Warren Report is an accurate description of the Kennedy assassination; there is much food for thought on that topic in the book.

Submit a Review!

To submit a review to future publications, email your review to forecast@smithfieldtrustco.com by the 15th of each March, June, September, and December. Reviews should be between 200-275 words and include a rating out of 5 stars.



The Smithfield Forecast

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