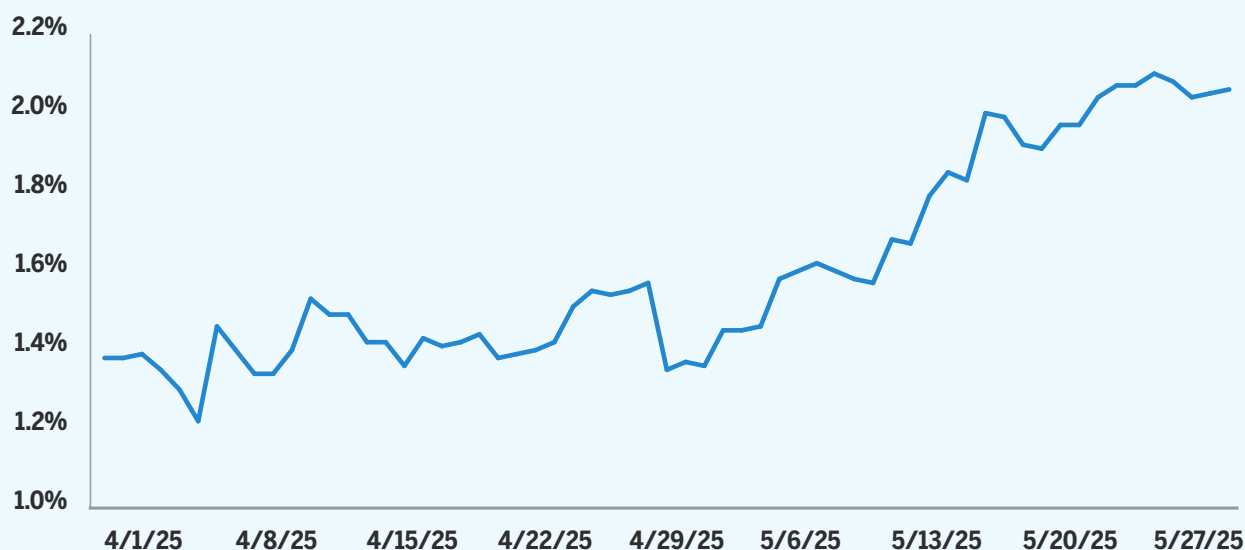


Tariffs Today, Inflation Tomorrow?

While legal proceedings surrounding the Trump administration's tariffs remain unresolved, the temporarily reinstated levies are already driving up costs for importers. If the tariffs remain in effect, businesses are likely to pass some of those costs on to consumers, with inflation potentially showing up in economic data and on store shelves as early as this summer—an outcome that could carry meaningful implications for investors.

Year-Over-Year Real-Time Gauge Shows Inflation Picking Up



Source: Truflation U.S. Inflation Index as of 5/31/2025.

- Current tariff rates are approximately 10% broadly and 30% on Chinese goods. Certain industries, such as steel and lumber, and particular trade partners, like Canada and Mexico have different rates. All in, the weighted average tariff rate has surged from 2% in 2024 to low double-digits, the highest in over 80 years.
- Price increases are likely to lag tariff implementation because of the time it takes companies to adjust pricing and the fact that retailers carry several weeks of inventory, which can allow them to postpone price increases as they sell older, cheaper goods. Consequently, although these tariff rates went into effect in early April, shoppers will likely see higher prices later this spring and summer. Truflation—a blockchain-powered data platform that aggregates millions of daily price observations—indicates that inflation is already increasing, as shown in the chart above.
- Rising prices may dampen consumer spending or squeeze margins for companies unable to pass costs through to their customers. We believe that companies more exposed to consumer demand, such as brick-and-mortar retailers, are likely to feel the pressure first. However, companies tied to business investment—such as enterprise software—or to secular growth themes, such as data center build-outs, may be better positioned to weather inflationary headwinds, in our view.

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Trufflation is an independent, blockchain-powered data platform that aggregates millions of daily price observations to publish transparent, real-time inflation indices as an alternative to traditional measures like the CPI. The Consumer Price Index (CPI) measures the average change over time in the prices urban consumers pay for a fixed "basket" of goods and services, serving as a widely used gauge of inflation.

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