2023 2Q
ASSET ALLOCATION OUTLOOK

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CIO SUMMARY

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WHAT AND WHY?

We continuously monitor various asset classes which provide the framework for our deeper-dive quarterly analysis. We look at each asset class relative to itself and relative to other asset classes. This analysis seeks out potential tactical adjustments which may be appropriate for implementation in client portfolios.

The aim is to overweight asset classes that are perceived to be undervalued and to underweight asset classes that are perceived to be overvalued.

The result is striving to modestly enhance the return of the portfolio while simultaneously seeking to mitigate overall risk in the portfolio relative to a clients' acceptable level of risk.

HOW?

We use two factors to drive our Asset Allocation weights: Valuation and Technicals. While we do not want to fight the trend (technicals), we also do not want to disregard valuations. Cheap can get cheaper and expensive can get more expensive.

As an example, growth had outperformed value for a decade and had been expensive for a few years, but it just kept getting more expensive. Conversely, value just kept getting cheaper, but got so cheap that an overweight position seemed merited. And now Value continues to outperform Growth.

EQUITIES

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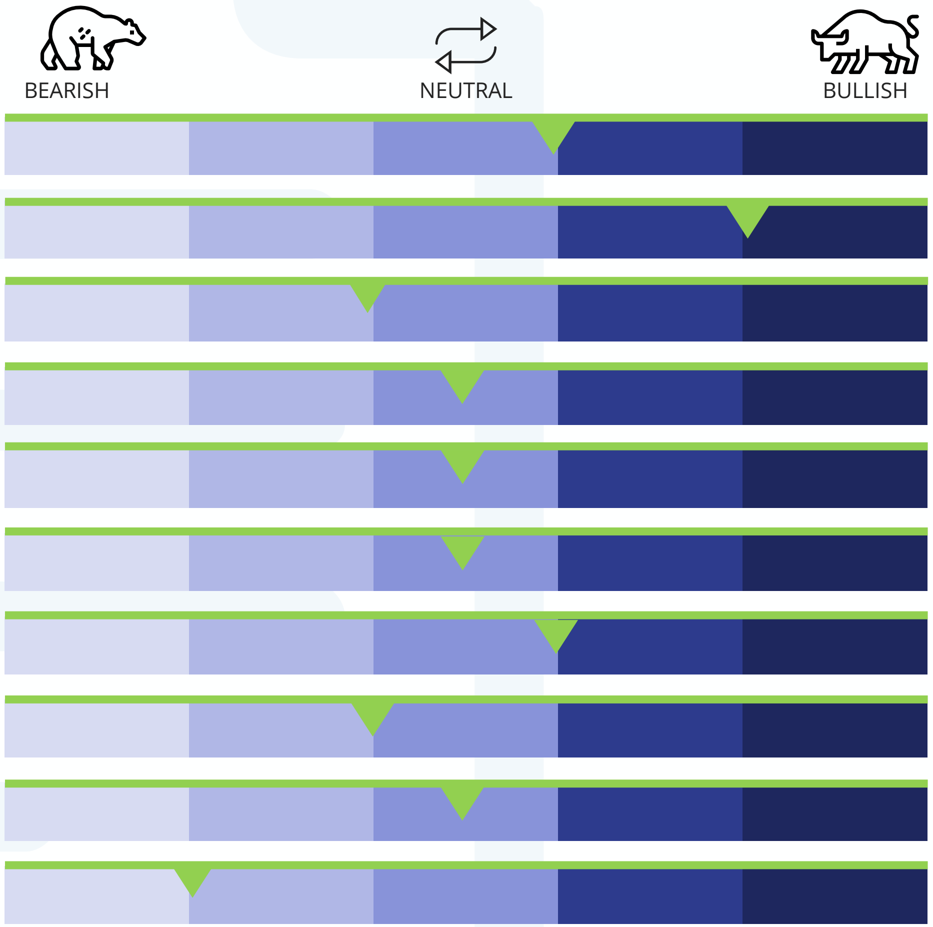
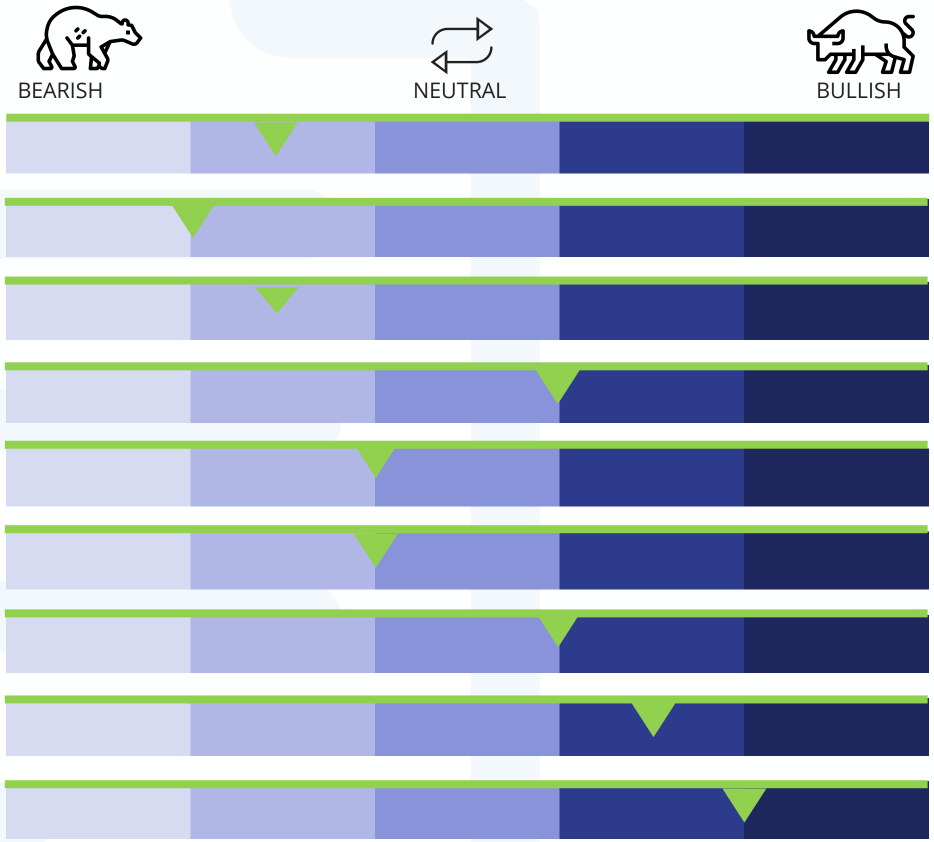
12-18 MONTH EQUITY ASSET ALLOCATION WEIGHTINGS



	VALUATION	TECHNICALS
U.S. Equities	Expensive	Positive
U.S. Value	Fair Value	Positive
U.S. Growth	Expensive	Positive
U.S. Large Cap	Expensive	Positive
U.S. Mid Cap	Less Expensive	Improving
U.S. Small Cap	Less Expensive	Neutral
Int'l Dev Equity	Fair Value ?	Positive
Emerging Mkt Equity	Cheap	Neutral
Opportunistic Equity	Cheap	Neutral
Opportunistic REIT's	Expensive	Neutral

FIXED INCOME

12-18 MONTH FIXED INCOME ASSET ALLOCATION WEIGHTINGS



	VALUATION	TECHNICALS
High Quality Fixed Inc	Fair Value	Neutral
Long Duration	Fair Value	Deteriorating
Intermediate Duration	Fair Value	Deteriorating
Short Duration	Cheap	Improving
Corporate High Quality	Less Expensive	Neutral
Mortgage-Backed Sec.	Fair Value	Neutral
Low Quality Fixed Inc	Less Expensive	Improving
Opportunistic Fixed Inc	Fair Value	Positive
Defensive Fixed Inc	Fair Value	Very Positive

OUTLOOK

12-18 MONTH ASSET ALLOCATION OUTLOOK

The weakness seen at the end of the last period, ended up being a pause that refreshes. Especially for U.S. Large equity markets, which jumped 10+% moving to new 52-week highs.

The economy and jobs market again showed resilience the last 3 months, which is helping equities to rally on thoughts that a recession can be avoided. Inflation resilience hurt longer duration bonds but helped drive-up shorter-term rates. The negative fears sparked by the mid-March bank collapses seems but a distant memory. The Fed meets Wednesday and the interest rate futures, as well as, the equity markets have priced in a June pause, looking for a 25-bps increase in July.

Technicals for larger equities moved to Positive, with smaller equities lagging. Fixed Income was largely unchanged with a few moves at the margin.

The lows from October for Equity has moved into "new" bull market territory, i.e., 20+% rallies from the lows. Small and mid cap generally treaded water, though saw big gains last week. Fixed Income is battling slower declines in inflation and continued strength in jobs. Not good for longer duration bonds, but good for short term floating rate bonds. The banking crisis seemed to serve scaring out the "weak" hands and the institutions happily grabbed their positions. The "most" hated, underinvested rally is also sucking in the big Hedge Funds, which keeps bolstering the rally. It seems someday we will pay a price for 5% increases in rates, but now does not seem to be the time.

Notable Changes

- Equities generally improved to the Positive category, with "risker" categories remaining neutral.
- The Fixed Income markets generally maintained the status quo. As mentioned, a few moves at the margin. The defensive Fixed Income category maintained a very Bullish posture and continues to be the best-looking asset class of any segment.
- Opportunistic Strategies maintained risk-on for Fixed Income, with Senior Bank Loans and Equity, with International Small Cap. Even with the broad equity rally Real Estate continues to look bad and remains in defensive position.

DISCLOSURES

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