2024 1Q
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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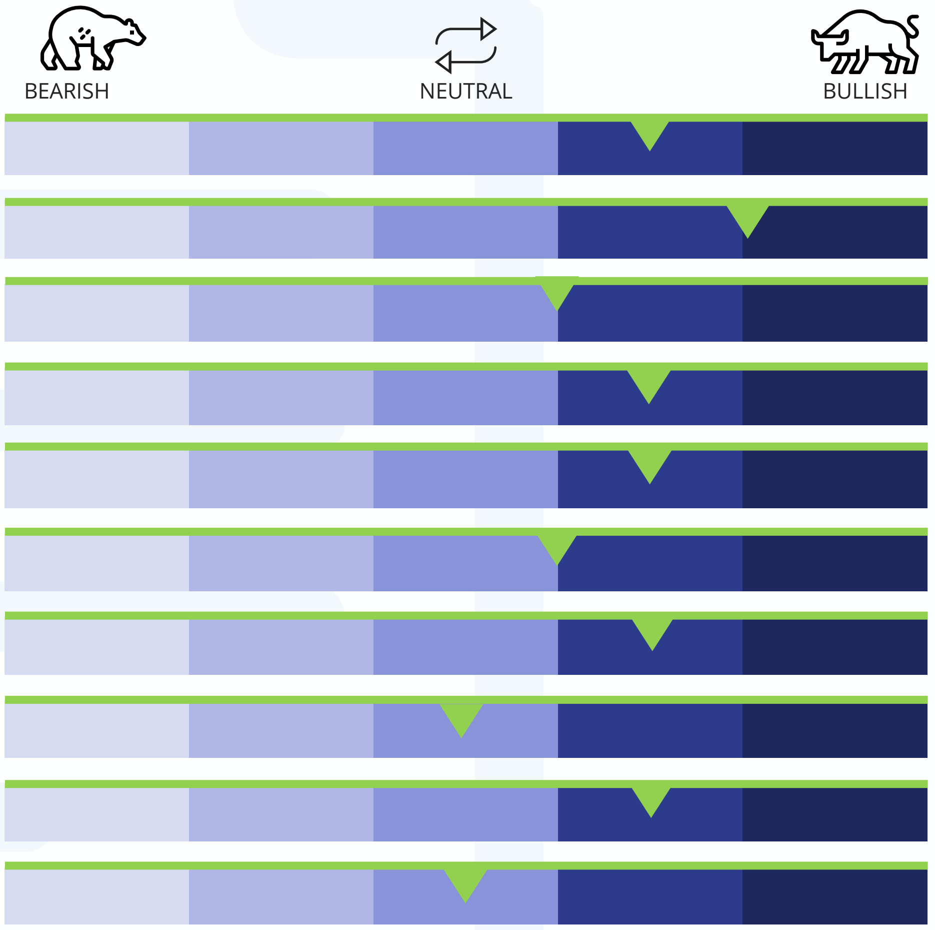
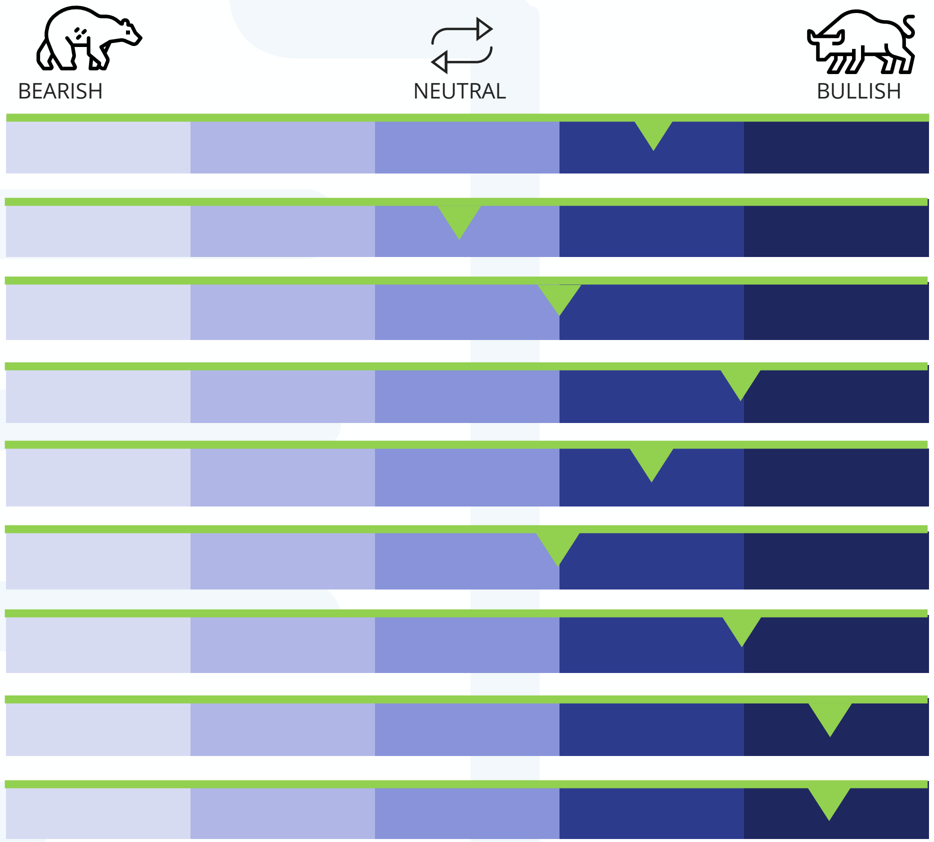
12-18 MONTH EQUITY ASSET ALLOCATION WEIGHTINGS



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

FIXED INCOME

12-18 MONTH FIXED INCOME ASSET ALLOCATION WEIGHTINGS



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

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12-18 MONTH ASSET ALLOCATION OUTLOOK

The sharp rally that started in late October, became an everything rally into year end. Equity continued marching higher, while Fixed Income, consolidated gains on the backdrop of raising rates.

The economic resilience continues, with moderating inflation serving as the fuel for the rally. The rally continues even though the first rate cut gets pushed out and the number of cuts reduced. The ferocious rally itself is not necessarily a sign of a bubble/over extended market, but the markets continual march higher when the fuel is being moved further out seems to indicate a frothy/over exuberant market.

Technicals continued to improve across the board, equity and fixed income, though more modestly for Fixed Income than Equity. The bet continues to be that inflation abates, and the economic data holds firm.

The firming of inflationary data as well as economic data has the Fed pulling back on rate cut expectations. The firming of interest rates did lead to Fixed Income consolidating the eye-popping gains of the 4th quarter. However, equities either didn't get the memo or just don't care as equity prices continued to extend higher.

Notable Changes

- Large cap equities moved up a notch to Positive, with "risker" categories lagging, but moving to Improving or holding Neutral.
- The Fixed Income markets largely digested the large gains from the 4th quarter with a few categories getting upgraded on better technicals, turning previous improvement from Negative to Neutral and Improving and Positive. The defensive Fixed Income and Short Maturity T-Bill loan categories have very Bullish postures.
- Opportunistic Strategies maintained risk-on for Fixed Income, with Floating Rate Senior Bank Loans, loving higher rates and a stable economy. Equity, remains allocated to Emerging Market Small Caps. Real Estate has consolidated the sharp November rally, though some segments' fundamentals remain a concern, reallocating looks like the correct position.

DISCLOSURES

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