2025 3Q
ASSET ALLOCATION OUTLOOK

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CIO SUMMARY

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WHAT AND WHY?

We continuously monitor various asset classes which provides 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?

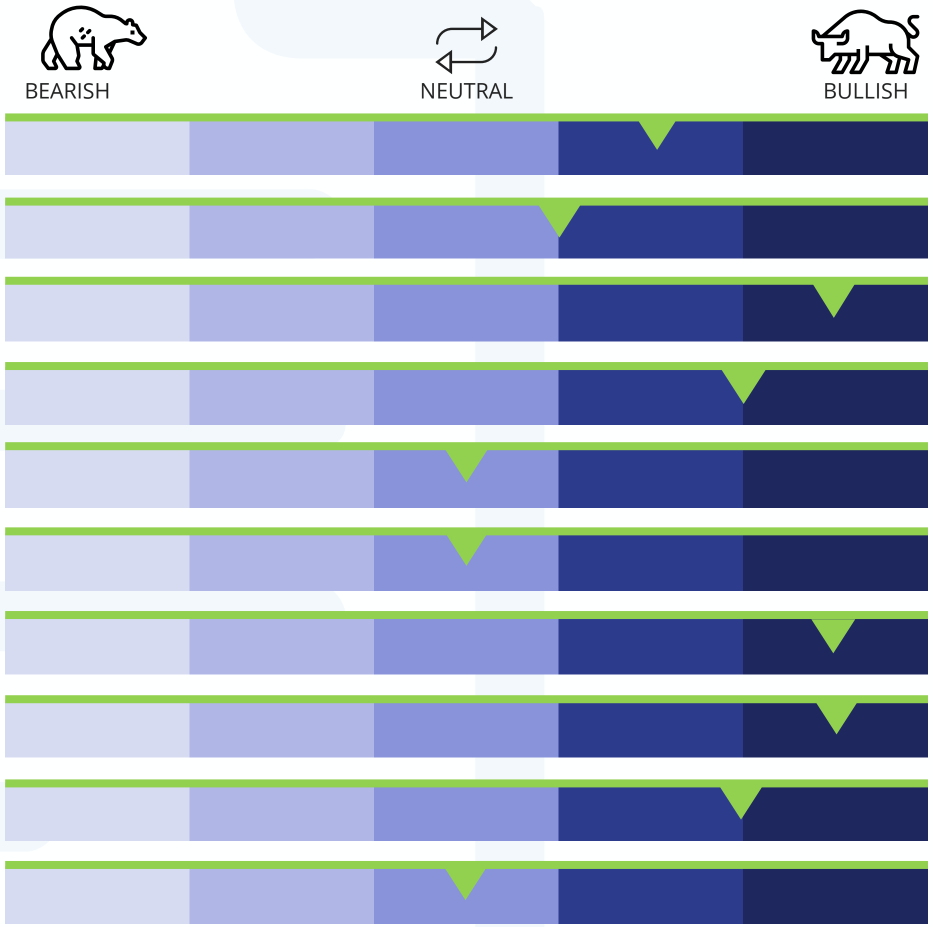
We use two factors to drive our Asset Allocation weights: Valuation and Technicals. While we do not want to fight the trend (technicals), we also do not want to disregard valuations. Cheap can get cheaper and expensive can get more expensive.

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. However, all things are cyclical and now Growth has reasserted dominance and we are adjusting to that reality.

EQUITIES

EQUITIES

12-18 MONTH EQUITY ASSET ALLOCATION WEIGHTINGS



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

FIXED INCOME

12-18 MONTH FIXED INCOME ASSET ALLOCATION WEIGHTINGS

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

OUTLOOK

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12-18 MONTH ASSET ALLOCATION OUTLOOK

The market broke out of a 2-month consolidation shortly after last quarter's report and made several new all-time highs, as reflected in the S&P 500. The tariffs largely faded into the background and equity markets focused on Fed rate cuts. Fixed Income markets focused on weakening employment data which has stirred a meaningful rally in Fixed Income instruments.

The economy continues to be resilient; employment has weakened with large downward revisions and inflation, though sticky, hasn't soared as was predicted. The weak jobs data and revisions has caused the Fed to pivot with a rate cut likely this week.

Technicals continued to improve in equity markets. Fixed income saw significant improvements and shows signs of a new bull market, with prices higher and yields lower.

Notable Changes

- Equity, even though improved, resulted in no changes as the allocation is already at "full" overweight across the most bullish asset classes of Equity.
- International and Emerging Markets continue to have strong performance.
- Fixed Income is where the weighting changes occurred. We have been in full defensive position for quite a while, but the charts are now saying that it is time to take on more duration. Additionally, with the Fed likely entering another rate cutting cycle, short term and floating rate yields are likely to continue moving lower.
- Opportunistic Strategies maintained risk-on for Fixed Income. Equity, all look good, though we remain allocated to Emerging Market Small Caps. Real Estate is the weakest of the risk-on allocations, with International showing strength. Currently though, with interest rates coming down globally and most pronounced in the U.S. of late, we are seeing the tide lifting all RE boats and remain allocated to U.S. Real Estate.

DISCLOSURES

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