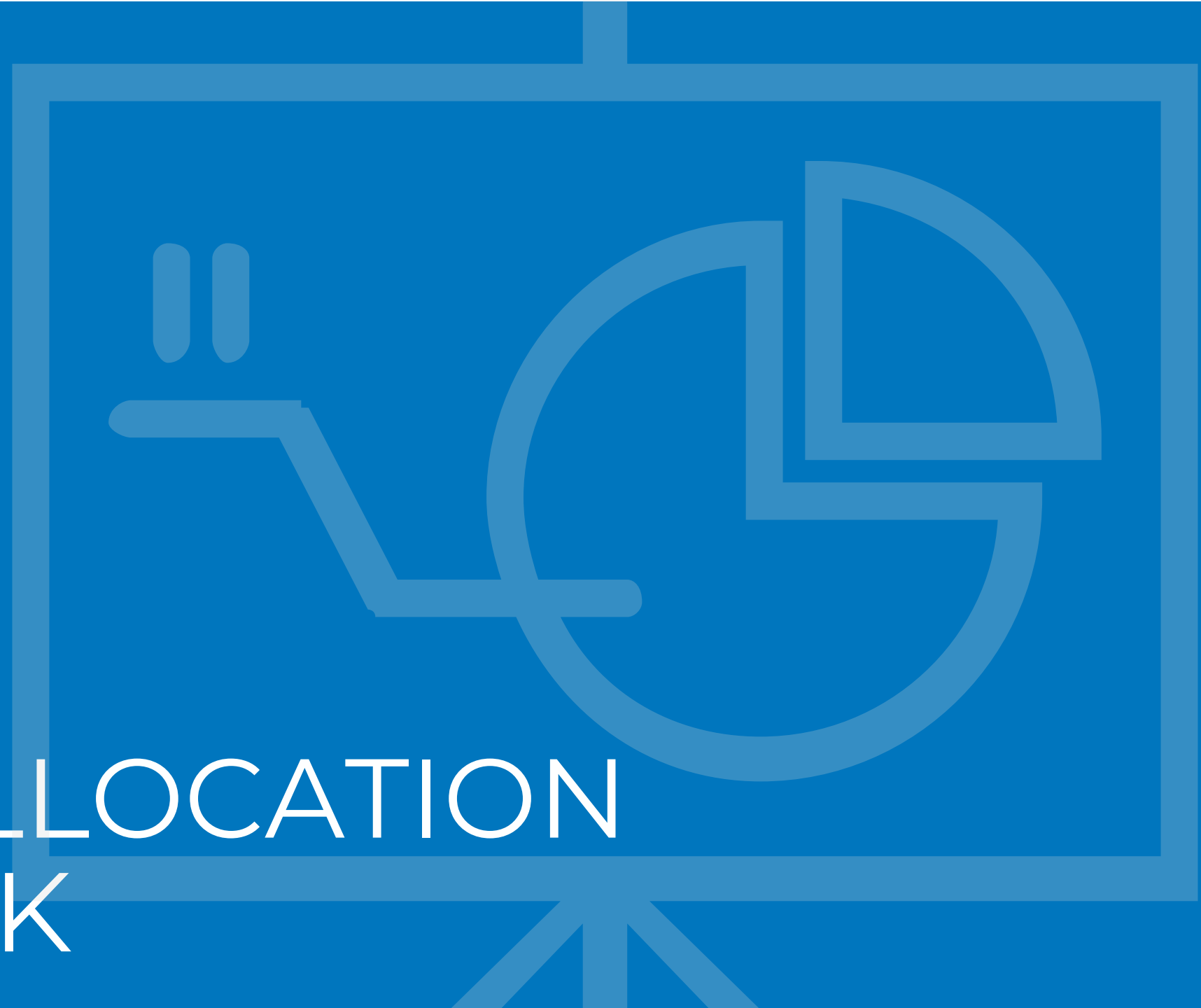


2026 2Q
ASSET ALLOCATION
OUTLOOK



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CIO SUMMARY

Kevin M. Churchill CFA®, CFP®
Chief Investment Officer



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



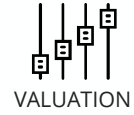
BEARISH



NEUTRAL



BULLISH



VALUATION



TECHNICALS

U.S. Equities



Expensive

Consolidating

U.S. Value



Fair Value

Positive

U.S. Growth



Expensive

Consolidating

U.S. Large Cap



Expensive

Consolidating

U.S. Mid Cap



Fair Value

Positive

U.S. Small Cap



Fair Value

Positive

Int'l Dev Equity



Fair Value

Consolidating

Emerging Mkt Equity



Cheap

Consolidating

Opportunistic Equity



Cheap

Consolidating

Opportunistic REIT's



Expensive?

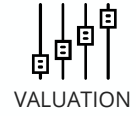
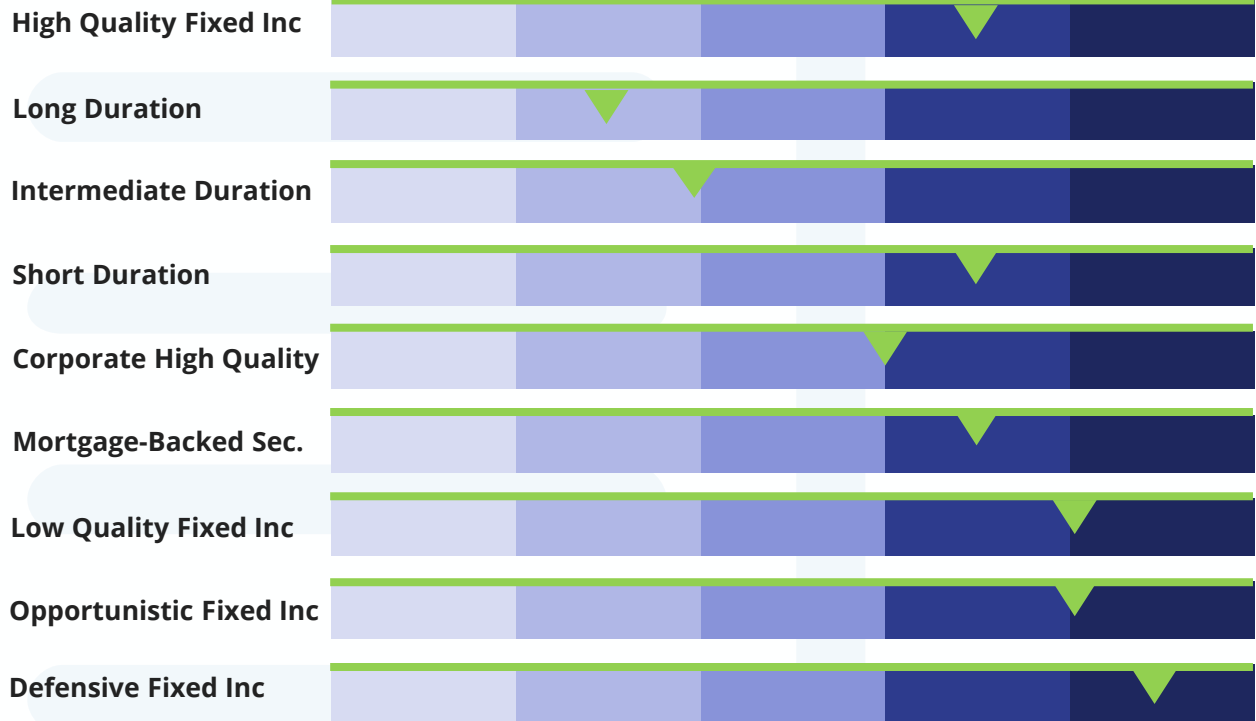
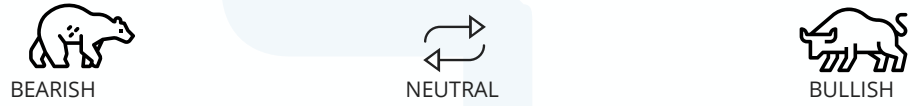
Positive

A decorative graphic on a purple background. A thick, light purple diagonal line runs from the bottom-left towards the top-right. Two large, light purple circles are positioned on the line, one in the upper-left and one in the lower-right. The text 'FIXED INCOME' is centered in white, bold, uppercase letters, with 'FIXED' on the top line and 'INCOME' on the bottom line.

FIXED
INCOME



12-18 MONTH FIXED INCOME ASSET ALLOCATION WEIGHTINGS



Valuation	Technicals
Fair Value	Consolidating
Fair Value	Weakening
Fair Value	Weakening
Fair Value	Consolidating
Modestly Expensive	Consolidating
Fair Value	Consolidating
Expensive	Consolidating
Fair Value	Consolidating
Fair Value	Very Positive



OUTLOOK

12-18 MONTH ASSET ALLOCATION OUTLOOK

Two weeks after our last update, was the first of what is now 39 almost peace agreements. The equity markets are definitely seeing this as the glass half full, and the rally has been ferocious. The Fixed Income markets are concerned about rising inflation from supply disruptions of oil products and other raw materials. The decision to resist the urge of making changes last quarter proved wise. The Fed meets this week with Fed Head Warsh leading his first meeting in what is nothing short of a challenging environment.

Post-conflict/war the economic data is still reasonable, inflation is now strong, but monetary policy, i.e. rate hikes can't move oil and other raw materials. The employment situation seems to be improving, though influenced by temporary hiring for the World Cup soccer matches. Is the 39th time the charm? Will Israel cooperate or derail peace? Even the Iranians seemed opportunistic on Friday that this time it might actually happen. If peace does arrive, will that continue to drive down oil prices and alleviate some pressure on rising bond yields? If so, the equity rally may not be done yet.

Broadly speaking, we see many markets in consolidation phases, especially in Fixed Income. Equities do have a couple of areas that are exerting positive shifts. U.S. Mid-cap, which had seemingly been left for dead has emerged showing strength. However, U.S. Small cap said not so fast and has shown even greater strength.

Notable Observations

- U.S. Mid-cap and Small-cap have shown some real strength vs. U.S. Large-cap. So much in fact, that we removed the Large Cap overweight position and allocated that to Small-cap, giving Small-cap it's first overweight position in years.
- Fixed Income by in large is consolidating, perhaps waiting for a signal if peace is in fact real. No changes.
- Opportunistic Fixed Income strategy remains in Emerging Market Debt. Equity remains in U.S. Micro-cap and looks good. The decision to hang on to U.S. Real Estate continues to payoff and has rallied over 17% since that hold decision.



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2026 2Q
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