2025 1Q
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

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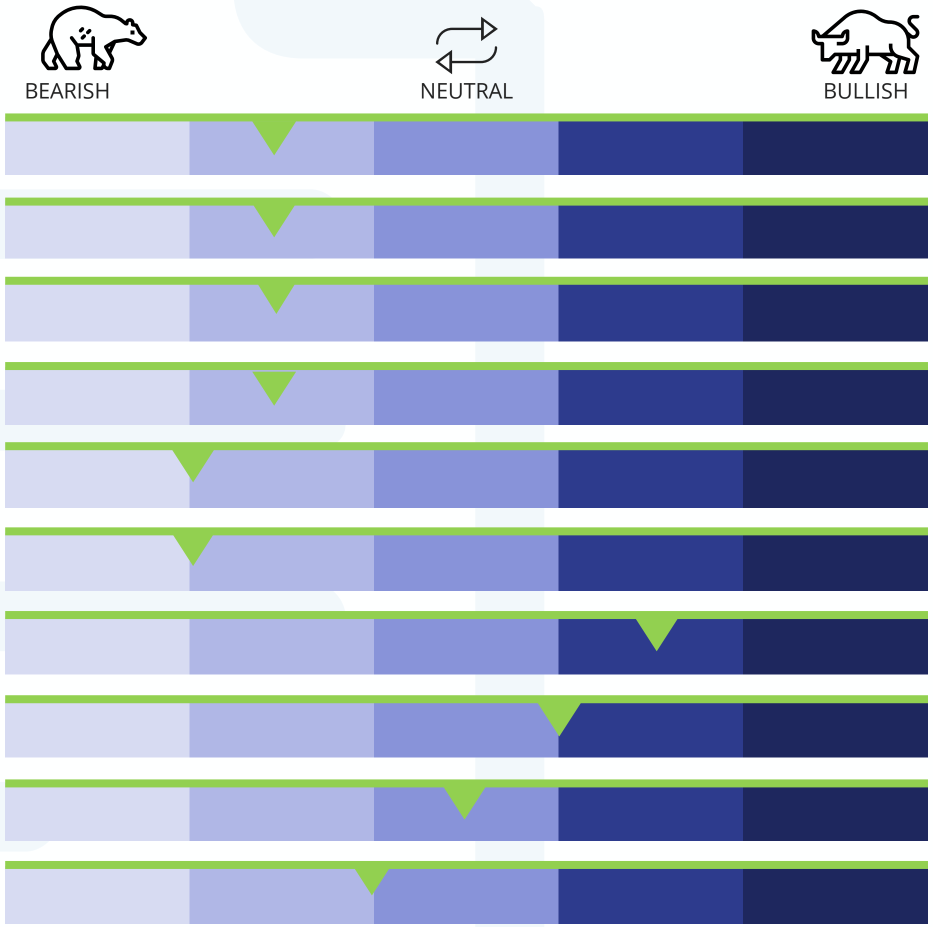
12-18 MONTH EQUITY ASSET ALLOCATION WEIGHTINGS



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

FIXED INCOME

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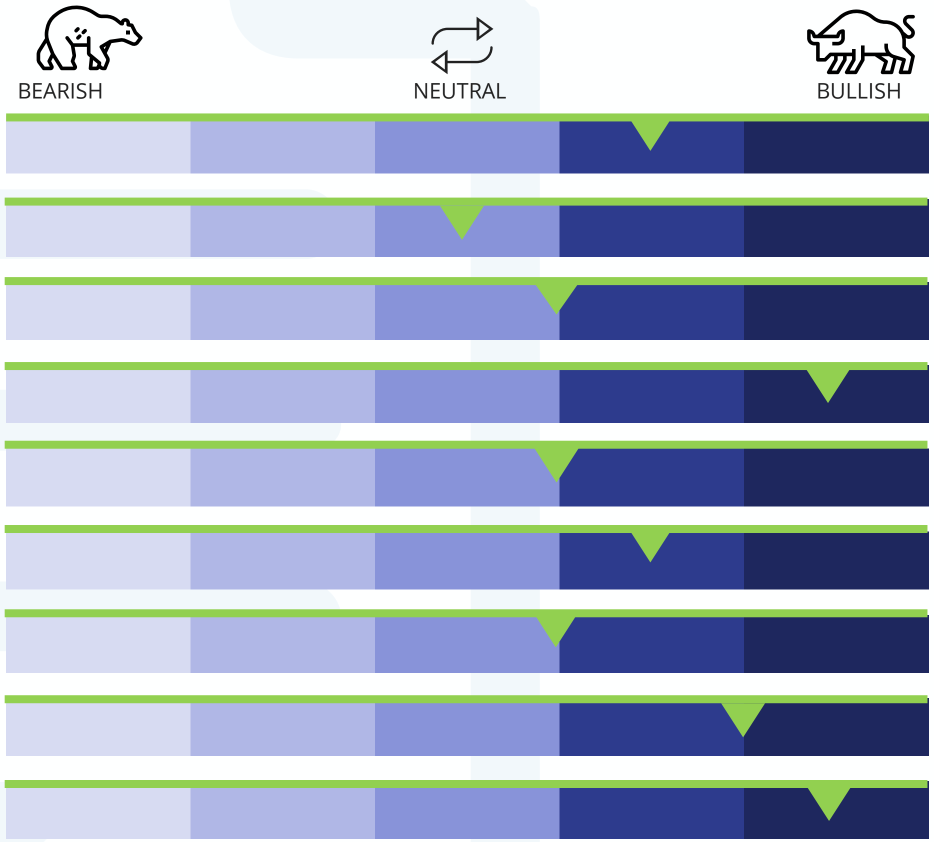
12-18 MONTH FIXED INCOME ASSET ALLOCATION WEIGHTINGS



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

OUTLOOK

12-18 MONTH ASSET ALLOCATION OUTLOOK

The more pronounced bumps we were seeing last quarter became a quick selloff as this quarter comes to an end, as reflected in the S&P 500. The Fed cut in December seemed to be the final blow, though prices held up into mid February before a growth scare and tariff talk finally became too much to ignore. Though Fixed Income rallied on a decrease in yields.

The economic resilience is fading as is the excess support from the government that created that resilience. The Fed is talking tough about not cutting for a while, but the markets are testing their meddle. This week will be the first meeting to display continued tough talk or not. The only certainties now are uncertainty, which there is an overabundant bull market. The extent of tariffs and spending cuts are the biggest drivers of the uncertainty bull market.

Technicals weakened significantly within U.S. equity, International on the other hand, saw positive improvements. Fixed income generally improved with rates falling, moving into positively neutral, though higher risk Income dipped a notch or two.

Notable Changes

- Large Cap Growth moved down a notch as Large Cap Value held up better in the decline.
- Fixed Income didn’t have any allocation changes, but clustered in the positively neutral range with Floating rate/short duration still holding the most positive ratings.
- Opportunistic Strategies maintained risk-on for Fixed Income, though Floating Rate Senior Bank Loans were reduced a notch. Equity, remains allocated to Emerging Market Small Caps, though weakened a bit as International Small Cap improved. Real Estate was whipsawed with the recent volatility and was lowered a notch and is on an even shorter leash at this point. My longer-term concerns about the potential secular decline in Commercial RE remain.

DISCLOSURES

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