2022 1Q
ASSET ALLOCATION OUTLOOK

Contents

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 an 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, while growth has outperformed value for a decade and has been expensive for a few years, it just keeps getting more expensive. Conversely, value just keeps getting cheaper, but has gotten so cheap that an overweight position seems merited.

EQUITIES

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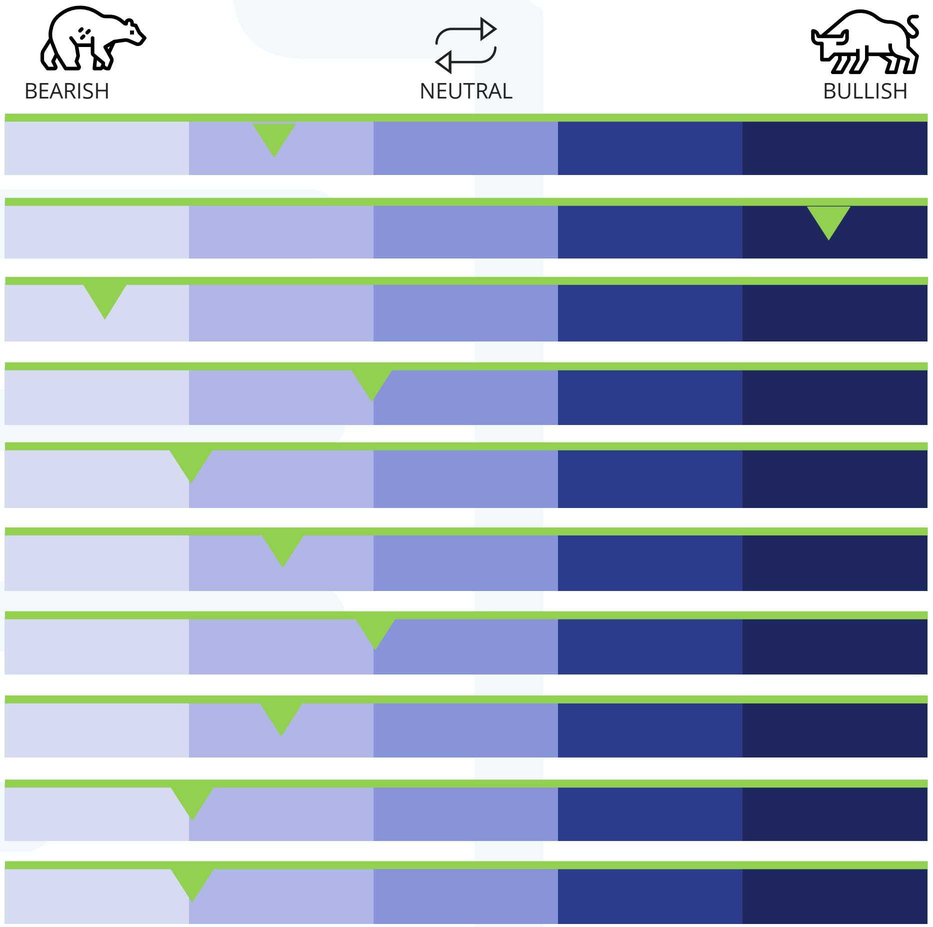
12-18 MONTH EQUITY ASSET ALLOCATION WEIGHTINGS



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

FIXED INCOME

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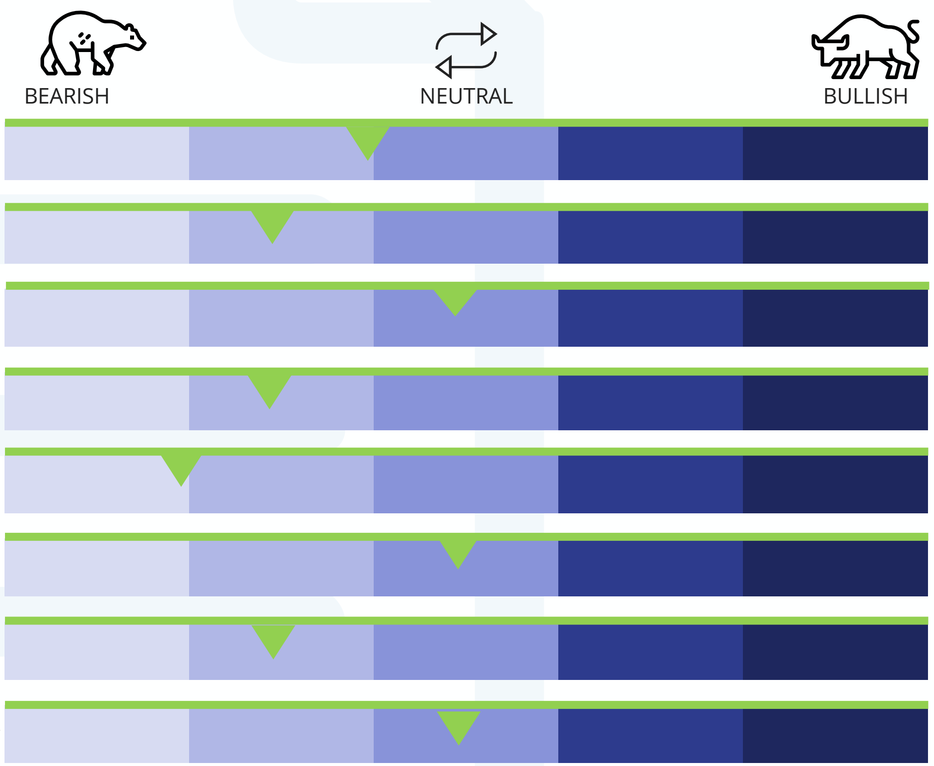
12-18 MONTH FIXED INCOME ASSET ALLOCATION WEIGHTINGS



	VALUATION	TECHNICALS
High Quality Fixed Inc	Fair Value	Weakening
Long Duration	Expensive	Negative
Intermediate Duration	Expensive	Neutral
Short Duration	Expensive	Weakening
Corporate High Quality	Very Expensive	Negative
Mortgage-Backed Sec.	Fair Value	Weakening
Low Quality Fixed Inc	Expensive	Negative
Opportunistic Fixed Inc	Fair Value	Weakening

OUTLOOK

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12-18 MONTH ASSET ALLOCATION OUTLOOK

Wow, a lot can change in 3 months!

The economy was looking to be on good footing. The Fed was readying the assault on non-transitory inflation and the equity markets were hanging out at all time highs. The turn of the calendar marked the beginning of change. First, the sustainability of economic growth started to be called into question. The ability of the Fed tackling non-transitory inflation led to a continued rally in interest rates. The capper on a bad list of items has been the Russian invasion of Ukraine, which has brought all the above to a head. The impact of sanctions against Russia along with the potential impact to inflation, less available commodity supply, has made a tough position for the Fed and markets nearly impossible.

Technicals Weaken Across the Board for Equities and Fixed Income

The general trend is developing negatively, with volatility meaningfully increasing for both Equities and Fixed Income. The current tactical positioning is in a nearly full defensive position as the fundamentals are in question and the technicals generally look poor.

Notable Changes

- Equities saw general weakening across all asset classes, some are outright negative. The bright side is that the Value overweight to Growth continues to pay dividends. Maybe the Value is dead story line has finally run its course.
- The Fixed Income market also weakened with the shortest end selling off the most in anticipation of rate hikes. The long end is starting to price in higher levels of inflation, but the occasional flight to safety has held back longer-term yields. Credit markets are starting to show more signs of stress both in High Quality and High Yield credits.
- Opportunistic REIT's remains on the sidelines and has been joined by Opportunistic Equity. REIT's now have the potential of an economic slowdown on top of the potential secular shifts in Commercial Real Estate. Frontier Markets has been in the portfolio since October 2020 and has had a good run. Price action was weakening last quarter but is now turning negative. The other markets in the space look even worse, so adding to the Short-Term High-Quality bond exposure along with the Opportunistic REIT's weighting.

DISCLOSURES

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