2023 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?

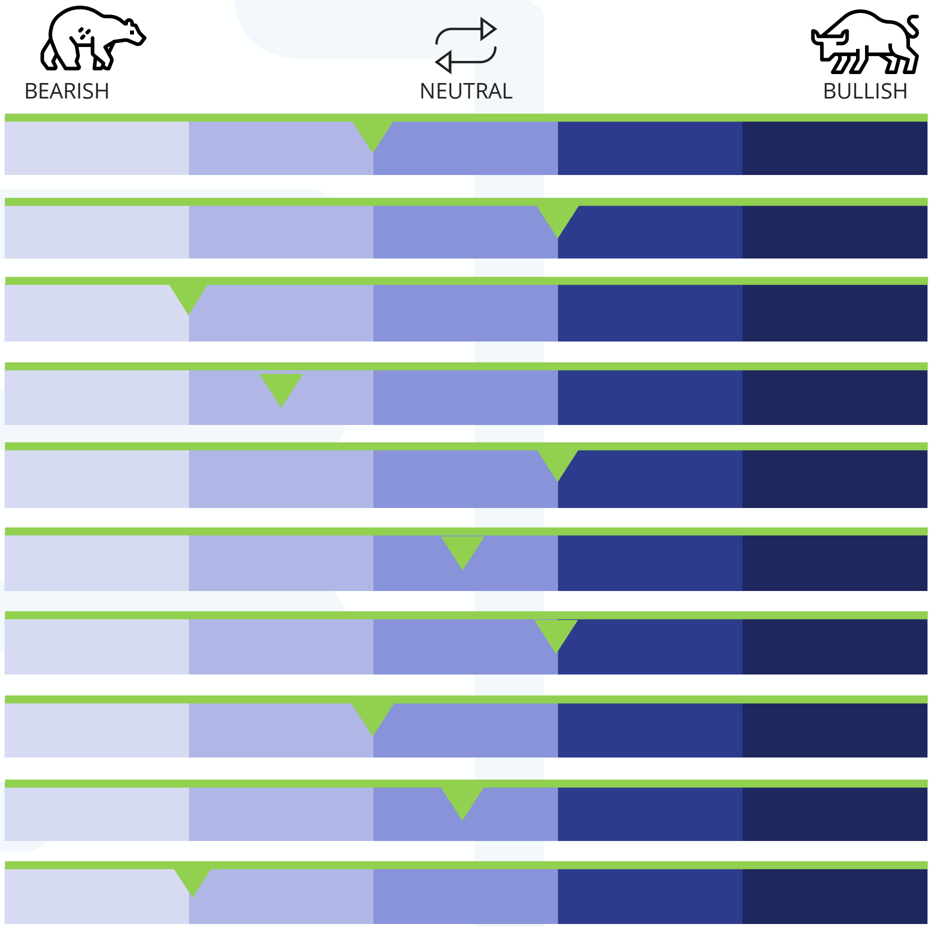
We use two factors to drive our Asset Allocation weights: Valuation and Technicals. While we do not want to fight the trend (technicals), we also do not want to disregard valuations. Cheap can get cheaper and expensive can get more expensive.

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

EQUITIES

12-18 MONTH EQUITY ASSET ALLOCATION WEIGHTINGS



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

FIXED INCOME

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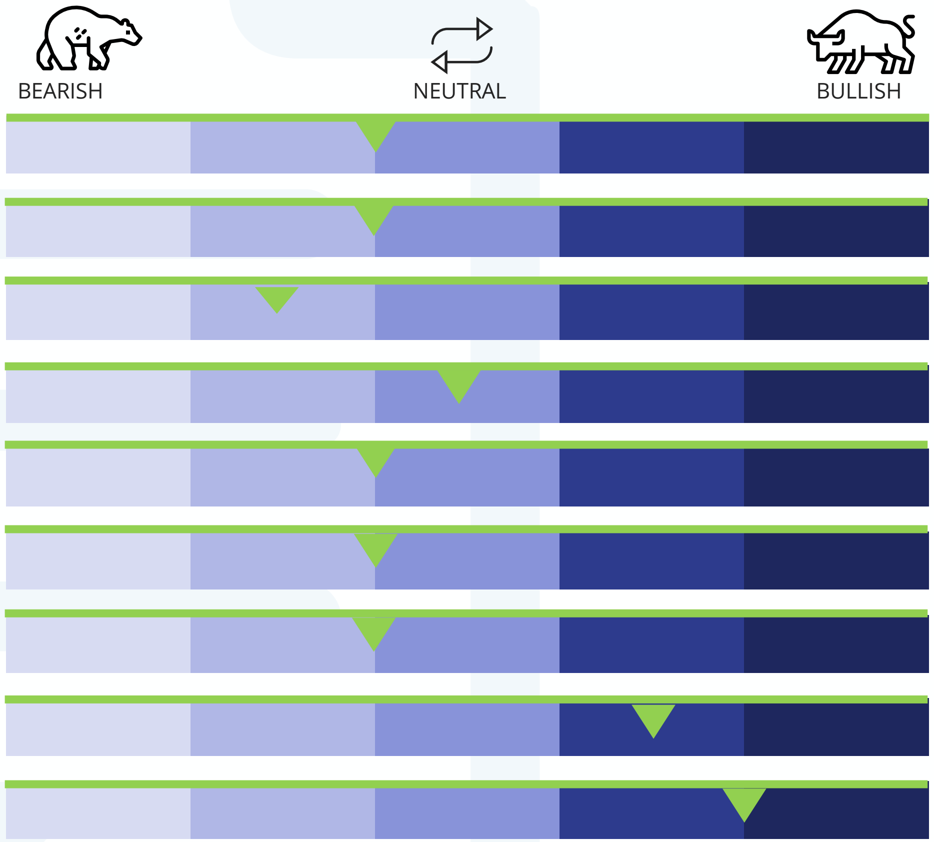
12-18 MONTH FIXED INCOME ASSET ALLOCATION WEIGHTINGS



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

OUTLOOK

OUTLOOK

12-18 MONTH ASSET ALLOCATION OUTLOOK

The equity markets are basically unchanged the last 3 months, though the positive first half was cancelled out by a negative second half, i.e., we are currently heading in the wrong direction.

The economy and jobs market continued to show resilience the last 3 months, which at first helped the equity rally as market interest rates eased on the forecast of a "soft" landing. As resilience became strength and inflation showed renewed signs of strength, market interest rates turned higher. The negative second half was also fueled by hawkish Fed speak, when they started talking about potentially returning to a faster rate of tightening. The last 2 down days were driven by the swift collapse of Silicon Valley Bank, which was seized Friday 3/10/2023. We don't have enough information or time to digest the full effects and whether there are others lurking.

Technicals Generally moved from Negative – Improving, to Neutral for Equities and Fixed Income

The negative technicals that were improving from October for Equity and Fixed Income, continued firming and generally landed in the Neutral category. The seesaw pattern of returns left us in basically the same place, though further out from the deep negatives of 2022. Most asset classes moved well north of their 200-day moving average, i.e., bull market territory, but got pulled back to this region during the second half. As of Wednesday, it looked like we were starting a new bull market, but the above referenced collapse of Silicon Valley Bank calls that into question as the selloff was sharp and swift. So now we wait, will Fed action be enough to stem the negativity and simply bounce us back to the uptrend? The next week or two will likely provide some clarity.

Notable Changes

- Equities generally improved to hugging the Neutral category, with a few creeping into the positive category.
- The Fixed Income markets also improved, broadly all moving within the Neutral category. The defensive Fixed Income category continues to be solidly in the Bullish category and the best-looking asset class of any segment.
- Opportunistic Strategies improved and merit a shift to risk-on for Fixed, with Senior Bank Loans and Equity, with International Small Cap. Real Estate continues to look bad and remains in defensive position.

DISCLOSURES

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