2024 2Q
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?

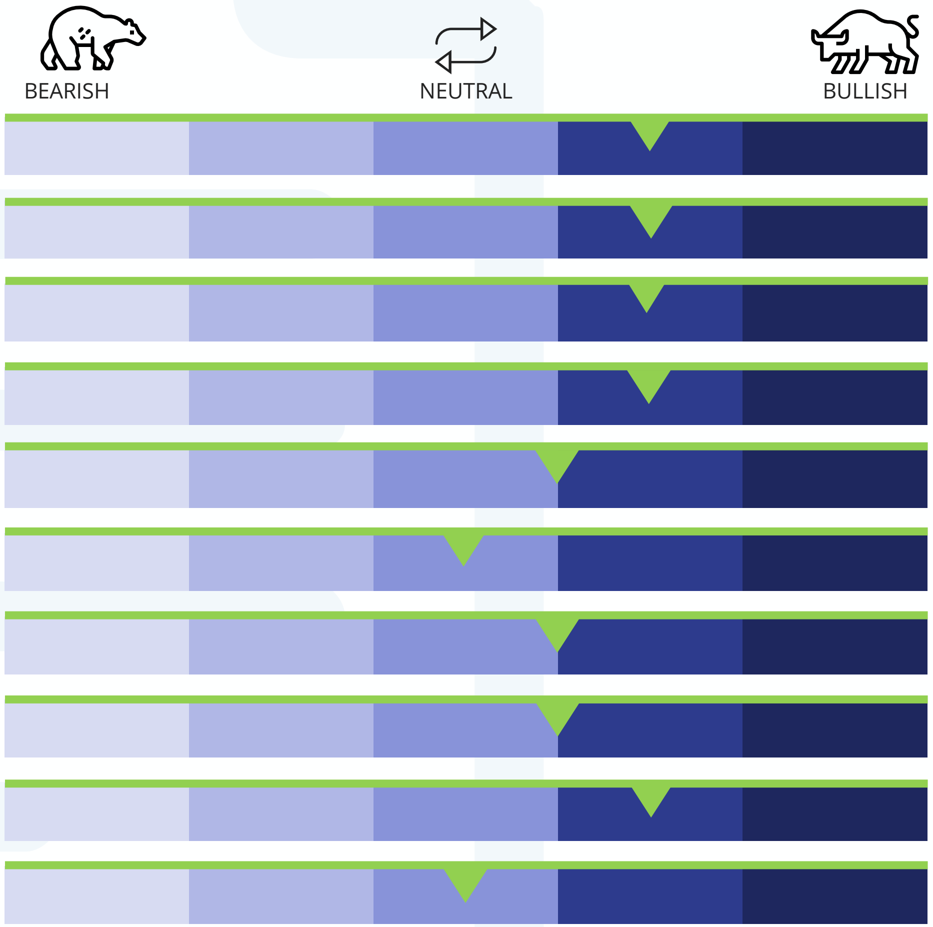
We use two factors to drive our Asset Allocation weights: Valuation and Technicals. While we do not want to fight the trend (technicals), we also do not want to disregard valuations. Cheap can get cheaper and expensive can get more expensive.

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

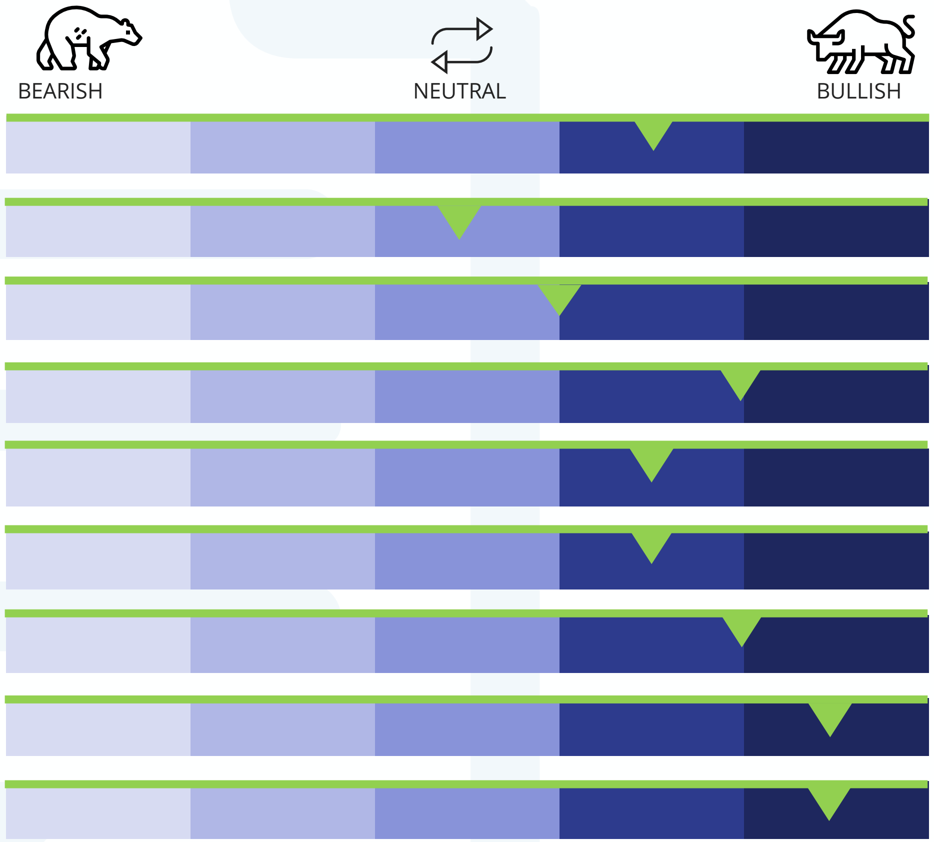
12-18 MONTH EQUITY ASSET ALLOCATION WEIGHTINGS



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

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

OUTLOOK

12-18 MONTH ASSET ALLOCATION OUTLOOK

The one-way rally that started in late October, lost some steam during the latest quarter, but has regained momentum since the start of June, at least for Large Cap Tech. Fixed Income continued consolidating the 4th quarter rally, but is trying to regain momentum in June.

The economic resilience is showing signs of wavering but is still good. Moderating inflation seems to be pausing but hasn't definitely turned higher. The Fed continues to push out the start of rate cuts, which is helping fixed income as the market expects that to help hold inflation at bay, though holding back several areas of the equity markets that rely on lower costs of capital. Continued earnings growth in Mega Cap Tech is dragging the markets higher because of their large weightings in the indices.

Technicals generally shuffled lower within equity, with the odd couple, Large Cap Growth and Emerging Markets improving a notch. Fixed income had very little change, though that was more the result of me using rose colored glasses with the ratings last quarter. Fixed Income under the hood generally improved.

Notable Changes

- Large cap Growth has reasserted its dominance while value has languished, thus removing 1 portion of the Value overweight, with potential for more next quarter.
- The Fixed Income markets are trying to move up and out of the large 6-month consolidation of the 4th quarter rally. The defensive Fixed Income and Short Maturity T-Bill loan categories continue to have very Bullish postures.
- Opportunistic Strategies maintained risk-on for Fixed Income, with Floating Rate Senior Bank Loans, loving higher rates and a stable economy. Equity, remains allocated to Emerging Market Small Caps. Real Estate had substantial weakness mid-period but recovered by the end of the period. I still have concerns about the potential secular decline of Commercial RE and so the leash is not very long on this segment, stay tuned.

DISCLOSURES

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