2024 3Q
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?

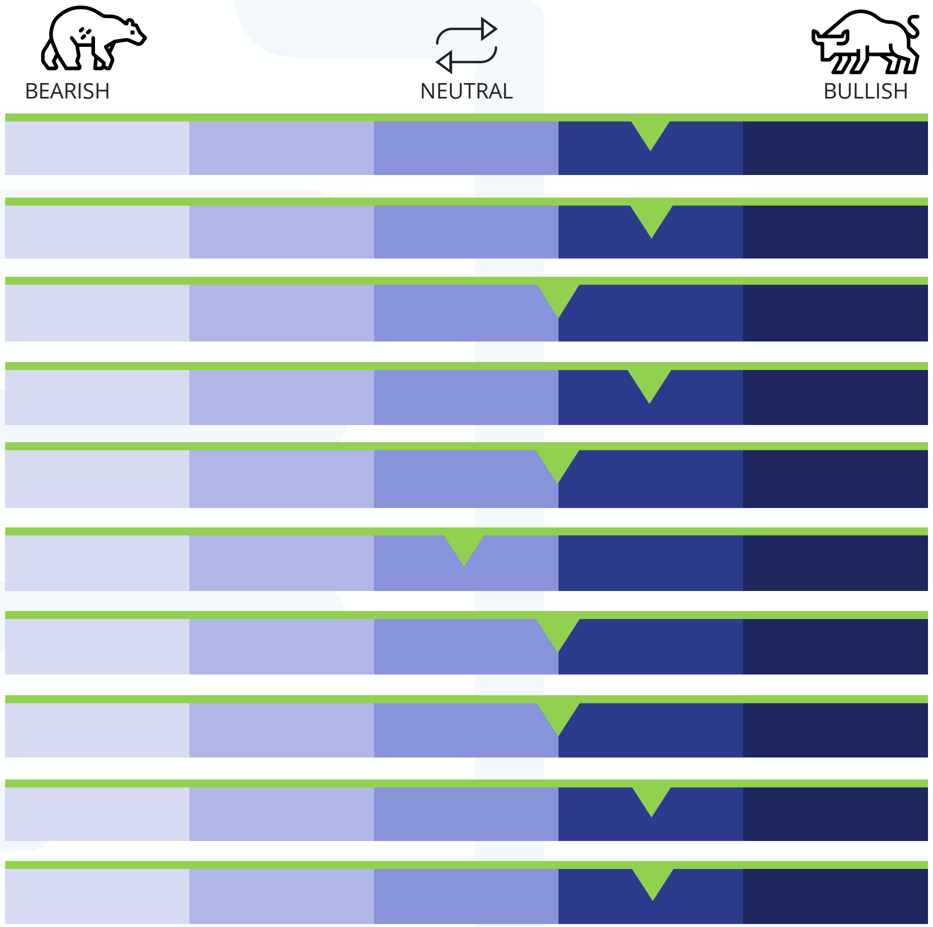
We use two factors to drive our Asset Allocation weights: Valuation and Technicals. While we do not want to fight the trend (technicals), we also do not want to disregard valuations. Cheap can get cheaper and expensive can get more expensive.

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



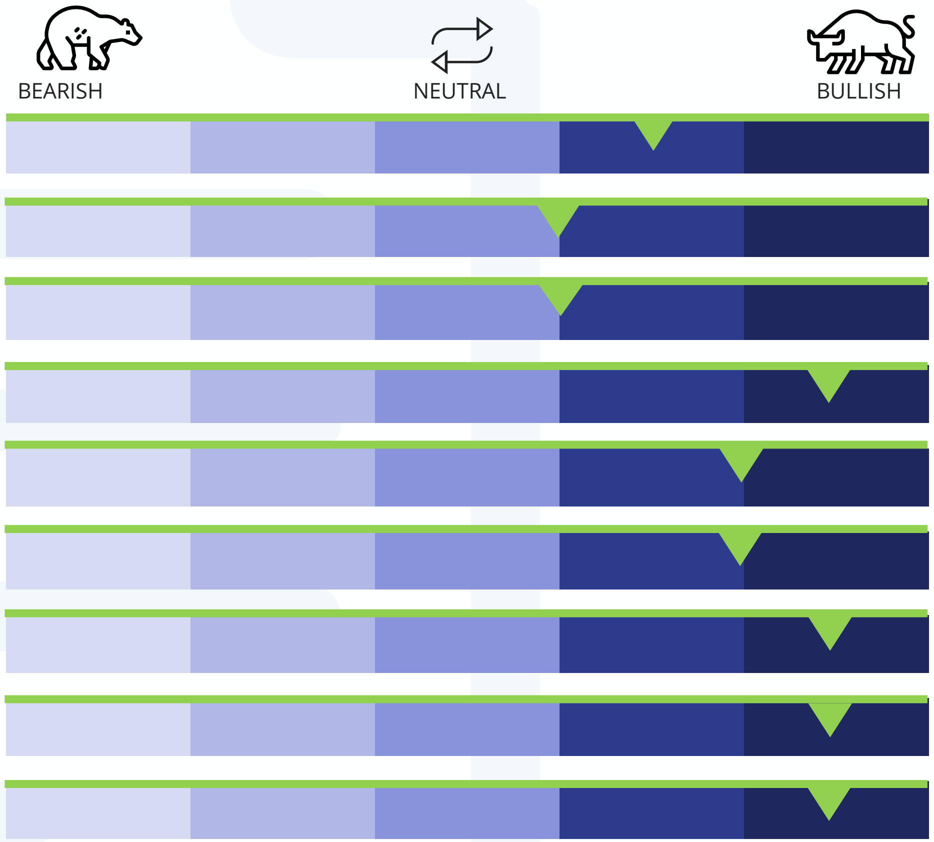
	VALUATION	TECHNICALS
U.S. Equities	Very Expensive	Positive
U.S. Value	Fair Value	Very Positive
U.S. Growth	Very Expensive	Positive
U.S. Large Cap	Very Expensive	Positive
U.S. Mid Cap	Less Expensive	Neutral
U.S. Small Cap	Less Expensive	Neutral
Int'l Dev Equity	Fair Value	Positive
Emerging Mkt Equity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

FIXED INCOME

Asset Allocation Outlook

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	Positive
Short Duration	Cheap	Very Positive
Corporate High Quality	Less Expensive	Positive
Mortgage-Backed Sec.	Fair Value	Positive
Low Quality Fixed Inc	Expensive	Very 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, up over 50% on the S&P 500, is seeing more two-way action, but is still moving upward overall. Fixed Income finished consolidating and had a very strong rally the last 3 months.

The economic resilience continues to show signs of wavering but is still good. Year-over-year inflation continues to moderate, though month-to-month is perking up a little. The Fed now seems eager to start cutting rates this week, which is helping fixed income as there is a perception of incoming recession. However, equity markets are holding steady on lower costs of capital and a soft landing.

Technicals generally held within equity, in the neutral plus to moderately bullish range. Fixed income generally moved up a notch, though 4 segments are pegged at very bullish. In all the years of doing this Outlook, I don't remember a time that Equity and Fixed Income both had so many Bullish ratings. Yet, there is still chatter about an imminent collapse…

Notable Changes

- Large cap Growth slipped a notch as Value improved technically, thus maintaining a slight overweight in Value.
- The Fixed Income markets moved out of the large 6-month consolidation and staged another impressive rally the last 3 months. 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, still loving higher rates and a stable economy. Equity, remains allocated to Emerging Market Small Caps. Real Estate, which, honestly, I almost pulled the plug on last quarter, staged a massive rally of over 17%. My longer-term concerns about the potential secular decline of Commercial RE, remain, but the improvement in technicals suggests maybe more is priced in than I thought.

DISCLOSURES

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