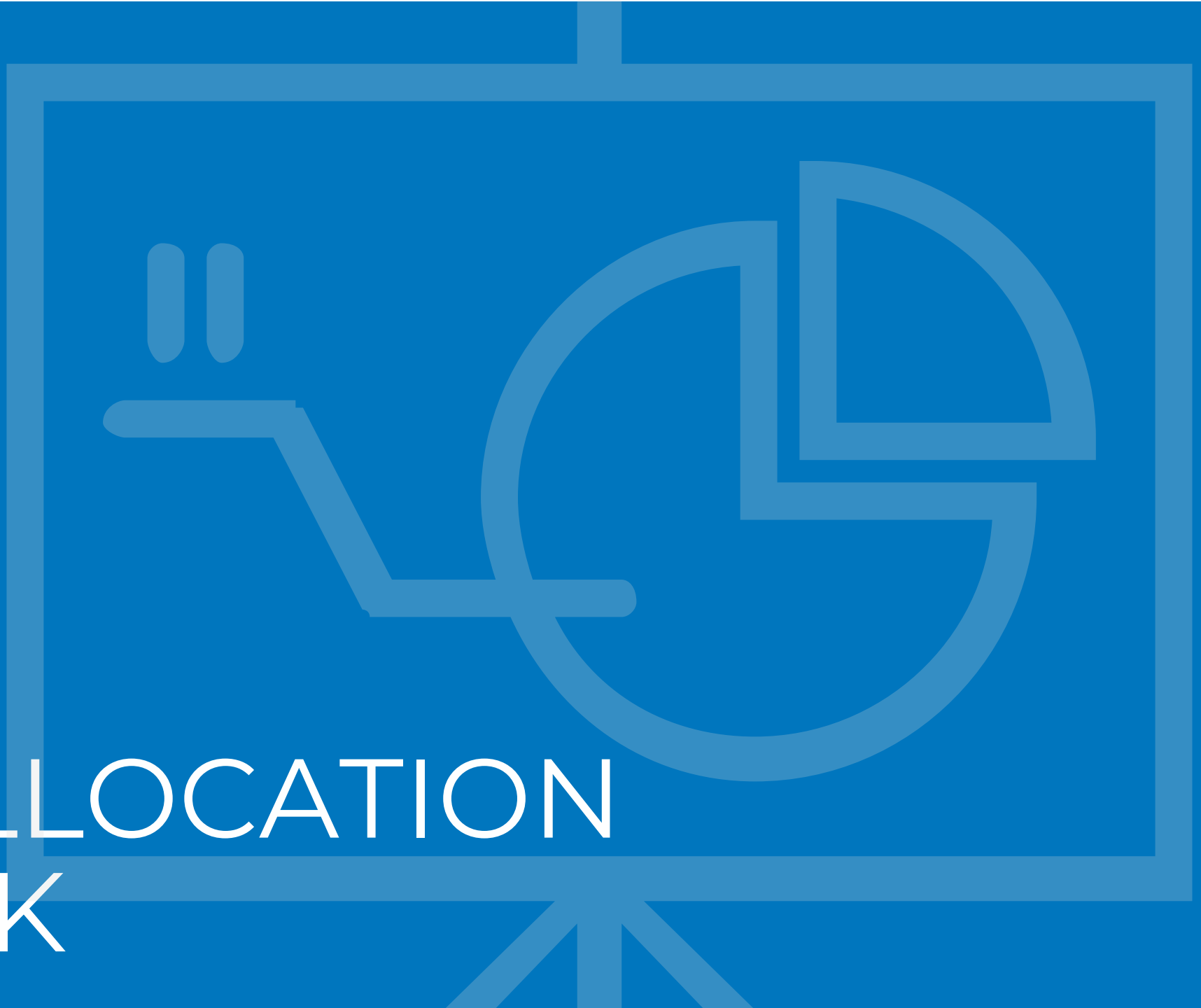


2026 3Q ASSET ALLOCATION OUTLOOK



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WATERROCK
GLOBAL ASSET MANAGEMENT LLC



CIO SUMMARY

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Chief Investment Officer



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.

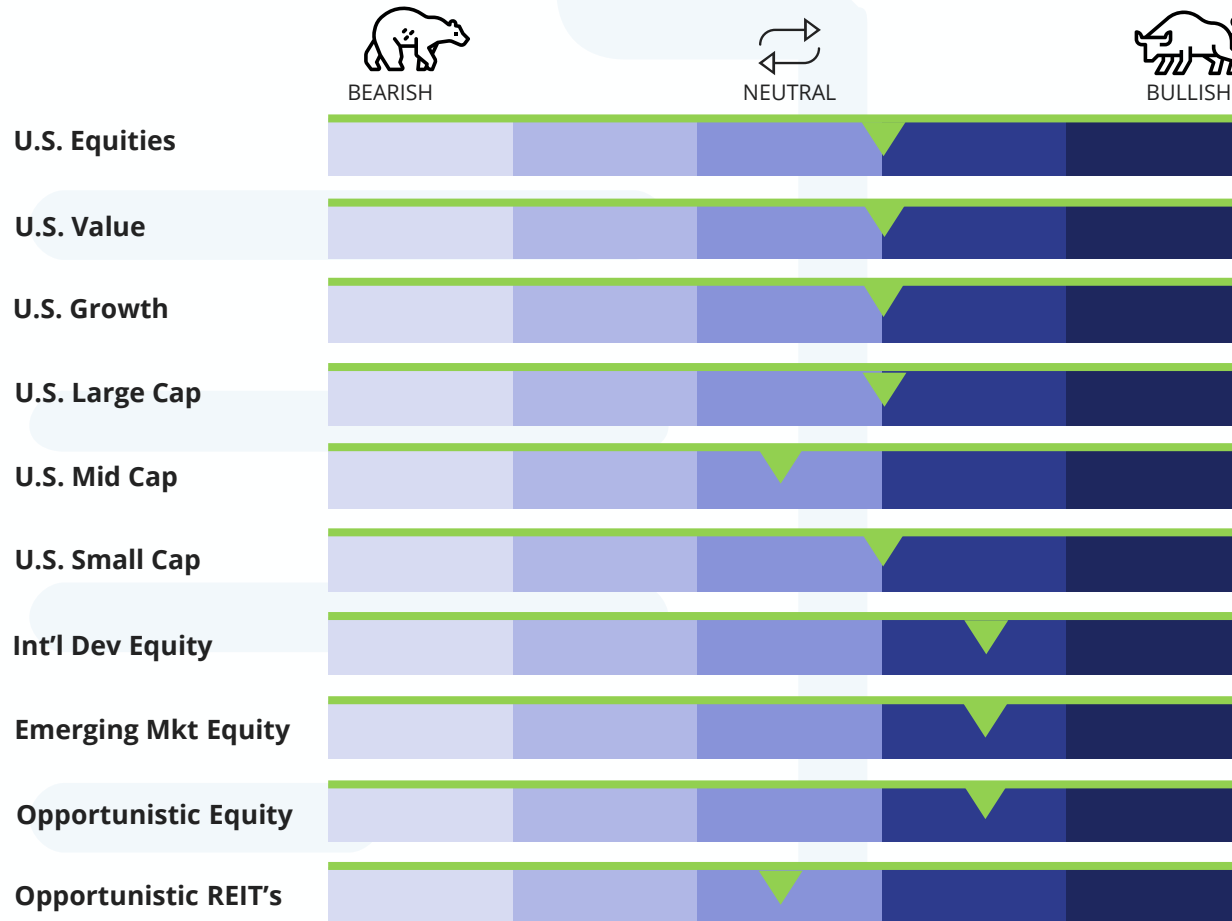
As an example, growth had outperformed value for a decade and had been expensive for a few years, but it just kept getting more expensive. Conversely, value just kept getting cheaper but got so cheap that an overweight position seemed merited. However, all things are cyclical and now Growth has reasserted dominance and we are adjusting to that reality.



EQUITIES

↓ EQUITIES

12-18 MONTH EQUITY ASSET ALLOCATION WEIGHTINGS



VALUATION

TECHNICALS

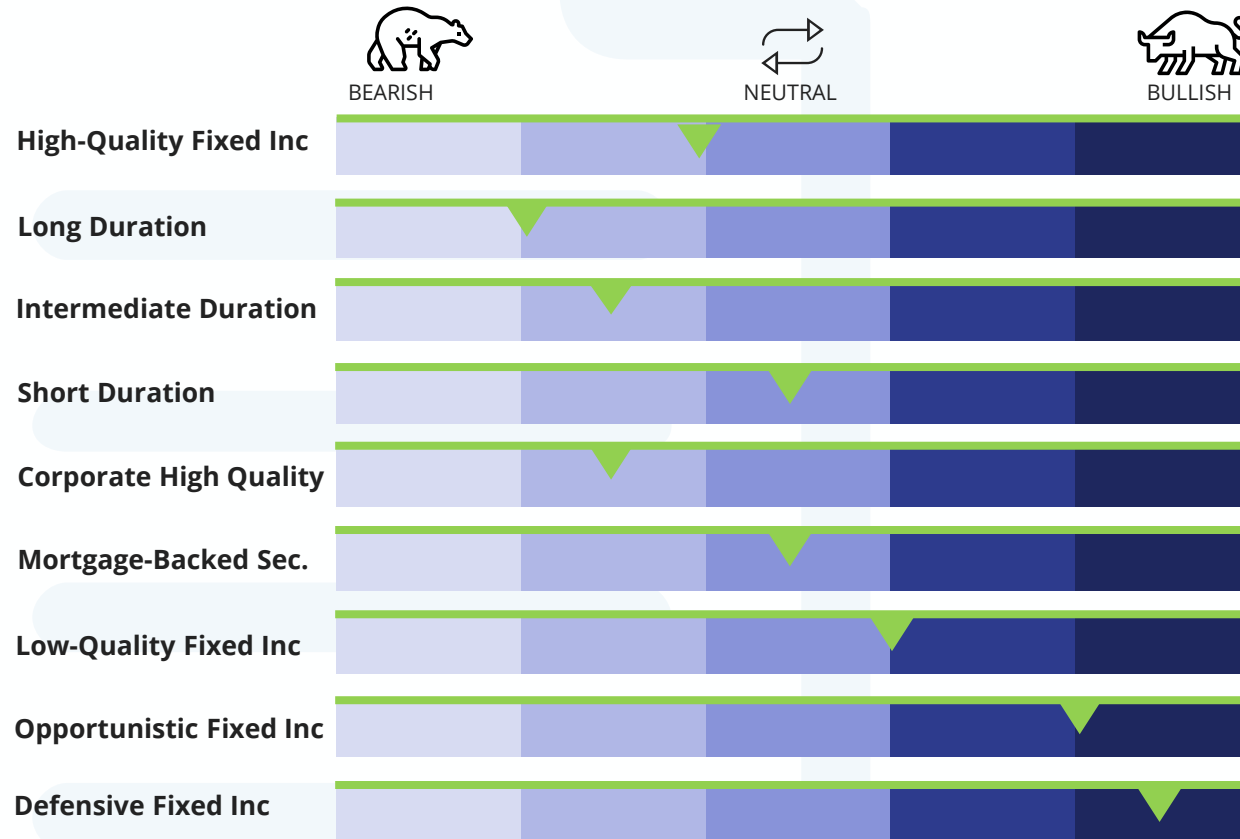
Expensive	Consolidating
Fair Value	Consolidating
Expensive	Consolidating
Expensive	Consolidating
Fair Value	Weakening
Fair Value	Weakening
Fair Value	Consolidating
Cheap	Consolidating
Cheap	Consolidating
Expensive?	Weakening

A decorative graphic consisting of two large, light purple circles and a thick, light purple diagonal line that runs from the bottom-left towards the top-right. The circles are positioned in the upper-left and lower-right corners, while the line crosses the center of the image.

FIXED
INCOME



12-18 MONTH FIXED INCOME ASSET ALLOCATION WEIGHTINGS



VALUATION

TECHNICALS

Fair Value

Weakening

Fair Value

Weak

Fair Value

Weak

Fair Value

Weakening

Modestly Expensive

Weak

Fair Value

Weakening

Expensive

Weakening

Fair Value

Positive

Fair Value

Very Positive

A stylized graphic on a dark blue background. It features a bar chart with four bars of increasing height from left to right. A large, light blue arrow points upwards and to the right, starting from the top of the first bar and extending towards the top right corner. The word 'OUTLOOK' is written in white, uppercase, sans-serif font across the middle of the chart.

OUTLOOK

12-18 MONTH ASSET ALLOCATION OUTLOOK

The Iran conflict/war just won't end and is causing oil and related prices to stay high, driving inflation concerns. The Equity markets were relatively flat on strong earnings reports. The Fixed Income markets got slammed on the renewed price increases of the aforementioned oil and related price increases. The Fed met last week and raised interest rates for the first time in 3 years. The challenge, can higher rates produce more oil products? Can the Fed meaningfully slow down the AI buildout without crushing the rest of the economy? Seems like a square hole round peg quandary.

The economic data remains reasonable, but the prospect of supply inflation is causing the Fixed Income market to continue selling bonds. The employment situation seems to be holding steady as well. The challenge remains the conflicts in Iran and Russia are having an outsized impact on oil prices and driving inflation concerns. Monetary and fiscal policy can't fix those issues, but policy makers feel compelled to "do" something rather than admit they don't have the tools to resolve those issues.

Equity markets generally shuffled toward Neutral with consolidation phases and in some cases weakening phases. U.S. Mid and Small-cap had false breakouts. Mid-cap so much so that more weighting was shifted to Large-cap. Fixed Income is generally weak and most shifting toward bearish.

Notable Observations

- U.S. Mid-cap and Small-cap relative strength vs. U.S. Large-cap was short lived. We moved Mid-cap more underweight and allocated that back to Large Cap. Small-cap retained its' overweight position, though is on watch.
- Fixed Income weakened in the period, and we are reducing duration and increasing defensive floating rate Treasuries.
- Opportunistic Fixed Income strategy shifted from Emerging Market Debt to Senior Floating Rate Bank Loans. Equity remains in U.S. Micro-cap though is on watch as well. U.S. Real Estate continued to rally the first half of the period and then gave it all back. Real Estate is back on a short leash.



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2026 3Q ASSET ALLOCATION OUTLOOK

