2024 4Q
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?

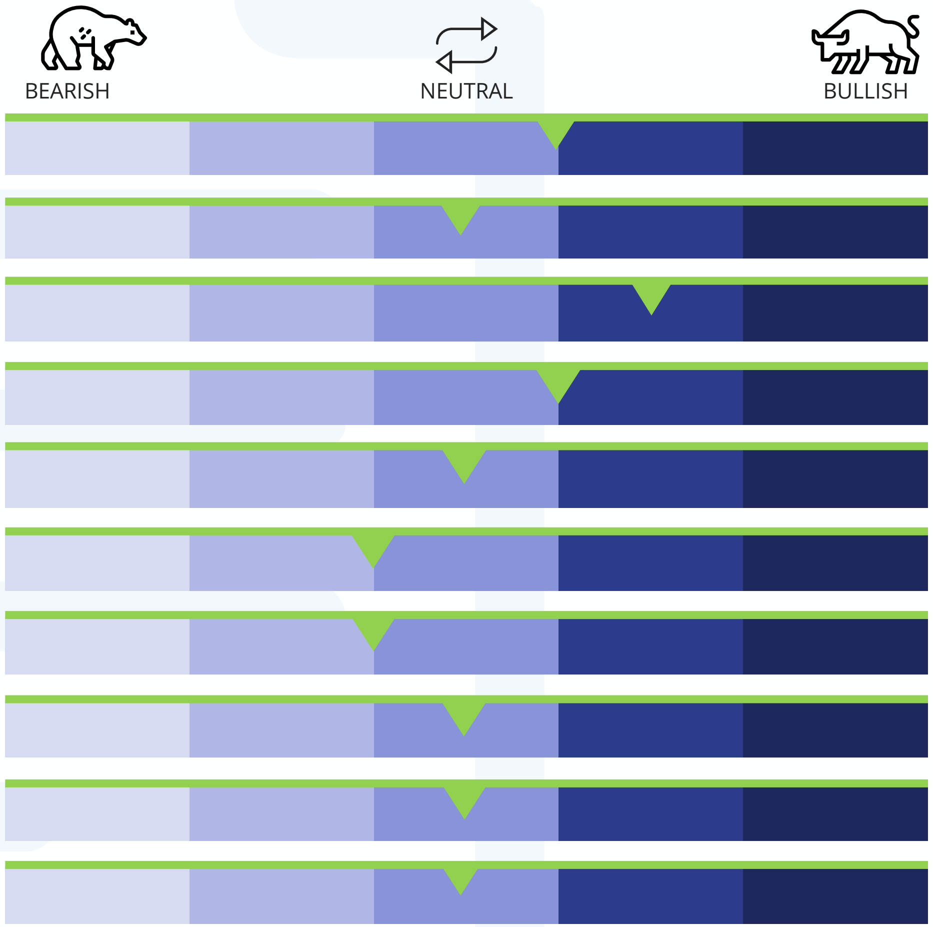
We use two factors to drive our Asset Allocation weights: Valuation and Technicals. While we do not want to fight the trend (technicals), we also do not want to disregard valuations. Cheap can get cheaper and expensive can get more expensive.

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



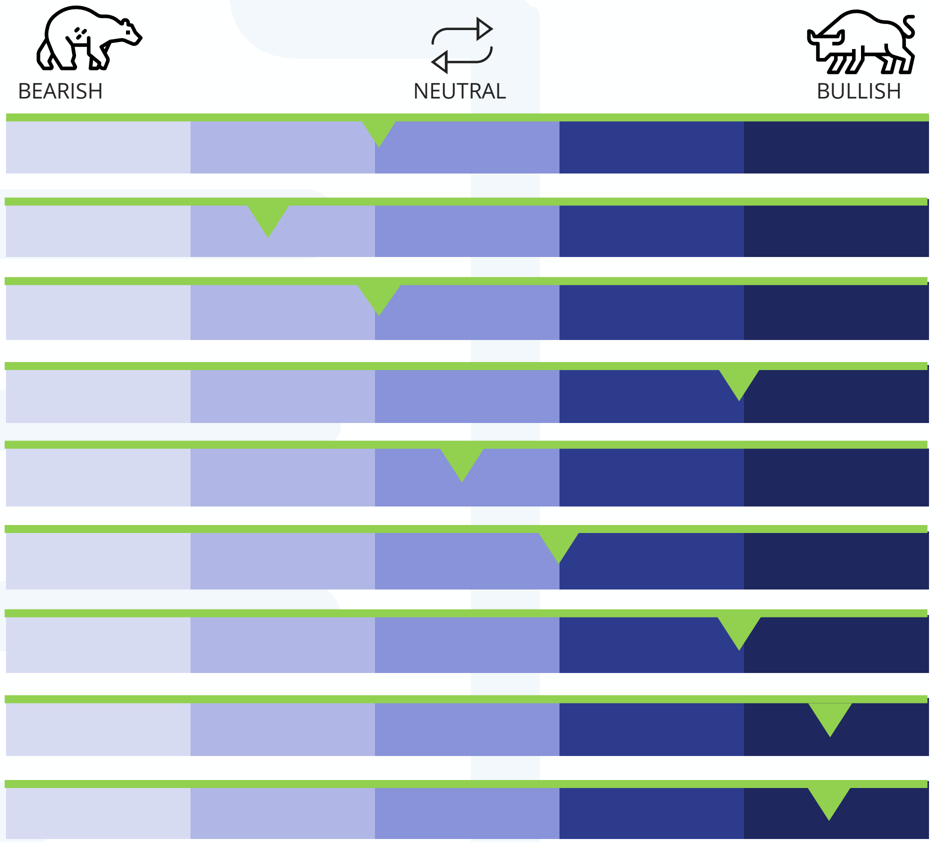
	VALUATION	TECHNICALS
U.S. Equities	Very Expensive	Positive
U.S. Value	Fair Value	Neutral
U.S. Growth	Very Expensive	Positive
U.S. Large Cap	Very Expensive	Positive
U.S. Mid Cap	Less Expensive	Neutral
U.S. Small Cap	Less Expensive	Neutral
Int'l Dev Equity	Fair Value?	Negative
Emerging Mkt Equity	Cheap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

FIXED INCOME

Asset Allocation Outlook

FIXED INCOME

12-18 MONTH FIXED INCOME ASSET ALLOCATION WEIGHTINGS



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

OUTLOOK

OUTLOOK

12-18 MONTH ASSET ALLOCATION OUTLOOK

The rally has continued for over a year viewed through the S&P 500, though seeing more pronounced bumps along the way. The Fed cut Thursday was the bump with an exclamation point! Fixed Income's consolidation became a bloodbath with rates rallying and prices falling.

The economic resilience continues to be good, baffling most. The Fed rate cutting cycle began around the time of the last review with two additional cuts. Growth, i.e., Tech has responded favorably, but especially the month of December has been downright ugly for basically everything else. Hope continues to spring eternal for a soft landing, though Bonds and Value related segments seem to be pricing in a resurgence of inflation

Technicals weakened within equity, except for Growth which ticked up 1 notch. All else generally dropped a notch or two. Fixed income generally plunged, the longer the duration and higher quality the bigger the drop from 1 to 3 notches. Floating rate and short duration generally held bullish positions. In the last Outlook I commented not recalling so many Bullish ratings. That is no longer the case!

Notable Changes

- Large Cap Growth moved up a notch as Large Cap Value declined every day in December until Friday.
- The Fixed Income markets rolled over hard and have broken the 50-day moving average and in come cases the 200-day moving average, i.e., negative price action. The defensive Fixed Income and Short Maturity T-Bill loan categories continue to have very Bullish postures. High yield, protected with the higher coupon?, held up.
- 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 was in consolidation mode until plunging on the latest Fed rate cut. I still have longer-term concerns about the potential secular decline in Commercial RE, so the leash is not very long on this one.

DISCLOSURES

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