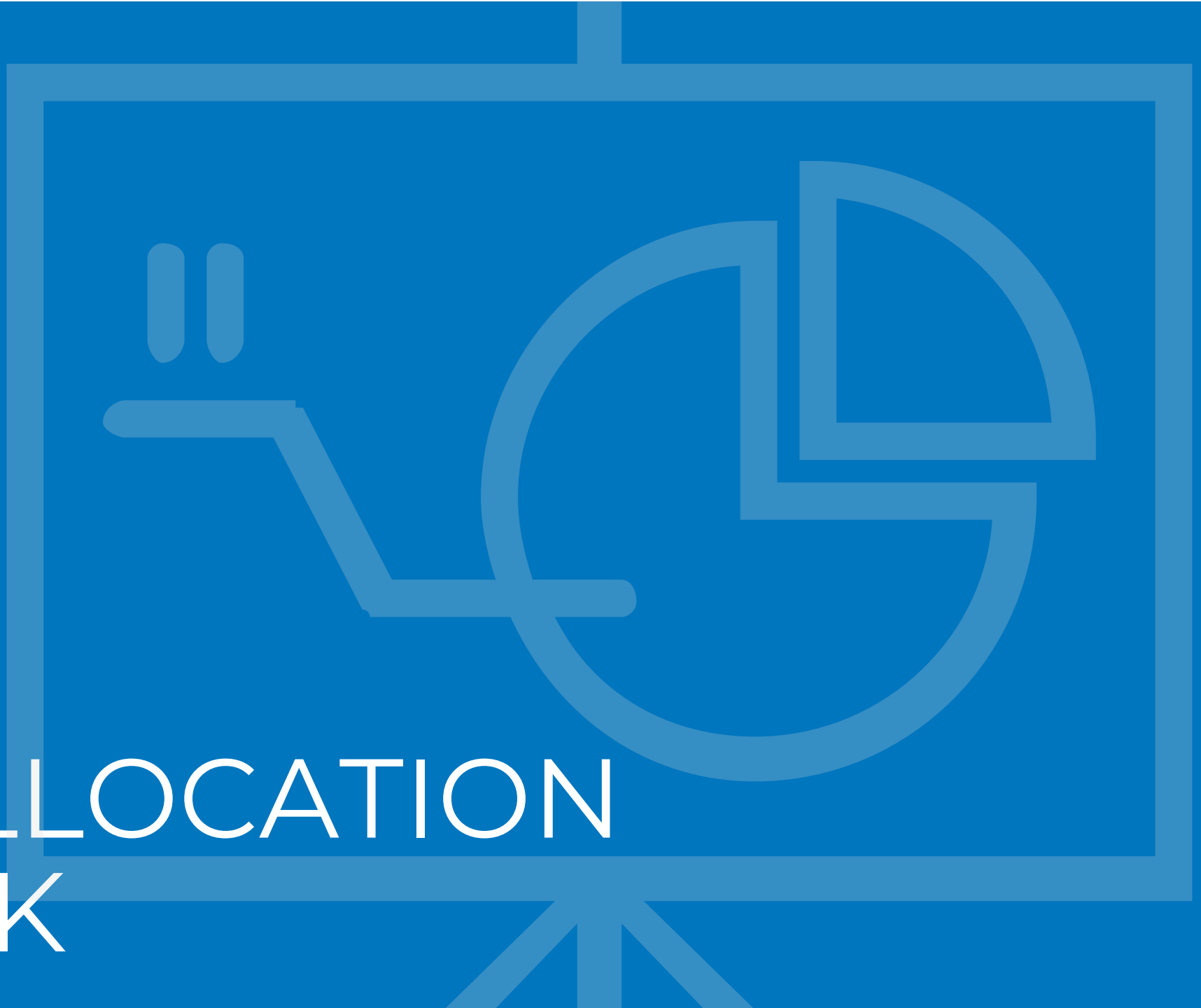


# 2025 2Q ASSET ALLOCATION OUTLOOK



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WATERROCK  
GLOBAL ASSET MANAGEMENT LLC

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# CIO SUMMARY

**Kevin M. Churchill, CFA®, CFP®**  
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.

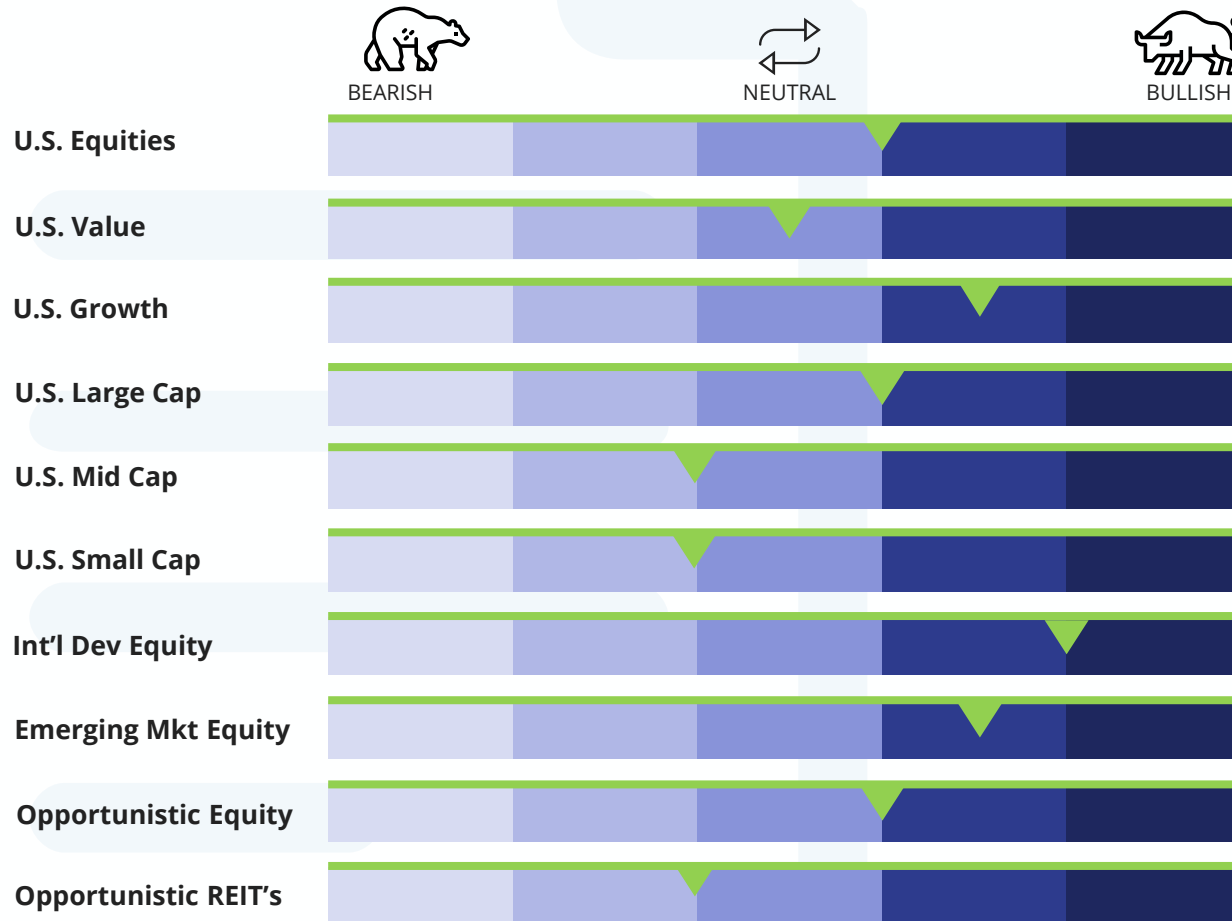
As an example, growth had outperformed value for a decade and had been expensive for a few years, but it just kept getting more expensive. Conversely, value just kept getting cheaper but got so cheap that an overweight position seemed merited. However, all things are cyclical and now Growth has reasserted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



EQUITIES

↓ EQUITIES

## 12-18 MONTH EQUITY ASSET ALLOCATION WEIGHTINGS



VALUATION

TECHNICALS

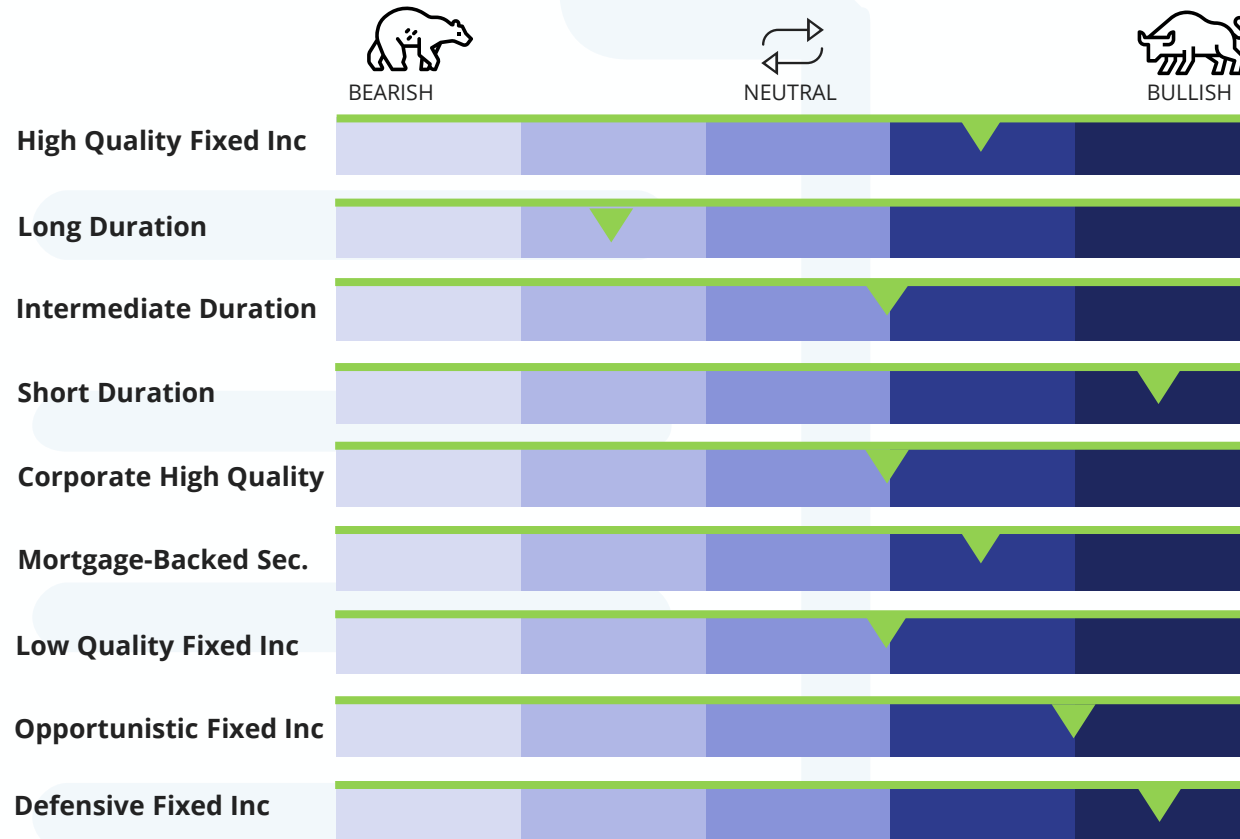
Expensive	Improving
Fair Value	Consolidating
Expensive	Improving
Expensive	Improving
Fair Value?	Neutral
Fair Value?	Neutral
Fair Value	Very Positive
Cheap	Positive
Cheap	Improving
Expensive?	Consolidating

A decorative graphic on a solid purple background. A thick, lighter purple diagonal line runs from the bottom-left towards the top-right. Two large, hollow, light purple circles are positioned on the left side of the image, one near the top and one near the bottom, partially overlapping the diagonal line.

FIXED  
INCOME



## 12-18 MONTH FIXED INCOME ASSET ALLOCATION WEIGHTINGS



VALUATION

TECHNICALS

Fair Value

Consolidating

Fair Value

Negative

Fair Value

Consolidating

Cheap

Positive

Less Expensive

Consolidating

Fair Value

Consolidating

Expensive

Positive

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 quick selloff at the end of last quarter, became a mini-crash on the heels of the tariffs, as reflected in the S&P 500. However, a couple of tariff pauses had the S&P 500 nearing all-time highs again. The recent breakout of war between Israel and Iran leaves new questions on the market's direction. Fixed Income generally consolidated, though risk-on categories performed well.

The economy still seems reasonable; unemployment has ticked up and inflation is moderating. However, The Fed continues talking tough about not cutting for a while. This week the Fed meets again; will they change their tune?

Technicals bounced significantly within U.S. Large Cap Growth, International continued to see positive improvements. Fixed income generally moved to consolidating though higher risk Income moved to positive.

### Notable Changes

- Large Cap Growth left Large Cap Value in the dust and moved back to full overweight, while mid and small languish and moved to moderate underweights.
- International strengthened, I saw the chart and said Holy \*!\*, 🙌, moves to a full overweight position as well, which hasn't happened in a very long time, but is well into new high territory while the U.S. remains below all-time highs.
- Fixed Income didn't have any allocation changes but generally remained in the positively neutral range with Floating rate/short duration still holding the most positive ratings, though longer duration moved to negative.
- Opportunistic Strategies maintained risk-on for Fixed Income. Equity, remains allocated to Emerging Market Small Caps, though International Small Cap is making a strong argument for a shift. Real Estate remains the weakest of the risk-on allocations, though International is showing meaningful strength and may supplant the U.S. exposure. My longer-term concerns about a potential secular decline in U.S. Commercial RE remains and a shift to International may be the right move.



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