

NAVIGATING UNCERTAINTY WITH AN ADAPTIVE ALL-SEASON STRATEGY

The core objective of an adaptive "all-season" investment philosophy is to build portfolios capable of navigating the distinct phases, or "seasons," of the economic cycle – from robust growth ("summer") to slowdown or recession ("autumn" and "winter"), and through periods of changing inflation ("spring" transitions). Markets are dynamic, and different asset classes can potentially thrive in different economic seasons. Equities typically lead during growth phases, government bonds often provide stability during downturns or deflationary scares, while commodities and gold may serve as valuable hedges during inflationary periods.

THE LIMITS OF FIXED ALLOCATIONS IN SHIFTING SEASONS

A traditional, fixed allocation approach, while offering basic diversification, can leave investors exposed when the economic season shifts or during periods of market stress. For instance, unexpected events like heightened geopolitical tensions or sudden policy changes, such as the tariff discussions that emerged this April, can significantly impact asset performance and signal a potential change in the prevailing market climate.

MARKET REACTION TO TARIFF CONCERNS: A CHANGE IN THE WEATHER

The recent focus on potential new tariffs introduced a layer of uncertainty into the markets this April, acting like a sudden storm within the broader economic season. We observed related market reactions:

- **Equities Under Pressure:** Concerns about tariffs impacting international trade, corporate earnings, and global growth weighed on equity markets, particularly those sensitive to global economic conditions.
- **Increased Demand for Safe Havens:** In times of uncertainty, investors often seek shelter in assets perceived as safer. This increased demand for high-quality government bonds (often favored in economic "winter") and potentially gold, historically viewed as a store of value during instability.
- **Commodity Volatility:** Specific commodities reacted based on anticipated shifts in supply, demand, and trade flows resulting from the proposed tariffs, causing volatility irrespective of the broader season.

THE ADVANTAGE OF AN ADAPTIVE ALL-SEASON STRATEGY:

This is precisely where an adaptive all-season strategy may demonstrate its value. Instead of remaining static, our approach continuously analyzes market signals – primarily trends and risk levels – across these broad asset classes to understand the current economic season and anticipate potential shifts.

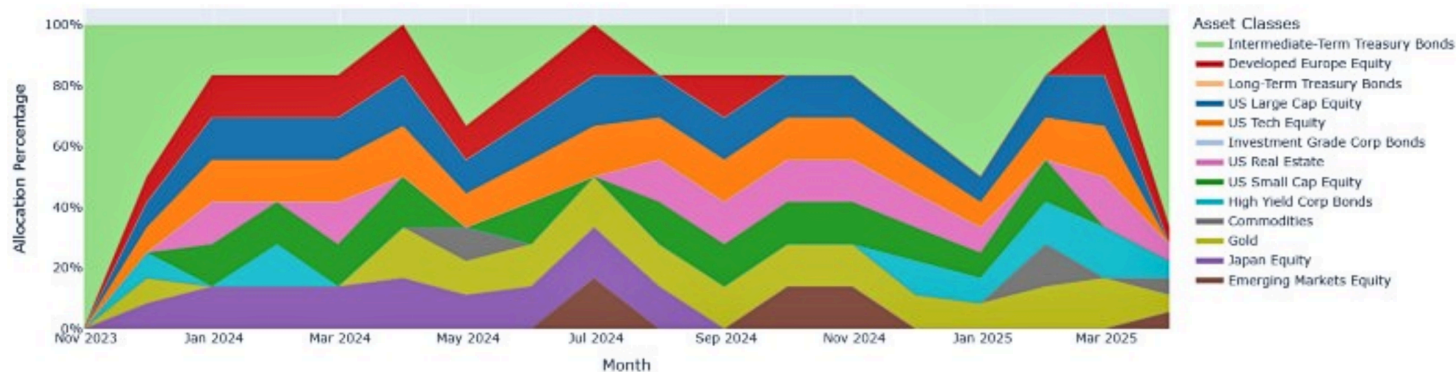
- **Proactive Risk Management:** Adaptation allows the portfolio to respond defensively to emerging risks, like those posed by trade disputes, regardless of the dominant economic season, rather than simply absorbing the full impact.
- **Capitalizing on Seasonal Shifts:** It enables the portfolio to pivot towards asset classes suited for the prevailing or emerging economic environment.
- **Disciplined & Objective:** By relying on data-driven signals, the strategy avoids emotional reactions to headlines and focuses on quantifiable market behavior indicative of the underlying economic season and risk levels.

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Events like the recent tariff discussions highlight the unpredictable nature of markets and how quickly conditions can change. An adaptive all-season strategy is designed for precisely these types of environments. By systematically adjusting allocations based on evolving market trends and risks across global equities, bonds, and real assets, we aim to navigate the different economic seasons, manage downside potential during transitions or unexpected storms, and position the portfolio to help perform resiliently, whatever climate or geopolitical events lie ahead. This disciplined adaptability can be fundamental to help achieve more consistent long-term outcomes through all market cycles.

The **Defender Strategy** has been shifting its allocation out of US equities and into defensive assets in response to growing market uncertainty. As illustrated in the accompanying chart, over the past two months we have increased exposure to intermediate-term Treasuries, gold, and commodities. These moves reflect a strategic reallocation away from risk assets and into areas traditionally associated with capital preservation and inflation hedging. This transition is not a prediction, but a reaction to observable shifts in market behavior—namely, rising volatility, softening equity momentum, and heightened macroeconomic concerns tied to trade tensions. The adjustments underscore our commitment to a disciplined, trend-responsive approach that emphasizes risk management and resilience. In uncertain times, maintaining the flexibility to adapt isn't just a feature of the strategy—it's the foundation.

Monthly Portfolio Allocation Trend (End of Month)



An "all season" investment strategy aims to perform well in various market conditions through diversified asset allocation. However, there is no guarantee of achieving positive returns in all market environments. Investors should be aware that market fluctuations and economic changes can impact performance.

Investing involves risk, including loss of principal. Past performance does not guarantee future results. No investment strategy or diversification can ensure a profit or eliminate the risk of loss.

Risks specific to the Defender Strategy include Management Risk, High-Yield Bond Risk, Fixed-Income Securities Risk, Equity Securities Risk, Foreign Investment Risk, Market Risk, Emerging Markets Risk, Real Estate and REITs Risk, Commodities Risk, Tax Risk, Underlying Funds Risk, Derivatives Risk, Non-Diversification Risk, Turnover Risk, US Government Securities Risk, Models and Data Risk, Momentum Risk, and Limited History of Operations Risk.

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