

Global Asset Allocation ETF Strategies

Performance Commentary | Third Quarter 2025

EQUITY ALLOCATION PERFORMANCE

Contributors

- US Large Cap Growth
- International Equities

Detractors

- All segments positive on the quarter

As the policy backdrop turned accommodative following the tariff shock in April, nearly all asset classes were well supported. Equity markets led the way, reaching all-time highs across many segments. Global equities returned 7.5% for the quarter as fears of tariff disruption faded, and even a negative labor revision merely reinforced expectations of a more accommodative Fed policy. Fiscal support through tax cuts further buoyed expectations of continued economic expansion.

The equity strategy delivered a positive quarterly return, with all segments contributing. US large-cap growth was the biggest driver, rebounding sharply from April lows, while international equities maintained their strong performance.

Notable Portfolio Adjustments During the Quarter

- Added US Small Cap
- Initiated US Healthcare Sector
- Exited US Banks
- Trimmed International Dev. Exposure

OUTLOOK & CURRENT POSITIONING

- The US economy continues to expand at a steady pace, with disinflation in housing and services helping to contain tariff-related pressures. The policy environment is expected to remain supportive for both markets and the broader economy over the next 12 months.
- Within multi-asset and equity strategies, we remain fully invested in equities. While valuations are elevated, the combination of supportive policy and growth prospects suggests further upside for the asset class. Our equity exposure is diversified across small-cap, value, and quality styles, with overweight positions in software and healthcare providers.
- Fixed income positioning remains yield-focused, with a modestly long duration stance. We maintain overweight exposure to spread sectors, including full allocations to credit, high yield, and preferred securities, along with a substantial allocation to MBS — particularly within actively managed strategies.

FIXED INCOME ALLOCATION PERFORMANCE

Contributors

- MBS
- Preferreds

Detractors

- All segments positive on the quarter

Bonds drew support from Fed easing, prompted by softer labor data, while inflation remained subdued. Longer-term yields held firm, as increased T-bill issuance helped limit the supply of long-term Treasury debt. Agency MBS emerged as the standout, sharply outperforming as bond yields stabilized. Meanwhile, corporate credit continued to grind tighter, supported by a policy and economic environment that largely ruled out any near-term systemic credit risks.

The fixed income strategy posted a positive quarterly return and outperformed the bond benchmark, driven by strong performance in the strategy's MBS and preferred stock allocations.

Notable Portfolio Adjustments During the Quarter

- Increased Active Securitized Strategies
- Trimmed Indexed Agency MBS
- Trimmed Bank Loans

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