Visit our website!

ETF Strategies

3Q 2026

Strategy Overview

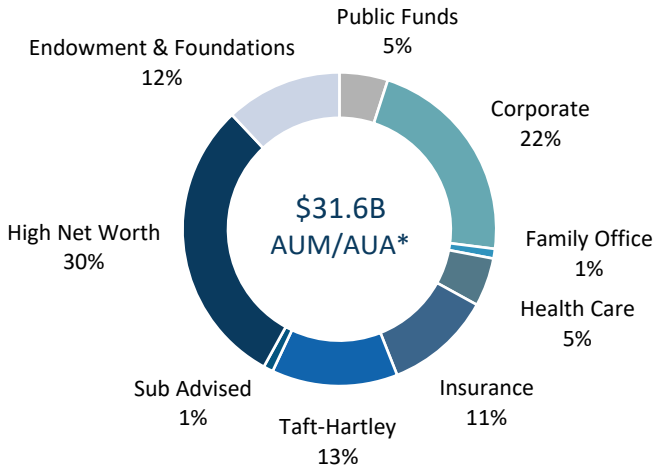
Sage Advisory Services
5900 Southwest Parkway
Building 1, Suite 100
Austin, Texas 78735

SAGE | INVEST WITH WISDOM™

Who We Are

- Founded in 1996 — Based in Austin, Texas
- 100% employee operated
- 17-member investment team has an average industry experience of 18 years

Who We Serve



Why Sage

Agility

Our size and independence as an employee-controlled firm enable us to take a nimble approach.

Alignment

We customize the investment experience to align with each client's unique objectives and needs.

Consistency

We have a tenured investment team and proven process that enable us to deliver expected results.

Culture

We are committed to cultivating a culture of service and trust among our clients, our employees, and our community.

*AUM/AUA as of 9/30/2026. ** "Who We Serve" is client type by AUM/AUA.

Executive Leadership

Robert G. Smith, III, AIF® & CIMC
President & Co-CIO
56 Years

Thomas H. Urano, CFA
Co-CIO
30 Years

Robert D. Williams, CFA
Chief Investment Strategist
30 Years

Michael D. Walton, AIF®
Managing Partner
30 Years

Robert W. Moser, CIMA®, CRPC, CFIP
Managing Partner
27 Years

Investment Management

- Portfolio Management
- Research & Strategy

Relationship Management

- Institutional
- Private Client
- Marketing Services

Enterprise Management

- Information Technology
- Operations
- Administration

Organizational Committees

Executive — Investment — Operating — Vendor Oversight — GIPS Oversight — Brokerage Oversight

Investment Team

Expert Team Specializing in Institutional Fixed Income

- *Average industry experience is 18 years*
- *Average tenure at Sage is 13 years*
- *12 CFA charterholders*

Chief Investment Officers

Robert G. Smith, III, AIF® & CIMC
President & Co-CIO

Thomas H. Urano, CFA
Co-CIO

Portfolio Management & Trading

Jeffery S. Timlin, CFA, CMT
Managing Partner | Municipal

Seth B. Henry, CFA
Partner | Securitized

Andrew K. Demand, CFA
Partner | Credit

David L. Luria, CFA
Vice President | Credit

Nicholas C. Erickson, CFA
Vice President | Securitized

Brett J. Adelglass, CFA
Associate | Municipal

Nicholas A. Barnard, CFA
Associate | Securitized

Alex Bender, CFA
Associate | Credit

Research & Strategy

Robert D. Williams, CFA
Chief Investment Strategist

Komson Silapachai, CFA
Partner | Sr. Strategist

Andrew S. Poreda, CFA
VP, Sr. Research Analyst | LDI, Responsible Investing

Emma L. Harper, CIMA
VP, Institutional Research, Client Relations | Responsible Investing

Jae Y. Song, ASA
VP, Sr. Research Analyst | LDI

Douglas A. Benning
VP, Sr. Research Analyst | General

Xochitl C. Maldonado
Research Analyst | Quantitative

Rafael Lovas
Research Analyst | LDI

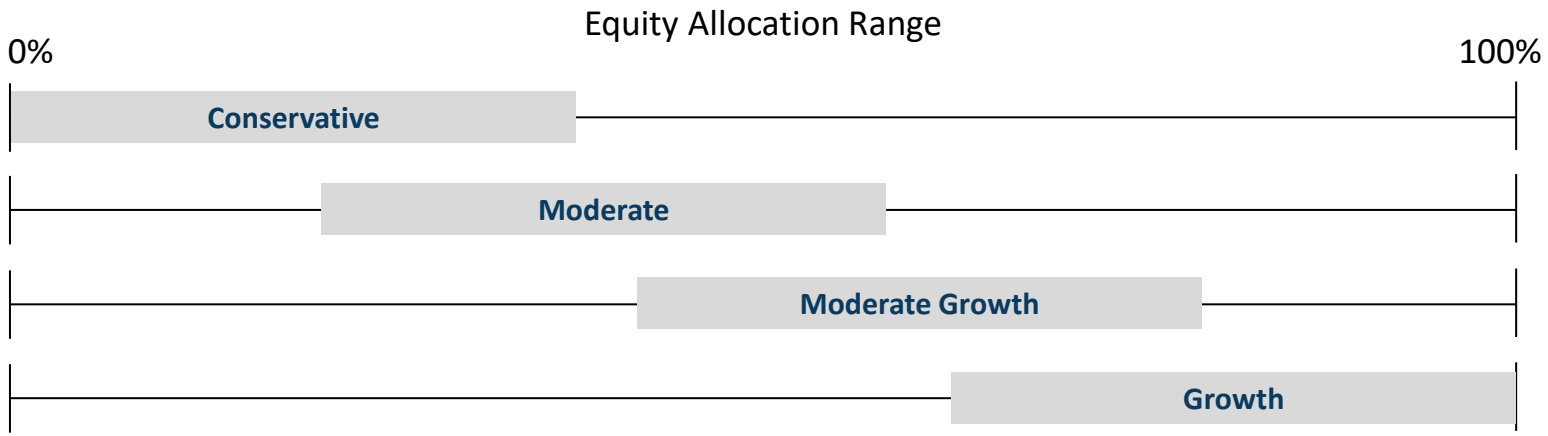
Investment Committee

ETF Strategies Overview

	Strategy	Time Horizon Years	Target Allocation*	Objective
Growth	Global Equity	10-plus	100% Equity	Focus is on capital appreciation. Investors have a longer time horizon and a higher tolerance for short-term volatility.
	Growth	7-10	80% Equity/20% Fixed Income	
	Moderate Growth	5-7	60% Equity/40% Fixed Income	
Stability	Moderate	3-5	40% Equity/60% Fixed Income	Focus is on capital appreciation and stability of returns. Investors have a short to medium time horizon, and have a lower tolerance for short-term volatility.
	Conservative	1-3	20% Equity/80% Fixed Income	
Income	Multi-Asset Income	2-5	20% Equity/80% FI and Hybrids	Focus is on income and stability of returns. The time horizon is short to medium term, and investors have a low tolerance for short-term volatility.
	Tax Aware MAI	2-5	20% Equity/80% FI and Hybrids	
	Core Plus	1-3	100% Fixed Income	

**Actual allocation may vary based on market conditions.*

Asset Allocation Strategies



Flexible Approach	*Broad Asset Class*	+/- 20% from equity/fixed income allocation target
	Equity/Alternatives	Carry up to 60% in cash and alternative asset classes combined
	Fixed Income	Utilize entire global bond market, up to 40% non-core segments

Strategies & Services

ETF Strategies

Asset Allocation
target-risk allocation strategies designed to be core solutions

Income Solutions
income strategies balance maximizing yield versus volatility

ETF Implementation
experience managing strategies using ETFs since 1998

Investment Philosophy

Top-Down View
drivers include macro, policy, valuation, and sentiment

Flexible
dynamic market segment allocation based on 3–6 month outlook

Risk Management
risk budgeting and stress testing are core to process

Investment Approach

Team Integration
Investment Committee, Portfolio Management, & Research

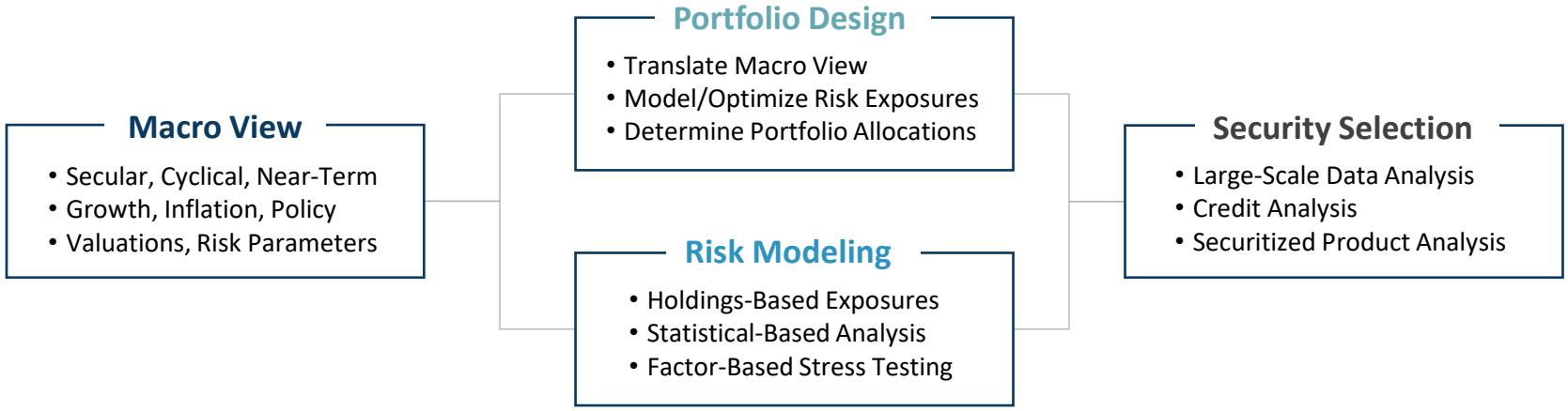
ETF Evaluation
sponsor, cost, exposure, along with factor/security composition

Portfolio Design
express macro view with portfolio design and risk management

Our Approach

Investment Process

Our teams work together to balance the development of our macro views with thoughtful portfolio design, value-driven security selection, and active risk management.



Fixed Income Market Segment Study

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
TIPS 11.63%	Treasury 13.74%	High Yield 58.20%	High Yield 15.12%	TIPS 13.56%	EM Debt 17.95%	High Yield 7.44%	US Credit 7.53%	MBS 1.51%	High Yield 17.13%	Intl Treas 9.31%	Agency 1.34%	High Yield 14.32%	TIPS 10.99%	TIPS 5.96%	Agency -7.87%	High Yield 13.45%	High Yield 8.19%	EM Debt 11.11%
Intl Treas 10.94%	Intl Treas 9.43%	EM Debt 34.22%	EM Debt 12.84%	Treasury 9.81%	High Yield 15.81%	MBS -1.45%	MBS 6.15%	EM Debt 1.29%	EM Debt 9.88%	EM Debt 8.17%	MBS 0.99%	US Credit 13.80%	Intl Treas 9.54%	High Yield 5.28%	High Yield -11.19%	EM Debt 9.09%	EM Debt 6.58%	High Yield 8.62%
Treasury 9.01%	Agency 9.26%	US Credit 16.04%	US Credit 8.47%	US Credit 8.35%	US Credit 9.37%	Agency -1.58%	Treasury 5.05%	Treasury 0.84%	US Credit 5.63%	High Yield 7.50%	Treasury 0.86%	EM Debt 13.11%	US Credit 9.35%	MBS -1.04%	MBS -11.81%	US Credit 8.18%	Agency 3.16%	MBS 8.58%
Agency 7.90%	MBS 8.34%	TIPS 11.40%	TIPS 6.31%	EM Debt 6.97%	TIPS 6.98%	US Credit -2.01%	EM Debt 4.76%	Agency -0.36%	TIPS 4.68%	US Credit 6.18%	TIPS -1.26%	TIPS 8.43%	Treasury 8.00%	US Credit -1.08%	TIPS -11.85%	Intl Treas 6.25%	US Credit 2.03%	Intl Treas 8.20%
MBS 6.90%	TIPS -2.35%	MBS 5.75%	Intl Treas 6.12%	MBS 6.32%	MBS 2.60%	Treasury -2.75%	Agency 3.65%	US Credit -0.77%	Agency 2.27%	TIPS 3.01%	Intl Treas -1.83%	Treasury 6.86%	High Yield 7.11%	Agency -1.31%	Treasury -12.46%	Agency 5.13%	TIPS 1.84%	US Credit 7.83%
EM Debt 5.16%	US Credit -3.08%	Intl Treas 4.35%	Treasury 5.87%	Intl Treas 5.24%	Agency 2.16%	EM Debt -4.12%	TIPS 3.64%	TIPS -1.44%	Intl Treas 1.87%	Agency 2.98%	High Yield -2.08%	MBS 6.35%	EM Debt 6.52%	EM Debt -1.65%	US Credit -15.26%	MBS 5.05%	MBS 1.20%	TIPS 7.01%
US Credit 5.11%	EM Debt -14.75%	Agency 1.95%	MBS 5.50%	High Yield 4.98%	Treasury 1.98%	Intl Treas -4.88%	High Yield 2.45%	High Yield -4.47%	MBS 1.67%	MBS 2.47%	US Credit -2.11%	Intl Treas 6.04%	MBS 3.87%	Treasury -2.32%	EM Debt -15.26%	Treasury 4.05%	Treasury 0.58%	Treasury 6.32%
High Yield 1.87%	High Yield -26.16%	Treasury -3.56%	Agency 4.36%	Agency 4.82%	Intl Treas 1.77%	TIPS -8.61%	Intl Treas -2.77%	Intl Treas -4.84%	Treasury 1.04%	Treasury 2.31%	EM Debt -2.46%	Agency 5.89%	Agency 2.70%	Intl Treas -8.67%	Intl Treas -19.44%	TIPS 3.90%	Intl Treas -5.97%	Agency 6.11%

Range of Opportunity: Difference Between the Top and Bottom Performing Market Segments																		
9.76%	**39.89%**	**61.76%**	**10.76%**	**8.74%**	**16.18%**	**16.05%**	**10.30%**	**6.35%**	**16.09%**	**7.00%**	**3.80%**	**8.43%**	**8.29%**	**14.63%**	**11.57%**	**9.55%**	**14.16%**	**5.00%**

Source: Bloomberg
See disclosures page for indexes used to represent market segments.

Past performance does not guarantee similar future results.

Equity Market Segment Study

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
EM Equity 39.78%	Small Value -28.92%	EM Equity 79.02%	REITs 29.58%	REITs 10.39%	EM Equity 18.63%	Small Growth 43.30%	REITs 34.62%	REITs 6.36%	Small Value 31.74%	EM Equity 37.75%	Large Growth -0.01%	Large Value 31.93%	Small Growth 34.63%	REITs 44.48%	CMDTY 16.09%	Large Growth 30.03%	Large Growth 36.07%	EM Equity 33.57%
CMDTY 16.23%	Large Growth -34.92%	Mid Caps 37.38%	Small Growth 29.09%	Large Growth 4.65%	Small Value 18.05%	Small Value 34.53%	Large Growth 14.89%	Large Growth 5.52%	Mid Caps 20.74%	Large Growth 27.44%	REITs -2.12%	Large Growth 31.13%	Large Growth 33.47%	Large Growth 32.01%	Large Value -5.22%	Large Value 22.23%	Small Growth 15.15%	Intl Equity 31.22%
Intl Equity 11.63%	CMDTY -35.65%	Small Growth 34.47%	Mid Caps 26.64%	Large Value -0.48%	Mid Caps 17.88%	Mid Caps 33.46%	Large Value 12.36%	Intl Equity -0.39%	Large Value 17.40%	Intl Equity 25.62%	Large Value -8.95%	Small Growth 28.48%	EM Equity 18.31%	Small Value 28.27%	Mid Caps -13.06%	Small Growth 18.66%	Mid Caps 13.93%	Large Growth 22.18%
Large Growth 9.13%	Mid Caps -36.23%	Intl Equity 32.46%	Small Value 24.50%	Mid Caps -1.73%	Large Value 17.76%	Large Growth 32.75%	Mid Caps 9.77%	Small Growth -1.38%	CMDTY 11.77%	Small Growth 22.17%	Small Growth -11.01%	Mid Caps 26.20%	Mid Caps 13.66%	CMDTY 27.11%	Intl Equity -14.46%	Intl Equity 18.24%	Large Value 12.29%	CMDTY 15.77%
Mid Caps 7.98%	Small Growth -38.54%	Large Growth 31.57%	EM Equity 19.20%	Small Growth -2.91%	Intl Equity 17.76%	Large Value 31.97%	Small Growth 5.60%	Mid Caps -2.18%	EM Equity 11.60%	Mid Caps 16.24%	CMDTY -11.25%	REITs 25.90%	Intl Equity 7.82%	Large Value 24.90%	Small Value -14.48%	Mid Caps 16.44%	Small Value 8.05%	Large Value 13.19%
Small Growth 7.05%	Large Value -39.22%	REITSs 24.93%	CMDTY 16.83%	Small Value -5.50%	REITs 15.35%	Intl Equity 23.57%	Small Value 4.22%	Large Value - 3.13%	Small Growth 11.32%	Large Value 15.36%	Mid Caps -11.51%	Small Value 22.39%	Small Value 4.63%	Mid Caps 24.76%	EM Equity -20.09%	Small Value 14.65%	EM Equity 7.50%	Small Growth 13.01%
Large Value 1.99%	REITs -40.93%	Large Value 21.17%	Large Value 15.10%	Intl Equity -11.73%	Large Growth 14.70%	REITs -1.45%	EM Equity -1.82%	Small Value -7.47%	Large Growth 6.89%	Small Value 7.84%	Small Value -12.86%	Intl Equity 22.01%	Large Value 1.36%	Intl Equity 11.26%	REITs -25.85%	REITs 10.77%	REITs 5.68%	Small Value 12.59%
Small Value -9.78%	Intl Equity -43.06%	Small Value 20.58%	Large Growth 15.05%	CMDTY -13.32%	Small Growth 14.59%	EM Equity -2.27%	Intl Equity -4.48%	EM Equity -14.60%	REITS 4.93%	REITS 5.32%	Intl Equity -13.79%	EM Equity 18.42%	CMDTY -3.12%	Small Growth 2.83%	Small Growth -26.36%	EM Equity 9.83%	CMDTY 5.38%	Mid Caps 7.50%
REITs -18.03%	EM Equity -53.18%	CMDTY 18.91%	Intl Equity 8.21%	EM Equity -18.17%	CMDTY -1.06%	CMDTY -9.52%	CMDTY -17.01%	CMDTY -24.66%	Intl Equity 1.22%	CMDTY 1.70%	EM Equity -14.57%	CMDTY 7.69%	REITs -5.00%	EM Equity -2.54%	Large Growth -29.41%	CMDTY -7.91%	Intl Equity 3.82%	REITs 2.27%

Range of Opportunity: Difference Between Top and Bottom Performing Market Segments																		
57.81%	24.26%	60.11%	21.37%	28.56%	19.69%	52.82%	51.63%	31.02%	30.52%	36.05%	14.56%	24.24%	39.63%	47.02%	45.50%	37.94%	32.25%	31.30%

Source: Bloomberg
See disclosures page for indexes used to represent market segments.

Past performance does not guarantee similar future results.

Study of Active Mutual Fund Managers within Core Equity Segments

Bottom Quartile (75th Percentile) Mutual Fund Manager in Best Performing Market Segment																	
9.71%	-35.89%	28.92%	23.34%	-4.70%	13.08%	45.52%	8.00%	0.59%	22.57%	23.91%	-4.60%	23.14%	26.17%	17.00%	-8.49%	28.93%	
2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Intl Equity 11.63%	Small Value -28.92%	Mid Caps 37.38%	Small Growth 29.09%	Large Growth 4.65%	Small Value 18.05%	Small Growth 43.30%	Large Growth 14.89%	Large Growth 5.52%	Small Value 31.74%	Large Growth 27.44%	Large Growth -0.01%	Large Value 31.93%	Large Growth 33.47%	Large Growth 32.01%	Large Value -5.22%	Large Growth 30.03%	Large Growth 36.07%	Intl Equity 31.22%
Large Growth 9.13%	Large Growth -34.92%	Small Growth 34.47%	Mid Caps 26.64%	Large Value -0.48%	Mid Caps 17.88%	Small Value 34.53%	Large Value 12.36%	Intl Equity -0.39%	Mid Caps 20.74%	Intl Equity 25.62%	Large Value -8.95%	Large Growth 31.13%	Small Growth 19.96%	Small Value 28.27%	Mid Caps -13.06%	Large Value 22.23%	Mid Caps 13.93%	Large Growth 22.18%
Mid Caps 7.98%	Mid Caps -36.23%	Intl Equity 32.46%	Small Value 24.50%	Mid Caps -1.73%	Intl Equity 17.76%	Mid Caps 33.46%	Mid Caps 9.77%	Small Growth -1.38%	Large Value 17.40%	Small Growth 22.17%	Small Growth -11.01%	Small Growth 28.48%	Mid Caps 13.66%	Large Value 24.90%	Intl Equity -14.45%	Intl Equity 18.24%	Large Value 12.29%	Large Value 13.19%
Small Growth 7.05%	Small Growth -38.54%	Large Growth 31.57%	Large Value 15.10%	Small Growth -2.91%	Large Value 17.76%	Large Growth 32.75%	Small Growth 5.60%	Mid Caps -2.18%	Small Growth 11.32%	Mid Caps 16.24%	Mid Caps -11.51%	Mid Caps 26.20%	Intl Equity 7.82%	Mid Caps 24.76%	Small Value -14.48%	Small Growth 16.93%	Small Growth 11.54%	Small Growth 12.81%
Large Value 1.99%	Large Value -39.22%	Large Value 21.17%	Large Growth 15.05%	Small Value -5.50%	Large Growth 14.70%	Large Value 31.97%	Small Value 4.22%	Large Value - 3.13%	Large Growth 6.89%	Large Value 15.36%	Small Value -12.86%	Small Value 22.39%	Small Value 4.63%	Small Growth 14.82%	Small Growth -20.44%	Mid Caps 16.44%	Small Value 8.05%	Small Value 12.59%
Small Value -9.78%	Intl Equity -43.06%	Small Value 20.58%	Intl Equity 8.21%	Intl Equity -11.73%	Small Growth 14.59%	Intl Equity -2.41%	Intl Equity -4.48%	Small Value -7.47%	Intl Equity 1.22%	Small Value 7.84%	Intl Equity -13.79%	Intl Equity 22.01%	Large Value 1.36%	Intl Equity 11.26%	Large Growth -29.41%	Small Value 14.65%	Intl Equity 3.82%	Mid Caps 7.50%
-2.71%	-41.66%	40.35%	12.77%	-12.00%	15.98%	16.72%	-3.41%	-4.02%	2.66%	11.25%	-13.82%	23.75%	6.42%	26.20%	-23.63%	20.01%		
Top Quartile (25th Percentile) Mutual Fund Manager in Worst Performing Market Segment																		

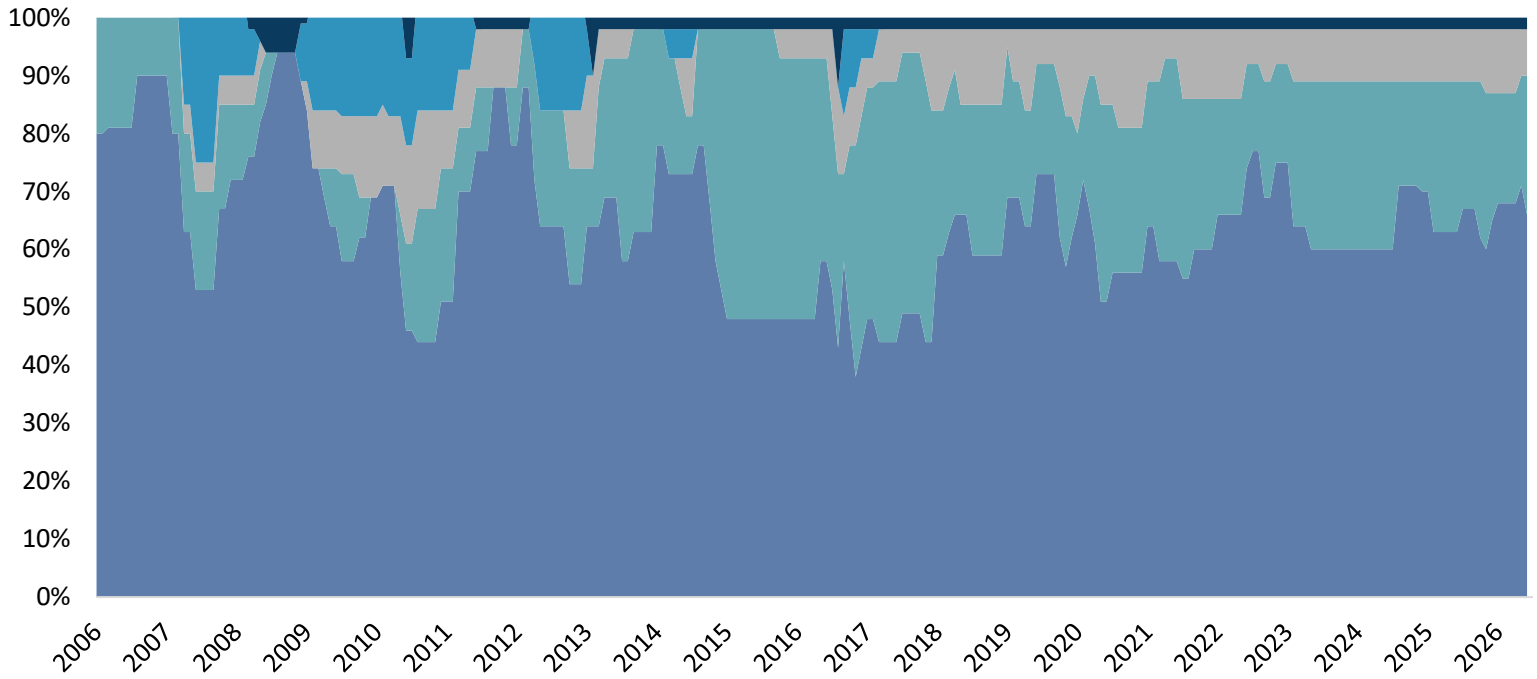
Source: Index data from Bloomberg, Mutual Fund quartile performance from BlackRock Morningstar.
See disclosures page for indexes used to represent market segments.

Past performance does not guarantee similar future results.

Equity Asset Allocation Ranges

U.S. Equities	Int'l Equities	Emerging Markets	Alternatives	Cash
25-100% of Allocation	0-75% of Allocation	0-25% of Allocation	0-40% of Allocation	0-20% of Allocation

Equity Asset Allocation in Motion

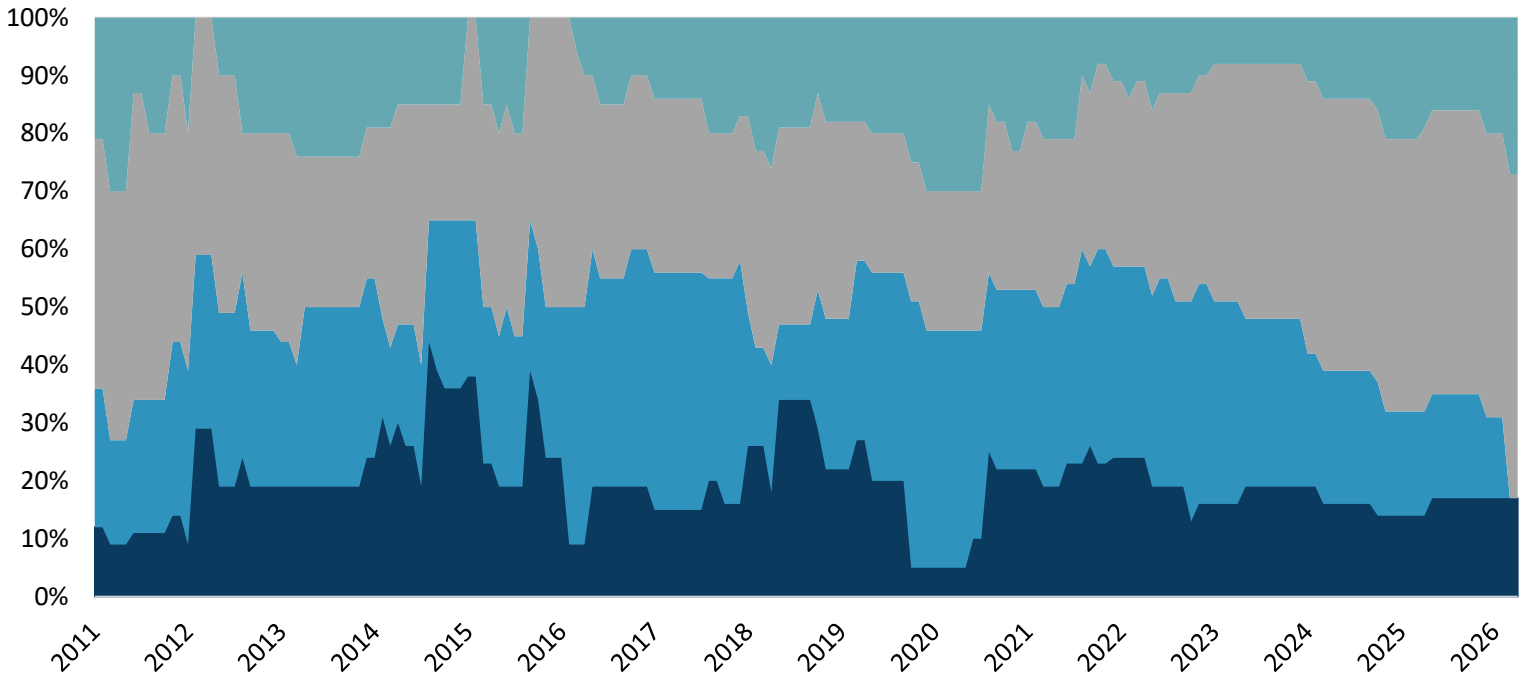


Historical Allocation as of 9/30/2026
Allocation ranges are approximate ranges, please see disclosures and guidelines for more detail.

Fixed Income Asset Allocation Ranges

Treasuries	IG Credit	Securitized	Non-Core Fixed
0-75% of Allocation	0-50% of Allocation	0-50% of Allocation	0-40% of Allocation

Fixed Income Allocation in Motion



Historical Allocation as of 9/30/2026
Allocation ranges are approximate ranges, please see disclosures and guidelines for more detail.

Our Research

Macro & Market Outlook, Performance Commentary, & Monthly Perspectives Series

Sage Advice

3Q26 Market Review & Outlook – October 2026

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Quarter in Review

It was a challenging quarter for investors, with returns driven by a significant repricing of interest rates. Stronger economic data during the quarter worked against returns, as it was paired with sticky inflation and concerns around the rising cost of capital, growing deficits, and heavy supply. The result was a more hawkish shift in monetary policy: the Fed hiked in September and signaled that more may come. Yields rose meaningfully, climbing 60–90 basis points across the Treasury curve.

From an asset class perspective, bonds felt the most direct pain, with the Aggregate Bond Index returning -3.5% for the quarter, its worst quarter since the 2022 hiking cycle. Equities posted modest gains, with the U.S. outperforming (S&P 500 +2.3%; ACWI ex US +0.5%), while commodities led returns on a resurgence of oil (diversified commodities +15%).

Within equities, the resilience of the broad indices, especially in the U.S., masked narrow breadth and underlying weakness. A small group of mega-cap growth and AI beneficiaries drove index returns higher (mega caps +5.5%), while most sectors struggled. Eight of 11 sectors were negative. Rate-sensitive sectors (utilities –12.4%, financials –8.8%) and cyclicals (consumer discretionary –7.0%) saw sharp drawdowns. Further, small-cap weakness (S&P 600 –8%) pointed to both rate pressure and risk aversion.

Fixed income returns were negative across nearly all sectors, as elevated income could not absorb the rapid adjustment in rates. Duration was the dominant driver and pushed most indices into negative territory. Short and intermediate proxies held up better (short gov/credit –0.2%, intermediate gov/credit –1.0%). Credit returns were negative because of duration, but spreads stayed resilient, widening only 6–8 basis points as yield buyers continued to absorb record supply. MBS lagged given its rate sensitivity and higher rate volatility. Non-core sectors offered limited protection, and duration-sensitive markets, such as dollar EM and preferreds, fell 5–6%, more than the broad market, while higher-income, lower-duration segments fared better (high yield –2%; loans +1.5%).

Macro Outlook & Positioning

Macro dynamics shifted in the third quarter as investor sentiment and valuations adjusted to a stronger-than-expected economy, a less predictable inflation path, and a structurally higher cost of capital. Economic data consistently surprised to the upside, supported by still-firm consumer spending, healthy labor markets, and continued business investment. That strength gave the Fed room to take a more restrictive path. As a result, Treasury yields moved higher across the curve, as investors demanded compensation
the economy. Massive financing re
issuance have created sustained s
premiums. The repricing extended
only modestly at the index level, w

Looking ahead, the breadth of stro
we also see cracks forming: there
become more mixed and looks m
target but lower than earlier in the
than an aggressive tightening cycle
and much of that adjustment is alre

Our positioning reflects the view th
reach for credit risk or push risk-as
improved the relative attractiveness
and intermediate-duration fixed in
limited price sensitivity provides a
higher starting yields should offset

Our asset allocation positioning refl
in the year. We also tilt toward the
carry a more diversified sector mix.
strategies and continue to be defen
opportunities, and broader diversifi

Asset Allocation Perspectives

July 2026

Market Outlook and Key Investment Themes

Global Asset Allocation ETF Strategies

Performance Commentary | Third Quarter 2026

SAGE
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EQUITY ALLOCATION PERFORMANCE

Contributors
- Software Sector
- U.S. Large Cap Growth

Detractors
- Industrials Sector
- Banks Sector

Sticky inflation and concerns around the rising cost of capital, growing deficits, and heavy supply injected uncertainty into the equity path during the quarter. Within equities, the resilience of the broad indices, especially in the U.S., masked narrow breadth and underlying weakness. A small group of mega-cap growth and AI beneficiaries drove index returns higher, while most sectors struggled. Rate-sensitive sectors and cyclicals saw sharp drawdowns. Further, small-cap weakness pointed to both rate pressure and risk aversion.

The strategy posted a slightly positive return for the quarter, with technology-oriented sectors, most notably software, leading the way. Cyclicals sold off during the quarter, with banks and industrials as the biggest detractors to performance.

Notable Portfolio Adjustments During the Quarter
- Increased International DM
- Reduced Large Cap Growth/Consumer
- Reduced Equities Exposure in Asset Allocation Models

FIXED INCOME ALLOCATION PERFORMANCE

Contributors
- Leveraged Loans
- CLOs

Detractors
- Long Treasuries
- Mortgaged Backed Securities

It was a challenging quarter for investors, with returns driven by a significant repricing of interest rates. The Federal Reserve embarked on a rate-hiking cycle in September and signaled that further increases may follow. Fixed income returns were negative across nearly all sectors, as elevated income could not absorb the rapid adjustment in rates. However, corporate credit spreads remained stable despite the outsized supply from corporate issuers.

The fixed income strategy posted a negative return for the quarter, with overweight positions in MBS and long Treasuries detracting from performance, owing to their higher rate sensitivity. Bank loans and CLOs were positive for the quarter due to their low duration and a stable credit spread environment.

Notable Portfolio Adjustments During the Quarter
- Increased Securitized
- Exited Intermediate/Long IG Corporates
- Increased Fixed Income Exposure in Asset Allocation Models

OUTLOOK & CURRENT POSITIONING

- Strong economic data suggest growth should remain solid, though signs of strain are emerging as labor market data softens. Inflation remains the Fed's primary focus, but policy adjustments are more likely to be modest than aggressive. We believe any further Fed tightening will be limited, with expectations already reflected in current yields. The reset in yields has materially improved the outlook for forward returns. Higher yields give investors more income, more compensation for uncertainty, and a larger cushion against future rate volatility.
- We remain overweight equities relative to fixed income. We are also tilted toward the U.S., given greater inflationary pressures from energy prices in Europe and Asia, and we carry a more diversified sector mix.
- Following the sharp repricing, we maintain full duration across our fixed income strategies and continue to be defensive within our credit allocation, emphasizing income generation, opportunities at the issuer and industry levels, and greater diversification across high-yield corporate bonds and securitized markets, where valuations are more compelling.

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Asset Class Views

Equities vs. Fixed Income

We carry an overweight in equities vs. fixed income. Given our base case that the U.S. will avoid a recession and benefit from strong earnings and an AI-driven spending cycle, we see relative upside potential in equities compared to bonds.

Equity	View	Reasoning
U.S. Equities	▲	We carry a modest overweight in U.S. equities relative to international markets. The U.S. continues to have larger near-term tailwinds with a stronger earnings outlook, capex trends, and economic momentum. Stretched valuations vs. most other regions and policy uncertainty keep our overweight small.
Developed International	▼	After a strong start to the year in developed markets, we moved to an underweight, seeing better risk/reward in the U.S. Despite progress with Iran, Europe and other energy importers will likely feel the Q1 energy shock drag longer than the U.S. Additionally, core Europe has less technology and AI exposure, limiting earnings growth and margin expansion relative to the U.S.
Emerging Markets	–	We maintain a neutral allocation to EM as valuations are attractive and there is growth upside in India and parts of Asia and LATAM. This is countered by structural weakness in China and elevated macro and geopolitical risks globally.
Style/Sector/ Factor	–	In addition to tilts toward large-cap growth sectors, we carry increased exposure to banks, industrials, and healthcare, where improving earnings breadth, attractive relative valuations, and diversified return drivers provide a compelling complement to technology and AI-related exposures.

Fixed Income	View	Reasoning
U.S. Treasuries	▼	We are underweight Treasuries overall, with a tilt toward long-end curve exposure. Longer duration Treasuries provide an offset to our spread overweight and help us maintain an overall long duration posture at the portfolio level. The hawkish pivot recently has caused more movement at the front end of the curve, and we remain convinced in carrying a long duration position as inflation fears fade.
Investment Grade Credit	–	Market weight-type exposure still makes sense in IG credit given strong fundamentals and demand for yield, but full valuations. Rather than take a large overweight in IG spread risk, we continue to enhance our spread overweight position and overall yield with non-core sectors and increased MBS exposure.
Securitized	▲	We continue to like the agency mortgage sector from both a relative value and macroeconomic standpoint. Mortgages offer attractive yields to Treasuries and IG credit without the credit risk and should benefit from lower rate volatility. We have increasingly skewed exposure toward actively managed ETFs as issuer and structural selection are an important excess return driver within securitized markets.
Non-Core Fixed Income	▲	We believe a moderate allocation to non-core assets is appropriate to diversify sources of yield and return. Given tight U.S. credit spreads, we have less high yield and loan allocations in favor of increased preferred stock and high-income securitized exposure.

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Regional Coverage

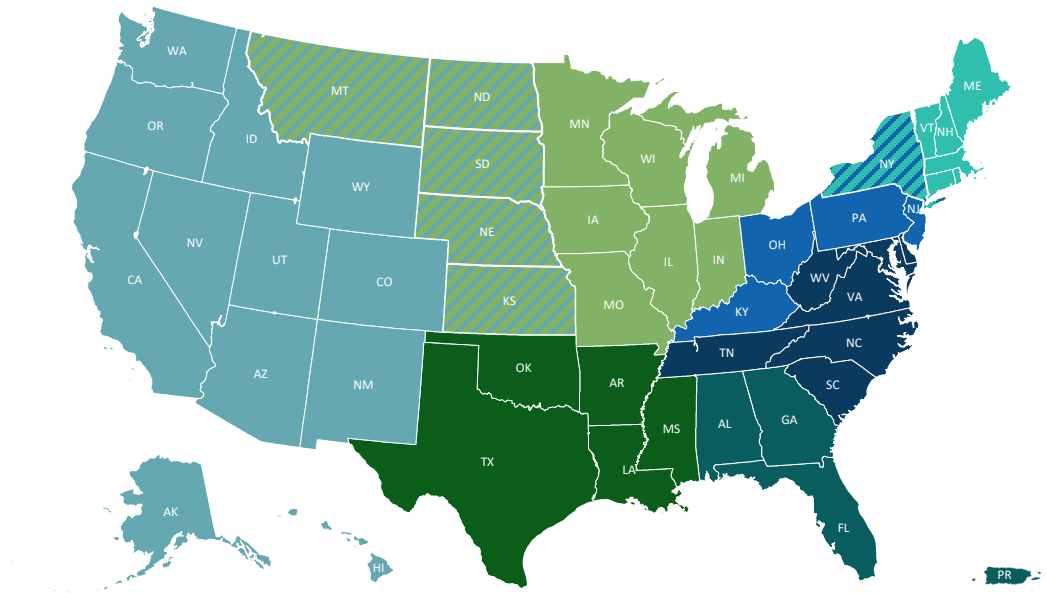
Main Sales Contact: 512-895-4130

Bob Moser
Managing Partner, National Director, West
303-887-1887
bmoser@sageadvisory.com

Amy Swearingen
Senior Regional Consultant
512-895-4112
aswearingen@sageadvisory.com

Arthur Cherches
Vice President, National Accounts
512-895-4133
acherches@sageadvisory.com

Lily Atilano
Analyst, National Accounts
512-895-4172
latilano@sageadvisory.com



Jamisen Allen
Regional Director, South
512-895-4180
jallen@sageadvisory.com

Bob Flora
Regional Director, Mid Atlantic
410-459-1830
bflora@sageadvisory.com

Curtis Baker
Regional Consultant
512-895-4117
cbaker@sageadvisory.com

Aaron Spatz
Regional Director, West
303-641-9511
aspatz@sageadvisory.com

Brian Larson
Regional Director, Northeast
347-512-6407
blarson@sageadvisory.com

Jake Adams
Regional Consultant
512-895-4135
jadams@sageadvisory.com

Courtney Walker
Regional Director, Southeast
727-412-3344
cwalker@sageadvisory.com

Jack Kulpa
Regional Director, Eastern Great Lakes
609-610-5848
jkulpa@sageadvisory.com

Ben Whipple
Regional Consultant
512-895-4111
bwhipple@sageadvisory.com

Zac Sooter
Regional Director, Mid West
316-737-3757
zsooter@sageadvisory.com

Melania McCarley
Regional Consultant
512-895-4145
mmccarley@sageadvisory.com

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