Dynamic Allocation Strategy

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Macro/Market Update

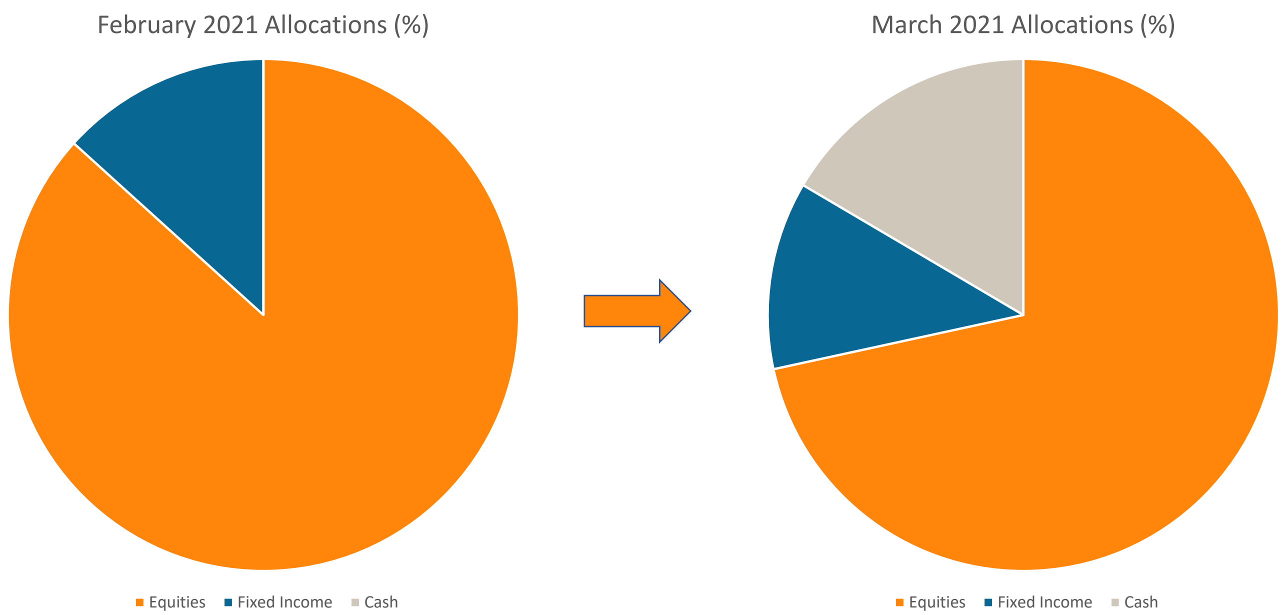
Global economic growth slowed for a third straight month in January. The global composite Purchasing Managers' Index (PMI; services and manufacturing), a proxy for global economic activity, fell 0.4 points to 52.3, a six-month low. Despite the slowdown, the composite PMI is still double its recession low from April 2020 and even a bit higher than its level from a year ago. The latest reading in the composite is historically consistent with 2.4% annual real global GDP growth.

77% of economies reported expanding manufacturing industries, near the largest share since mid-2018. The share of countries with manufacturing PMIs above their year-ago levels rose to 86%, the most since September 2017.

Price pressures are rising due in part to supply chain disruptions and higher commodity costs. The global composite input price index jumped to its highest level in nearly 10 years.

During February, the MSCI All Country World Index (ACWI) outperformed the Barclays Global Aggregate Bond Index by more than 406 basis points (bps). Stocks have outpaced bonds for nine of the last eleven months. Earnings growth has been moving higher globally, reversing a trend that started with the onset of the global economic slowdown in 2018. The technical picture also reflects an improving outlook as the percentage of markets with rising 200-day moving averages is at its highest level in more than ten years.

Asset Allocation Summary



* See Equity Allocation Summary for how the equity allocation is distributed
** See Fixed Income Allocation Summary for how the fixed income allocation is distributed

Asset Allocation Summary

- The model reduced equity allocation to almost 70%.
- However, the equities allocation remains above the benchmark.
- The fixed income allocation remains below 15%.
- The model raised cash for the first time (more than 16% allocation) since December 2018.
- Four of the six top-level indicators favor equities over fixed income (**table, below**).
- The composite PMI breadth indicator produced a new signal favoring fixed income (**chart, below**).

Top Level Factors

Indicator	Current Signal (Red = New Signal)	Comment
Equities/Fixed Income Relative Strength (indicator receives a heavier weighting)	Favors Equities	The relative strength ratio rose to more than 20% above its one-year moving average during February, the highest reading in the indicator's twenty-year history.
Global Market Breadth	Favors Fixed Income	44% of global equity markets are trading above their 50-day moving average.
OECD Leading Indicator	Favors Equities	The four-week change in the OECD Composite Leading Indicator (CLI) is still positive after hitting an all-time high during August.
PMI Breadth Factor	Favors Fixed Income	This indicator now favors fixed income as the four-week change in economies with expanding manufacturing industries has fallen into negative territory.
Baltic Exchange Dry Index	Favors Equities	In late January, the Baltic Dry Index was more than 30% above its 13-week moving average, but the indicator now only resides at more than 13% above its intermediate-term trend.
Central Bank Policy	Favors Equities	In order to favor fixed income, the global short-term rates indicator requires a significant drop in global short-term rates.

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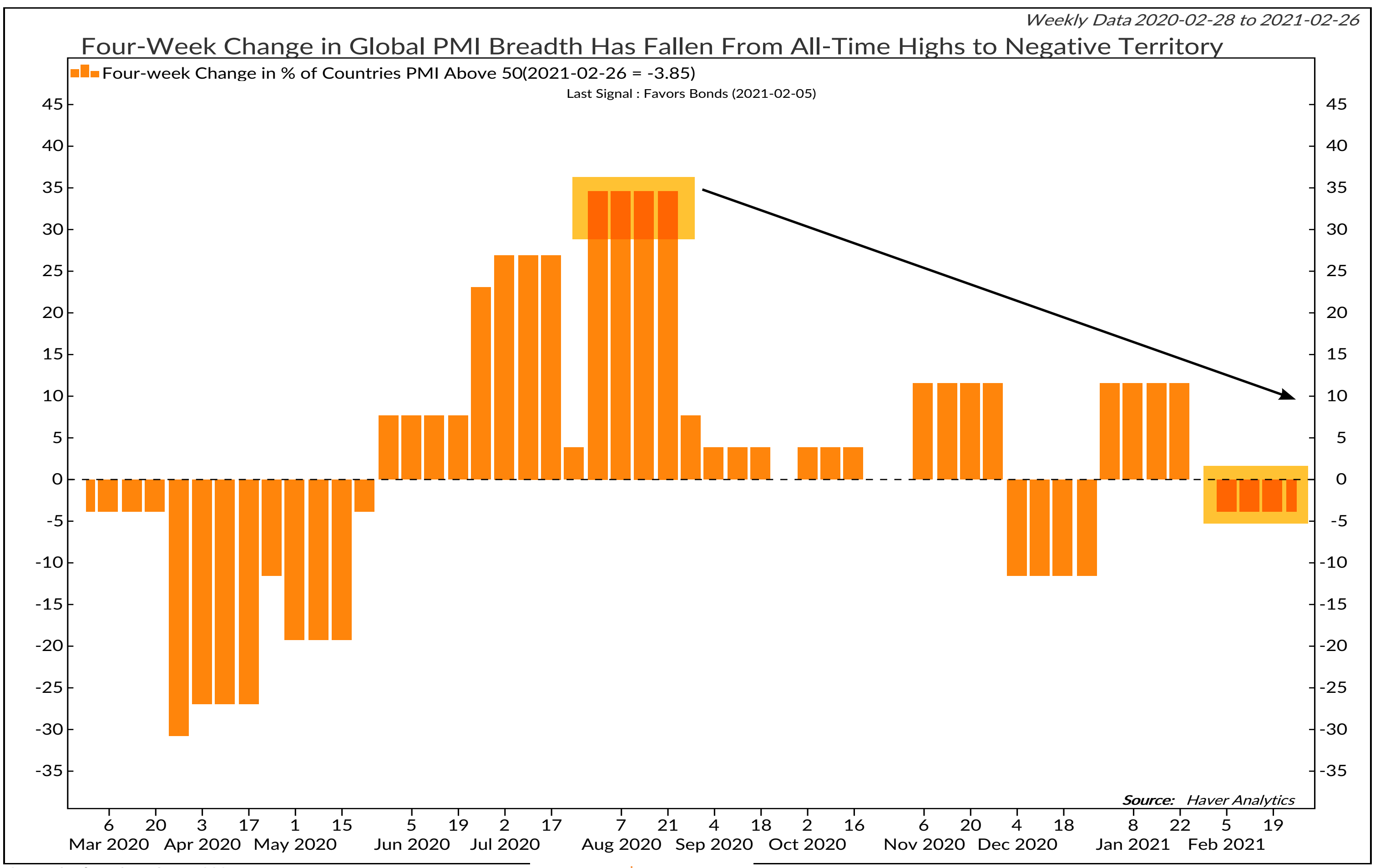

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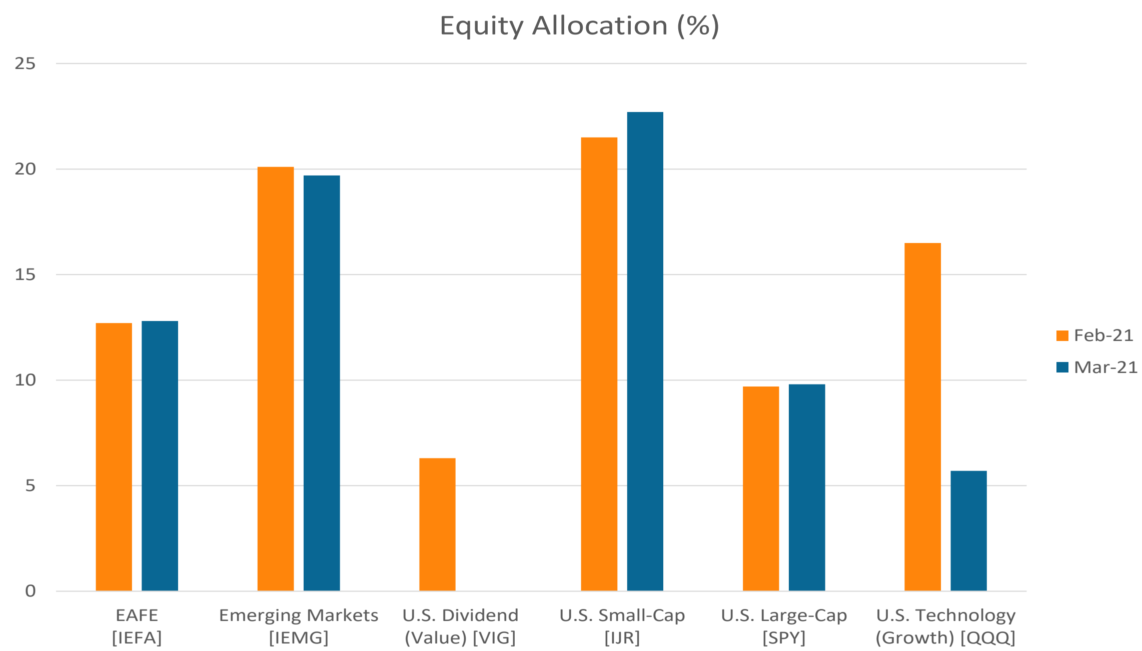
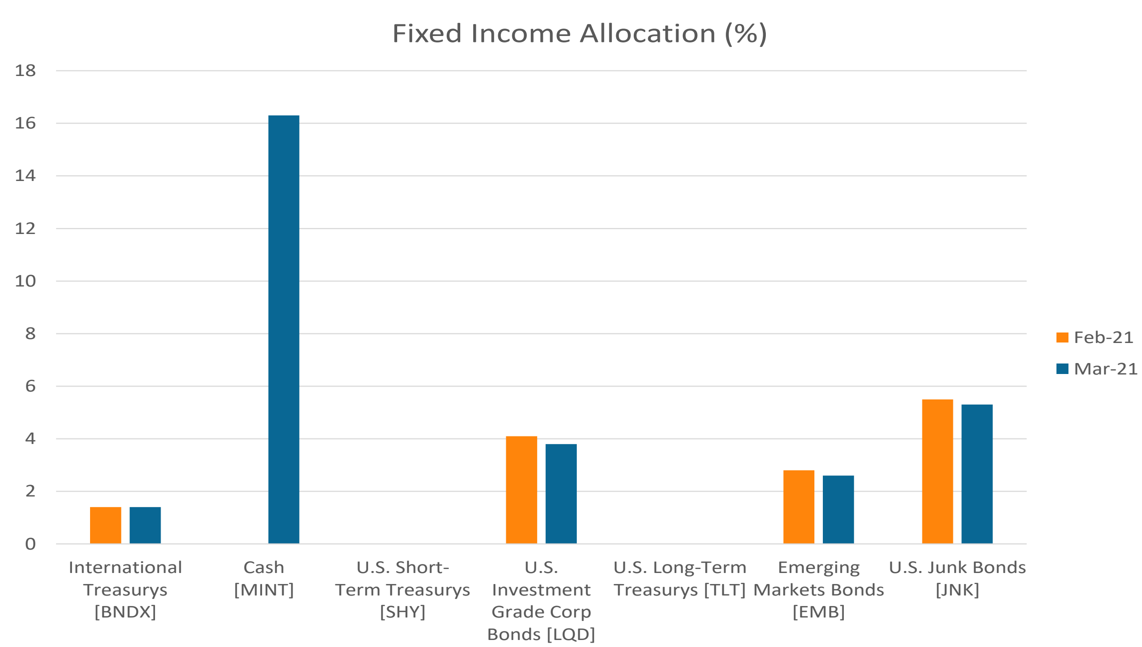
Equity Allocation Summary

Emerging Markets (IEMG) and U.S. Small-caps (IJR) received more than 40% of the total allocation. IJR has been the top-performing area within equities for five straight months. It has jumped by more than 615 bps for four consecutive months. IEMG has increased for five straight months. U.S. Large-Caps (SPY) and Europe, Australasia, and the Far East [EAFE] (IEFA) both jumped by more than 250 bps. Both IEFA and SPY have more than 9% allocation. U.S. Value [Dividends] (VIG) rose by more than 140 bps. U.S. Technology (QQQ) was the only area to decline in February as it fell by over 13 bps. QQQ's allocation dropped to below 6%.



Fixed Income Allocation Summary

Cash (MINT) saw a spike in allocation to over 16%. U.S. High Yield (JNK) was the only other area within fixed income to receive more than 5% allocation. JNK also was the only fixed income area to rise during February, as it increased by 15 bps. Emerging Market bonds (EMB) and U.S. Investment Grade (LQD) received more than 2% weighting. Both EMB and JNK dropped by more than 225 bps last month. International Investment Grade Bonds (BNDX) declined for a second consecutive month. BNDX dropped by 166 bps in February, but the sector continues to receive more than 1% allocation.



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