

# Investment Update

## Rebalancing Update

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### Highlights

- Strong stock market performance in recent months has led our equity allocation to drift above our already recommended overweight to equities. We recommend that clients rebalance portfolios to the target weights of their respective risk profiles, which reflect a modest overweight to equities.
- While uncertainties remain, the economic outlook is meaningfully better than many of the dire scenarios that became consensus in 2022. The slow growth environment we envision is enough for high-quality companies to continue compounding earnings.
- We reiterate the importance of considering alternative investments on our platform which continue to play an important role in diversifying portfolios.

result of the extreme shocks to the global economy and ensuing volatility, it benefitted portfolios in 2021 and thus far in 2023.

Rising stock prices have increased the weighting of equities within overall portfolios, and we therefore recommend that clients rebalance portfolios to their target weights, which are modestly overweight equities relative to benchmark weights. Our recommended strategic asset allocation targets remain unchanged. Having a disciplined approach to rebalancing is always important, and we believe now is an opportune time given the strong market rebound. For further context, the S&P 500 has advanced 24% from the October 2022 market bottom through the first half of 2023. The implications of the recommendation to rebalance to target vary across client portfolios, and advisors will be in touch to discuss details.

Our outlook is meaningfully better than many of the dire scenarios that became consensus in 2022. The U.S. economy is slowing, but absent a severe recession likely triggered by an exogenous shock, it is still growing at a sufficient level for high-quality companies to continue compounding earnings. While slower growth and a high cost of capital make security selection all the more important, still-bearish positioning and record-high levels of cash suggest that markets can tick higher as the economy remains resilient.

### Overview

In 2021, greater confirmation of a positive path forward led us to recommend a modest overweight to equities versus clients' long-term strategic targets, focusing on cyclical exposure. In 2022, given a complex macroeconomic backdrop, we made adjustments at the margin, increasing exposure to more defensive and commodity-oriented companies. While an overweight to equities detracted from performance in 2022 as a

### Conclusion

We remain confident in our ability to help our clients meet their financial goals over the long term. We continue to encourage clients to consider the alternative investments on our platform — private assets and hedge funds, which are providing additional diversification and may benefit from a volatile market.

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We encourage you to read our *Quarterly Investment Perspective* that will be released July 13, which will provide further details on our investment outlook and positioning.

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