VOLATILITY RETURNS AS TRADE UNCERTAINTY MOUNTS

April brought a renewed bout of volatility to global markets, driven by geopolitical risk and uncertainty around US trade policy. The S&P 500 experienced its first monthly loss since October 2023, while interest rates rose early in the month before retreating amid a flight to quality. High-yield bonds saw sharp intra-month drawdowns but ultimately rebounded as markets digested the evolving policy backdrop. Kensington's strategies responded dynamically to these developments, emphasizing risk management and tactical flexibility. Below is a summary of how each strategy navigated the month.

MANAGED INCOME STRATEGY

Author: Kensington Asset Management PM Team

April began with a significant selloff across credit markets, particularly in high-yield bonds, following the administration's "Liberation Day" tariff announcement. US High Yield Master II Total Return Index Value [I: USHYMIIT] declined by nearly -3.5% at its trough, while investment grade and long-duration Treasuries also faced pressure as rates rose. However, markets rebounded sharply mid-month as tariffs were temporarily paused for most nations except China.

The Managed Income Model shifted to a defensive stance during the initial selloff, helping the Strategy bypass part of the drawdown. However, by remaining Risk-Off through month-end, the Strategy also missed a portion of the recovery, resulting in underperformance versus both Bloomberg US Corporate High Yield and Aggregate Bond Indices.

Satellite allocations to floating rate and multisector bonds helped cushion volatility. As April ended, the Model re-entered high-yield bonds, capitalizing on the most attractive credit spreads seen since August 2024. The strategy is once again centered on high-yield bonds, complemented by satellite multisector exposure. It remains well-positioned to navigate the current volatility cycle with a disciplined, data-driven approach.

DYNAMIC ALLOCATION STRATEGY

(Formerly the "Dynamic Growth Strategy")
Author: Kensington Asset Management PM Team

April's volatility tested equity investors early, with the S&P 500 and Nasdaq Composite falling over 12% in just three trading sessions following the tariff announcement. The Dynamic Allocation Model was Risk-Off at the start of the month, sidestepping the bulk of this sharp drawdown.

A tactical Risk-On signal was generated the following week, driven by extreme oversold conditions. This timely move allowed the strategy to benefit from the subsequent market rebound following the announcement of a 90-day tariff pause. Dynamic Allocation then reverted to a defensive position until month-end, preserving gains from the mid-month rally.

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The strategy's responsiveness helped deliver strong relative performance in April, extending its year-to-date lead over the S&P 500. While near-term conditions remain fluid, the strategy remains prepared to tactically adjust exposures as volatility persists.

ACTIVE ADVANTAGE STRATEGY

Author: Kensington Asset Management PM Team

Active Advantage Strategy entered April in a conservative position, with limited exposure outside of a tactical growth equity allocation. This positioning allowed the Strategy to participate in the sharp rebound during the second week of April, following the announcement of a temporary halt to new tariffs.

After harvesting gains, the Strategy reduced equity risk and gradually increased exposures throughout the remainder of the month. By month-end, the portfolio was fully invested, balanced roughly 50/50 between fixed income and equities.

The fixed income allocation is focused on high-yield, emerging markets, and multisector bonds. The equity sleeve remains diversified across core, growth, and low-volatility sectors. With markets expected to remain volatile, Active Advantage continues to emphasize diversification and capital preservation while tactically seeking growth.

DEFENDER STRATEGY

Author: Elio Chiarelli, PhD, AIF - Lead Portfolio Manager, Liquid Strategies

April marked a return to risk-off sentiment across markets, as uncertainty surrounding US trade policy weighed heavily on investor confidence. The Defender Strategy remained steady, exhibiting substantially lower volatility than the broader equity markets.

Global equities declined, though international stocks outpaced US counterparts, and gold continued its upward trajectory. The yield on the 10-year Treasury declined modestly as capital flowed into safe havens.

The Defender Strategy benefited from its multi-asset diversification and tactical momentum approach. The portfolio's option overlay continued to contribute positively by generating income and managing downside exposure. The Strategy finished the month largely flat but with significantly lower drawdown risk compared to the market.

As economic and policy uncertainty persists, the Defender Strategy remains focused on its objective of capital preservation and income generation, maintaining flexibility to rotate exposures as conditions evolve.

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HEDGED PREMIUM INCOME STRATEGY

Author: Shawn Gibson - CIO, Lead Portfolio Manager, Liquid Strategies

Equity markets endured a turbulent first half of April, as tariff-related uncertainty drove the S&P 500 down as much as -13.84% before staging a recovery late in the month. The Hedged Premium Income Strategy delivered a small positive return in April, outperforming the -0.76% return of the S&P 500.

Portfolio hedges proved effective, with the Strategy's 3-month downside buffer increasing in value as the S&P 500 moved deep into its protected range. The Strategy's income-producing call spreads were monetized on April 17 after achieving most of their potential value. These spreads were then re-initiated, with a standard 1-month cap of 0–3% on market appreciation.

Because the Strategy only partially limits upside, investors entered May with the potential to participate in further gains while still enjoying robust downside protection. With heightened volatility persisting, the Hedged Premium Income Strategy remains well-positioned to meet its risk-managed income objectives.

Disclosures on next page

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Managed Income Strategy
Risks specific to the Managed Income Strategy include Management Risk, High-Yield Bond Risk, Fixed-Income Security Risk, Loans Risk, Market Risk, Underlying Funds Risk, Derivatives Risk, Non-Diversification Risk, Turnover Risk, US Government Securities Risk, Models and Data Risk.

Dynamic Growth Strategy
Risks specific to the Dynamic Growth Strategy include Management Risk, Equity Securities Risk, Market Risk, Underlying Funds Risk, Derivatives Risk, Non-Diversification Risk, Turnover Risk, US Government Securities Risk, Models and Data Risk.

Active Advantage Strategy
Risks specific to the Active Advantage Strategy include Management Risk, High-Yield Risk, Fixed-Income Security Risk, Equity Securities Risk, Loans Risk, Market Risk, Underlying Funds Risk, Derivatives Risk, Non-Diversification Risk, Turnover Risk, US Government Securities Risk, Models and Data Risk.

Defender Strategy
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.

Hedged Premium Income Strategy
The Strategy invests in options that derive their performance from the performance of the S&P 500 Index. Selling (writing) and buying options are speculative activities and entail greater than ordinary investment risks. The Strategy's use of put options can lead to losses because of adverse movements in the price or value of the underlying asset, which may be magnified by certain features of the options. When selling a put option, the Strategy will receive a premium; however, this premium may not be enough to offset a loss incurred by the Strategy if the price of the underlying asset is below the strike price by an amount equal to or greater than the premium. Purchased put options may expire worthless and the Strategy would lose the premium it paid for the option. The Strategy may lose significantly more than the premiums it receives in highly volatile market conditions.
The Strategy will invest in short term put options which are financial derivatives that give buyers the right, but not the obligation, to sell (put) an underlying asset at an agreed-upon price and date. The Strategy's use of options may reduce the Strategy's ability to profit from increases in the value of the underlying asset. The Strategy could experience a loss or increased volatility if its derivatives do not perform as anticipated or are not correlated with the performance of their underlying asset or if the Strategy is unable to purchase or liquidate a position.

Disclosures continued on next page

Definitions:

Bloomberg US Aggregate Bond Index: An unmanaged index comprised of US Investment grade fixed rate bond market securities, including government agency, corporate and mortgage-backed securities. Investors cannot invest directly in an index. It is also known as US Aggregate Bond Index.

Bloomberg US Corporate High Yield Index: An unmanaged market value-weighted index that covers the universe of fixed-rate, non-investment grade debt in the US. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on the indices' EM country definition, are excluded.

Call Spread: An options trading strategy where the Strategy buys and sells call options on the same asset with different strike prices or expiration dates. The strategy helps manage risk and profit from small price changes.

Put Spread: An options strategy where the Strategy buys and sells put options with different strike prices but the same expiration date. This strategy can be used to limit potential losses while still allowing for profit if the underlying asset's price declines.

S&P 500: A capitalization weighted index of 500 stocks representing all major domestic industry groups. Index assumes the reinvestment of dividends and capital gains.

NASDAQ Composite: A market capitalization-weighted index that includes over 2,500 stocks listed on the NASDAQ stock exchange. It is heavily weighted towards the technology sector, making it a key indicator of tech industry performance.

US High Yield Master II Total Return Index Value (I: USHYMIIT): Tracks the performance of US corporate bonds that are rated below investment grade—often called "junk bonds." In simple terms, it shows how much money investors would have made (or lost) over time if they had invested in a broad mix of these riskier bonds, including both price changes and interest payments.

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