

## MIXED MARKET SIGNALS AS RATE CUT EXPECTATIONS BUILD

July brought a more uneven backdrop across global markets. Bond yields climbed steadily through the first half of the month before reversing lower at month end, leaving core fixed income modestly weaker overall. In contrast, high yield bonds maintained positive momentum, supported by continued US economic growth. Equities advanced further, with growth stocks leading as corporate earnings largely exceeded expectations. Investors balanced optimism over resilient fundamentals with caution around seasonal volatility and the timing of potential Federal Reserve policy shifts.

Below is a summary of how each Kensington strategy navigated these conditions.

### Managed Income Strategy

*Author: Kensington Asset Management PM Team*

The Strategy remained in a Risk-On stance throughout July, allocated predominately to US high yield with satellite exposure to multisector fixed income. High yield positioning continued to provide stability and income generation as spreads remained supportive. The Federal Reserve held rates steady at its July meeting, and markets continue to anticipate a potential cut later this year. For now, the portfolio remains positioned to benefit from high yield carry, while monitoring inflation and interest rate risks closely.

### Dynamic Allocation Strategy

*Author: Kensington Asset Management PM Team*

US equities extended gains in July, led by growth stocks and supported by strong second-quarter earnings results. Dynamic Allocation remained fully invested in a Risk-On posture, with positioning across large-cap growth and core equities. While the S&P 500 registered multiple new highs during the month, the team remains mindful of historical seasonal volatility patterns that often emerge in late summer. The Strategy is positioned to remain opportunistic while maintaining flexibility should market dynamics shift.

### Active Advantage Strategy

*Author: Kensington Asset Management PM Team*

Active Advantage maintained a fully invested allocation in July, with the portfolio balanced evenly between fixed income and equities. The fixed income allocation was tilted toward US high yield, supported by emerging market and multisector bonds, while equity exposure spanned core, growth, and dividend-focused holdings. The diversified positioning provided participation in both equity strength and income-oriented assets. The Strategy remains focused on managing volatility through disciplined diversification and a multi-model approach, with the flexibility to adjust if conditions change.

### Defender Strategy

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

The Defender Strategy delivered positive results in July despite uneven market signals. Allocations remained balanced across global equities, Treasuries, and gold, emphasizing capital preservation alongside participation in stronger equity markets. International equities contributed positively, while Treasuries provided ballast amid shifting yields. Tactical gold exposure further diversified the portfolio. The Strategy continues to emphasize disciplined risk management, dynamically adjusting exposures based on momentum trends to help reduce volatility and avoid concentration risks. Entering August, the portfolio remains prepared for heightened crosscurrents tied to inflation data and Fed policy expectations.

### Hedged Premium Income Strategy

*Author: Shawn Gibson – CIO, Lead Portfolio Manager, Liquid Strategies*

The Hedged Premium Income Strategy participated in the continued equity market advance during July, supported by its long call positions while generating steady income from call spread overlays. Downside protection remains in place through put spreads, though the strong upward move in equities widened the distance between the protective strikes and current market levels. Looking ahead, the team is monitoring opportunities to potentially adjust downside buffers as markets enter a seasonally more volatile period. The Strategy remains positioned to generate consistent income while retaining partial upside participation and defined downside protection.



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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.

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#### 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.

#### Definitions:

**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.

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