

MARKETS REMAIN RESILIENT AMID RATE CUT EXPECTATIONS

August delivered another month of strength across risk assets as investors looked ahead to an increasingly likely Federal Reserve rate cut in September. Labor market softness and cooler inflation data reinforced the view that monetary easing is on the horizon. Equity markets reached new highs, with small caps leading, while bond returns were broadly positive outside of longer-duration Treasuries. Volatility stayed muted, even as seasonal patterns point to the potential for greater turbulence as fall approaches.

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

Managed Income Strategy

Author: Kensington Asset Management PM Team

Bond markets delivered broadly positive results in August. At the Federal Reserve's annual Jackson Hole meeting, Chair Jerome Powell strongly suggested that a rate cut could be coming in September. Labor market softness released during the month further reinforced expectations for monetary easing.

High yield and investment grade credit both performed well, while long-duration Treasuries were largely flat as trade policy uncertainty remained a concern. Managed Income held a "Risk-On" stance throughout August, with core allocations to US high yield bonds and supplemental exposure to multisector fixed income.

We continue to monitor market conditions as the Fed moves toward an anticipated September cut. The environment remains constructive for maintaining a pro-risk posture in fixed income allocations.

Dynamic Allocation Strategy

Author: Kensington Asset Management PM Team

Equities advanced again in August, led by small caps. The Russell 2000 Index gained roughly 7%, while the S&P 500 advanced 1.9%, reaching new highs despite a softening labor backdrop and a mild uptick in inflation.

Volatility stayed mostly subdued, with the VIX remaining below 20 for almost the entire month. Dynamic Allocation maintained a fully invested position for a fourth straight month, emphasizing its mix of core and growth-oriented large cap holdings.

Seasonal patterns suggest September often brings heightened volatility, but equity fundamentals remain solid and the prevailing regime continues to favor risk assets. Should conditions deteriorate, the Strategy has the flexibility to shift toward a "Risk-Off" allocation if warranted.

Active Advantage Strategy

Author: Kensington Asset Management PM Team

Active Advantage remained fully invested through August, maintaining an approximate 50/50 balance between equities and fixed income.

Within fixed income, exposure is centered in high yield with satellite allocations to emerging markets and multisector bonds. Equities are broadly diversified across growth, core, and high dividend/minimum volatility factors. During the month, the Strategy modestly rebalanced by trimming Nasdaq-heavy growth exposure and adding investment grade corporates, resulting in a slightly more conservative risk posture.

This balanced positioning seeks to capture continued support for bonds while moderating equity exposure as markets enter a seasonally more challenging period.



Defender Strategy

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

Defender emphasized its mandate of combining downside protection with selective participation in global equity strength during August. US equities were supported by resilient consumer spending and strong mega-cap earnings, while defensive sectors like healthcare and staples also held firm.

Treasuries anchored volatility as yields moved lower late in the month, while selective exposures to Europe and Japan added diversification benefits. Currency dynamics, particularly a firmer Euro and stabilizing Yen, further enhanced returns from overseas allocations. Emerging markets were mixed, with Asia benefiting from strong technology exports while Latin America lagged under political uncertainty. Finally, an allocation to gold provided ballast amid persistent geopolitical risks.

Overall, August reinforced the potential value of a tactical allocation framework, as Defender balanced upside capture with measured risk management. Looking ahead, the Strategy remains focused on adapting to evolving Fed policy, currency shifts, and global growth signals.

Hedged Premium Income Strategy

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

The S&P 500 gained 1.9% in August, finishing slightly above the short-call level of the Strategy's income-producing call spreads. During the month, the portfolio management team adjusted positioning by moving the downside buffer from roughly 12% below the market to approximately 6% below, adding incremental protection against potential drawdowns.

Heading into September, the Strategy's structure is designed to be balanced:

- Positive time premium provides potential support in flat markets.
- Long calls are positioned about 3% above the market, aimed at protection against sudden upside moves.
- A 6% downside buffer is in place, historically important given September's reputation as the weakest month for equities.

This configuration reflects the team's emphasis on maintaining a steady income profile while enhancing downside protection in a seasonally volatile environment.

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For important risks about the investment strategies, visit:

[Managed Income Strategy](#) | [Dynamic Allocation Strategy](#) | [Active Advantage Strategy](#) | [Defender Strategy](#).

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.

KAM20250910