RISK ASSETS MIXED AS MARKETS ANTICIPATE ANOTHER FED RATE CUT

Risk assets delivered mixed but generally positive results in November as investors weighed softer labor data, the ongoing government shutdown, and the prospect of another Federal Reserve rate cut in December.

In fixed income, bonds turned in a solid month. The 10-Year Treasury yield drifted lower from about 4.11% to 4.02% by month end, reflecting growing confidence that the Fed may deliver a third 0.25% cut, which would bring the federal funds target range to 3.50% to 3.75%. High yield and investment grade corporates generated positive total returns, while longer duration sectors lagged.

Equity markets were more uneven. The Nasdaq 100, which had reached a new all-time high on October 29, fell roughly -1.64% in November as investors reassessed stretched valuations in mega-cap technology and AI-related names. At the same time, market breadth improved modestly. US small caps, as represented by the Russell 2000, advanced 0.85% and outpaced the S&P 500, which finished up 0.13%. Outside the US, developed international markets, particularly Europe and Japan, posted modest gains, while emerging markets gave back some of their prior strength.

Against this backdrop, Kensington strategies remained generally Risk-On while preserving the flexibility to de-risk should conditions deteriorate. Below we summarize how each strategy was positioned during the month.

MANAGED INCOME STRATEGY

Author: Kensington Asset Management PM Team

Managed Income remained fully Risk-On throughout November, marking the seventh consecutive month of Risk-On positioning. The allocation was unchanged, with US high yield maintaining its role as the core exposure. Multisector fixed income remained a key satellite allocation, providing additional diversification across sectors and credit qualities.

We continue to view the current environment as supportive of a Risk-On posture, with credit markets still pricing in an orderly slowdown and the potential for further policy easing. At the same time, we remain mindful that renewed downward pressure on risk assets or a more pronounced widening in credit spreads could challenge this stance. The team stands ready to shift toward a more defensive configuration if our process signals a meaningful deterioration in conditions.

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DYNAMIC ALLOCATION STRATEGY

Author: Kensington Asset Management PM Team

Dynamic Allocation remained fully invested in November, maintaining its established blend of growth and core large cap holdings. The pullback in growth stocks and modestly weaker performance from mega-cap technology marked a shift from the more uniformly supportive backdrop that had characterized much of the prior year.

Our process continues to characterize the environment as broadly supportive of a Risk-On stance, even as leadership within equities becomes more rotational and volatility around policy expectations increases. We believe equity exposure remains warranted as long as trend, breadth, and macro indicators stay constructive. As always, the Strategy is prepared to migrate toward a Risk-Off posture if conditions deteriorate and our signals call for a more defensive shift.

ACTIVE ADVANTAGE STRATEGY

Author: Kensington Asset Management PM Team

Active Advantage remained fully invested throughout November, continuing to target an approximate 50% allocation to fixed income and 50% to equities. On the fixed income side, the portfolio is anchored in US high yield, complemented by satellite allocations to emerging market bonds and multisector bond strategies. On the equity side, exposures remain diversified across core and growth large caps, along with high dividend and minimum volatility holdings that are intended to help stabilize returns if volatility rises.

This mix is designed to balance participation in risk assets with a diversified set of return drivers. Credit-oriented fixed income exposures are positioned to reflect supportive credit conditions, while the equity sleeve seeks to blend growth themes with more defensive and income-oriented characteristics.

Looking ahead, we anticipate the Strategy will remain in a Risk-On but balanced posture, with roughly equal allocations to fixed income and equities. However, should risk assets come under sustained pressure, the Strategy has the flexibility to make tactical adjustments designed to moderate volatility and protect capital as year-end approaches.

DEFENDER STRATEGY

Author: Elio Chiarelli - Lead Portfolio Manager, Liquid Strategies

For Defender, November featured modestly positive results across most risk assets, renewed volatility in mega-cap technology, and continued strength in real assets such as gold. US large-cap equities finished roughly flat, while the Russell 2000 advanced, reflecting improving breadth and growing interest in domestically oriented cyclicals. European equities modestly outpaced US large caps, Japan generated small positive returns, and emerging markets ended the month lower after a strong run earlier in the year.

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Against this backdrop, the Kensington Defender Strategy remained allocated across six key risk assets: US large-cap equities (S&P 500), US large-cap growth and technology (Nasdaq 100), gold, Japan, emerging markets, and US small-cap equities. The Strategy also maintained an approximately 20% structural hedge and continued to implement its option-income overlay, consistent with its objective of pursuing equity-like growth while emphasizing capital defense and premium income.

During the month, the Strategy executed a notable tactical rotation by exiting European equities and reallocating that risk budget to US small caps. This shift reflected slowing momentum in Europe after a strong year-to-date run and signs of broadening leadership within the US market, where smaller companies outperformed the S&P 500. US small caps and gold were areas of relative strength, while exposure to US large-cap growth via the Nasdaq 100 and emerging markets faced headwinds during that period.

The structural hedge and tail-risk framework continued to serve their intended role in managing risk during periods of market volatility. As we move into the final month of the year, Defender remains positioned in line with its mandate: diversified global equity exposure, a disciplined tactical rotation process, a structural hedge, and an option-income overlay, all designed to prioritize capital defense while participating in a broadening leadership environment.

HEDGED PREMIUM INCOME STRATEGY

Author: Shawn Gibson - Lead Portfolio Manager, Liquid Strategies

Despite a volatile month, the S&P 500 managed to post a small gain in November, returning approximately 0.13%. Equity volatility remained elevated over parts of the period, which was an important input into option pricing and income potential for option-based strategies such as Hedged Premium Income.

In line with the investment process, a new call spread was established on November 22 with the short call set at 100% of the Index and the long call at 103%. The premium reflected prevailing market volatility at initiation, consistent with the Strategy's objective of generating option income. Elevated volatility typically results in higher option premiums, which can influence income potential. The downside hedge remained positioned to provide protection against a significant market decline, consistent with the Strategy's risk management framework.

This configuration allows the Strategy to continue participating in potential further gains should the rally extend, while the put spread hedge is designed to provide meaningful downside protection in the event of a more severe selloff. In a modest down move, the value of the call spread premium could help offset some losses, but the most substantial risk controls would come into play only if the market declined into the downside hedge, which would require roughly an 8% drop from current levels.

The Strategy remains focused on its core objectives: income generation through options strategies, disciplined risk management, and maintaining exposure aligned with its mandate in a late-cycle environment that features both policy uncertainty and renewed cross-asset volatility.

Disclosures on next page

Disclosures:

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Advisory services offered through Kensington Asset Management, LLC, Barton Oaks Plaza, Bldg II, 901 S Mopac Expy – Ste 225, Austin, TX 78746. Liquid Strategies, LLC, serves as a Sub Advisor for the Kensington Defender Strategy and investment adviser to Hedged Premium Income Strategy. Liquid Strategies, LLC is not affiliated with KAM.

Important Disclosures | Glossary

For performance and 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

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