

RISK ASSETS ADVANCE AS FED DELIVERS SECOND RATE CUT

Global risk assets extended their advance in October, pushing the equity rally into the fourth quarter. US stocks moved higher again, led by mega-cap technology and ongoing enthusiasm around artificial intelligence. Earnings results were generally supportive, helping keep risk appetite intact even as valuations remained elevated.

Fixed income markets saw modestly positive total returns in most sectors, but trading was choppy around the Federal Reserve's second rate cut in this cycle. The ongoing government shutdown complicated the macro picture by disrupting the flow of official economic data, while labor market headlines became more challenging as announced layoffs picked up.

Against this mixed backdrop - resilient risk assets, a more accommodative Fed, and rising macro noise - Kensington strategies remained positioned for growth while preserving the flexibility to de-risk if conditions deteriorate. Below we summarize how each strategy navigated the month.

MANAGED INCOME STRATEGY

Author: Kensington Asset Management PM Team

The bond market was relatively quiet in October, with most major fixed income sectors delivering slightly positive total returns. The 10-Year Treasury yield began the month near 4.12%, rallied lower in the first half of October, then reversed higher into and after the Federal Reserve meeting, ending essentially unchanged around 4.10%. The Fed cut the target range for the federal funds rate by 0.25% to 3.75% to 4.00%, while acknowledging that uncertainty around the economic outlook remains elevated.

Despite the late-month back-up in yields, longer-duration Treasuries still finished October with modest positive returns and led most other fixed income sectors. Investment grade corporates and high yield bonds also ended the month in positive territory. US high yield credit spreads widened somewhat, partially reversing September's tightening but not yet signaling a decisive shift in risk appetite.

Managed Income remained fully Risk-On for a sixth consecutive month. The allocation was unchanged, anchored in US high yield as the core exposure, complemented by a satellite position in multisector fixed income that has continued to outpace high yield in the near term. We continue to view the environment as supportive of a Risk-On stance, but recognize that further widening in credit spreads or renewed pressure on risk assets could challenge this view. The team remains prepared to adjust positioning if the balance of risks shifts meaningfully.

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DYNAMIC ALLOCATION STRATEGY

Author: Kensington Asset Management PM Team

Equity markets pushed higher again in October. The S&P 500 gained about 2.27% for the month, while the Nasdaq-100 outperformed the broader market on the back of continued strength in mega-cap technology and AI-related spending. International developed markets, particularly Europe and Japan, also participated in the Risk-On tone.

Macro signals were more mixed. The prolonged government shutdown continued to disrupt the release of official economic data, while corporate layoff announcements accelerated, with October job cuts reaching their highest level for that month in more than two decades according to Challenger, Gray & Christmas. At the same time, inflation data continued to trend lower, reinforcing the Fed's move to deliver a second 0.25% rate cut and raising the odds of additional easing later in the year.

Dynamic Allocation remained fully invested in October, continuing its blend of core and growth-oriented large cap holdings. The Strategy's process continues to signal a Risk-On environment for equities. We believe the backdrop remains broadly supportive of maintaining equity exposure, with earnings growth and AI-driven capital spending providing a meaningful tailwind. As always, the framework is designed to shift toward a Risk-Off posture if our indicators show meaningful deterioration in trend, breadth, or macro conditions, and we stand ready to move defensively should that occur.

ACTIVE ADVANTAGE STRATEGY

Author: Kensington Asset Management PM Team

Active Advantage remained fully invested throughout October. The portfolio continues to target an approximate 50/50 balance between fixed income and equities, seeking to blend participation in upside with an emphasis on risk management.

On the fixed income side, the Strategy is centered on US high yield, complemented by satellite allocations to emerging market bonds and multisector strategies. This mix has benefited from carry and selective spread compression, while maintaining flexibility should credit conditions weaken. On the equity side, exposures remain broadly diversified across core and growth large caps, along with high-dividend or minimum-volatility holdings that can provide ballast if volatility rises.

During the month, Active Advantage reached another new all-time high, driven by solid performance from both its fixed income and equity allocations. Emerging market bonds remained an important satellite contributor within fixed income, while large cap growth stocks led on the equity side, reflecting continued leadership from the mega-cap technology complex. Looking ahead, the Strategy continues to emphasize balance - participating in equity upside while using fixed income and diversifying satellites to help moderate overall portfolio volatility.

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DEFENDER STRATEGY

Author: Elio Chiarelli - Lead Portfolio Manager, Liquid Strategies

US equities advanced for a sixth consecutive month in October, with the S&P 500 gaining about 2.27%. The Nasdaq-100 outpaced the broader market, supported by strong mega-cap earnings and persistent enthusiasm around AI. International developed markets also posted gains, with Europe and Japan notable contributors.

Rates markets were choppy. Treasuries rallied early in the month as investors leaned into the Fed's more accommodative posture, then sold off following Chair Powell's late-October remarks, pushing longer yields back toward where they began and erasing much of the earlier price gains. Even with that reversal, longer-duration Treasuries still finished October with small positive returns, consistent with their leadership across fixed income sectors.

Gold was highly volatile. Prices surged early in the month as investors sought hedges around the shutdown and labor headlines, then gave back those gains in the final third of October, ending the month lower. The round-trip move underscored the crosscurrents between macro anxiety and still-supportive risk sentiment.

Against this backdrop, Defender continued to apply its trend-following, momentum-based framework, which is designed to participate in equity uptrends while rotating toward intermediate Treasuries and other defensive assets when signals deteriorate. The Strategy also employs an options overlay aimed to enhance income and help manage downside risk. At the asset-class level, US large cap equities - along with allocations to Europe and Japan - were key contributors in October, reflecting the broad global equity bid. Gold, which pulled back after several strong months, was the primary detractor.

We continue to monitor policy and liquidity signals that can quickly influence both rates and risk assets. Earnings strength and AI-related capital spending remain supportive of growth-tilted beta, while persistent rates volatility argues for measured duration exposure. The Strategy is positioned to adjust as trends evolve, with Treasuries and the options overlay providing key tools for managing cross-asset volatility.

HEDGED PREMIUM INCOME STRATEGY

Author: Shawn Gibson - Lead Portfolio Manager, Liquid Strategies

The S&P 500's 2.27% gain in October created a constructive backdrop for the Hedged Premium Income Strategy. The pattern of the Index grinding higher toward, but not meaningfully through, the income-producing call spread proved particularly favorable.

The call spread expiring on October 17 settled with the S&P 500 only about 0.01% above the short call strike. This allowed the Strategy to fully realize the income from that position while still participating meaningfully in the market's advance, and the Strategy outperformed the Index for the month. The outcome exemplified the intended design of the structure: harvest option premium in a controlled way without materially capping upside in typical up markets.

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Consistent with the investment process, a new position was established on October 17. The income-producing call spread was set with the short call at approximately 100% of the Index and the long call at roughly 103%. The premium received from this new call spread was about 1.53% for a one-month tenor. By month end, the Index was trading near the upper end of the call spread.

On the downside, the put spread hedge remained in place, finishing roughly 7.23% below the market at month end and therefore not triggered by October's modestly positive equity environment. This structure helps preserve a meaningful buffer against a potential selloff while avoiding the drag associated with constantly resetting hedges too close to the market.

The Strategy remains focused on generating a consistent income stream while maintaining a defined downside buffer and retaining some participation in equity upside. With equity markets grinding higher and volatility contained but susceptible to policy or macro surprises, we believe this balanced configuration - harvesting time premium while preserving a multi-month downside hedge - remains a potentially attractive way to seek income and risk management in a late-cycle backdrop.

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.

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 Allocation Strategy

Risks specific to the Dynamic Allocation 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.

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