

### A Tactical Start to the Year

January set the stage for a dynamic start to 2025, with markets responding to evolving macroeconomic conditions, heightened volatility, and shifting leadership across asset classes. The Federal Reserve held rates steady, investor sentiment fluctuated in response to geopolitical developments, and a renewed focus on risk management shaped portfolio decisions. Below, we provide an overview of how each of Kensington's strategies navigated these conditions.

### Managed Income Strategy

*Author: Kensington Asset Management PM Team*

The year began on a positive note for fixed income markets, as most bond sectors posted gains in January following a decline in yields during the second half of the month. High-yield bonds led the way, benefiting from tight credit spreads and continued strength in equity markets.

The Federal Reserve's decision on January 29 to maintain its overnight borrowing rate in the **4.25% – 4.50%** range was widely expected. However, unlike last year, market expectations for rate cuts have moderated significantly. Despite these shifting dynamics, the **Managed Income Strategy** maintained a "Risk-On" stance for the ninth consecutive month, emphasizing high-yield credit exposure while supplementing with floating rate and senior loan investments.

Although credit spreads remain historically tight, conditions continue to favor higher-yielding fixed income assets. Given the current environment, no significant allocation shifts are anticipated in the near term, though the strategy remains attuned to potential changes in market conditions.

### Dynamic Growth Strategy

*Author: Kensington Asset Management PM Team*

Following a lackluster close to 2024, equities rebounded in early January, with the **S&P 500 reaching a new all-time high on January 24** as investor focus turned to earnings from major technology firms. However, the final week of the month introduced renewed turbulence, driven by a sharp selloff in AI-linked stocks following the emergence of DeepSeek, a Chinese AI startup, as a competitive threat.

Throughout January, equity markets exhibited rangebound behavior, marked by intermittent pullbacks and sharp recoveries, leading to increased intraday volatility. The **Dynamic Growth Strategy** began the year in a "Risk-On" stance but pivoted to cash equivalents before month-end, mitigating exposure to the late-month selloff in the tech sector. This shift was intended as a short-term tactical move, though should equity trends become more definitively negative, the strategy could adopt a more defensive stance for a longer duration.

### Active Advantage Strategy

*Author: Kensington Asset Management PM Team*

The **Active Advantage Strategy** remained fully "Risk-On" throughout January, maintaining balanced exposure across fixed income and equities. Within fixed income, the strategy emphasized high-yield and floating-rate holdings, which outperformed more duration-sensitive asset classes. On the equity side, exposure was concentrated in **core S&P 500 holdings**, supplemented by allocations to growth stocks and low-volatility sectors.

Volatility during the latter half of the month prompted a reassessment of positioning. While the fixed income allocation remains focused on lower credit quality and shorter duration, equity exposure has shifted slightly toward core holdings and away from growth stocks. This adjustment is intended to provide a buffer against continued pressure on technology stocks amid heightened geopolitical and economic uncertainty.

### Defender Strategy

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

The **Defender Strategy** maintained its core objective of capital preservation and total return, leveraging a diversified asset allocation approach. Market conditions in January favored a broadening of market leadership beyond large-cap equities, which benefited the strategy's multi-asset positioning.

Key contributors to performance included **US small caps, gold, and high-yield bonds**, as well as the strategy's **options overlay component**, which helped navigate periods of heightened volatility. In contrast, **US large-cap equities and real estate** provided more moderate contributions. This broad allocation continues to serve as a potentially effective means of mitigating downside risks while maintaining exposure to opportunistic growth areas in the market.

The strategy's current positioning reflects a continued commitment to **balanced risk management**, helping to ensure participation in market advances while protecting against periods of heightened volatility.

### Hedged Premium Income Strategy

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

January was characterized by significant swings in both equity markets and interest rates, as investors sought to position for potential fiscal policy shifts. Concerns surrounding **tariffs and trade policy** drove uncertainty, though the **S&P 500 ultimately finished the month with a gain**. The **CBOE Volatility Index (VIX)** briefly exceeded 20 but remained largely within its historical average range of **15–20**.

The **Hedged Premium Income Strategy** capitalized on market swings by tactically adjusting its options positions. The short call position was closed early, generating additional income and enhancing returns relative to the **Merqube Hedged Premium Income Index**. The **call spreads were reset on January 17**, ensuring continued premium income generation despite subdued market volatility.

Heading into February, the strategy maintains its **protective downside buffer**, currently positioned approximately 6% below market levels, with a **15% quarterly downside hedge threshold**. This structure aims to continue providing a robust risk-management framework in an environment marked by ongoing economic and geopolitical uncertainty.

### Looking Ahead

With markets responding to shifting macroeconomic conditions and renewed volatility, Kensington's strategies remain tactically positioned to adapt to emerging risks and opportunities. Across our investment approaches, we continue to prioritize disciplined risk management and dynamic asset allocation to help optimize outcomes for investors. As we move forward, maintaining flexibility in the face of evolving market conditions will be key to navigating 2025 successfully.

*Please see notes and disclosures on next page.*

### Disclaimers:

*Investing involves risk, including loss of principal. Past performance does not guarantee future results. There is no guarantee any investment strategy will generate a profit or prevent a loss.*

*This is for informational purposes only and is not a recommendation nor solicitation to buy, sell or invest in any investment product or strategy. Our materials may contain information deemed to be correct and appropriate at a given time but may not reflect our current views or opinions due to changing market conditions. No information provided should be viewed as or used as a substitute for individualized investment advice. An investor should consider the investment objectives, risks, charges, and expenses of the investment and the strategy carefully before investing.*

*Kensington Asset Management, LLC ("KAM") relies on third party sources for some of its information that we believe is reliable. However, we make no representation, warranty, endorse or affirm as to its accuracy or completeness. The information provided is current as of the date of publication and may be subject to change. We are not responsible for updating this information to reflect any subsequent developments or events.*

*Any indices and other financial benchmarks shown are provided for illustrative purposes only, are unmanaged, reflect reinvestment of income and dividends and do not reflect the impact of advisory fees. Investors cannot invest directly in an index. Comparisons to indexes have limitations because indexes have volatility and other material characteristics that may differ from a particular strategy such as the types of securities being substantially different.*

*Certain information contained herein constitutes "forward-looking statements," which can be identified using forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "project," "estimate," "intend," "continue," or "believe," or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events, results, or actual performance may differ materially from those reflected or contemplated in such forward-looking statements. Nothing contained herein may be relied upon as a guarantee, promise, assurance, or a representation as to the future.*

*Advisory services offered through Kensington Asset Management, LLC, Barton Oaks Plaza, Bldg II, 901 S Mopac Expy – Ste 225, Austin, TX 78746.*

### *Managed Income Strategy*

*Risks specific to the Managed Income Strategy include Management Risk, High-Yield Risk, Fixed-Income Security Risk, Foreign Investment Risk, Loans Risk, Market Risk, Underlying Funds Risk, Non-Diversification Risk, Turnover Risk, US Government Securities Risk, LIBOR 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, Non-Diversification Risk, Small and Mid-Capitalization Companies Risk, Turnover Risk, US Government Securities Risk, Models and Data Risk.*

### *Active Advantage Strategy*

*Risks specific to the Active Advantage Strategy include Management Risk, Equity Securities Risk, High-Yield Risk, Fixed-Income Security Risk, Foreign Investment Risk, Loans Risk, Market Risk, Underlying Funds Risk, Limited History of Operations Risk, Non-Diversification Risk, Small and Mid-Capitalization Companies Risk, Turnover Risk, US Government Securities Risk, LIBOR Risk, Models and Data Risk.*

### *Defender Strategy*

*Risks specific to the Defender Strategy are detailed in the prospectus and include general market risk, credit risk, interest rate risk, management risk, equity securities risk, fixed-income securities risk, high-yield bond risk, foreign investment risk, emerging markets risk, real estate and REITs risk, commodities risk, currency risk, subsidiary risk, market risk, underlying funds risk, derivatives risk, limited history of operations risk, turnover risk, models and data risk, momentum risk or risk of the portfolio not performing as expected.*

### *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.*

*CBOE Volatility Index (VIX): Often called the "fear index," measures the market's expectations for volatility over the next 30 days based on S&P 500 index options. It is a key indicator of market sentiment, with higher values indicating greater expected volatility.*

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

*MerQube Hedged Premium Income (HPI) Index: Designed to be 100% invested in the Vanguard S&P 500 ETF (VOO) while purchasing 3-Month put options and selling 1-Month call options on the SPDR S&P 500 ETF (SPY). The Index aims to generate income from selling call spreads while providing downside protection through the purchase of put spreads, maintaining exposure to the U.S. large-cap equity market.*

*Neither MerQube, Inc nor any of its affiliates (collectively, "MerQube") is the issuer or producer of the LS Hedged Premium Income Strategy (the "Strategy") and MerQube has no duties, responsibilities, or obligations to investors in the Strategy. The index underlying the Strategy is a product of MerQube and has been licensed for use by Liquid Strategies. Such index is calculated using, among other things, market data or other information ("Input Data") from one or more sources (each a "Data Provider"). MerQube ® is a registered trademark of MerQube, Inc. These trademarks have been licensed for certain purposes by Liquid Strategies in its capacity as the manager of the Strategy. The Strategy is not sponsored, endorsed, sold or promoted by MerQube, any Data Provider, or any other third party, and none such parties make any representation regarding the advisability of investing in such product(s) not do they have liability for any errors, omissions, or interruptions of the Input Data, the MerQube Hedged Premium Income Index or any associated data.*

KAM20250219