MARKETS REBOUND AMID POLICY SHIFTS AND CREDIT DOWNGRADE

Following volatility spurred by April's "Liberation Day" tariff announcement and subsequent 90-day pause, markets broadly adopted a "Risk-On" posture in May. Despite Moody's downgrade of the US credit rating from Aaa to Aa1 mid-month, equities rallied and high-yield bonds outperformed duration-sensitive assets. Below is a summary of how each Kensington strategy navigated these conditions.

MANAGED INCOME STRATEGY

Author: Kensington Asset Management PM Team

May began with a return to Risk-On sentiment, driven by the broader market relief following the tariff pause. However, yields rose steadily, with the 10-Year Treasury climbing from 4.22% to 4.40% by month-end, exacerbated briefly by Moody's US credit downgrade.

The Managed Income Strategy maintained a Risk-On stance throughout the month, primarily allocated to US high-yield bonds, supplemented with satellite positions in multisector fixed income. High-yield spreads narrowed during this period, indicating lower anticipated volatility. Given current market dynamics, the Strategy remains positioned to capitalize on high-yield opportunities, supported by tactical multisector allocations.

DYNAMIC ALLOCATION STRATEGY

Author: Kensington Asset Management PM Team

Risk-On market conditions favored US equities throughout May, marking the best monthly performance for Dynamic Allocation since July 2022. The Strategy maintained a fully invested position in large-cap equities, balanced between growth and core sectors.

Market indices reflected this robust rebound, with the S&P 500 and Nasdaq 100 gaining 6.15% and 9.04%, respectively. Technology stocks led the recovery, benefiting from decreasing volatility. Despite May's gains, trade policy uncertainty remains a key market driver, prompting continued opportunistic tactical shifts between Risk-On and Risk-Off positions as conditions evolve.

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ACTIVE ADVANTAGE STRATEGY

Author: Kensington Asset Management PM Team

The Active Advantage Strategy began May fully invested and maintained this allocation throughout the month, capturing significant gains across its diversified portfolio. Allocations remained evenly split, approximately 50% in high-yield-centric fixed income, complemented by emerging market and multisector bonds, and 50% in diversified equities spanning core, growth, and high dividend/minimum volatility strategies.

This balanced positioning yielded the best monthly performance for the strategy since December 2023. Should Risk-On sentiment persist, the strategy intends to remain fully invested, emphasizing tactical flexibility and disciplined diversification.

DEFENDER STRATEGY

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

The Kensington Defender Strategy continued its tactical and disciplined management in May, balancing capital preservation with participation in upward market momentum. Equity markets stabilized, driven by improving economic indicators and easing inflation expectations, leading to modestly lower bond yields.

The Defender Strategy maintained a defensive yet opportunistic stance, favoring US large-cap growth and global equities while increasing exposure to gold and real assets in response to stabilizing inflation expectations. The portfolio tactically reduced exposure to lower momentum sectors, such as small-cap equities, and emphasized short-duration instruments and cash segments to manage risk effectively.

Given ongoing uncertainty around central bank policies and geopolitical risks, the strategy remains poised to adjust exposures tactically, capitalizing on emerging market trends while protecting against volatility.

HEDGED PREMIUM INCOME STRATEGY

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

Despite a brief mid-month pullback, the S&P 500 rallied strongly, finishing May with a 6.15% gain. The Hedged Premium Income Strategy was up for the month with positive contribution from our long call option positions.

As markets moved higher, the Strategy's upside hedging contributed to performance. Income generation remained robust, with new call spreads established on May 16. Additionally, given the volatile market conditions, the team proactively adjusted the put spread closer to market levels, reducing the buffer from 10% to 5%.

Both call spread and put spread positions will reset at the upcoming June 20 expiration.

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Disclosures:

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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.

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.

Disclosures continued on next page

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.

NASDAQ 100 Index: A market index that comprises of the 100 largest, most actively traded companies listed on the Nasdaq stock exchange.

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