

Risk assets advanced as the Federal Reserve delivered a 0.25% rate cut, small caps notched fresh highs, and bonds broadly gained into quarter end.

September extended the summer's constructive tone for markets as the Federal Reserve reduced the Federal Funds Rate by 0.25%. Slowing labor data and cooler inflation supported the decision, and risk assets responded positively. Major equity indices finished higher, with the Russell 2000 reaching a new all-time high and the S&P 500 logging a fifth straight monthly gain. In fixed income, falling yields supported duration, credit spreads tightened further, and total returns were broadly positive. Below is a summary of how each Kensington strategy navigated these conditions and how they are positioned entering the fourth quarter.

MANAGED INCOME STRATEGY

Author: Kensington Asset Management PM Team

Bonds delivered another solid month as the Fed's 0.25% cut, softer labor prints, and easing inflation supported prices. The 10-Year Treasury yield moved lower into month end. Duration-sensitive sectors led, with long Treasuries and investment grade credit outpacing US high yield, while high yield spreads tightened again - a sign of continued optimism.

Managed Income remained fully Risk-On for a fifth consecutive month, maintaining US high yield as the core allocation with satellite multisector exposure. The multisector sleeve continued to add to Q3 results by outpacing high yield. We view conditions as favorable heading into the fourth quarter while remaining alert to shifts in growth and inflation.

DYNAMIC ALLOCATION STRATEGY

Author: Kensington Asset Management PM Team

Despite September's typical seasonality, equities advanced. Small caps set fresh highs and the S&P 500 recorded a fifth straight monthly gain. Despite softening labor figures, consumer spending figures remained solid, creating a mixed macro picture. Toward the end of the month, concerns around a government shutdown began increasing, with a confirmed shutdown occurring on October 1. It is likely this shutdown will control the headlines to begin the fourth quarter.

Dynamic Allocation stayed fully invested, holding its blend of core and growth large cap exposure. The regime remains supportive of risk assets in our process. If conditions deteriorate, the Strategy is prepared to migrate towards a Risk-Off posture.

Continued on next page



ACTIVE ADVANTAGE STRATEGY

Author: Kensington Asset Management PM Team

Active Advantage remained fully invested in September, sustaining its approximately 50% fixed income and 50% equity allocation. Within fixed income, high yield remains the anchor with satellite positions in emerging market and multisector bonds. Equity exposure is diversified across core, growth, and high dividend or minimum volatility holdings.

The Strategy reached a new all-time high during the month, driven by broad strength across fixed income and equities. Emerging market bonds contributed on the fixed income side, while core large cap leadership supported equity performance.

DEFENDER STRATEGY

Author: Elio Chiarelli - Lead Portfolio Manager, Liquid Strategies

The month was constructive for risk assets and Defender participated while maintaining a risk-managed stance. The portfolio continued to emphasize a diversified mix across US large caps, international developed and emerging markets, intermediate Treasuries, and real assets including gold.

Intermediate Treasuries provided ballast as rates eased marginally late in the month. International exposures benefited from a broad global equity bid, and gold remained an effective risk diversifier and positive return contributor.

The Strategy remains oriented to drawdown mitigation through tactical momentum shifts and listed index options for tail-risk management, consistent with the objective to participate in rising markets with a reduced risk of large losses.

HEDGED PREMIUM INCOME STRATEGY

Author: Shawn Gibson - Lead Portfolio Manager, Liquid Strategies

The S&P 500 rose 3.53% in September. Through September 19, the Strategy primarily harvested remaining time premium from its income-producing call spread. On the 19th, all option positions expired with the Index finishing roughly 0.22% above the long call strike, allowing the Strategy to participate modestly above that level. The protective downside buffer expired out-of-the-money and did not contribute.

In line with process, positions were reset on the 19th: the premium income-producing call spread at 100% short call and 103% long call, and the protective buffer at 95% long put and 80% short put. Premium received from the call spread was approximately 1.43% for a 1-month tenor, while protection cost approximately 1.19% for a 3-month tenor. The Index ended the month near its 9/19 level, leaving the call spread about 0.36% in-the-money and the downside hedge 5.36% below spot.

Disclosures on next page





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.

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