Market Strategy
by STRATEGAS A BAIRD COMPANY

BAIRD
Private Wealth Management

Global Asset Allocation

June 23, 2025

SHIFT TOWARD EMERGING MARKETS • WATCHING GEOPOLITICAL SITUATION

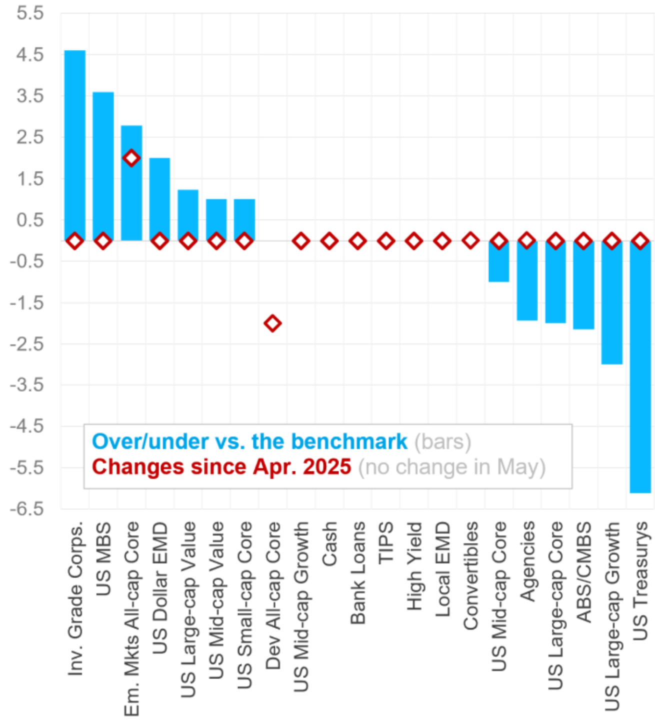
As Q2 draws to a close, we see progress toward resolution of the uncertainties of this administration's agenda for its first 100 days. Following a "placeholder" trade deal with the UK, the administration has said it is now focused on Saudi Arabia, Qatar, the UAE, Japan, South Korea, and Australia. Understanding the potential outcomes of unilateral trade negotiations will take longer than new tax legislation, which Congressional Republicans hope to have on President Trump's desk before the 4th of July. We do note that some provisions in the working draft of that bill are punitive to global operators, especially European-domiciled companies with U.S. revenue exposure.

Earlier this year, we increased exposure to international equities with a preference for Developed Markets over Emerging Markets. We continue to believe that benchmark exposure to non-U.S. shares will also move higher over the next several years but recent trade policy developments seem to favor Emerging Market economies over Developed. With this writing we are shifting the emphasis of our international exposure likewise, leaving us Overweight Emerging Markets and Neutral (vs. the benchmark) on Developed Markets (although we still have greater absolute exposure to Emerging Markets).

Heightened instability in the Middle East caused by the recent escalation between Israel and Iran (now with U.S. involvement) prompted a spike in both crude oil prices and the VIX index (volatility gauge) and has brought no shortage of concerned calls from clients. We are following developments on the geopolitical stage, but for the moment investors seem to be choosing to remain optimistic that lasting de-escalation is a realistic possibility.

The outlook for corporate profits appears to be normalizing. In addition to estimates for Q2 coming lower, downward revisions for the second half of the year have accelerated compared to the mid-cycle baseline. Operating profitability has stabilized, typical of a late-cycle environment, and 2026 guidance will be a key driver coming out of Q3 earnings season. For the time being, growth expectations remain above levels that have historically preceded recessions.

Strategas Recommended Asset Allocation
(June 2025)



Strategas Recommended Asset Allocation (June 2025)

	Equities		Bonds		Cash & Equivalents		Alternatives	
Strategas		**60%**		**32%**		**3%**		**5%**
Benchmarks	MSCI ACWI	60%	Barclays Agg	38%	Cash	2%		
	Domestic International	36% 24% **60%**	Core Credit Ext. Credit	31% 1% **32%**	Cash	3% **3%**	Commodities Gold	3% 3% **5%**
Over-weight	US LC Value EM AC Core US MC Value US SC Core	12% 8% 2% 1%	IG Corporates US MBS USD EMD	10% 10% 1%	Cash	3%	Commodities Gold	**3%** **3%**
Neutral	Dev AC Core US MC Growth	16% 1%						
Under-weight	US LC Growth US LC Core US MC Core	14% 6% 0%	US Treasurys ABS / CMBS Agencies	12% 0% 0%				
	Equities	**60%**	**Bonds**	**32%**	**Cash & Equiv.**	**3%**	**Commodities**	**5%**

Due to rounding, percentages on this page may not add up to 100

EQUITY

	Strategas Equity Only	Benchmark Equity Only	**Strategas Blended Allocation**	Benchmark Blended Allocation
Domestic	60%	63%	36%	38%
International	40%	37%	24%	22%
	100%	**100%**	**60%**	**60%**
Dev AC Core	26%	26%	16%	16%
US LC Growth	24%	27%	14%	16%
US LC Value	20%	19%	12%	11%
EM AC Core	14%	11%	8%	7%
US LC Core	10%	12%	6%	7%
US MC Value	3%	2%	2%	1%
US SC Core	2%	1%	1%	1%
US MC Growth	1%	1%	1%	1%
US MC Core	0%	1%	0%	1%
	100%	**100%**	**60%**	**60%**

Benchmark: MSCI All-Country

FIXED INCOME

	Strategas Fixed Only	Benchmark Fixed Only	**Strategas Blended Allocation**	Benchmark Blended Allocation
Core Credit	98%	100%	31%	38%
Extended Credit	2%	0%	1%	0%
	100%	**100%**	**32%**	**38%**
US Treasuries	37%	43%	12%	16%
IG Corporates	31%	26%	10%	10%
US MBS	30%	26%	10%	10%
ABS/CMBS	0%	2%	0%	1%
US Dollar EMD	2%	0%	1%	0%
Agencies	0%	2%	0%	1%
Bank Loans	0%	0%	0%	0%
TIPS	0%	0%	0%	0%
Local EMD	0%	0%	0%	0%
High Yield	0%	0%	0%	0%
Convertibles	0%	0%	0%	0%
	100%	**100%**	**32%**	**38%**

Benchmark: Barclay's Aggregate

IG Corporates consists of 26% Long-Term Corporates and 5% Short-Term Corporates. Strategas currently has a 3% allocation to Cash compared to a benchmark weight of 2%, as well as a 5% allocation to Alternatives (2.5% to Gold and 2.5% to Commodities).

Index definitions:

The MSCI All Country World Index tracks broad global equity-market performance. Maintained by Morgan Stanley Capital International, the index is composed of the stocks of about 3,000 companies from 23 developed countries and 26 emerging markets.

Bloomberg Barclays U.S. Aggregate Bond Index is a broad, market-capitalization-weighted index representing intermediate term, investment grade bonds trade in the U.S. Investors frequently use it as a stand-in for the U.S. bond market. In order to be included in the index, bonds must be of investment grade or higher, have an outstanding par value of at least $100 million and have at least one year until maturity. The index is maintained by Bloomberg LP.

APPENDIX – IMPORTANT DISCLOSURES