

4th Quarter 2022 Summary of Model Changes

The growth models continue to be 100% equities. Although an impending recession would be difficult, the growth models are long-term portfolios placing emphasis on potential long-term returns over short-term volatility. A small reposition of the large cap equities included a position in a large cap blend fund focusing on defensive stocks. The moderate and conservative models saw multiple trades to diversify the bond position in the portfolio, specifically to extend the duration. Over the last 6 months, the models have been overweight ultra-short duration and short-duration bond funds. Moving forward, the addition of a long-term bond fund seems prudent, if interest rate risk is reduced combined with higher yields. A new floating rate fund further diversifies the fixed income holding in the moderate and conservative portfolios. With the Barclay's Ag dropping a historic 15.3% in 2022, repositing of fixed income allocation to focus on increasing the duration of the models, should allow the conservative and moderate portfolio to better capture a turnaround in bonds moving forward, albeit at increased potential volatility.

Model	Change	Rationale
Traditional Models		
Growth Portfolio	Equities: Increase allocation to US large cap stocks in favor of US mid cap, US small cap, and emerging markets stocks. Overweight value to growth.	In anticipation of potential recessionary environment, enhanced position to dividend paying, large cap equities, reducing growth equities. Continue with overweight growth in mid/small cap space.
Moderate Portfolio	Equities: Increase allocation to US large cap equities in favor of US mid cap, US small cap, and emerging markets. Tilt to value over growth. Added a large cap Blend position, using a fund focusing of defensive stocks, specifically consumer staples. Fixed Income: Added a long-term bond index and a core plus intermediate bond fund, by selling ultra-short bond fund and high yield fund. Added a floating rate fund.	Equities: Same rationale as the growth portfolio. New large cap blend fund is a defensive position in anticipation of recession. Historically defensive stocks fare better during recession over growth stocks. Fixed Income: Increase the duration in the model by diversifying core holdings away from short term bonds, anticipation that bond prices do not have much further to fall. Diversification across types of bonds with addition of floating rate, while maintaining position in TIPS.
Conservative Portfolio	Equities: Added large cap core position, with focus on defensive stocks. Overweight large cap to	Equities: The same rationale as moderate portfolio.

	<p>small and mid-cap, overweight to value over growth.</p> <p>Fixed Income: Addition of long-term bond index and core plus intermediate bond fund by selling short duration and high-yield funds.</p>	<p>Fixed Income: Increase in duration of bond portfolio, similar to moderate model. Positioning in bond fund portfolio toward lower interest rate risk and higher credit risk.</p>
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Stewardship Models		
Growth	<p>Equities: Addition of large cap value fund. Tilt toward large cap over small and mid cap</p>	<p>Equities: Diversification of large cap equities for potential recessionary environment.</p>
Moderate Portfolio	<p>Equities: Same as growth model. Tilt to large cap over mid and small with preference of value over growth.</p> <p>Fixed Income: Inclusion of long-term bond index, core plus intermediate bond fund. Added floating rate bond fund. Replaced multi-strategy fund.</p>	<p>Equities: Position equities to dividend paying equities, especially in large cap to provide support if recession begins.</p> <p>Fixed Income: Increase in duration of bond funds, anticipating increase in credit risk and decrease in interest rate risk.</p> <p>Multi-strategy fund was replaced, as it did not score 0 on moral screen for abortion, lifestyle, pornography, entertainment, and human rights.</p>
Conservative Portfolio	<p>Equities: Same as moderate position above.</p> <p>Fixed Income: Same as moderate position above. Reduction in TIPS in favor of long-term government bond fund.</p>	<p>Equities: Same as moderate above.</p> <p>Fixed Income: Same as moderate above.</p>