

# DYNAMIC GLOBAL DIVERSIFIED STRATEGY UPDATE

July 2025

## Market Review

- » Global trade policy uncertainty, which rose sharply following the April tariff announcement, has since eased from its peak. Thus far, the effects of these tariffs on the US economy have been smaller than anticipated. Investors appear to be looking past the trade disputes, focusing instead on the outlook for strong economic and earnings growth. As a result, riskier assets, such as equities and high yields, rallied during the second quarter.
- » On the economic data front, recent figures show that US job openings have declined. However, a drop in workforce growth due to lower net immigration has kept the unemployment rate at 4.1%, defying market expectations of an increase to 4.3%. In addition, US core CPI rose slightly below market forecasts, and long-term inflation expectations remain well-anchored. Despite weaker consumer sentiment, underlying consumer fundamentals remain solid.
- » Looking at international markets, risks to economic activity in the Euro area remain tilted to the downside as the August 1st tariff deadline approaches. We do, however, expect a cyclical boost in Germany to be a key support, driven by the country's fiscal stimulus policy. Elsewhere, China's GDP growth has been surprisingly resilient in the face of US tariffs. The bigger picture, however, is mixed: while industrial production and exports show strength, the housing sector and retail sales continue to reveal underlying weakness.

## Moving Forward:

- » **Federal Reserve Policy:** Given solid employment data and uncertainty from the evolving tariff landscape, we see limited justification for imminent Federal Reserve rate cuts. We are forecasting only one rate cut in 2025. While we view it as a low-probability event, any erosion of the Fed's independence poses a risk that could destabilize long-term inflation expectations.
- » **Increasing Exposure to US and Emerging Market Equities:** We believe the current macroeconomic backdrop continues to support the market's recent performance, which has been largely driven by retail investor activity. Furthermore, we anticipate that fiscal policy, such as the "One Big Beautiful Bill" Act, will likely provide an additional tailwind. By front-loading tax cuts and spending, such legislation is likely to inflate asset prices more significantly than consumer prices, reinforcing our positive outlook for equities in the near term.
- » **Reducing Exposure to Commodities:** With near-term inflation risks appearing to subside and geopolitical tensions continuing to ease, the primary drivers for a broad commodity rally have weakened. Therefore, we are trimming our overall allocation to this asset class as we reposition portfolios for the coming months.

In response to a resilient economy and decline in tariff uncertainty, the Innealta Capital investment team rebalanced Dynamic Global Diversified portfolios on 07/29/2025.

## Position changes within the Dynamic Global Diversified 60/40 ("DGD 60/40")

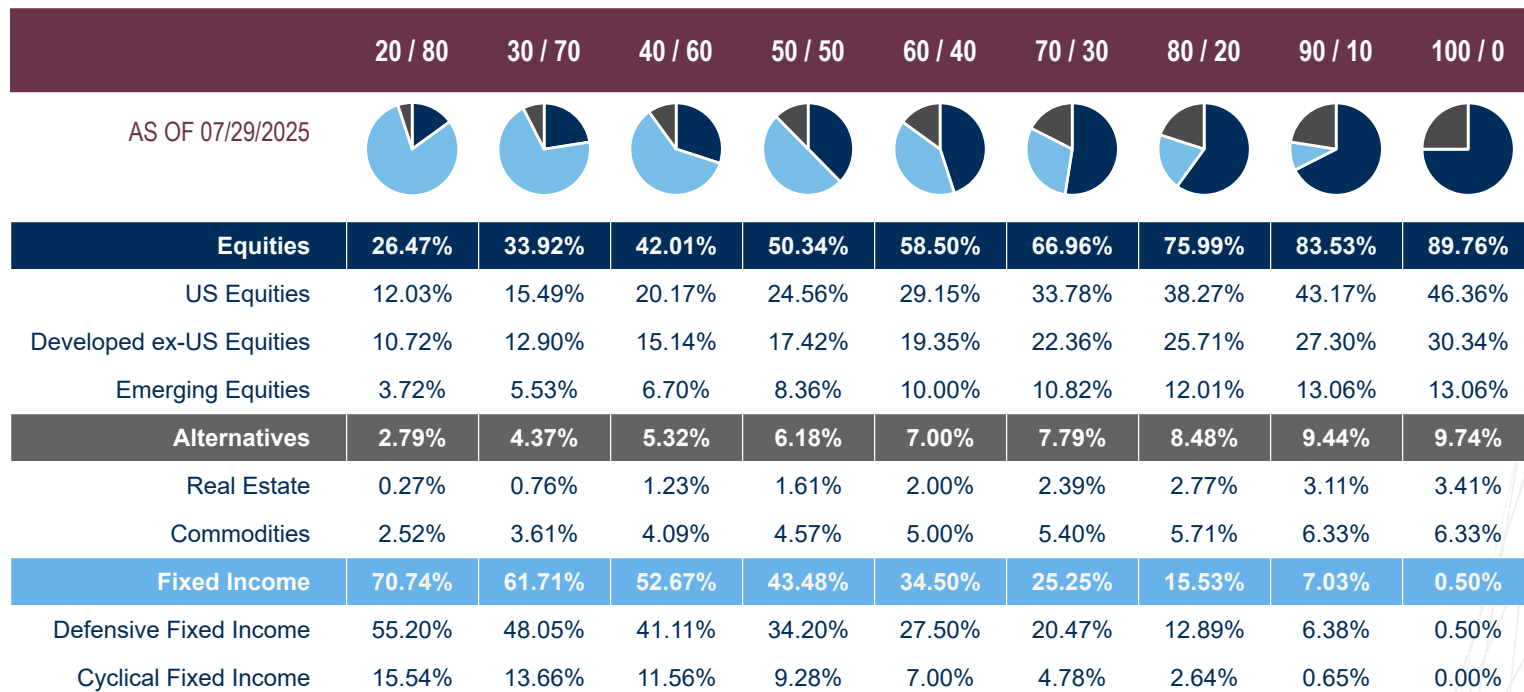
- » **Asset allocation:** Within DGD 60/40, the equity allocation increased from 51.50% to 58.50%, the fixed income position reduced from 39.5% to 34.5%, and the alternatives allocation decreased from 9% to 7%.
- » **Equity allocation:** DGD 60/40 added exposure to the U.S. and emerging markets.
- » **Fixed income allocation:** DGD 60/40 continued increasing the overall portfolio duration by increasing exposure to actively managed core bonds.
- » **Alternative allocation:** DGD 60/40 has decreased the exposure to commodities by eliminating PDBC, while keeping exposure to Gold investments.

## Positioning of DGD 60/40 relative to its benchmark

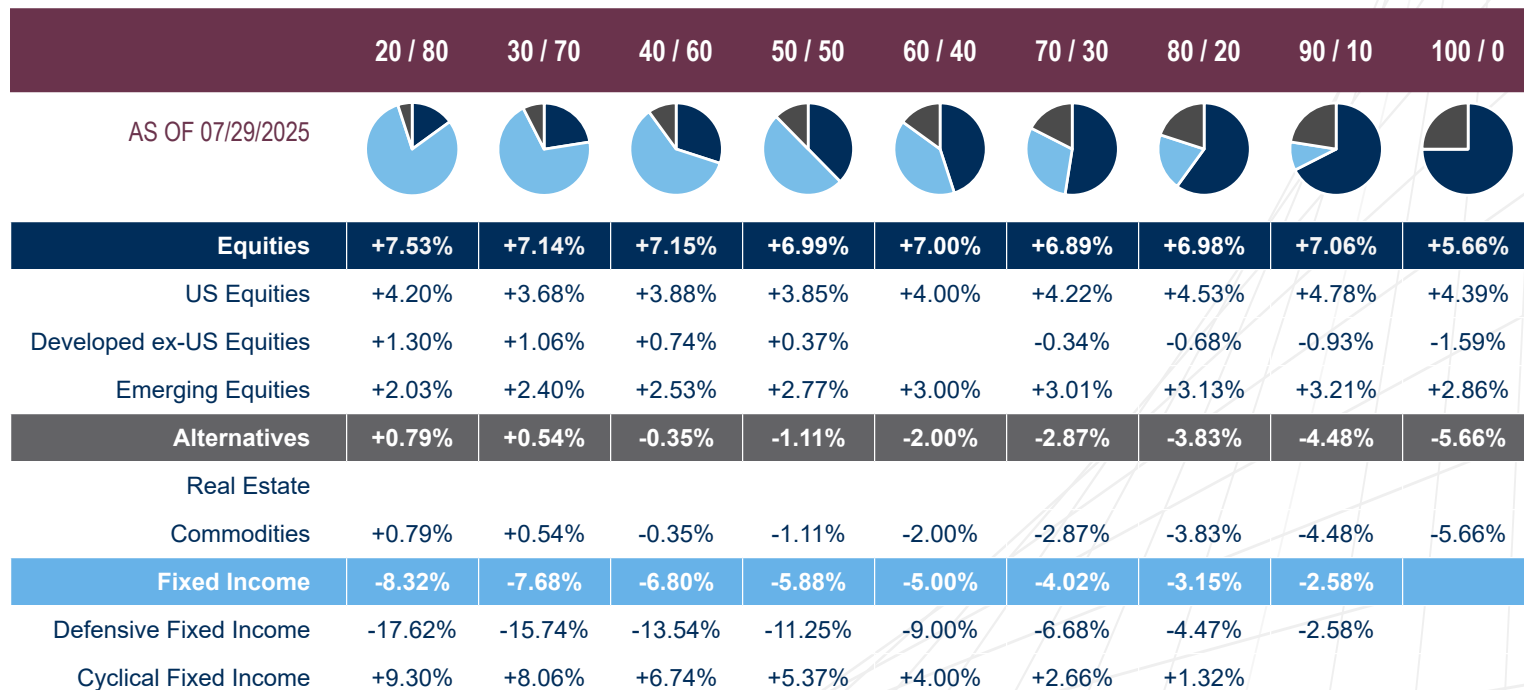
- » **Asset allocation:** DGD 60/40 currently maintains an overweight allocation to equities, which is 13.5% above the benchmark. It has underweight allocations to fixed income and alternatives by 8% and 5.5%, respectively.
- » **Equity allocation:** DGD 60/40 maintains overweight allocations to U.S., developed ex-U.S. market, and emerging markets by approximately 8.15%, 2.55%, and 2.80% respectively, compared to its benchmark.
- » **Fixed income allocation:** DGD 60/40's effective duration is 6.38x compared to the 6.47x maintained by its benchmark.
- » **Alternative allocation:** DGD 60/40 has an underweight allocation to commodities of 4% and an underweight allocation to real estate of 4%.

# PORTFOLIO SNAPSHOT

## ASSET ALLOCATIONS



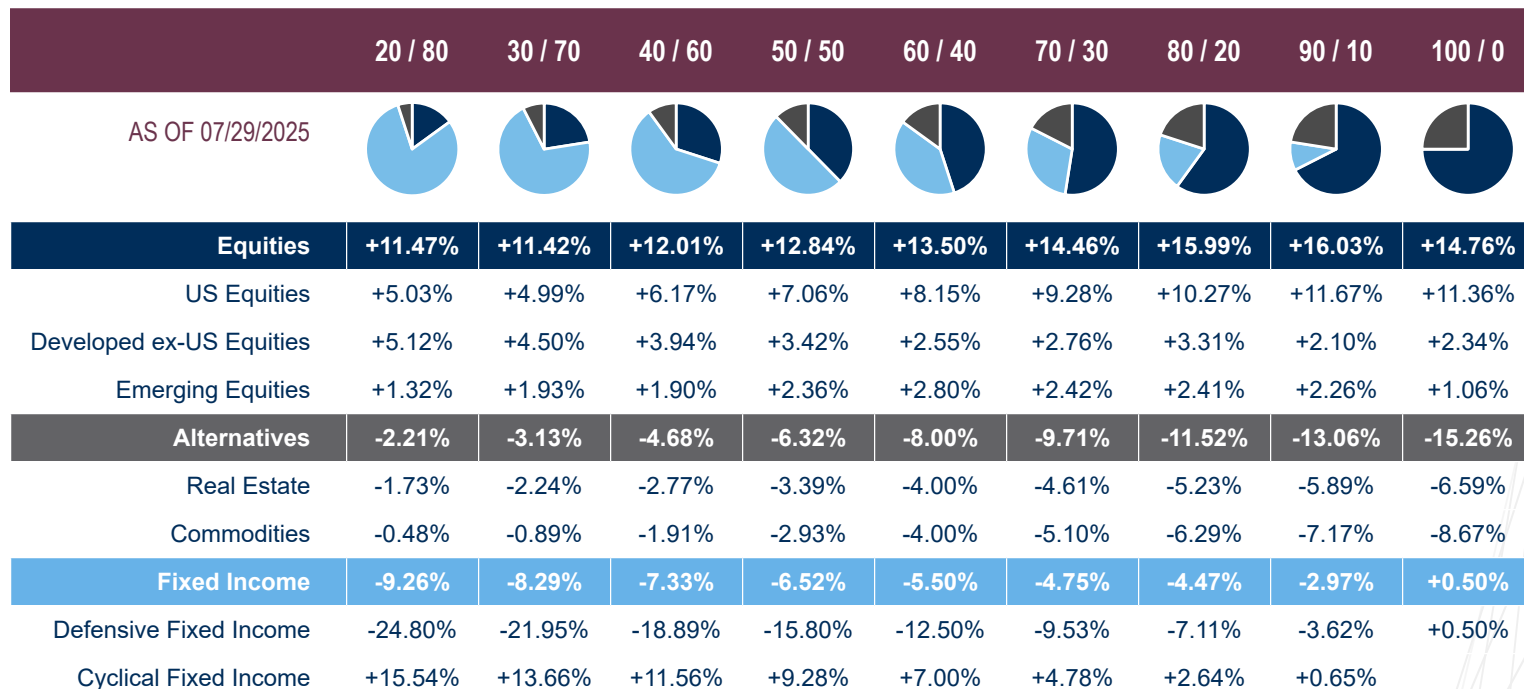
## ALLOCATIONS CHANGES



SOURCE: Innealta Capital. Asset Allocation refers to the new allocation of the portfolio. Allocation Changes refers to the changes implemented to the portfolio. 20/80, 30/70, 40/60, 50/50, 60/40, 70/30, 80/20, 90/10, and 100/0 refers to the respective Dynamic Global Diversified strategies. Please see Disclosures for category details.

# PORTFOLIO SNAPSHOT

## PORTFOLIO RELATIVE TO THE BENCHMARK



SOURCE: Innealta Capital. Benchmark composition for the **20/80** refers to blended index of 7% Russell 3000 TR Index / 8% MSCI ACWI ex US NR Index / 2% Dow Jones Global Select Real Estate Securities NR Index / 3% S&P GSCI Total Return CME / 80% Bloomberg Barclays Global Aggregate Bond NR Index. Benchmark composition for the **30/70** refers to blended index of 10.5% Russell 3000 TR Index / 12% MSCI ACWI ex US NR Index / 3% Dow Jones Global Select Real Estate Securities NR Index / 4.5% S&P GSCI Total Return CME / 70% Bloomberg Barclays Global Aggregate Bond NR Index. Benchmark composition for the **40/60** refers to blended index of 14% Russell 3000 TR Index / 16% MSCI ACWI ex US NR Index / 4% Dow Jones Global Select Real Estate Securities NR Index / 6% S&P GSCI Total Return CME / 60% Bloomberg Barclays Global Aggregate Bond NR Index. Benchmark composition for the **50/50** refers to blended index of 17.5% Russell 3000 TR Index / 20% MSCI ACWI ex US NR Index / 5% Dow Jones Global Select Real Estate Securities NR Index / 7.5% S&P GSCI Total Return CME / 50% Bloomberg Barclays Global Aggregate Bond NR Index. Benchmark composition for the **60/40** refers to blended index of 21% Russell 3000 TR Index / 24% MSCI ACWI ex US NR Index / 6% Dow Jones Global Select Real Estate Securities NR Index / 9% S&P GSCI Total Return CME / 40% Bloomberg Barclays Global Aggregate Bond NR Index. Benchmark composition for the **70/30** refers to blended index of 24.5% Russell 3000 TR Index / 28% MSCI ACWI ex US NR Index / 7% Dow Jones Global Select Real Estate Securities NR Index / 10.5% S&P GSCI Total Return CME / 30% Bloomberg Barclays Global Aggregate Bond NR Index. Benchmark composition for the **80/20** refers to a blended index of 28% Russell 3000 TR Index / 32% MSCI ACWI ex US NR Index / 8% Dow Jones Global Select Real Estate Securities NR Index / 12% S&P GSCI Total Return CME / 20% Bloomberg Barclays Global Aggregate Bond NR Index. Benchmark composition for the **90/10** refers to blended index of 31.5% Russell 3000 TR Index / 36% MSCI ACWI ex US NR Index / 9% Dow Jones Global Select Real Estate Securities NR Index / 13.5% S&P GSCI Total Return CME / 10% Bloomberg Barclays Global Aggregate Bond NR Index. Benchmark composition for the **100/0** refers to blended index of 35% Russell 3000 TR Index / 40% MSCI ACWI ex US NR Index / 10% Dow Jones Global Select Real Estate Securities NR Index / 15% S&P GSCI Total Return CME. See disclosures for category details.

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