

## Size and Style Positioning

Month-to-month, most macro data updates came out to be non-directional. Inflation is persistent, growth and earnings are yet to take a hit, and the labor market is resilient. Investors now expect another 25bp hike in July and only one cut by the end of the year.

(Macro Conditions and the Investment Landscape are summarized in our monthly review.)

In this month's meeting the Committee shifted its focus to the Style positioning. The Fed's rapid and aggressive rate hikes transformed the stock market in 2022 and present new opportunities for 2023. In February we upped our Small-cap bet (see the note explaining the tactical move here). Following the Committee's decision in April to take 10% off our Value bet, we continue to see sentiments favoring growth stocks. Based on the data reviewed, the Committee decides to take another 10% off Value, making our current Style guidance neutral (50% Value and 50% Growth).

On top of investor sentiments and the momentum signals reviewed in the April Committee meeting summary, several other factors back up this decision:

- Both our legacy model and trend following model are pointing toward Growth.
- Our simulation model has been calling for Growth overweight since March.

	Simulated Optimal Allocation																	
	Minimum Volatility						Maximum Sharpe						Highest Return					
	LG	LV	MG	MV	SG	SV	LG	LV	MG	MV	SG	SV	LG	LV	MG	MV	SG	SV
12/31/2021	37%	56%	1%	2%	3%	0%	44%	53%	1%	1%	0%	1%	84%	3%	1%	7%	4%	1%
1/31/2022	7%	72%	19%	1%	1%	0%	12%	81%	1%	1%	0%	5%	3%	83%	0%	6%	2%	5%
2/28/2022	1%	87%	5%	0%	0%	7%	1%	87%	5%	0%	7%	1%	87%	5%	0%	0%	7%	7%
3/31/2022	1%	73%	2%	2%	1%	21%	1%	80%	1%	8%	1%	9%	1%	80%	1%	8%	1%	9%
4/30/2022	3%	86%	2%	0%	1%	8%	3%	86%	2%	0%	1%	8%	1%	75%	0%	7%	0%	17%
5/31/2022	2%	66%	0%	1%	2%	29%	2%	66%	0%	1%	2%	29%	2%	86%	6%	2%	0%	3%
6/30/2022	3%	86%	1%	5%	1%	4%	3%	86%	1%	5%	1%	4%	1%	54%	0%	43%	0%	2%
7/31/2022	0%	78%	1%	13%	3%	5%	0%	78%	1%	13%	3%	5%	49%	1%	1%	0%	49%	1%
8/31/2022	2%	85%	1%	2%	8%	2%	2%	85%	1%	2%	8%	2%	1%	2%	84%	1%	11%	2%
9/30/2022	4%	88%	2%	3%	2%	1%	4%	88%	2%	3%	2%	1%	4%	5%	85%	1%	5%	1%
10/31/2022	3%	87%	1%	1%	2%	6%	3%	87%	1%	1%	2%	6%	0%	29%	1%	67%	2%	1%
11/30/2022	2%	80%	0%	2%	1%	15%	2%	80%	0%	2%	1%	15%	1%	4%	0%	85%	2%	8%
12/30/2022	2%	79%	1%	14%	0%	4%	2%	79%	1%	14%	0%	4%	1%	5%	1%	20%	1%	73%
1/31/2023	1%	90%	1%	6%	0%	1%	1%	90%	1%	6%	0%	1%	1%	9%	0%	79%	0%	11%
2/28/2023	55%	38%	0%	1%	5%	0%	50%	46%	1%	0%	1%	2%	2%	3%	0%	10%	2%	82%
3/21/2023	70%	14%	0%	1%	14%	1%	71%	4%	2%	1%	22%	0%	0%	0%	7%	73%	0%	20%
4/30/2023	79%	10%	4%	0%	6%	1%	82%	2%	6%	1%	9%	1%	85%	0%	6%	2%	6%	1%
5/31/2023	73%	1%	24%	1%	0%	2%	67%	0%	16%	0%	15%	1%	1%	0%	34%	1%	63%	1%

- This time earnings fundamentals don't support a sustainable Value phase.

## Other Agenda Items

The Committee also reviewed portfolio performances, signal effectivenesses and new modeling efforts.

<sup>1</sup> **Disclaimer:** The proceeding content is a summary of the discussion and data reviewed during the monthly Investment Committee meeting. It is informational only and based on information available when created. It is not an offer or a solicitation nor is it tax or legal advice. It does not consider your clients' financial circumstances and objectives and may not be suitable for your clients.