OneAscent INVESTMENTS

# Our Approach to Asset Allocation

## OneAscent Investment Philosophy

> *"You've got to be very careful if you don't know where you're going, because you might not get there."* - Yogi Berra

The OneAscent investment philosophy guides our investing activities, illuminating both where to go and how to get there.

**Values-Based**
We believe aligning your investments with your personal values is a wise approach to investing.

**Long-Term**
We maintain a long-term focus in our investment analysis and management of our business.

**Globally Diversified**
We invest across multiple markets and asset classes to mitigate risk and enhance potential long-term returns.

## Determining the Destination

*We determine the returns that are needed and the risks a client is able and willing to tolerate. The advisor serves as the bridge between the client and investment team throughout the process.*

Asset allocation is the largest driver of portfolio risk[1] and **the most important part** of the investment process.

### Steps of the OneAscent Allocation Process

1. Select **Strategic (long-term)** asset classes and weights. The Strategic allocation is the **roadmap** to the destination.
2. Adjust the strategic portfolio based on **Cyclical (medium-term)** drivers, such as the economic cycle and evolving macro landscape, to keep the portfolio **on track.**
3. Implement **Dynamic (short-term)** asset class shifts based on indicators in the **proprietary OneAscent Navigator process.**

[1]Gary P. Brinson, L. Randolph Hood & Gilbert L. Beebower (1995) Determinants of Portfolio Performance, Financial Analysts Journal, 51:1, 133-138, DOI: 10.2469/faj.v51.n1.1869

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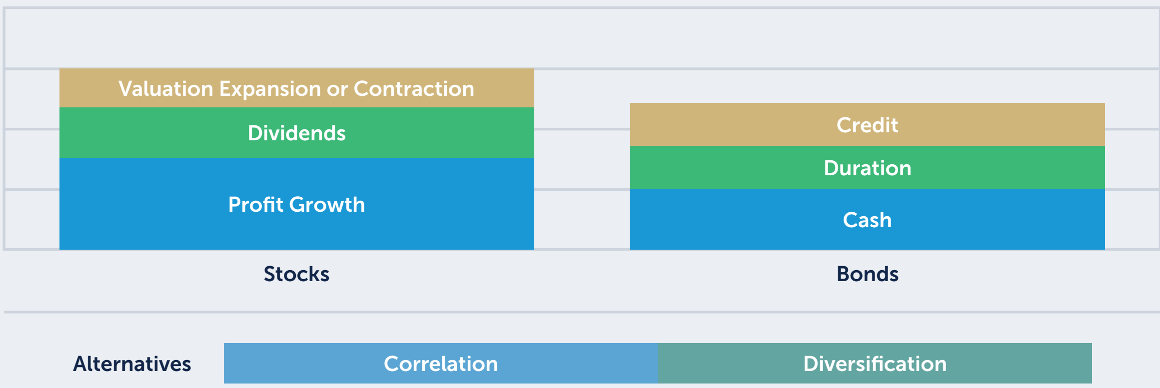
# 1 Strategic Asset Allocation: Mapping Out the Journey

*It's crucial to determine where you're going and how you plan to get there.*

The right mix of assets is the starting point for any investor's journey to their financial destination. The strategic mix, sometimes referred to as the policy portfolio, serves as **a target for allocations** and remains relatively constant over the course of a full market cycle. We follow a disciplined process:

1. We use a **building block approach** to determine capital market assumptions for asset classes, estimating returns for the coming 10-year period.

### Building Block Approach




2. We select the **optimal mix of assets** to achieve the investor's financial goals with a strategy tailored to their volatility profile. Assets may include:
   - Publicly traded stocks and bonds
   - Hedged strategies to reduce volatility
   - Private investments to increase return potential

### Traditional Asset Class Modeling

**Bonds:**
- Inflation and **maturity premiums** based on future cash flows
- **Credit premiums** based on the riskiness of a company's debts

**Stocks:**
- **Profit growth** based on economic growth and increased profit margins
- **Dividends** based on their ability to return profits to shareholders
- **Changes in the price/earnings ratio** as the market reacts to growth

### Alternative Asset Class Modeling

**Hedged Strategies:**
- **Return premiums** of strategies hedged, arbitrage and trading strategies
- Lower **volatility** and **correlation** benefits of different asset classes

**Private Assets:**
- **Illiquidity Premium** available when purchasing assets in the private markets
- **Flexibility** to manager more effectively, without the constraints of public ownership

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# Cyclical Asset Allocation: Adjusting the Route to the Destination

*Be aware of the economic and market cycles and be prepared to course correct.*

We must be aware of the economic cycle and relationships between asset classes, adjusting the portfolio as appropriate. Cyclical course corrections are implemented **within the strategic portfolio;** we call these cyclical adjustments because they happen for two reasons which relate to cycles:

1. **Shifts** in the economic & market cycle
2. **Cyclical changes** in asset relationships, such as growth and value

We expect to make cyclical adjustments once or twice per year, and these adjustments to strategic portfolios are intended to last for a year or more.

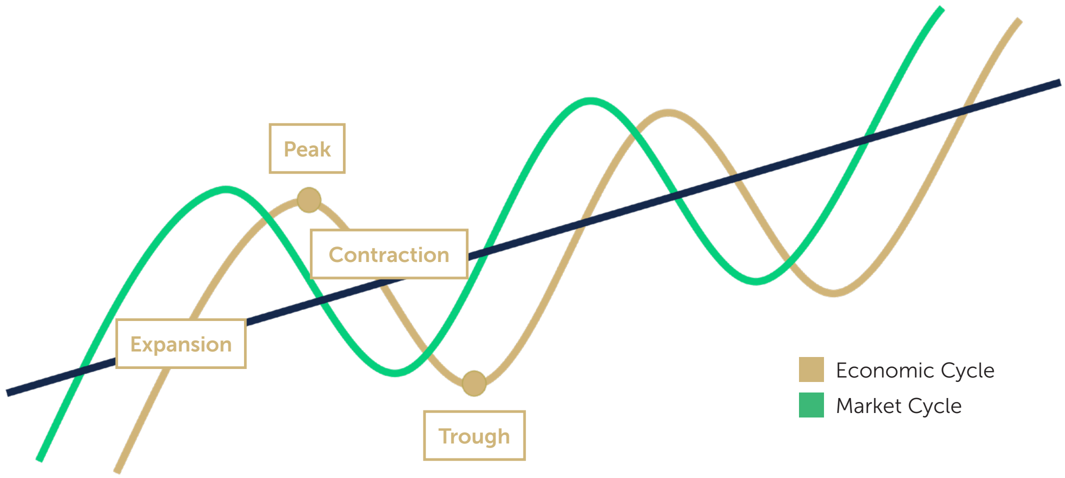
## Economic and Market Cycle Allocation Adjustments

*Assets perform differently throughout the economic cycle. It is important to understand the macro environment and position the portfolio appropriately.*

This diagram illustrates economic growth fluctuating around a trend line, and the market anticipating the economic trend and reacting. We must understand where we are in the **economic cycle** and how **markets are discounting** the economic cycle.

Markets react to:

- Stages of the economic cycle: Growth, Peak, Contraction, Trough (recession)
- Economic regimes: Periods of inflation and deflation, fiscal regimes, demographic shifts, credit and commodity cycles

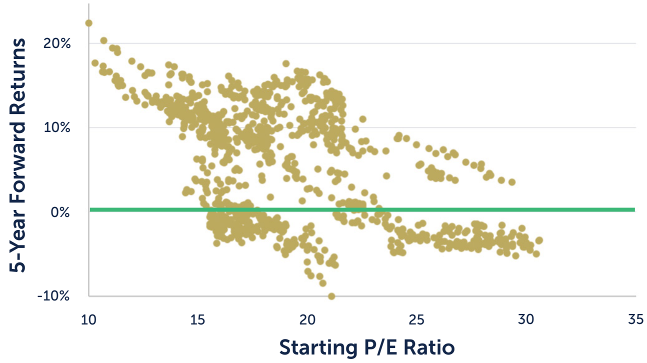


## Cyclical Relationships Between Asset Classes

*No individual style or asset class outperforms consistently. We must be aware of how relative valuations affect forward returns.*

- Absolute valuations:

  Markets have a **strong correlation** between starting valuations and long-term returns



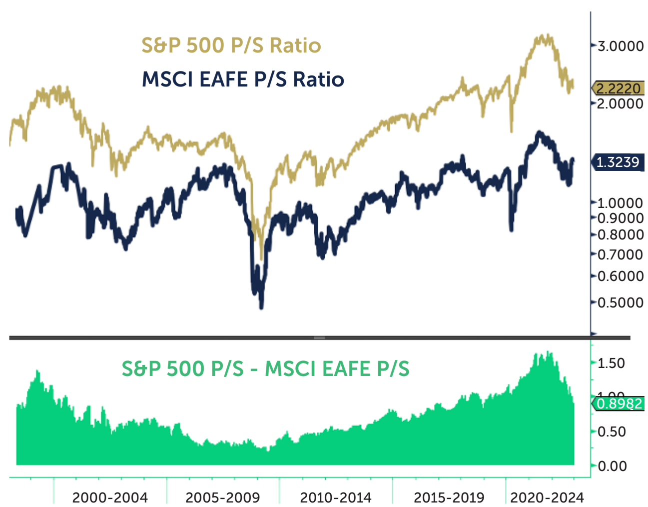

- Relative valuations:

  Asset classes relationships move in **cyclical patterns.** When these relationships move to extreme levels relative to history, there may be an opportunity for mean reversion.

  The valuations of stocks vs. bonds can be illustrated by comparing the earnings yield of stocks (the inverse of the PE ratio) to the yield on the bond market. The chart to the right shows the earnings yield of the S&P 500 compared to the yield of the Bloomberg Barclays bond index.


  US stocks have historically traded at a valuation premium relative to international stocks; the US is considered to have the **broadest, most developed** capital market system. The **amount** of that premium has varied over time.

  Large cap stocks have historically traded at a valuation premium to small cap stocks as their **stability and easier access** to capital justifies a valuation premium. This relative valuation relationship may be affected by the stage of the economic cycle, investor preferences and other factors.




SPX Index (S&P 500 INDEX) two indices and P/S Weekly 31DEC1997-30DEC2022

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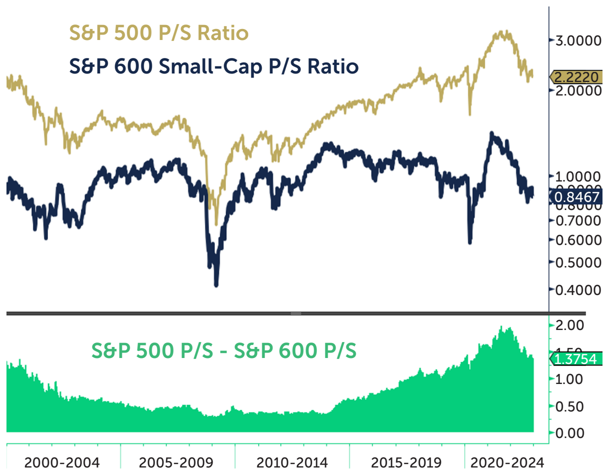
Growth stocks have historically traded at a valuation premium to value stocks as their **higher long-term growth** justifies a valuation premium. This premium varies over time based on the economic cycle, investor preference and other factors.




SPX Index (S&P 500 INDEX) two indices and P/S Weekly 31DEC1997-30DEC2022
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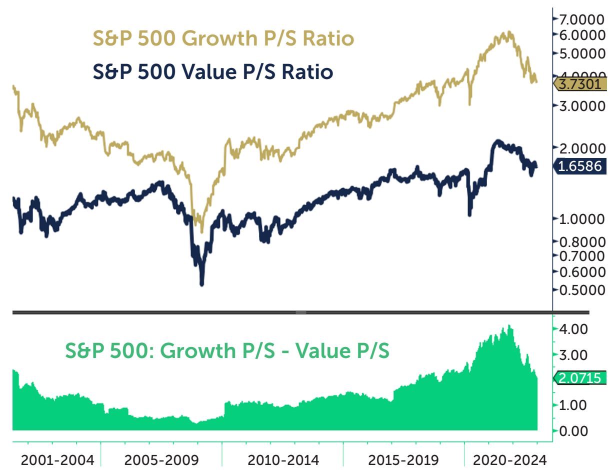


SGX Index (S&P 500 Growth Index) two indices and P/S Weekly 31DEC1997-30DEC2022
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## Dynamic Allocation:
## Risk Management and Psychological Alpha

*Dynamic changes allow investors to adjust to changing conditions and take advantage of the psychology of the market.*

Characteristics of our process:

- **Ranks asset classes** in order of relative attractiveness of near-term returns
- Provides insight into **market risk-taking** appetite
- Allows for **optimal implementation**

**Asset Ranking**

Asset Class Factors:
- Economic growth
- Earnings growth
- Technical picture

**Risk Exposure**

Market Risk Factors:
- Sentiment
- Technical picture
- Macro factors

**Tactical Allocations**

Implementation Factors:
- Market liquidity
- Efficiency
- Values alignment

OneAscent proprietary indicators and process influence the asset class and market risk measures and are supported by a wide variety of data sets including:

- **Prices** of assets compared to their history and to the prices of other asset classes
- **Relative valuation** differences within assets such as growth vs. value stocks or government vs. corporate bonds

- Variations in **growth,** inflation, and employment
- **Central bank** actions and their affects on financial conditions
- Trajectory of **corporate profits** and their financial strength

- Institutional and retail **investor sentiment**
- **Consumer sentiment** and outlook
- Business & **CEO sentiment** and expectations

- Movement above and below **moving averages**
- **Relative strength** of price movements across asset classes
- **Breadth** of advancing stocks minus declining stocks

## Conclusion

OneAscent's Asset Allocation Process helps investors **reach their destination** by:

- Modeling long-term asset classes, helping investors determine the **mix of assets** that will meet their goals

- Making dynamic adjustments to the portfolio based on cyclical movements in the economy and markets to **keep investors on track**

- Taking advantage of investor psychology and market movements, **capitalizing on short-term opportunities**

OneAscent's institutional caliber approach to asset allocation helps investors remain **on the path to financial success.**

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