

Q4
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Dynamic Portfolio Services



Quarterly Briefing

News and updates for advisors from the Investment Management team

Morningstar Market Barometer (YTD through 11/30/2022)



*Source: Morningstar Direct 12/31/2021 – 11/30/2022.

Dynamic's Portfolio Performance and Enhancements

What Worked, What Didn't

In the Markets and In Dynamic Portfolios

- **Equities:** Would you have guessed that a major asset class is up this year? (reference chart above). Value, which has generally been a Dynamic portfolio tilt for several years, has benefited model returns this year. Any allocation to growth would have detracted from returns, and real estate has also relatively underperformed.
- **Fixed Income:** Duration was the key determinant of returns on the bond side, given the strong rising rate environment. Dynamic portfolios generally have a shorter duration tilt, which has benefited model returns this year.

Quarterly Rebalance Review

Given the performance deviations described above, rebalance trades in the fourth quarter generally included the following:

- **Selling:** Outperforming value tilted funds, including income focused, as well as shorter duration, higher quality fixed income.
- **Buying:** Underperforming international, including emerging markets, and real estate holdings.

Introducing: Dynamic Custom Bond Ladders

Bonds are finally producing meaningful income! Dynamic is excited for the timely release of custom bond ladder strategies. This low-cost and low-minimum solution can meet a variety of common client needs including:

1. **Cash Management:** Utilize as a cash substitute. Whether the cash is in the account for distributions, a specific purchase or dollar cost averaging, utilizing a bond ladder can generate superior income versus cash while still maintaining a desired level of liquidity and consistent cash flows.
2. **Capital Preservation:** If cash is sitting on the sidelines as "dry powder" during down markets or volatile conditions, it can be invested in a bond ladder to maintain low risk while offering attractive returns.
3. **Yield Generation:** With interest rates going up over the past year, it has created a great opportunity to generate higher yields even in lower risk and lower duration/maturity investments such as treasury bonds, while being nimble enough to take advantage of future rate increases by rolling bonds forward as they mature.

ETF Model Transitions Update

The transition has begun to the enhanced ETF models introduced earlier this year, striving for efficiency, consistency and simplicity. Key things to remember:

1. We are currently transitioning the existing Small Core into the Dynamic Core ETF models, including carefully considering all taxable situations.
2. We will move on to the next series of models early next year and will be actively communicating in advance through written announcements as well as webinars to ensure a smooth transition.

Models Spreadsheet Enhancements

The quarterly Models Spreadsheet, which is used to communicate performance metrics and often utilized as a model selection tool, has been upgraded. Informational enhancements have been added to help advisors communicate with clients about the strategies:

- **Strategy Guide:** Quick overview of the new ETF strategies to help make comparisons.
- **WWWD:** What Worked, What Didn't In the Markets and In Dynamic Strategies over the last quarter and year to date to help explain recent performance.
- **Themes:** Highlights the primary investment themes, or high conviction portfolio tilts, which can generally be exhibited across all Dynamic strategies to help provide advisors with talking points about model positioning.

NEW Marketing Materials Released

Whether you're interested in the wide variety of high-net-worth solutions that Dynamic offers or would like to learn more about the new ETF strategies, marketing materials are available to supplement your needs. The [High-Net-Worth Solutions](#) and [Dynamic Strategies](#) fact sheets help to increase awareness of the benefits that Dynamic can provide in partnering with our advisors.

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