



ASSET ALLOCATION & RESEARCH

MONTHLY REVIEW

JANUARY 2026



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INTERNATIONAL ADVISORS

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As the calendar page flipped to a new year, the market remained focused on the two factors that have overhung equities for the better part of the last year. First and most importantly, what direction global central banks will move interest rates and secondly what will President Trump do next? Late in the month, the US Federal Reserve answered that question by pausing their interest rate cutting cycle which had been supporting bond prices and reinforcing the relative appeal of US Government debt. Structural challenges in Japan, France, and the UK have made alternative sovereign markets less compelling. As a result, global investors remain willing to allocate to US bonds despite unresolved fiscal issues. Treasury market performance in January, despite uncertain government policy, was relatively stable.



Equities on the other hand remained volatile with global markets continuing to outperform US markets. Commodities were the month's top performing asset class, carried by the surge in precious metal prices. Crude oil and industrial metals also contributed positively to overall commodity performance. The US Dollar reached a four-year low in January and Bitcoin dropped sharply late in the month.

Much of January's financial market volatility was the result of geopolitical issues created by the White House. The regime changes in Venezuela brought on by US forces capturing Venezuelan President Nicolás Maduro has left oil markets unsettled. The President's threat to take over Greenland shook the NATO alliance until he reversed course at the World Economic Forum in Davos. More recently the President has turned his attention toward Iran and a nuclear deal. All these

events have grabbed headlines in January and created headwinds for US stock markets.

United States

In January, US equity markets experienced a shift from AI-heavy growth stocks toward more cyclical and value-oriented sectors, with the small cap Russell 2000 outpacing the S&P 500 Index. Key drivers included energy and materials, while technology remained flat. Sector performance was led by energy with eight of the eleven S&P sectors in the green to start the year. Health care narrowly missed a positive monthly return, and financials were the worst performing sector.



While stock-market volatility was up in January, investors appeared optimistic about the US economy and corporate earnings growth. The S&P 500 scored a monthly gain of 1.4%, while the Nasdaq climbed 0.9% in January, with the Dow Jones rallying 1.7% to notch a ninth straight month of gains in its longest monthly winning streak since 2018.

January began a broadening of last year's rally to include names outside of the "Magnificent Seven" and include the small cap sector. The strength in the Russell 2000 should not come as a surprise to investors as small-cap stocks tend to outperform their large-cap counterparts in the first month of a new year, a trend that is commonly referred to as the "January effect." Much of the monthly gain achieved by the small caps sector was reversed at month end as big tech seemed to regain control of market leadership following mixed earnings results from the tech leaders.

As of 30 January, 33% percent of the S&P 500 reported results with 75% of companies having reported a positive earnings surprise and 65% of S&P 500 companies having reported a positive revenues surprise. For Q4 2025, the blended (year-over-year) earnings growth rate for the S&P 500 is 11.9%. If 11.9% is the actual growth rate for the quarter, it will mark the fifth consecutive quarter of double-digit earnings growth for the index.

Economic data released in January has been tough for the market to interpret since many believe the government shutdown last year has made comparisons to past data difficult. To make matters worse, the government will shut down again at month end unless the House passes the bill the Senate passed on 30 January. At the time of this writing, it seems unlikely a shutdown will occur.



As far as the data goes, growth as measured by gross domestic product has been robust. The third quarter of 2025 motored ahead at a 4.4% clip and the final three months of the year are tracking at a 5.4% rate. The US. Bureau of Economic Analysis plans to release the advance estimate for the 4th Quarter 2025 GDP on 20 February 2026. At the same time, hiring is stagnant amid a Trump administration crackdown on illegal immigration. However, layoffs also have been tame, with the trend for initial jobless claims running at its lowest level in two years. So, headline employment figures look good.

Inflation, though, has proven more troublesome. The rate of US inflation is still running closer to 3% than the Fed's 2% goal, causing concern among some FOMC officials who either want rate cuts paused or eliminated until there is more evidence that price increases are easing.

Finally, US consumer confidence plummeted in January to the lowest level in 12 years as more Americans are worried about the nation's economy, inflation and growing civil unrest with the administration's immigration crackdown.

Despite the chaos the Trump administration continues to create and the tug of war for market leadership between tech and the broader market, the S&P 500 index still managed to post a gain in January. That is a positive sign for the rest of the year according to the "January barometer." Since 1945, whenever the S&P 500 has ended January with gains, the market on average increased 16.2% that year, versus an average annual advance of 9.3%, a phenomenon known as the "January barometer".

The Federal Reserve/Interest Rates

January gave Federal Reserve watchers a lot to deal with and so this section spends some time trying to outline events and their impact on markets.

The most anticipated event of the month was the first Federal Open Market Committee (FOMC) meeting of the year. While the market expected the FOMC to hold rates steady, investors were concerned over the Fed's outlook for the US economy and how it would navigate questions about its independence as the Fed awaits a new leader.



Meeting market expectations, the central bank's Federal Open Market Committee voted to keep its key interest rate in a range between 3.5%-3.75%. The decision stopped three consecutive quarter percentage point reductions, billed as maintenance moves to guard against potential downturns in the labor market.

In voting to hold the line, the committee raised its assessment of economic growth. It also eased its concerns about the labor market as compared with inflation.

“Available indicators suggest that economic activity has been expanding at a solid pace. Job gains have remained low, and the unemployment rate has shown some signs of stabilization,” the post-meeting statement said. “Inflation remains somewhat elevated.”

Importantly, the statement also erased a clause indicating that the committee saw a higher risk from the threat of a weakening labor market than that of heightened inflation. That would argue for a pause in rate cuts at least in the near term as officials see the Fed’s dual goals of low inflation and full employment more in balance.

As has been the case in recent meetings, there were dissents. Governors Stephen Miran and Christopher Waller voted against the hold, with both advocating another quarter-point cut. This was Miran’s fourth consecutive dissent, however, he had previously advocated for a deeper half-point cut. Both officials were appointed by President Donald Trump, with Miran filling an unexpired board seat in September 2025 and Waller appointed during Trump’s first term. Miran’s term expires at the end of January, while Waller interviewed for the Fed chair’s job but was always considered a long shot.



Economic data showing a slowdown in the labor market along with inflation continuing to run hotter than the Fed's 2% target prompted policymakers to put rate cuts on pause, after they were deeply divided over the decision to cut in December. Remember that some of this economic data has been called into question owing to the government shutdown last year. Additionally,

employment data throughout the holiday season can be distorted. So, the FOMC may be pausing rate cuts to get a better look at the direction of the economy.

At the press conference following the meeting, Chair Jerome Powell indicated that after policymakers lowered rates by twenty-five basis points at each of the prior three meetings, they "see the current stance of monetary policy as appropriate to promote progress toward both our maximum employment and 2% inflation goals." This statement stands in direct contradiction to President Trump’s opinion that interest rates should be lower.

The conflicting opinions between the Fed Chair and the President has capped any move higher in short Treasury yields and called into question the independence of the Fed under the Trump Administration. Powell’s strong defence of Fed independence has put him directly in the crosshairs of the Administration.

The President has threatened to fire Powell on multiple occasions and has directed the Department of Justice (DOJ) to investigate the extensive renovations at the Fed’s headquarters in Washington, D.C. In January, the DOJ issued criminal subpoenas to the Federal Reserve regarding Powell’s congressional testimony about the multi-billion-dollar renovation of the Fed’s headquarters. Powell views the probe as a politically motivated attempt by the Trump administration to pressure the Fed on interest rates, though the Trump administration denies this. The investigation has drawn widespread bipartisan criticism.



Powell, for his part, has recently taken a more aggressive approach toward the President's attacks on the Fed. He has uncharacteristically directly addressed the DOJ investigation in the press and appeared at the Supreme Court in support of Lisa Cook, a Federal Reserve Board of Governors member whom the Trump Administration is trying to remove from her post. The Chair has been accused by members of the Trump cabinet of politicizing the Fed with his appearance at the Supreme Court. The Chair justified his attendance by noting "I would say that case is perhaps the most important legal case in the Fed's 113-year history".

The consequence of these conflicts and the unprecedented legal action taken by President Trump has left the normally stable Treasury markets skittish. But that will all change soon.

Chair Jerome Powell has just two more meetings before his term at the helm of the Fed ends in May and many believe interest rates cuts will remain on hold until his predecessor takes over.

On 30 January, President Donald Trump selected former Federal Reserve governor Kevin Warsh to serve as the next chair of the Fed, putting a well-known critic of the US central bank in its top job and removing an overhang from financial markets.



Warsh was the youngest Fed governor in history when he joined the bank's board of governors in 2006, becoming a member of Fed Chair Ben Bernanke's inner circle during the global financial crisis of 2008.

Bernanke embraced Warsh after he had been a top economic-policy staffer for President George W. Bush, and the Fed chief was eager to maintain open communication with the Bush administration during the early stages of the financial crisis.

Warsh eventually broke with Bernanke and resigned his post in 2011, agreeing with Republican critics who argued that the Fed chair's unprecedented bond-buying program to keep long-term rates low following the crisis, known as quantitative easing, gave the central bank too much sway over financial markets.

While Warsh has aligned with Trump advocating for lower interest rates recently, he is seen as an inflation hawk. Market reaction to Warsh's nomination is difficult to gauge as the announcement came on the last trading day of the month and other factors may have influenced market direction.



As the first month of the year draws to a close, US Treasuries are displaying a degree of calm that appears at odds with the political backdrop. One year into Donald Trump's second term, investors are navigating record fiscal deficits, renewed trade tensions, and concerns around Fed independence. Yet despite brief days of volatility tied to global bond market moves, US Treasury yields remain contained. A gauge of volatility in the US bond market, the ICE Bank of America MOVE Index, is down this month to around levels last seen in 2021. Although the index rose around 2% on the day of the Fed rate announcement, it remained below its 50-day moving average.

Treasury yields ended the month higher but within their trading range that began in August. The benchmark 10-year yield closed the month at 4.23%.

Commodities & the US Dollar

January 2026 will go down as one for the record books in the commodities space. The Bloomberg Commodity Index finished the month up around 12%, a performance exceeded only a handful of

times in the past forty-five years, most recently during the post financial crisis rebound in 2009. Unlike some previous surges driven by a single sector or theme, this rally has been relatively broad-based, with precious metals and energy leading the charge, industrial metals participating, and agriculture delivering a more mixed performance.

While the headline returns look impressive, underlying conditions warrant caution. Volatility has surged to levels that are beginning to impair liquidity, particularly in precious metals, where price discovery has become increasingly erratic as demonstrated by the selloff on the last day of the month.

Gold, silver, and copper all hit fresh record highs on 29 January, only to retreat sharply the next day as President Trump's nomination of Kevin Warsh as head of the Federal Reserve pushed the US Dollar higher. The plunge in silver on 30 January was the metal's worst daily drop since 1980. Despite the 31% drop in prices that day, silver still finished the month 11% higher.



In January, gold prices continued to benefit from a haven trade and weakening US dollar reaching a record high of \$5,608 per ounce before profit taking nudged the yellow metal below \$4,900 at month end. Gold still managed a sixth monthly advance and its strongest monthly performance since the 1980's. Despite the late month reversal, the precious metal remains in a strong, historic, and multi-month rally.

The story surrounding copper's rise is slightly different, as gold and silver have been used as a store of value with risk asset valuations stretched. Copper has been driven higher by longer-term macro themes such as electrification, energy transition, and constrained supply. Unfortunately, the price of copper may be caught up in the current

artificial intelligence craze and gotten overextended.

January saw attention in the oil sector turn to geopolitics and away from production cuts. Renewed concerns about a potential US attack on Iran heightened fears of Middle East supply disruptions, briefly pushing Brent crude back above \$70 per barrel and forcing a reassessment among traders who entered the year positioned for prices to fall into the \$50 a barrel range on expectations of a supply glut. Those fears have faded following a month of disruptions and could disappear entirely if Middle Eastern barrels were to become unavailable, even briefly. The rally in oil served as a reminder that, despite ample spare capacity elsewhere and rising non-OPEC supply, oil prices remain extremely sensitive to geopolitical tail risks. Oil prices ended the month of January with their first gain in six months. West Texas Intermediate crude posted its best monthly performance since July 2023, up 15.5%. Brent climbed by over 16% in the month.



The US Dollar Index fell below 97.0 in January, reaching a four-year low. This decline was driven by a dovish Federal Reserve policy, accelerating global de-dollarization, geopolitical disruptions, and concern for the potential of a weakening US economy. Capital outflows from dollar assets to emerging markets and Eurozone currencies intensified the pressure on the dollar. The Greenback lost 1.3% for the month and it would have been worse except for the rally on the final day of the month triggered by President Trump's nomination of Kevin Warsh to head the Federal Reserve.

Global Markets

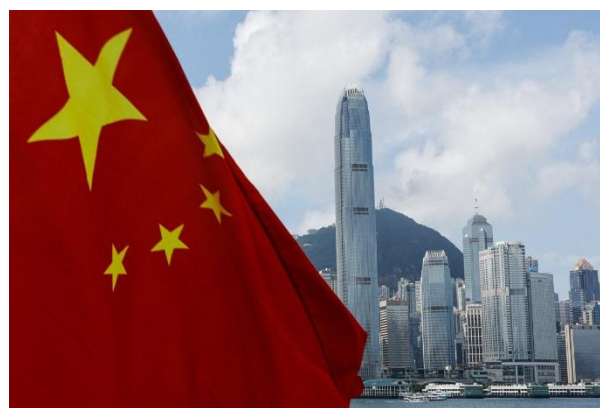
Global equity markets began January with strong momentum, extending the 2025 rally, driven by intense AI-related demand and robust corporate

earnings, particularly in the technology sector. Taiwan Semiconductor's record Q4 2025 earnings on 15 January sparked a surge in semiconductor capital equipment stocks. Emerging markets saw the strongest performance among global equities, particularly in China, Taiwan, and Korea, which benefited from the AI capex boom and wider AI-related developments. Developed markets delivered solid results except for Germany and France where stocks finished near breakeven levels.



Japanese stocks had a strong start to the year with the Nikkei 225 index breaching the 54,000 level and hitting all-time highs. The market was propelled by a combination of a weak yen, ongoing corporate governance reforms, and expectations surrounding a potential general election. Prime Minister Sanae Takaichi's proposal to suspend the sales tax on food for two years triggered a historical bond selloff that spilled into other global markets. Japanese equity investors remain cautious in front of the 8 February election, but the Nikkei managed to post a 2.8% gain in January.

Chinese stocks kicked off the calendar year in the right direction. The Shanghai and Shenzhen indexes gained 3.76% and 5.03%, respectively, in January, supported by expectations of fresh policy support and advances in artificial intelligence and related technologies. However, mainland stocks came under pressure toward the end of the month amid a rising regulatory crackdown on speculative trading.



The Chinese economy grew by 5% in 2025, the same pace as the previous year and meeting the government's target. Growth was supported by strong exports, as companies diversified shipments to Europe and Latin America to offset weak domestic consumption and US tariffs. Analysts expect growth of around 5% in 2026, though weak domestic demand could constrain upside.

The Hang Seng market recorded its first monthly rise in four, up 6.9% in January, boosted by signs of recovery in Hong Kong's property sector.

The Taiwanese economy expanded 12.68% year-on-year in Q4 2025, far exceeding market expectations of 8.5% and accelerating sharply from 8.21% in the previous quarter. It marked the strongest pace of growth since Q3 1987, driven primarily by stronger-than-anticipated external demand, fueled by emerging technologies such as artificial intelligence. Taiwan's main stock market index surged 10.7% for the month. In South Korea, the benchmark KOSPI closed the month at a fresh record high and posted a gain of 23.97% in January as semiconductor stocks lifted the index on renewed confidence in the chip cycle. India's BSE Sensex fell 3.5% in January, marking its second consecutive monthly decline.

The STOXX Europe 600 index rose 2.76% and recorded its seventh consecutive monthly advance in January. The move was driven by steady performance from the technology, financial and defensive sectors.

The German economy ended 2025 in positive territory after a turbulent year, particularly for foreign trade. The economy rose 0.2%, the first

expansion in three years. For 2026, the German government forecasts economic growth of 1%, as exports are expected to rise for the first time in three years. Fiscal stimulus is projected to contribute around two-thirds of a percentage point to GDP growth. Growth in 2027 is seen at 1.3%. The DAX ended the month essentially flat.

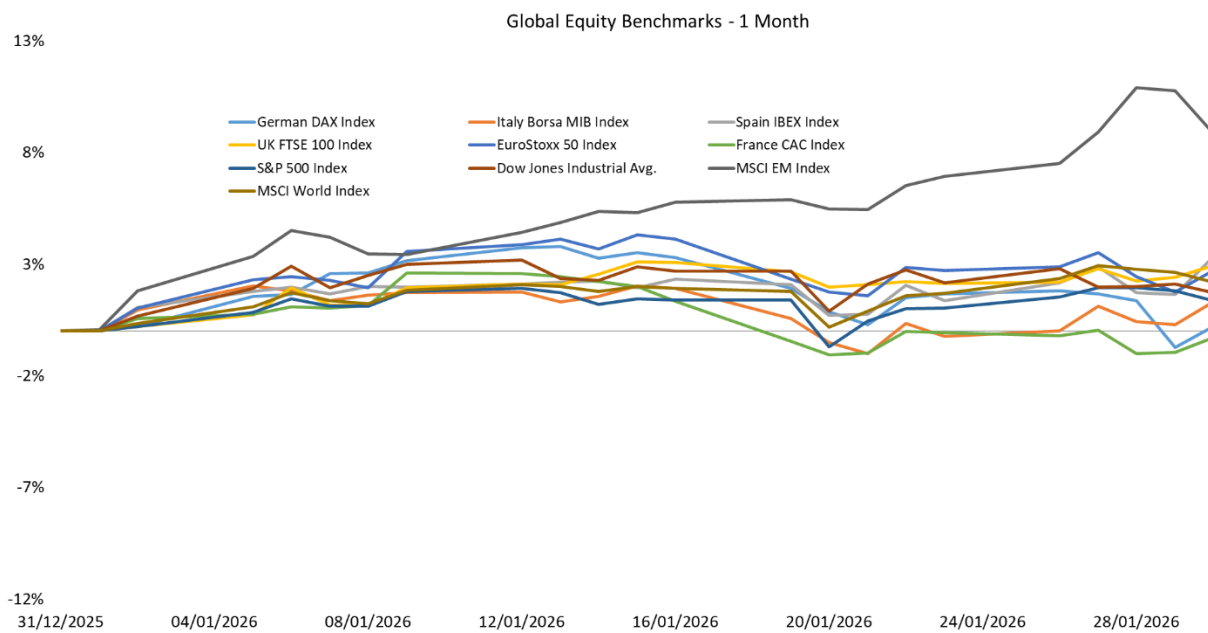
The French CAC was hampered by political risk after Prime Minister Sébastien Lecornu again relied on special constitutional powers to push the 2026

budget through parliament, a move that continues to cloud the fiscal outlook. The CAC lost 0.3% in January.

The FTSE 100 index experienced a historically robust performance in January, breaching the 10,000-point mark for the first time. Driven by gains in mining, aerospace, and defense, the index reached new highs early in the month and recorded a seventh consecutive monthly gain, trading higher by 2.9%.

GLOBAL MARKET PERFORMANCE

January was a good month for equities with most global indices posting gains. The S&P 500 index gained 1.4% in January while the Dow Jones Average rose 1.73%. The Pan-European Stoxx 50 jumped 2.7% in the month. In European markets, the German DAX ended January flat, the French CAC lost 0.3%, the Italian Borsa increased by 0.34% and the Spanish IBEX led the major markets, up 3.31% for the month. The UK FTSE posted a solid gain of 2.94% in January. The MSCI World Index climbed 2.19%, while the MSCI EM Index surged 8.81% in the month, outpacing developed markets.



MARKET OUTLOOK

After a solid performance in 2025 the S&P 500 index is off to a good start in the new year. The technology sector was the second-best performer in 2025 behind only communication services. While the new year has seen increased volatility and the technology sector has not yet regained its market leadership, several factors point to a bullish outlook for 2026.

A new wave of tech-driven investment, supportive fiscal and monetary policy, the resilience of corporate earnings and continued retail spending suggest a fourth year of solid returns for US stocks lay ahead. At the heart of the bull case is the emergence of a transformational technology cycle, anchored by artificial intelligence and infrastructure upgrades. Unlike past hype-driven tech cycles, this one is already producing real capital expenditure. The “Magnificent Seven” mega-cap firms have committed more than \$600 billion toward data centres, semiconductors, and AI services. This spending has knock-on effects through software, energy, and industrial supply chains. If productivity gains follow, as many expect, earnings will expand and justify higher stock valuations.

Best positioned to take advantage of this new tech-driven investment cycle are the large cap technology stocks, they have the balance sheet to spend on investment and R&D and the first mover advantage to pursue alliances to further their leadership position. Bond markets should offer solid returns for the first six months of the year. Large cap stocks, with their strong balance sheets, remain best positioned to take advantage of the continuing investment cycle in technology and infrastructure.

ASSET ALLOCATION & RESEARCH - MODEL PORTFOLIOS

The table below illustrates the monthly returns of the Asset Allocation & Research Model Portfolios.

Index	MTD Return (GBP)	YTD Return (GBP)	MTD Return (USD)	YTD Return (USD)
AAR Cautious Model Portfolio GBP/USD	1.18%	1.18%	1.22%	1.22%
AAR Balanced Model Portfolio GBP/USD	1.49%	1.49%	2.04%	2.04%
AAR Adventurous Model Portfolio GBP/USD	0.64%	0.64%	1.68%	1.68%
AAR Equity Only Model Portfolio GBP/USD	1.51%	1.51%	2.37%	2.37%
AAR Concentrated Cautious Model Portfolio GBP/USD	1.18%	1.18%	1.22%	1.22%
AAR Concentrated Balanced Model Portfolio GBP/USD	0.54%	0.54%	1.38%	1.38%
AAR Concentrated Adventurous Model Portfolio GBP/USD	0.58%	0.58%	1.64%	1.64%
Legal & General Cautious GBP/ Legg Mason Conservative Fund USD	1.08%	1.08%	1.20%	1.20%
Legal & General Balanced GBP / Legg Mason Balanced Fund USD	0.60%	0.60%	1.62%	1.62%
Legal & General Adventurous GBP / Legg Mason Performance Fund USD	1.39%	1.39%	2.15%	2.15%
FTSE 100 TR Index GBP /S&P 500 TR Index USD	2.99%	2.99%	1.45%	1.45%

MODEL PORTFOLIOS

Below you will find the top and the bottom two performers of each Asset Allocation & Research Model Portfolios:

USD Model Portfolios								
	Cautious		Balanced		Growth		Equity Only	
Top	SPDR GOLD SHARES	12.27%	SPDR GOLD SHARES	12.27%	ISHARES MSCI JAPAN ETF	6.17%	ISHARES MSCI JAPAN ETF	6.17%
	ISHARES MSCI ALL COUNTRY ASI	7.70%	ISHARES MSCI EMERGING MARKET	8.02%	WISDOMTREE EMERGING MARKETS	6.17%	WISDOMTREE EMERGING MARKETS	6.17%
Bottom	CASTLESTONE LOW VOL IN U-B	-0.64%	CASTLESTONE LOW VOL IN U-B	-0.64%	DOMINION GT-MGD FD-USDB	-1.14%	DOMINION GT-MGD FD-USDB	-1.14%
	ISHARES 20+ YEAR TREASURY BD	-0.03%	ISHARES 20+ YEAR TREASURY BD	-0.03%	CASTLESTONE FAANG+ UCITS-B	0.31%	CASTLESTONE FAANG+ UCITS-B	0.31%
GBP Model Portfolios								
	Cautious		Balanced		Growth		Equity Only	
Top	INVESCO PHYSICAL GOLD ETC	15.74%	INVESCO PHYSICAL GOLD ETC	15.74%	ISHARES MSCI JAPAN	3.63%	ISHARES MSCI JAPAN	3.63%
	ISHR MSCI AC FAR EAST X-JP	8.24%	VANG FTSE EM USDD	3.51%	VANG FTSE EM USDD	3.51%	VANG FTSE EM USDD	3.51%
Bottom	CASTLESTONE LOW VOL IN U-B	-0.64%	CASTLESTONE LOW VOL IN U-B	-0.64%	DOMINION GT-MGD FD-GBPR	-2.62%	DOMINION GT-MGD FD-GBPR	-2.62%
	ISHARES CORE GBP CORP	0.21%	ISHARES CORE GBP CORP	0.21%	IFSL MRLBGH US FOCUS FD A-IN	0.00%	CASTLESTONE FAANG+ UCITS-B	0.31%

NOTE ABOUT PORTFOLIO PERFORMANCE

Portfolio performance is off to a good start in 2026 with all portfolios posting gains. The USD Cautious portfolio rose 1.22%, the Balanced portfolio climbed 2.04%, the USD Growth portfolio increased by 1.68%, and the Equity Only portfolio advanced 2.37%. The S&P 500 Total Return Index was up 1.45% (including dividends) in the month.

The best performing USD holding in January was the SPDR Gold shares.

In January, the GBP Cautious portfolio added 1.18%, the GBP Balanced portfolio rose 1.49%, the GBP Growth portfolio increased 0.64% and the Equity Only GBP Portfolio advanced 1.51%. Over the month, the FTSE 100 TR Index rose 2.99% (including dividends).

The Invesco Physical Gold ETC fund was the best monthly performer of the GBP portfolios.

CONCENTRATED PORTFOLIOS

Below you will find the top and the bottom two performers of each Asset Allocation & Research Concentrated Portfolios:

USD Concentrated Model Portfolios						
	Cautious		Balanced		Growth	
Top	SPDR GOLD SHARES	12.27%	ISHARES MSCI EMERGING MARKET	8.02%	ISHARES MSCI EMERGING MARKET	8.02%
	ISHARES MSCI ALL COUNTRY ASI	7.70%	ISHARES CORE S&P SMALL-CAP E	5.70%	ISHARES EUROPE ETF	4.56%
Bottom	CASTLESTONE LOW VOL IN U-B	-0.64%	CASTLESTONE LOW VOL IN U-B	-0.64%	DOMINION GT-MGD FD-USDB	-1.14%
	ISHARES 20+ YEAR TREASURY BD	-0.03%	ISHARES 20+ YEAR TREASURY BD	-0.03%	ISHARES 20+ YEAR TREASURY BD	-0.03%
GBP Concentrated Model Portfolios						
	Cautious		Balanced		Growth	
Top	INVESCO PHYSICAL GOLD ETC	15.74%	VANG FTSE EM USDD	3.51%	VANG FTSE EM USDD	3.51%
	ISHR MSCI AC FAR EAST X-JP	8.24%	ISHARES CORE FTSE 100	3.09%	ISHARES CORE FTSE 100	3.09%
Bottom	CASTLESTONE LOW VOL IN U-B	-0.64%	CASTLESTONE LOW VOL IN U-B	-0.64%	DOMINION GT-MGD FD-GBPR	-2.62%
	ISHARES CORE GBP CORP	0.21%	ISHARES CORE GBP CORP	0.21%	ISHARES CORE UK GILTS	0.25%

NOTE ABOUT CONCENTRATED PORTFOLIO PERFORMANCE

In January, the USD Cautious portfolio rose 1.22%, the USD Balanced portfolio gained 1.38% and the USD Growth portfolio increased by 1.64%. The SPDR Gold Shares was the best performing USD asset over the month.

The GBP Cautious portfolio added 1.18%, the Balanced portfolio was up 0.54%, while the Growth portfolio increased by 0.58% over January. The Invesco Physical Gold ETC was the top performer in the month.

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Differences in performance have occurred due to the historical restatement of the underlying securities in the portfolios for the period 01/01/2020-30/10/2020. These restatements now have been considered in the performance for the period 30/10/2020-31/11/2020. The Discrepancies were created due to a reporting method within Bloomberg.

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