

FINANCIAL REPORT



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KENSINGTON
Asset Management

Year in Review

December 2023

2023 YEAR IN REVIEW

Geopolitics: 2023 proved to be a tumultuous year with two ongoing hot wars (one effectively a proxy war between Russia and the West), a contentious and increasingly protectionist relationship between the U.S. and China, and turmoil in the Middle East that threaten critical global shipping lanes, all of which pose challenges to financial markets. Historically, geopolitics have not had a meaningful impact on the private sector (if anything, war has been a profitable enterprise) but some fear that the global unrest that has arisen following the worldwide pandemic may turn out to be different.

Looking back on history, the fall of the Berlin Wall and its associated pax Americana, the subsequent spread of capitalism across the globe (albeit in various forms), the accession of communist China into the WTO in 2001 and major contribution to global economic growth (China's trade surged nine-fold between 2001 and 2021), the relaxation of tariffs, the globalization of supply chains and accompanying reduction in labor costs, all have contributed to an exceedingly benign market environment in the past few decades.

Now, however, those trends appear set to reverse. Part of this is inevitable with China's emergence as an economically developed country and competing superpower with America. Both sides now are driven to secure natural resources to sustain domestic economic growth and ensure national security. At the same time, there are an increasing number of resource laden nations who seek to carve out a more independent role for themselves outside of the direct influence of both China and America. This competition among nations for strategic commodities has the potential to lead to conflict, shortages and higher prices as happened in the 1970s.

Domestically, there are demographic trends at play as well: a generational transition from Boomers to Millennials, Generation X and Z. As the latter assume increasing power and influence, they bring with them a different set of priorities. Those priorities are shaped, in part, by a deep feeling the system is unfairly stacked against them, as evidenced by the growth in inequality in how the nation's wealth has been distributed over the past forty years. As Cem Karsan of Kai Volatility pointed out, the concentration of wealth in the U.S. can be captured statistically by the Gini coefficient¹ which has gone from 0.32 to 0.46, a dramatic increase in income inequality.

All of these changes suggest future behavior of financial markets is unclear and warrant greater reliance on tactical flexibility in the management of investments in the years ahead.

Stock market: The market finished the month, quarter and year up strongly with the S&P 500 gaining 8.7%, 12.75% and 24.23%, respectively. The Nasdaq 100 was up 5.51%, 14.34% and an eye-popping 53.81% over the same periods. The small-cap Russell 2000 Index, a laggard for most of the year, rebounded 12.05% in December and gained 13.56% in the quarter and 15.09% in the year. Overseas bourses also performed handsomely in 2023, with the Euro Stoxx 50 Index up 19.19% and the MSCI EAFE Index appreciating 16.16%.

About Kensington

Kensington Asset Management specializes in data-driven, quantitative investment solutions spanning across the global investment landscape. Our focus is to help provide investors with confidence through quantitative analytics, by attempting to participate in rising markets, while taking steps to help avoid exposure during times of market decline or volatility. Kensington Asset Management was founded by Bruce P. DeLaurentis, a quantitative pioneer with over 40 years of trading experience through numerous market cycles.

Investment Philosophy

Kensington believes that the best way to generate steady, above average positive returns is to employ an investment methodology that has the potential to recognize and measure consistent and repeating behavioral patterns in the financial markets. With that goal in mind, Kensington has developed clearly defined quantitative decision models that strive to minimize subjectivity in this decision-making process. The overarching goal is to capture sufficient returns in positive market conditions, while protecting capital, with rigorous mitigation during down markets.

Authors

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Large cap stocks were the clear winner last year among Large, Medium and Small cap, with Technology, Communication Services and Consumer Discretionary sectors strongly outperforming the other eight that combined make up the S&P 500's 500 companies. But the real story in 2023 was the performance of the so-called "Magnificent Seven", the group of mega-cap technology focused stocks which were up an astounding 111% on the promise of generating immense benefits from advances in artificial intelligence. Outside of those seven stocks, however, the gains were far more muted, with the other 493 only returning ~6%.

The companies making up the Magnificent Seven – Nvidia, Apple, Amazon, Microsoft, Meta Platforms, Alphabet (Google), and Tesla - accounted for 52% of the entire S&P 500's gain in 2023, and by year's end close to 30% of the index's capitalization.

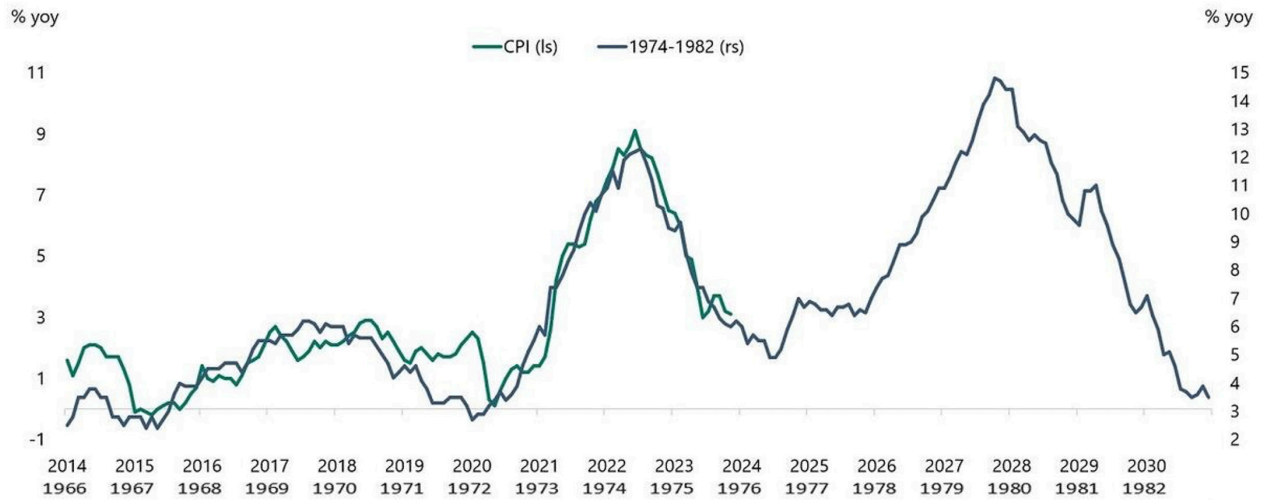
This type of extreme concentration in index performance and capitalization is rarely seen in markets and holds a cautionary lesson for investors about passive investing and the performance imperative of active portfolio management.

The S&P 500 Index has not been this concentrated in years, if ever. Similar concentration in the past has preceded a number of serious market declines, so investors would do well to take note.

Fixed Income: Fixed income markets continued to advance in December extending the rally that began at the close of October when a combination of fortuitous Treasury auction positioning, benign inflation data, and an overall economic slowdown convinced investors the two-year bear market in bonds was coming to an end. The two-month surge wiped out year-to-date losses across the complex with the U.S. Treasury 10-Year ending the year up 3.54%, the Bloomberg U.S. Corporate Investment Grade Index advancing 8.52%, the Bloomberg Mortgage-Backed Securities Index gaining 5.05% and the Bloomberg Corporate High Yield up a robust 13.45%.

Markets continue to be heartened by the positive news on the inflation front, exemplified by the decline in the six-month annualized Personal Consumption Expenditures (PCE) Deflator and Core PCE inflation rate of change to 2%. With shelter inflation, a major component of the price indexes, expected to exert a significant downward pull in the months ahead, there appears little reason in the short run to believe the cyclical downturn in inflation will reverse anytime soon.

Nonetheless, there remains the question as to whether this is a temporary downturn in prices to be followed by an eventual transition to a secularly higher inflation environment. As pointed out above, the forces of populism, de-globalization of a demographic-induced shift to a younger and less productive work force, and the financing of the country's huge federal deficit (likely by partially monetizing it) carry with them the possibility of an upswing in prices reminiscent of the 1970s.



Source: Apollo Global Management, as of Dec 27, 2023

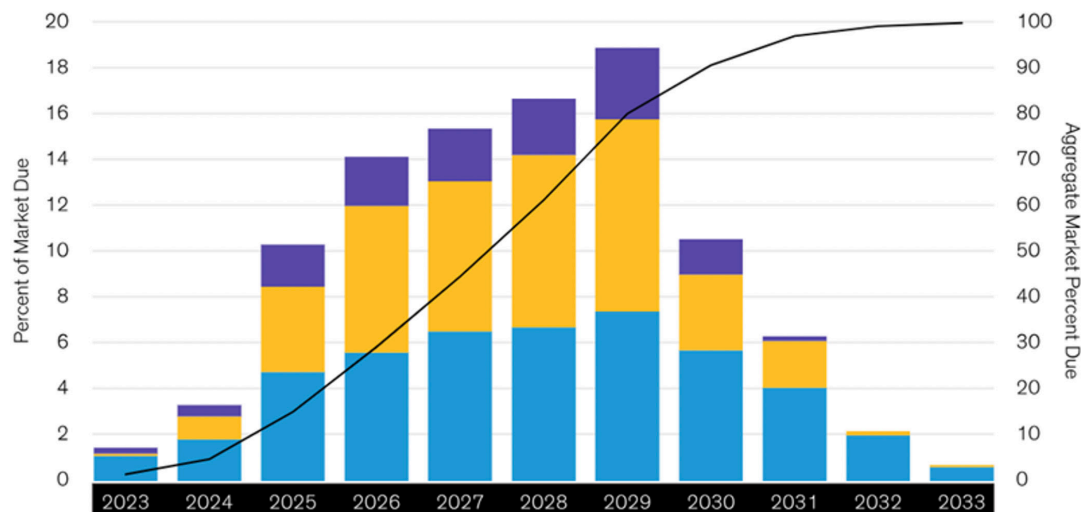
From a shorter term perspective, the bond market will face a few significant challenges in 2024. One is financing the U.S. fiscal deficit while at the same time minimizing upward pressure on Treasury rates and the other is successfully refinancing the wall of corporate bond maturities set to mature this year and into 2025-2026.

The national deficit is now approaching \$34 Trillion, an amount that is expected to increase even further over the next few years bringing the deficit to over 120% of GDP according to Fitch Ratings Service.

In regards to corporate refinancing needs, Michael Howell of Crossborder Capital has astutely pointed out bond and stock markets run on liquidity, which can best be defined by the ability of government and corporate entities to refinance their debts easily and at a reasonable cost. (MM/DD/YY or MM/YY) Corporate debt maturities are set to rise in the coming years, creating potential pressure to refinance at prevailing rates. In the High Yield sector, however, maturities will not ramp up significantly until 2025 and beyond, with less than 4% of issuances set to mature in 2024 (chart below).

An Extended Maturity Runway Takes Pressure off Issuers

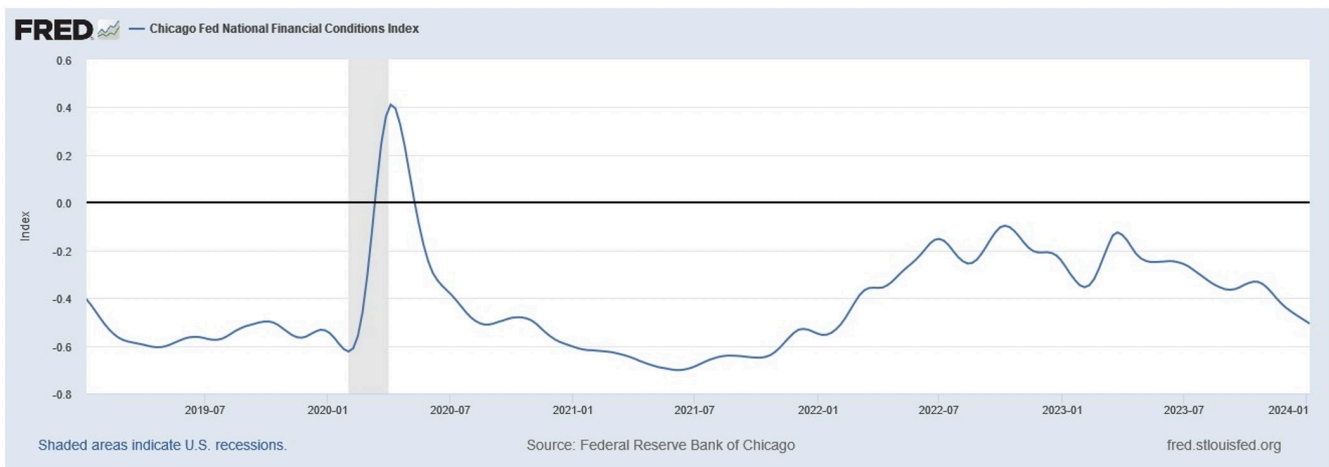
Bloomberg US Corporate High Yield Index: Maturities



Source: AllianceBernstein, as of March 31, 2023

The Federal Reserve and Economic Policy: 2023 was a bit of a year of redemption for Jerome Powell and the Fed as it saw its series of multiple rate hikes and quantitative tightening take hold and slow – for now – price pressures in the economy. It is up for debate whether it was these actions, or the “normal” restocking of inventories and repair/recreation of supply chains that accounted for the drop in inflation but regardless, both the Fed and market welcomed the news.

Looking forward, rate markets continue to price in an outright pivot by the Fed sometime in the first half of 2024, effectively concluding the tightening program it instituted in early 2022. The Fed will need to walk a fine line as it attempts to modulate those expectations, however, as financial conditions have already eased considerably since the first half of 2023 (chart below).

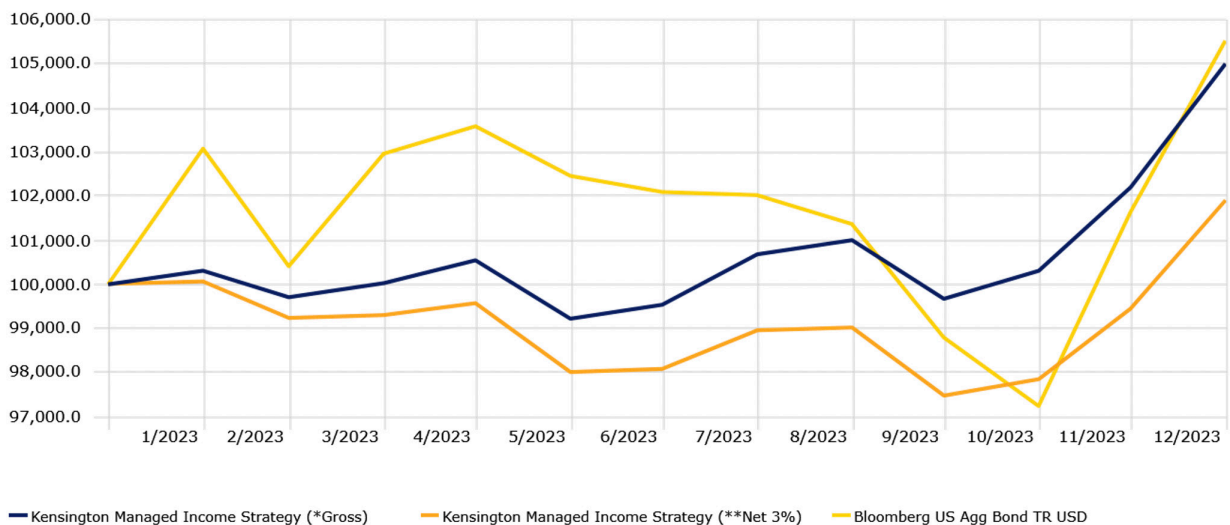


Source: Federal Reserve Bank of Chicago

Managed Income Strategy

Investment Growth

Time Period: 1/1/2023 to 12/31/2023



Performance: The Managed Income Strategy finished 5.01% (gross) in 2023 compared to the 5.53% for the Bloomberg US Aggregate Bond Index.

	Annualized Return					
	QTR	YTD	3 Years	5 Years	10 Years	Since Inception
Kensington Managed Income Strategy (*Gross)	5.35	5.01	0.89	4.25	4.38	8.56
Kensington Managed Income Strategy (**Net 3%)	4.56	1.90	-2.09	1.16	1.29	5.35
Bloomberg US Agg Bond TR USD	6.82	5.53	-3.31	1.10	1.81	2.84

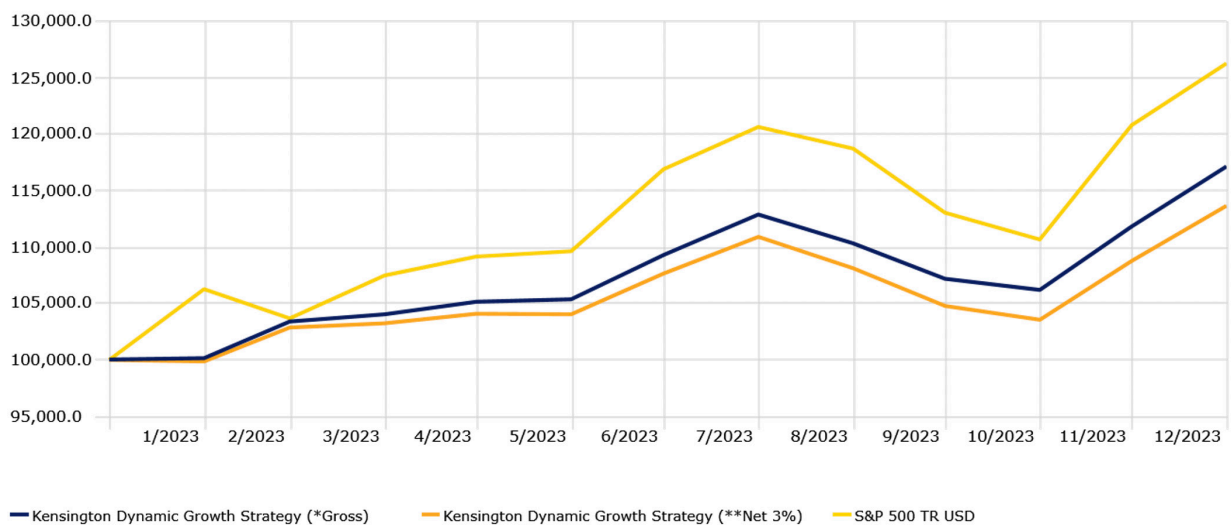
Inception Date: December 31, 2007. Returns greater than 1 year are annualized.

Manager Commentary: U.S. High Yield began the year with a strong January, before falling back into a rangebound pattern from February through August. During this time period, the effective yield for the ICE Bank of America U.S. High Yield Index oscillated between 8-9%. In the absence of a strongly trending market, the Managed Income Strategy experienced above average trading activity in 2023, with four periods of Risk-On and four periods of Risk-Off. This resulted in Managed Income absorbing some of the drawdowns of U.S. High Yield, while missing recovery upside—a classic example of a “whipsaw” trade. In the midst of this rangebound activity, the portfolio management team supplemented Managed Income’s high yield positions by adding senior loan/floating rate positions, which were less susceptible to pullbacks due to continued rising interest rates through the third quarter. In the fourth quarter, U.S. High Yield finally broke its rangebound pattern, first declining before posting strong returns in November and December. Managed Income was able to take advantage of this momentum, entering a Risk-On stance in early November and remaining fully invested through year end.

Dynamic Growth Strategy

Investment Growth

Time Period: 1/1/2023 to 12/31/2023



Performance: Dynamic Growth Strategy finished 17.14% (gross) in 2023 compared to 26.29% for the S&P 500.

	Annualized Return				
	QTR	YTD	3 Years	5 Years	Since Inception
Kensington Dynamic Growth Strategy (*Gross)	9.31	17.14	9.96	19.34	16.45
Kensington Dynamic Growth Strategy (**Net 3%)	8.49	13.68	6.71	15.81	13.01
S&P 500 TR USD	11.69	26.29	10.00	15.69	11.85

Inception Date: December 31, 2014. Returns greater than 1 year are annualized.

Manager Commentary: The US Equity markets roared back in 2023, rebounding from the worst year for the S&P 500 and NASDAQ since 2008. Coming off a rough end to the year, Dynamic Growth remained in a Risk-Off stance to begin the year, falling behind as equity markets printed a strong January. Dynamic Growth alternated between Risk-On and Risk-Off postures for the remainder of the first quarter, seeking to take advantage of this positive momentum while managing risk. After the mini bank crisis that unfolded in March, the strategy reverted back to Risk-On mode for much of the spring, before taking another Risk-Off pause in May. This move was driven largely by poor equity breadth, combined with overheated signals in the marketplace.

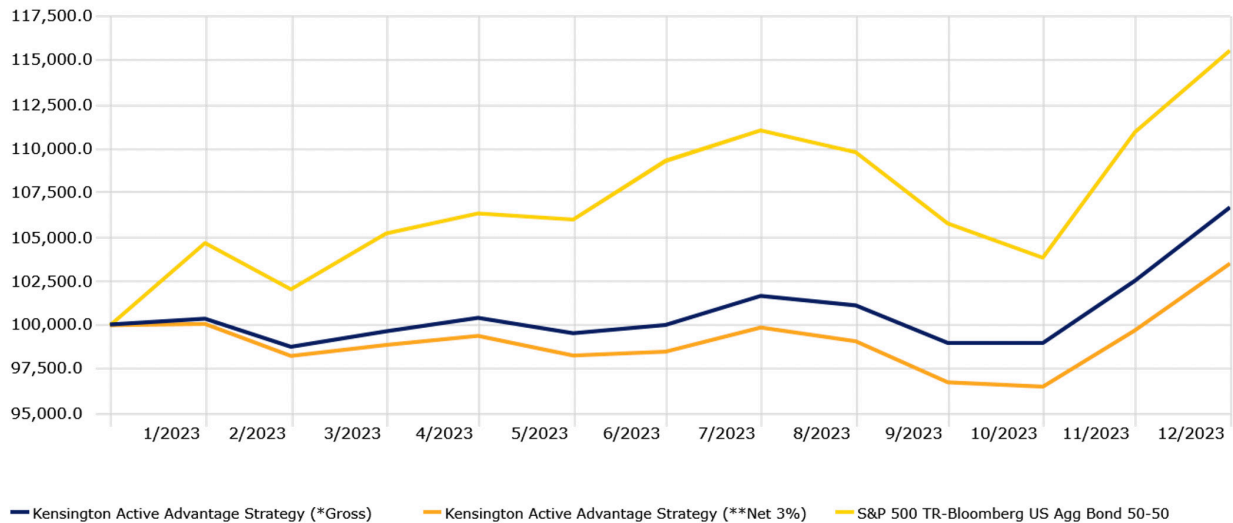
What came next was the rise of the so-called "Magnificent Seven," a group of mega-cap stocks that drove market sentiment for the remainder of the year. Eventually, Dynamic Growth rejoined the momentum trade in progress, remaining largely Risk-On before staying away during most of August, September, and October. This period of the year typically exhibits poor seasonal behavior, and 2023 was no different. By staying defensive, Dynamic Growth was able to shield against a meaningful amount of negative return for the equity indices for these months.

After the Federal Reserve meeting in early November, market participants became increasingly bullish, driven by a perceived pause in interest rates in the short term. The result was a strong finish to the year for equities. Dynamic Growth re-entered a full Risk-On position in early November, riding this trend through year-end. Ultimately, while Dynamic Growth lagged the broader markets in 2023, due largely to short bursts of momentum in January and May, the importance of full-cycle investing was underscored as the Strategy broadly outperformed the major equity indices through managing risk and drawdowns for most of 2022.

Active Advantage Strategy

Investment Growth

Time Period: 1/1/2023 to 12/31/2023



Performance: The Active Advantage Strategy finished up 6.66% (gross) in 2023 compared to 15.58% for its benchmark (a 50/50 split between the S&P 500 and the Bloomberg US Aggregate Bond Index).

	Annualized Return		
	QTR	YTD	Since Inception
Kensington Active Advantage Strategy (*Gross)	7.79	6.66	-0.20
Kensington Active Advantage Strategy (**Net 3%)	6.97	3.51	-3.15
S&P 500 TR-Bloomberg US Agg Bond 50-50	9.25	15.58	-1.04

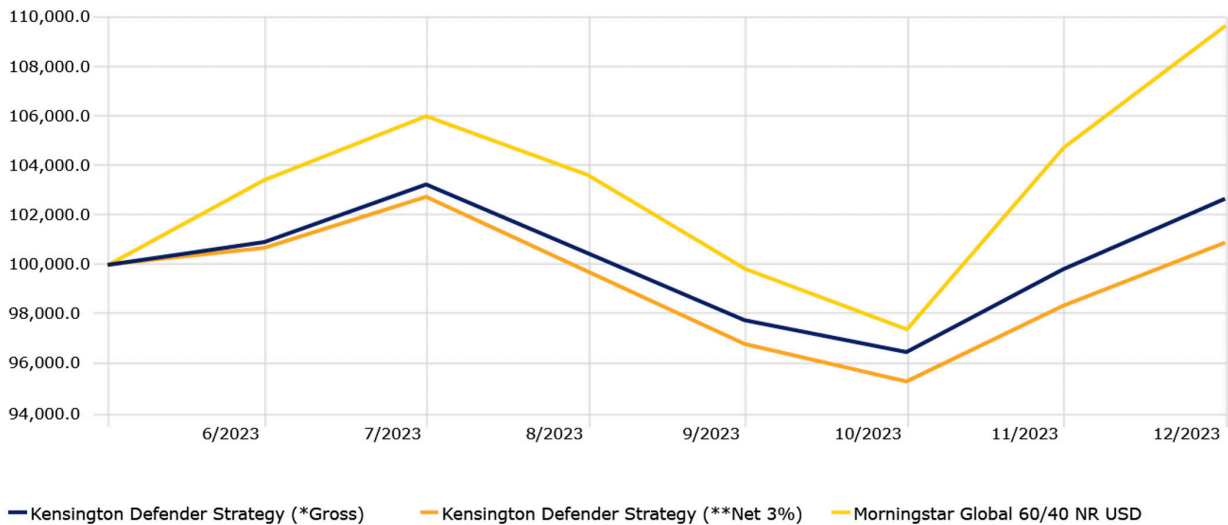
Inception Date: December 31, 2021.

Manager Commentary: As with the other strategies, Active Advantage remained Risk-Off to begin the year, missing out on a short burst of positive momentum across all sectors. The Strategy remained largely Risk-Off, holding a variety of blended positions with cash equivalents, for much of the first quarter, before entering a fully Risk-On position in early April. In late May, Active Advantage shifted into a fully Risk-Off position, as yields pushed higher and core equities chopped along. As with the other Strategies, Active Advantage spent most of late summer on the sidelines, before re-entering a full Risk-On stance in early November and remaining fully invested through year-end. From a performance perspective, Active Advantage finished in between the two components of its benchmark—the S&P 500 and the Bloomberg US Aggregate Bond Index—yet came in under the benchmark, an average of the two. This was driven primarily by Active Advantage remaining Risk-Off in its fixed income weighting for a considerable portion of the year, while also being underweighted equities during certain periods of the year, such as January and May, when equities notched strong performance.

Defender Strategy

Investment Growth

Time Period: 6/1/2023 to 12/31/2023



Performance: The Defender Strategy finished up 6.49% (gross) in 2023 compared to 14.81% for its benchmark the Morningstar Global 60/40 Index.

	Annualized Return	
	QTR	Since Inception
Kensington Defender Strategy (*Gross)	5.02	2.68
Kensington Defender Strategy (**Net 3%)	4.23	0.89
Morningstar Global 60/40 NR USD	9.82	9.67

Inception Date: May 31, 2023

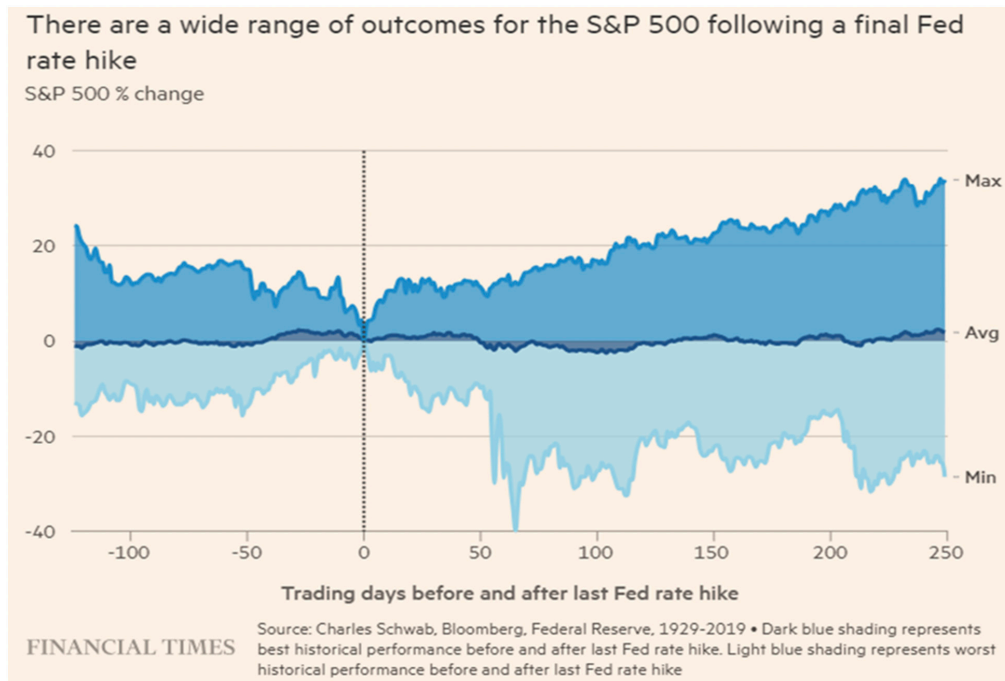
Manager Commentary: Markets are really good at proving the majority wrong, and 2023 was no different. Beginning the year, bearish consensus views on the market were entrenched in the minds of investors and a multitude of economic outlooks. However, the S&P 500 finishes December and the year with returns of 4.4% and 24.23%, respectively. The overly bearish sentiment and oversold market conditions left the market ripe for a year-end rally, which investors saw across almost all asset classes. From the lows at the end of October, large caps were up 16%, but small caps were up an impressive 24%, reflecting a broadening of the market rally to end the year. The breadth and momentum of this rally is evident from the fact that the percentage of stocks above their 50-day moving averages rose above 85% by the end of December, signifying improved and broad participation across the multiple indices compared to earlier in the year. The Defender Strategy was able to capture this momentum at the year's end across the six asset classes for that time period. In addition, even with drastically decreased volatility, the options overlay portion of the portfolio also captured positive gains by making small gains each week as a positive attribute to overall performance. Some of the biggest detractors for 2023 were international exposure and mostly sideways markets for a good portion of year.

Slow and steady strategies that avoid large downs don't always feel good during rapid and strong performing headline markets, but held with discipline through entire market cycles often prove to be prudent for most investors.

Looking Ahead to 2024

As we turn the page to 2024, there are still many unanswered questions with respect to the macro market picture. Certainly, the largest focus for many investors will be centered around the current rate hiking cycle. As of the beginning of 2024, market participants are pricing in several rate cuts—a departure from the previous 24 months. However, there still seems to be a disconnect with the Fed, who has signaled that “higher for longer” remains a theme moving into the new year. As shown below, if the final hike is indeed in for this cycle, the majority of prior instances show a clear upside bias. The S&P 500 gained 16.8% on average in the 12 months following the prior six conclusions to Fed tightening cycles, with only one negative outcome (1999-2000).

For fixed income, if rates do begin to fall, forward-looking returns across the board appear promising as bonds have been up 12 months post hiking cycle in each of the previous six instances. This would tend to favor U.S. High Yield in Risk-On regimes. In addition, for the first time since 2021, the setup for the strategies to employ U.S. Treasuries during Risk-Off regimes could be a possibility. On the equity side, the “higher for longer” narrative, coupled with continued positive economic data, is likely to result in longer stretches of Risk-On activity. However, with a recession not fully off the table for 2024, any missteps in the broader economy could also mean a correction, which increases the likelihood for the strategies to be Risk-Off.



2024 Playbook

As investors, it's important to be prepared for whatever environment presents itself. With that in mind, below is a table of potential scenarios for 2024 and how we would expect to position our portfolios in such an environment (see table on next page):

If we see this...	We could expect this...
Status quo	Risk-On stretches remain longer
Aggressive rate cuts	Higher chance of Risk-Off/more duration exposure
GDP/earnings growth slows	Risk-Off becomes the dominant regime
Inflation returns	Bumpy road with potential rangebound bond markets
“Soft landing” occurs	“Goldilocks” macro regime, where most asset classes benefit from positive returns with lower volatility
“Hard landing” (deeper recession)	Longer periods of Risk-Off with the potential for a larger correction

Regardless of which scenario (or scenarios) present themselves, we believe a tactical approach will prove valuable in navigating what are sure to be interesting markets in the months and years to come. We remain committed to executing on our primary mandate of generating steady above-average positive returns with low volatility and downside protection.

Please see notes and disclosures on next page.

The Gini coefficient measures the inequality among the values of a frequency distribution, such as levels of income. A Gini coefficient of 0 reflects perfect equality, where all income or wealth values are the same, while a Gini coefficient of 1 (or 100%) reflects maximal inequality.

Investing involves risk, including loss of principal. Past performance does not guarantee future results. There is no guarantee any investment strategy will generate a profit or prevent a loss.

This is for informational purposes only and is not a recommendation nor solicitation to buy, sell or invest in any investment product or strategy. Our materials may contain information deemed to be correct and appropriate at a given time but may not reflect our current views or opinions due to changing market conditions. No information provided should be viewed as or used as a substitute for individualized investment advice. An investor should consider the investment objectives, risks, charges, and expenses of the investment and the strategy carefully before investing.

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Any indices and other financial benchmarks shown are provided for illustrative purposes only, are unmanaged, reflect reinvestment of income and dividends and do not reflect the impact of advisory fees. Investors cannot invest directly in an index. Comparisons to indexes have limitations because indexes have volatility and other material characteristics that may differ from a particular strategy such as the types of securities being substantially different.

Certain information contained herein constitutes "forward-looking statements," which can be identified using forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "project," "estimate," "intend," "continue," or "believe," or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events, results, or actual performance may differ materially from those reflected or contemplated in such forward-looking statements. Nothing contained herein may be relied upon as a guarantee, promise, assurance, or a representation as to the future.

Risks specific to the Managed Income Strategy include Management Risk, High-Yield Risk, Fixed-Income Security Risk, Foreign Investment Risk, Loans Risk, Market Risk, Underlying Funds Risk, Non-Diversification Risk, Turnover Risk, U.S. Government Securities Risk, LIBOR Risk, Models and Data Risk.

Risks specific to the Dynamic Growth Strategy include Management Risk, Equity Securities Risk, Market Risk, Underlying Funds Risk, Non-Diversification Risk, Small and Mid-Capitalization Companies Risk, Turnover Risk, U.S. Government Securities Risk, Models and Data Risk.

Risks specific to the Active Advantage Strategy include Management Risk, Equity Securities Risk, High-Yield Risk, Fixed-Income Security Risk, Foreign Investment Risk, Loans Risk, Market Risk, Underlying Funds Risk, Limited History of Operations Risk, Non-Diversification Risk, Small and Mid-Capitalization Companies Risk, Turnover Risk, U.S. Government Securities Risk, LIBOR Risk, Models and Data Risk.

Risks specific to the Defender Strategy are detailed in the prospectus and include general market risk, credit risk, interest rate risk, management risk, equity securities risk, fixed-income securities risk, high-yield bond risk, foreign investment risk, emerging markets risk, real estate and REITs risk, commodities risk, currency risk, subsidiary risk, market risk, underlying funds risk, derivatives risk, limited history of operations risk, turnover risk, models and data risk, momentum risk or risk of the portfolio not performing as expected.

The Kensington Defender Strategy is managed by Kensington Asset Management, LLC and sub-advised by Liquid Strategies, LLC. Additional information about the Strategy and the adviser can be obtained by viewing company disclosure documents available upon request.

Investment returns will be reduced by advisory fees and other expenses charged in the management of a client's account. You should understand how ongoing advisory fees, compounded over several years, reduce the value of your investment portfolio, as investment balances and potential gains on the investment balances are reduced by fees. Additional information is provided in the SEC Investors Bulletin "How Fees and Expenses Affect Your Investment Portfolio."

S&P 500 TR Index: A capitalization weighted index of 500 stocks representing all major domestic industry groups. The S&P 500 TR Index assumes the reinvestment of dividends and capital gains.

Bloomberg U.S. Aggregate Bond Index: An unmanaged index comprised of U.S. Investment grade fixed rate bond market securities, including government agency, corporate and mortgage-backed securities. Investors cannot invest directly in an index. It is also known as U.S. Aggregate Bond Index.

Morningstar Global 60/40 Index: Blended benchmark of 60% Morningstar Global Markets Net Return USD / 40% Morningstar Global Core Bond Gross Return USD, rebalanced to target weights of 60% equity and 40% fixed income on monthly basis.

Advisory services offered through Kensington Asset Management, LLC, Barton Oaks Plaza, Bldg II, 901 S Mopac Expy – Ste 225, Austin, TX 78746.

FINANCIAL REPORT

LAST UPDATED
4 MIN. AGO



Data Available

INCOME STATEMENT

REVENUES	6,554,224.00
NOT SALES	3,420,563.00
Investment	6,764,984.00
EXPENSES	
Research-Development	1,337,886.00
Operating expenses	2,899,500.00
Marketing	500,799.00
NET INCOME	59,877,892.00



KENSINGTON

Asset Management



Level 1

EQUITY STATEMENT

REVENUES	6,554,224.00
NOT SALES	3,420,563.00
Investment	6,764,984.00
EXPENSES	
Research-Development	1,337,886.00
Operating expenses	2,899,500.00
Marketing	500,799.00
NET INCOME	59,877,892.00



92%