

## Town of Weston OPEB Trust

### Summary of Recommendations for Changes to Investment Portfolio Asset Allocation

As further described in the “Weston OPEB Quarterly Investment Review – Fourth Quarter 2022”, the chart below provides a summary of Fiducient Advisors’ recommendations to adjust certain target allocations in the portfolio. The column titled “Proposed Target Allocation” illustrates Fiducient’s new recommendations. The column titled “Current Target Allocation” represents the current target policy.

Recommendations include adjustments within the fixed income mix and the US equity mix of mutual funds.

FIDUCIENT Advisors		Weston OPEB				
Trade Recommendation Worksheet						
Objective : Reallocate portfolio.						
Investment Name	Unreconciled Balance As of: 3/31/2023	Current Allocation	Current Target Allocation	Proposed Target Allocation	Resulting Balances	Resulting Allocation
<i>Cash</i>	\$15,446	0.1%	0.0%	0.0%	\$13,948	0.1%
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<i>Fixed Income</i>	\$5,121,188	45.1%	45.0%	45.0%	\$5,107,686	45.0%
Vanguard Short Term Bond Index Adm	\$578,248	5.1%	5.0%	10.0%	\$1,133,248	10.0%
Vanguard Short-Term Investment-Grade Fund Admiral	\$1,783,502	15.7%	15.0%	0.0%	\$0	0.0%
Metropolitan West Total Return Bond Fund Plan	\$2,759,438	24.3%	25.0%	35.0%	\$3,974,438	35.0%
<i>Domestic Equity</i>	\$3,547,126	31.2%	30.0%	30.0%	\$3,397,126	29.9%
Vanguard 500 Index Fund Admiral Shares	\$3,154,170	27.8%	26.0%	22.0%	\$2,494,170	22.0%
Vanguard Extended Market Index Fund Admiral Shares	\$392,956	3.5%	4.0%	8.0%	\$902,956	8.0%
<i>International Equity</i>	\$2,083,532	18.3%	20.0%	20.0%	\$2,268,532	20.0%
American Funds Europacific Growth R6	\$2,083,532	18.3%	20.0%	20.0%	\$2,268,532	20.0%
<i>Real Assets</i>	\$590,238	5.2%	5.0%	5.0%	\$570,238	5.0%
DWS RREEF Real Assets Fund - Class Inst	\$590,238	5.2%	5.0%	5.0%	\$570,238	5.0%
<b>Investment Portfolio Total</b>	<b>\$11,357,530</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>\$11,357,530</b>	<b>100.0%</b>

Balance information has been compiled solely by Fiducient Advisors and has not been independently verified. In preparing this report, Fiducient Advisors has relied upon information provided by the investment managers and/or the custodian. Unless otherwise noted, daily valued investments are valued as of the previous business day's closing NAV. Held at source investments are valued as of the most recent month end or quarterly statement.

#### Rationale for recommendations:

With the expectation of continued volatility in the markets, we expect portfolio diversification to be increasingly important in 2023 and beyond.

The fixed income environment is markedly different than a year ago, with the Fed having raised rates aggressively throughout 2022. With yields much higher than they were a year ago, forward-looking return expectations for fixed income are more compelling. Given that much of the Fed’s rate hike campaign seems to be in the rear window, we recommend you consider increasing exposure to high quality and intermediate duration U.S. fixed income, sourced from a reduction in short term bonds.

Given the broad pullback in equity markets in 2022, valuations look more attractive, and forward-looking return expectations have increased. Opportunities for growth exist in both domestic and foreign markets. We recommend you consider modestly reducing exposure to large cap domestic equities in favor of small/mid cap. Small/mid cap equities have historically tended to outperform their larger cap counterparts in market rebounds. Small/ mid cap equities are more attractively priced than their larger cap counterparts, given market activity in 2022 and in the prior several years.

While global equity valuations (both developed and emerging) continue to favor markets overseas, the greater potential for exogenous events outside of the U.S. tempers some of the relative appeal for foreign holdings. A sizeable allocation to international markets continues to be appropriate, and our recommended allocation to non-US equities remains unchanged.

Given the current environment of meaningful inflation and expected volatility, an allocation to diversified real assets continues to be important. Our recommendation remains unchanged.

February 21, 2023

Updated table March 31, 2023

*For Institutional Investor Use Only. Past performance is not necessarily indicative of future results. This summary memo is meant to be used in conjunction with the Weston OPEB Quarterly Investment Review – Fourth Quarter 2022.*