In this piece, we provide a series of near-term tactical calls within the context of the current message from the Weight of the Evidence and our other tactical indicators. Operating from this premise, we offer a series of tactical allocation calls, beginning with a macro call on stocks versus bonds versus cash. On the next page, these calls are further distilled. For example, we make distinctions from a size, style and sector perspective for domestic equities, and suggest tilts toward or away from the various satellite asset classes. These calls are made in light of the long-term outlook and summarize our expectations for the coming quarter.

<table>
<thead>
<tr>
<th>Tactical Investment Decision</th>
<th>Baird’s Call¹</th>
<th>Date of First Call²</th>
<th>Level of Conviction³</th>
<th>Rationale</th>
</tr>
</thead>
</table>
| Stocks vs. Bonds vs. Cash?  | Move toward portfolio benchmarks | Q2 20                | High                 | • Weight of the evidence is neutral.  
                                 |                |                     |          | • Use rallies & pullbacks to rebalance portfolios to fall in line with target allocations and risk tolerances. |

¹ Tactical over- or under-weight relative to Baird’s strategic asset allocation models. Please ask your Baird advisor for more information on the strategic model most applicable to you.  
² Date when Baird first made this call.  
³ Level of conviction in the tactical investment call: low, medium, high.  

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William Delwiche, CMT, CFA  
Investment Strategist  
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<table>
<thead>
<tr>
<th>Tactical Investment Decision</th>
<th>Baird’s Call1</th>
<th>Date of First Call2</th>
<th>Level of Conviction3</th>
<th>Notes</th>
</tr>
</thead>
</table>
| Domestic Stocks: Size        | Large-caps over mid-caps and small-Caps | Q2 20               | High                 | • Large-caps remain relative leaders at both the index and industry group level.  
• Best opportunity for small-cap leadership comes as market anticipates economic rebound. |
| Domestic Stocks: Style       | Neutral on Value Versus Growth | Q1 20               | Medium               | • Growth leadership accelerated in Q1 but is historically stretched versus value.  
• G/V momentum peaked in late March though sustained change in trend is not likely until economic conditions stabilize. |
| Domestic Stocks: Sector      | Health Care Consumer Discretionary Consumer Staples | Q1 20 Q2 20 Q2 20 | Low                  | • Health Care is the top-ranked sector in our relative strength work, and Consumer Staples has also been showing relative strength.  
• Consumer Discretionary is at a multi-month high versus the S&P 500, though sector breadth has been less than robust. |
| Global Stocks: Region        | Japan China US | Q2 20 Q2 20 Q2 20 | Medium               | • Japan and China have shown leadership versus the US and the rest of the world since the middle of Q1.  
• The US remains in an up-trend versus the rest of the world. |
| Global Stocks: Developed vs. Emerging Markets | Emerging Markets | Q4 18 | Medium               | • Emerging markets have struggled to show leadership versus their developed counterparts, but are also not losing ground. |
| Global Developed Stocks: Domestic vs. International | Domestic | Q2 20 | Medium               | • US has made a new high versus the rest of the world.  
• While a strong case can be made for diversification, price trends show US leadership. |
| Bonds: Treasury vs. Spread Product | Treasury | Q4 18 | Low                  | • Corporate bonds have come under pressure (and spreads have widened) as economic uncertainty has risen.  
• In periods of uncertainty, we prefer safety over speculation. |
| Bonds: Intermediate vs. Short-Term | Short-Term | Q4 18 | Medium               | • Collapse in yields across the curve has been a tailwind for intermediate- and long-term bonds.  
• Short-term bonds have been more stable (especially recently), a trend that could continue if yields drift higher from here. |
| Bonds: High-Grade vs. High-Yield | High-Grade | Q4 17 | High                 | • Corporate spread widening puts the emphasis on safety rather than speculation. |
| International Real Estate    | Neutral       | Q4 19 | Medium               | • Real estate has weakened as economic conditions have deteriorated.  
• Whether it is washed out or in the early stages of secular decline likely depends on the duration of economic weakness. |
### Commodities

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Strategy</th>
<th>Quarter</th>
<th>Conviction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Neutral on Commodities</td>
<td>Q4 19</td>
<td>Medium</td>
<td></td>
</tr>
</tbody>
</table>

- Pressure on oil prices is weighing on broad commodity indexes.
- Other commodities, while not showing outright strength, have generally been more resilient than oil.

### Currencies

<table>
<thead>
<tr>
<th>Currency</th>
<th>Strategy</th>
<th>Quarter</th>
<th>Conviction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Neutral on Dollar</td>
<td>Q1 20</td>
<td>Medium</td>
<td></td>
</tr>
</tbody>
</table>

- As was the case elsewhere, volatility in the dollar was elevated in Q1.
- The dollar is drifting higher, but without much meaningful momentum.

### Gold

<table>
<thead>
<tr>
<th>Metal</th>
<th>Strategy</th>
<th>Quarter</th>
<th>Conviction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bullish on Gold</td>
<td>Q4 19</td>
<td>Medium</td>
<td></td>
</tr>
</tbody>
</table>

- Declining bond yields, widespread monetary & fiscal stimulus and elevated economic uncertainty have provided a tailwind for gold.

### Hedges

<table>
<thead>
<tr>
<th>Index</th>
<th>Strategy</th>
<th>Quarter</th>
<th>Conviction</th>
</tr>
</thead>
<tbody>
<tr>
<td>NASDAQ 100</td>
<td>Low</td>
<td>Q2 20</td>
<td></td>
</tr>
</tbody>
</table>

- Heavy dependence on just a handful of stocks could shift from being an asset to a liability if evidence of broader rally participation emerges.

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2 Date when Baird first made this call.

3 Level of conviction in the tactical investment call: low, medium, high.

Gray highlight indicates a change in view versus last quarter.

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<table>
<thead>
<tr>
<th>Model Portfolio</th>
<th>Mix: Stocks / (Bonds + Cash)</th>
<th>Risk Tolerance</th>
<th>Strategic Asset Allocation Model Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Growth</td>
<td>100 / 0</td>
<td>Well above average</td>
<td>Emphasis on providing aggressive growth of capital with high fluctuations in the annual returns and overall market value of the portfolio.</td>
</tr>
<tr>
<td>Capital Growth</td>
<td>80 / 20</td>
<td>Above average</td>
<td>Emphasis on providing growth of capital with moderately high fluctuations in the annual returns and overall market value of the portfolio.</td>
</tr>
<tr>
<td>Growth with Income</td>
<td>60 / 40</td>
<td>Average</td>
<td>Emphasis on providing moderate growth of capital and some current income with moderate fluctuations in annual returns and overall market value of the portfolio.</td>
</tr>
<tr>
<td>Income with Growth</td>
<td>40 / 60</td>
<td>Below average</td>
<td>Emphasis on providing high current income and some growth of capital with moderate fluctuations in the annual returns and overall market value of the portfolio.</td>
</tr>
<tr>
<td>Conservative Income</td>
<td>20 / 80</td>
<td>Well below average</td>
<td>Emphasis on providing high current income with relatively small fluctuations in the annual returns and overall market value of the portfolio.</td>
</tr>
<tr>
<td>Capital Preservation</td>
<td>0 / 100</td>
<td>Well below average</td>
<td>Emphasis on preserving capital while generating current income with relatively small fluctuations in the annual returns and overall market value of the portfolio.</td>
</tr>
</tbody>
</table>
Appendix – Important Disclosures and Analyst Certification

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