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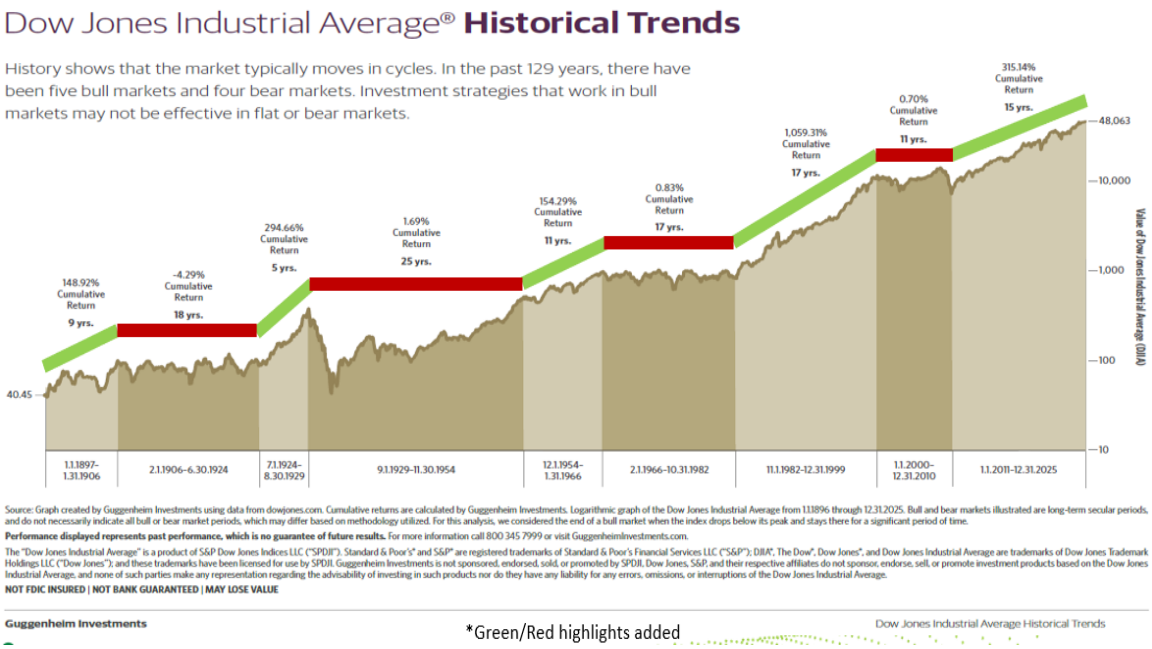
The Case for Tactical Balanced Mandates

The shift from Strategic to Tactical Strategies in an age of secular cycle transitions

October 2026

The environment that favoured Strategic Balanced Mandates is potentially undergoing a regime change. This requires Adaptability and Flexibility.

Is a regime change coming in the Equity Market Cycle?



Here are three charts that we think frame one of the most important portfolio construction questions for the next decade. They make a strong case for tactical balanced strategies based on the potential for major regime changes. This isn't a market timing discussion. It's a discussion about whether the investment environment is changing and whether portfolios should have the flexibility to change with it.

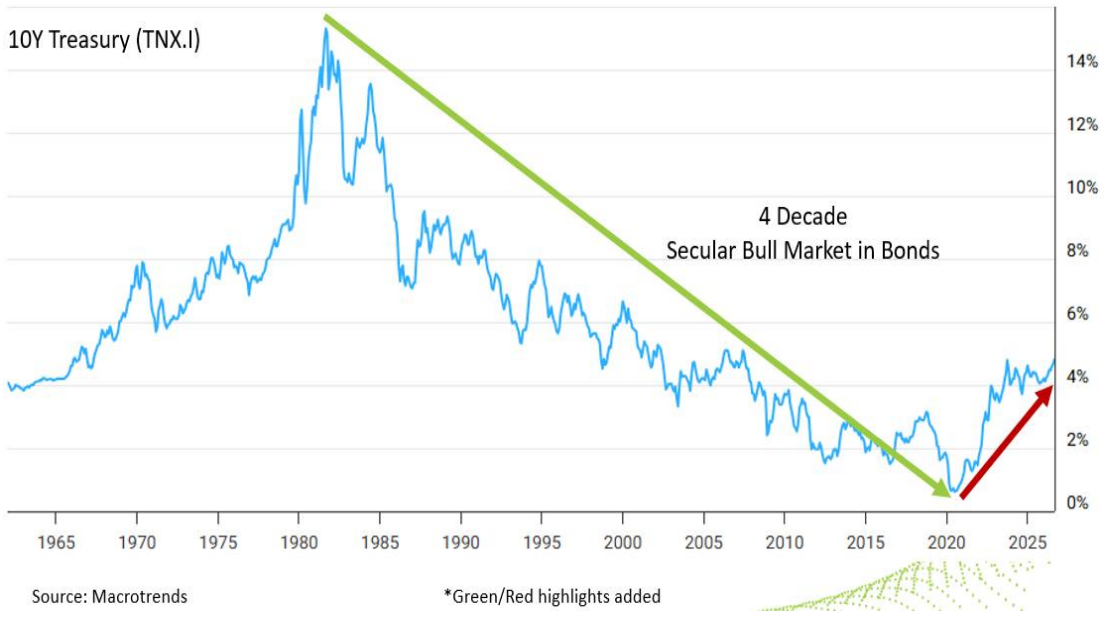
The first chart shows that the Dow has historically moved through long secular regimes rather than delivering returns in a smooth, consistent fashion. Strong bull periods have been followed by extended stretches in which cumulative equity returns were modest or even negative. The chart identifies, for example, 1929–1954 at only +1.69% cumulative, 1966–1982 at +0.83%, and 2000–2010 at +0.70%. By contrast, the 1982–1999 secular bull produced +1,059%, and 2011–2025 produced roughly +315%. (source: cumulative returns calculated by Guggenheim Investments)

These are Dow price-index returns, not total returns, so dividends matter and an investor's total return would have been higher. But that's not the main point of the chart. The point is that markets can spend very long periods even a decade or more in a flat, volatile and range-bound pattern rather than moving consistently higher.

The implication is that the market cycle regime matters enormously: a strategic asset allocation approach that works exceptionally well during a secular bull can spend a decade or more producing disappointing results when the regime changes.

If we entered another environment where equity appreciation became less consistent, would you want your balanced allocation to remain constant throughout this period?

Is a regime change coming in the Bond Market Cycle?



The second chart provides a potential reason the next regime could look different from much of the post-2008 experience. Interest rates fell structurally for roughly four decades, from high

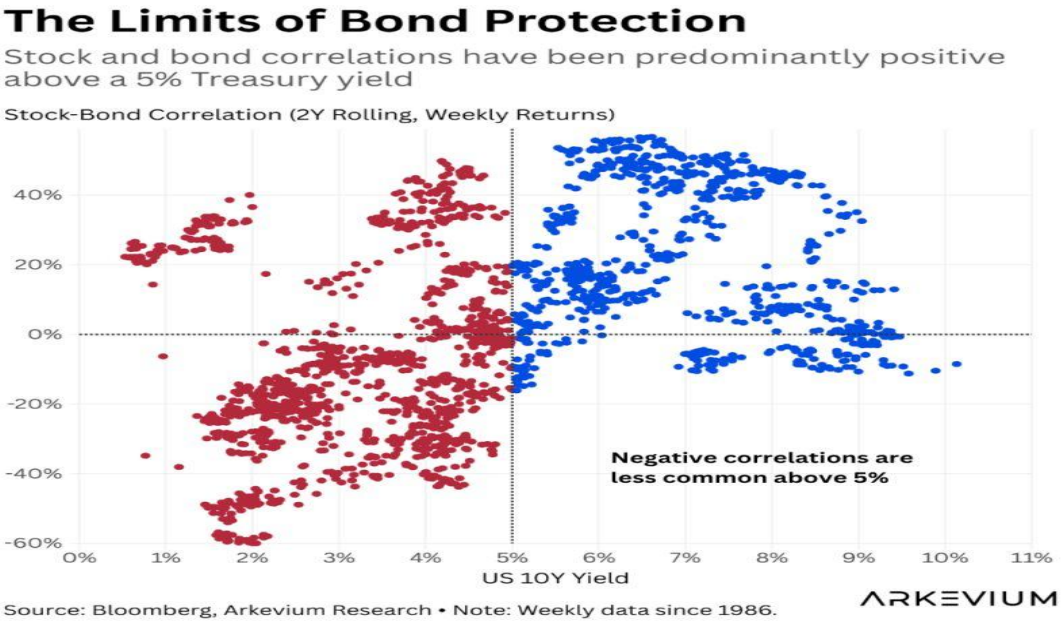
double-digit levels in the early 1980s to near zero around 2020 and have subsequently moved materially higher. That declining rate environment provided a powerful backdrop for financial assets: falling discount rates generally supported asset valuations, refinancing became progressively cheaper, while declining yields created substantial opportunities for bond price appreciation.

But look at what happened after 2020. With rates now around the 5% range on the chart rather than near zero, investors should not automatically anticipate another tailwind from steadily declining rates. One of the most important macroeconomic trends supporting financial assets for decades has materially changed. Put together, the argument is: The last secular equity bull coincided with the final stages of a historically powerful declining-rate cycle. If the coming decade instead features structurally higher and more variable rates, inflation, and economic growth, market leadership and stock/bond correlations may change more frequently. **That increases the potential value of being able to change portfolio exposures** rather than relying on one static asset mix. It's not about forecasting specific outcomes, it's about acknowledging that the range of possible outcomes has widened.

This is where a tactical balanced strategy becomes compelling. It can remain meaningfully invested in equities when market and economic conditions are favorable, while having the flexibility to increase fixed income or cash when conditions deteriorate.

That raises an important portfolio question? If the investment regime is becoming less predictable, shouldn't the portfolio become more adaptable?

Is a regime change coming in Equity/Bond Correlations?



There's a third chart that brings this discussion directly back to portfolio construction. One of the foundations of traditional balanced investing has been that when equities struggle, bonds can provide diversification. But that relationship isn't constant.

This chart plots the two-year rolling correlation between weekly stock and bond returns against the U.S. 10-year Treasury yield since 1986. What stands out is that the deeply negative stock/bond correlations are concentrated primarily when Treasury yields were below 5%. Once yields move above roughly 5%, positive correlations appear much more frequently.

Five percent isn't a magic number, and it shouldn't be treated as a trading signal. There are exceptions on both sides. Think of it as a **warning zone** that illustrates how the diversification characteristics of bonds have historically depended on the interest-rate and inflation regime.

For an investor, the issue isn't simply whether bonds can generate an attractive return. With yields higher today, the income available from fixed income is clearly more meaningful than it was when rates were near zero.

The separate question is: **Will those bonds diversify my equities when I need them most?** Those are two different jobs. Higher yields can improve the prospective return from bonds without guaranteeing that bonds will provide the same downside protection investors became accustomed to during the 2000s and 2010s. That's the central message of this chart.

Here's the portfolio question this chart raises: What happens when you need to hedge the hedge?

The Case for Tactical Balanced Investing

That's the case for tactical balanced investing. We're not saying stocks won't perform. We're not saying bonds won't perform. Rather, it's about preparing for a scenario where the risk, return and correlations between equities and bonds could change, and that a tactical balanced mandate **will have the ability to respond**.

Think of tactical management less as predicting the next market move and more as **having more portfolio levers available**.

When the opportunity set favours equities, the manager can emphasize growth. When equity risk increases or fixed-income opportunities become more attractive, the manager can emphasize income or safety.

Here's the contrast:

A strategic balanced portfolio asks: **What's my long-term asset mix?** A tactical balanced portfolio adds a second question: **Given today's opportunity set and risks, should we be positioned differently within that range? Tactical investing isn't about market timing; it's about market adaptability.**

QUESTIONS?

Question #1: "Why not just own a traditional 60/40 mandate?"

Response: A 60/40 mix can still be a useful core allocation. A tactical process can change equity exposure when risk/reward conditions change instead of relying on a static asset mix. It can incorporate flexibility and adaptability into clients' portfolios thereby complementing traditional balanced mandates.

Question #2: "Tactical managers can get the calls wrong."

Response: Absolutely. Flexibility isn't the same thing as foresight and tactical funds introduce manager risk. But the alternative isn't "no risk", it's a different risk. A static allocation can leave investors fully exposed when market conditions, correlations or economic regimes change. The real question isn't whether tactical managers will get every trade right, it's whether having the ***ability to adapt*** can improve the portfolio's resilience when yesterday's assumptions need to be revised. That's why manager selection matters.

If you agree the next decade could require more flexibility than the last one, then how do you plan on implementing that flexibility into clients' portfolios? It's not about predicting the next regime. It's about ensuring your clients' portfolios have the flexibility to adapt to the next regime.

"Success is reserved for those who are prepared, and the time to prepare is before you need to."

Explore True Tactical™

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