

HNW Impact Series October 2026 Rebalance Rationale

October 2026

AT A GLANCE

38% → 41%

CONSERVATIVE II FIXED INCOME

15% → 10%

COMPOUNDERS IN MOD II, GROWTH II, AGG II

9% → 7.5%

COMPOUNDERS IN CONSERVATIVE II

- Conservative II makes a similar fixed income rotation to the Impact Series: Fixed Income rises 3 points, funded by trimming ADME and the Compounders.
- Moderate II, Growth II and Aggressive II take the Compounders from 15% to 10% and move the 5 points into DUBS. Their stock and bond mix doesn't change.
- The goal is to let allocation effects drive returns and keep selection effects in check.
- Conviction in the Compounders and the 15 names hasn't changed. This is about sizing.

Over the next few weeks, you'll notice a repositioning within Aptus' HNW Impact Series. Tickers won't change, but the team is tweaking some of the allocation weights in two places: the fixed income bucket in Conservative II, and the Compounders allocation across all four models.

To be clear up front: this is not a structural change. We believe asset allocation is and always will be the most important decision in determining long-term returns. Aptus won't deviate from more stocks and less bonds relative to the respective asset allocation benchmarks. The team knows the bulk of the contribution to returns comes from what happens in the tails, both left tail and right tail. How investors do in the tails ultimately dictates long-term compounded annual growth rates ("CAGRs"). With this trade, the team is making a modest adjustment to the bond sleeve within Conservative II given the ever-changing interest rate environment, and rightsizing the Compounders so the allocation decision drives more of the return.

The HNW Impact Series is built the same way as the Impact Series with one difference: it also owns the Compounders, a sleeve of 15 individual stocks. The fixed income rotation in Conservative II follows the same playbook as the Impact Series, with slight differences in the weightings. The Compounders change is the piece unique to HNW.

Conservative II, like the Impact Series Conservative model, has benefited from Aptus' structure. Bond returns and their place within a portfolio have been a challenge (to say it politely) for the past six years, and owning fewer of them has paid off, especially considering the large underweight funded the overallocation to stocks. While the team isn't calling a top in rates or betting that bonds are going to massively appreciate, the math and future (nominal) returns for a bond at a 5% rate make a lot more sense than a bond at 1 or 2%, and with asymmetry back in bondholders' favor.

Keep in mind, Conservative II is utilized by the most conservative HNW clients, and the team expects many of them to be nearer to drawing on their savings than focused on growing them. Given Aptus' positioning and how

markets have behaved, the team believes Conservative II has overachieved on upside capture over the last several years given the structure (overweight stocks) and generally strong returns from equities. With nominal yields up near 20+ year highs, Aptus thinks it is prudent to lock in some of that “bird in hand” yield. This trade brings Conservative II a little closer to its benchmark from a stock/ bond allocation while still confidently maintaining Aptus’ token equity overweight.

01

The Theme of This Rebalance

The fixed income piece carries the same theme as the Impact Series: lock in some of the yield given the massive lift in rates while keeping the stock overweight and structure that got these clients here. Treasury yields have taken out their highest levels since the early 2000s. For most of the last decade, there was little reason to ask bonds to do more than sit there. That has changed.

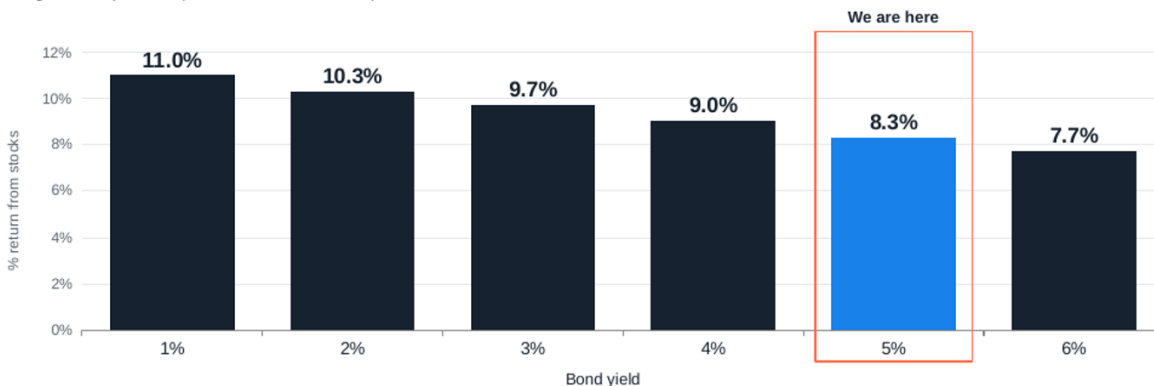
View our take on [Treasury Bonds in the market](#).

60/40 PORTFOLIO



Stock returns needed to earn 7%

Theoretical returns of both bonds and stocks
Using a 60/40 portfolio (60% stocks, 40% bonds)



Source: Aptus. Conceptual Illustration, $\text{Stock return needed} = (7\% \text{target} - 40\% \times \text{bond yield}) \div 60\%$. Conceptual illustration: assumes a 60/40 portfolio of 60% and 40% bonds with a constant bond yield. Not a prediction or guarantee of future results. Investing involves risk, including possible loss of principal.

The team thinks the graphic above breaks down the math for what equity return is needed to achieve a 7% return at varying starting bond yields for a balanced allocation. A 60/40 portfolio aiming for a 7% return a year would need stocks to return 11.0% when bonds yield 1%, while only 8.3% for stocks when bonds yield 5%. Higher bond yields do more of the work and ask less of the equity portfolio. Keep in mind the Aptus structure, which overweights stocks, requires an even lower equity return to reach that same hurdle. For a client who is close to distribution, bonds offer a more appealing entry point compared to anything the team has seen in the last decade plus.

02

Rightsizing the Compounders

The Compounders aren’t going anywhere. The team still has a lot of conviction in the strategy and in each of the 15 names. This trade is about sizing.

Portfolio returns come from two places. Allocation effects are driven by how much sits in stocks, bonds, and each sleeve, while selection effects come from which individual securities fill those sleeves. At 15% of a portfolio, 15 individual stocks give selection a big say in how the whole model does, in either direction. Bringing the Compounders down to 10% in Moderate II, Growth II and Aggressive II, and to 7.5% in Conservative II, puts the allocation decision back in charge, which is where Aptus believes it belongs.

The proceeds go to DUBS, the Aptus Large Cap Enhanced Yield ETF, which is already a core equity holding in every HNWI Impact Series model. It's a stock-for-stock swap, so the total stock weight in Moderate II, Growth II and Aggressive II stays exactly where it was. What changes is how much of that exposure rides on 15 names versus a large-cap core holding. Picking winners is the clever part of investing. Owning the right mix for long enough is the patient part, and it's better to be patient than clever.

03

Why Moderate and Above Keep Their Mix

Moderate II, Growth II and Aggressive II sit out the fixed income rotation. Their stock and bond weights stay exactly as they are, and the only change is the Compounders to DUBS swap. Those clients are still building wealth or have a longer time horizon, and for them real returns matter most given inflation compounds against them, eroding purchasing power. If inflation runs at 3.5% a year, \$100,000 held for 20 years buys about half of what it does today. That's losing money safely. By Aptus' count, inflation has now run above target for 66 months; real returns matter. Given these models have a longer time horizon, the priority is growth after inflation, something bonds can't do, which keeps the team convicted in maintaining the current structure across these allocations.

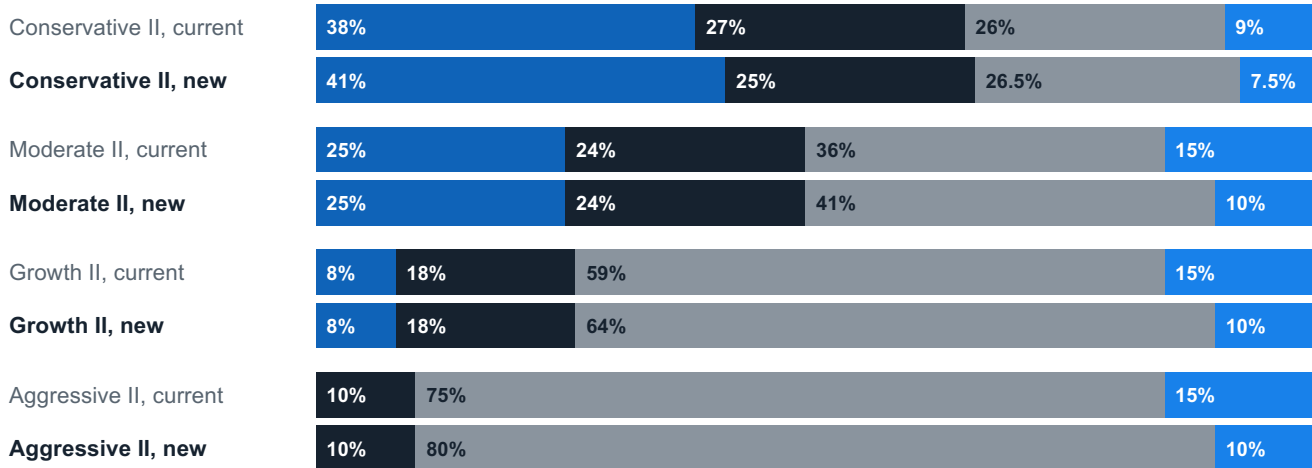
04

The Trades

Every model trades, just not the same way. Conservative II moves 3% from hedged equity and the Compounders into bonds and shifts a small slice within bonds toward higher income. Moderate II, Growth II and Aggressive II move 5% from the Compounders into DUBS.

Before and after allocations

■ Fixed Income ■ Hedged Equity ■ Equity ■ Compounders



Trades by fund

FUND	CONSERVATIVE II	MODERATE II	GROWTH II	AGGRESSIVE II
Aptus Deferred Income ETF (DEFR)	9% to 12% +3	-	-	-
Aptus Enhanced Yield ETF (JUCY)	11% to 12% +1	-	-	-
Aptus Defined Risk ETF (DRSK)	18% to 17% -1	-	-	-
Aptus Drawdown Managed Equity ETF (ADME)	7% to 5% -2	-	-	-
Aptus Large Cap Enhanced Yield ETF (DUBS)	8% to 8.5% +0.5	3% to 8% +5	8% to 13% +5	5% to 10% +5
Compounders (15 individual stocks)	9% to 7.5% -1.5	15% to 10% -5	15% to 10% -5	15% to 10% -5

Percentages are model weights. The Compounders are 15 individual stocks shown as a single allocation.

Stocks into bonds: ADME and the Compounders into DEFR

Trades: Trim ADME in Conservative II (7% to 5%) and the Compounders (9% to 7.5%). Add DEFR (9% to 12%) and a half point to DUBS (8% to 8.5%).

Within bonds: DRSK into JUCY

Trades: Trim DRSK in Conservative II (18% to 17%). Add JUCY (11% to 12%).

Compounders into DUBS

Trades: Trim the Compounders in Moderate II, Growth II and Aggressive II (15% to 10%). Add DUBS in Moderate II (3% to 8%), Growth II (8% to 13%) and Aggressive II (5% to 10%).

Before and After

		Conservative II		Moderate II		Growth II		Aggressive II	
Ticker	Fund	Before	After	Before	After	Before	After	Before	After
■ Fixed Income		38%	41%	25%	25%	8%	8%	-	-
DRSK	Aptus Defined Risk ETF	18%	17%	14%	14%	8%	8%	-	-
JUCY	Aptus Enhanced Yield ETF	11%	12%	4%	4%	-	-	-	-
DEFR	Aptus Deferred Income ETF	9%	12%	7%	7%	-	-	-	-
■ Hedged Equity		27%	25%	24%	24%	18%	18%	10%	10%
ADME	Aptus Drawdown Managed Equity ETF	7%	5%	7%	7%	5%	5%	5%	5%
ACIO	Aptus Collared Investment Opportunity ETF	20%	20%	17%	17%	13%	13%	5%	5%
■ Equity		26%	26.5%	36%	41%	59%	64%	75%	80%
DUBS	Aptus Large Cap Enhanced Yield ETF	8%	8.5%	3%	8%	8%	13%	5%	10%
UPSD	Aptus Large Cap Upside ETF	-	-	4%	4%	6%	6%	10%	10%
SPYM	State Street SPDR Portfolio S&P 500 ETF	-	-	-	-	6%	6%	12%	12%
QQQM	Invesco NASDAQ 100 ETF	-	-	2%	2%	3%	3%	5%	5%
RSP	Invesco S&P 500 Equal Weight ETF	-	-	-	-	3%	3%	3%	3%
OSCV	Opus Small Cap Value ETF	3%	3%	7%	7%	8%	8%	10%	10%
IDUB	Aptus International Enhanced Yield ETF	10%	10%	10%	10%	11%	11%	9%	9%
VEA	Vanguard FTSE Developed Markets ETF	5%	5%	7%	7%	9%	9%	14%	14%
VWO	Vanguard FTSE Emerging Markets ETF	-	-	3%	3%	5%	5%	7%	7%
■ Compounders (15 individual stocks)		9%	7.5%	15%	10%	15%	10%	15%	10%

Moderate II, Growth II and Aggressive II change only the Compounders and DUBS. Changed weights are shown in blue.

05

What This Means for Portfolios

Stocks stay overweight.

62% → 59%

CONSERVATIVE II

No change

MOD II · GROWTH II · AGG II

Conservative II goes from 62% to 59% in stocks, counting the Compounders, and still keeps equity exposure well above its benchmark weight considering Aptus' allocation to hedged equity. Moderate II, Growth II and Aggressive II hold their stock weights exactly where they were.

The Compounders get rightsized.

9% → 7.5%

CONSERVATIVE II

15% → 10%

MOD II · GROWTH II · AGG II

The Compounders remain a meaningful allocation in every model. At 10%, the average name is about 0.7% of the portfolio, down from 1%, so any one stock moves the whole model less, good or bad.

DUBS picks up the weight.

+0.5 pts
CONSERVATIVE II

+5 pts
MOD II · GROWTH II · AGG II

In Moderate II, Growth II and Aggressive II, every point that comes out of the Compounders goes into DUBS, the core large cap holding already in each model. In Conservative II, DUBS gets a half point and the rest of the trim funds the bond add.

A bit more rate sensitivity.

4.02 → 4.08
CONSERVATIVE II

No change
MOD II · GROWTH II · AGG II

Conservative II's fixed income sleeve duration moves from 4.02 to 4.08 years. A simple linear estimate says a 100 bp rise in yields would cost about 0.15 points more. Bond sleeves in Moderate II and Growth II don't change, and Aggressive II holds no bonds.

06

Conclusion

This rebalance comes down to two moves. Conservative II locks in some of the yield given the lift in rates while keeping the stock overweight and the structure that got these clients here. Across the series, the Compounders get rightsized so allocation effects drive more of the return than selection effects.

The trade-off is plain. If stocks keep rallying, the points Conservative II moved out of equity may lag, albeit modestly, and if rates keep climbing, it will give back a little more than before. If the Compounders outperform DUBS, the smaller weight captures less of that. The team is comfortable with that given the cushion the yield provides and where clients that utilize these models are in their financial plan. And at 10%, the Compounders still carry plenty of the names' upside.

Let the team know if you would like to walk through how these changes impact specific accounts. Thank you for your trust in stewarding your clients' hard-earned capital.

NOTES AND SOURCES

Model weights are Aptus HNW Impact Series target weights for October 2026; the Compounders are shown as a single allocation. Fixed income sleeve duration is a weighted estimate from fund-level data. JUCY duration is 2.0 years, DRSK has a duration of 4.7 years, and DEFR duration is 5.3 years. Stock weights include the Compounders and are measured against a 40/60 reference allocation for Conservative II. Average Compounders position size is total sleeve weight divided by 15 holdings; actual position sizes vary. Treasury yield, inflation and rate-scenario figures come from the Aptus note "Is the Bond Market Overreacting?" (October 12, 2026).

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