

Impact Series October 2026 Rebalance Rationale

October 2026

AT A GLANCE

51% → 55%

PRESERVE FIXED INCOME

38% → 41%

CONSERVATIVE FIXED INCOME

- Fixed Income rises 4 points in Preserve and 3 in Conservative, funded by trimming hedged equity.
- We believe these trades help better position the Preserve and Conservative models following the recent rise in interest rates across the curve.
- DRSK remains the largest Fixed Income holding across the models but the weight is slightly reduced to add to both JUCY and DEFR.
- The Moderate, Growth and Aggressive allocations remain untouched.

Over the next few weeks, you'll notice a repositioning within Aptus' Preserve and Conservative portfolios. Tickers won't change, but the team is tweaking some of the allocation weights, specifically within the fixed income bucket.

To be clear up front: this is not a structural change. In our opinion, 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 the Preserve and Conservative portfolios given the ever-changing interest rate environment.

The Preserve and Conservative models have benefited from Aptus' structure more than any other allocation mix the team manages. Bond returns and their place within a portfolio have been a challenge (to say it politely) for the past six years, and we believe owning fewer of them has paid off, especially considering the large underweight funded the over allocation 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 heck of a lot more sense than a bond at 1 or 2%.

Keep in mind, these two portfolios are utilized by the most conservative 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 Preserve/Conservative have overachieved on upside capture 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. These trades bring the two models a little closer to their benchmarks from a stock/ bond allocation while still confidently maintaining Aptus' token equity overweight.

01

The Theme of This Rebalance

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.

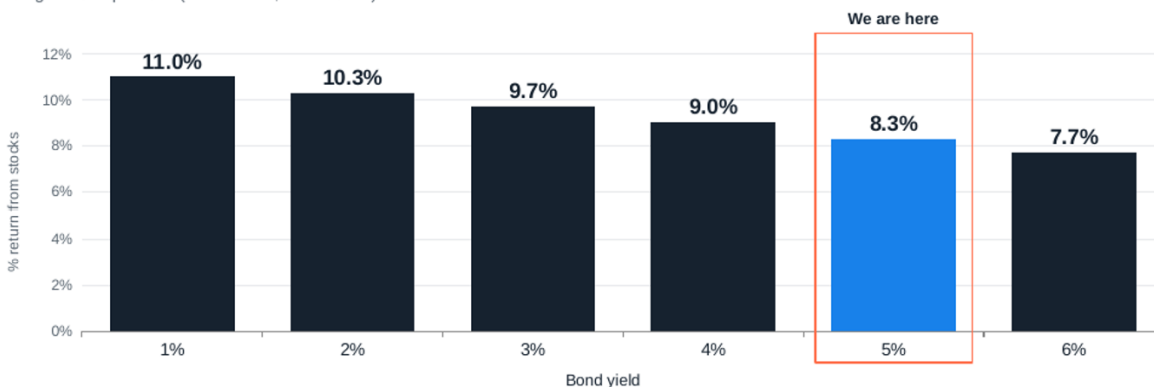
View our take on [Treasury Bonds in the market](#).

60/40 PORTFOLIO

APTUS
CAPITAL ADVISORS

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. We believe 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 stocks. 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

Why Moderate and Above Do Not Trade

Moderate, Growth, and Aggressive stay exactly as they are. Those clients are still building wealth, 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. In our view, that provides the potential to lose 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 historically do, which keeps the team convicted in maintaining the current structure across these allocations.

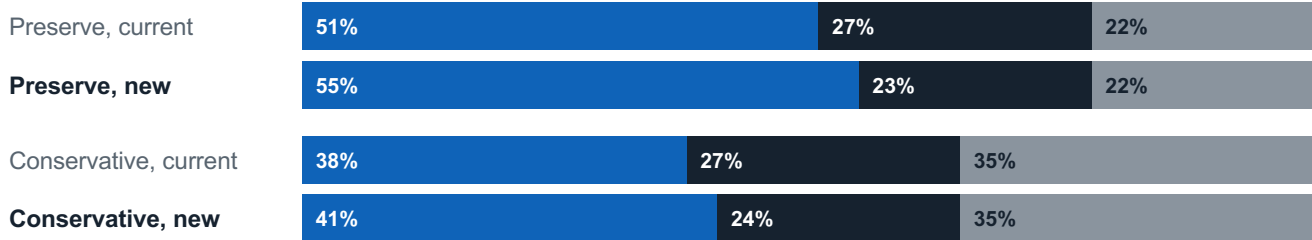
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The Trades

Two models trade. The team is moving 4% in Preserve and 3% in Conservative from risk-managed equity into bonds, and shifting a small slice within bonds toward higher income.

Before and after allocations

■ Fixed Income ■ Hedged Equity ■ Equity



Trades by fund

FUND	ACTION	PRESERVE		CONSERVATIVE	
Aptus Deferred Income ETF (DEFR)	Add	12% to 16%	+4	9% to 12%	+3
Aptus Enhanced Yield ETF (JUCY)	Add	16% to 18%	+2	11% to 12%	+1
Aptus Defined Risk ETF (DRSK)	Trim	23% to 21%	-2	18% to 17%	-1
Aptus Drawdown Managed Equity ETF (ADME)	Trim	6% to 3%	-3	7% to 5%	-2
Aptus Collared Investment Opportunity ETF (ACIO)	Trim	21% to 20%	-1	20% to 19%	-1

Percentages are model weights. Moderate, Growth and Aggressive models do not trade.

Stocks into bonds: ADME and ACIO into DEFR

Trades: Trim ADME in Preserve (6% to 3%) and Conservative (7% to 5%), and ACIO by one point in each (to 20% and 19%). Add DEFR in Preserve (12% to 16%) and Conservative (9% to 12%).

Within bonds: DRSK into JUCY

Trades: Trim DRSK in Preserve (23% to 21%) and Conservative (18% to 17%). Add JUCY in Preserve (16% to 18%) and Conservative (11% to 12%).

Before and After

		Preserve			Conservative		
Ticker	Fund	Before	After	Change	Before	After	Change
■ Fixed Income		51%	55%	+4%	38%	41%	+3%
DRSK	Aptus Defined Risk ETF	23%	21%	-2%	18%	17%	-1%
JUCY	Aptus Enhanced Yield ETF	16%	18%	+2%	11%	12%	+1%
DEFR	Aptus Deferred Income ETF	12%	16%	+4%	9%	12%	+3%
■ Hedged Equity		27%	23%	-4%	27%	24%	-3%
ADME	Aptus Drawdown Managed Equity ETF	6%	3%	-3%	7%	5%	-2%
ACIO	Aptus Collared Investment Opportunity ETF	21%	20%	-1%	20%	19%	-1%
■ Equity		22%	22%	-	35%	35%	-
DUBS	Aptus Large Cap Enhanced Yield ETF	11%	11%	-	12%	12%	-
IDUB	Aptus International Enhanced Yield ETF	7%	7%	-	10%	10%	-
VEA	Vanguard FTSE Developed Markets ETF	4%	4%	-	5%	5%	-
SPYM	State Street SPDR Portfolio S&P 500 ETF	-	-	-	5%	5%	-
OSCV	Opus Small Cap Value ETF	-	-	-	3%	3%	-
Weighted distribution yield		3.00%	3.07%	+0.07%	2.67%	2.70%	+0.03%
Weighted expense ratio		0.66%	0.65%	-	0.61%	0.61%	-
Fixed income sleeve duration (years)		3.95	3.99	+0.04	4.02	4.08	+0.06

Preserve and Conservative make the same rotation, with Preserve moving more: DEFR +4 and +3, JUCY +2 and +1, DRSK -2 and -1, ADME -3 and -2, ACIO -1 in each. Moderate, Growth and Aggressive no changes.

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What This Means for Portfolios

Stocks stay the overweight.

49% → 45%
PRESERVE

62% → 59%
CONSERVATIVE

Preserve goes from 49% to 45% in stocks and Conservative from 62% to 59%. Both keep equity exposure well above their benchmark weights considering Aptus' allocation to hedged equity.

Yield rises a little.

3.00% → 3.07% **2.67% → 2.70%**
PRESERVE CONSERVATIVE

Weighted trailing distribution yield goes from 3.00% to 3.07% in Preserve and from 2.67% to 2.70% in Conservative. The gain looks small because DEFR's return arrives as price, so the distribution figure does not capture it.

A bit more rate sensitivity.

3.95 → 3.99
PRESERVE

4.02 → 4.08
CONSERVATIVE

Fixed income sleeve duration moves from 3.95 to 3.99 years in Preserve and from 4.02 to 4.08 in Conservative. Across the whole portfolio, a simple linear estimate says a 100 bp rise in yields would cost about 0.18 points more in Preserve and 0.15 more in Conservative.

Cost is flat.

≈ 0.66%
PRESERVE

≈ 0.61%
CONSERVATIVE

Weighted expense ratio moves by less than half a basis point in both models, from about 0.66% in Preserve and 0.61% in Conservative.

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Conclusion

The purpose of this rebalance is narrow: lock in some of the yield given the lift in rates, while keeping the stock overweight and the structure that got Preserve and Conservative clients here. Moderate, Growth, and Aggressive stay exactly as they are.

The trade-off is plain. If stocks keep rallying, the points moved out of equity will lag, albeit modestly, and if rates keep climbing, the models will give back a little more than before. The team is comfortable with that given the cushion the yield provides and where clients that utilize these models are in their financial plan.

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

Yields are trailing distribution yields as of 10/15/2026 (source: YCharts) and are not guaranteed. DEFR does not distribute income by design. Portfolio yield, expense ratio and duration are weighted estimates from fund-level data. JUCY duration is 2.0 years, DRSK has a duration of 4.7 years, and DEFR duration is 5.3 year. Stock weights are against 30/70 and 40/60 reference allocations. Treasury yield, inflation and rate-scenario figures come from the Aptus note "Is the Bond Market Overreacting?" (October 12, 2026).

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