

# intelligentents quarterly market update May 2026



## How we're positioning portfolios...

**Trim equity overweight from 3% to 1%**, easing overall risk after a strong run while keeping portfolios tilted towards stocks over bonds and our best ideas

**Maintain core overweights in U.S. large-cap and AI-driven themes**, where earnings have continued to justify our deepest structural convictions

**Increase precision in international positioning**, using an actively managed country-selection approach to better express views where cross-country dispersion is widest

**Introduce a dynamic, multi-strategy liquid alternatives allocation within the fixed-income sleeve**, seeking uncorrelated return streams to build a potentially smarter, more resilient shock absorber

## Trade Rationale:

It seems we have been early to many of today's most fashionable portfolio themes, and that positioning has rewarded as markets moved sharply higher from earlier-year lows – and now flirt with fresh all-time highs. The important nuance is that many of the same risks that rattled investors a few months ago still largely exist today; the difference is that markets are now confronting them from a much higher starting point. We aren't calling a market peak, but the incremental payoff from maintaining chunky broad equity overweight has admittedly cooled at the margin.

Crucially, the macro backdrop still looks constructive in our view. Earnings have been exceptionally strong, the U.S. has remained better insulated than much of the world from elevated energy prices, and the technology and AI buildout has continued to support a meaningful productivity impulse. Inflation has pushed higher in the short run, but much of that appears tied to visible and likely nonstructural drivers. Namely, oil and energy pressures linked to Middle East tensions and related supply disruptions, rather than a narrative breaking reacceleration in underlying inflation.



That said, the path is messy. Kevin Warsh has taken the helm as Fed Chair and brings a new, supply-side perspective to the table. Warsh has openly recognized that the AI-driven productivity boom requires vast capital capacity, meaning the Fed could have a legitimate justification to cut interest rates later this year; not because the economy is weak but to ensure that lending and investing don't become unnecessarily burdensome to an industrial revolution. Warsh has even hinted at moving the inflation goalposts, shifting the Fed's focus from core Personal Consumption Expenditures (PCE) to a trimmed-mean version of inflation to potentially better isolate true underlying economic signals from temporary energy spikes. While this structural shift may be a long-term positive, the transition itself has introduced real policy uncertainty. Jerome Powell's decision to remain on the Board of Governors introduces a hawkish dual-leadership dynamic that inevitably clouds how incoming data will be interpreted. Because of this institutional friction, the absolute probability of rate cuts is undoubtedly lower than it was at the start of the year.

These yellow flags are why we're being more intentional about where our risk lives. In the areas where our conviction is highest, such as AI and innovation, U.S. over international developed markets, and growth over value, we have continued to run well off benchmark. Where conviction is lower, we're aiming to harvest that active risk and reallocate it either more efficiently (low-cost market exposure) or more effectively (active strategies). This includes an actively managed country selection strategy for our international exposure that is built on proprietary, data driven investment signals. In the same vein, we're carving out space for a bond-funded liquid alternatives position, a nimble, regime-based engine that hunts for excess returns and provides genuine, uncorrelated sources of diversification, which is especially attractive when traditional fixed income struggles to provide real ballast.

In short, this trade is less "hero call" fade of a red-hot rally and more an effort of prudent portfolio management. We maintain a core anchor toward the secular drivers of this market cycle; while quietly recognizing that locking in some gains and redeploying risk into potentially more efficient, precise expressions may be a smarter move today than it was when markets were lower and fear was louder.

Source: BlackRock as of 5/28/2026. Views are subject to change.

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