Fixed Income Sector Update
Fall 2026

Portfolio Manager *Name Removed*

Sector Analysts *Cooper Reynolds*



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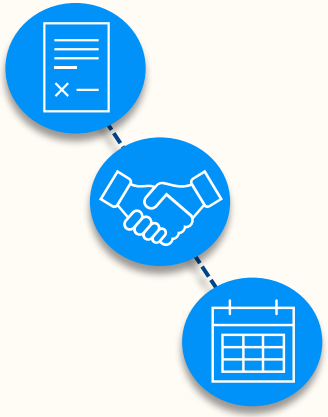
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Fixed Income Introduction

Fixed Income Explained

Fixed income is a type of investment that provides investors with regular interest payments or dividends in exchange for an initial lump-sum investment. These payments are made on a predetermined schedule, and the principal is typically returned at maturity



Assets

Treasuries

Risk-Free Rates

- *Treasury Bills (<1 year)*
- *Treasury Notes (2-10)*
- *Treasury Bonds (20-30)*

Low Risk = Low Return

Corporates

Credit Spread Products

- *Investment Grade*
- *High Yield Leveraged*
- *Foreign Issuers*

High Risk = High Yields

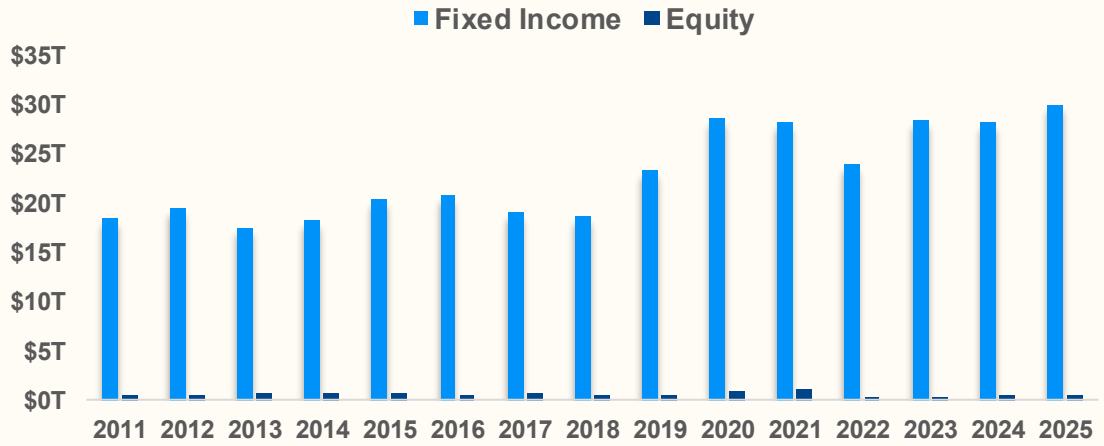
Other

Structured Credit

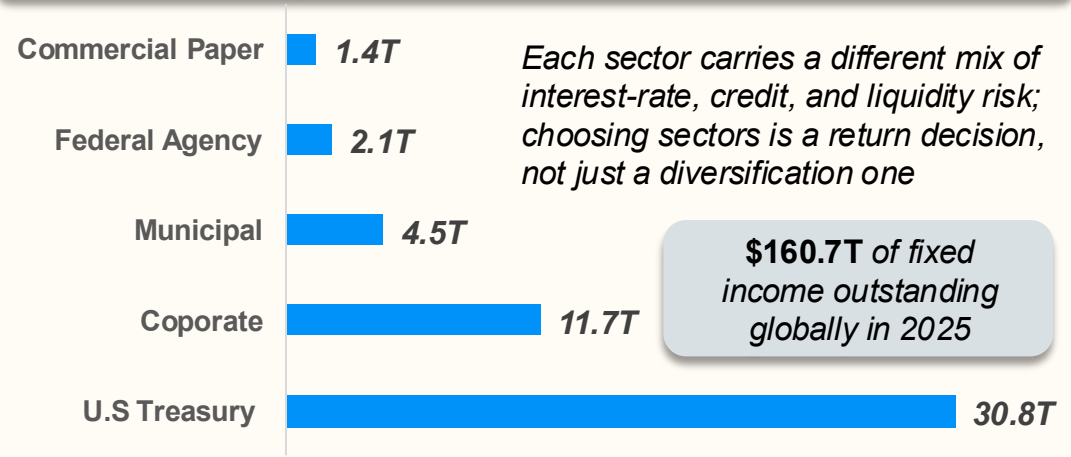
- *MBS*
- *CLOs*
- *Asset-Backed Securities*

Tax Advantaged Income

Global Fixed Income and Equity Issuance



Many Sectors, Different Risks



Each sector carries a different mix of interest-rate, credit, and liquidity risk; choosing sectors is a return decision, not just a diversification one

$160.7T *of fixed income outstanding globally in 2025*

Sources: SIFMA Research Quarterly, US Fixed Income Markets - Outstanding (1Q26); SIFMA Capital Markets Fact Book (global, 2025), Investopedia.com

Bond Fundamentals

Key Features of a Bond

Coupon Rate

The annual interest rate paid by the issuer on the bonds face value

Face Value (Par Value)

The principal amount the issuer promises to repay at maturity

Yield to Maturity (YTM)

The annualized return expected if the bond is held to maturity, assuming promised payments are made and using standard reinvestment assumptions

Duration

A measure of a bonds sensitivity to changes in interest rates

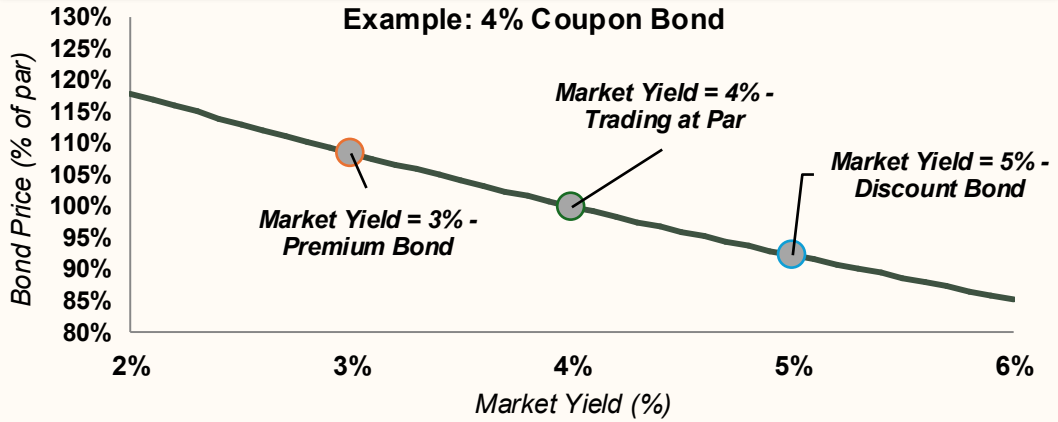
Credit Rating

An assessment of the issuer's creditworthiness, commonly provided by Moody's, S&P, or Fitch

Market Price

The price investors pay for the bond in the secondary market. It fluctuates with interest rates, credit risk, and market conditions

Interest Rate Effects on Prices

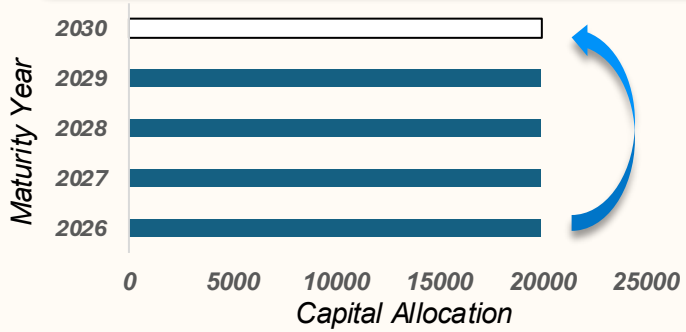
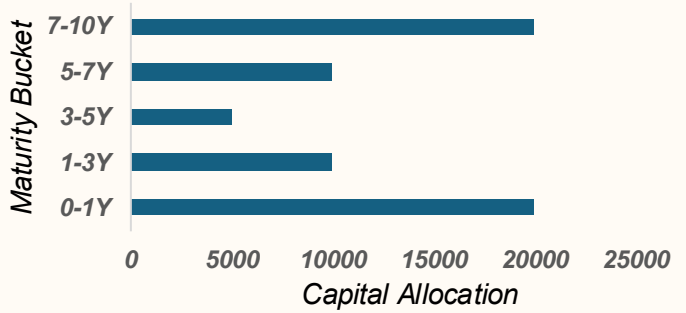
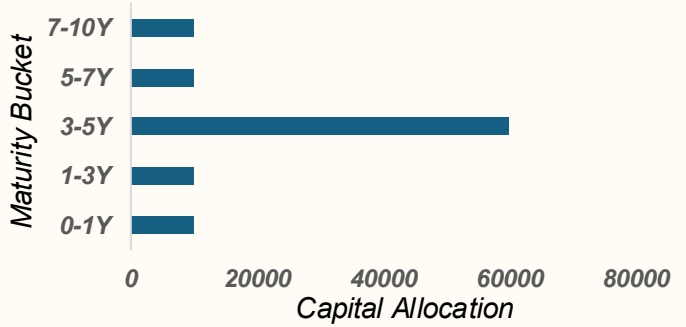


Bond Prices Inverse Relationship to Interest Rate Changes

Market Action	Impact on Price	Impact on Yield	Bond Category
Market Rate < Coupon Rate (Ex. 3%)			***Premium Bond***
Market Rate = Coupon Rate (Ex. 4%)	*Unchanged*	*Unchanged*	***Par Bond***
Market Rate > Coupon Rate (Ex. 5%)			***Discount Bond***

Sources: Investopedia

Bond Fundamentals

Portfolio Strategies	Visualization	Investment Applications
Ladder Strategy Distributes investments across staggered maturities, allowing bonds to mature at regular intervals and proceeds to be reinvested		***Systematic liquidity and steady reinvestment*** **Benefit**: Recurring cash flows and reduced dependence on any single reinvestment date **Risk**: May underperform a concentrated maturity strategy when the yield curve presents attractive opportunities
Barbell Strategy Concentrates holdings in short- and long-term maturities while maintaining limited exposure to intermediate maturities		***Curve positioning and yield targeting*** **Benefit**: Combines short-term liquidity with long-term yield exposure. **Risk**: Greater exposure to long-end rate movements and yield-curve shape changes.
Bullet Strategy Concentrates bonds around a specific maturity horizon to create focused exposure and align future cash flows.		***Duration targeting and focused exposure*** **Benefit**: Supports a targeted investment horizon or future funding requirement. **Risk**: Concentrated maturity and reinvestment exposure.

Sources: Bars illustrate hypothetical maturity allocations, not actual Green and Gold Fund Holdings

Bond Fundamentals

General

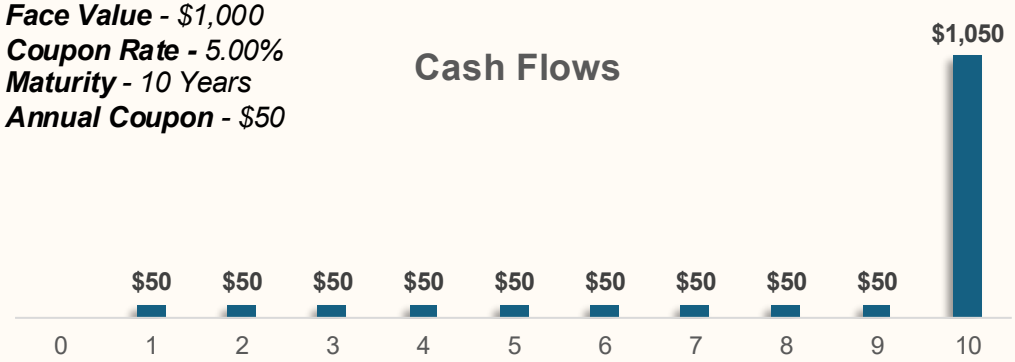
Bonds serve as a core anchor to dampen stock market volatility

Interest rate risk is the single largest threat to fixed-rate bond prices

Yield is fundamentally a compensation for risk. Moving down the credit ladder uncovers higher income potential alongside higher default probabilities

Rate of Return

Face Value *- $1,000*
Coupon Rate - *5.00%*
Maturity *- 10 Years*
Annual Coupon *- $50*



Example: A 10- year bond with a 5% coupon and $1000 face value returns annual interest payments and principal repayment from the issuer at maturity

What Drives a Bonds Total Return

Income	***Coupon / yield earned while we hold the bond***
+ Price Change	***≈ Duration × change in yield***
+ Spread Change	***Credit or prepayment spreads widen / tighten***

Example: a bond yielding 5% with 4 years of duration. If yields rise 1%, price falls ≈ 4% but income adds ≈ 5%, so total return stays ≈ +1%.

Yield **is the cushion.** ***Duration*** **is the exposure.**

Sources: Investopedia

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Current Holdings

Removed

Sources: Bloomberg PRTU

Current Holdings

Removed

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Removed

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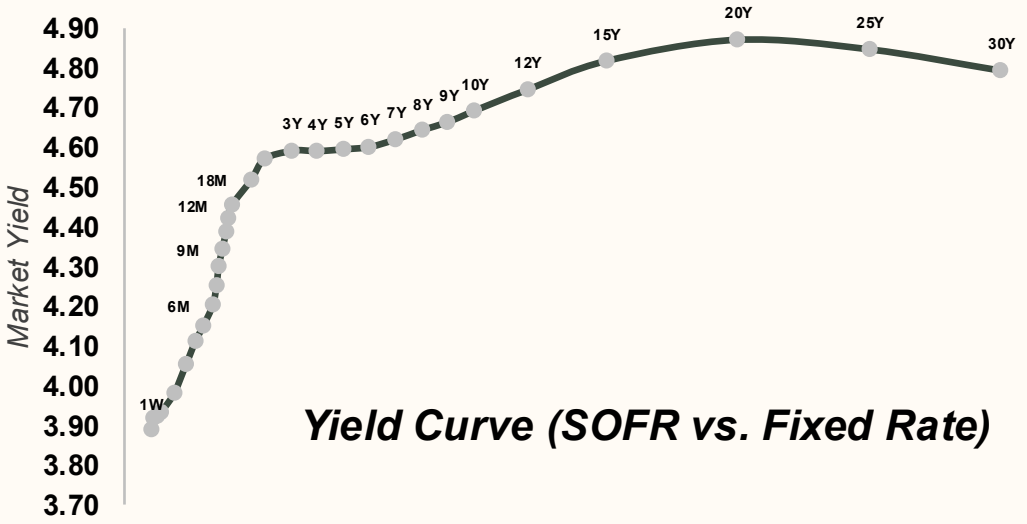
Yield Curve Risk

Key Rate Duration

Key Rate Duration (KRD) Shows where curve risk is concentrated in the portfolio and benchmark

This allows us to identify where exactly our duration risk is concentrated by maturity basket

Securities Overnight Financing Rate



Yield Curve (SOFR vs. Fixed Rate)

	KRD (2Y)	KRD (5Y)	KRD (10Y)
Portfolio	0.52	1.94	1.65
Benchmark	0.23	0.7	1
Difference	0.29	1.24	0.65

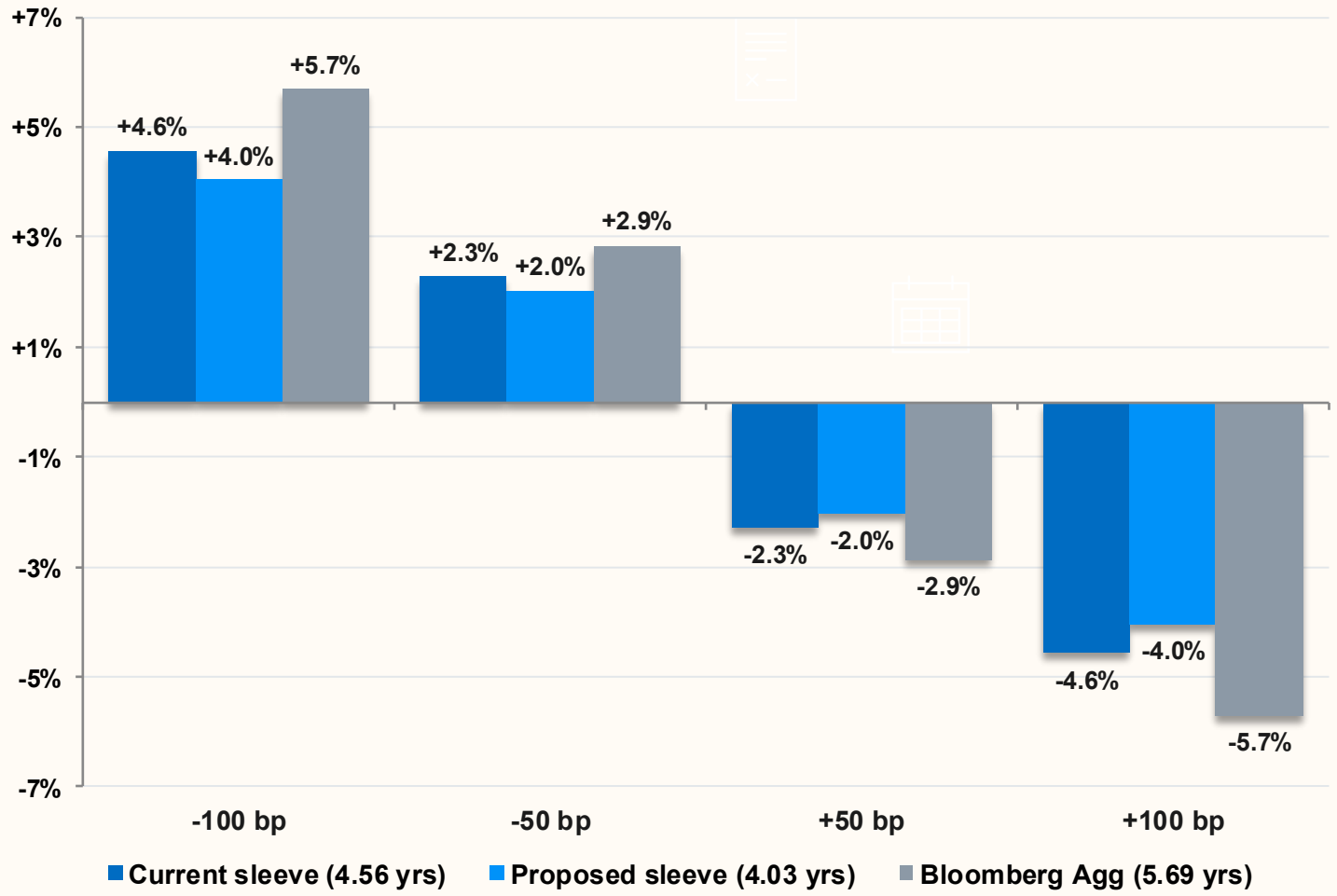
Risk

The portfolio's primary risk is the highest duration density per unit of time because it is most reactive to policy changes

Sources: Bloomberg

Yield Curve Risk

We are shorter than the benchmark: we lose less than the Agg when rates rise and gain less when they fall



What It Means in Dollars

Per 100 bp move	Current	Proposed
Sleeve value	~$XXX	~$XXX
Price impact	± $X.X	± $X.X
Gap vs. Agg	1.13 yrs	1.66 yrs

Total dollar risk increases as the fixed-income allocation grows by 30% to reach its 24% target

However, the proposed portfolio is 12% less sensitive to interest rates per dollar invested and 29% less sensitive than the Agg

Sources: Bloomberg

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Economic Outlook – Interest Rates

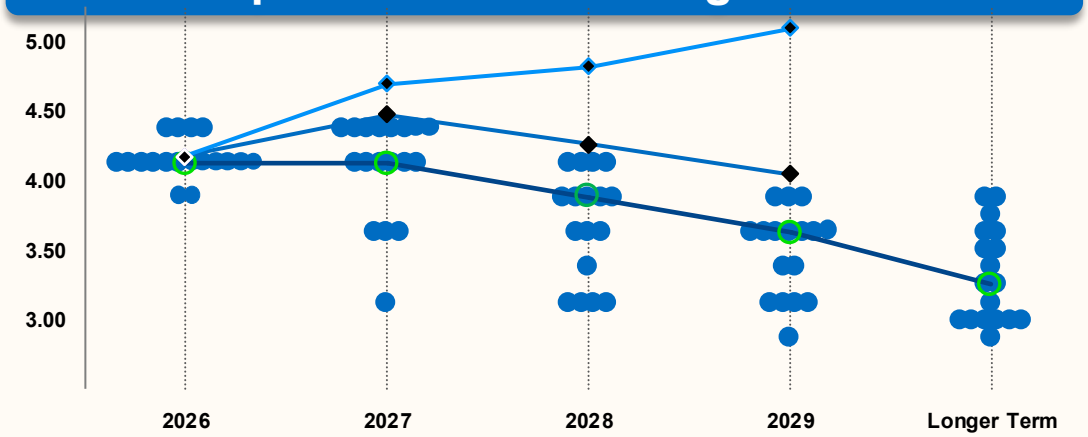
Data Summary

Indicator	Actual	Previous	Direction
Federal Funds Rate	3.88%	3.62%	Increasing
10 Year Treasury Yield	5.28%	4.75%	Increasing

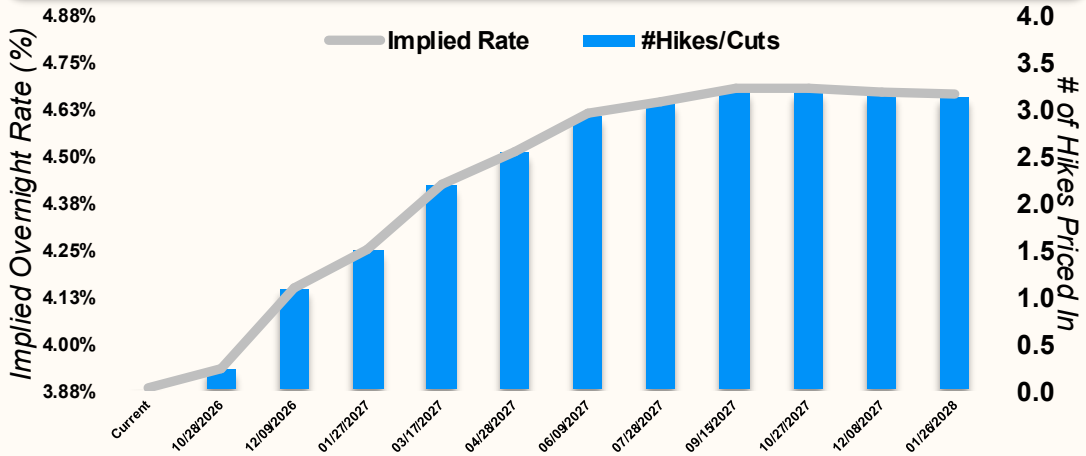
Interest Rate Assessment

- **Fed Funds: Policy rate increases to 3.88%**
- **Treasuries: 10 Year yield rises to 5.28%**
- **Market Outlook: Implied policy rate reaches 4.93%**

Implied Fed Funds Target Rate



World Interest Rate Probability



Sources: Bloomberg

Economic Outlook – Inflation Trends

Data Summary

Indicator	Actual	Previous	Direction
CPI	3.4%	3.4%	Stable
Core CPI	2.4%	2.5%	Decreasing
PCE	3.4%	3.7%	Decreasing
Core PCE	3.0%	3.3%	Decreasing
Avg. Hourly Earnings	3.0%	3.1%	Decreasing

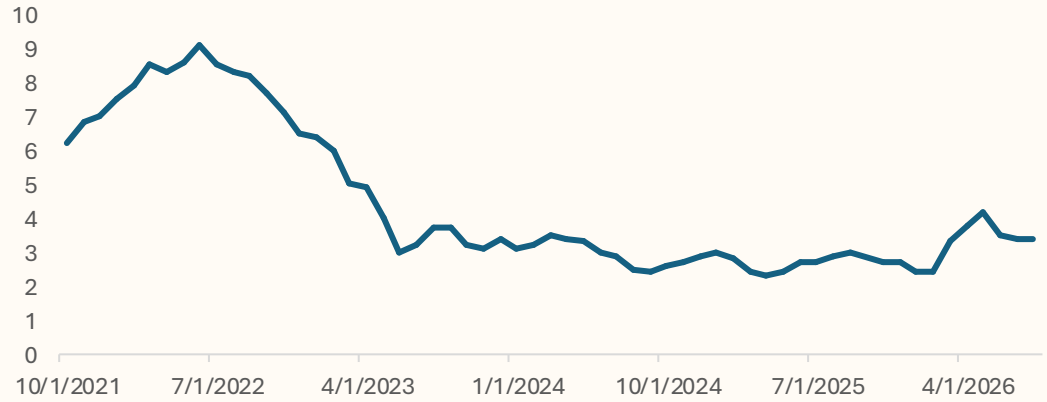
Inflation Trends Assessment

- **Inflation: CPI steady at 3.4%; PCE easing**
- **Fed Policy: Persistent inflation reinforces restrictive expectations**
- **Portfolio: Elevated interest rate exposure supports reducing duration**

Core PCE Inflation Trend



CPI Inflation Trend



Sources: Bloomberg

Economic Outlook – Labor Markets

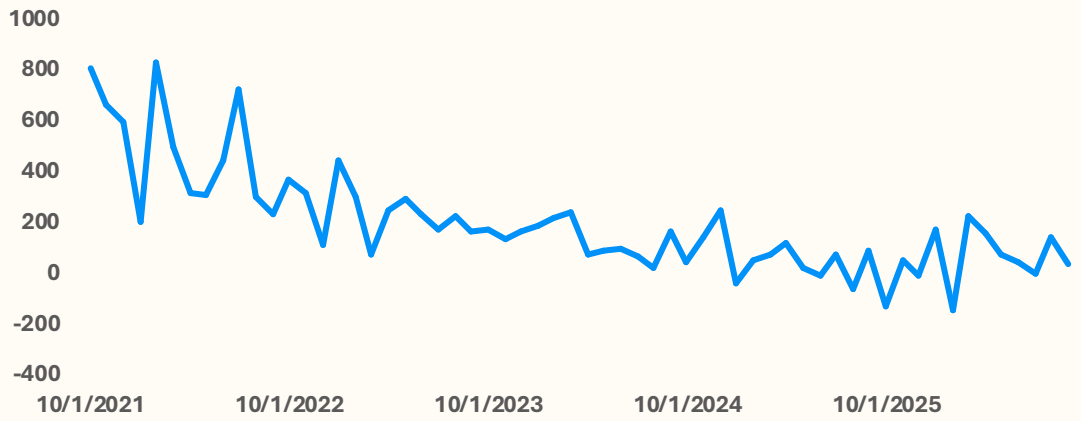
Data Summary

Indicator	Actual	Previous	Direction
Nonfarm Payrolls	29,000	162,000	Decreasing
Unemployment Rate	4.2%	4.1%	Increasing
Avg. Hourly Earnings	3.0%	3.1%	Decreasing

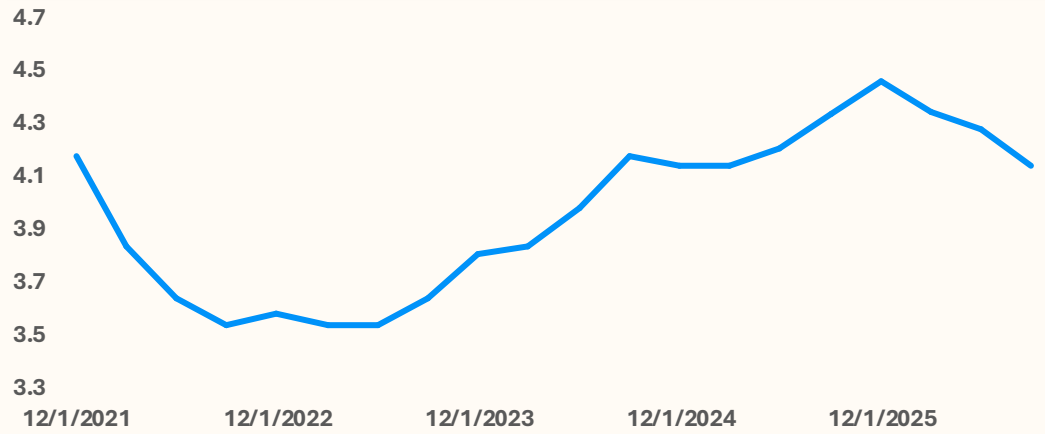
Labor Market Assessment

- **Employment: Payrolls slow to 29,000, unemployment reaches 4.2%**
- **Wages: Earnings growth moderates to 3.0% annually**
- **Portfolio: Labor weakness challenges restrictive rate expectations; manage duration**

Nonfarm Payrolls MoM



Unemployment Rate Trend



Sources: Bloomberg

Economic Outlook – Credit Spreads

Data Summary

Indicator	Actual	Previous	Direction
Investment Grade OAS	0.81%	0.78%	Widening
High Yield OAS	3.11%	2.61%	Widening

Inflation

Investment Grade Spreads Widened Modestly to 0.80%

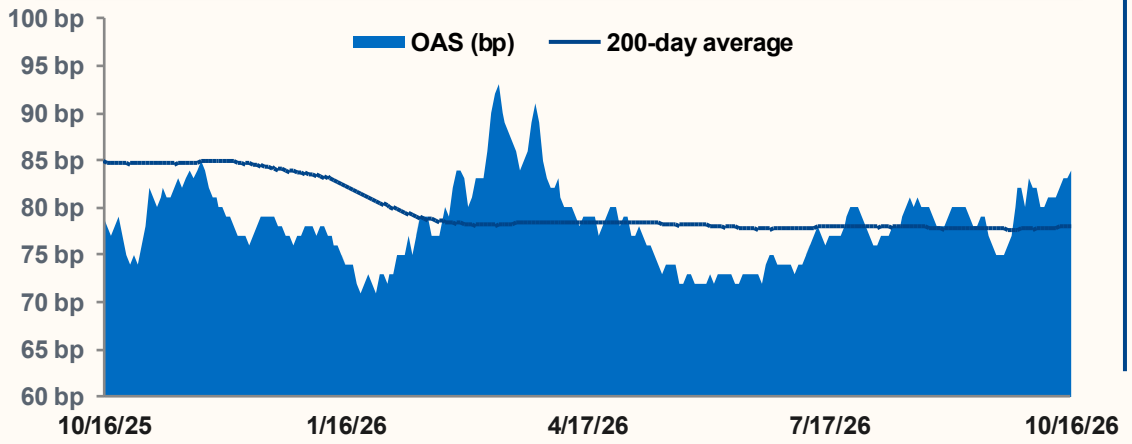
High-Yield Spreads Widened 50bp to 3.11%

Investors Favor Higher Quality Credit

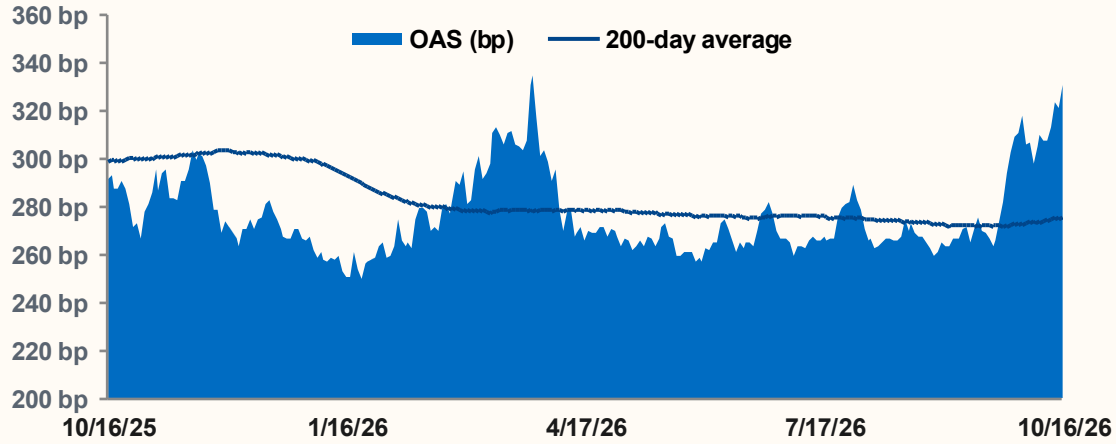
Lower-Quality Issuers Face More Scrutiny

Continued High Yield Widening Would Signal Stress

Labor Market



Credit Spreads



Sources: Bloomberg

Economic Outlook – Summary

Interest Rates

3.75-4.00%

Rate Hike: The Federal Reserve raised interest rates on September 16 for the first time in three years.

Future Outlook: Notes from the meeting show policymakers plan **one more rate increase** before the end of the year to combat inflation.

Next Meeting: The FOMC will meet next on **October 27–28** to review the economy.

Inflation

3.7%

September inflation rose from 3.4%, exceeding the 3.6% forecast

A 9.1% increase in gasoline prices drove much of the rise, while core inflation stood at 2.6%, highlighting renewed inflationary pressure from energy costs

Labor Market



September hiring fell short of the 90,000 jobs expected, while unemployment held at 4.2%.

Slowing job growth signals a weakening labor market, raising concerns about the Fed's ability to keep interest rates elevated for longer.

Credit Spreads



Investment-grade credit spreads remain tight, offering limited additional returns for taking on credit risk.

Meanwhile, high-yield spreads widened by 50 basis points to 311 basis points, signaling growing pressure on lower-rated corporate bonds.

Sources: Bloomberg

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Return Portfolio

The Old Portfolio Problem

Recurring Scholarship Needs

Annual scholarship distributions require consistent cash flow and sufficient liquidity.

Bullet Strategy Limitations

Concentrating bond maturities in a single period creates gaps in available cash.

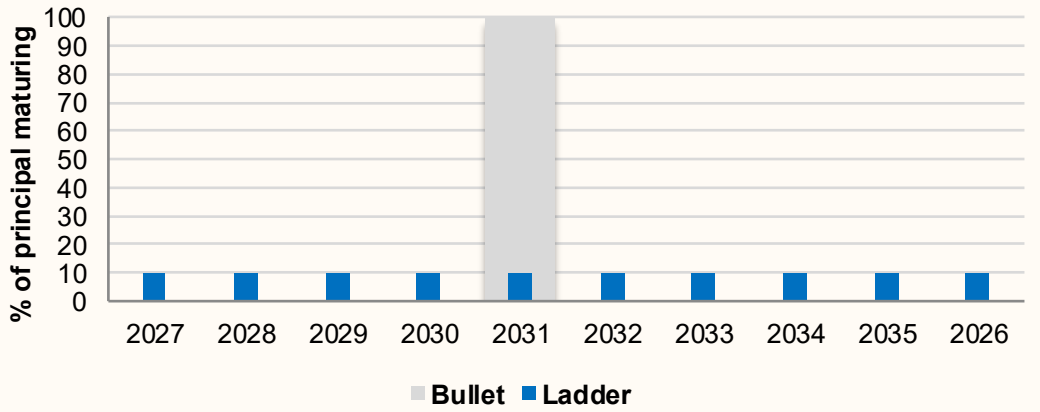
Liquidity Risk

These gaps may force early bond sales at unfavorable market prices to meet scholarship obligations.

Proposed Ladder Strategy

Previous analyst recommended spreading bond maturities evenly across the portfolio to align principal repayments with annual scholarship distributions.

Bullet vs. Ladder: Principal Returned

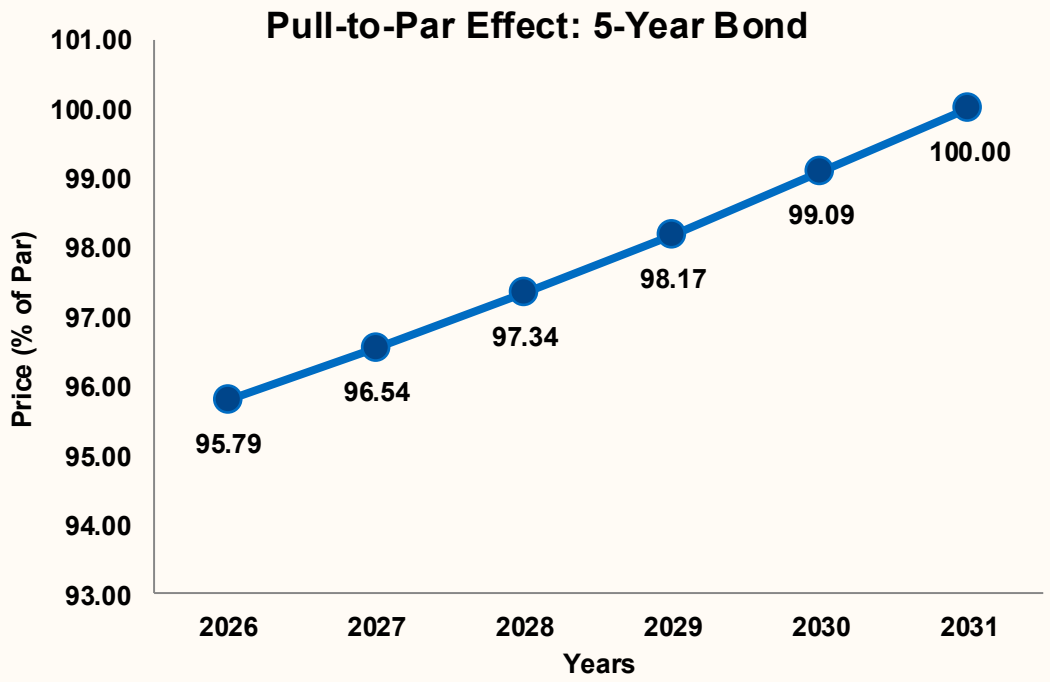


Why the ladder strategy works

A 10-year corporate bond ladder spreads investments evenly across bonds maturing each year, providing steady income while reducing reinvestment risk.

Return Profile

Pull-to-Par



Pull-to-par is a bond's price moving toward face value as it nears maturity. A ladder holds each bond to maturity, so it captures its return consistently, along with the bond's full yield.

Return & Risk Profile of the Ladder

5.75% *YTW*	**4.25** *OAD*
A/A- *Avg. Rating*	**$ XXX** *Market Value*

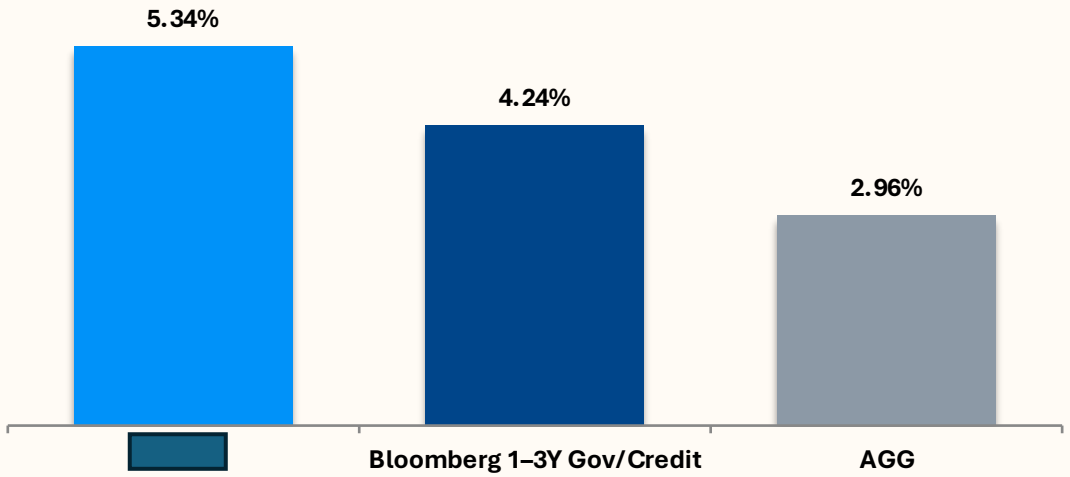
Why this strategy improves our portfolio

- **Each rung matures on its own date (2027 to 2036), so rate risk and reinvestment are spread out**
- **Rungs trading below par pull toward 100 as they age; duration shrinks with time**
- **Every maturity returns cash for withdrawals, with no forced selling**

Sources: Bloomberg

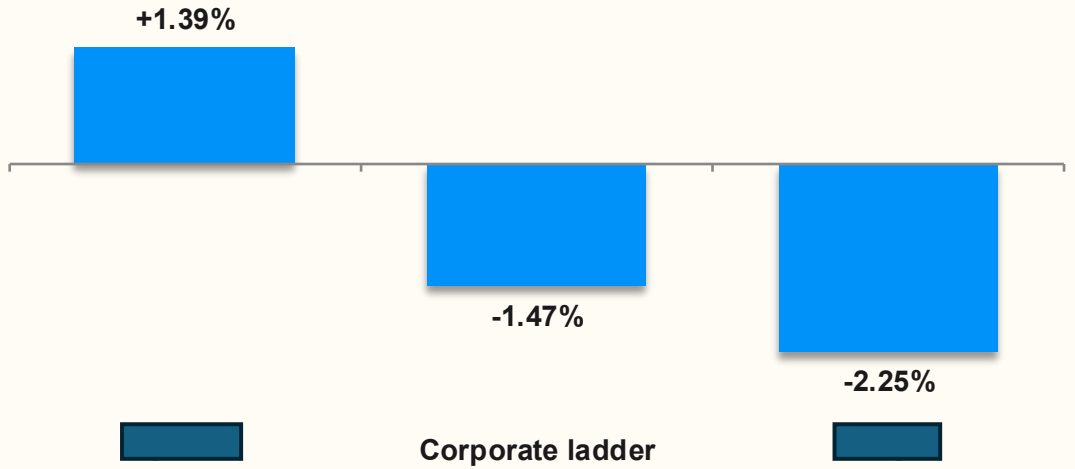
Return Profile- XXXX and Yield Protection

XXXX Since ETF Launch (Annualized)



Cumulative: XXXX+18.16% · 1–3Y index +14.24% · AGG +9.81%

2026 YTD Inside Our Portfolio



The only fixed income holding up this year is the short-duration one

Higher Starting Yields Provide Greater Protection Against Rising Rates

Yield ÷ Duration	XXXX	XXXX	Bloomberg Agg
Yield	4.97%	5.75%	5.48%
Duration	2.36	4.25	5.69
Breakeven yield rise	**211 bp**	**135 bp**	**96 bp**

Sources: Bloomberg

Strategy Pivot Recap: Spring's Call, Fall's Result

What Changed Since Spring

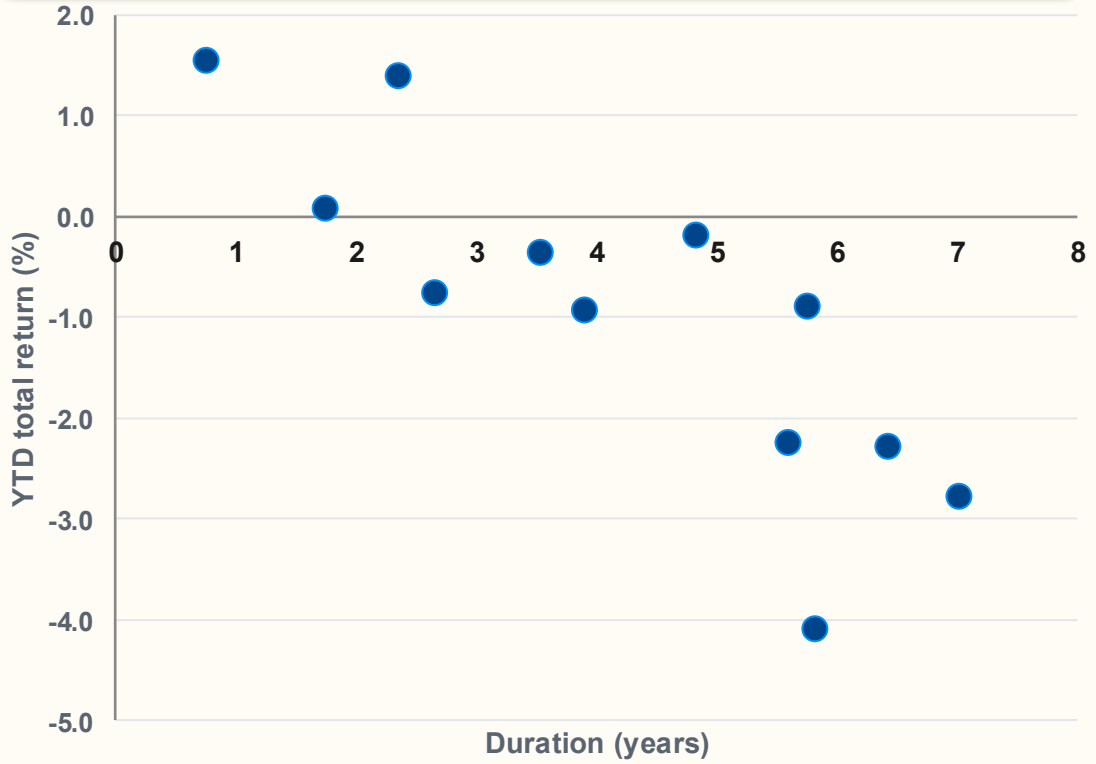
Metric	Spring (Barbell)	Now (Ladder)
Bond duration (OAD)	7.56	**4.25**
Yield to worst	4.44%	**5.75%**
Spread (OAS)	37 bp	76 bp
Structure	83% in 10+ yrs	1 bond/yr, 2027–36

Reduced Rate Risk: The portfolio cut duration by approximately 3.3 years ahead of rising interest rates.

Strong Performance: Fixed income outperformed the benchmark by 2.47% year-to-date.

Next Steps: Build on the spring strategy by reinvesting available cash into the portfolio in more short duration assets

2026 YTD Return vs. Duration, by Holding



Shortest: XXX +1.53%, XXXX +1.39% · Longest: XX -4.09%, XXX -2.79%

The longer the duration, the bigger the loss this year

Sources: Bloomberg

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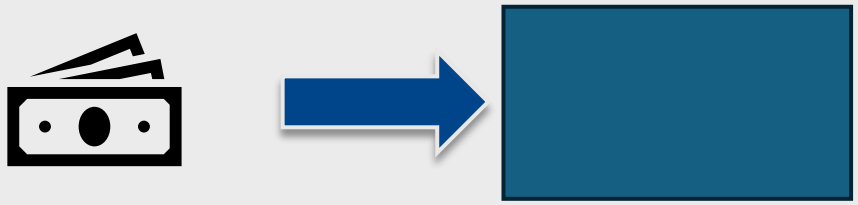
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Investment Thesis

Statement



Reallocate available cash into XXXX to increase exposure to short-duration, high-quality securitized bonds, reduce interest rate sensitivity, and better align our sector allocation with the Bloomberg U.S. Aggregate Bond Index.

Implications

4.97%

Yield Advantage

XXXX offers a 4.97% yield versus 5.48% for the Agg, with less than half the duration (2.36 vs. 5.69 years)

15 bp

Rate Protection

A roughly 15 bp rise in yields could offset XXXX's lower starting yield versus the Agg over one year, based on a simplified duration model

78%

Sector Alignment

XXXX holds 78% in securitized assets, helping close our allocation gap with the Agg's roughly 23% MBS exposure

+1.1%/yr

Track Record

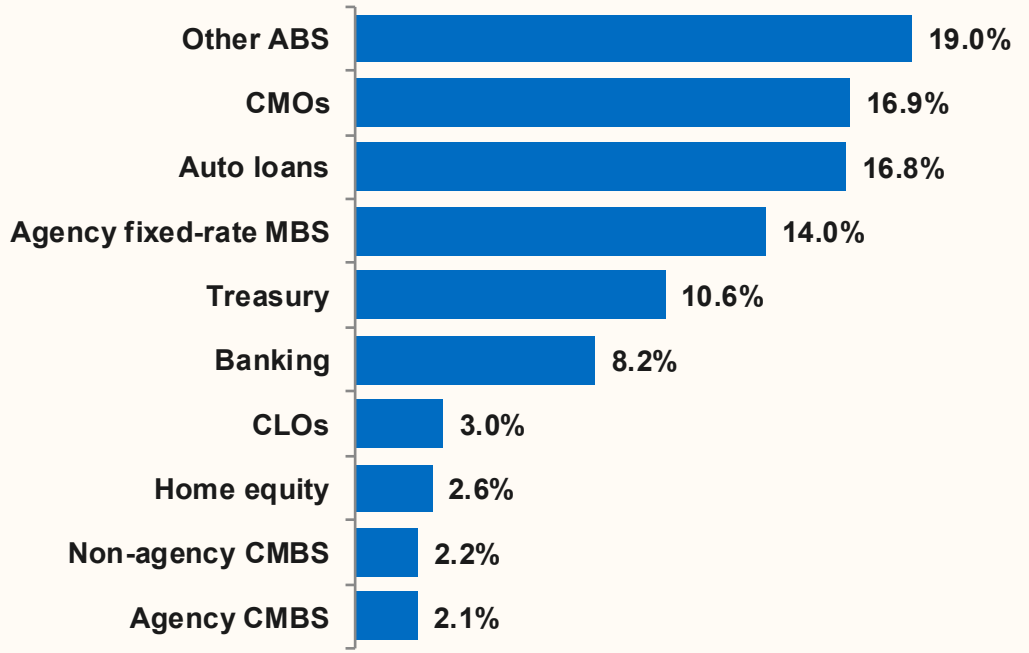
XXXX has outperformed its benchmark by approximately 1.1% annually over the cited 1-3 year period, including +1.39% in 2026

We are not betting on one Fed path. We are declining to take 3.3 extra years of rate risk for only 0.5% of extra yield.

Sources: Bloomberg

Investment Thesis: Inside XXXX

What XXXX Owns (% of Fund)



Compared to its 1–3Y Gov/Credit benchmark, XXXX holds significantly more securitized bonds (+78 pts) and fewer Treasuries (−62 pts) and corporates (−12 pts). This provides targeted exposure to high-quality securitized assets currently underrepresented in our portfolio.

Key Facts

2.35 yrs
Effective Duration

4.64%
30-day SEC Yield

0.24%
Net Expense Ratio

$4.08bn
Fund Assets

912
Holdings

4.34%
Divident Yield

Credit quality: 78% rated AA or better

AAA	AA	A	BBB	NR
62.3%	16.0%	16.1%	4.1%	1.4%

Sources: Bloomberg

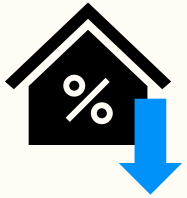
Investment Thesis: Inside XXXX

We recommend investing approximately $X of available cash into XXXX, increasing the portfolio's fixed-income allocation to 24%.



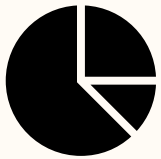
Restores IPS Compliance

Increases fixed income from 18.48% to 24% and reduces cash from 10.44% to 4.92%, bringing both allocations within IPS limits



Reduces Interest Rate Risk

Lowers portfolio duration from 4.56 to 4.03 years while sacrificing only ~0.5% in yield compared to the Agg.



Improves Benchmark Alignment

Increases securitized exposure from 4% to 16% while reducing corporate bond concentration from 66% to 53%



Keeps the strategy intact

No bonds sold; the ladder is still held to maturity and still yields 5.75%.

Sources: Bloomberg

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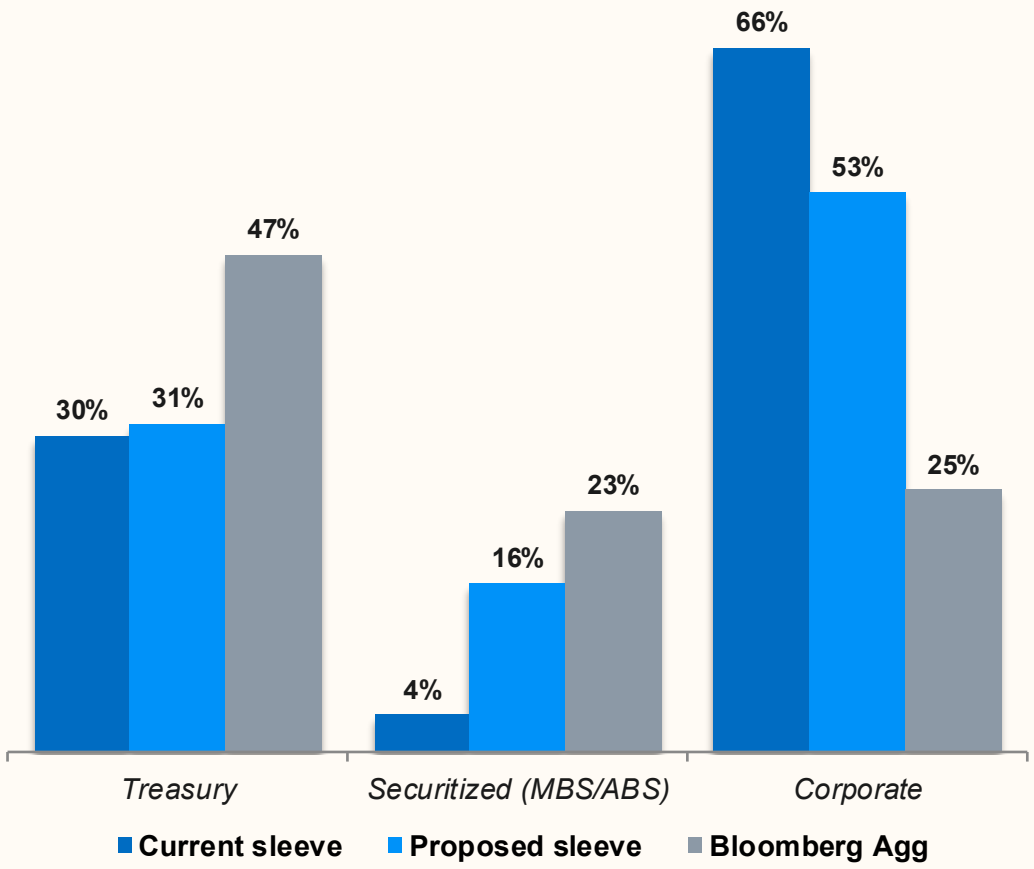
Proposed Portfolio

Removed

Sources: SIFMA Research Quarterly, US Fixed Income Markets - Outstanding (1Q26); SIFMA Capital Markets Fact Book (global, 2025), Investopedia.com

Benchmark Considerations

Sector Mix vs. the Bloomberg Agg (% of Fixed Income)



Active Positions vs. Agg

Metric	Now	Proposed	Agg
Duration	*4.56*	*4.03*	*5.69*
Securitized	*4%*	*16%*	*23%*
Corporate	*66%*	*53%*	*25%*
+100 bp vs. Agg	*+1.1%*	*+1.7%*	—
−100 bp vs. Agg	*−1.1%*	*−1.7%*	—

Two deliberate choices:

- ***Stay short duration while the Fed is hiking.***
- ***Shrink our biggest sector bet: corporates fall from 66% to 53% and securitized rises from 4% to 16%, both closer to the Agg.***

Sources: Bloomberg

Fixed Income Sector Update

Q&A