

# Core Fixed Income Commentary

## PERFORMANCE SUMMARY

For the third quarter, the Core strategy had a return before fees of 5.23% (5.14% net of fees), outperforming the Bloomberg Aggregate Index return of 5.20%.

The strategy was approximately 100% of benchmark duration at the beginning of the quarter with very little curve exposure. With the growing prospect of Fed rate cuts in the second half of the year we extended our duration during the quarter to 102% primarily by adding exposure to intermediate maturities. For the quarter, the duration exposure cost the strategy performance.

The strategy entered the quarter with a slight overweight to corporate bonds. We maintained our exposure through most of the quarter. We reduced our exposure at the end of the quarter by selling a weaker credit to improve our portfolio's credit profile. Overall credit metrics are strong, but this strength is reflected in very tight credit spreads. Despite the tight spreads, we plan to remain fully invested as all in yields remain attractive. For the quarter, the corporate book's performance was a slight negative.

The strategy entered the quarter with its mortgage allocation at a small underweight. We increased our exposure during the quarter to a small overweight. As the Fed has switched to easing monetary policy, we believe that the mortgage market will be a source of high quality carry for the rest of 2024 and into 2025. For the quarter, the mortgage portfolio added performance.

The strategy had an overweight to the CMBS and ABS sectors. Our CMBS portfolio was neutral for performance. Our CMBS exposure is in high quality well diversified securities.

## MARKET OUTLOOK

When we look to year end, we see the potential for two additional 25bp cuts. This forecast though hinges on the payroll data. There are two employment releases before the November meeting as well as inflation data to consider. The strategy duration is 102% versus the benchmark with a slight overweight to the belly of the yield curve. If interest rates move to the bottom of the recent range, we will most likely move duration back to neutral. Curve positioning will be important as the yield curve begins to normalize. We are now slightly overweight Agency MBS on a duration basis as we view the sector as a good source of carry in an environment where interest rates could potentially remain rangebound. We continue to be overweight 30yr Conventionals versus 30yr GNMA's and underweight 15yr issues. The Strategy remains overweight the belly of the 30yr Conventionals coupon stack as these issues should carry well. The strategy is slightly overweight versus the Corporate Index as the economy remains resilient and the probability of a soft-landing looks to be the most likely scenario. With the index at a spread of +89bps though we see little value but also don't expect much to move the market substantially wider in the near term. The sector remains well supported by strong technicals and we see little deterioration in the fundamental picture. The strategy remains overweight ABS and we continue to be constructive on the sector. We remain active in the new issue market, and while spreads have tightened the sector still looks compelling relative to other sectors. The strategy maintained its overweight to CMBS and while risks remain, we expect the sector to react positively to lower interest rates.

## PERFORMANCE\*

	MOST RECENT QUARTER	1-YEAR	3-YEAR	ANNUALIZED 5-YEAR	10-YEAR
<b>Gross</b>	5.23%	11.88%	-1.13%	1.01%	2.15%
<b>Net</b>	5.14%	11.49%	-1.47%	0.66%	1.79%
<b>Benchmark</b>	5.20%	11.57%	-1.39%	0.33%	1.84%

Source - F/m Investments

\*Returns are estimated. Benchmark: Bloomberg Aggregate

## ATTRIBUTION FOR MOST-RECENT-QUARTER

	Total
Sector Rotation	0.04%
Security Selection	0.00%
Yield	0.00%
Term Structure	-0.01%
<b>Total Excess Return (Gross of Fees)</b>	<b>0.03%</b>

As of September 30, 2024. All benchmark returns presented are provided to represent the investment environment existing during the time periods shown. Actual investment performance will vary due to fees and expenses. Investment performance reflects the reinvestment of dividends and other income. Gross-of-fees performance is shown net of trading expenses. Net of fees performance is shown net of a model investment management fee that is equal to the highest fee charged to the intended audience. For comparison purposes, the benchmarks include the reinvestment of income. The benchmarks are unmanaged and unavailable for direct investment. Indices are unmanaged, do not reflect fees and expenses, and are not available for direct investment. Past performance is no guarantee of future results. Please see the GIPS Report presentation at the end of this document.



# Core Fixed Income Commentary

	Yield to Worst	Average Maturity	Effective Duration	Average Quality
■ Core Fixed	4.47%	8.23 yrs	6.17 yrs	Aa3
■ Bloomberg Aggregate	4.23%	8.27 yrs	6.05 yrs	Aa2

## QUALITY DISTRIBUTION (% of Market Value)

	Core Fixed	Bloomberg Aggregate
AAA	13.8%	2.8%
AA	55.2%	73.6%
A	8.0%	11.2%
BBB	23.0%	12.3%
Total	100.0%	100.0%

## SECTOR ALLOCATION (% of Market Value)

	Core Fixed	Bloomberg Aggregate
U.S. Treasury Bonds	31.8%	43.1%
Agencies	0.0%	0.7%
Corporate	29.5%	24.1%
Industrials	15.8%	14.0%
Financials	12.5%	7.9%
Utilities	1.2%	2.3%
Non-Corporate	0.0%	3.7%
MBS	22.9%	26.5%
CMBS	8.4%	1.6%
CMO	1.3%	0.0%
Taxable Municipal	0.0%	0.0%
ABS	5.6%	0.4%
Cash	0.6%	0.0%
Total	100.0%	100.0%

As of September 30, 2024. Past performance is no guarantee of future results. Based off a model portfolio and does not include fees or expenses. Indices are unmanaged, do not reflect fees and are not available as direct investments. Portfolio characteristics and attribution reflect an active, representative account managed by F/m in the referenced investment strategy. Portfolio characteristics and attribution may vary among accounts invested in the same investment strategy. The representative account was chosen because F/m believes it closely resembles its intended investment strategy. Portfolio holdings and allocations are subject to change at any time without notice. Securities listed should not be considered a recommendation to buy or sell any security. Percentages may not add up to 100% due to rounding.



# Core Fixed Income Disclosures\*

As of 4/1/2024 Ziegler Capital Management, LLC (dba ZCM) has been reorganized as part of F/m Investments, LLC ("F/m"). F/m is an investment adviser registered under the Investment Advisers Act of 1940. On 5/15/2024 ZCM deregistered as an investment adviser.

Year-End	Gross-of-Fees	Net-of-fees	Benchmark	Composite	Benchmark	Number of	Internal	Composite	Composite	Strategy	Firm	Firm
	Return	Return	Return	3 Yr. Ex Post	3 Yr. Ex Post			Non-Fee	Assets	Assets	AUM	AUA
				Std. Dev.	Std. Dev.	Portfolios	Dispersion	Paying (%)	(USD millions)	(USD millions)	(USD millions)	(USD millions)
2014	5.6%	5.3%	6.0%	2.6%	2.7%	22	0.1%	0.0%	\$488	\$604	\$5,748	\$318
2015	0.8%	0.5%	0.6%	2.8%	2.9%	20	0.3%	0.0%	\$426	\$658	\$9,781	\$605
2016	2.3%	1.9%	2.7%	2.9%	3.0%	15	0.1%	0.0%	\$359	\$637	\$10,651	\$1,170
2017	3.6%	3.3%	3.5%	2.6%	2.8%	13	0.1%	0.0%	\$285	\$528	\$9,888	\$1,561
2018	-0.2%	-0.5%	0.0%	2.6%	2.9%	14	0.0%	0.0%	\$407	\$863	\$10,084	\$1,775
2019	8.7%	8.3%	8.7%	2.8%	2.9%	20	0.1%	0.0%	\$673	\$1,516	\$10,693	\$2,112
2020	10.1%	9.7%	7.5%	3.4%	3.4%	21	0.1%	0.0%	\$760	\$1,667	\$8,238	\$2,118
2021	-1.3%	-1.6%	-1.5%	3.4%	3.4%	20	0.0%	0.0%	\$995	\$1,733	\$8,035	\$2,293
2022	-12.5%	-12.8%	-13.0%	5.8%	5.9%	23	0.1%	0.0%	\$878	\$1,521	\$6,383	\$1,734
2023	5.7%	5.4%	5.5%	7.1%	7.2%	25	0.2%	0.0%	\$927	\$1,180	\$6,592	\$1,370

Ziegler Capital Management, LLC, doing business as ZCM, claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. ZCM has been independently verified for the periods 01/01/01-12/31/23. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The Core Fixed composite has had a performance examination for the periods 06/10/11-12/31/23. The verification and performance examination reports are available upon request. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

ZCM is a registered investment advisor that became a majority owned indirect subsidiary of 1251 Capital Group, Inc, that they acquired from Stifel Financial on March 27, 2020. ZCM was formed in 1991 and has grown significantly through strategic business combinations. Through these combinations, we have expanded our investment strategy offerings and broadened our portfolio management teams to best serve our expanding client base. ZCM's CEO changed in May 2021, and in February of 2023. Please refer to the firm's ADV Part 2 for additional disclosures regarding the firm and its practices. ZCM's definition of the firm used to determine the total firm assets and firm-wide compliance includes all fee-paying and non-fee-paying discretionary and non-discretionary assets under management, including accrued income, in all strategies. Assets under Advisement ("AUA"), in the form of model portfolios provided to other financial institutions, are excluded from our definition of the firm and are provided as supplemental information. Returns are calculated in U.S. dollars and reflect the reinvestment of dividends and other earnings. Past performance is no guarantee of future results. A list of broad distribution and limited distribution pooled funds is available upon request. To obtain a GIPS report or a list of our composite descriptions and/or policies for valuing investments, calculating performance, and preparing GIPS reports, please call (312) 368-1442 or send an e-mail to letters@zieglercap.com.

**Composite and Benchmark Description:** Core Fixed is an actively managed fixed income strategy that applies a top-down, macroeconomic business cycle approach, utilizes a leading indicator model and emphasizes fundamental security analysis. The benchmark is the Bloomberg U.S. Aggregate Index. The Bloomberg U.S. Aggregate Bond Index is a broad, market capitalization-weighted index measuring intermediate term investment grade bonds traded in the U.S. A portfolio manager left in September 2016 and the CIO of Fixed Income left in October 2021, but the investment process remained unchanged.

**Minimum Account Size:** The minimum account size for this composite is \$5 million. Prior to 10/01/21 the composite minimum was \$1 million. From inception through December 31, 2012, the minimum account size was \$5 million.

**Composite Creation and Inception Date:** The Core Fixed composite creation and inception date is June 10, 2011.

**Significant Cash Flow Policy:** Portfolios with significant cash flows are excluded from the composite. Cash flows of 10% or more are considered significant. From inception through 12/31/12 cash flows of 40% or more were considered significant.

**Internal Dispersion:** The internal dispersion is measured by the asset-weighted standard deviation across asset-weighted portfolio returns represented within the composite for the period. If there are less than 6 portfolios in the composite for the entire year, the internal dispersion is not statistically meaningful and is presented as N.A. All risk measures are calculated using gross-of-fees returns.

**Fees:** Gross-of-fees returns are presented after trading expenses and before management fees. Net-of-fees returns are presented after model management fees for a \$10 mm portfolio applied on a monthly basis. A client's actual return will be reduced by management fees. Fees are calculated separately for each portfolio, and therefore, performance may differ from one portfolio to another. The effect of fees and expenses on performance will vary with the relative size of the fee and account performance. For example, if \$10 million were invested and experienced a 10% compounded annual return for ten years, its ending dollar value, without giving effect to the deduction of the advisory fee, would be \$25,937,425. If an advisory fee of 0.35% of average net assets per year for the ten-year period were deducted, the annual total return would be 9.63% and the ending dollar value would be \$25,083,791. The fee schedule is: 0.35% on the first \$50 million; 0.25% on the next \$50 million; 0.20% on all additional assets. **Other:** Strategy assets include all portfolios in the Core Fixed Income strategy, even those portfolios that are excluded from the composite because of significant cash flows or for other reasons. These are presented as supplemental information.



# Core Fixed Income Disclosures

This review is for institutional advisory clients of F/m. The strategy review often expresses opinions about the direction of market, investment sector and other trends. The opinions should not be considered predictions of future results. The information contained in this report is based on sources believed to be reliable, but is not guaranteed and not necessarily complete.

Information contained herein is for informational purposes only and is not a recommendation to buy or sell any security. Contribution to portfolio return is calculated by multiplying the total return for the security by its average weight in the portfolio. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that securities sold have not been repurchased. The securities discussed do not represent an account's entire portfolio and in the aggregate may represent only a small percentage of an account's portfolio holdings. A complete list of all holdings is available upon request. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities represented herein. Other factors may impact overall performance for different accounts including the execution and timing of trades and any wrap sponsor's policies.

All investments involve risk, including the possible loss of principal, and there is no guarantee that investment objectives will be met. Bonds are subject to market, interest rate and credit risk; and are subject to availability and market conditions. Generally, the higher the interest rate the greater the risk. Bond values will decline as interest rates rise. Government bonds are subject to federal taxes. Municipal bond interest may be subject to the alternative minimum tax; other state and local taxes may apply. High yield bonds, also known as "junk bonds" are subject to additional risk such as increased risk of default. Some asset-backed securities may have structures that make their reaction to interest rates and other factors difficult to predict, making their prices volatile and they are subject to liquidity and valuation risk. Investments in bonds issued by non-U.S. companies are subject to risks including country/regional risk, which is the chance that political upheaval, financial troubles, or natural disasters will adversely affect the value of securities issued by companies in foreign countries or regions; and currency risk, which is the chance that the value of a foreign investment, measured in U.S. dollars, will decrease because of unfavorable changes in currency exchange rates.

The Bloomberg U.S. Aggregate Index is comprised of the Bloomberg Capital U.S. Government/Credit Index and the Bloomberg Capital Mortgage-Backed Securities Index. All issues in the index are rated investment grade or higher, have a least one year to maturity, and have an outstanding par value of at least \$100 million.

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