

# Intermediate Fixed Income Commentary

As of 3/31/2024

## PERFORMANCE SUMMARY

For the first quarter, the Intermediate Core strategy had a return before fees of -0.02% (-0.13% net of fees), outperforming the Bloomberg Intermediate Government/Credit Index return of -0.15%.

The duration cost performance as the strategy is slightly long compared to the benchmark. Interest rates rose approximately 35bps in a parallel fashion in the first half of the quarter costing performance. Curve positioning performance added slightly as the yield curve marginally steepened between the 2-year and 10-year by 5bps to -42bps.

The strategy entered the quarter neutral to corporate credit. The Corporate Index spread level at the beginning of the quarter was +99. Spreads tightened 9bps and remained in a tight range. The sector allocation performance was flat, but security selection added to performance as lower quality, longer maturity and more cyclical issuers outperformed. The strategy is underweight, the non-corporate credit sectors, this added slightly to performance.

The overweight to ABS added to performance as the sector benefited from a resilient consumer and the overall risk-on environment. The overweight to non-agency CMBS also added to performance as investor concerns began to fade allowing higher quality AAA tranches to continue to recover.

## MARKET OUTLOOK

We approach the end of the first quarter and the FOMC remains noncommittal about the timing of the first rate cut. Inflation has surprised to the upside and the economy remains resilient. We see the economy gradually slowing towards about 2% with CPI falling to approximately 2.5% by year-end. We find ourselves in the soft-landing camp and forecasting the first rate cut of 25bps in June and an additional 50bps in the second half of the year. We see potentially the 2-year reaching 3.80% and the 10-year close to 3.9% by the end of the year resulting in a slightly positive-shaped yield curve between the 2-year and 10-year. The strategy sits at 102% of the benchmark duration with a slight overweight to the belly of the yield curve. Interest rates have been moving in a tight range and we anticipate that if we get close to our year-end target for the 10-year, we will move the strategy back to neutral. The strategy is neutral versus the Corporate Index with the index at a spread of +90bps though we see little value but also don't expect much to move the market substantially wider in the near term. The sector remains very well supported by strong technicals as buyers continue to be attracted by the high all-in yields. 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 increased its overweight to CMBS during Q1, and while risks remain, we have a favorable view on recently issued deals as these securities look relatively more attractive to other spread sectors. Additional purchases have focused on deals concentrated in retail, industrial and multi-family properties, while avoiding the troubled office sector.

PERFORMANCE*					
	MOST RECENT QUARTER	1-YEAR	3-YEAR	ANNUALIZED	
				5-YEAR	10-YEAR
Gross	-0.02%	3.08%	-0.75%	1.69%	1.90%
Net	-0.13%	2.67%	-1.15%	1.29%	1.50%
Benchmark	-0.15%	2.69%	-1.06%	1.09%	1.61%

Source - ZCM

\*Returns are estimated. Benchmark: Bloomberg Intermediate Government/Credit

ATTRIBUTION FOR MOST-RECENT-QUARTER		Total
Sector Rotation		0.09%
Security Selection		0.05%
Yield		0.00%
Term Structure		-0.01%
Total Excess Return (Gross of Fees)		0.13%

As of March 31, 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.

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	Yield to Worst	Average Maturity	Effective Duration	Average Quality
Intermediate Fixed	4.84%	4.38 yrs	3.85 yrs	Aa3
Bloomberg Inter. G/C	4.70%	4.30 yrs	3.78 yrs	Aa3

## QUALITY DISTRIBUTION (% of Market Value)

	Intermediate Fixed	Bloomberg Inter. G/C
AAA	10.3%	3.4%
AA	56.7%	66.5%
A	10.6%	14.6%
BBB	22.4%	15.5%
Total	100.0%	100.0%

## SECTOR ALLOCATION (% of Market Value)

	Intermediate Fixed	Bloomberg Inter. G/C
U.S. Treasury Bonds	55.9%	62.3%
Agencies	0.0%	1.5%
Corporate	33.0%	30.8%
Industrials	15.7%	16.0%
Financials	16.0%	12.6%
Utilities	1.4%	2.2%
Non-Corporate	0.0%	5.4%
MBS	0.0%	0.0%
CMBS	4.5%	0.0%
CMO	0.0%	0.0%
Taxable Municipal	0.0%	0.0%
ABS	6.2%	0.0%
Cash	0.5%	0.0%
Total	100.0%	100.0%

As of March 31, 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.

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As of 3/31/2024

As of 3/31/2024 Ziegler Capital Management, LLC (aka ZCM) has been reorganized as part to F/m Investments, LLC. F/m Investments, LLC ("F/m"), is an investment adviser registered under the Investment Advisers Act of 1940.

Year/Period End	Gross-of-Fees Return	Net-of-fees Return	Benchmark Return	Composite 3 Yr. Ex Post Std. Dev.	Benchmark 3 Yr. Ex Post Std. Dev.	Number of Portfolios	Internal Dispersion	Carve Out Percentage	Composite Assets (USD millions)	Strategy Assets (USD millions)	Firm AUM (USD millions)	Firm AUA (USD millions)
2013	-0.5%	-0.9%	-0.9%	2.4%	2.1%	14	0.0%	0%	\$307	\$658	\$4,321	\$162
2014	3.0%	2.6%	3.1%	2.1%	2.0%	22	0.0%	0%	\$525	\$958	\$5,748	\$318
2015	1.2%	0.8%	1.1%	2.1%	2.1%	26	0.1%	0%	\$610	\$961	\$9,781	\$605
2016	1.9%	1.5%	2.1%	2.2%	2.3%	31	0.1%	0%	\$519	\$945	\$10,651	\$1,170
2017	2.3%	1.9%	2.1%	2.0%	2.1%	34	0.0%	0%	\$508	\$880	\$9,888	\$1,561
2018	0.8%	0.4%	0.9%	2.0%	2.1%	39	0.0%	0%	\$594	\$969	\$10,084	\$1,775
2019	6.8%	6.4%	6.8%	2.0%	2.1%	34	0.1%	0%	\$519	\$578	\$10,693	\$2,112
2020	8.7%	8.3%	6.4%	2.4%	2.3%	34	0.1%	0%	\$509	\$602	\$8,238	\$2,118
2021	-1.2%	-1.6%	-1.4%	2.5%	2.4%	37	0.0%	0%	\$533	\$558	\$8,040	\$2,293
2022	-7.9%	-8.3%	-8.2%	4.0%	3.9%	37	0.1%	0%	\$448	\$494	\$6,383	\$1,734

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 01/01/01-12/31/22. 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 Intermediate Fixed composite has had a performance examination for the periods 01/01/01-12/31/22. 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](mailto:letters@zieglercap.com).

**Composite and Benchmark Description:** The Intermediate Fixed Composite includes accounts comprised of intermediate term fixed income securities with maturities or average lives generally not exceeding ten years and a duration similar to the benchmark. Prior to 10/01/2011 the composite was named Intermediate Core. The benchmark is the Bloomberg Intermediate Government/Credit Index. The Bloomberg Intermediate US Government/Credit Bond Index is a broad-based flagship benchmark that measures the non-securitized component of the US Aggregate Index with less than 10 years to maturity. The index includes investment grade, US dollar-denominated, fixed-rate treasuries, government-related and corporate securities. The CIO of Fixed Income left the firm in October 2021, the investment process remained unchanged.

**Minimum Account Size:** The minimum account size for this composite is \$1 million.

**Composite Creation and Inception Date:** The Intermediate Fixed composite creation and inception date is January 1, 2000.

**Significant Cash Flow Policy:** Beginning January 1, 2013, portfolios with significant cash flows are excluded from the composite. Cash flows of 10% or more are 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 the highest applicable management fee applied on a monthly basis. Prior to 1/1/12, fees were applied on a quarterly basis. The highest applicable management fee is 0.40%. 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 Intermediate Fixed Income strategy, even those portfolios that are excluded from the composites because of significant cash flows or for other reasons, and include non-wrap, wrap and UMA assets. This is presented as supplemental information.

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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 Intermediate US Government/Credit Bond Index is a broad-based flagship benchmark that measures the non-securitized component of the US Aggregate Index with less than 10 years to maturity. The index includes investment grade, US dollar-denominated, fixed-rate treasuries, government-related and corporate securities.

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