Fixed Income Allocation Strategy

FEBRUARY 2021

Fixed Income Performance Update

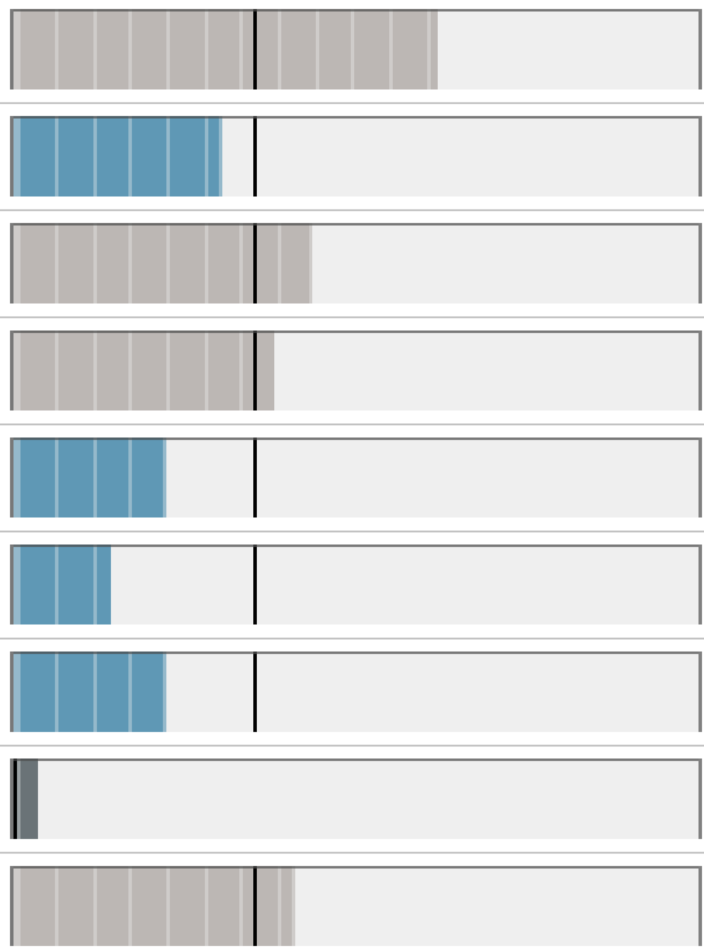
Only four of the nine bond sectors produced positive returns last month. Treasury Inflation-Protected Securities (TIP), Floating Rate Notes (FLOT), U.S. Mortgage-Backed Securities (MBB), and Cash (MINT) each rose by less than 30 basis points (bps) during January. TIP is the only area to increase by more than 25 bps for each of the last three months. MBB has risen during 19 of the last 21 months. FLOT has risen for 22 of the last 25 months.

U.S. High Yield (JNK) and International Investment Grade Bonds (BNDX) both fell by more than 49 bps during January. It broke three- and four-month winning streaks for JNK and BNDX, respectively.

Emerging Market bonds (EMB) and U.S. Investment Grade (LQD) both fell by more than 175 bps last month. It was the worst month for LQD since March 2020. Both sectors have declined for three of the last five months.

U.S. Long-Term Treasurys (TLT) was the worst performing area in January, as it fell by over 360 bps. TLT has been the weakest sector in three of the last four months.

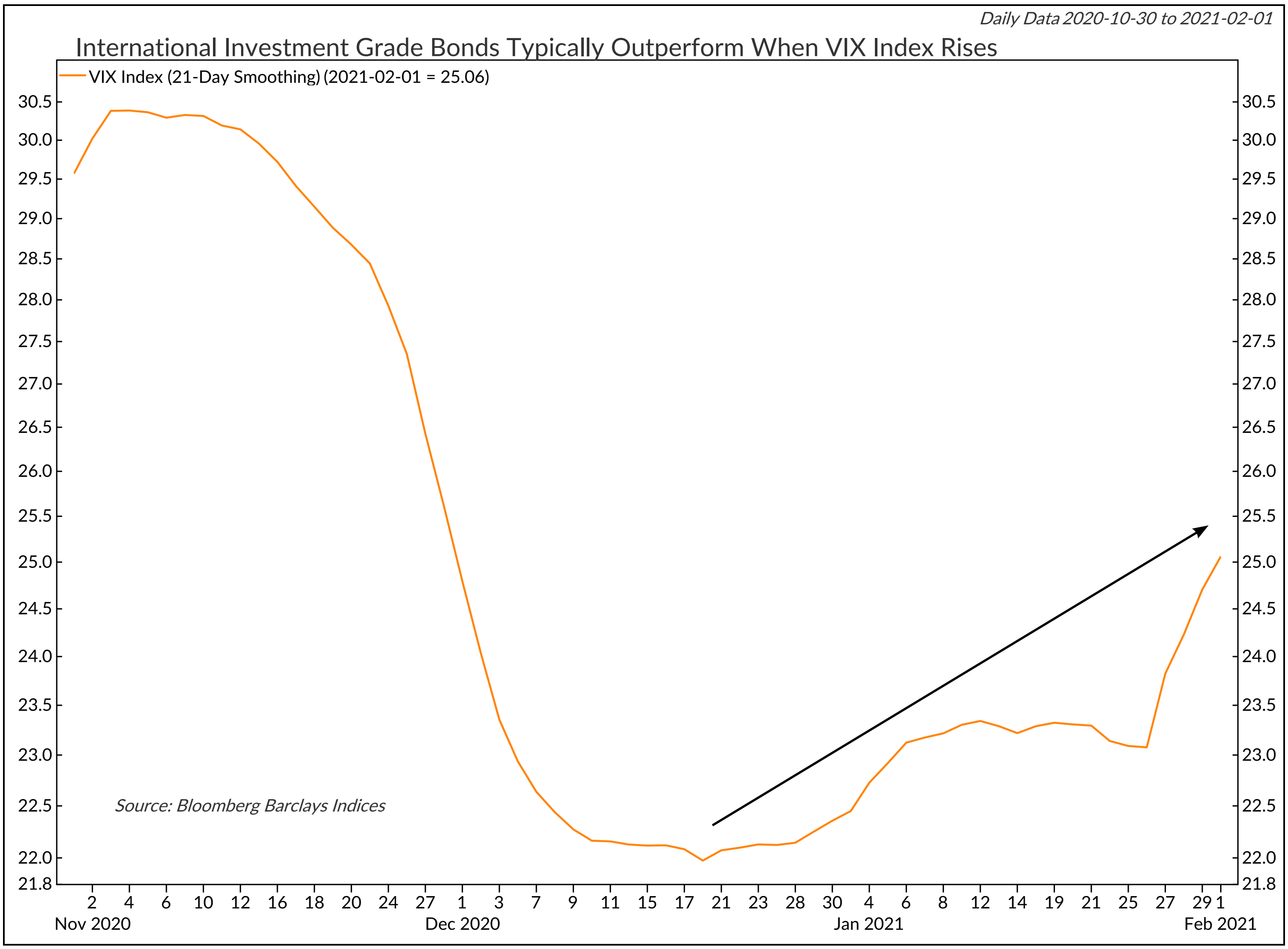
Fixed Income Allocation Summary



Emerging Markets		↔
U.S. Floating Rate Notes		↔
U.S. High Yield		↔
International Investment Grade		↔
U.S. Investment Grade Corporate		↔
U.S. Long-Term Treasury		↔
U.S. Mortgage Backed Securities		↔
Cash		↔
Treasury Inflation-Protected Securities		↔

The vertical, black line represents the benchmark weight. The dark shading represents the sector's allocation. Shading significantly to the right (left) of the benchmark line represents an overweight (underweight) position. The direction of the arrow indicates whether the allocation increased, decreased, or remained approximately the same as the previous month.

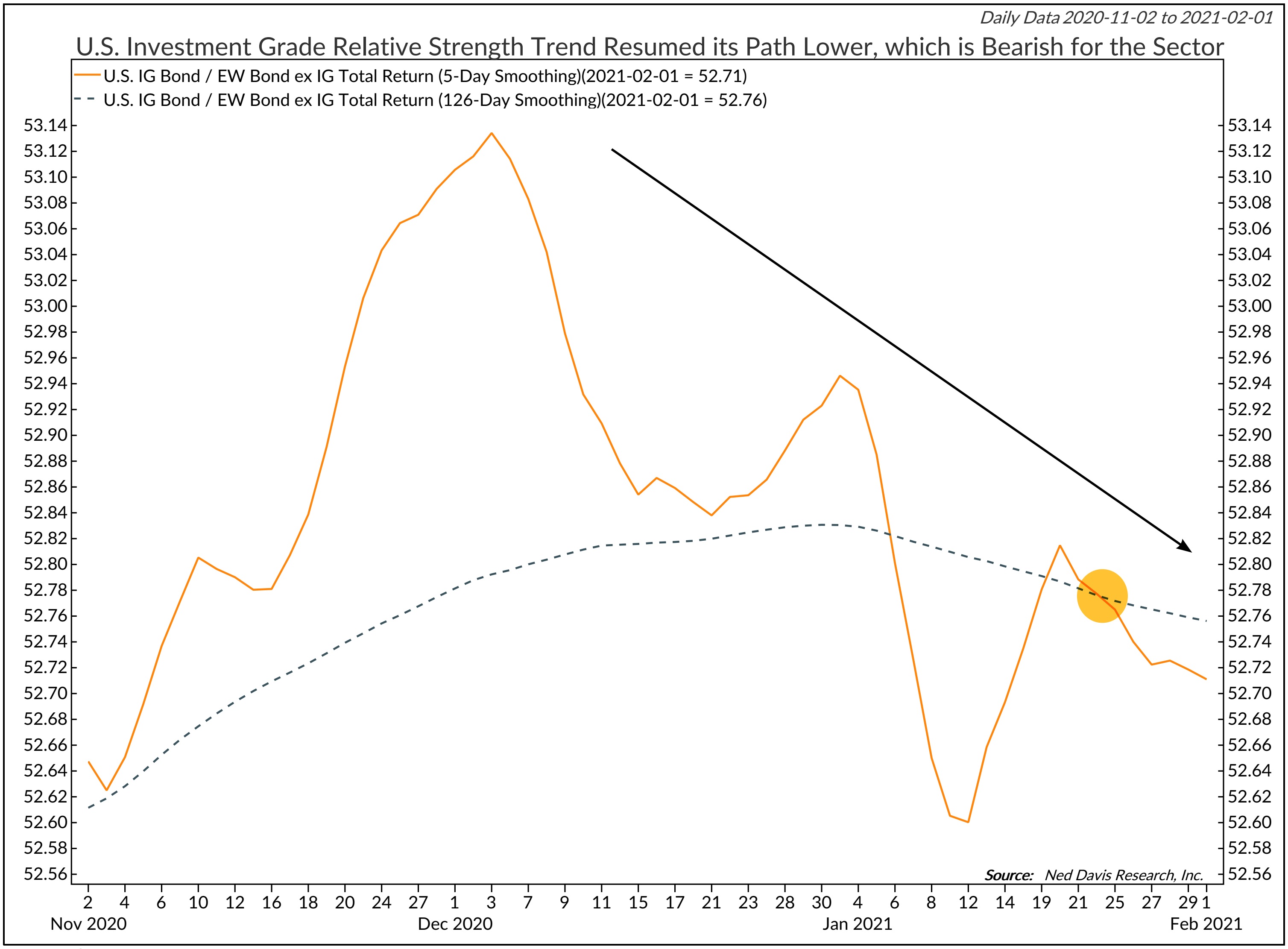
- Emerging Markets (EM) remains more than 1,000 bps overweight. There were no indicator changes for the region this month. None of the geography's indicators is bearish.
- U.S. High Yield is greater than 300 bps overweight. A volatility indicator flipped from bullish to bearish, but a flows measure exited its bearish reading.
- International Investment Grade bonds' allocation is more than 150 bps above benchmark. International yield curve and equity volatility (chart at bottom) indicators switched from bearish to bullish. However, a relative strength index measure produced a new bearish reading.
- Treasury Inflation-Protected Securities is greater than 200 bps overweight. No indicators changed signals this month. All of the sector's indicators are bullish.
- Cash has over 50 bps in allocation this month.



Customized version of ISBM1_INTL_VIX_SLP

NDR

- Floating Rate Notes continues to be more than 150 bps underweight. A price momentum indicator flipped from bearish to bullish on the sector.
- The U.S. Investment Grade Corporate bonds sector's allocation is greater than 400 bps below benchmark. A trend indicator produced a new bearish signal (chart at bottom). Two-thirds of the sector's measures are bearish.
- U.S. Mortgage Backed Securities' (MBS) is more than 450 bps underweight. A relative strength index indicator generated a new bullish reading on the sector.
- U.S. Long-Term Treasurys' allocation is greater than 700 bps below benchmark. A price momentum indicator whipsawed this month and returned to a bearish signal.



Customized version of ISBM1_IG_RS_MACR

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