Fixed Income Allocation Strategy

NDR
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Fixed Income Performance Update

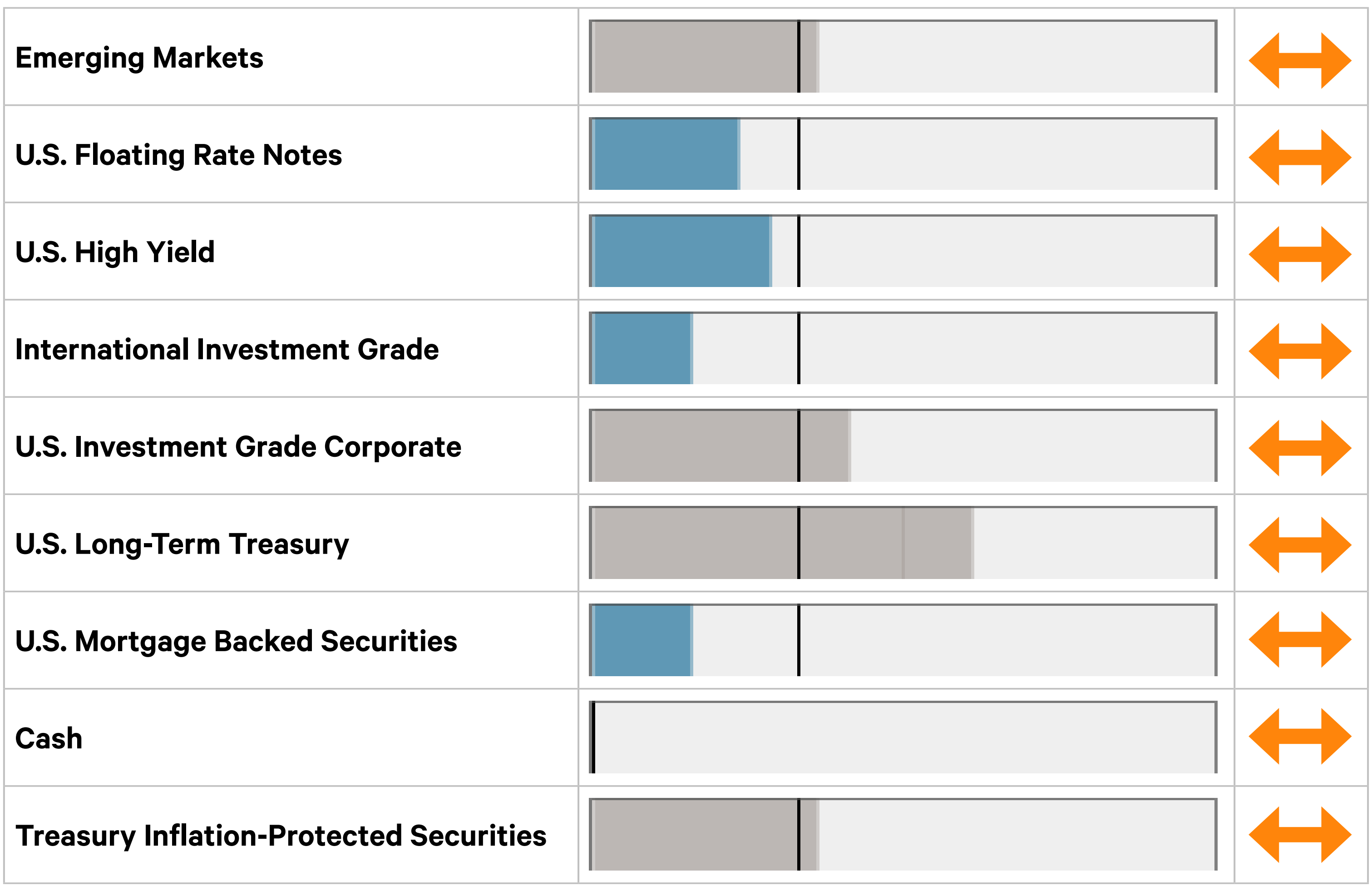
U.S. Long-Term Treasurys (TLT) was the top-performing fixed income area during November, as it rose by more than 200 basis points (bps). TLT has gained more than 200 bps during four of the last six months.

Last month, Treasury Inflation-Protected Securities (TIP) and International Investment Grade Bonds (BNDX) were the only other fixed income areas that generated a positive return. BNDX increased by more than 100 bps. TIP has increased for six of the last eight months.

U.S. Investment Grade (LQD), Floating Rate Notes (FLOT), and U.S. Mortgage-Backed Securities (MBB) all dropped by less than 30 bps. MBB has produced a positive return during only two of the last ten months. FLOT has declined during six of the last nine months. LQD has fallen during three of the last four months.

U.S. High Yield (JNK) and Emerging Market bonds (EMB) were the worst performers as

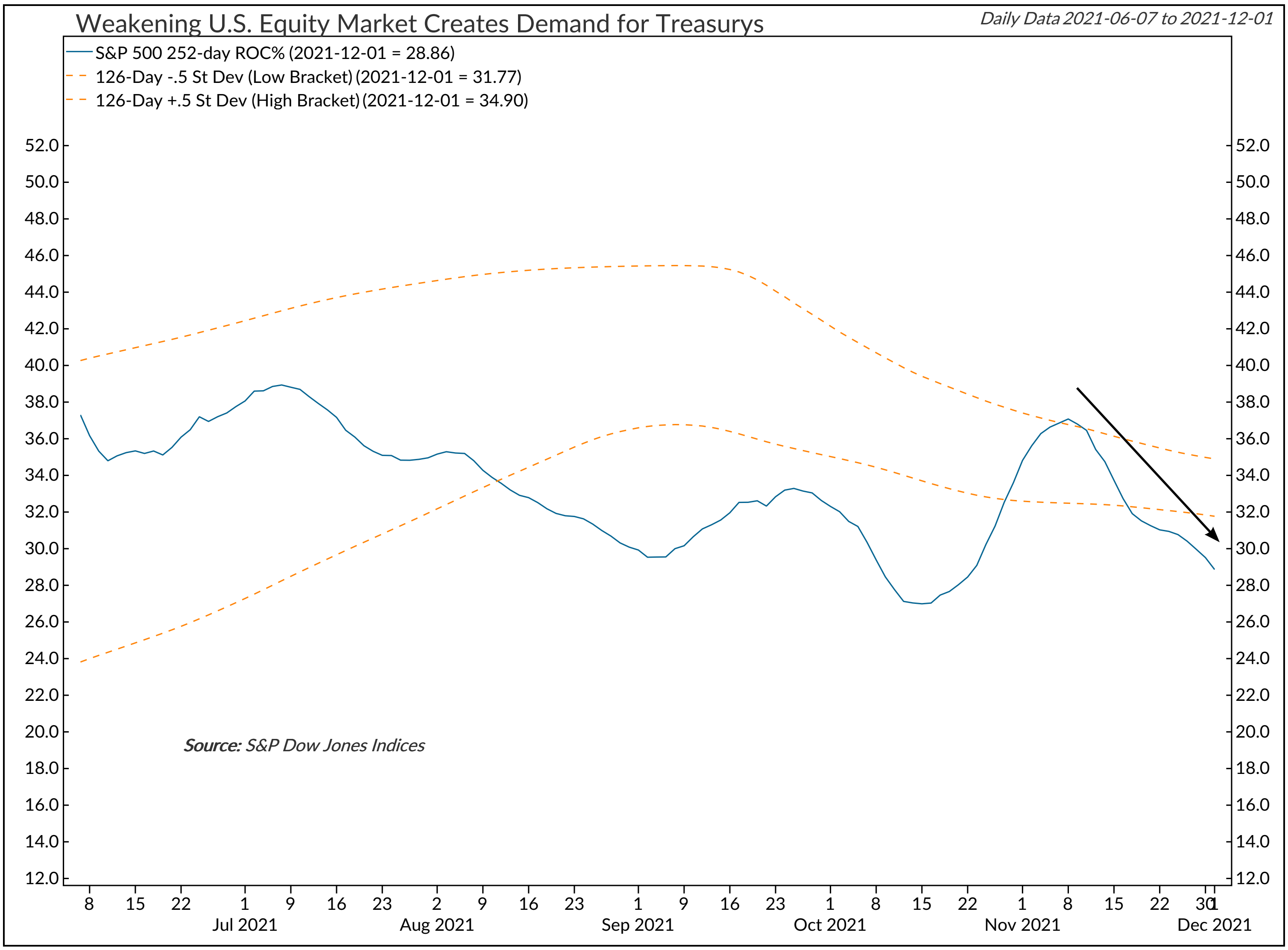
Fixed Income Allocation Summary



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.

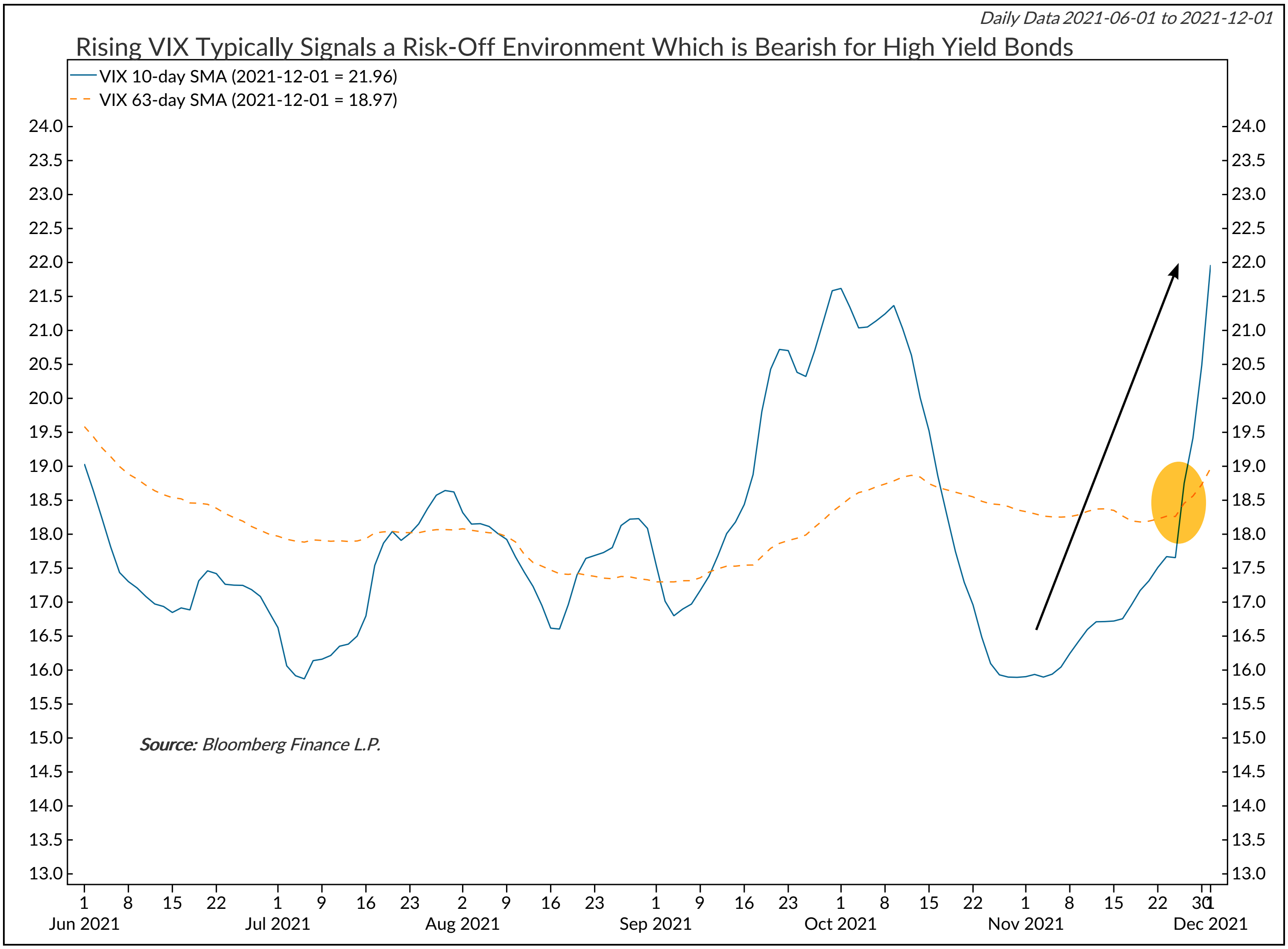
they each dropped by more than 100 bps. JNK has declined for three consecutive months, which last happened in March 2020.

- The model did not trade as the threshold for the turnover reduction overlay was not breached.
- U.S. Long-Term Treasurys' remains significantly above benchmark. Equity markets dropped in November (chart at bottom), which historically increases demand for Treasurys. Treasurys' near-term trend has recently improved. Only one of the sector's price-based (internal) and macro, fundamental, and behavioral (external) indicators is bearish.
- The U.S. Investment Grade Corporate bond sector's allocation continues to be overweight. Credit default swaps (CDS) widened, and volatility rose, which produced additional headwinds for the sector.
- Emerging Markets (EM) remains overweight, but it is near benchmark allocation. There was significant indicator deterioration as EM equities, commodity prices, and EM bond trends all weakened.
- Treasury Inflation-Protected Securities (TIPS) continues to receive higher than benchmark allocation. There were offsetting technical indicator changes. None of the sector's indicators is bearish.



Customized version of US Equity Market Trend

- Cash has no allocation this month.
- U.S. High Yield is slightly below benchmark allocation. Two-thirds of this area's indicators flashed a bearish signal. Small-cap equities weakness, rising volatility (chart at bottom), widening spreads, and deteriorating trend all reflect a challenging outlook for high yield.
- Floating Rate Notes (FRN) remains underweight. The momentum of FRN has significantly weakened, but the relative strength of FRN compared to other fixed income sectors is no longer a headwind. Only one of the sector's indicators is bearish.
- International Investment Grade bonds is underweight. However, there were signs of an improving outlook. Equity market volatility increased, trends strengthened, and relative strength improved.
- U.S. Mortgage-Backed Securities' (MBS) continues to be underweight. High yield option-adjusted spreads have widened, which favors lower risk MBS. The price-action has become more challenged as MBS is reversing from an overbought condition. Two-thirds of the sector's indicators are bearish.



Customized version of VIX MACR

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