Fixed Income Allocation Strategy

JUNE 2022

Fixed Income Performance Update

U.S Investment Grade (LQD) was the top-performing area within fixed income, as the segment jumped by more than 180 basis points (bps) in May. This broke a six-month losing streak for the sector.

U.S. High Yield (JNK) and U.S. Mortgage-Backed Securities (MBB) rose by more than 120 bps. It was the first monthly increase for MBB since July and its best month in three years. JNK has declined for seven of the last nine months.

Emerging Market bonds (EMB) increased by less than 100 bps. It was the best monthly return for the segment in 2022, as it broke a four-month losing streak. The region has been lower for five of the last seven months.

Floating Rate Notes (FLOT), Treasury Inflation-Protected Securities (TIP), and International Investment Grade (BNDX) all fell by less than 100 bps. TIP is on a three-month losing streak. BNDX has risen only once in the last

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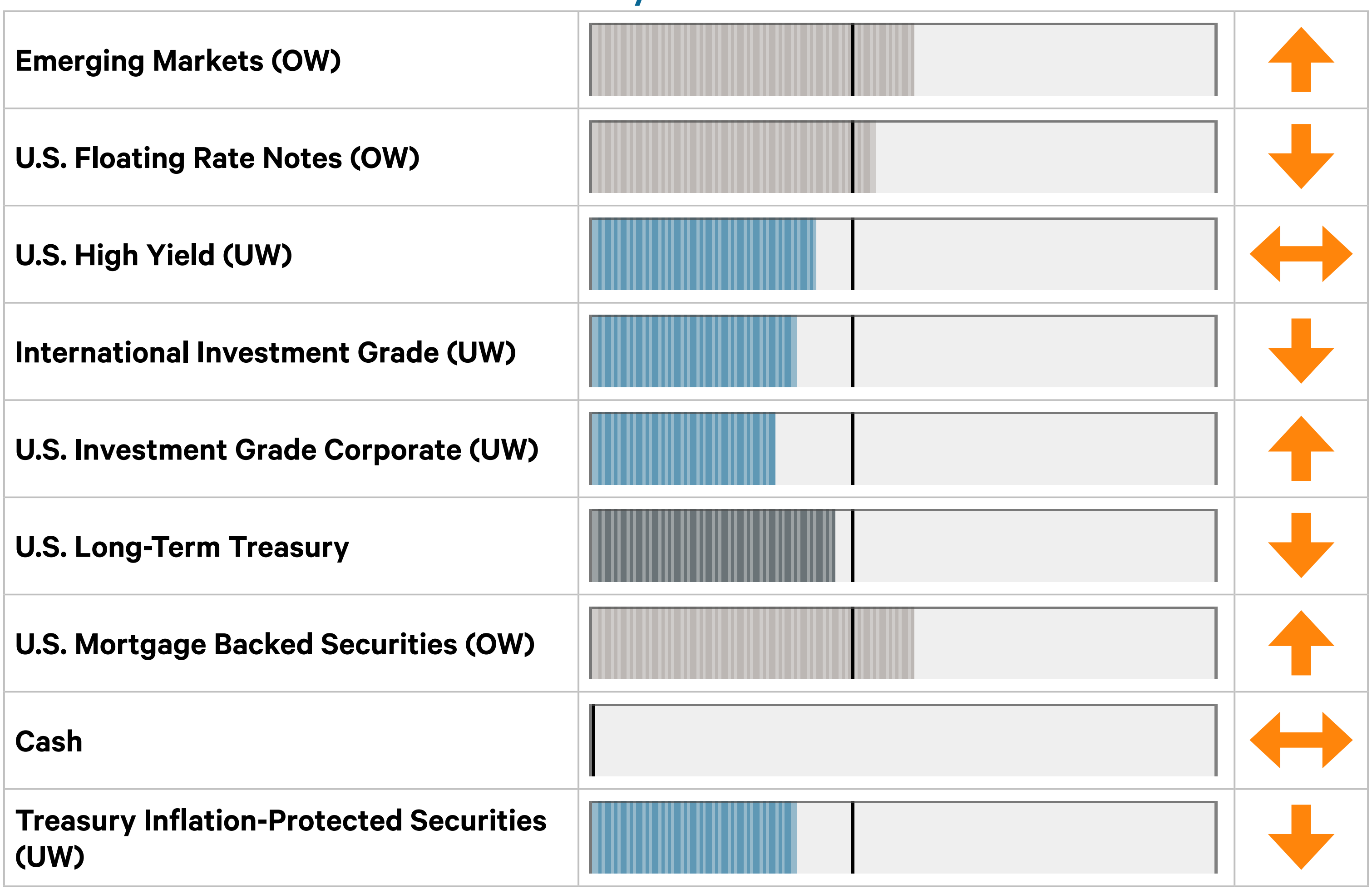


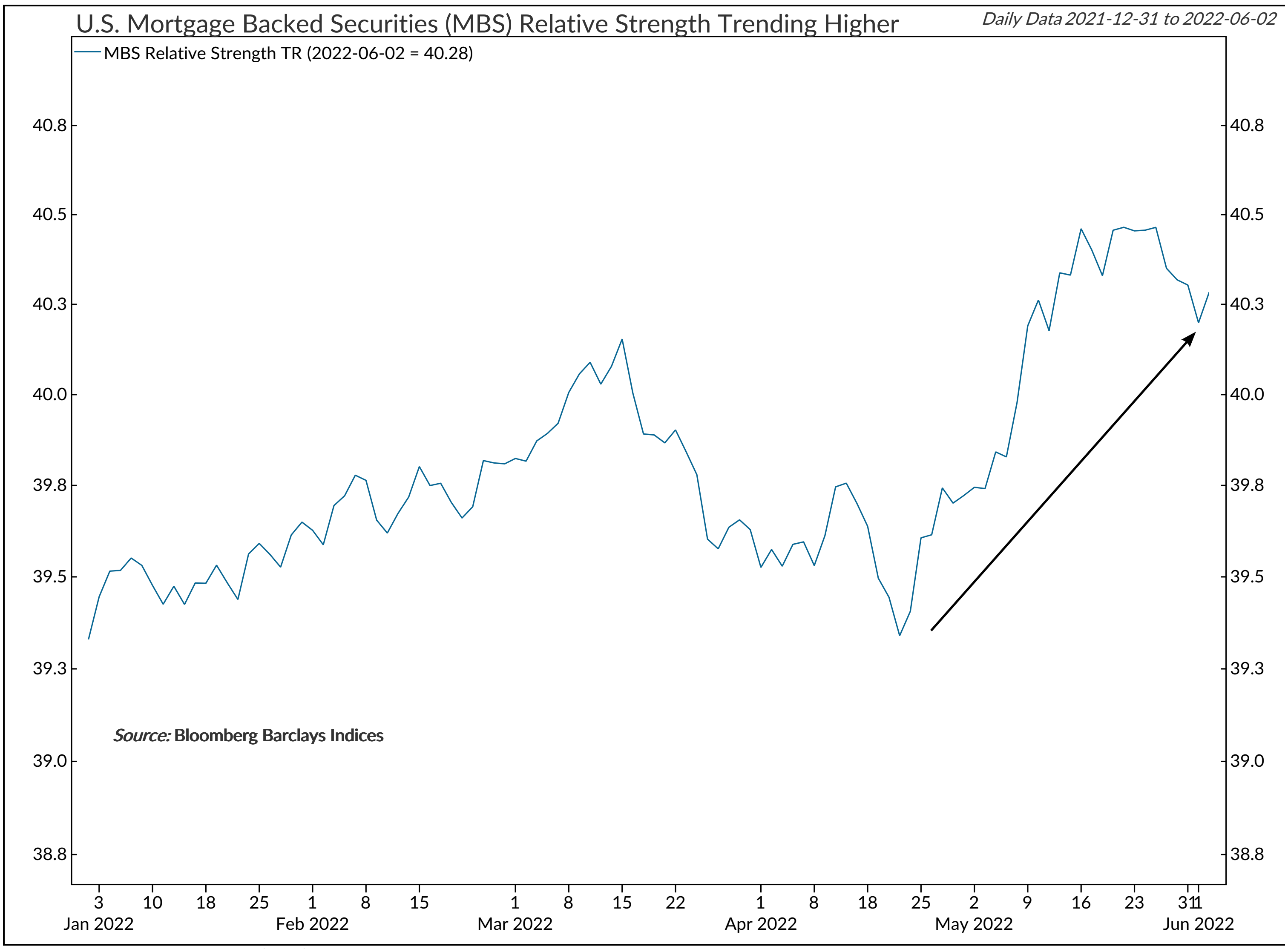
The vertical, black line represents the benchmark weight. The dark shading represents the sector's allocation. Shading significantly to the right (left) of the benchmark line represents an overweight (underweight) position. The direction of the arrow indicates whether the allocation increased, decreased,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

Please see important disclosures at the end of this report.

ten months, while FLOT has been down for eight of the last eleven months.

U.S. Long-Term Treasurys (TLT) plunged over 200 bps. TLT has dropped by more than 100 bps for six straight months. It is the longest monthly losing streak in the history of the ETF .

- Emerging Markets (EM) has risen to above benchmark allocation. EM currencies strengthened and the region's price trend improved. Only one of the segment's indicators is bearish.
- U.S. Mortgage-Backed Securities' (MBS) is greater than benchmark allocation. Treasury yields reversing lower may indicate economic weakness and less demand for housing. However, the sector is reversing from an oversold condition and its relative strength (chart, below) has improved.
- Floating Rate Notes' (FRN) allocation declined, but it is still above benchmark. With the VIX trending lower in May, this conditional relative strength indicator exited its bullish signal for this defensive sector. Only one of the sector's indicators is bearish.
- U.S. Long-Term Treasurys resides near benchmark allocation. Inflation expectations have been moving lower, which is bullish for this segment.



Customized version of MBS RS Slope% (+3/-3)

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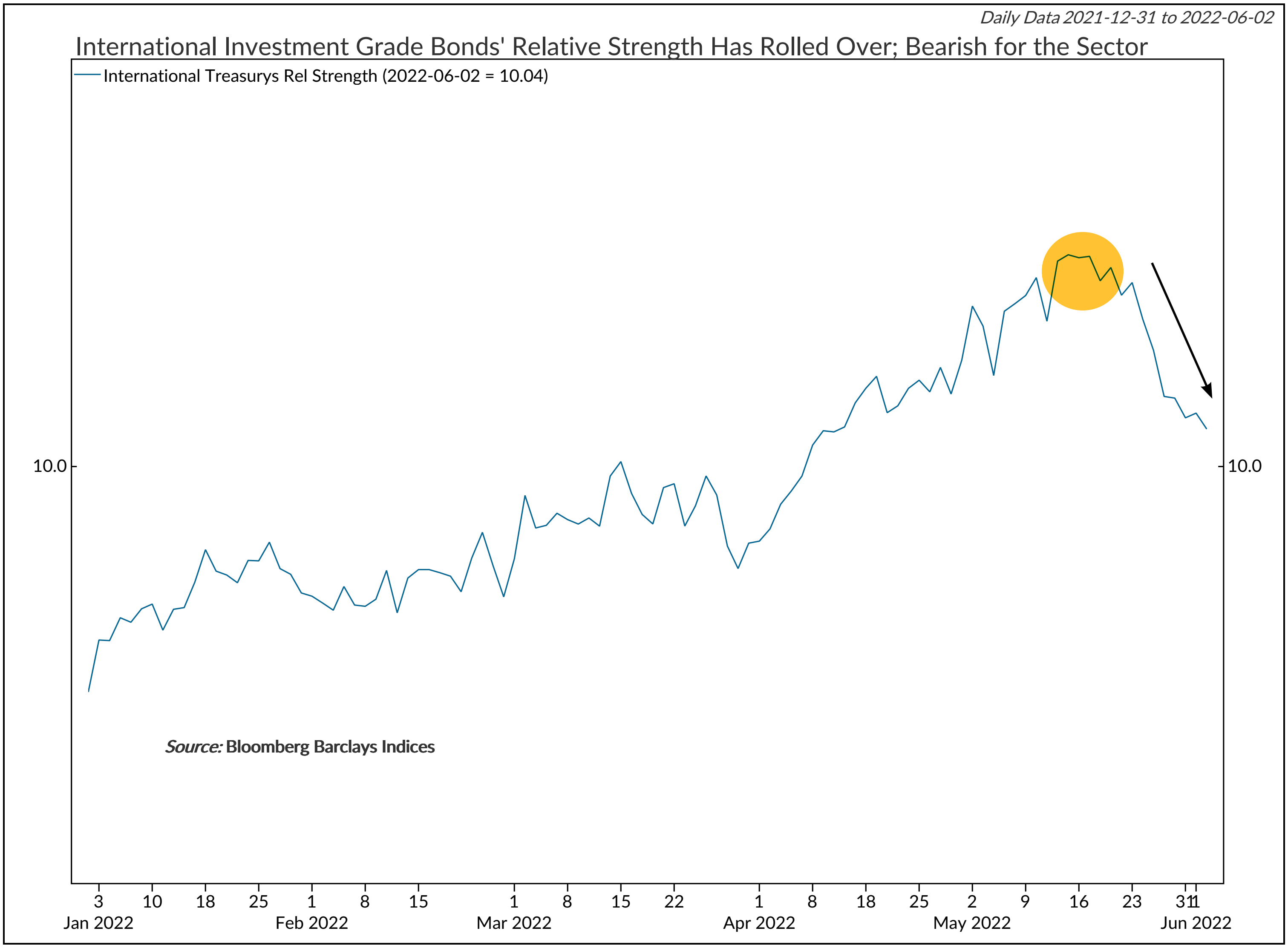
- U.S. High Yield's allocation declined, and it continues to be below benchmark allocation. Although the absolute trend and breadth have improved, the sector's relative strength has weakened.
- International Investment Grade bonds' allocation is below benchmark. The relative strength has trended lower (chart, below), as falling VIX and rising high yield are not bullish for this defensive sector. Only one of the sector's indicators is bullish this month.
- Treasury Inflation-Protected Securities (TIPS) has fallen further below benchmark allocation. The sector is no longer reversing from an overbought condition, but the relative strength has deteriorated. Also, OAS and inflation expectations are no longer bullish on the segment.
- The U.S. Investment Grade Corporate bond sector continues to be the most underweight area. Narrowing spreads are supportive for the sector. However, none of the other sector's indicators are bullish.



Customized version of Rel. Strength Slope

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