Fixed Income Allocation Strategy

MARCH 2022

Fixed Income Performance Update

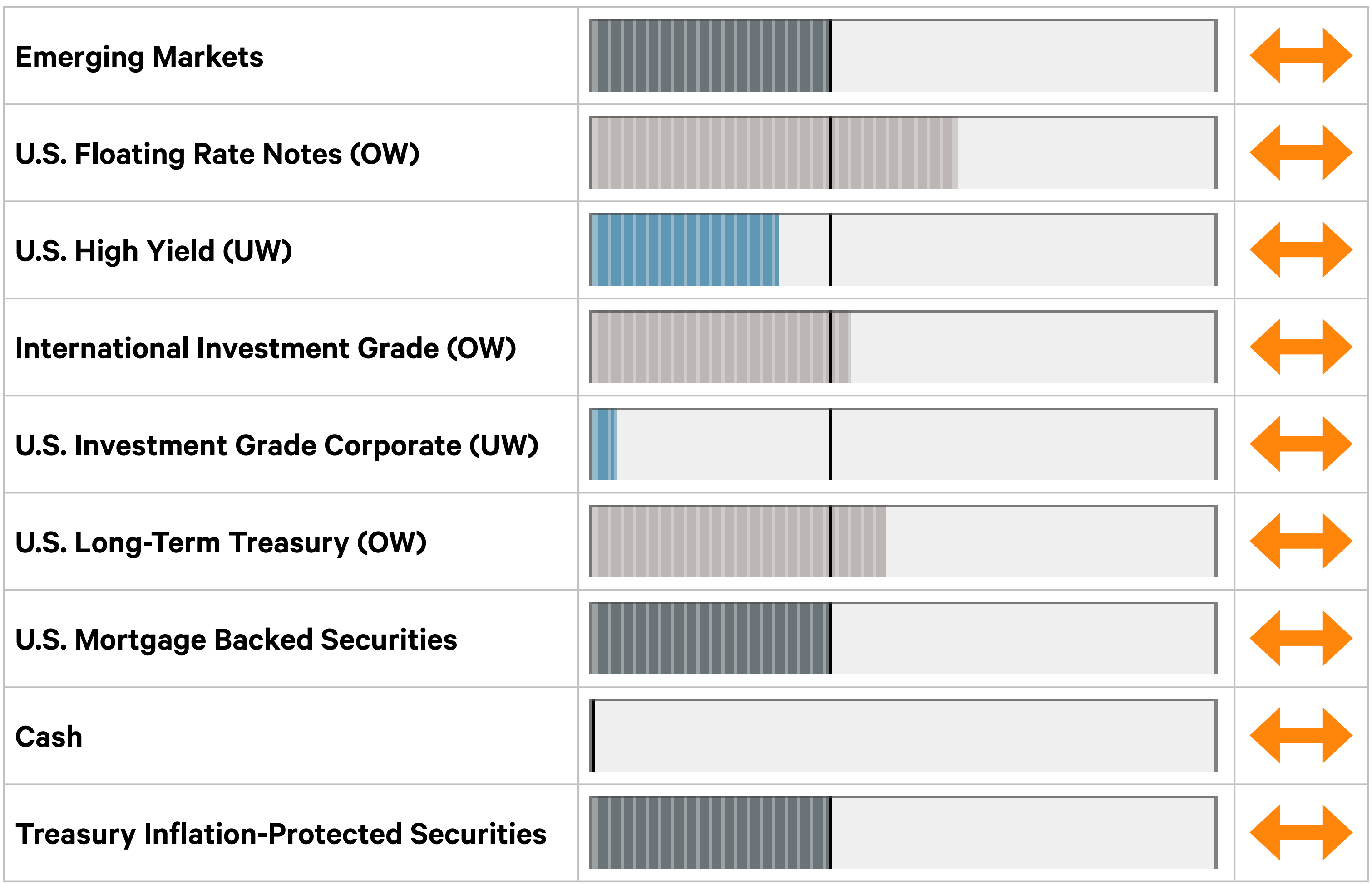
Only Treasury Inflation-Protected Securities (TIP) generated a positive return in February. TIP has risen for four of the last five months.

Floating Rate Notes (FLOT) dropped by less than 10 basis points (bps), while U.S. High Yield (JNK) fell by over 80 bps. JNK has decreased over five of the last six months.

U.S. Long-Term Treasurys (TLT), International Investment Grade Bonds (BNDX), and U.S. Mortgage-Backed Securities (MBB) each fell by more than 100 bps for a second consecutive month. MBB has declined for nine of the last ten months. BNDX has risen only once in the last seven months. TLT has dropped by more than 100 bps for three straight months.

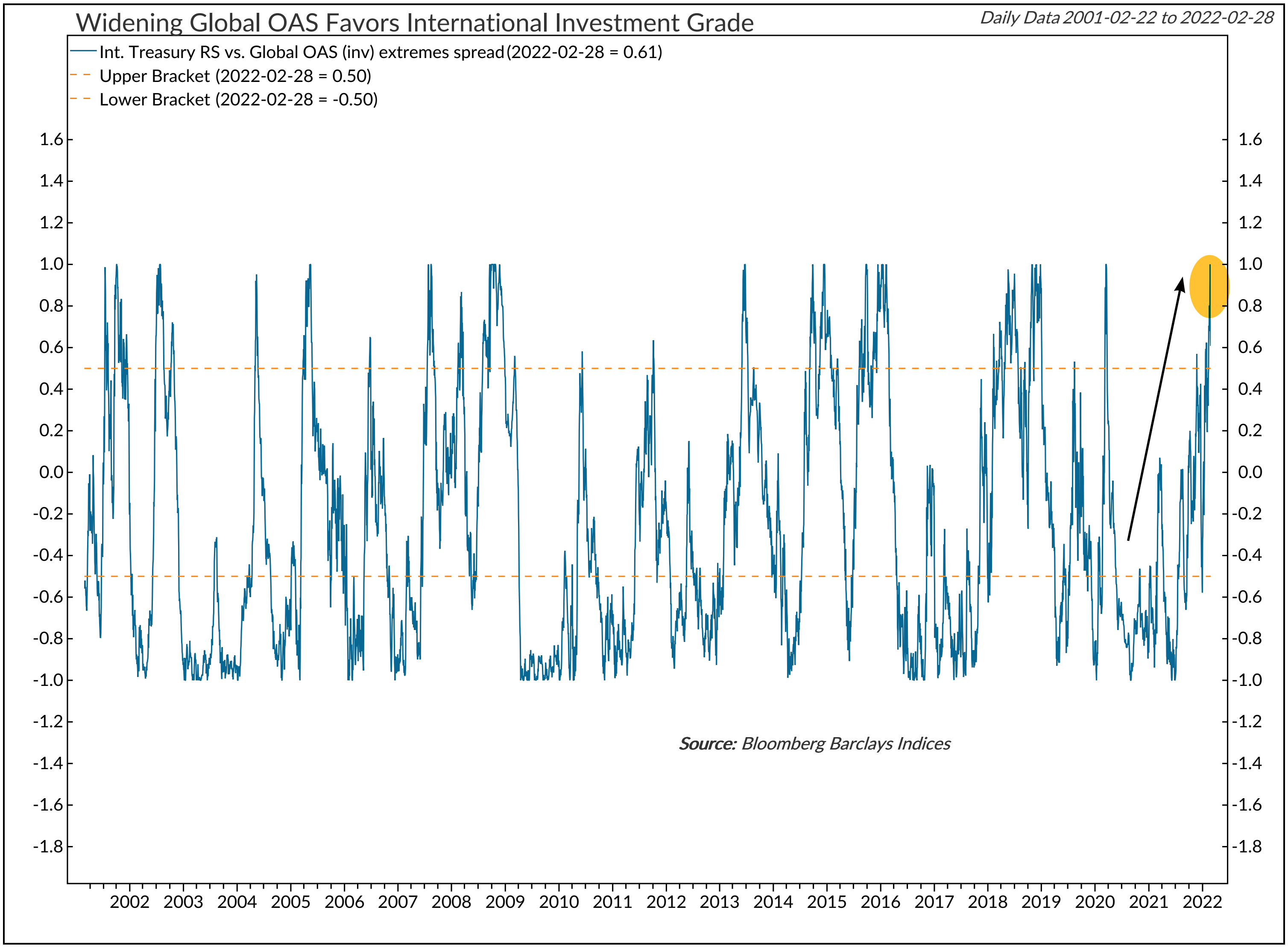
Emerging Market bonds (EMB) and U.S. Investment Grade (LQD) both decreased by more than 200 bps in February. LQD has been lower for six of the last seven months. It was the weakest month for EMB since March 2020, as it plunged by over 500 bps.

Fixed Income Allocation Summary



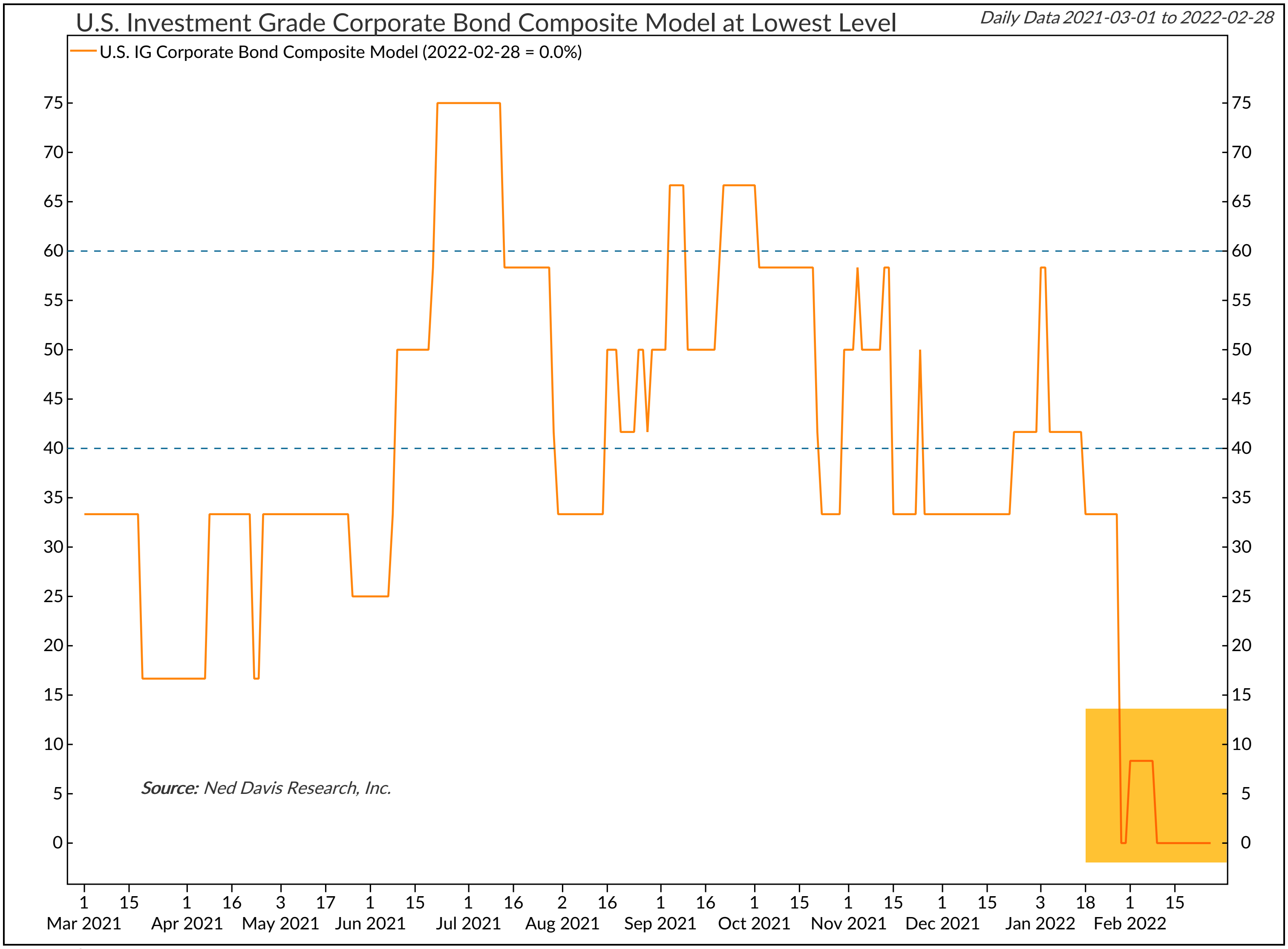
The vertical, black line represents the benchmark weight. The dark shading represents the sector's allocation. Shading significantly to the right (left) of the benchmark line represents an overweight (underweight) position. The direction of the arrow indicates whether the allocation increased, decreased,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

- Floating Rate Notes (FRN) has the largest overweight status. No indicators changed signals this month. All the sector's indicators are bullish.
- U.S. Long-Term Treasurys remains above benchmark. Inflation expectations have regained their momentum, which is bearish for this segment.
- International Investment Grade bonds' allocation is above benchmark. Widening global option-adjusted spreads favors this category (chart at bottom). None of the sector's indicators are bearish this month.
- Emerging Markets (EM) continues to be above benchmark allocation. However, EM currencies weakened and EM equity markets rolled over. Both are bearish signals for the area's bonds.



Customized version of HY TR vs. Infl Extremes

- U.S. Mortgage-Backed Securities' (MBS) is near benchmark allocation. No indicators changed signals this month.
- Treasury Inflation-Protected Securities (TIPS) remains near benchmark allocation. Inflation expectations reflect tailwinds for TIPS. Only one of the sector's indicators is bearish.
- U.S. High Yield is significantly below benchmark allocation. No indicators changed signals this month. Only one measure (trend) is bullish on the category.
- The U.S. Investment Grade Corporate bond sector continues to be the most underweight area. No indicators changed signals this month. All the sector's indicators are bearish (chart at bottom).



Customized version of ISBM1_IG_COMP

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