NDR
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Fixed Income Allocation Strategy

SEPTEMBER 2021

Fixed Income Performance Update

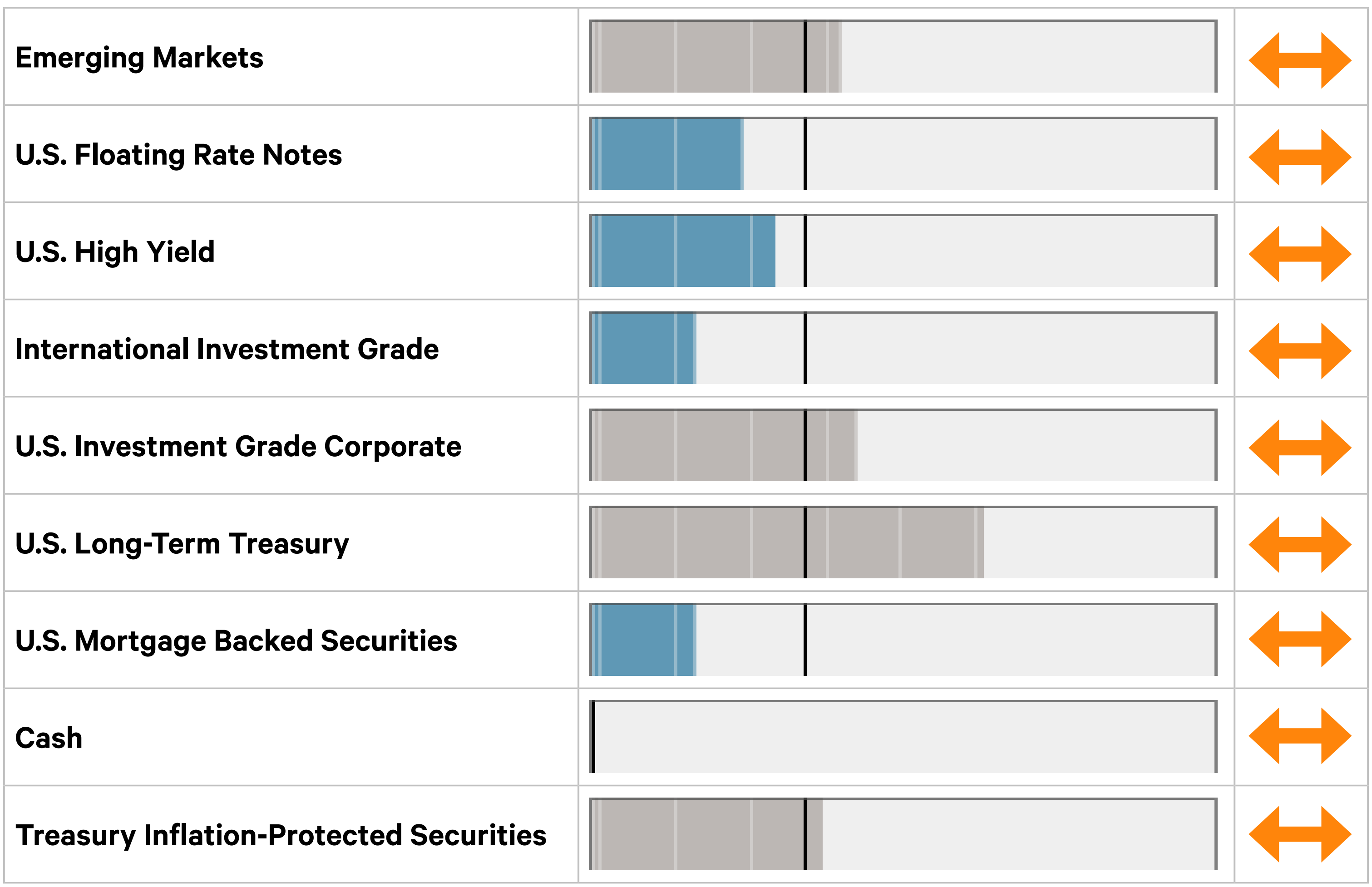
During August, only Emerging Market bonds (EMB) and U.S. High Yield (JNK) grew by more than 50 basis points (bps). EMB has increased for five consecutive months. JNK has risen for ten of the last eleven months.

Both Floating Rate Notes (FLOT) and U.S. Mortgage-Backed Securities (MBB) slightly declined last month. FLOT has fallen for four of the last six months. MBB has dropped for five of the previous seven months.

U.S. Long-Term Treasurys (TLT), Treasury Inflation-Protected Securities (TIP), and U.S. Investment Grade (LQD) all declined by more than 15 bps during August. This broke four-month winning streaks for TLT, TIP, and LQD.

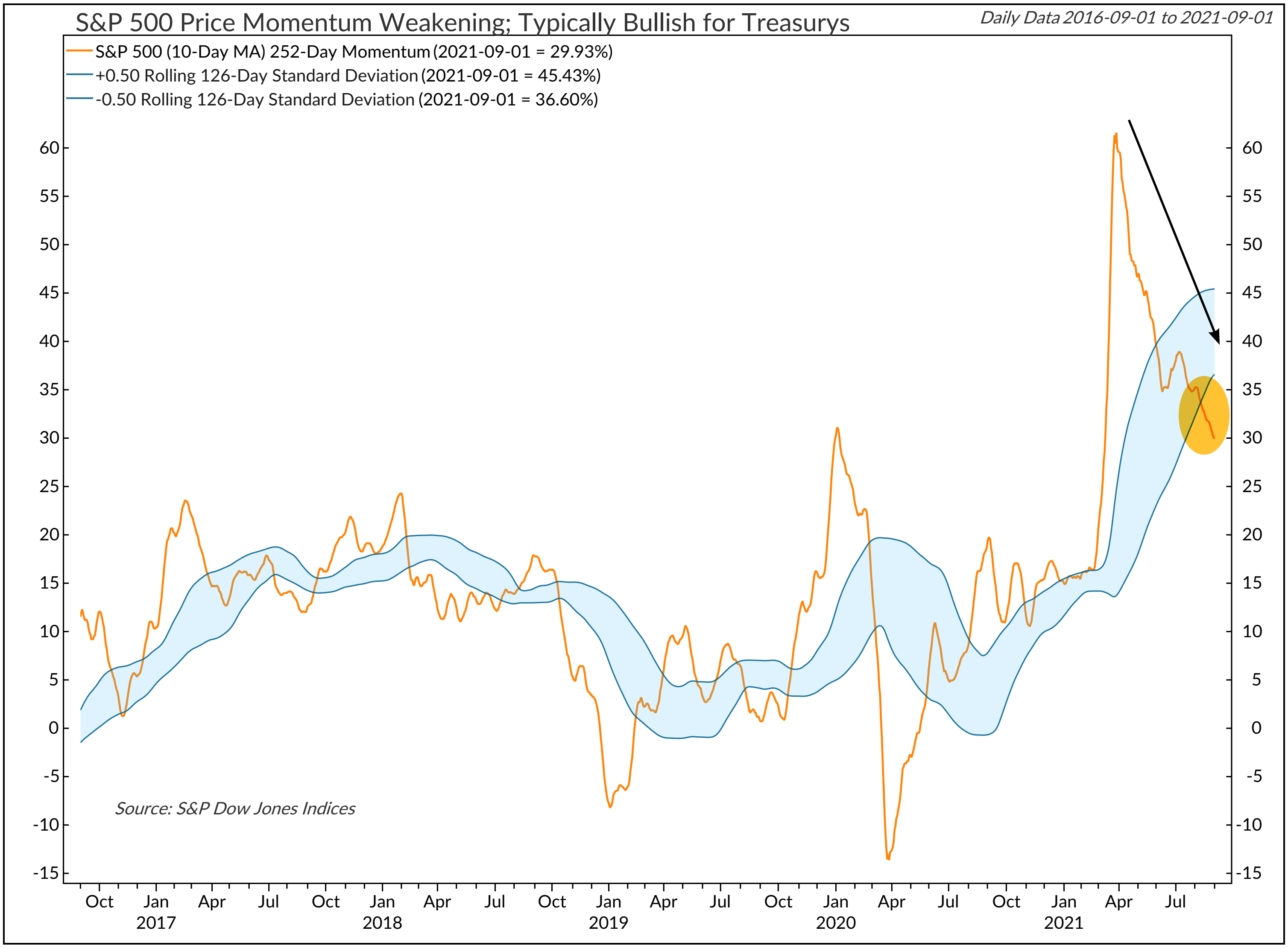
International Investment Grade Bonds (BNDX) was the worst-performing area last month, as it declined by more than 40 bps. BNDX has fallen for six of the last eight months.

Fixed Income Allocation Summary



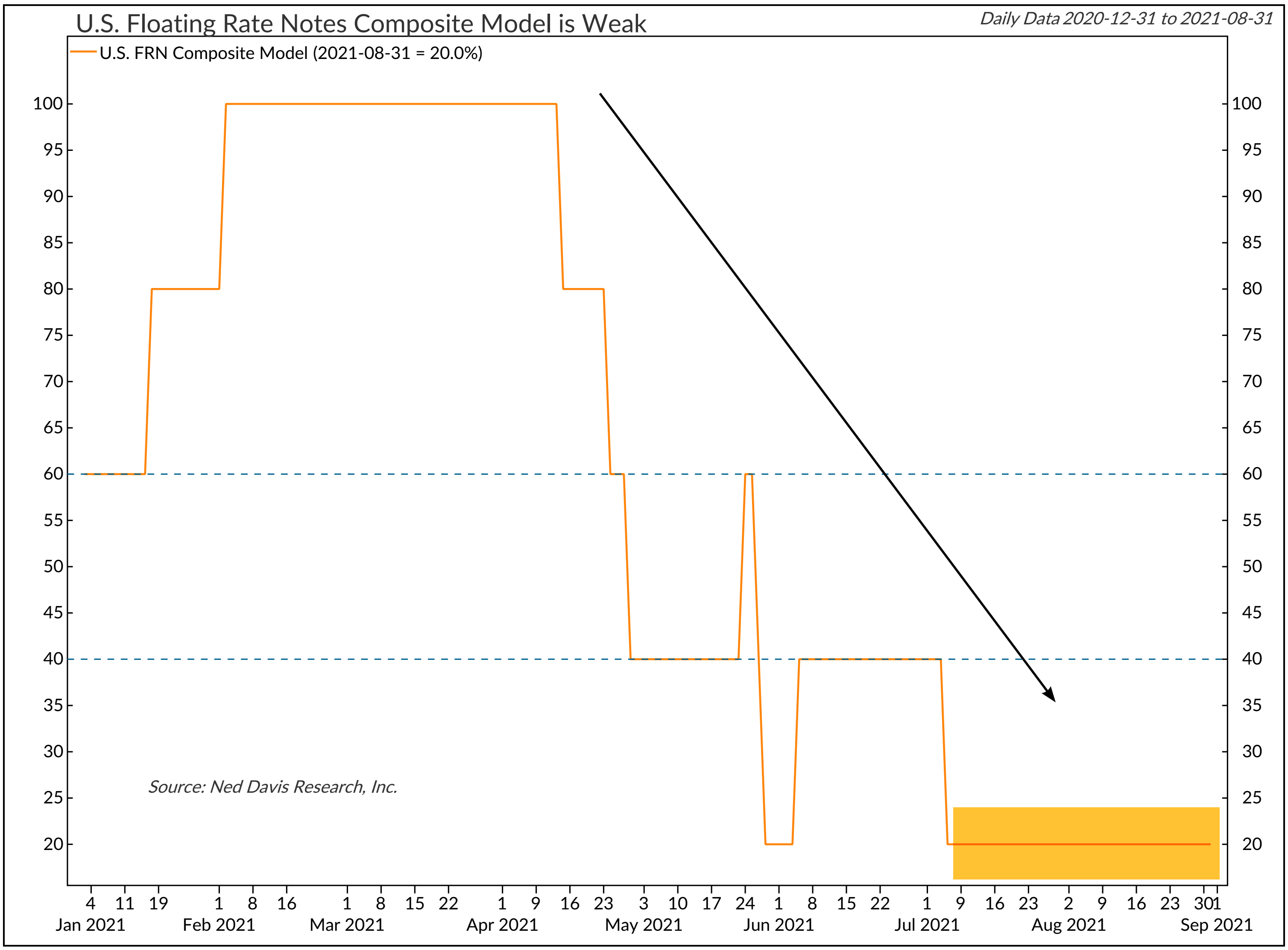
The vertical, black line represents the benchmark weight. The dark shading represents the sector's allocation. Shading significantly to the right (left) of the benchmark line represents an overweight (underweight) position. The direction of the arrow indicates whether the allocation increased, decreased,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

- U.S. Long-Term Treasurys' remains significantly above benchmark. Treasurys' relative price momentum has risen into bullish territory. The momentum of U.S. Large-Cap stocks has slowed (chart at bottom), which tends to be a tailwind for Treasurys. All of the sector's indicators are bullish.
- The U.S. Investment Grade Corporate bond sector's allocation continues to be overweight. U.S. Investment Grade option-adjusted spreads (oas) have narrowed, which benefits the sector.
- Emerging Markets (EM) remains overweight, but it is near benchmark allocation. EM has reached oversold status, which is bullish for the region. However, commodity prices are rolling over, which is a headwind for EM.
- Treasury Inflation-Protected Securities (TIPS) continues to receive higher than benchmark allocation. All but one of the sector's indicators (trend, inflation expectations, U.S. Dollar, and commodity prices) are bullish.
- Cash has no allocation this month.



Customized version of ISBM1_USLT_EQ_MO

- U.S. High Yield is slightly below benchmark allocation. U.S. small-cap equity trend improved, which reflects an increased risk-appetite and favors this sector.
- Floating Rate Notes remains underweight. No indicators changed signals this month. All but one of the sector's indicators (trend, momentum, yield curve, and 10-year yield) are bearish (chart at bottom).
- International Investment Grade bonds is underweight. The sector is reversing from an oversold condition and the yield curve is steepening, which is bullish for the sector. However, equity market volatility recently has receded, which is a headwind for the region.
- U.S. Mortgage Backed Securities' (MBS) continues to be underweight. No indicators changed signals this month. Two-thirds of the sector's indicators are bearish.



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