CanterburyConsulting

Quarterly Asset Class Report
Tax-Exempt Fixed Income

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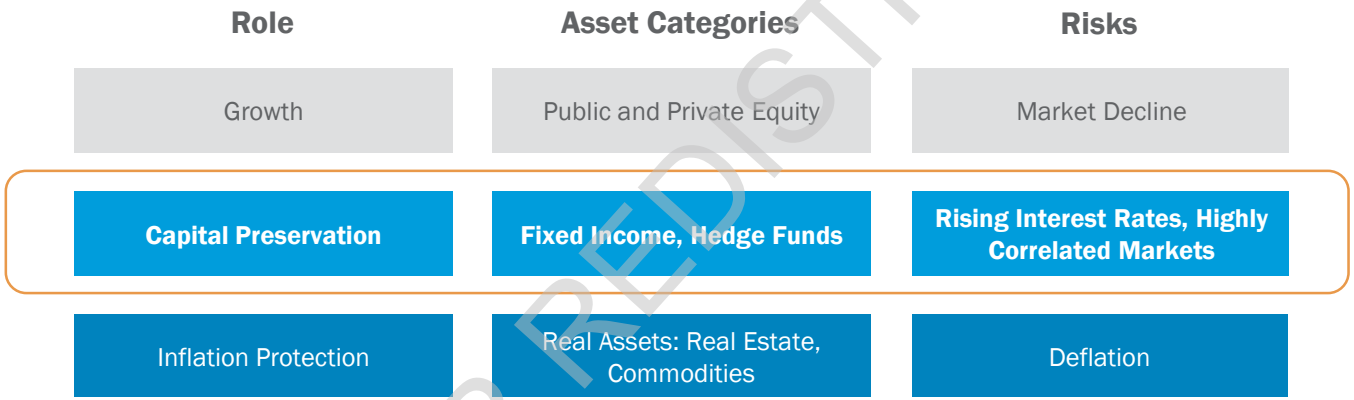
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September 30, 2026

Role in the Portfolio

Canterbury Consulting recommends and communicates asset-class strategy with the objective of constructing a diversified portfolio of fixed income strategies designed to (in aggregate):

- Preserve capital and mitigate volatility
- Provide measured exposure to the diverse universe of fixed income securities
- Exhibit returns uncorrelated to equity markets



- Canterbury fixed income portfolios are set up with a goal to deliver consistent net-of-fees excess returns and moderate tracking error versus the Bloomberg U.S. Aggregate and Bloomberg Global Aggregate.
- Relative to the index, Canterbury's current fixed income portfolios may exhibit neutral-to-slightly lower duration, similar credit quality, and higher yields.

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Index Returns as of September 30, 2026

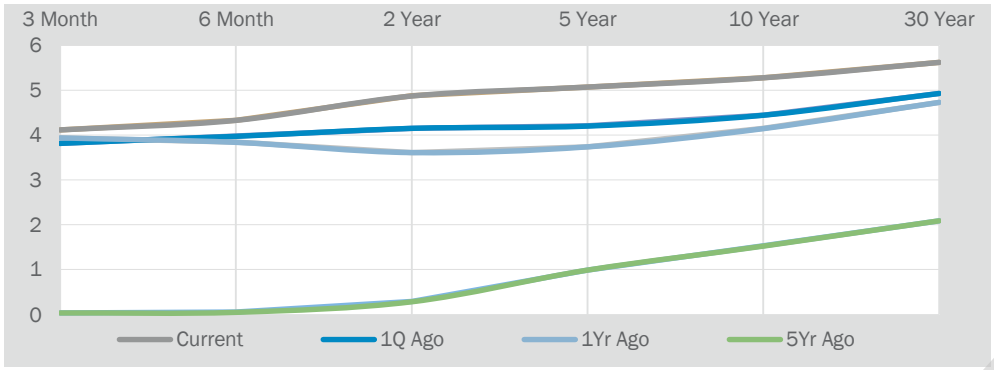
Fixed Income

	QTD (%)	YTD (%)	1 Year (%)	3 Years (%)	5 Years (%)	7 Years (%)	10 Years (%)
Bloomberg Global Aggregate	**-2.46**	**-2.67**	**-2.43**	**3.82**	**-1.86**	**-0.61**	**0.05**
Bloomberg US Agg Bond	**-3.51**	**-2.91**	**-1.84**	**4.06**	**-0.64**	**0.38**	**1.14**
U.S. Treasurys							
FTSE Treasury Bill 3 Mon USD	0.97	2.86	3.91	4.71	3.88	2.92	2.50
Bloomberg Short Treasury	0.89	2.62	3.68	4.56	3.64	2.80	2.43
Bloomberg Intermediate Treasury	-1.69	-1.46	-0.33	3.78	0.55	1.03	1.26
Bloomberg Long Term US Treasury	-8.03	-7.62	-7.66	0.95	-7.26	-4.66	-2.12
Bloomberg U.S. Treasury TIPS 1-5Y	-1.07	0.31	0.64	4.70	2.52	3.39	2.85
Bloomberg US Treasury US TIPS	-3.24	-2.12	-1.99	3.75	0.00	2.12	2.15
U.S. Corporate Credit							
Bloomberg US Corp IG	-3.94	-3.11	-2.30	4.98	-0.46	1.01	2.04
Morningstar LSTA US LL TR USD	1.95	3.29	4.55	7.03	6.19	5.75	5.38
Bloomberg HY Corporate TR USD	-1.82	0.10	1.41	8.03	3.60	4.62	5.05
Bloomberg Ba to B US HY TR USD	-1.65	0.36	1.90	7.71	3.41	4.46	4.93
Bloomberg US Corp Aaa TR USD	-6.05	-6.01	-5.93	2.34	-3.39	-1.31	0.53
Bloomberg US Corp Aa TR USD	-4.80	-4.53	-4.15	3.39	-1.89	-0.40	0.80
Bloomberg US Corp A TR USD	-3.93	-3.24	-2.35	4.70	-0.59	0.77	1.72
Bloomberg US Corp Baa TR USD	-3.71	-2.64	-1.81	5.58	-0.02	1.51	2.57
Bloomberg US HY Ba TR USD	-1.95	-0.01	1.50	7.55	3.05	4.51	4.91
Bloomberg US HY B TR USD	-1.18	0.97	2.56	7.96	3.90	4.39	4.94
Bloomberg US HY Caa TR USD	-3.44	-1.81	-1.63	9.37	4.30	5.07	5.19
Securitized							
Bloomberg ABS	-0.79	0.26	1.52	4.89	2.29	2.37	2.33
Bloomberg MBS	-4.25	-3.31	-1.65	4.53	-0.39	0.27	0.88
Bloomberg CMBS	-1.81	-1.06	0.26	5.51	0.81	1.58	2.03
Municipals							
Bloomberg Municipal	-6.35	-4.18	-2.68	2.89	-0.21	0.80	1.51
Bloomberg Muni 1-10	-3.71	-2.67	-1.92	2.79	0.61	1.17	1.48
Global							
Bloomberg Global Aggregate TR Hdg USD	-2.53	-1.42	-0.64	4.25	0.34	0.75	1.61
Bloomberg Gbl Agg Ex USD	-1.64	-2.52	-2.97	3.54	-2.90	-1.49	-0.92
FTSE WGBI	-2.43	-2.80	-2.70	3.15	-2.90	-1.63	-0.80

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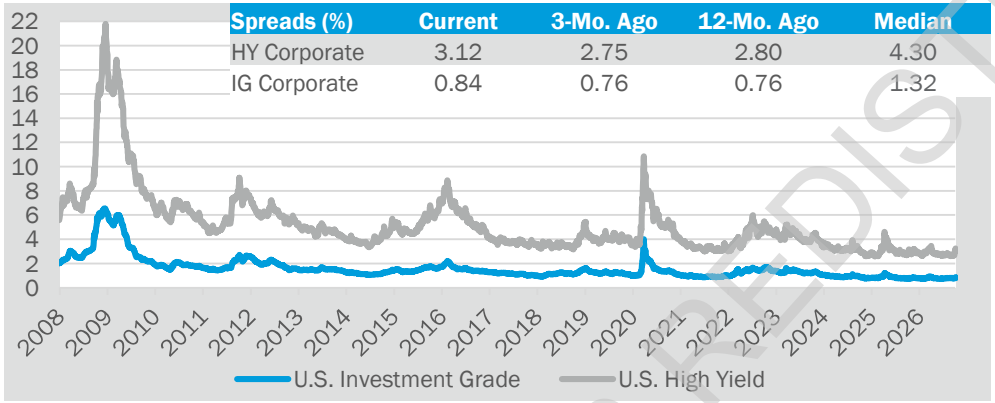
Market Environment as of September 30, 2026

U.S. Treasury Rates (%)

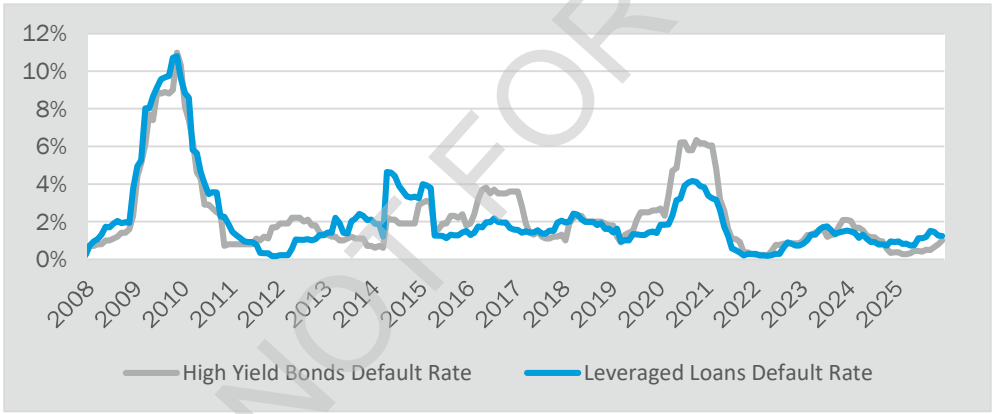


Corporate Spreads (%)

Spreads (%)	Current	3-Mo. Ago	12-Mo. Ago	Median
HY Corporate	3.12	2.75	2.80	4.30
IG Corporate	0.84	0.76	0.76	1.32



Default Rates (%)



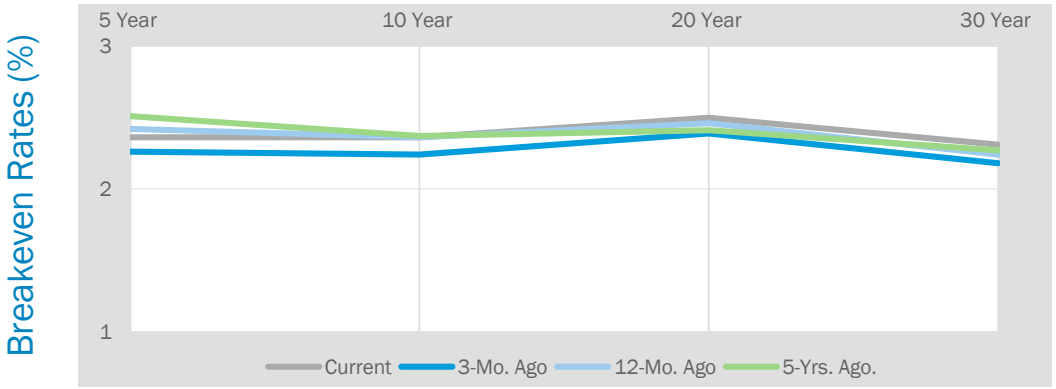
- The Federal Reserve raised the federal funds rate by 25 basis points at the September FOMC meeting to a range of 3.75% - 4.00%.
- The September FOMC meeting marked the first policy rate increase under Chairman Kevin Warsh, during which he continued to emphasize the Fed's commitment to restoring price stability, and reiterated the Fed's attentiveness to the effects of geopolitical developments overseas and maintaining strength in the labor market. Current FOMC projections indicate overwhelming support for at least one additional 25 basis point hike in 2026, with four of the 18 submitting members seeing two or more as possible.
- During the quarter, the yield curve shifted meaningfully higher and moderately steepened, driven by elevated inflation expectations, increased long-term debt issuance tied to AI, fiscal concerns, and tighter Fed policy.
- Investment-grade (IG) and high-yield (HY) credit spreads were volatile in the third quarter, ending the period meaningfully wider, but remain well below their long-term median levels. [1]

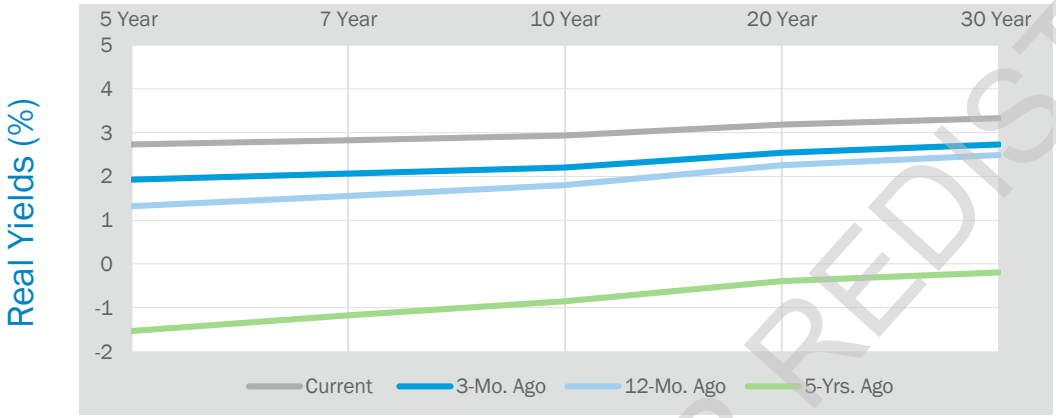
Sources: Federal Reserve Bank of St. Louis, U.S. Treasury Department. Data as of 9/30/2026. S&P LCD Lev Loan Defaults, JP Morgan HY Bond Defaults, Data as of 12/31/2025.

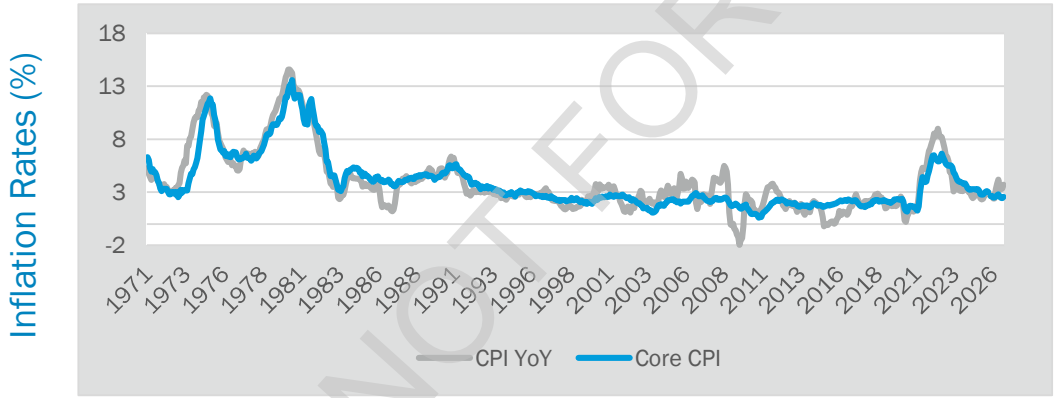
[1] Long-term median is defined as median data starting in 2006.

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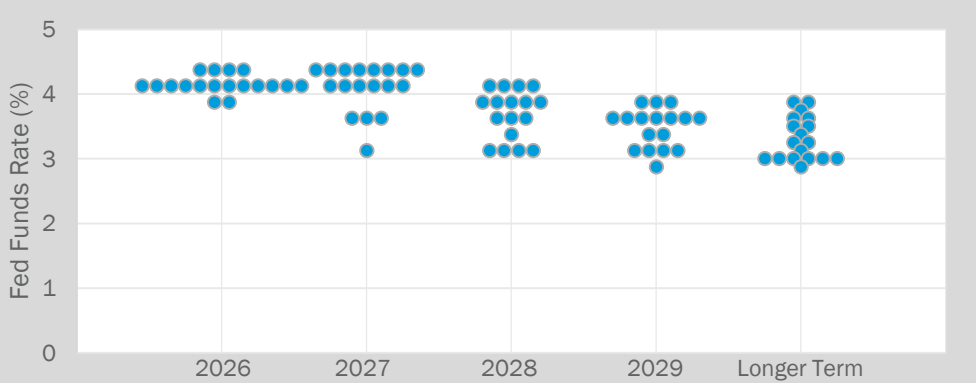
- The breakeven rate yield curve shifted higher in the third quarter, with intermediate to long term breakeven rates increasing meaningfully.
- The breakeven rate is the implied inflation rate for a given maturity and is calculated by subtracting the real yield of a Treasury bond from the nominal yield.
- Current breakeven rates suggest that intermediate and longer-term inflation is expected to remain elevated, likely in the 2.3% - 2.5% range.
- Real yields increased materially across the curve given elevated inflation expectations, strong growth signals, and hawkish Fed rhetoric, with 5-year real yields increasing by approximately 40% from the prior quarter.
- The September Consumer Price Index (CPI) report came in hotter than expected. Headline CPI rose 3.7% year-over-year, up from 3.4% in August, and 0.6% for the month on a seasonally adjusted basis. Gasoline prices rose 9.1%, accounting for half the monthly increase in headline CPI, having now risen more than 34% over the prior year. Core CPI, excluding food and energy, rose 0.3% for the month and 2.6% year over year, up from 2.4% in August.

Source: Federal Reserve Bank of St. Louis, Bureau of Labor Statistics CPI & PCE Data, U.S. Treasury Department, U.S. Treasury Inflation-Indexed Rates. Data as of 9/30/2026.

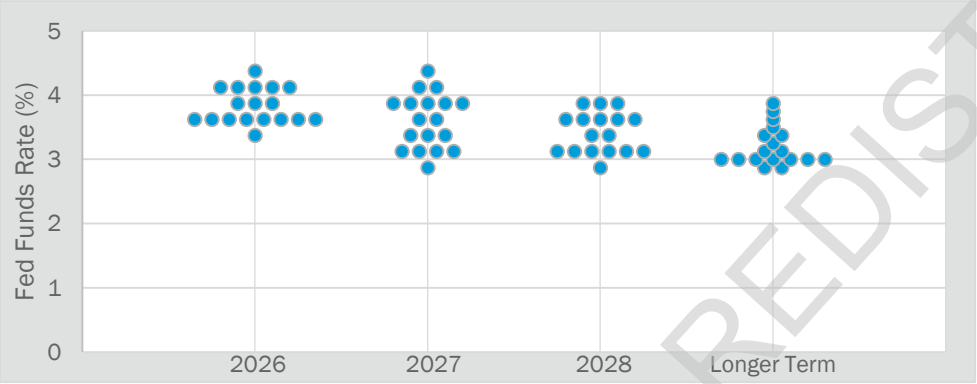
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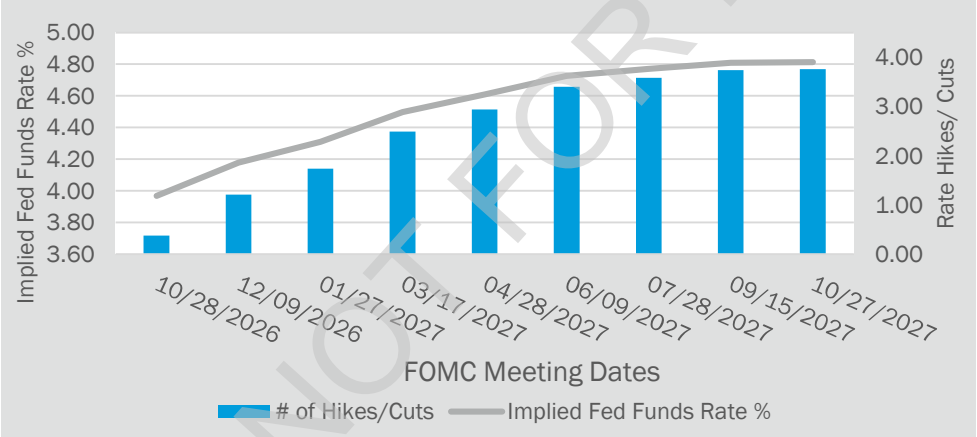
Fed Dot Plot September 2026



Fed Dot Plot June 2026



Implied Fed Funds Rate & Rate Hike Probabilities



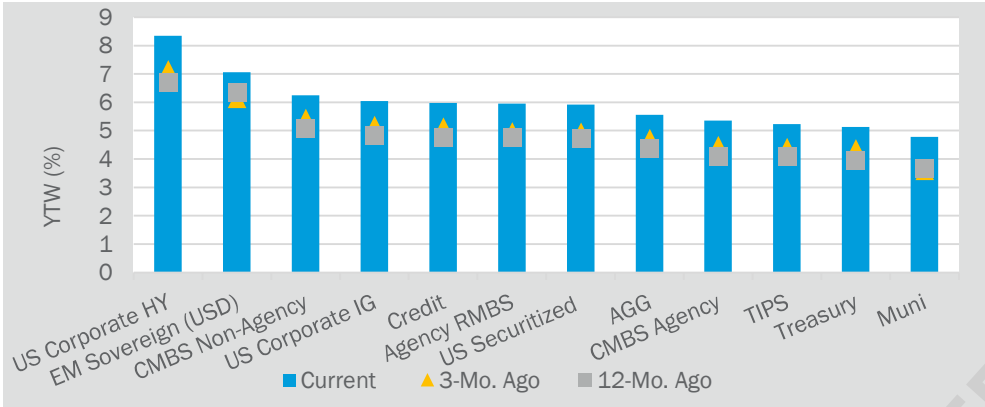
- The September FOMC meeting showed a convergence in opinions from key decisionmakers at the Federal Reserve, with overwhelming support for at least one additional rate hike through the end of 2026. Chair Warsh again declined to submit a dot plot, consistent with his view that the Federal Reserve should place less reliance on forward guidance.
- Market participants, as reflected in the Fed funds futures market, are currently pricing in just over one additional 25 basis point rate hike through the Fed's December 2026 meeting, signaling the market's expectations for increasingly hawkish Fed behavior relative to earlier in the year.
- The Fed Dot Plot represents where each of the Federal Open Market Committee (FOMC) members believes the Fed funds rate will be in the future.
- The implied Fed funds rate is where market participants believe the Fed funds rate will be based on futures prices.

Source: Board of Governors of the Federal Reserve System, Fed Funds Futures sourced from CME Group as of 9/30/2026.

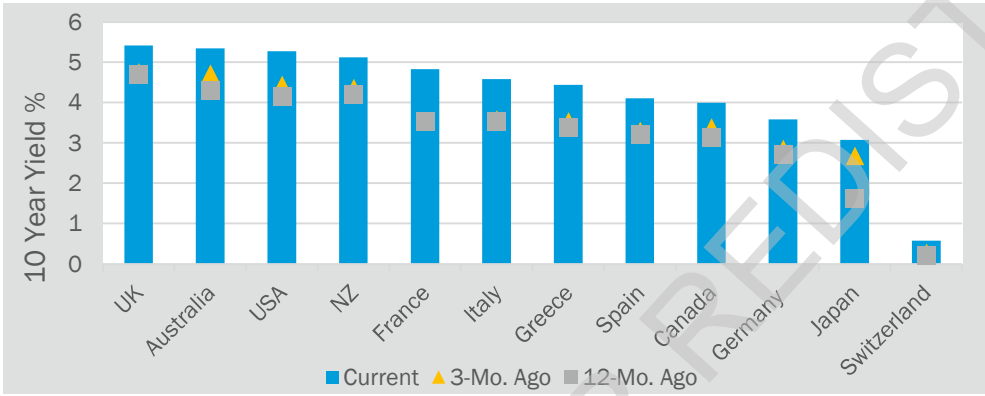
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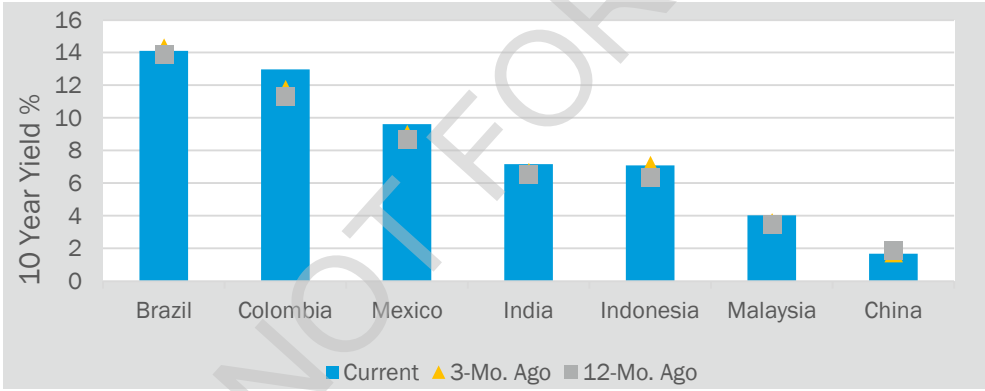
Domestic Yields



Developed Yields (Local Currency)



EM Yields (Local Currency)



- Yields across U.S. fixed income sectors were volatile and generally increased in the third quarter. Yields on municipal debt, as measured by the Bloomberg Municipal Bond Index, saw the largest increase, driven by a combination of broader Treasury-related pressure on yields combined with negative technicals in the sector.
- In global developed markets, yields broadly increased in light of hawkish central bank rhetoric, geopolitical uncertainty, and elevated energy prices. French sovereign debt yields saw the largest increase as the country struggles with growing budgetary deficit concerns and civil unrest.
- Emerging market (EM) sovereign yield (local currency) movements were largely mixed. Yields on Colombian sovereign debt increased by approximately 118 basis points, as the central bank unexpectedly hiked rates in September amidst persistent elevated inflation. Conversely, Brazil cut policy rates given signs of easing inflation, with yields ending the quarter approximately 22 basis points lower.

Source: Bloomberg Indices. 10-year global sovereign yields. Data as of 9/30/2026.

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Factors that Affect Fixed Income Portfolios



Goals

- *Are clients seeking to preserve capital, generate total return, or blend the two within a fixed income segment?*
- *What level of risk related to portfolio correlation is the client looking to incur?*



Interest Rate & Inflationary Environment

- *How does the current interest rate regime and inflationary environment affect return and risk (i.e. stagnant, slow-rise, rapid rise)?*
- *What level of interest rate volatility is the client willing to take?*



Risk Tolerance

- *How much risk is a client willing to take?*
- *Duration, yield curve positioning, sector exposure, credit exposure, the correlation to equities, and the client's distribution flows are important factors to measure.*



Tax Considerations

- *Is the client's status taxable or tax-exempt?*
- *Does the client have a higher threshold given the respective tax situation?*

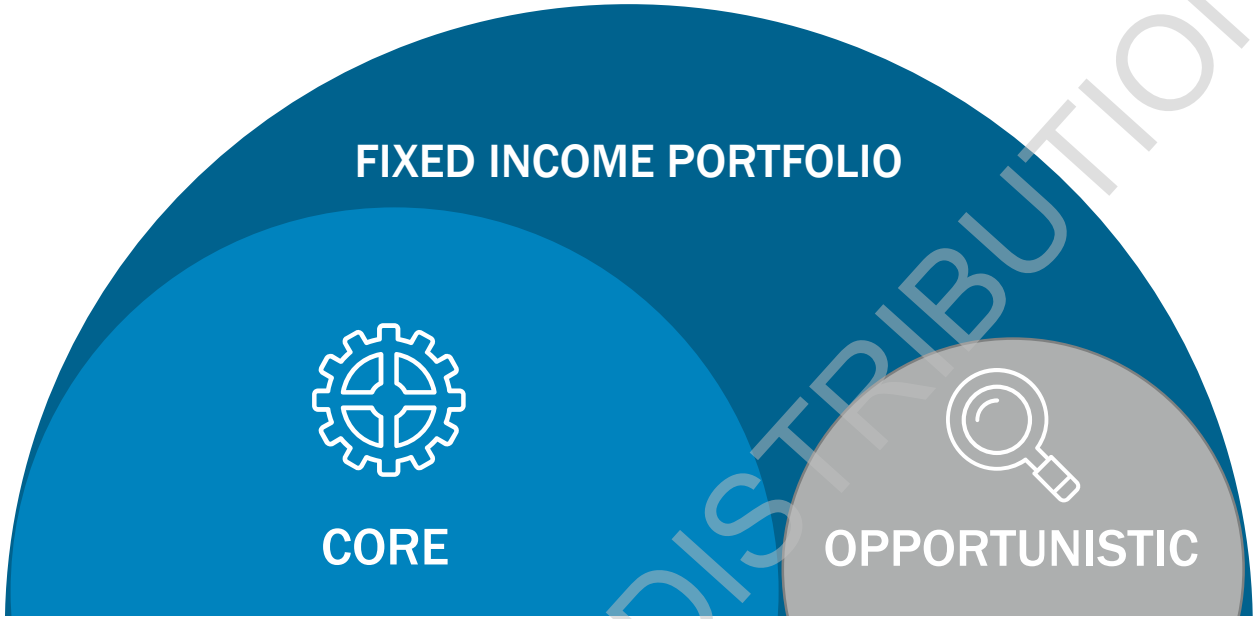


Time Horizon

- *Does the client have short term or long term goals?*
- *Are spending requirements quarterly, annually, or longer?*
- *Is spending consistent with the return/risk profile of the portfolio?*

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Building a Fixed Income Portfolio



Characteristics

- Low volatility
- Uncorrelated to equities
- U.S. Focus

Exposure

- Treasuries
- Agencies
- Investment grade corporate
- MBS

Characteristics

- Income orientated
- Total return focus
- Uncorrelated to core bonds

Exposure

- Non-U.S. developed sovereigns
- EM sovereigns
- High yield
- Bank loans
- Private debt

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