CanterburyConsulting

Quarterly Asset Class Report
Taxable Fixed Income

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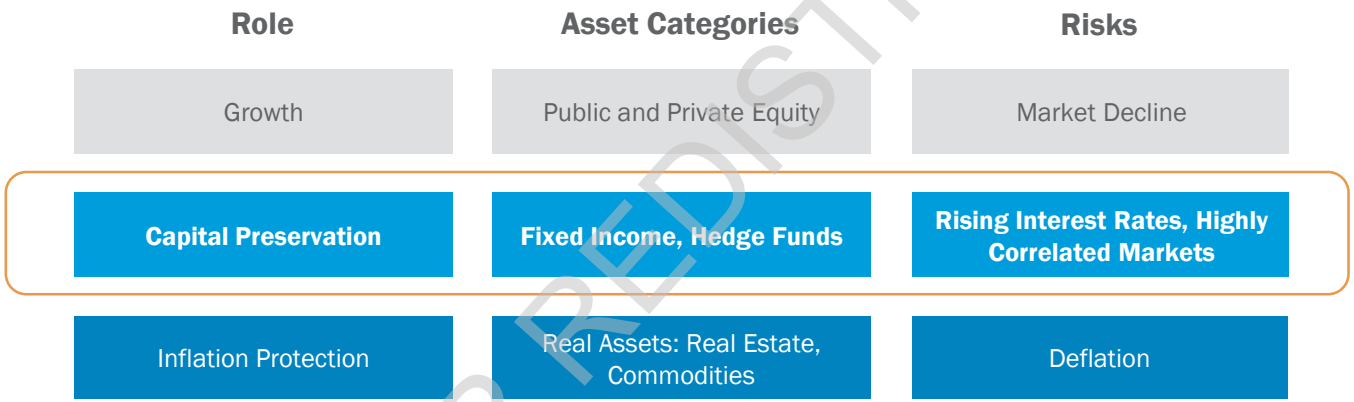
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September 30, 2026

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 after-tax wealth and mitigate volatility
- Maintain comparable exposure to the broad municipal market
- Focus exposure based on state domicile and after-tax returns
- Exhibit returns uncorrelated to equity markets



- Canterbury global fixed income portfolios are set up with a goal to deliver consistent after-tax and net-of-fees excess returns and moderate tracking error versus the Bloomberg Municipal Bond Index. The goal for taxable fixed income portfolios are to have a high-quality bias with sensitivity toward taxes.
- Canterbury's fixed income portfolios seek to exhibit benchmark-like, after-tax yields and credit quality through more portfolio diversification. Portfolio diversification will depend on the client's state of domicile and individual goals (i.e. income vs. capital preservation).

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Index Returns as of September 30, 2026

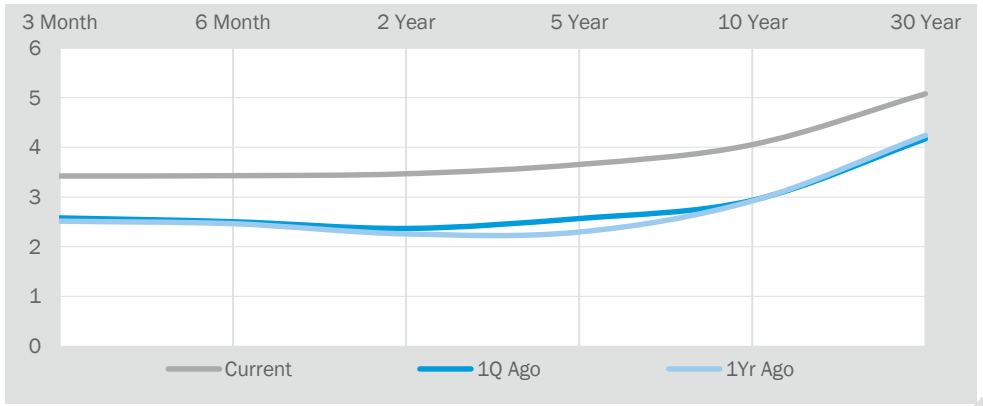
Fixed Income

	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

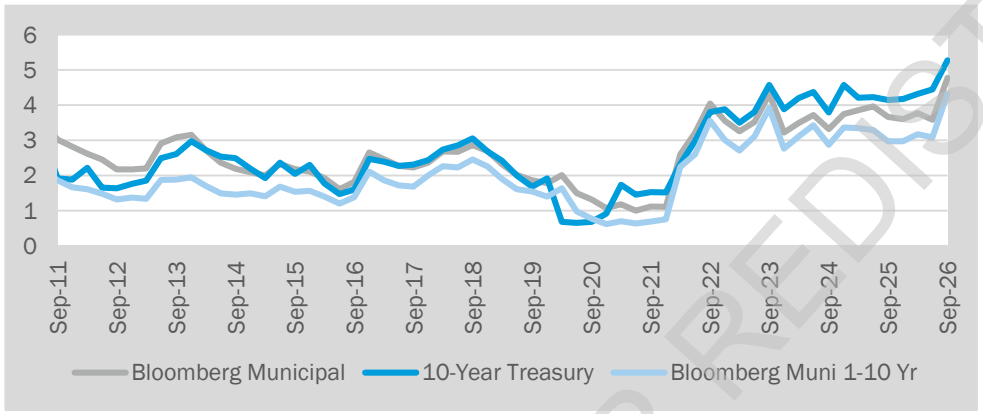
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Market Environment as of September 30, 2026

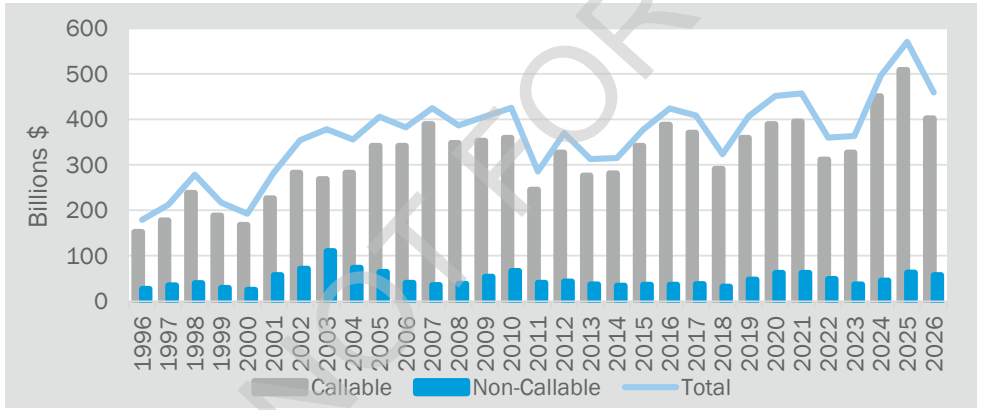
Municipal Yield Curve (%)



Yield Comparison (%)



U.S. Municipal Issuance ($)



- The Federal Reserve raised the federal funds rate by 25 bps at the September FOMC meetings 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.
- The municipal yield curve shifted materially higher in the third quarter, though intermediate yields increased more aggressively than short and long-end yields. Aside from Treasury-related pressures on yields, market technicals in municipals were weak during the quarter, as lower-than-expected seasonal demand and amplified tax-loss harvesting coincided with elevated supply.
- Municipal bond issuance totaled $458.6 billion through September 30th, an increase of 6.6% relative to the same period in 2025.

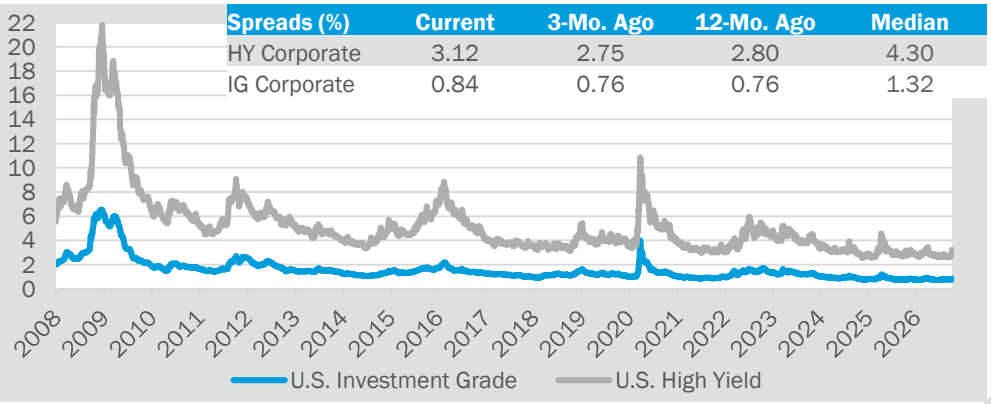
Sources: Securities Industry and Financial Markets Association (SIFMA). U.S. Treasury Department, Bloomberg Indices. Data as of 9/30/2026

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Market Environment as of September 30, 2026

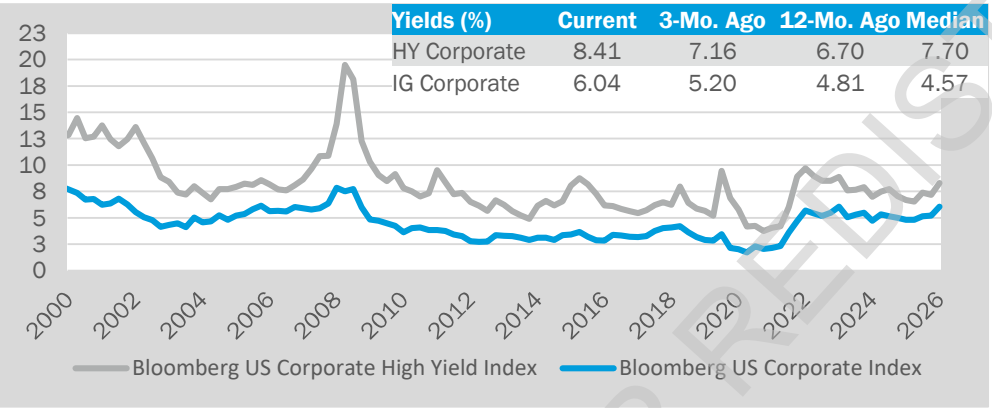
Corporate Spreads (%)

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

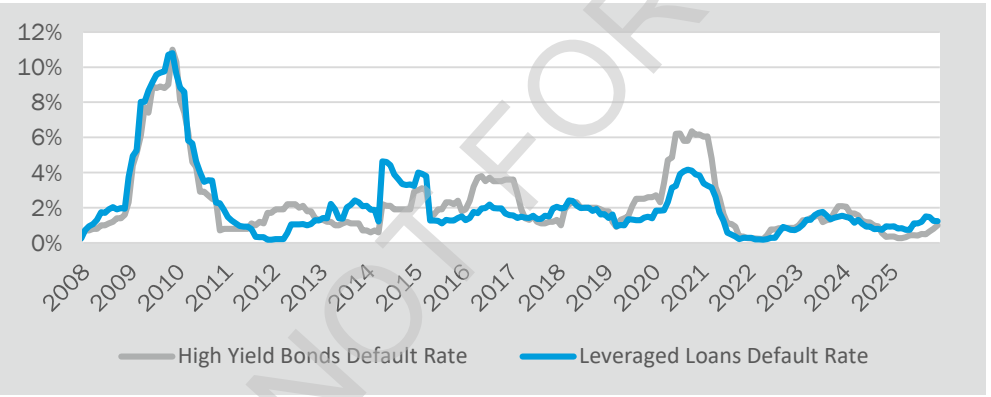


Corporate Yields (%)

Yields (%)	Current	3-Mo. Ago	12-Mo. Ago	Median
HY Corporate	8.41	7.16	6.70	7.70
IG Corporate	6.04	5.20	4.81	4.57



Default Rates (%)



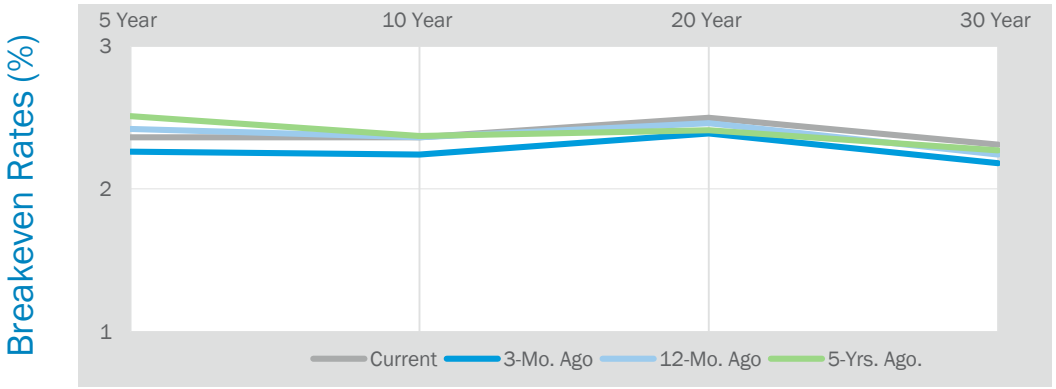
- Investment-grade (IG) and high-yield (HY) credit spreads were volatile in the third quarter, ending the period wider, but remain well below their long-term median levels. [1]
- The yield on investment-grade corporate bonds rose from 5.20% to 6.04% over the quarter, while the yield on high-yield corporate bonds rose from 7.16% to 8.41%.
- Both investment-grade and high-yield corporate bond yields now reside above their long-term median levels. [2]

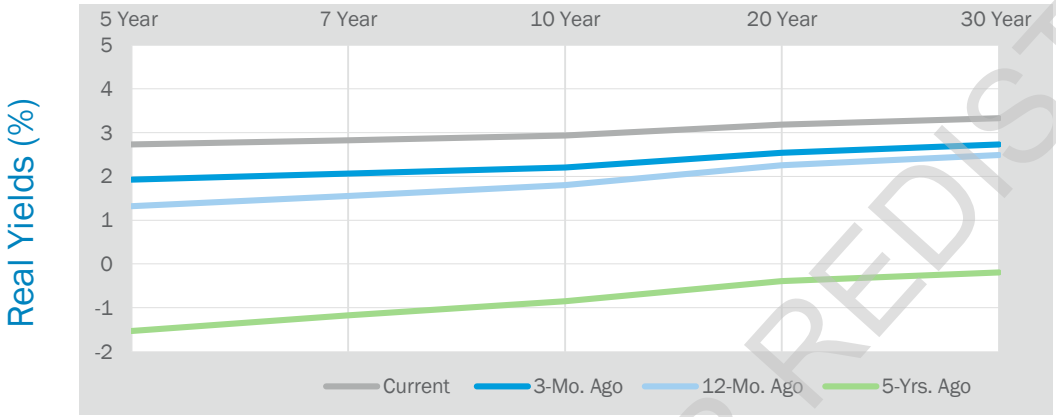
Sources: Federal Reserve Bank of St. Louis, U.S. Treasury Department. Data as of 9/30/2026. S&P LCD Lev Loan Defaults, JP Morgan HY Bond Defaults, Data as of 12/31/2025.

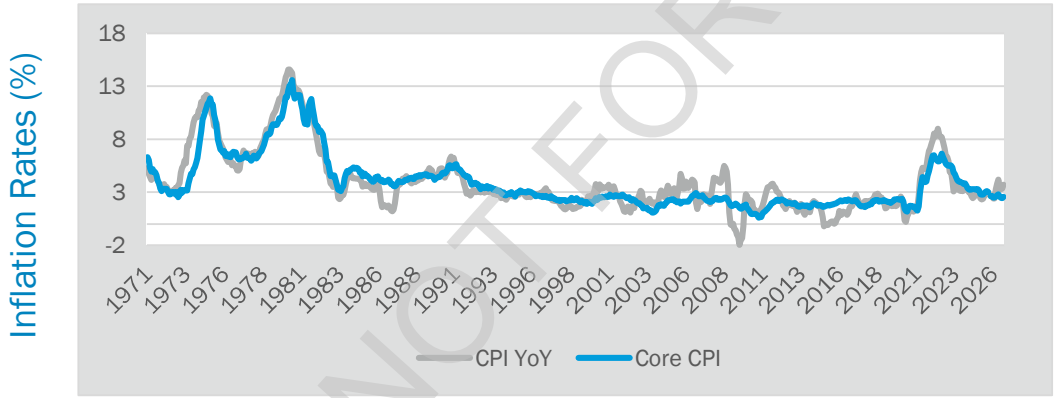
[1] Long-term median is defined as median data starting in 2006.
[2] Defined as data starting in 2000.

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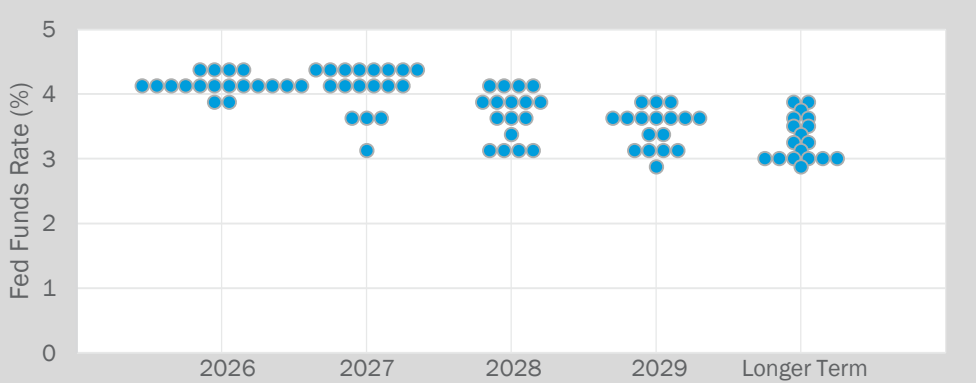
- The breakeven rate yield curve shifted higher in the third quarter, with intermediate to long term breakeven rates increasing meaningfully.
- The breakeven rate is the implied inflation rate for a given maturity and is calculated by subtracting the real yield of a Treasury bond from the nominal yield.
- Current breakeven rates suggest that intermediate-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.

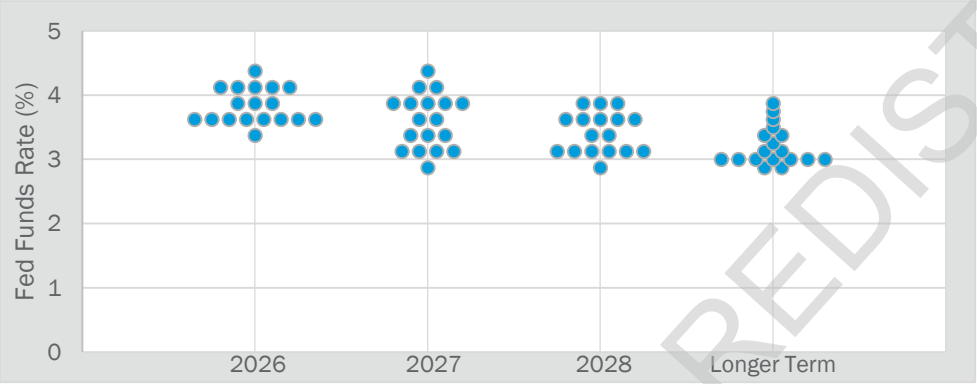
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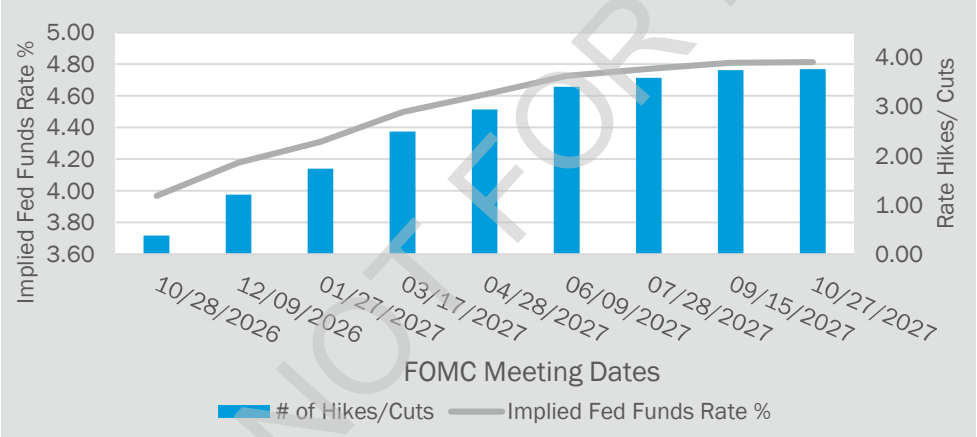
Fed Dot Plot September 2026



Fed Dot Plot June 2026



Implied Fed Funds Rate & Rate Hike Probabilities



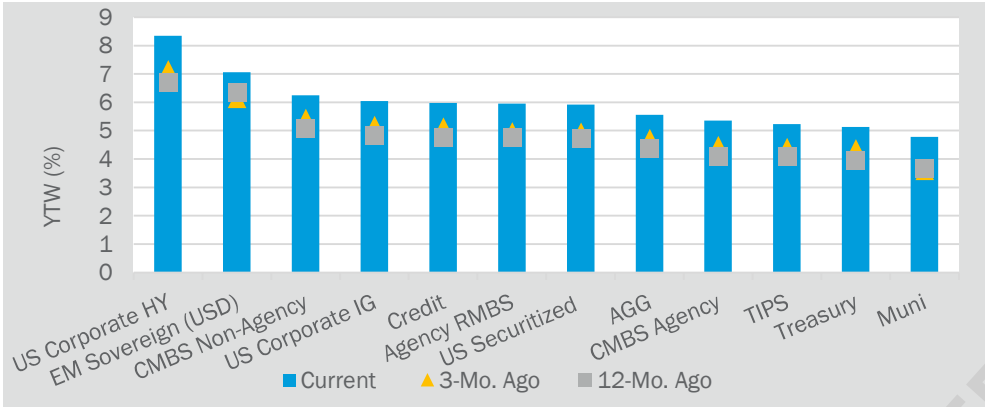
- The September FOMC meeting showed a convergence in opinions from key decisionmakers at the Federal Reserve, with overwhelming support for at least one additional rate hike through the end of 2026. Chair Warsh again declined to submit a dot plot, consistent with his view that the Federal Reserve should 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.

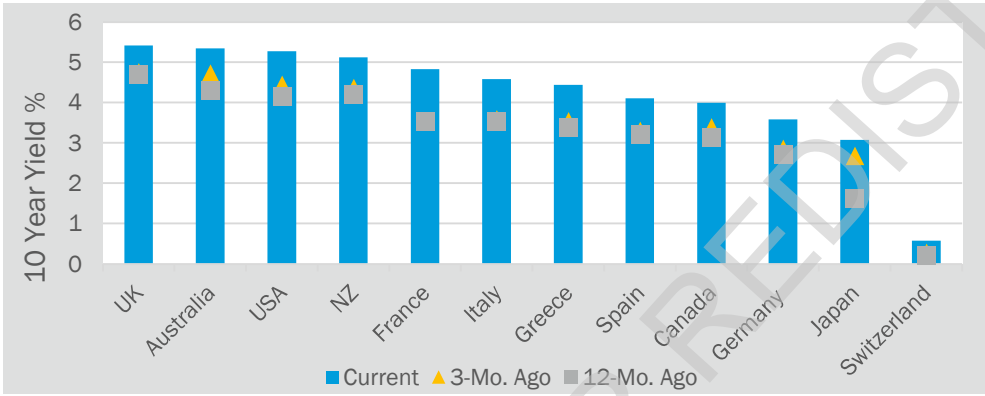
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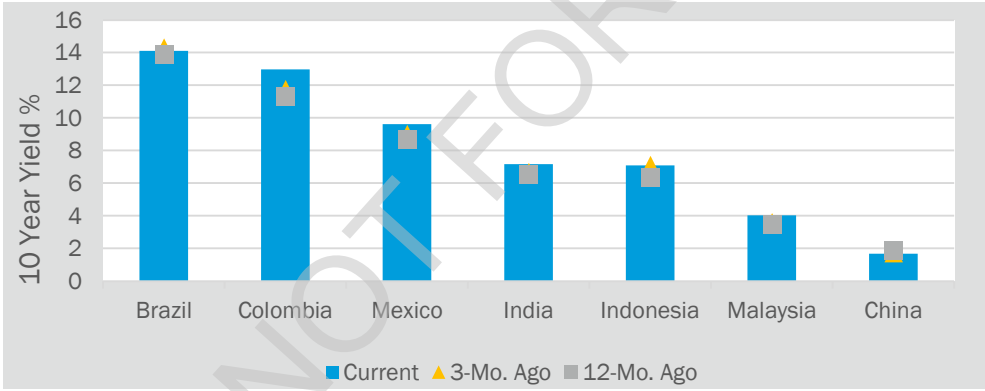
Domestic Yields



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 weakened 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?*

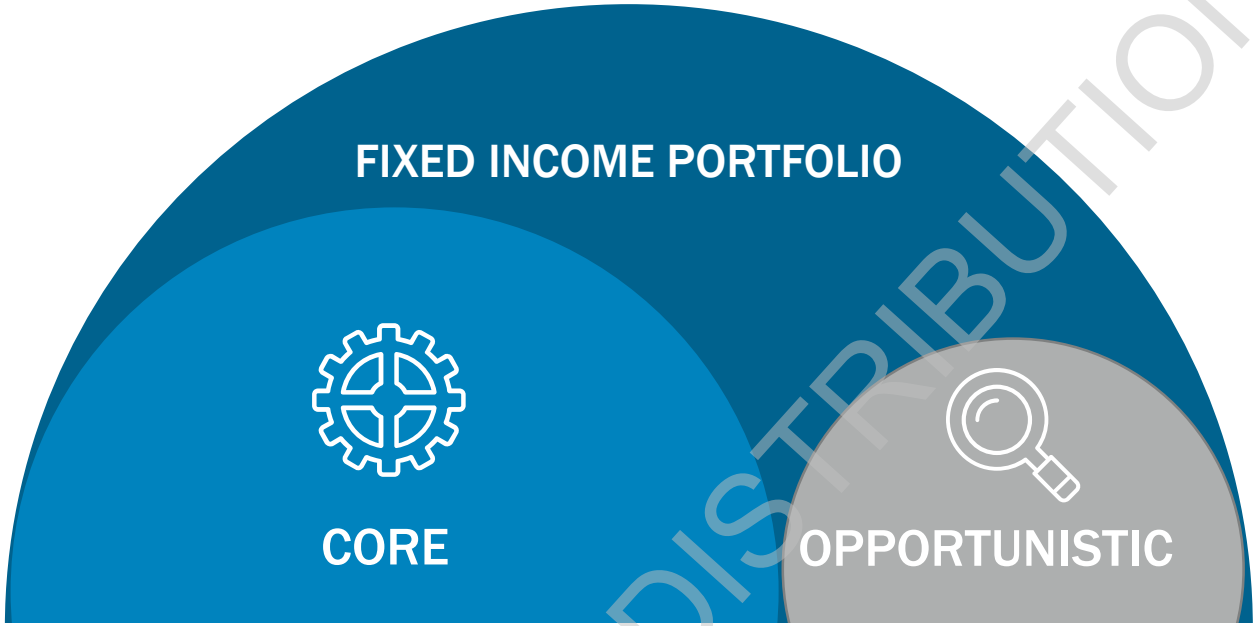


Time Horizon

- *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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