FIXED INCOME PERSPECTIVES

A Periodic Strategy Review of Bond Market Trends and Economic Developments

November 2025

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Rate Cuts Resume

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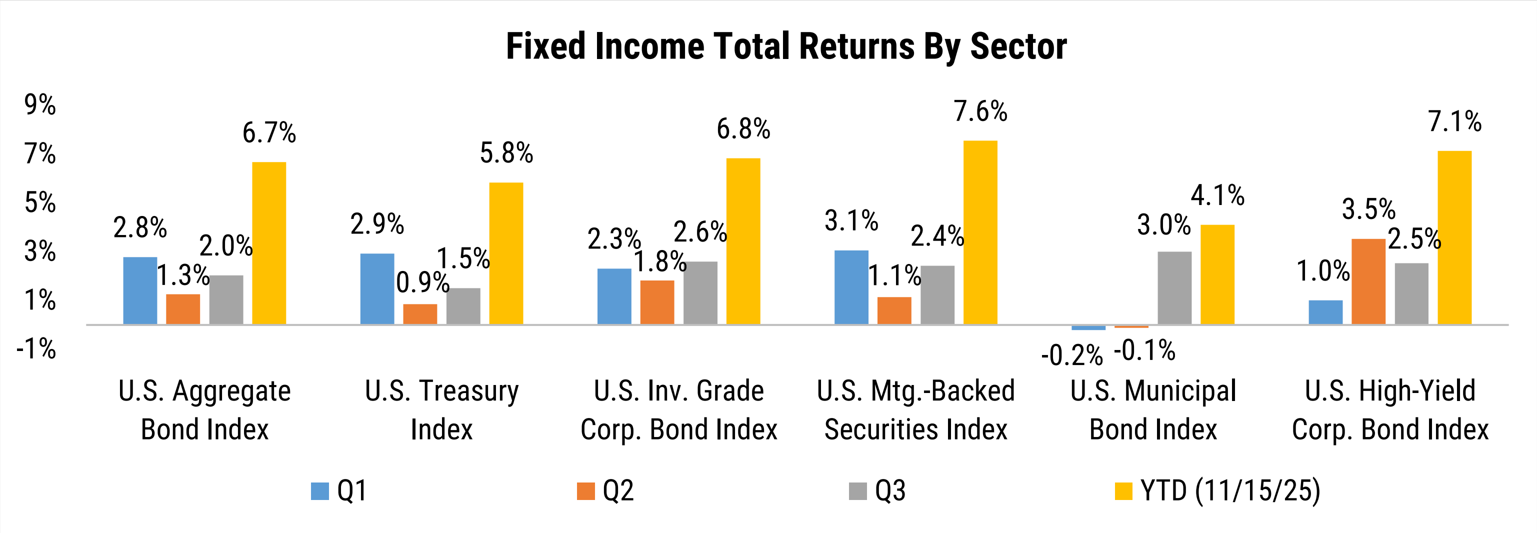
After a nine-month hiatus, the resumption of rate cuts by the Federal Reserve (Fed) provided a further boost to the bond market's year-to-date performance. By lowering the overnight policy rate by a cumulative 50 basis points (bps) over the past two months, the Fed's well-telegraphed pivot to less restrictive monetary policy added to the already solid gains across the fixed income sector. On a quarter-to-date basis through November 15, the Bloomberg U.S. Aggregate Bond Index (AGG) generated a total return of 41 bps, lifting its year-to-date performance to 6.7%. The last time that the AGG posted an annual gain over 6.0% was in 2020, when the index posted a total return of 7.5%.

At the sub-sector level, mortgage-backed securities moved into first place for the year with a total return of 7.6%, followed by high-yield corporates at 7.1% and investment-grade corporates at 6.8%. Municipals have posted a strong quarter but continue to lag their taxable counterparts by a considerable margin due to concerns over reduced funding from the federal government to state and local municipalities.

Fixed Income Sector Performance



Returns through 11/15/2025; Fixed income indices provided by Bloomberg; Source: Bloomberg Finance, LP

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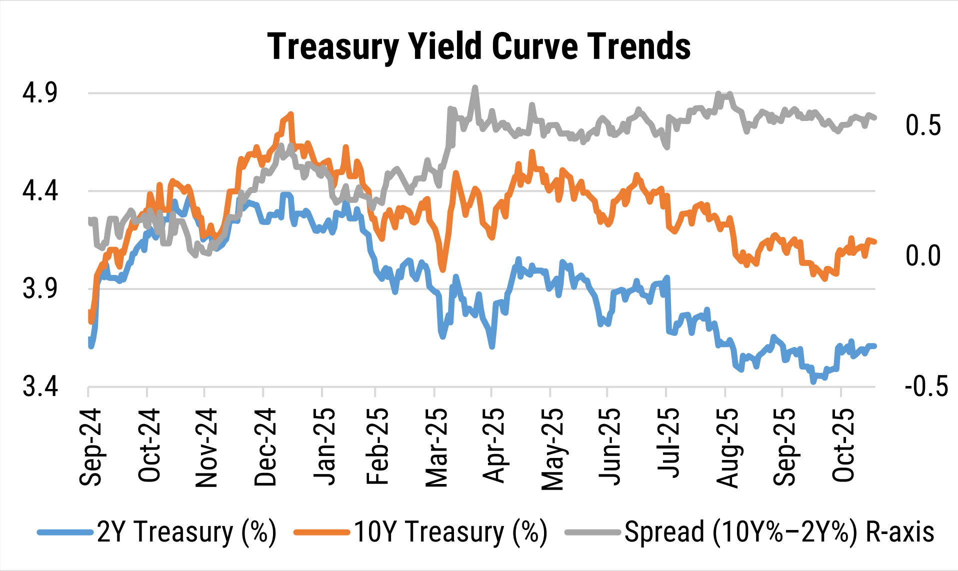
Indices are unmanaged, do not reflect fees and expenses, and are not available for direct investment.
Past performance cannot and should not be viewed as an indicator of future performance.

Treasury Yield Curve

The resumption of Fed rate cuts, moderation in job growth, and stabilization of longer-term inflation expectations have sparked a strong rally in Treasuries, sending yields lower across the curve. Since briefly climbing above 4% in mid-June, the 2-year yield has dropped by 43 bps to 3.6%.

From a historical perspective, the Treasury yield curve has tended to steepen during Fed easing cycles. Since the first rate cut for this cycle was implemented in September 2024, the 2-year to 10-year Treasury yield differential has widened by 50 bps to 0.5%. To the extent that the Fed continues to lower rates next year as expected, further curve steepening should be anticipated.



Source: Bloomberg Finance, LP

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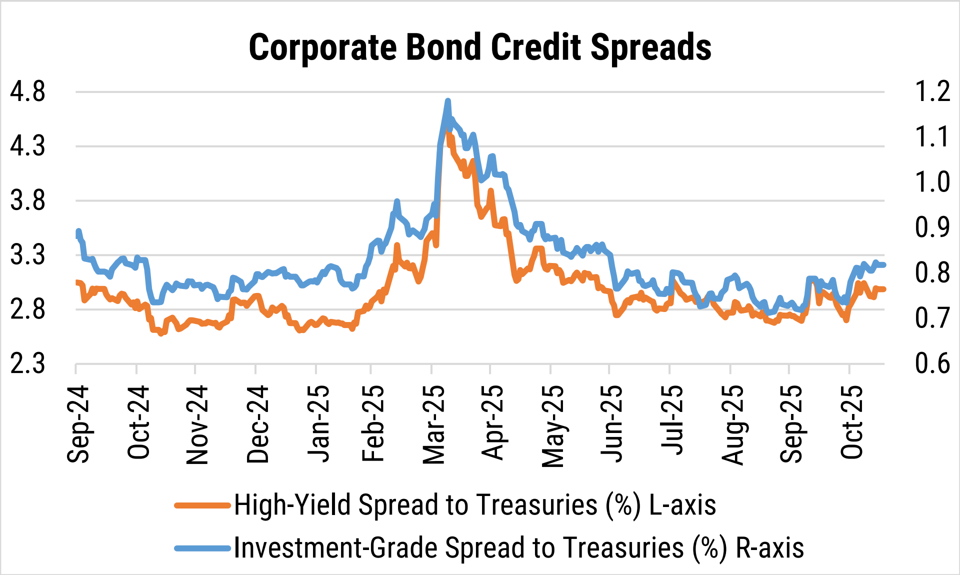
After outperforming Treasuries for six consecutive months, corporate bonds have encountered some headwinds in November, due to the combination of lofty valuations and signs of an economic slowdown. Compared to the end of the third quarter, investment-grade spreads have climbed by 12%, and high-yield spreads have risen by 9%.

The consensus outlook from the latest Bloomberg survey of economists calls for a downshift in economic activity through year end, with fourth quarter gross domestic product (GDP) growth slipping to 1.1%, and the unemployment rate rising to 4.4%, which would mark its highest level since October 2021. While it is important to note that the consensus outlook envisions a slowdown in growth rather than a recession through year end, the downside risks have clearly increased, and the margin for error against an economic downturn has narrowed.

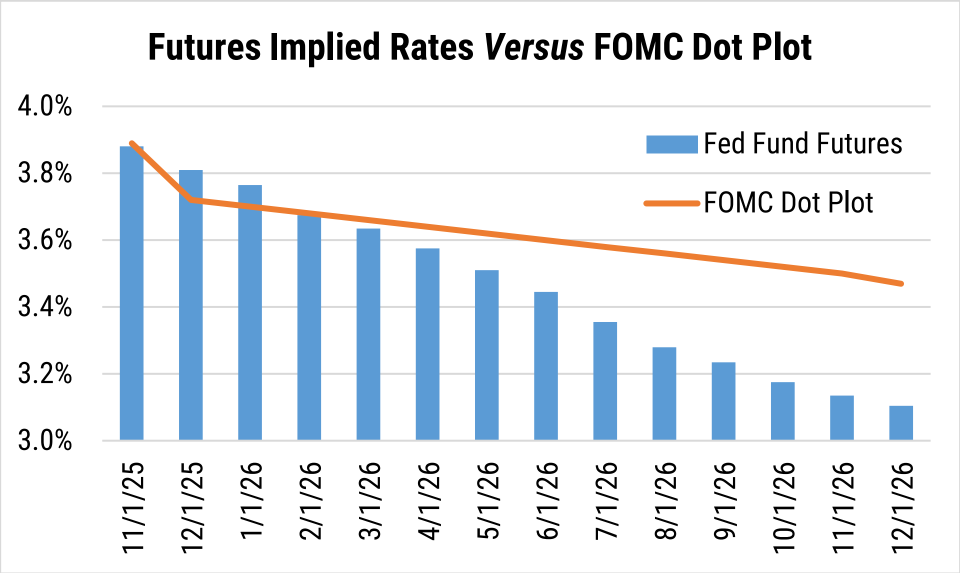
Credit Spreads



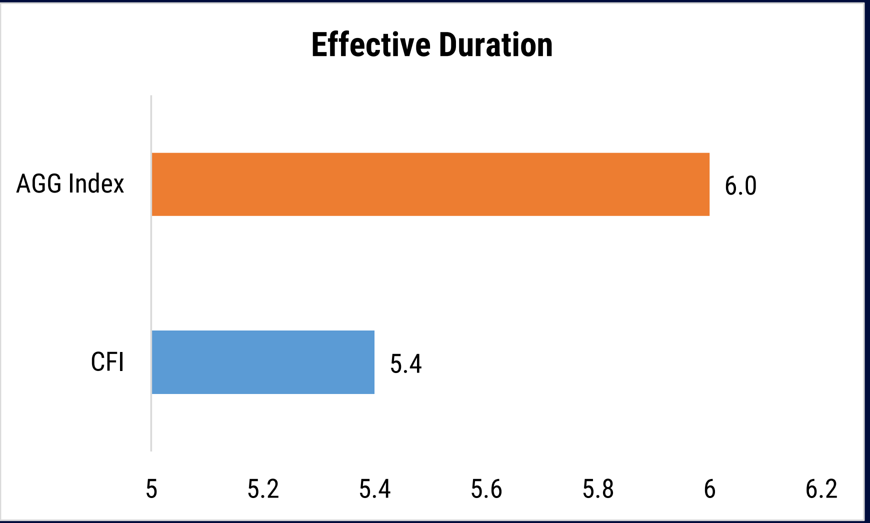
Source: Bloomberg Finance, LP

Federal Reserve Monetary Policy

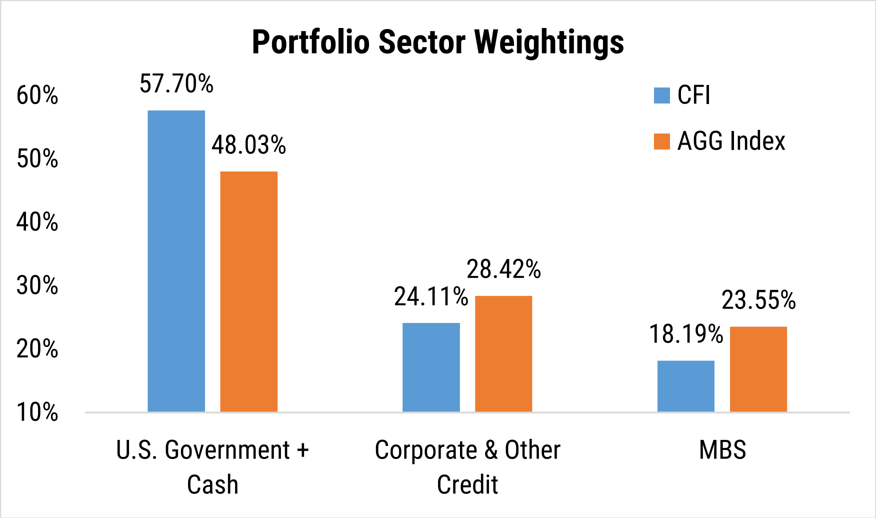
While the Fed has lowered the overnight policy rate at the previous two consecutive Federal Open Market Committee (FOMC) meetings by a cumulative 50 bps, Chair Powell has signaled that the central bank could pause in December. Powell indicated that a "December rate cut was not a foregone conclusion" due to "strongly differing views within the committee on the most appropriate path forward." Those comments seemed to back away from the dot plot issued at the September meeting, which guided toward 25 bps cuts at both the October and December FOMC meetings. While one faction of the committee appears ready to move forward with another rate cut, others have offered a more cautious assessment of the risks to the dual mandate and would prefer to consider more data before committing to another reduction. Interest rate futures reflect the divisions within the FOMC, implying an approximately 45% probability of a 25 bps rate cut on December 10. However, futures still envision a more aggressive easing cycle next year compared to the Fed's latest guidance.



As of 11/15/2025; Source: Bloomberg Finance, LP



As of 11/15/2025; Source: FactSet Data Systems, Inc. and Bloomberg Finance, LP



As of 11/15/2025; Source: FactSet Data Systems, Inc. and Bloomberg Finance, LP

Core Fixed Income Portfolio (CFI) Statistics

Compared to the AGG, the Core Fixed Income Portfolio offers a similar yield, higher credit quality, and a shorter duration. As a point of reference, the yield to maturity of the AGG as of November 15 was 4.2%. To address the potential risks associated with wider credit spreads, CFI maintains significantly higher credit quality relative to the AGG. Compared to the benchmark, CFI holds an overweight to the combination of Treasuries and cash of 10%, with a commensurate underweight to corporate bonds and other sectors with higher risk exposures. The portfolio's shorter duration on a relative basis is a function of curve positioning, given CFI's overweight to the intermediate-term segment of the curve and underweight to the long-term duration bucket.

Fixed Income Market Review

- The fixed income market is on track for its strongest annual performance since 2020, fueled by a shift toward less restrictive monetary policy.
- The resumption of Fed rate cuts, moderation in job growth, and stabilization of longer-term inflation expectations have sparked a rally in Treasuries, sending yields lower across the curve.
- After outperforming Treasuries for six consecutive months, corporate bonds have encountered some headwinds in November due to heightened economic uncertainty.
- The Fed has cut short-term interest rates by 50 bps over the past two months but signaled that further reductions will be data dependent.
- Defensive positioning in the Core Fixed Income Portfolio remains appropriate given the unsettled macro environment and lingering downside risks.

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The high-frequency data has varied considerably over the past two months, with improvement in September followed by a mild pullback over the past five weeks. **While the overall signal from our Economic Monitor remains mixed, the absolute levels of the key indicators do not suggest that a recession appears to be imminent.**

The recent softness in some of the high-frequency variables may be partly attributable to the resurgence in consumer inflation. After falling to a 54-month low of 2.3% in April, the Consumer Price Index (CPI) year-over-year (y/y) has marched steadily higher over the past five months. For September, CPI added 0.3% month-over-month (consensus 0.4%) and increased by 3.0% y/y (consensus 3.1%). Core CPI showed similar results, with advances of 0.2% m/m (consensus 0.3%) and 3.0% y/y (consensus 3.1%).

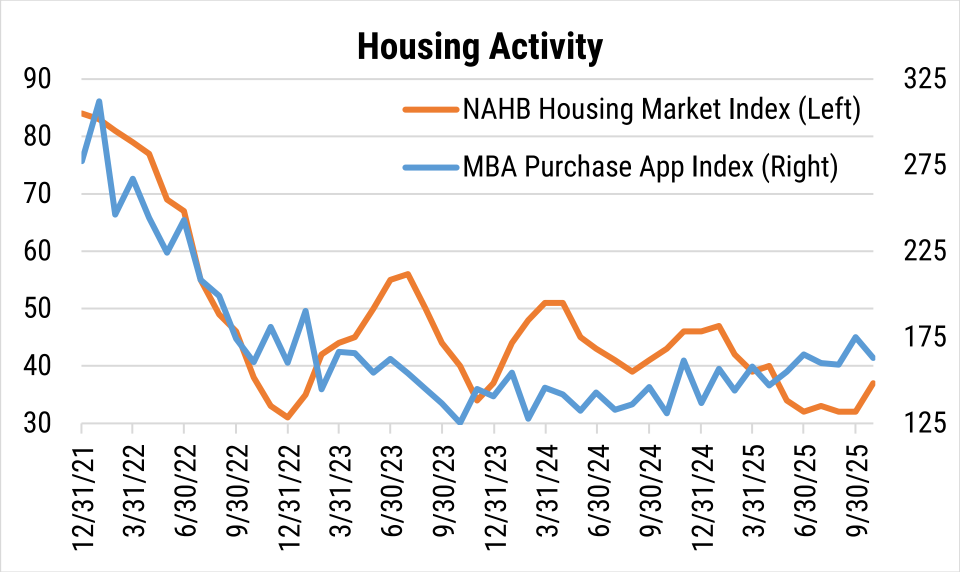
High-Frequency Economic Data Monitor

High-Frequency Indicators	Current Reading	-1 Week	-2 Weeks	-3 Weeks	1 Week Pct	2 Week Pct	3 Week Pct
U.S. Crude Rotary Rig Count	414	414	420	418	0.0%	-1.4%	-1.0%
Raw Steel Production	1,758	1,740	1,747	1,744	1.0%	0.6%	0.8%
MBA U.S. Purchase Index	172.7	163.3	164.3	157.3	5.8%	5.1%	9.8%
JRI Same Store Sales Monthly (YoY)	5.9%	5.4%	5.4%	5.4%	0.5%	0.5%	0.5%
Department Store YOY % Change (MTD)	-0.2%	-0.4%	-0.3%	-0.2%	0.2%	0.1%	0.0%
Initial Jobless Claims	219	219	219	219	0.0%	0.0%	0.0%
Continuing Jobless Claims	1,916	1,916	1,916	1,916	0.0%	0.0%	0.0%
N.Y. Fed Weekly Economic Index (WEI)	2.0	2.3	2.0	2.1	-11.9%	-1.0%	-6.1%
U.S. TSA Checkpoint Numbers	2,631,038	2,279,000	2,857,742	2,988,322	15.4%	-7.9%	-12.0%
Chicago Board Options Exchange (VIX)	21.7	19.1	17.4	16.4	13.5%	24.1%	32.3%
IG Corp. Credit Default Spread (CDX)	53.9	53.5	52.6	51.5	0.7%	2.4%	4.5%

Data as of 11/14/2025. Green denotes positive trend; red denotes negative trend.
Source: Bloomberg Finance, LP

Mortgage Applications

Housing activity has shown some tentative signs of improvement but remains at historically low levels, due to the persistent challenges of inadequate supply and poor affordability. The NAHB Housing Market Index rose to a six-month high of 37 in October but was down by 14% on a y/y basis. While the overall response to the lowest mortgage rates in three years has been relatively muted, mortgage applications for home purchases have generally trended upward in recent months. Since the end of July, the MBA Mortgage Purchase Index has climbed by 11% to 172.7. Existing home sales have been bouncing around the 4 million level for the past 24 months, a trend that continued in September. For the month, existing home sales printed at 4.1 million at an annualized rate, which equated to an increase of 1.5% m/m.



Source: Bloomberg Finance, LP

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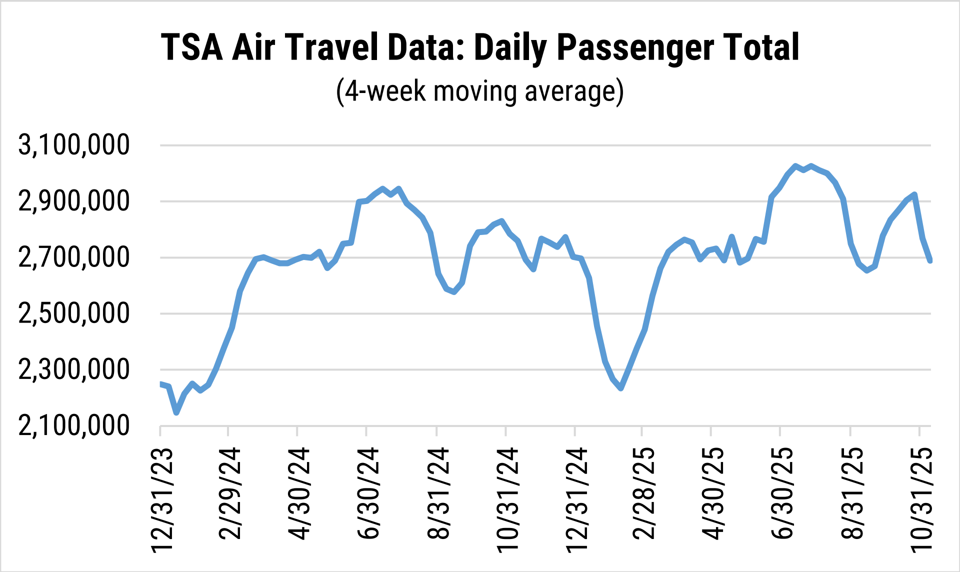
Air Travel By Total Passengers

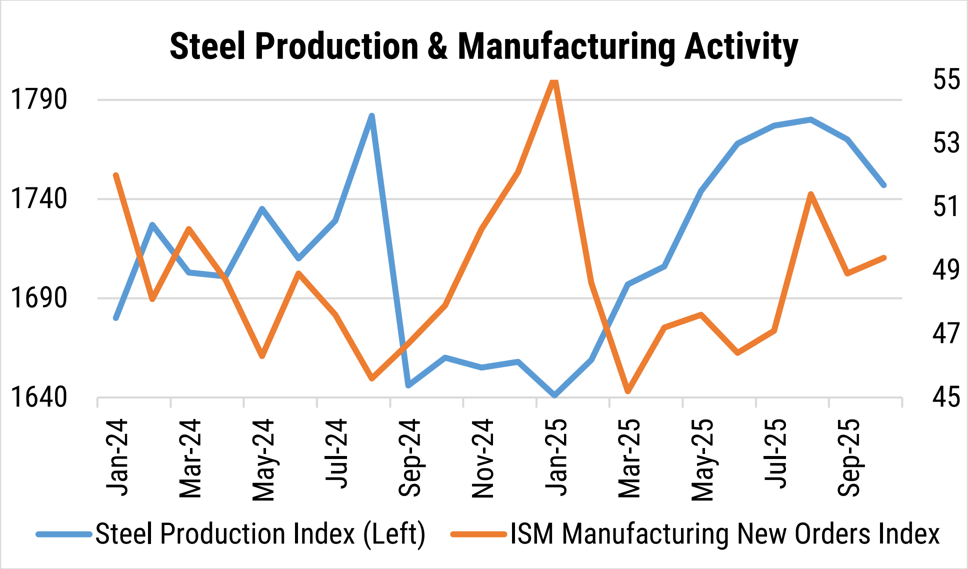
The demand for services and travel experiences among upper-income households has remained robust despite the normal seasonal slowdown in air traffic following a strong summer vacation season. On a year-to-date basis, air passenger volume has been running about 1% ahead of 2024's record pace, despite the recent flight cancellations due to inadequate air traffic controller staffing. The vibrant travel and leisure sector has provided a helpful boost to the broader economy this year, offsetting at least a portion of the weakness in housing.



Source: Bloomberg Finance, LP

Steel Production

The initial boost to domestic manufacturing from tariffs on imported goods appears to be fading, in response to softer demand from consumers and businesses. Higher expenses for producers remain an impediment to a manufacturing renaissance, with the ISM Prices Paid Index still elevated at 58.0. The New Orders Index has slipped into contraction territory (sub-50) for the past two months, reversing the temporary improvement in the latter part of the summer. Steel production has also rolled over on flagging demand, dropping by 2% since the end of August.



Source: Bloomberg Finance, LP

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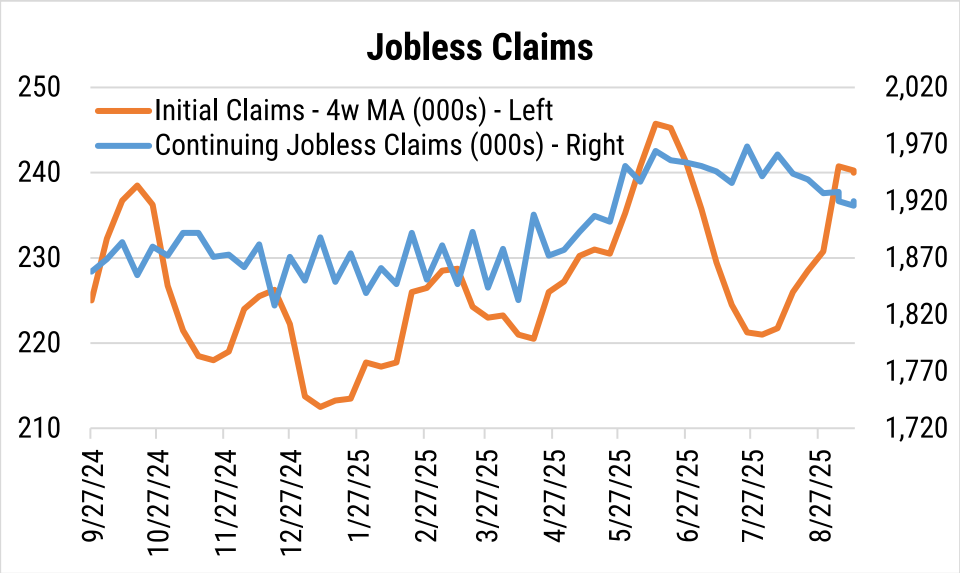
In an effort to fill some of the void left by the absence of official government data, Automatic Data Processing (ADP), has recently started to release weekly private payroll numbers in addition to its traditional monthly report. ADP's latest data covering the four-week moving average through October 24 revealed a net decrease of 11.25 thousand private sector jobs per week over that period. **This is the latest statistic to suggest that labor market conditions will likely remain sluggish in the fourth quarter, after weakening notably in the third quarter.** Beyond the ADP data, the Challenger report for October on U.S. job cuts showed a massive 175% increase in announced layoffs for the month. Challenger cited broader AI adoption, softer consumer spending, and higher operating costs as the primary drivers of the 153,000 in job cuts announced during October.

The weekly jobless claims data has been on hold since September 19 but is scheduled to resume by the end of this month.

Jobless Claims



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Economic Data Review

- High-frequency economic indicators continue to send mixed signals but suggest slower growth may be a more likely scenario than a near-term recession.
- The latest round of housing data showed only minor improvement despite lower mortgage rates, amid ongoing affordability and supply challenges.
- Discretionary spending by upper-income consumers has remained robust, with air travel on pace to set a record high in 2025.
- Higher prices for U.S. manufactured goods have started to curtail demand and slow steel production.
- Labor market conditions have softened since mid-year, with rising unemployment and declining job growth.

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About the Author

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Senior Portfolio Manager

Jim joined EquityCompass in July 2019. He is a Senior Portfolio Manager for the Core Fixed Income Portfolio, Municipal Income Enhanced Portfolio, and co-manager of the High-Dividend Portfolio. Prior to joining the portfolio management team, Jim served as the Chief Fixed Income Strategist at Stifel, Nicolaus & Company, Incorporated for 12 years. At Stifel, Jim created investment portfolio and risk management strategies for the firm's institutional fixed income clients. He also managed a $3 billion bond portfolio for Stifel Bank. Previously, he spent five years at Legg Mason as a fixed income strategist and 13 years at the Federal Deposit Insurance Corporation (FDIC) in bank supervision. His FDIC career focused on the credit analysis of bank balance sheets and the risk profile of innovative credit market instruments, including corporate bonds, mortgage-backed securities, and derivatives.

Jim has a B.S.B.A. in Finance from West Virginia University. He is also a CFA charter holder and member of the CFA Society Baltimore.

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About EquityCompass

EquityCompass Investment Management, LLC ("EquityCompass") is a Baltimore-based equity investment management team that provides portfolio strategies with respect to assets of approximately $5.7 billion.[1]

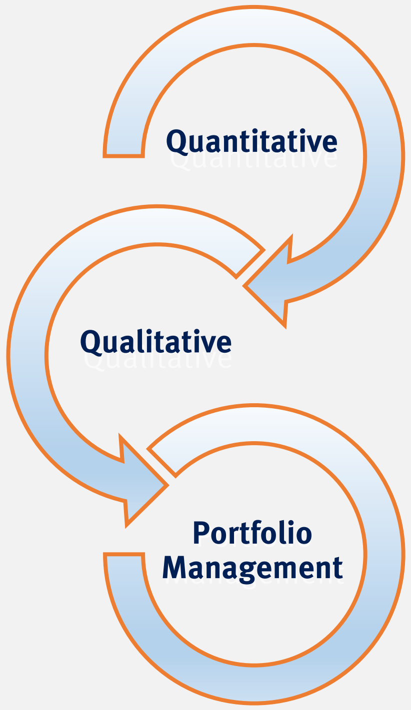
At EquityCompass, our mission as an asset management company is to provide investment solutions that address the needs of clients accumulating, mitigating risk to, and decumulating wealth. We aim to accomplish these goals with an organization culture that prizes intellectual honesty, open dialogue among colleagues, and a commitment to continually improve ourselves and the investment process.

Extensive Investment Experience

- Investment team led by Richard Cripps, CFA – former Managing Director of Portfolio Strategy at Stifel and former Chief Market Strategist and Co-Chairman of the investment committee at Legg Mason Wood Walker
- Senior members include Robert Hagstrom, CFA, as Chief Investment Officer and Chris Mutascio as Senior Managing Director – both with 20+ years of investment experience
- Publishing investment research since 2001
- Offering investment portfolios on the Stifel platform since 2006

Research-Driven, Risk-Managed Portfolio Strategies

- Incorporates fundamental, technical, and behavioral insights evolving from original research by EquityCompass professionals
- Portfolios are designed to maximize expected returns by focusing on stock selection while incorporating rigorous risk management strategies
- The investment team collaborates to leverage ideas, research, and expertise in making investment decisions on all strategies



Rigorous empirical testing to identify favorable risk-adjusted investment insights

Experienced qualitative analysis for final investment selection

Focused and disciplined portfolio decision-making

(1) Total assets combines both Assets Under Management and Assets Under Advisement as of October 31, 2025. Assets Under Management represents the aggregate fair value of all discretionary and non-discretionary assets, including fee paying and non fee-paying portfolios. Assets Under Advisement represent advisory-only assets where the firm provides a model portfolio and does not have trading authority over the assets.

Disclosures

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Description of Benchmark(s): **The MBA (Mortgage Bankers Association) Purchase Index** is a weekly report of mortgage loan applications based on a sample of 75% of U.S. mortgage activity. Analysts consider the report to be a leading indicator of housing market activity. The **Bloomberg U.S. Aggregate Bond Index** is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency). The **Bloomberg U.S. Treasury Index** measures U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury. Treasury bills are excluded by the maturity constraint, but are part of a separate Short Treasury Index. STRIPS are excluded from the index because their inclusion would result in double-counting. The **Bloomberg U.S. Mortgage Backed Securities (MBS) Index** tracks fixed-rate agency mortgage backed pass-through securities guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The index is constructed by grouping individual TBA-deliverable MBS pools into aggregates or generics based on program, coupon and vintage. The **Bloomberg U.S. Corporate Bond Index** measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD-denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers. The **Bloomberg U.S. Corporate High Yield Bond Index** measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on EM country definition are excluded. The **Bloomberg U.S. Municipal Bond Index** is considered representative of the broad market for investment grade, tax-exempt bonds with a maturity of at least one year. The **S&P 500® Index** is a capitalization-weighted index that is generally considered representative of the U.S. large capitalization market.

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The **Chicago Board Options Exchange (CBOE)** created the VIX (**CBOE Volatility Index**) to measure the 30-day expected volatility of the U.S. stock market, sometimes called the "fear index." The VIX is based on the prices of options on the S&P 500 Index and is calculated by aggregating weighted prices of the index's call and put options over a wide range of strike prices. **The Institute of Supply Management (ISM) Manufacturing Purchasing Managers Index (PMI)** is based on data compiled from monthly replies to questions asked of purchasing and supply executives in over 400 industrial companies. For each of the indicators measured, this report shows the percentage reporting each response, the net difference between the number of responses in the positive economic direction and the negative economic direction and the diffusion index. **The Raw Steel Production Index** measures the real output of all relevant establishments located in the United States, regardless of their ownership, but not those located in U.S. territories. The **Weekly Economic Index (WEI)** provides a signal of the state of the U.S. economy based on data available at a daily or weekly frequency. The WEI is an index of ten indicators of real economic activity, scaled to align with the four-quarter GDP growth rate. It represents the common component of series covering consumer behavior, the labor market, and production. The **Manufacturing ISM Report** is based on data compiled from monthly replies to questions asked of purchasing and supply executives in over 400 industrial companies for each of the indicators measured: New Orders, Backlog of Orders, New Export Orders, Imports, Production, Supplier Deliveries, Inventories, Customers Inventories, Employment, and Prices. The **Conference Board Leading Economic Index** is an American economic leading indicator intended to forecast future economic activity. It is calculated by The Conference Board, a non-governmental organization, which determines the value of the index from the values of ten key variables. The **NAHB/Wells Fargo Housing Market Index (HMI)** is based on a monthly survey of NAHB members designed to take the pulse of the single-family housing market. The survey asks respondents to rate market conditions for the sale of new homes at the present time and in the next six months as well as the traffic of prospective buyers of new homes. The **credit default swap index (CDX)** is a benchmark financial instrument made up of credit default swaps that have been issued by North American or emerging market companies. A credit default swap is an over-the-counter derivative contract that offers one counterparty protection against a credit event, such as the default or bankruptcy of an issuer. It can be thought of as insurance in the financial world. The credit default swap index tracks and measures total returns for the various segments of the bond issuer market so that the overall return of the index can be benchmarked against funds that invest in similar products. **Gross domestic product (GDP)** is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period. As a broad measure of overall domestic production, it functions as a comprehensive scorecard of a given country's economic health. All benchmark returns are shown on a total return basis and assume that all cash distributions, such as dividends, are reinvested. The volatility of the indices identified in this report may be materially different from the volatility of the model portfolios presented by EquityCompass. Indices are unmanaged, do not reflect fees and expenses, and are not available for direct investment.

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