

FIXED INCOME PERSPECTIVES

*A Periodic Strategy Review
of Bond Market Trends and
Economic Developments*

March 2026

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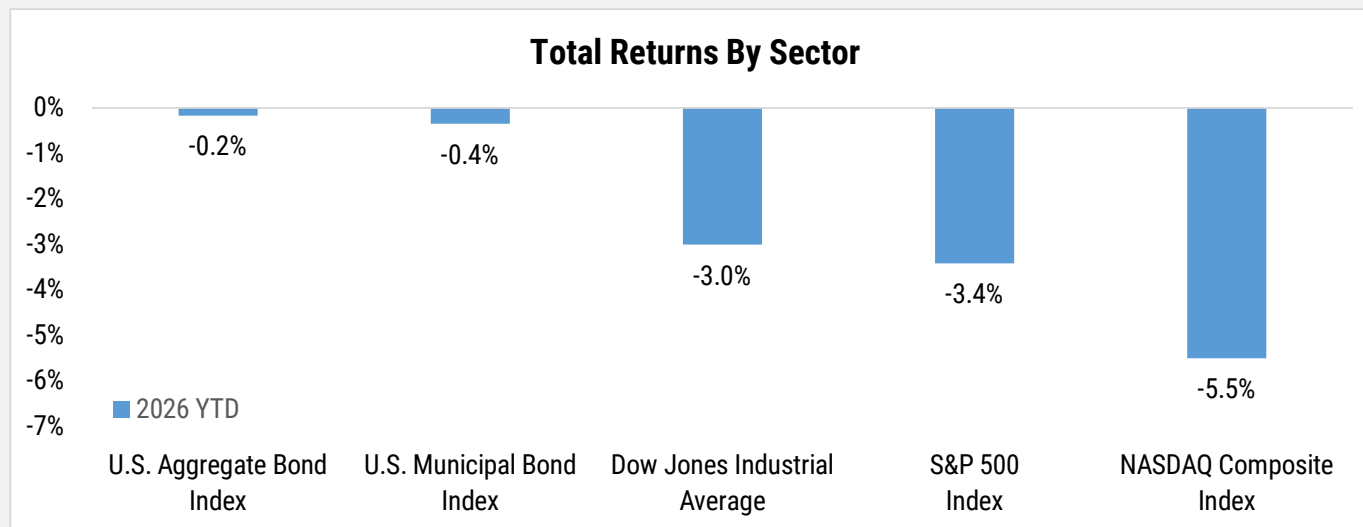
Riding Out the Storm



During periods of economic uncertainty and financial market stress, high-grade bonds have historically helped to reduce the return volatility of diversified investment portfolios. **The risk management attributes of fixed income securities were clearly evident in the first quarter, as the military conflict in Iran triggered turbulence across the broader financial markets and threatened to slow the global economy.** On a year-to-date basis through March 25, the U.S. Aggregate Bond Index (AGG) outperformed the major U.S. equity indices by a significant margin, including a 325 basis point (bps) positive performance differential compared to the S&P 500 Index.

While bonds have provided some assistance in riding out the geopolitical storm, the fixed income sector has not been immune to the forces unleashed by the renewed turmoil in the Middle East. The surge in oil prices has resulted in higher inflation expectations and a lower probability of Federal Reserve (Fed) rate cuts in the near-term. These factors have sent Treasury rates higher across the curve, with the benchmark 10-year yield climbing by 40 bps since the beginning of the year to 4.4%. Higher yields have resulted in moderate price depreciation, which has more than offset the AGG's interest income. Taking both factors into account, the AGG has posted a slightly negative year-to-date total return of -0.17% through March 25. Across the AGG's major sub-sectors, the U.S. Mortgage Backed Securities Index has generated the strongest results, with a total return of 0.14%.

Fixed Income Sector Performance



Returns through 3/25/2026; Fixed income indices provided by Bloomberg; Source: Bloomberg Finance, LP

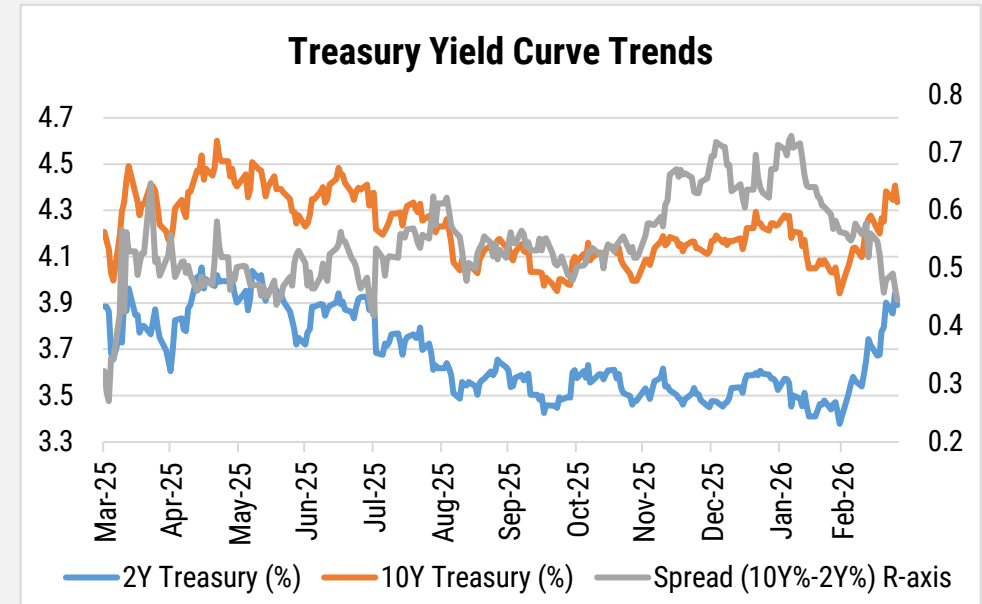


Indices are unmanaged, do not reflect fees and expenses, and are not available for direct investment. Past performance cannot and should not be viewed as an indicator of future performance.

Two well established themes in the U.S. Treasury market came to an abrupt halt in March. After moving sideways in narrow trading ranges over the previous six months, Treasury yields staged a decisive breakout to the upside. Compared to the end of February, the 2-year Treasury yield jumped by nearly 50 bps, climbing above 3.9% for the first time since last July. The 10-year yield followed a similar pattern, ascending by 40 bps to an eight-month high of 4.4%. In addition to the upward trend in yields, the Treasury curve shifted to a flattening bias after steadily steepening over the previous 20 months. Since peaking at 73 bps in February, the 10-year to 2-year yield differential has narrowed by 40 bps to 0.5% as of March 25.

While these developments were unfavorable for monthly total return performance, they have created some potential opportunities for patient investors. Yields are trading near their highest levels in many months at most points along the curve, and the intermediate-term segment appears particularly compelling. When the Fed’s monetary policy is considered restrictive and expected to normalize over time, the 2-year note yield tends to trade below the 3-month bill rate, as intermediate-term Treasuries price in future rate cuts in anticipation of the central bank’s eventual moves. During these periods, bond investors rarely have the opportunity to pick up yield by extending from the 3-month bill (or other cash equivalents) to the 2-year note. Yet that opportunity currently exists, with the 2-year note yield providing a 25 bps yield advantage over the 3-month bill rate for the first time since November 2022. The Fed’s latest forward guidance from the March Statement of Economic Projections foreshadows 50 bps in additional rate cuts through the end of 2027. To the extent the Fed follows through with its published forecast, 2-year notes should outperform cash equivalents, by providing higher income and potentially earning some price appreciation in a declining rate environment.

Treasury Yield Curve

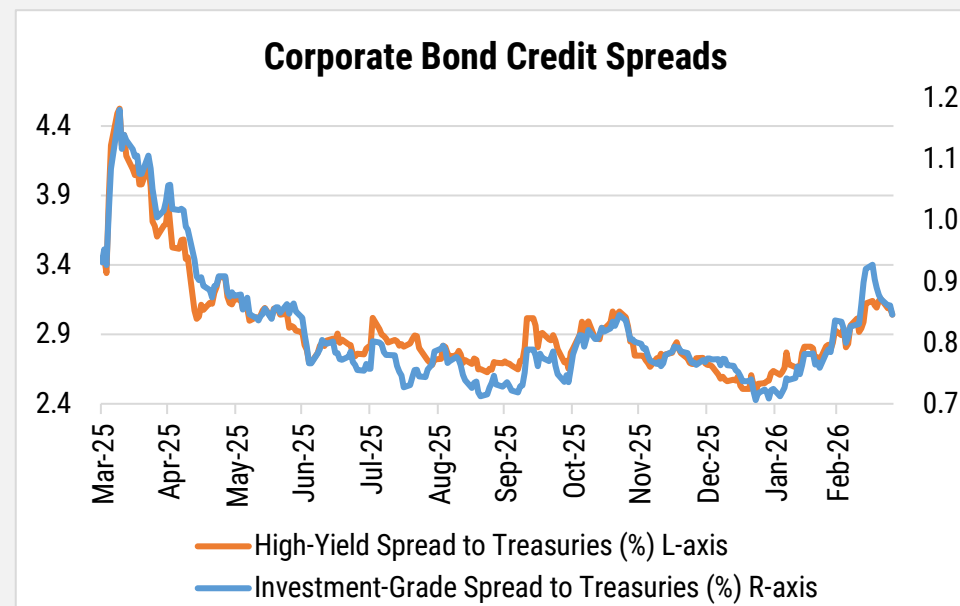


As of 3/25/2026; Source: Bloomberg Finance, LP



Just as higher Treasury yields have created more favorable opportunities to deploy excess cash in the U.S. government sector, wider credit spreads have improved the relative value of corporate bonds. Since the end of last month, investment-grade corporate bond spreads have widened by 12% and high-yield spreads have increased by 14%. This repricing in spreads appears rational relative to current economic fundamentals and the downside risks introduced by the ongoing military conflict in the Middle East. While corporate default rates are expected to remain low over the next several months, a prolonged dislocation in energy prices may intensify the financial pressures on weaker organizations.

Credit Spreads



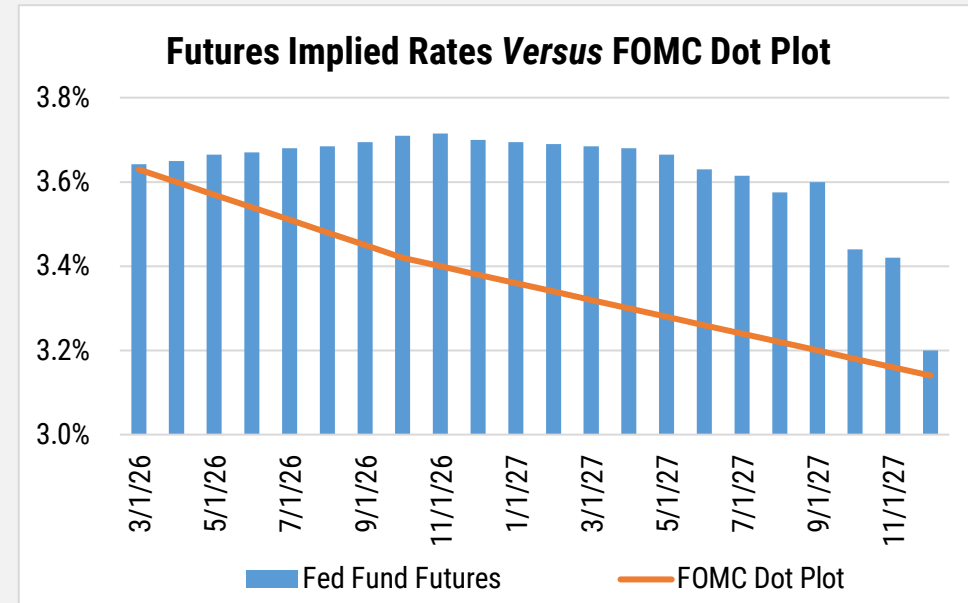
As of 3/24/2026; Source: Bloomberg Finance, LP



Prior to the military campaign against Iran, the Fed was already wrestling with mixed signals relative to its dual mandate. Sticky inflation in the 2.5% to 3.0% range (above the Fed's 2.0% target) argued for holding rates steady, while much softer job growth (three-month moving average for non-farm payrolls of +6,000 per month) supported the case for lower rates. This inherent contradiction has been further exacerbated by the recent surge in energy prices, with West Texas Intermediate (WTI) crude higher by 45% and unleaded gas increasing by 34% since the end of February. A price shock of that magnitude could put upward pressure on inflation and simultaneously delay hiring, at least until the conflict is resolved and prices retreat.

Faced with these divergent considerations, the Fed elected to maintain the status quo for monetary policy at the March 18 Federal Open Market Committee (FOMC) meeting, while noting the considerable uncertainty surrounding the future path of short-term interest rates. Despite the wider range of potential outcomes, the Fed's updated "dot plot" was unchanged and continued to reflect 50 bps of rate cuts through the end of 2027. Interest rate futures are fairly well aligned with the "dot plot" through the end of the forecast window but are priced for the Fed to remain on hold until at least the third quarter of next year.

Federal Reserve Monetary Policy

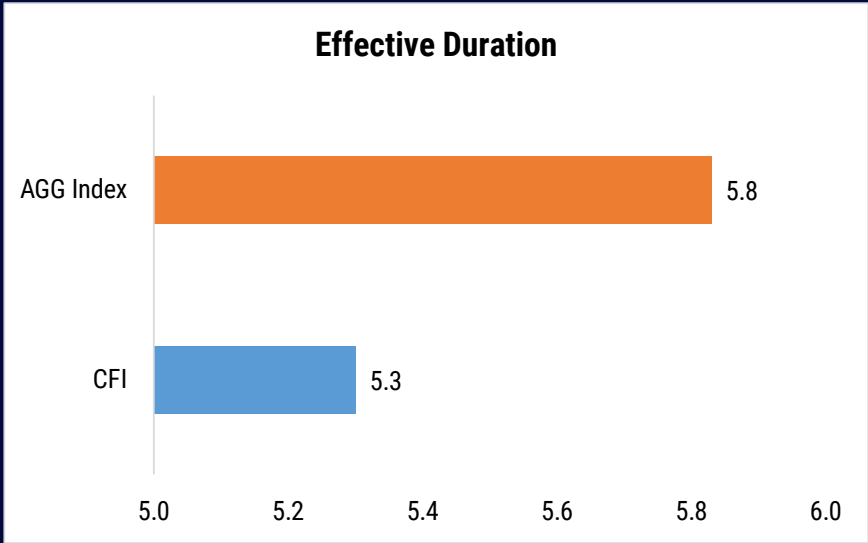


As of 3/25/2026; Source: Bloomberg Finance, LP

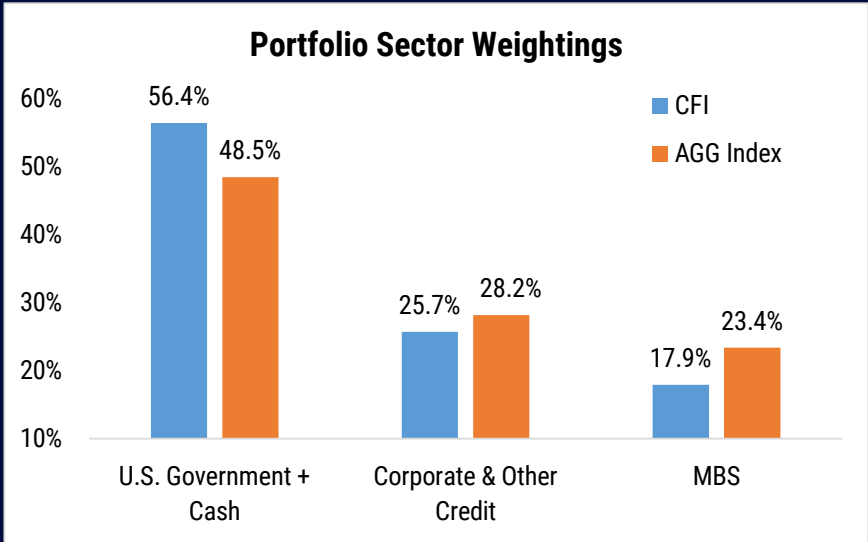


Core Fixed Income Portfolio (CFI) Statistics

Capital preservation, market risk mitigation, and positive real income are the primary investment objectives of the **EquityCompass Core Fixed Income Portfolio (CFI)**. This portfolio carries a similar yield-to-maturity (YTM) as the AGG, which offered a YTM of 4.6% as of March 25. To address the risk that credit spreads could materially widen if the economy underperforms expectations, CFI maintains a stronger credit profile relative to the AGG. Compared to the benchmark, CFI holds an overweight to the combination of Treasuries and cash of 800 bps, with a commensurate underweight to sectors with higher credit risk and interest rate risk exposures. The portfolio's half-year shorter duration on a relative basis is a function of curve positioning, given CFI's overweight to the intermediate-term (3-7 year) segment of the curve and underweight to the long-term (10-year+) duration bucket.



As of 3/25/2026; Source: FactSet Data Systems, Inc. and Bloomberg Finance, LP



As of 3/25/2026; Source: FactSet Data Systems, Inc. and Bloomberg Finance, LP



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Fixed Income Market Review

- Bonds have outperformed stocks by a significant margin in the first quarter, helping diversified portfolios ride out the geopolitical storm and associated market volatility.
- Treasury yields have broken out of their six-month trading ranges to the upside, creating potential opportunities for patient investors.
- Corporate bond spreads have risen to their highest levels in nine months, as the downside risks to the economy have intensified.
- Faced with conflicting signals and heightened uncertainty, the Fed's monetary policy has settled into a holding pattern.
- The Core Fixed Income Portfolio's defensive positioning has proven to be beneficial in this unsettled macro environment.

While still in the early stages, the cumulative effect of higher energy prices and greater economic uncertainty has started to flow through the high-frequency data. **Although the U.S. economy was in reasonably good condition prior to the Iran conflict, the longer that energy prices remain elevated, the greater the downside risks to gross domestic product (GDP) growth and the upside risks to inflation.** Prior to the recent increase in energy costs, Consumer Price Index (CPI) inflation showed signs of stabilization in the mid-2% range. The CPI Index for February rose by 2.4% year-over-year (y/y), unchanged from January. Core CPI also held steady compared to the previous month, with a 2.5% y/y gain. The underlying categories showed divergent trends, with food, housing, and medical expenses still running at a 3%+ annual pace, partially mitigated by more modest price increases for vehicles and auto insurance.

High-Frequency Economic Data Monitor

High-Frequency Indicators	Current				1 Week	2 Week	3 Week
	Reading	-1 Week	-2 Weeks	-3 Weeks	Pct	Pct	Pct
U.S. Crude Rotary Rig Count	412	411	407	409	0.2%	1.2%	0.7%
Raw Steel Production	1,774	1,791	1,811	1,817	-0.9%	-2.0%	-2.4%
MBA U.S. Purchase Index	172.9	171.3	158.9	149.7	0.9%	8.8%	15.5%
JRI Same Store Sales Monthly (YoY)	6.3%	6.2%	6.8%	6.8%	0.1%	-0.5%	-0.5%
Department Store YOY % Change (MTD)	1.3%	1.5%	1.4%	1.4%	-0.2%	-0.1%	-0.1%
Initial Jobless Claims	205	213	214	211	-3.8%	-4.2%	-2.8%
Continuing Jobless Claims	1,857	1,847	1,871	1,827	0.5%	-0.7%	1.6%
N.Y. Fed Weekly Economic Index (WEI)	2.6	2.7	2.5	2.6	-2.6%	4.8%	-0.4%
U.S. TSA Checkpoint Numbers	2,765,657	2,781,523	2,687,408	2,475,455	-0.6%	2.9%	11.7%
Chicago Board Options Exchange (VIX)	25.9	27.2	29.5	19.9	-4.6%	-12.1%	30.6%
IG Corp. Credit Default Spread (CDX)	65.4	61.8	58.5	56.0	5.8%	11.9%	16.9%

Data as of 3/20/2026. Green denotes positive trend; red denotes negative trend.
Source: Bloomberg Finance, LP

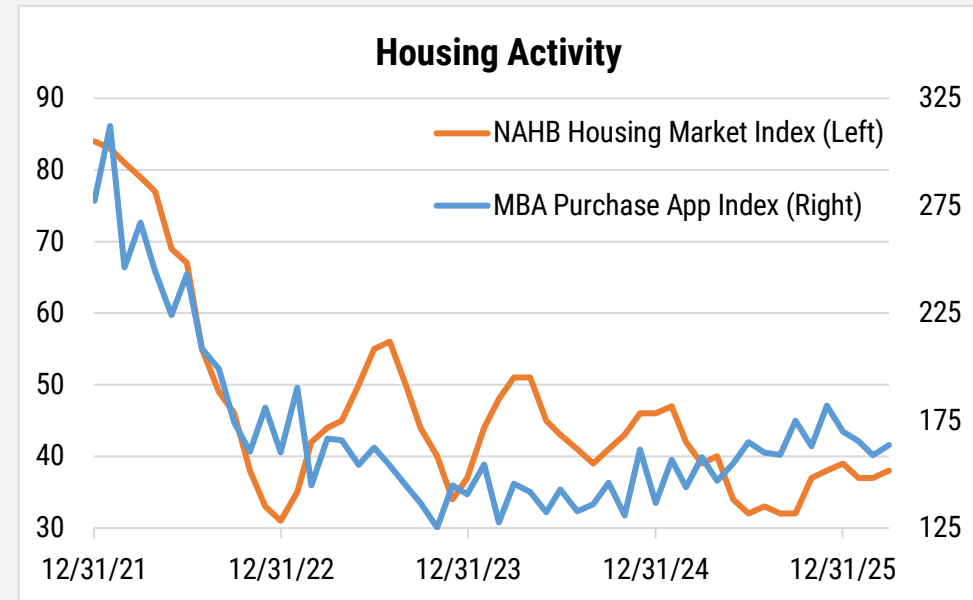


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After struggling for several years, the housing sector has recently shown some initial signs of a durable rebound. **This tentative improvement is attributable to more favorable affordability metrics, due to the combination of lower mortgage rates, higher incomes, and relatively stable home prices.**

- Pending home sales for February came in well above expectations, rising by 1.8% month-over-month (m/m) (consensus -0.6%).
- Sentiment among home builders has remained relatively restrained but ticked higher by 2.7% in March to a three-month high of 38.
- The volume of mortgage applications for home purchases has increased notably in advance of the spring selling season. The MBA Mortgage Purchase Index averaged 170 through the first three weeks of March, representing an 8% increase on a month-over-month basis.

Mortgage Applications



As of 3/31/2026; Source: Bloomberg Finance, LP



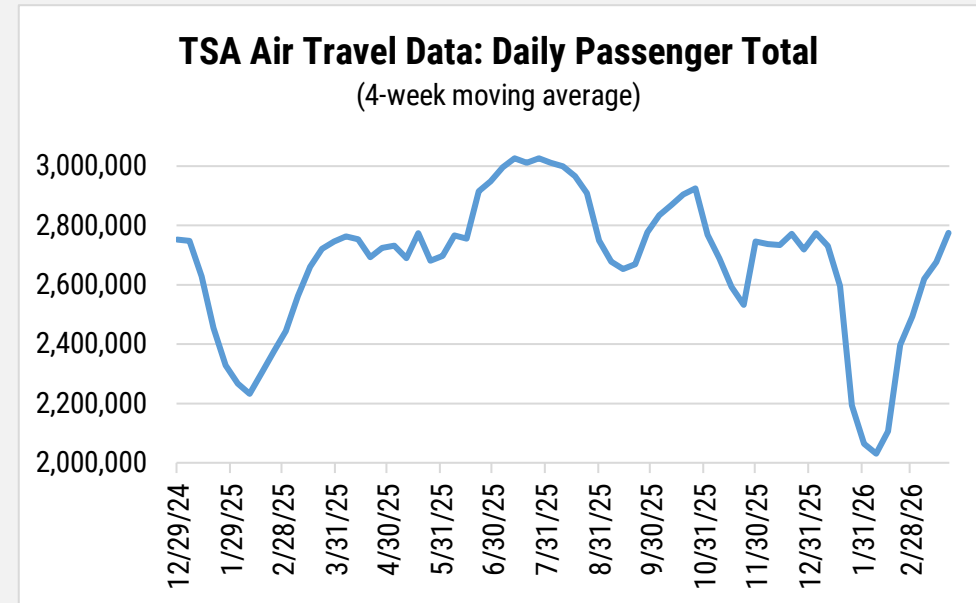
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While lower income consumers have curtailed discretionary purchases, the demand for travel experiences from the higher income cohort has remained robust.

Following a record year for air travel in 2025, passenger volume in the first quarter has exceeded last year's pace by 1.6%, despite the inconvenience of longer security lines.

The vibrant travel and leisure sector continues to provide a helpful boost to the broader economy, offsetting at least a portion of the persistent sluggishness in other areas. While the normal seasonal decline in January and February was exacerbated by harsh winter weather across much of the country, air travel has rebounded in March with spring break travel now in full swing.

Air Travel By Total Passengers



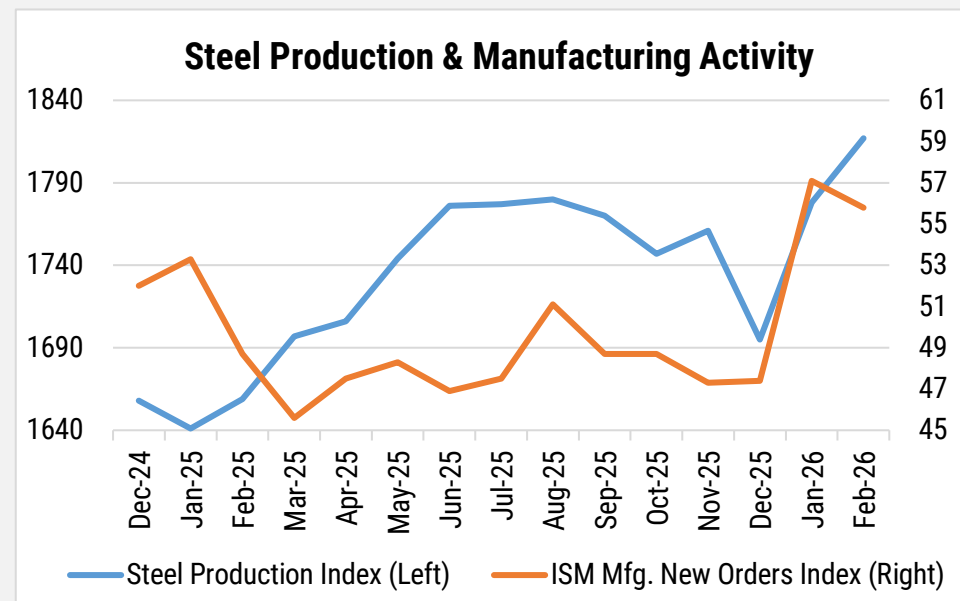
As of 3/22/2026; Source: Bloomberg Finance, LP



According to the latest ISM data, the beleaguered U.S. manufacturing sector posted its best two months of performance in January/February since the third quarter of 2022. The ISM

Manufacturing Index held above 50 for the second consecutive month in February, with a reading of 52.4 (consensus 51.5). The overall index was boosted by a surge in customer demand, as the New Orders component bounced to 55.8 (consensus 53.3). Steel production has ramped up accordingly, increasing by 5% since the end of last year. If sustained, this upturn in manufacturing and its related industries should bring better balance to the overall economy, which remains heavily reliant on the service sectors.

Steel Production



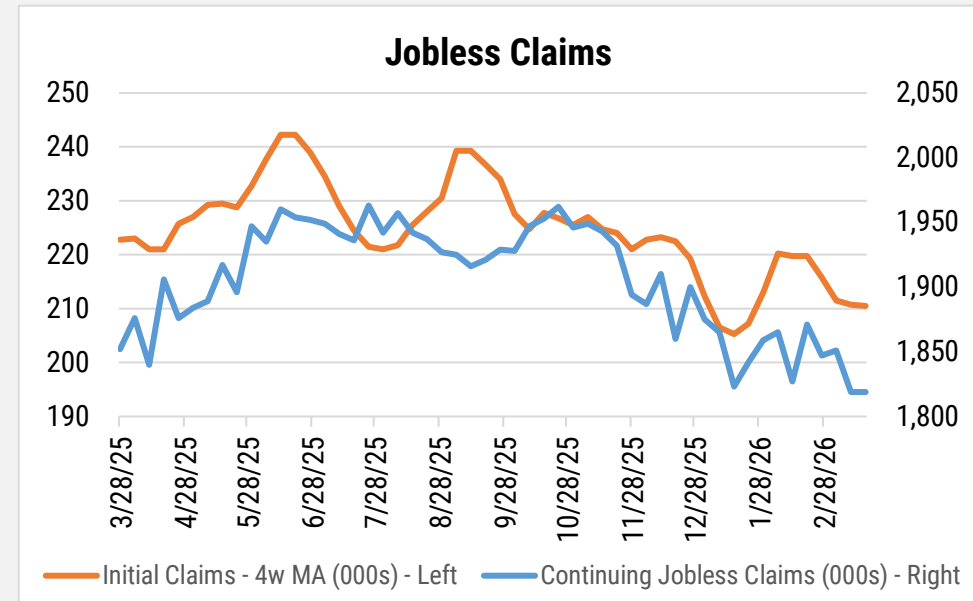
As of 2/28/2026; Source: Bloomberg Finance, LP



In the labor market, the pace of hiring has clearly slowed over the past three months, but the velocity of layoffs has also subsided.

These factors have largely counteracted to prevent a meaningful increase in the unemployment rate, which has held steady near 4.4% since September. Nonfarm payrolls unexpectedly declined in February, dropping by 92,000 (consensus +55,000). Several one-time factors likely suppressed hiring during the month, including unusually harsh winter weather across much of the country and a large-scale worker's strike in the health care industry. Including February's job losses, the three-month moving average for monthly non-farm payroll growth fell from 50,000 to 6,000. On a more positive note, the four-week moving average for initial jobless claims dropped to 211,000 through March 20, marking a two-month low in this measure. Continuing claims have also trended lower since the beginning of the year, falling by 4% to 1.8 million through March 13.

Jobless Claims



As of 3/20/2026; Source: Bloomberg Finance, LP



Economic Data Review

- The high-frequency indicators have shown some early signs of deterioration in response to inflated energy prices but remain consistent with moderate economic growth.
- After struggling for several years, the housing sector appears to have entered the early stages of a durable rebound.
- Driven by demand from upper-income households, air travel is running slightly above last year's pace despite higher prices and travel disruptions.
- A solid rebound in new orders for U.S. manufactured goods has sparked a notable upturn in steel production.
- Labor market turnover appears to have slowed in the first quarter, with fewer hirings and firings.

About the Author



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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.

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 \$6.1 billion.¹

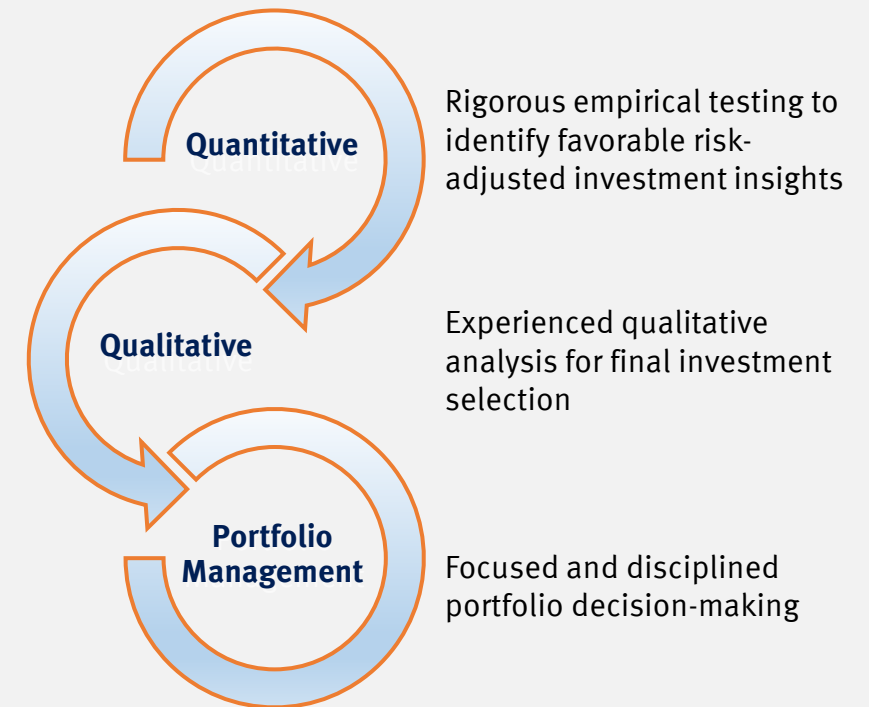
At EquityCompass, our mission as an asset management company is to provide investment solutions that address the needs of clients accumulating, mitigating risk to, and decumulating wealth. We aim to accomplish these goals with an organization culture that prizes intellectual honesty, open dialogue among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



(1) Total assets combines both Assets Under Management and Assets Under Advisement as of February 28, 2026. 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. 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 **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 **S&P 500® Index** is a capitalization-weighted index that is generally considered representative of the U.S. large capitalization market. The **Dow Jones Industrial Average (DJIA)** is an unmanaged, price-weighted index that consists of 30 blue chip U.S. stocks selected for their history of successful growth and interest among investors. The **NASDAQ Composite Index**, comprised mostly of technology and growth companies, is a market value-weighted index of all common stocks listed on NASDAQ.

Disclosures

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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