

Core Fixed Income Portfolio

Portfolio Manager Commentary

As of 12/31/2025



2025 Review

Supported by a confluence of favorable factors, the U.S. bond market posted its strongest annual performance since 2020. The Bloomberg U.S. Aggregate Bond Index (AGG) generated a total return of 7.30% in 2025, more than doubling its 20-year average annual return of 3.25%. The AGG's results for the year included four consecutive positive quarters, including a 1.10% gain in the fourth quarter. Over the past two decades, the AGG has posted an annual total return above 7.00% on only four occasions: 2011 (+7.84%), 2019 (+8.72%), 2020 (+7.51%), and 2025 (+7.30%).

The composition of the AGG's production was well balanced between income and capital appreciation, with yield accounting for 53% and higher prices responsible for 47% of the annual total return. Driven by robust coupon payments throughout the year, the AGG produced a positive real cash flow stream for 2025, as the income return of 3.87% exceeded the annual inflation rate of 2.70%, as measured by the 12-month change in the Consumer Price Index (CPI) through December.

In addition to providing income, the AGG generated a significant amount of capital appreciation due to the combination of lower Treasury yields and tighter spreads on corporate bonds and mortgage-backed securities. After holding rates steady for the first eight months of the year, the Federal Reserve (Fed) resumed its rate normalization campaign in September, lowering the overnight policy rate by a cumulative 75 basis points (bps) through year end. The Fed's actions prompted a reduction in Treasury yields across the curve, led by a 77 bps decline in the 2-year yield to 3.47%. Regarding credit spreads, stronger-than-expected economic growth was the main catalyst for the compression of yield differentials between Treasuries and non-governmental securities. Through the first three quarters of the year, gross domestic product (GDP) growth averaged 2.5%, which exceeded consensus estimates by 50 bps.

Driven by the same favorable macro factors, the **Core Fixed Income Portfolio (CFI)** produced a similar return profile to the AGG for both the year and the fourth quarter. Measured on a gross basis, CFI generated an annual total return of 7.09% (3.93% net of maximum potential fees), including a 0.97% (0.21% net) advance for the fourth quarter. The portfolio's modest performance shortfall relative to the AGG benchmark was primarily attributable to sector allocation. Based on a wide range of risk mitigation strategies and relative value considerations, CFI consistently maintained a lower allocation to corporate bonds and mortgage-backed securities compared to the AGG, along with a higher allocation to Treasuries. For the

Objective

Fixed income strategy utilizing exchange-traded funds (ETFs) to seek capital preservation, return stability, and supplemental income as part of a diversified investment portfolio

Portfolio Management Team



James J. DeMasi, CFA
Senior Portfolio Manager

About EquityCompass

EquityCompass is a Baltimore-based SEC registered investment adviser offering a broad range of portfolio strategies and custom plans for individuals, financial intermediaries, and institutional clients in the U.S. Formally organized in 2008, EquityCompass provides portfolio strategies with respect to total assets over \$5.7 billion as of December 31, 2025.*

The EquityCompass team of professionals represents deep industry experience in security analysis, capital markets, and portfolio management. We are committed to a consistent investment process that relies on enduring principles, sound empirical reasoning, and the recognition of a dynamic investment environment with a global reach.

*Total assets include assets under management and assets under advisement

	Total Returns			Annualized Returns				Calendar-Year Returns								
	3-Mos	6-Mos	YTD	1-year	3-year	5-year	Inception	2017	2018	2019	2020	2021	2022	2023	2024	2025
Gross %	0.97	2.78	7.09	7.09	4.42	0.15	2.08	3.19	-0.32	8.60	6.96	-1.61	-10.05	4.77	1.47	7.09
Benchmark %	1.10	3.15	7.30	7.30	4.66	-0.36	1.94	3.54	0.01	8.72	7.51	-1.54	-13.01	5.53	1.25	7.30
Net %	0.21	1.24	3.93	3.93	1.32	-2.82	-0.94	0.14	-3.30	5.39	3.82	-4.53	-12.74	1.67	-1.56	3.93

As of 12/31/2025; Inception—January 1, 2017; Benchmark = Bloomberg U.S. Aggregate Bond Index

Net returns reflect the deduction of the potential maximum managed account fee of 3.00% which includes the wrap sponsor fee and EquityCompass investment management fees. Actual fees may vary.

year, the Bloomberg U.S. Corporate Bond Index outperformed the Bloomberg U.S. Treasury Index by 145 bps. The Bloomberg U.S. Mortgage-Backed Securities Index represented the year's top-performing investment-grade sector, surpassing Treasuries by 226 bps. Despite these adverse sector-level differentials, successful curve positioning provided a meaningful positive offset to bring CFI's annual total return to within 25 bps of the AGG's performance.

2026 Outlook

While repeating last year's stellar results may prove challenging, bonds continue to be well-positioned to produce above-average returns in 2026. From our perspective, the overall risk/reward profile of the fixed income market appears promising to start the new year. To an even greater extent than 2025, income should constitute the bulk of the AGG's annual total return. While the AGG's year-end yield to maturity (YTM) of 4.3% is somewhat lower compared to the 12 months prior, it continues to exceed the 20-year average YTM by a full percentage point. From a historical perspective, bonds have generally recorded above-average forward total returns when their initial yields were significantly higher than their longer-term averages.

In addition to offering a healthy level of income, bonds appear to have some runway to generate further capital appreciation, though price gains may be quite limited compared to 2025. Two competing factors should largely determine the direction and magnitude of price changes in the fixed income market this year. On the positive side, the Fed is widely expected to continue to lower short-term interest rates over the next several quarters. At the most recent meeting of the Federal Open Market Committee (FOMC) on December 18, the Fed's Statement of Economic Projections included 50 bps of additional rate cuts, which would lower the overnight federal funds rate to 3.0%, effectively shifting monetary policy from mildly restrictive to neutral by the end of 2027.

As a counterpoint to more constructive monetary policy, the path of inflation could exert upward pressure on Treasury yields as the year unfolds. After dropping to a 38-month low of 2.3% in April, the year-over-year change in the CPI subsequently climbed to 2.7% through December, due primarily to the implementation of broad-based tariffs on imported goods and materials. While economists' consensus expectations call for inflation to stabilize near its current level over the next 12 months, a further tightening in trade policy or a stronger-than-forecasted recovery in GDP growth could result in another unwelcome upturn in consumer prices.

GDP growth should accelerate over the first half of next year following a relatively sluggish fourth quarter, due to a double-barreled infusion of monetary and fiscal stimulus. According to interest rate futures, another 25 bps rate cut will likely be forthcoming from the Fed by the second quarter. In addition to the economic boost provided lower interest rates, many households and corporations should experience a lift in after-tax income from the Trump administration's large fiscal package that was enacted last year. A major expansion in capital expenditures to support AI-related initiatives could also bolster economic activity this year. To the extent that the U.S. economy outperforms the relatively tepid consensus estimate for 2.1% annual GDP growth, inflation could also surprise to the upside.

These positive and negative forces may be largely offset, causing Treasury yields and credit spreads to fluctuate within fairly narrow ranges. This dynamic would represent a significant departure from 2025, when both yields and spreads ended the year substantially lower compared to their initial levels. In a more range bound environment for the major underlying components of price returns, the capacity for further capital appreciation may be meaningfully restrained.

Portfolio Strategy

Capital preservation, market risk mitigation, and positive real income remain CFI's primary investment objectives. With money market yields dropping well below the AGG's YTM of 4.3%, and likely to fall further if the Fed continues to reduce rates as expected, a powerful rotation from cash to bonds could unfold this year as investors seek to preserve cash flow in a declining rate environment. CFI's relatively conservative approach to duration and credit risk intentionally positions the portfolio as a viable alternative for the deployment of excess cash.

From a historical perspective, the Treasury yield curve has tended to steepen significantly during Fed easing cycles. Although the 2-year to 10-year Treasury yield differential has widened by 55 bps to 70 bps since the Fed's first rate cut in September 2024, this spread remains well below its 20-year average of 100 bps. Assuming the Fed continues to gradually lower rates in accordance with its latest forward guidance, the Treasury yield curve should continue to steepen, led by lower short-term rates.

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To prepare for a continued steepening of the Treasury curve (lower short-term yields coupled with flat to higher long-term yields), the portfolio's duration is set at 5.5 years, which is approximately 90% of the AGG's duration. The portfolio's 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. Short-term and intermediate-term yields tend to follow the path of the fed funds rate, while longer-term yields are more heavily influenced by growth and inflation expectations, along with technical supply and demand factors. Focusing the portfolio's expected future principal cash flows in the intermediate-term segment of the curve should assist performance and mitigate risks in several ways, including increasing potential curve roll down benefits, reducing front-end reinvestment risk, and lowering the inflation risk associated with longer duration instruments.

After spiking in April on concerns over the potential ramifications of high tariffs on the U.S. economy, corporate bond credit spreads have nearly fully recovered to their pre-tariff levels. Greater certainty surrounding U.S. trade policy justifies some of this sharp reversal, but lingering risks to GDP growth, employment, and inflation suggest that spreads may have tightened to a greater extent than warranted by economic fundamentals. Spreads on mortgage-backed securities also appear to be unduly narrow, given the lack of clarity associated with the ultimate disposition of Fannie Mae and Freddie Mac, which may emerge from federal conservatorship at some point this year.

To address the potential risks associated with wider spreads, CFI maintains a significantly higher credit quality posture relative to the AGG. Compared to the benchmark, CFI holds an overweight to the combination of Treasuries and cash of 890 bps, with a commensurate underweight to corporate bonds and other sectors with higher risk profiles. As the year progresses, we will respond to any significant relative value improvements in the underweighted sectors by prudently increasing exposures as appropriate.

CORE FIXED INCOME PORTFOLIO WRAP COMPOSITE (01/01/2017 – 12/31/2024)

Year-End	Gross-of-Fees Return*	Net-of-Fees Return**	Benchmark Return	Composite 3 Yr. Ex Post Std. Deviation	Benchmark 3 Yr. Ex Post Std. Deviation	Composite Number of Portfolios	Internal Dispersion	Composite Assets (USD Mil.)	Strategy Assets (USD Mil.)†	Firm AUM (USD Mil.)	Firm & Advisory Assets (USD Mil.)†
2017	3.2%	0.1%	3.5%	N/A	N/A	<6	N/A	\$0.02	\$0.02	\$242	\$3,785
2018	-0.3%	-3.3%	0.0%	N/A	N/A	<6	N/A	\$0.02	\$0.02	\$167	\$3,831
2019	8.6%	5.4%	8.7%	N/A	N/A	<6	N/A	\$0.02	\$0.02	\$146	\$4,294
2020	7.0%	3.8%	7.5%	3.1%	3.4%	<6	N/A	\$0.05	\$0.05	\$153	\$4,012
2021	-1.6%	-4.5%	-1.5%	2.9%	3.4%	<6	N/A	\$0.15	\$8.47	\$221	\$5,038
2022	-10.1%	-12.7%	-13.0%	4.8%	5.9%	<6	N/A	\$0.13	\$19.49	\$184	\$4,469
2023	4.8%	1.7%	5.5%	6.3%	7.2%	<6	N/A	\$0.14	\$34.17	\$179	\$4,707
2024	1.5%	-1.6%	1.3%	6.9%	7.8%	<6	N/A	\$0.02	\$65.64	\$225	\$5,184

* Supplemental information. Please see Fees section for details. ** Net returns are calculated by subtracting the highest applicable wrap fee (3.00% on an annual basis) from the gross composite return. † Supplemental Information.

EquityCompass Investment Management, LLC (“EquityCompass”) claims compliance with the Global Investment Performance Standards (“GIPS®”) and has prepared and presented this report in compliance with the GIPS standards. EquityCompass has been independently verified for the periods 06/01/2014–12/31/2024. The verification report is available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm’s policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.

Definition of the Firm

EquityCompass is registered as an investment adviser with the Securities and Exchange Commission. The firm provides a broad range of investment strategies to individuals, financial intermediaries, and institutions in the United States. EquityCompass, a wholly owned subsidiary of Stifel Financial Corp., was organized as an entity in 2007, and has been registered with the SEC since May 5, 2008. SEC Registration does not imply a certain level of skill or training. Please refer to the firm’s ADV Part 2 for additional disclosures regarding the firm and its practices. To obtain a GIPS Report or a list of our composite descriptions and/or policies for valuing investments, calculating performance, and preparing GIPS reports, please call (443) 224-1231 or send an e-mail to info@equitycompass.com.

Composite Description

The performance results displayed herein represent the investment performance record for the Core Fixed Income Portfolio Wrap Composite. The composite includes wrap and non-wrap accounts that are invested in the composite strategy and managed on a discretionary basis by EquityCompass. Core Fixed Income Portfolio strategy utilizes exchange-traded funds to seek capital preservation, return stability, and supplemental income as part of a diversified investment portfolio. It is available in wrap fee programs through third-party intermediaries (each, a “Sponsor”) that have engaged EquityCompass to manage client accounts on a discretionary basis or to provide non-discretionary investment recommendations in the form of model portfolios. The Composite was created in January 2018 and the inception date is January 1, 2017.

Benchmark Description

The benchmark is Bloomberg U.S. Aggregate Bond Index. 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). 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.

Fees

Gross-of-fees returns, are gross of portfolio management and custody fees and net of all actual transaction costs in the case of non-wrap accounts and those wrap accounts traded by EquityCompass. If the wrap account trades are executed by the Sponsor, transaction costs are bundled with the wrap fee and therefore not deducted from gross-of-fee return calculation. Net returns are calculated by subtracting the highest applicable annual wrap fee (3.00%, by deducting 0.75% quarterly) from the gross composite return. The EquityCompass management fee per annum is 0.15%. Clients are typically charged a wrap fee which includes, in addition to the manager fee, trading expenses, as well as custody and administrative fees. The wrap fee schedule varies by Sponsor and is available upon request.

Reporting Currency

Valuations are computed and performance reported in U.S. dollars (USD).

Annualized Standard Deviation

The three-year annualized ex post standard deviation measures the variability of the monthly returns of the composite (gross-of-fee) and the benchmark over the preceding 36-month period; it is not presented for periods of less than three years.

Internal Dispersion

Internal dispersion is calculated using the asset-weighted standard deviation of annual gross returns of all accounts that were in the composite for the entire year; it is not presented for periods less than one year or when there were fewer than five accounts in the composite for the entire year.

Assets

Strategy Assets include all discretionary and non-discretionary accounts invested in the Core Fixed Income Portfolio strategy. Accounts that are excluded from the composite because of significant cash flows or for other reasons are also included in Strategy Assets. This is presented as supplemental information.

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This commentary often expresses opinions about the direction of market, investment sector, and other trends. The opinions should not be considered predictions of future results. The information contained in this report is based on sources believed to be reliable, but is not guaranteed and not necessarily complete. All investments involve risk, including loss of principal, and there is no guarantee that investment objectives will be met. It is important to review your investment objectives, risk tolerance, and liquidity needs before choosing an investment style or manager. Equity investments are subject generally to market, market sector, market liquidity, issuer, and investment style risks, among other factors to varying degrees. Fixed Income investments are subject to market, market liquidity, issuer, investment style, interest rate, credit quality, and call risks, among other factors to varying degrees.

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). All index returns are shown on a total return basis and assume that all cash distributions, such as dividends, are reinvested. 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 US and non-US industrial, utility and financial issuers. The **Bloomberg U.S. Treasury Index** measures US dollar-denominated, fixed-rate, nominal debt issued by the US 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. All index 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.

The **Consumer Price Index (CPI)** measures the change in prices paid by consumers for goods and services. The CPI reflects spending patterns for each of two population groups: all urban consumers and urban wage earners and clerical workers.

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.

It is important to review your investment objectives, risk tolerance, and liquidity needs before choosing an investment style or manager. No representation is made that any Strategy, model, or model mix will achieve results similar to those shown in these materials. Diversification (or asset allocation) does not ensure a profit or protect against loss. Rebalancing may have tax consequences, which should be discussed with your tax advisor.

*Total assets combines both Assets Under Management and Assets Under Advisement as of December 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.

Past performance does not guarantee future performance or investment results.

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