Core Fixed Income Portfolio

Portfolio Manager Commentary

As of 12/31/2024

EquityCompass

Q4 2024 Review

As part of a diversified portfolio, investment-grade bonds primarily seek to produce a positive and sustainable real income stream. Bonds were well positioned to satisfy that goal in 2024, as they began the year with the highest yields in nearly two decades. The **Core Fixed Income Portfolio (CFI)** generated an income return of 3.4% for the year, surpassing the 2.9% annual rate of inflation, as measured by the 12-month change in the Consumer Price Index (CPI).

While the income component of CFI's total return was favorable, the price return was less constructive. Bond yields rose across the maturity spectrum and the yield curve steepened, due primarily to an adverse shift in the market's expectations for the timing and magnitude of the Federal Reserve's (Fed) rate cuts. The largest upward shift in rates occurred on the long-end of the U.S. Treasury yield curve, with the 10-year yield increasing by 70 basis points (bps) to 4.6%—its highest year-end level since 2006.

At the start of the year, the Fed's Summary of Economic Projections—commonly referred to as the "dot plot"—forecasted 200 bps of rate cuts over the next two years, which would have lowered the overnight fed funds rate to 3.5% by the end of 2025. At the Fed's December meeting, the projected policy rate for year-end 2025 was upwardly revised by 40 bps to 3.9%. This more hawkish outlook for policy normalization was anticipated by the bond market, lifting Treasury yields across the curve.

The Fed's shift toward a more cautious approach to rate cuts was prompted by the U.S. economy's stronger-than-expected performance last year. While the Fed was anticipating gross domestic product (GDP) growth of only 1.4%, the U.S. economy expanded at an annualized rate of 2.6% through the first three quarters and appears on pace to eclipse 2.5% for the full year. Resilient demand, particularly from upper-income consumers, propelled solid household consumption and resulted in higher-than-anticipated inflation. Compared to the Fed's forecast for a 2.4% annual increase in the Personal Consumption Expenditures Price Index (PCE), inflation rose by 2.8% over the past 12 months.

In light of the Fed's justified reassessment of the future path for rate cuts, bonds experienced meaningful price declines. CFI recorded a price return of -1.94% for the year, lowering its total return to 1.47% (-1.56 net of maximum potential fees). Despite the negative contribution to total return from price depreciation, CFI outperformed the Bloomberg U.S. Aggregate Bond Index (AGG) by 22 bps on a gross basis. For 2024, the AGG reported a total return of 1.25%, marking its second consecutive year of positive returns, following declines in 2021 and 2022.

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

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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 of approximately $5.2 billion as of December 31, 2024.*

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 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
Gross %	-2.83	1.90	1.47	1.47	-1.48	0.13	1.47	3.19	-0.32	8.60	6.96	-1.61	-10.05	4.77	1.47
Benchmark %	-3.06	1.98	1.25	1.25	-2.41	-0.33	1.29	3.54	0.01	8.72	7.51	-1.54	-13.01	5.53	1.25
Net %	-3.58	0.38	-1.56	-1.56	-4.41	-2.84	-1.54	0.14	-3.30	5.39	3.82	-4.53	-12.74	1.67	-1.56

As of 12/31/2024; 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.

CFI's modest outperformance was primarily a function of the portfolio's curve positioning relative to the AGG. CFI maintained a higher allocation to bonds in the intermediate duration segment of the yield curve, which, on average, produced higher returns than bonds in the longer duration buckets. Favorable curve positioning was partially mitigated by sector allocation. CFI's underweight to corporate bonds detracted somewhat from relative performance, as the corporate sector provided the highest total returns across major fixed income sectors. Viewed in totality, CFI provided a similar yield and higher total return compared to the AGG, while running a shorter average duration (5.5 years versus 6.0 years) and maintaining a higher allocation to the combination of U.S. Treasuries and cash (53% versus 47%), as a percentage of total holdings.

Over the past three years, CFI's performance provided useful risk mitigation benefits relative to the AGG during 2022's historic bond market rout, while still managing to capture the vast majority of the recovery in the fixed income sector throughout the past 24 months. On a 36-month annualized basis, CFI declined by 1.48% per annum (-4.41% net), compared to the AGG's steeper drop of 2.41% per annum.

2025 Outlook

We remain constructive on bonds for 2025, given the generally favorable risk/reward profile of the fixed income market. Consistent with last year, income should once again produce the bulk of annual total returns. The AGG started the year with a yield-to-maturity (YTM) of 4.9%, which marked a 40 bps improvement compared to January 2024. This represented the AGG's highest YTM to begin the year since 2007 and provided a 160 bps upgrade over its 20-year average. 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 attractive income, price depreciation should be less of a headwind for bonds this year, since current valuations have already incorporated more conservative assumptions regarding future rate cuts. Treasury yields presently reside slightly above our fair value targets across the curve. As bonds now appear to be more reasonably priced, we expect less upward pressure on yields compared to last year.

Economists' consensus expectations for growth and inflation also provide an encouraging backdrop for the fixed income sector. According to Bloomberg's latest survey of leading economists conducted in December, GDP growth is projected to downshift to 2.1%. Slower growth should assist the bond market's performance in two ways. First, weaker growth would encourage the Fed to follow through with its forecasted rate cuts in 2025, with the goal of limiting the potential damage to employment and wages in a more sluggish economy. Second, the expected moderation in aggregate demand would put further downward pressure on inflation, supporting lower rates over time. The survey envisioned another drop in annual CPI inflation to 2.5% this year.

While economic forecasts are always subject to a high degree of uncertainty and prone to sizable revisions, the range of variance may be particularly wide this year. The November election resulted in a sweeping political reset in Washington, DC, with the potential to significantly alter a wide range of factors that may strongly influence economic growth and inflation. At this early stage, the scope and potential impact of the incoming administration's economic policies are difficult to precisely ascertain but should be closely monitored as the year progresses. Policy decisions regarding tariffs, taxation, federal spending, immigration, and regulation could be particularly important determinants of economic outcomes over the next several years. At a minimum, daily interest rate volatility will likely increase, as the market reacts to various proposals and legislative initiatives that will be further developed over the coming weeks and months.

Portfolio Strategy

Capital preservation, market risk mitigation, and positive real income remain CFI's primary investment objectives. With money market yields dipping below the AGG's YTM of 4.9%, and likely to fall further if the Fed continues to reduce rates, bonds may capture significant outflows from cash instruments this year. CFI's relatively conservative approach to duration and credit risk is designed to position the portfolio as a viable alternative for the redeployment of excess cash.

From a strategy perspective, the portfolio is structured to address the unique considerations of a Fed rate normalization cycle, which have historically been characterized by steeper yield curves and wider credit spreads. We expect those particular themes to drive the bond market's performance in 2025 and have tailored CFI's investment strategy to address both issues.

To prepare for a continued steepening of the Treasury curve (lower short-term yields coupled with flat to higher long-term yields), we have set the portfolio's duration at 5.5 years, which is approximately 92% of the AGG's duration. 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.

When the curve steepens, credit spreads tend to widen, with investors demanding greater compensation for potential downside risks to the economy. In an environment of wider credit spreads, Treasuries typically outperform the more credit-sensitive sectors, as investors flock to the perceived safety of U.S. government debt. To address the potential risks associated with wider credit spreads, CFI maintains a significantly higher credit quality posture relative to the AGG. Compared to the benchmark, the portfolio has a combined overweighting among Treasuries and cash of 640 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 underweighted sectors by prudently increasing exposure as warranted.

CORE FIXED INCOME PORTFOLIO WRAP COMPOSITE (01/01/2017 – 12/31/2023)

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 & Advisory Assets (USD Mil.)
2017	3.2%	0.1%	3.5%	N/A	N/A	<6	N/A	$0.02	$0.02	$3,785
2018	-0.3%	-3.3%	0.0%	N/A	N/A	<6	N/A	$0.02	$0.02	$3,831
2019	8.6%	5.4%	8.7%	N/A	N/A	<6	N/A	$0.02	$0.02	$4,294
2020	7.0%	3.8%	7.5%	3.1%	3.4%	<6	N/A	$0.05	$0.05	$4,012
2021	-1.6%	-4.5%	-1.5%	2.9%	3.4%	<6	N/A	$0.15	$8.47	$5,038
2022	-10.1%	-12.7%	-13.0%	4.8%	5.9%	<6	N/A	$0.13	$19.49	$4,469
2023	4.8%	1.7%	5.5%	6.3%	7.2%	<6	N/A	$0.14	$34.17	$4,707

** 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 06/01/2014-12/31/2023. 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. 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.

Yield to maturity (YTM) is considered a long-term bond yield but is expressed as an annual rate. It is the internal rate of return of an investment in a bond if the investor holds the bond until maturity, with all payments made as scheduled and reinvested at the same rate.

The **Personal Consumption Expenditures Price Index**, also known as the core PCE price index, is defined as personal consumption expenditures (PCE) prices excluding food and energy prices. The core PCE price index measures the prices paid by consumers for goods and services without the volatility caused by movements in food and energy prices to reveal underlying inflation trends.

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, 2024. 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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