CanterburyConsulting

Quarterly Asset Class Report
Taxable Fixed Income

canterburyconsulting.com

June 30, 2026

Role in the Portfolio

Canterbury Consulting recommends and communicates asset-class strategy with the objective of constructing a diversified portfolio of fixed income strategies designed to (in aggregate):

— Preserve after-tax wealth and mitigate volatility

— Maintain comparable exposure to the broad municipal market

— Focus exposure based on state domicile and after-tax returns

— Exhibit returns uncorrelated to equity markets

Role	Asset Categories	Risks
Growth	Public and Private Equity	Market Decline
Capital Preservation	**Fixed Income, Hedge Funds**	**Rising Interest Rates, Highly Correlated Markets**
Inflation Protection	Real Assets: Real Estate, Commodities	Deflation

— Canterbury global fixed income portfolios are set up with a goal to deliver consistent after-tax and net-of-fees excess returns and moderate tracking error versus the Bloomberg Municipal Bond Index. The goal for taxable fixed income portfolios are to have a high-quality bias with sensitivity toward taxes.

— Canterbury’s fixed income portfolios seek to exhibit benchmark-like, after-tax yields and credit quality through more portfolio diversification. Portfolio diversification will depend on the client’s state of domicile and individual goals (i.e. income vs. capital preservation).

Index Returns as of June 30, 2026

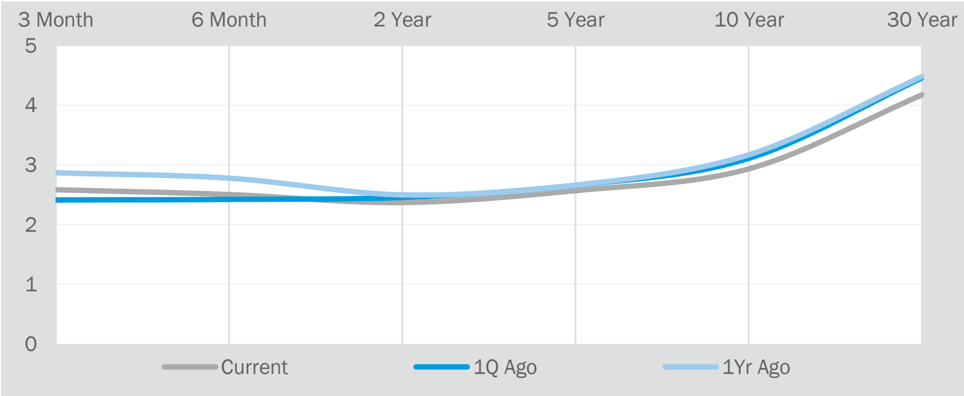
Fixed Income

	QTD (%)	YTD (%)	1 Year (%)	3 Years (%)	5 Years (%)	7 Years (%)	10 Years (%)
Bloomberg Global Aggregate	**0.87**	**-0.21**	**0.62**	**3.41**	**-1.55**	**-0.15**	**0.38**
Bloomberg US Agg Bond	**0.67**	**0.62**	**3.79**	**4.16**	**0.08**	**1.22**	**1.54**
U.S. Treasurys							
FTSE Treasury Bill 3 Month	0.93	1.87	4.05	4.86	3.69	2.86	2.40
Bloomberg Short Treasury	0.87	1.71	3.92	4.71	3.46	2.76	2.35
Bloomberg Intermediate Treasury	0.18	0.23	2.67	4.09	0.89	1.45	1.41
Bloomberg Long Term US Treasury	0.85	0.44	2.89	-0.46	-5.60	-2.45	-1.33
Bloomberg U.S. Treasury TIPS 1-5Y	0.57	1.40	3.43	5.17	3.02	3.59	2.99
Bloomberg US Treasury US TIPS	0.89	1.15	3.42	3.98	1.01	2.79	2.58
U.S. Corporate Credit							
Bloomberg US Corp IG	1.40	0.86	4.34	5.29	0.34	2.02	2.60
Morningstar LSTA US LL	1.88	1.31	4.36	7.55	6.01	5.61	5.50
Bloomberg HY Corporate	2.47	1.96	5.91	8.86	4.17	5.09	5.81
Bloomberg Ba to B US HY	2.48	2.05	5.99	8.37	3.94	4.98	5.62
Bloomberg US Corp Aaa	0.75	0.04	2.77	2.24	-2.25	0.16	1.21
Bloomberg US Corp Aa	0.73	0.28	3.06	3.59	-0.94	0.71	1.35
Bloomberg US Corp A	1.27	0.72	4.21	4.95	0.19	1.77	2.22
Bloomberg US Corp Baa	1.67	1.12	4.73	5.95	0.76	2.51	3.17
Bloomberg US HY Ba	2.26	1.98	5.90	8.12	3.68	5.11	5.57
Bloomberg US HY B	2.84	2.18	6.15	8.69	4.27	4.81	5.65
Bloomberg US HY Caa	2.98	1.69	6.32	11.57	5.19	5.33	6.40
Securitized							
Bloomberg ABS	0.75	1.07	4.01	5.26	2.47	2.62	2.43
Bloomberg MBS	0.58	0.99	5.21	4.60	0.50	1.09	1.38
Bloomberg CMBS	0.45	0.77	3.91	5.79	1.18	2.12	2.26
Municipals							
Bloomberg Municipal	2.50	2.32	7.03	3.76	1.05	1.97	2.15
Bloomberg Muni 1-10	1.22	1.08	4.12	3.41	1.38	1.81	1.85
Global							
Bloomberg Global Aggregate TR Hdg USD	1.30	1.15	3.17	4.50	0.88	1.49	1.92
Bloomberg Gbl Agg Ex USD	0.99	-0.90	-1.95	2.70	-2.89	-1.34	-0.66
FTSE WGBI	0.68	-0.38	-0.11	2.50	-2.66	-1.17	-0.52

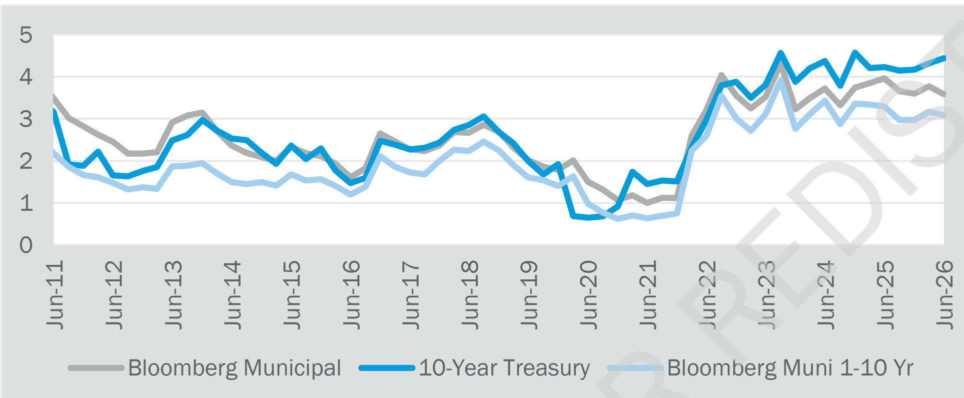
Market Environment as of June 30, 2026

Fixed Income

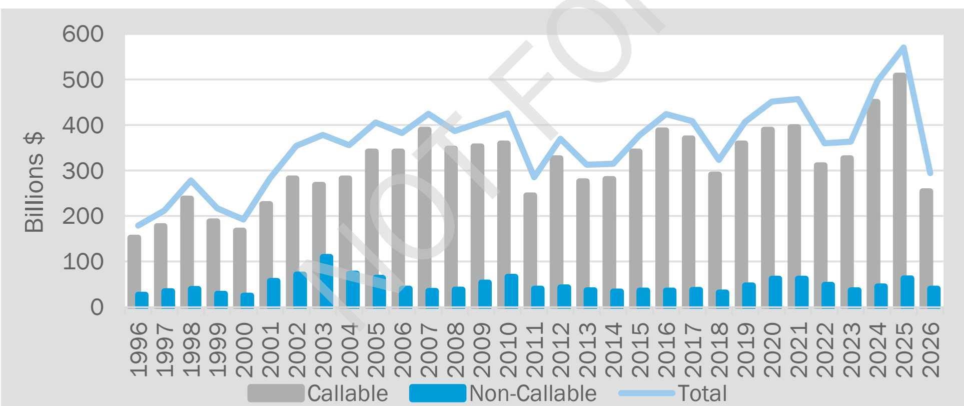
Municipal Yield Curve (%)



Yield Comparison (%)



U.S. Municipal Issuance ($)

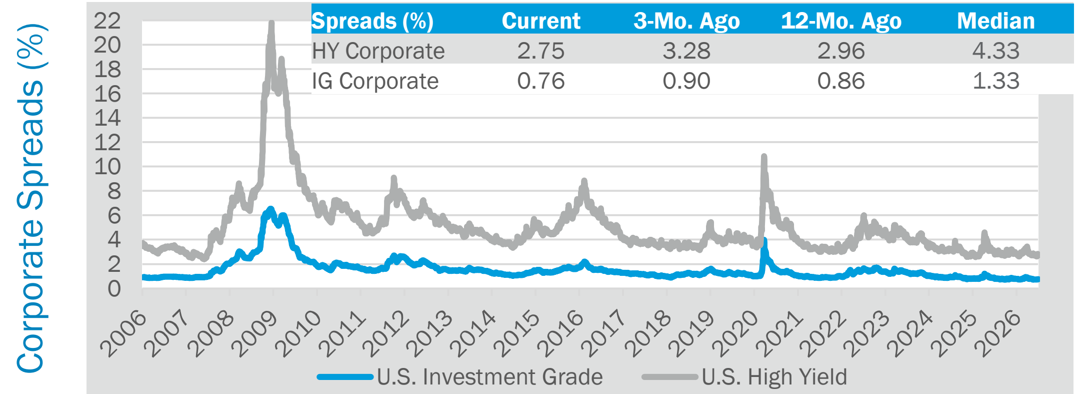


- The Federal Reserve held the federal funds rate constant at both the April and June FOMC meetings in a range of 3.50% - 3.75%.
- The June FOMC meeting marked Kevin Warsh's first as chairman, during which he emphasized the Fed's commitment to restoring price stability and signaled that rates could remain elevated for longer than markets had expected. He also introduced changes to Fed communications, including a shorter policy statement, reduced reliance on forward guidance, and the creation of task forces to review best practices at the Fed. Current FOMC projections indicate support for one 25 basis point hike in 2026, though members are still divided given the uncertainty surrounding the effects of trade policy and conflict in the Middle East.
- The municipal yield curve flattened during the second quarter, as intermediate- and longer-term yields compressed while short-term yields increased. Strong investor demand continued to absorb new issuance across the curve, contributing to the flattening of the yield curve.
- Municipal bond issuance totaled $294.3 billion through the first half, an increase of 5.6% relative to the same period in 2025.

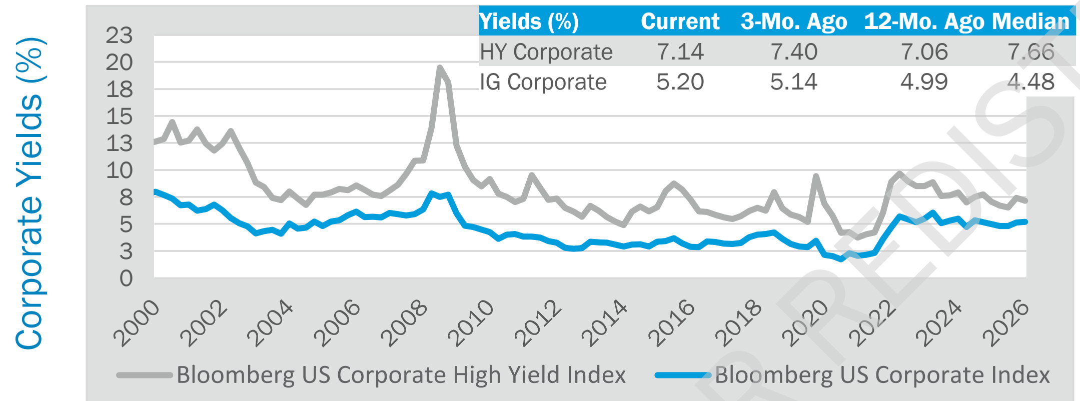
Sources: Securities Industry and Financial Markets Association (SIFMA). U.S. Treasury Department, Bloomberg Indices. Data as of 6/30/2026

Market Environment as of June 30, 2026

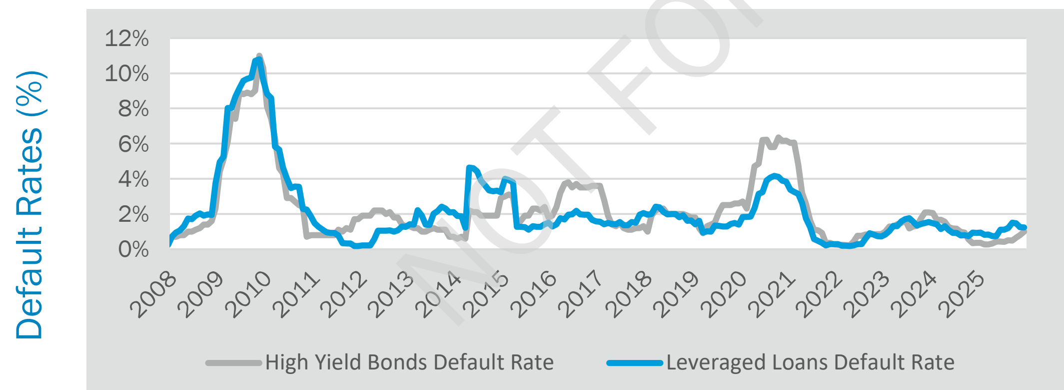
Fixed Income



Spreads (%)	Current	3-Mo. Ago	12-Mo. Ago	Median
HY Corporate	2.75	3.28	2.96	4.33
IG Corporate	0.76	0.90	0.86	1.33



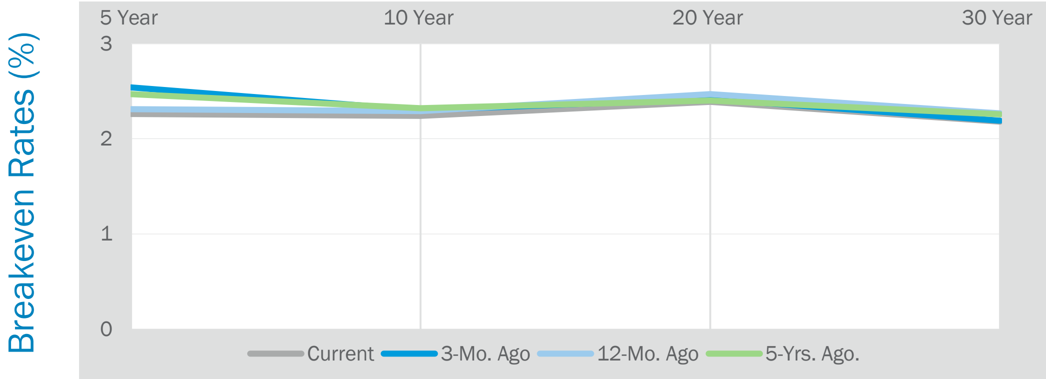
Yields (%)	Current	3-Mo. Ago	12-Mo. Ago	Median
HY Corporate	7.14	7.40	7.06	7.66
IG Corporate	5.20	5.14	4.99	4.48

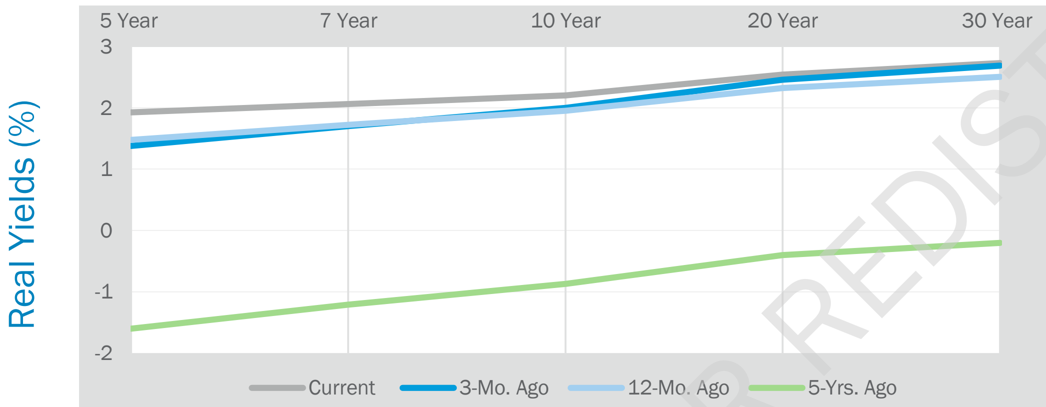


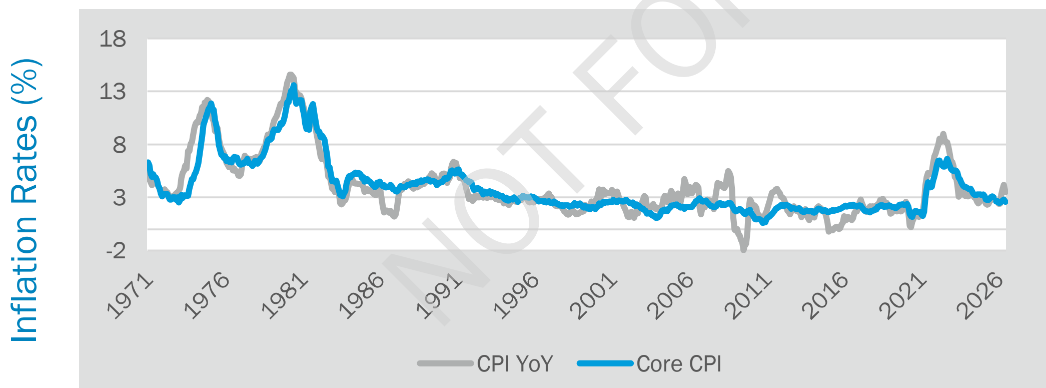
- Investment-grade (IG) and high-yield (HY) credit spreads were volatile in the second quarter, ending the period meaningfully tighter, and remain well below their long-term median levels. [1]
- The yield on investment-grade corporate bonds rose from 5.14% to 5.20% over the quarter, while the yield on high-yield corporate bonds fell from 7.40% to 7.14%.
- IG corporate bond yields crept further above their long-term median levels, while HY corporate yields remain well below their long-term median levels. [2]

Sources: Federal Reserve Bank of St. Louis, U.S. Treasury Department. Data as of 6/30/2026. S&P LCD Lev Loan Defaults, JP Morgan HY Bond Defaults, Data as of 12/31/2025.

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





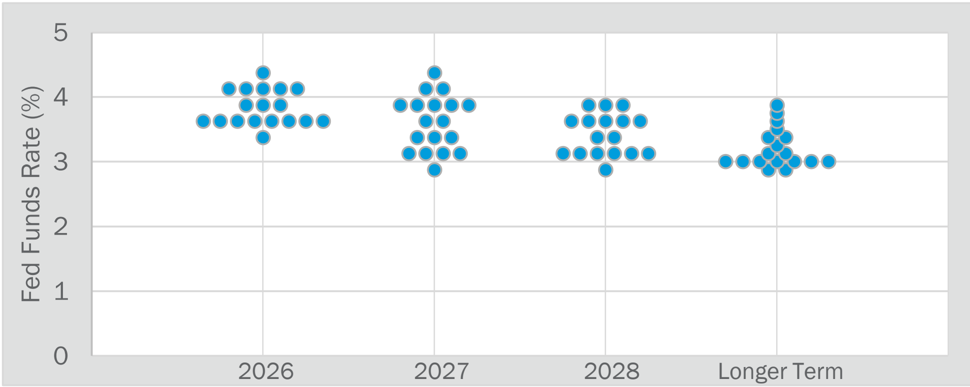


- The breakeven rate yield curve flattened in the second quarter, with intermediate term breakeven rates (specifically the 5-year) decreasing meaningfully, while long-term breakeven rates decreased moderately.
- The breakeven rate is the implied inflation rate for a given maturity and is calculated by subtracting the real yield of a Treasury bond from the nominal yield.
- Current breakeven rates suggest that intermediate-term inflation is expected to remain elevated, likely in the 2.2 - 2.3% range, relative to longer-term inflation.
- Real yields increased materially across the curve given elevated near and intermediate-term inflation expectations, with 5-year real yields increasing by nearly 40% from the prior quarter.
- The June Consumer Price Index (CPI) report came in cooler than expected, though inflation remained elevated. Easing energy and services price pressures contributed to the 3.5% year-over-year headline inflation rate. On a seasonally adjusted basis, CPI declined 0.4% in June, marking the largest monthly decrease since April 2020. Core CPI also came in below expectations and was unchanged from the prior month, bringing the year-over-year core inflation rate to 2.6%.

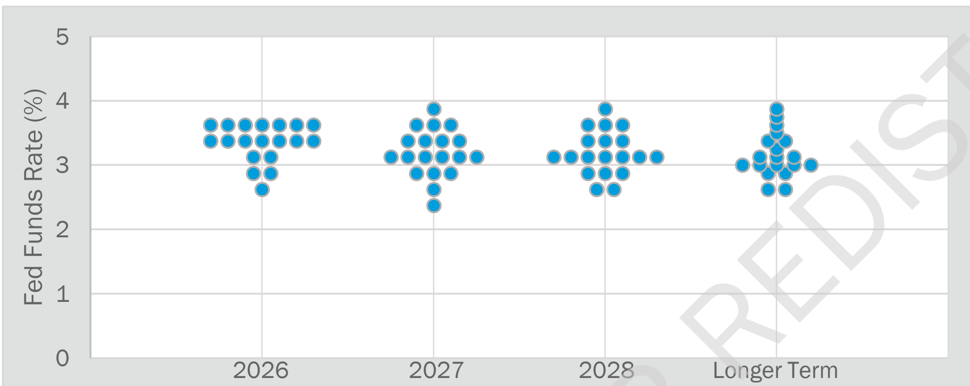
Source: Federal Reserve Bank of St. Louis, Bureau of Labor Statistics CPI & PCE Data, U.S. Treasury Department, U.S. Treasury Inflation-Indexed Rates. Data as of 6/30/2026.

Market Environment as of June 30, 2026

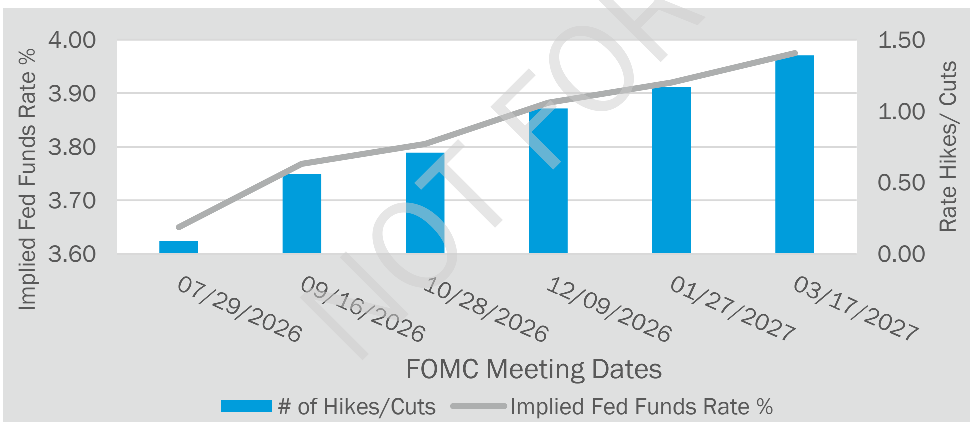
Fed Dot Plot June 2026



Fed Dot Plot March 2026



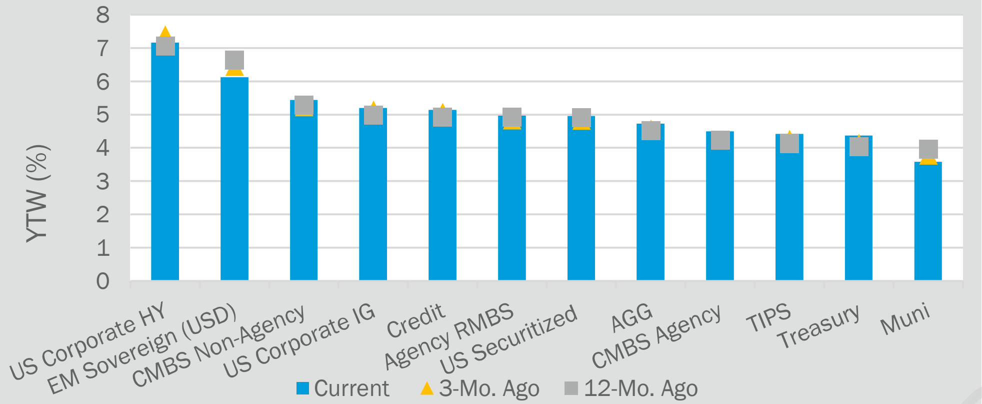
Implied Fed Funds Rate & Rate Hike Probabilities



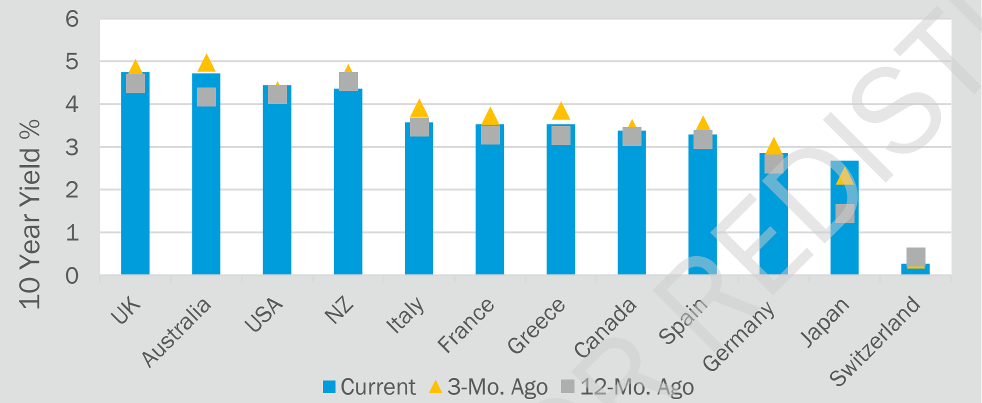
- FOMC projections showed greater dispersion at the June meeting, with the median forecast indicating support for one additional rate hike through the end of 2026. Chair Warsh declined to submit a dot plot, consistent with his view that the Federal Reserve should place less reliance on forward guidance.
- Market participants, as reflected in the Fed funds futures market, are currently pricing in approximately one 25 basis point rate hike through the Fed's December 2026 meeting. This marks a shift since last quarter's assessment, where participants were pricing in just under one rate cut.
- The Fed Dot Plot represents where each of the Federal Open Market Committee (FOMC) members believes the Fed funds rate will be in the future.
- The implied Fed funds rate is where market participants believe the Fed funds rate will be based on futures prices.

Source: Board of Governors of the Federal Reserve System, Fed Funds Futures as of 6/30/2026.

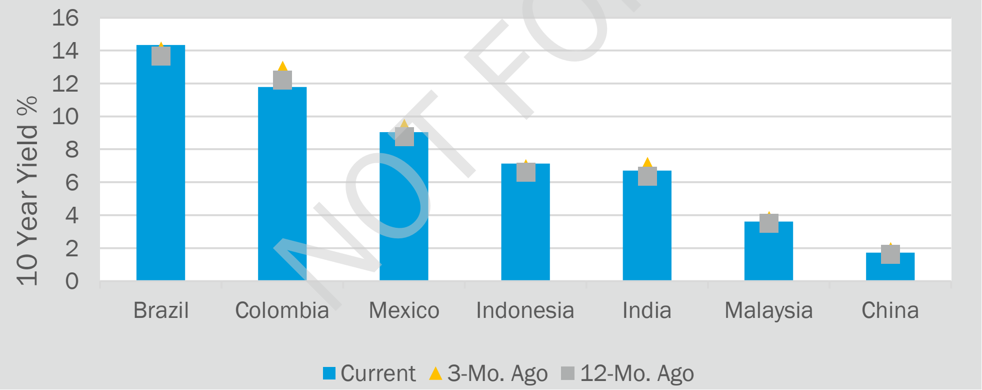
Domestic Yields



Developed Yields (Local Currency)



EM Yields (Local Currency)



- Yields across U.S. fixed income sectors were volatile and generally increased in the second quarter, although yields on dollar-denominated Emerging Market Sovereign[1] debt compressed by approximately 32 basis points due to speculation around de-escalation in the Middle East and a variety of country-specific tailwinds.
- In global developed markets, yields broadly decreased. New Zealand sovereign debt exhibited the largest decrease, driven partially by the announcement of a reduced five-year borrowing plan, helping alleviate investor concerns regarding national debt levels. Japanese sovereign debt, however, saw yields end the quarter materially higher, driven by concerns over elevated energy-related inflation and broader fiscal health.
- Emerging market (EM) sovereign yields (local currency) posted a mixed bag of results. Yields on Colombian sovereign debt decreased by over 100 basis points following the conclusion of a highly contested presidential election and growing investor optimism over a right-wing regime shift.

Source: Bloomberg Indices. 10-year global sovereign yields. Data as of 6/30/2026.
[1]As measured via the Bloomberg Emerging Markets USD Aggregate – Sovereign Index.

Factors that Affect Fixed Income Portfolios

Goals

- *Are clients seeking to preserve capital, generate total return, or blend the two within a fixed income segment?*
- *What level of risk related to portfolio correlation is the client looking to incur?*

Interest Rate & Inflationary Environment

- *How does the current interest rate regime and inflationary environment affect return and risk (i.e. stagnant, slow-rise, rapid rise)?*
- *What level of interest rate volatility is the client willing to take?*

Risk Tolerance

- *How much risk is a client willing to take?*
- *Duration, yield curve positioning, sector exposure, credit exposure, the correlation to equities, and the client's distribution flows are important factors to measure.*

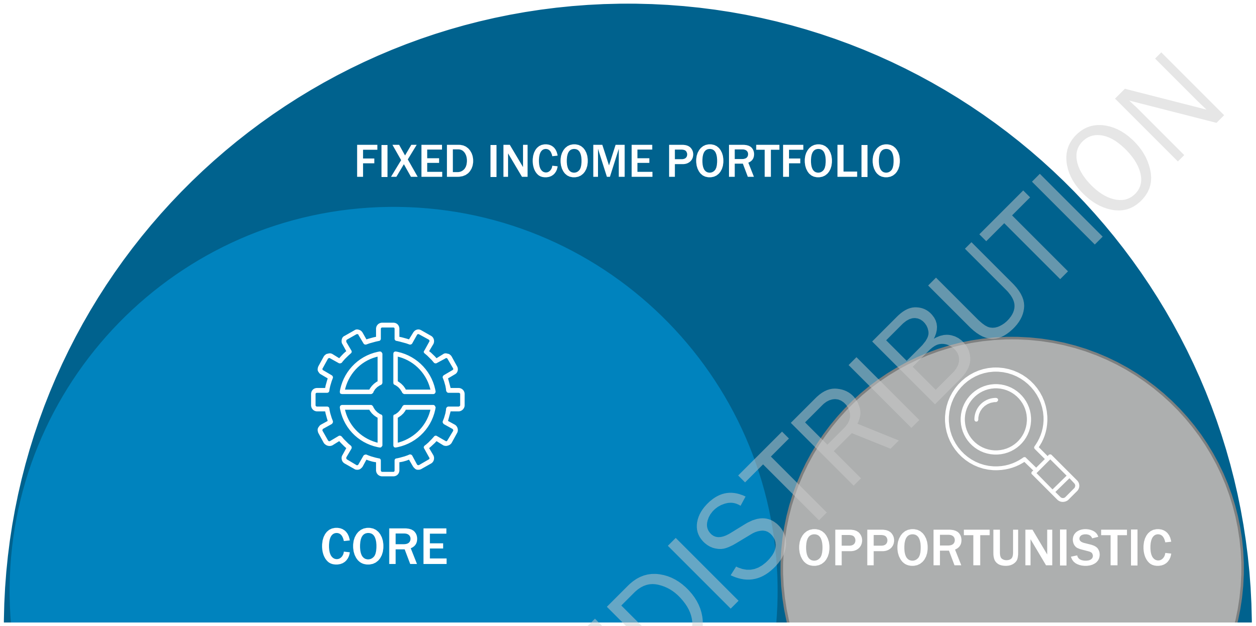
Tax Considerations

- *Is the client's status taxable or tax-exempt?*
- *Does the client have a higher threshold given the respective tax situation?*

Time Horizon

- *Does the client have short term or long term goals?*
- *Are spending requirements quarterly, annually, or longer?*
- *Is spending consistent with the return/risk profile of the portfolio?*

Building a Fixed Income Portfolio



Core

Characteristics

- Low volatility
- Uncorrelated to equities
- U.S. Focus

Exposure

- Treasuries
- Agencies
- Investment grade corporate
- MBS

Opportunistic

Characteristics

- Income orientated
- Total return focus
- Uncorrelated to core bonds

Exposure

- Non-U.S. developed sovereigns
- EM sovereigns
- High yield
- Bank loans
- Private debt