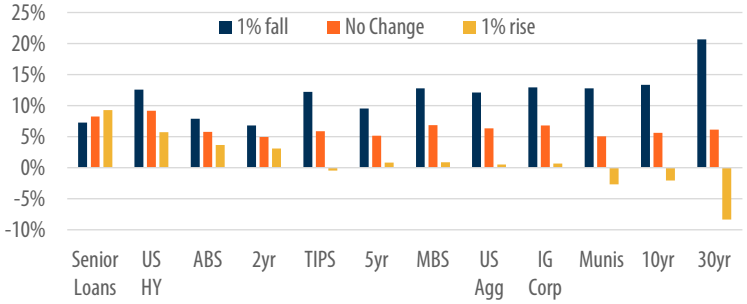


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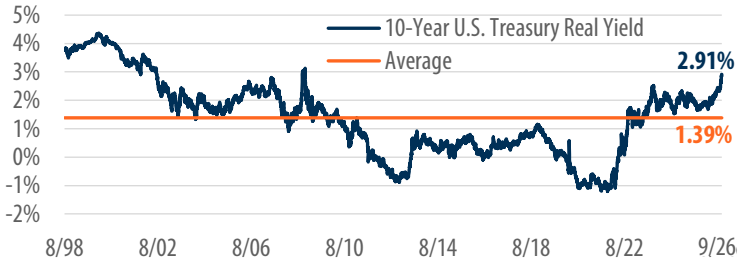
Chart 1: Hypothetical One-Year Total Returns Under Various Interest Rate Scenarios



Methodology and Assumptions: Hypothetical illustration assuming an immediate parallel shift in the U.S. Treasury yield curve of the stated magnitude, a one-year holding period, no change in credit spreads and reinvestment of coupon income. Estimates derived from index yield, duration and convexity.

Source: Bloomberg, as of 30/9/2026. **Hypothetical results are for illustrative purposes only and are not indicative of actual or future results.** Indexes do not charge management fees or brokerage expenses and no such fees or expenses were deducted from the performance shown. Senior Loans are represented by Morningstar® LSTA® US Leveraged Loan Index. "US HY" (U.S. High-Yield Bonds) are represented by the ICE BofA US High Yield Constrained Index. "ABS" (Asset-Backed Securities) are represented by ICE BofA US Fixed Asset Backed Securities Index. "2yr" (2-Year U.S. Treasury) is represented by the ICE BofA Current 2-Year U.S. Treasury Index. "TIPS" (Treasury Inflation-Protected Securities) are represented by Bloomberg US Treasury Inflation Notes Index. "5yr" (5-Year U.S. Treasury) is represented by the ICE BofA Current 5-Year U.S. Treasury Index. "MBS" (Mortgage-Backed Securities) are represented by ICE BofA US Mortgage Backed Securities Index. "US Agg" (Core Bonds) are represented by Bloomberg U.S. Aggregate Bond Index. "IG Corp" (Investment Grade Corporate Bonds) are represented by ICE BofA US Corporate Index. "Munis" (Municipal Bonds) are represented by Bloomberg Municipal Bond Index. "10yr" (10-Year U.S. Treasury) is represented by the ICE BofA Current 10-Year U.S. Treasury Index. "30yr" (30-Year U.S. Treasury) is represented by the ICE BofA Current 30-Year U.S. Treasury Index.

Chart 2: 10-Year U.S. Treasury Real Yield



Source: Bloomberg. Data from 3/8/1998 to 30/9/2026. **Past performance is no guarantee of future results.** Real yield is represented by the yield on the 10-year Treasury Inflation-Protected Security (TIPS), which reflects the return after expected inflation.

Chart 3: Fixed Income Returns

	1-Year Returns as of 30/9/2026	2022 Returns
U.S. Senior Loans	4.55%	-0.77%
U.S. High-Yield Bonds	1.39%	-11.21%
Emerging Markets	0.66%	-17.54%
Preferred Securities	-0.80%	-14.07%
Mortgage Backed Securities	-1.48%	-11.88%
Core Bonds	-1.84%	-13.01%
U.S. Treasury	-1.89%	-12.46%
Investment Grade Corporate Bonds	-2.04%	-15.44%
U.S. Treasury: 20+ Year	-8.78%	-31.09%

Source: Bloomberg. As of 30/9/2026. **Past performance is no guarantee of future results.** For illustrative purposes only and not indicative of any actual investment. Indexes do not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown. U.S. Senior Loans are represented by the Morningstar® LSTA® US Leveraged Loan Index. U.S. High-Yield Bonds are represented by the ICE BofA U.S. High Yield Constrained Index. Emerging Markets are represented by the ICE BofA U.S. Emerging Markets External Sovereign Index. Preferred Securities are represented by the blended benchmark consisting of 30% ICE BofA Core Plus Fixed Rate Preferred Securities Index / 30% ICE BofA U.S. Investment Grade Institutional Capital Securities Index / 30% ICE BofA USD Contingent Capital Index / 10% ICE BofA U.S. High Yield Institutional Capital Securities Index. Mortgage Backed Securities are represented by the ICE BofA U.S. Mortgage Backed Securities Index. Core Bonds are represented by the Bloomberg U.S. Aggregate Bond Index. U.S. Treasury are represented by the Bloomberg U.S. Treasury Index. Investment Grade Corporates are represented by the ICE BofA U.S. Corporate Index. U.S. Treasury: 20+ Year are represented by the Bloomberg U.S. Treasury: 20+ Year Index.

Hall of Famer Rick Barry made nearly 90% of his free throws and retired as the NBA's all-time leader, shooting underhanded in a style mocked as the "granny shot." When Barry offered to teach it to Shaquille O'Neal, a career 52% shooter, O'Neal told Esquire, "I'd shoot zero percent before I'd shoot underhanded." Shaq knew the shot worked; he couldn't get past how it looked.

Fixed income faces a similar choice today. The 10-year U.S. Treasury yield has climbed to 5.28%, its highest level since 2007; the Federal Reserve ("Fed") raised rates on September 16 for the first time since July 2023; and markets now price nearly a full percentage point of additional hikes over the next 12 months. The shot looks ugly, but the math has rarely been better.

Markets are reacting to a host of narratives, but the biggest change has been oil. Since the end of the second quarter, when the memorandum of understanding between the U.S. and Iran unraveled, Brent crude oil has climbed from the low $70s to above $100 per barrel, pulling inflation fears and Fed hike expectations up with it. We believe those hikes are unlikely to materialize in full. Higher rates will not reopen the Strait of Hormuz, end a war, or slow the data center buildout; the forces driving inflation today sit largely outside the Fed's reach, in our view. The costs of tightening, however, fall directly on housing and other interest-sensitive sectors, and the market's focus may ultimately shift from inflation to slowing growth. If the Fed delivers what is priced, investors may collect elevated income while they wait; if it does less, as we expect, current yields may offer asymmetric return upside potential. In our view, the forward distribution leans in favor of bondholders.

History shows that starting yield remains the most reliable indicator of forward returns, and at current levels those returns are more durable, even if interest rates rise further (Chart 1). The 10-year U.S. Treasury real yield, or what a Treasury pays after subtracting expected inflation, has reached nearly 3%, its highest level in roughly 18 years (Chart 2). In our view, that is a meaningful cushion against inflation, and compensation that holds up even if the oil shock proves more persistent than expected. Returns over the past year are mixed but nothing like 2022; the Bloomberg U.S. Aggregate Bond Index is down 1.8%, against a 13% loss in 2022. Duration has lagged, while the income and spread cushion in high-yield and senior loans has proven its worth (Chart 3).

Barry's shot never looked right, yet it went in 90% of the time. Bonds have an even better record. In all eight S&P 500 Index bear markets since 1987, bonds outperformed equities, a perfect mark from the line. Owning bonds into a potential hiking cycle may not look elegant, but we believe it is the shot that works. We favor maintaining duration modestly longer than intermediate benchmark duration, remaining cautious at the very long end, and relying on active management.

SECTOR POSITIONING

Ultra-Short Maturity

The Fed raised its policy rate in September in response to persistent inflation, which remained well above its 2% target. Geopolitics are complicating the inflation picture, driving commodity prices higher alongside more durable real economic activity fueled largely by AI-related capital expenditure. Interest rate cut expectations have not only moderated but fully reversed, with further tightening now priced into the front end over the next year. Demand for ultra-short corporate credit remains strong, supported by elevated all-in yields and investor preference for lower-duration exposure amid heightened geopolitical uncertainty and broad spread dispersion, in our view. Yields on short-duration securities continue to look appealing on a risk-adjusted basis, and a higher-for-longer front end may keep them attractive for some time. We continue to favor ultra-short investments for principal preservation while capturing real yield within a diversified fixed-income strategy.

Securitized

We expect agency mortgage-backed securities (MBS) to serve as a ballast relative to broader credit markets during a potential correction in risk assets or recession. Valuation sits near the tight end of the historical range, supported by the government-sponsored enterprises' $200 billion purchase program, and we would expect agency MBS to outperform broader credit and move in step with Treasuries in a harder landing. We hold a positive view on more defensive, structured exposure, continuing to find value in floating-rate securities while selectively adding higher-yielding commercial and non-agency MBS positions to complement a core of high-quality, deep-discount agency MBS holdings. Beyond agency mortgages, we see standout value in collateralized loan obligations (CLO) and non-agency residential MBS, particularly in their most senior, highest-quality tranches. CLO returns at the AAA level are expected to run above 5% for 2026, while non-agency residential income remains supported by elevated mortgage rates, which keep existing homeowners in place, and by near-record homeowner equity. We continue to favor a high-quality agency core, complemented selectively by opportunities elsewhere in the sector.

Preferred Securities

The preferred and hybrid securities market has been resilient despite a sharp move higher in interest rates, posting modest declines through September 2026. The $1,000 par institutional segment has been among the best performers across fixed income, while the rate-sensitive $25 par retail segment has meaningfully lagged. Looking ahead, we believe most return should come from income through year-end, with the retail segment continuing to offer a yield advantage over institutional, though $1,000 pars should exhibit less volatility given their variable-rate structures and lower durations. Credit fundamentals across banks, insurance, and utilities remain stable, with bank earnings from the second quarter of 2026 solid across the U.S., Europe, and Canada with limited impact from the Iran conflict. ETF inflows remain strong but bifurcated, as heavy outflows from passive $25 par funds pressure that segment while actively managed and institutional-oriented funds draw demand. Supply remains elevated but is tracking below last year's record pace. We believe year-end conditions will remain a headwind for retail, though the combination of high income, robust valuations, and a high-quality issuer base suggests further weakness could likely present attractive entry points.

U.S. Treasury Securities

The Fed has begun tightening and may move modestly further, though we believe much is already priced in, with additional hikes reflected in the front end of the yield curve and real yields near attractive levels. Short-term rates appear to have a ceiling absent runaway inflation or a more prolonged tightening cycle, while increased Treasury buybacks and the measured pace of Fed tightening should help contain upward pressure on longer-term rates. The long end of the yield curve remains more volatile and sensitive to factors beyond monetary policy, including the swelling budget deficit, war costs, and the risk of further foreign diversification away from U.S. dollar assets. We believe the Treasury may eventually shift its issuance mix toward the short end, potentially by reducing or eliminating the 20-year bond, should long-term rates fail to cooperate. We favor the intermediate segment for its more balanced combination of income and interest rate risk compensation.

High Yield Bonds

Yields in the high 7% area are well above their 15-year averages, reflecting an elevated income opportunity relative to the historical range. These levels have historically been followed by positive 12-month returns in nearly every instance (typically in the low double digits) as current income does much of the work. High yield bond spreads have retraced toward the tighter end of the range following the earlier repricing tied to AI disruption fears, but yields remain compelling and the historically short index duration and significant credit quality up-tiering (60% BBs) limit potential forward volatility. Fundamentals remain supportive, with earnings from the second quarter of 2026 coming in better than expected on roughly twice as many beats as misses, and defaults well contained and below long-term averages. The macro backdrop is resilient, underpinned by "One Big Beautiful Bill Act" tax refunds, data center capital expenditure trickle-down, robust merger and acquisition activity and initial public offering (IPO) cycle. Supply and demand dynamics remain favorable, as rising stars keep demand ahead of supply, improving index credit quality, aided by higher-rated data center issuers, supports a tighter range of outcomes. We believe active management remains critical, with sector level dispersion creating opportunities for disciplined managers focused on higher-quality issuers and resilient cash flows.

Senior Loans

Senior loans may offer some of the most attractive nominal and real yields in taxable fixed income, in our view, with spreads near their long-term average even as the market has shifted to pricing in interest rate hikes rather than cuts. The relationship between senior loans and high yield bonds remains inverted, leaving senior loans undervalued relative to high yield bonds, while a wide opportunity set persists with roughly a third of index sectors trading wide of the average. We believe fundamentals remain supportive, with defaults historically low and declining and less than 2% of the index maturing through 2027. The ongoing tightening cycle is a tailwind for the floating-rate coupon, reinforcing the income advantage. However, elevated software and AI exposure, along with lower average credit quality relative to high yield warrant a wider range of outcomes. Current yield levels provide a meaningful income cushion that supports an outlook for positive total returns, and we continue to favor disciplined credit selection given ongoing dispersion.

SECTOR POSITIONING (CONTINUED)

Emerging Market Bonds

We believe local-currency emerging market debt remains attractive, supported by high real interest rates and historically undervalued currency on a purchasing power basis. Interest rate markets in emerging economies have remained relatively stable compared to several developed markets, with higher starting real rates continuing to provide a buffer against inflation. Fundamentals remain positive, with purchasing managers' indexes (PMIs) signaling expansion and economic surprise indices in positive territory. However, in our view the easing bias has shifted as a handful of central banks have moved to tighten. Foreign exchange remains the primary return driver alongside carry, and improving momentum and lower volatility have been supportive, with investor flows resilient year-to-date. In our view, key risks include U.S. interest rate and policy uncertainty as core yields shift higher, elevated geopolitical tension, and near-term risk-off events. We continue to favor selective high real rate markets and see increasing differentiation between commodity exporters and importers.

Investment Grade Corporate Bonds

Investment grade corporate bond yields remain attractive relative to long-term averages, with the ICE BofA U.S. Corporate Index yield near 5.75% and roughly 2% above the 15-year average. Credit spreads are near the midpoint of the 12-month range, having widened modestly quarter-over-quarter. However, demand remains firm, with fund inflows running well above year-ago levels and new issues comfortably oversubscribed. New issue supply has been strong and is tracking meaningfully higher year-over-year. August saw record issuance, driven by elevated mergers and acquisitions and hyperscaler capital expenditure needs. During the second quarter of 2026, fundamentals strengthened, with revenue and earnings growth at a multi-year high and the upgrade-to-downgrade ratio improving sharply toward 5:1 as issuance skews to higher quality. The BBB- share of the index sits at a record low. We believe valuations are likely to remain bifurcated between cyclical and non-cyclical sectors, with geopolitical and Washington policy risks an ongoing source of vulnerability. In our view, from a risk perspective, we continue to see the long end as most exposed, while short- and intermediate-term bonds offer more compelling risk-adjusted profiles.

Municipal Fixed Income

We believe municipal bond performance may prove uneven to start the fourth quarter of 2026, as reinvestments wane, new issue supply remains elevated, and investors closely watch fund flows, which have been strong throughout 2026, following the recent move to higher interest rates. New issue supply is running roughly 4%-6% ahead of 2025's record pace. If that pace holds through year-end, 2026 would mark another record year. However, as we get closer to the November midterm election, we do expect some moderation in primary market supply.

Municipal market credit quality remains broadly stable despite some increased downgrade activity. While credit spreads remain tight, especially for BBB and certain widely held high yield municipal bonds, municipal-Treasury ratios appear favorable relative to three-year averages. Both nominal and taxable-equivalent yields are very attractive, in our view. The 10-15 year portion of the municipal yield curve has steepened, with nominal yields rising more than in the 30-year segment. Given this, along with the year-to-date backup in interest rates, we favor bonds in this maturity range. We also look to selectively invest in bonds maturing out to 20 years, where we seek larger 5.5% and higher coupons to protect against extension risk, and favor longer embedded call options.

Assuming relatively stable U.S. Treasury rates as we enter the fourth quarter of 2026, we believe fund flows to be the determinative factor driving returns this quarter, with performance possibly improving from mid-November through year-end as elevated yields may entice investors and new issue supply may decline. For investors willing to accept some near-term volatility, we believe current yields may offer an enticing entry point to lock in higher income and total return potential.

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