

### Holding-Based Statistics

	Core Fixed Income	Bloomberg Barclays Agg. Index
Yield to Maturity	1.50%	1.66%
Effective Duration	6.10 years	6.55 years
Average Quality	AA	AA

### Strategy Statistics

Number of Bonds	215
Trailing 12 Month Turnover	46%
Firm Assets	264.22
Product Assets	34.83

### Investment Philosophy

The Core Fixed Income Strategy seeks to add value by capturing market inefficiencies with regards to security selection and sector rotation. Through rigorous credit research and thoughtful analysis of risk/reward, we seek to construct portfolios with a yield advantage to the overall market. Through the compounding of this yield advantage and by minimizing other areas of portfolio volatility, we believe we can offer clients an attractive risk adjusted return through different market cycles.

### Portfolio Management Team

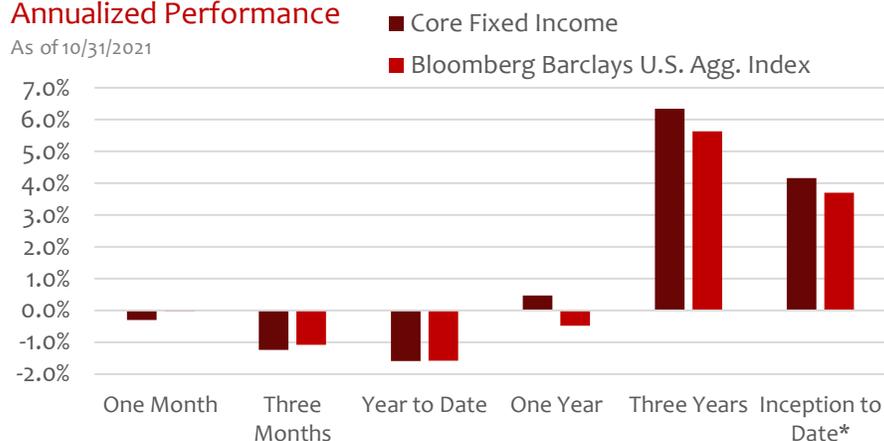
David M. Killian  
Joseph D. Shacklock

### Inception Date

3/31/2017

### Annualized Performance

As of 10/31/2021

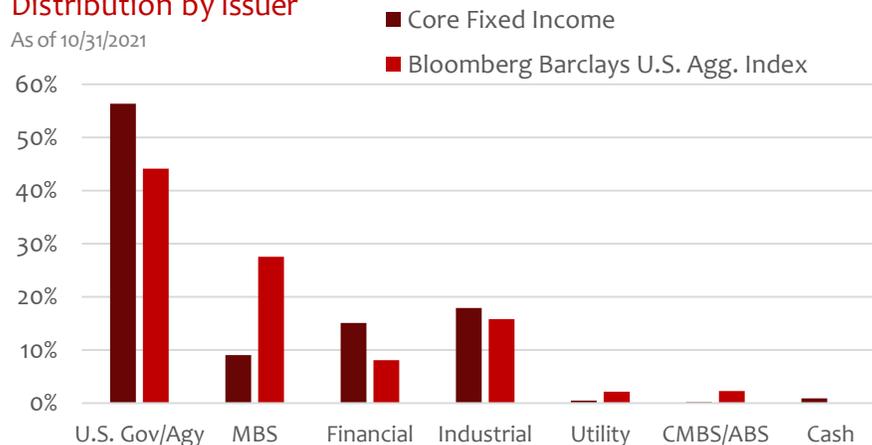


	One Month	Three Months	Year to Date	One Year	Three Years	Inception to Date*
Core Fixed Income	-0.30%	-1.24%	-1.59%	0.47%	6.34%	4.16%
Bloomberg Barclays U.S. Agg. Index	-0.03%	-1.08%	-1.58%	-0.48%	5.63%	3.70%

\* Inception 3/31/2017

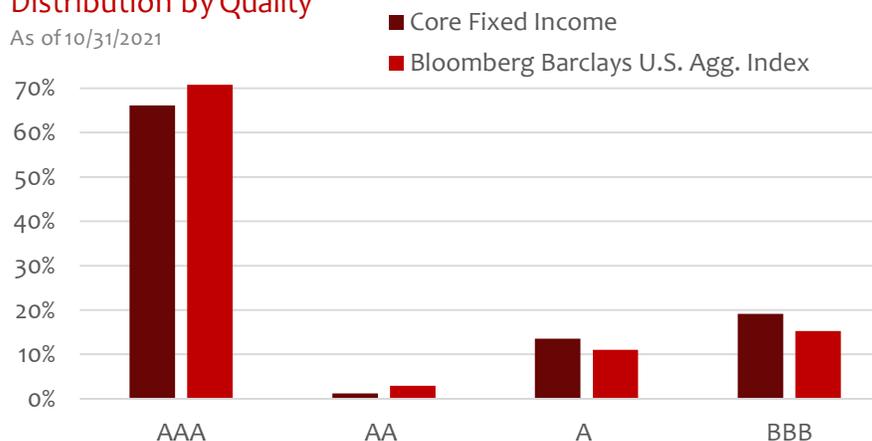
### Distribution by Issuer

As of 10/31/2021



### Distribution by Quality

As of 10/31/2021



## Top 10 Holdings

As of 10/31/2021

US Treasury 0.25% - 9/30/25	5.25%
US Treasury 0.375% - 1/31/26	4.21%
US Treasury 0.25% - 10/31/25	4.02%
US Treasury 0.75% - 8/31/26	3.45%
US Treasury 1.625% - 11/15/22	3.31%
US Treasury 1.125% - 2/29/28	2.95%
US Treasury 2.875% - 8/15/28	2.81%
US Treasury 1.625% - 2/15/26	2.80%
US Treasury 1.875% - 2/15/51	2.79%
US Treasury 2.00% - 2/15/25	2.78%

## 3Q2021 Portfolio Commentary

The third quarter of 2021 provided no shortage of developments for investors to consider and debate. Chief among them was higher than anticipated inflation and the Federal Reserve's response. Global supply chain bottlenecks and disruptions related to the reopening of the economy coupled with persistent labor shortages have been the primary cause of the recent spike in inflation. A surge in COVID-19 cases driven by the highly contagious Delta variant has spurred a revival of consumer caution. These issues led to a meaningful slowdown in economic activity during the quarter, in stark contrast to the momentum seen during the first half the year. This unusual combination of slowing economic activity and accelerating inflation have some investors raising the concern that a period of stagflation (high inflation, high unemployment, and stagnant demand) may be upon us.

There is much debate related to the Fed's policy, which operates with the objective "to promote effectively the goals of maximum employment, stable prices and moderate long term interest rates". Given the current environment of meaningfully higher prices and stagnant labor force participation, investors are questioning how patient the Fed can continue to be, having previously made clear its desire to see inflation run modestly above their 2% target on a sustained basis. Stimulus checks, enhanced unemployment benefits, and COVID-19 related concerns are factors that have kept many out of the work force. A fewer number of workers has put strong upward pressure on wages. Higher wages and a higher cost of goods related to supply chain issues are forcing businesses to pass along these higher expenses to the consumer in the form of higher prices, creating a very unique challenge for the Fed. In normal conditions, the Fed would likely respond to high inflation with higher short-term rates, effectively stemming inflation risks. Current policy, however, suggests the Fed is taking a more patient approach in the hopes that the labor market and supply chain rights itself in the coming periods. Most investors share the belief that these challenges will resolve themselves naturally as government provided income support abates, labor market participation picks up, supply chains get repaired, and upward pressure on wages and inflation cools.

Early in the year the Fed frequently used the word "transitory" to describe the post COVID-19 inflation pressures. While the hope is that these pressures are in fact transitory, recent commentary from Fed officials is beginning to suggest that action may be taken sooner than originally anticipated in an effort to keep inflation from overheating. After the September meeting, the Fed signaled that the likely first response to stem the rise in inflation will be to soon begin to slow, or taper, its \$120 billion monthly purchases of Treasury and mortgage-backed securities. The expectation is that an official announcement marking the commencement of this initiative will come at the conclusion of the FOMC's next meeting in early November.

While the FOMC has gone to great lengths to emphasize that the bar for raising the Fed Funds rate is quite high, investors do not seem convinced. Market based pricing now suggests a greater probability than previously thought that the Fed Funds rate will in fact be increased in 2022. Additionally, it was revealed that half of FOMC participants now expect an increase in this benchmark short-term rate in 2022. This is a departure from the previous official position, which was that an increase would take place in 2023 at the earliest.

We continue to remain cautious with respect to corporate bond valuations, which are historically rich, and have been opportunistic in reducing relative exposure year to date. Despite these lofty valuations, we are comfortable with the portfolios current positioning given the significant amount of government stimulus in the system and the Fed's ongoing commitment to provide an accommodative policy. When the Federal Reserve does begin telegraphing to investors that they are considering raising short term interest rates, we would expect to further reduce the current exposure to corporate bonds in favor of U.S. Treasury securities. During a period of tighter monetary policy the safety and liquidity provided by a larger U.S. Treasury allocation will position the portfolio well to take advantage of any market disruptions stemming from higher short term interest rates.



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