PIMCO

Ahead of the Curve

Bonds are offering investors attractive opportunities right now

4Q 2025

Explore Today's Investment Landscape and Opportunities.

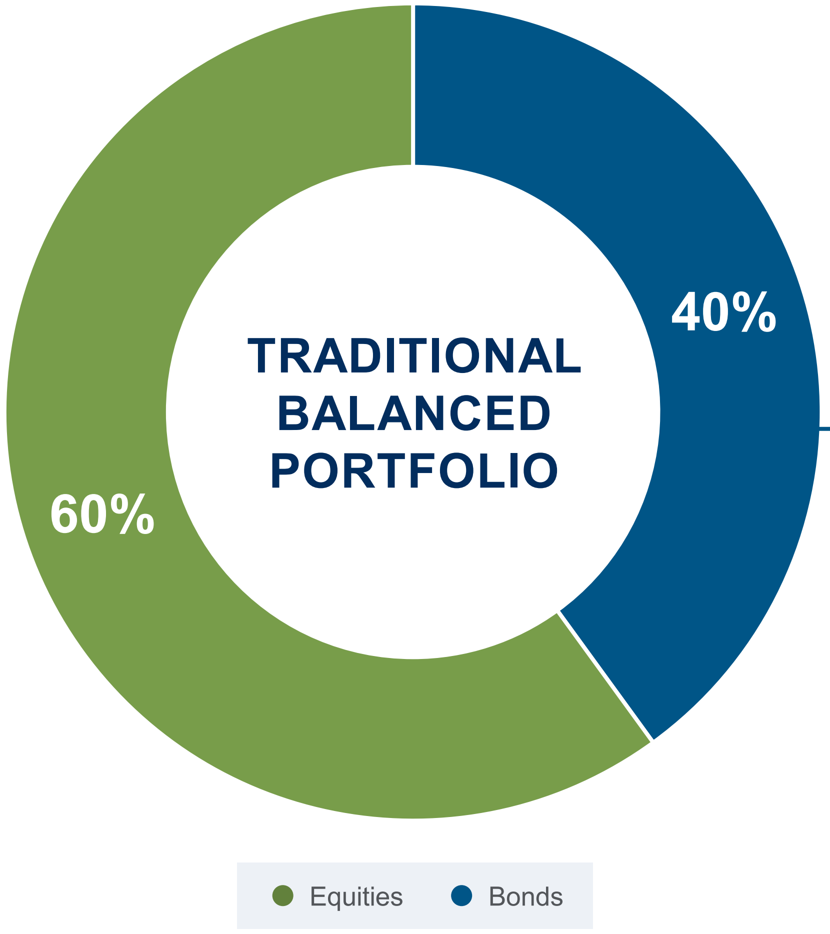
Our View

We expect bonds to do well across a range of environments. Amid uncertainty, investors, especially those with meaningful cash allocations, should consider taking advantage of bonds' attractive valuations and defensive properties.

Key Takeaways

As of 30 September 2025. Source: PIMCO. Refer to Appendix for additional outlook and risk information.

Fixed Income Allocations May Offer Multiple Benefits to a Portfolio



BENEFITS OF FIXED INCOME

1 Income & Returns

Bonds can provide investors with a source of income in the form of coupon payments.

2 Diversification

Bonds may help diversify a portfolio of riskier assets like stocks.

3 Preservation

Barring default, the principal value of a bond is expected to be returned to the investor at maturity.

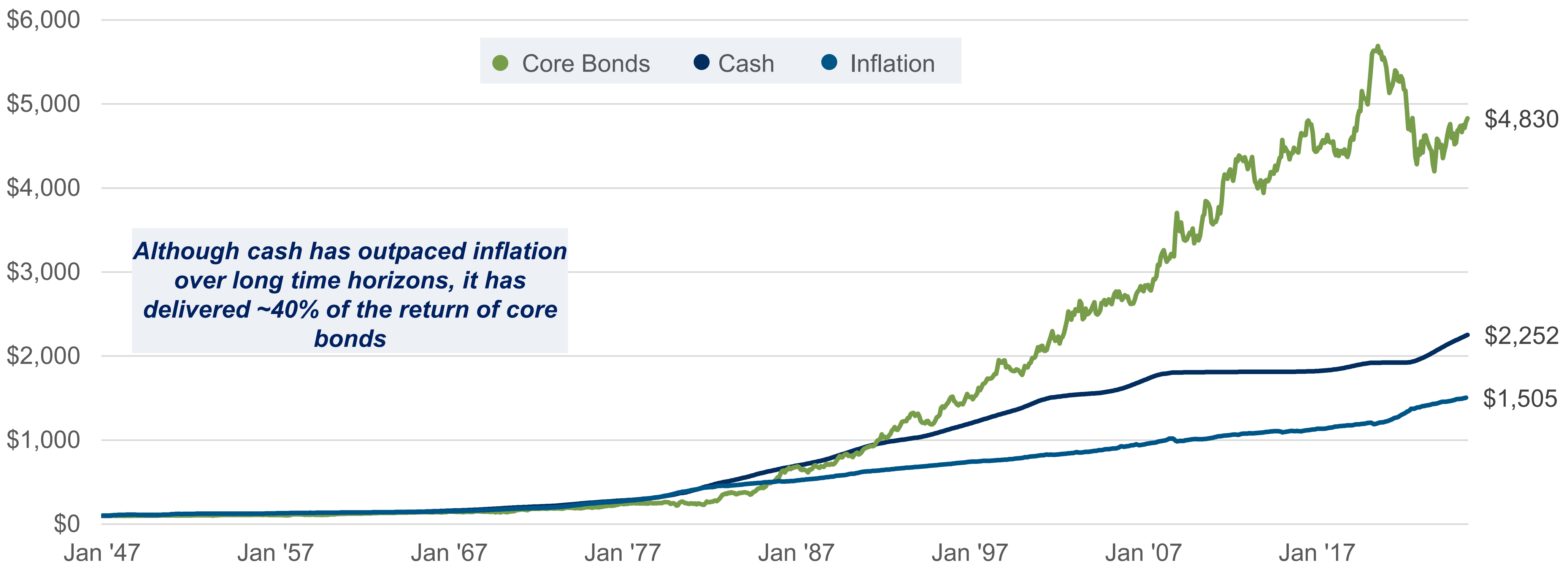
Source: PIMCO
As of 30 September 2025
Refer to Appendix for additional investment strategy and risk information.

Cash Trails Core Bonds Over the Long Haul Despite Short-Term Gains

WHAT IT MEANS FOR INVESTORS

While cash outpaces inflation, cash has also lagged core bonds by a meaningful margin over long time horizons. Though cash can help meet spending needs, investors with elevated cash balances should consider a diversified fixed income portfolio.

Growth of $100



As of 30 September 2025; SOURCE: Morningstar, PIMCO. Assets are represented by the following indices: Cash (GFD USA Total Return Daily T-Bill Index); Core Bonds (GFD 10-year Government Bond Total Return Index); Inflation (CPI SA Index). Performance is shown since the inception of CPI data.
Refer to Appendix for additional charts, index, investment strategy and risk information.

PIMCO's Macroeconomic Outlook

Inflation Near Target, But Potential to Increase

Inflation may move higher in the near term based on trade policy

Slowing Growth and Weakening Labor Market

Growth may begin to wane as recent policy changes come into fuller effect amid a weakening labor market

Fiscal & Monetary Policy

Limited scope for further fiscal support after BBB passage, while Fed likely to continue moving closer to neutral

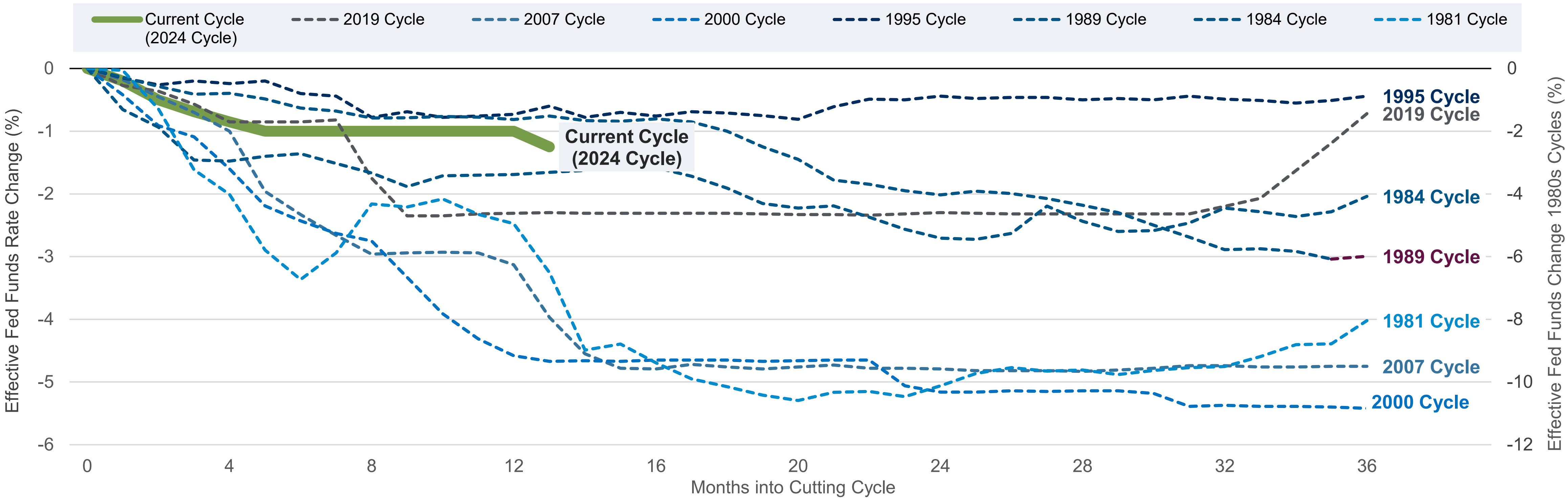
As of 30 September 2025. SOURCE: PIMCO. **For Illustrative purposes only.**
Refer to Appendix for additional investment strategy, outlook and risk information.

Today's Cutting Cycle in Historical Context

WHAT IT MEANS FOR INVESTORS

While the current Fed cutting cycle has been measured to this point, taking the range of historical outcomes into consideration can help inform active decisions and manage risk .

The current Fed cutting cycle vs previous cycles since 1981



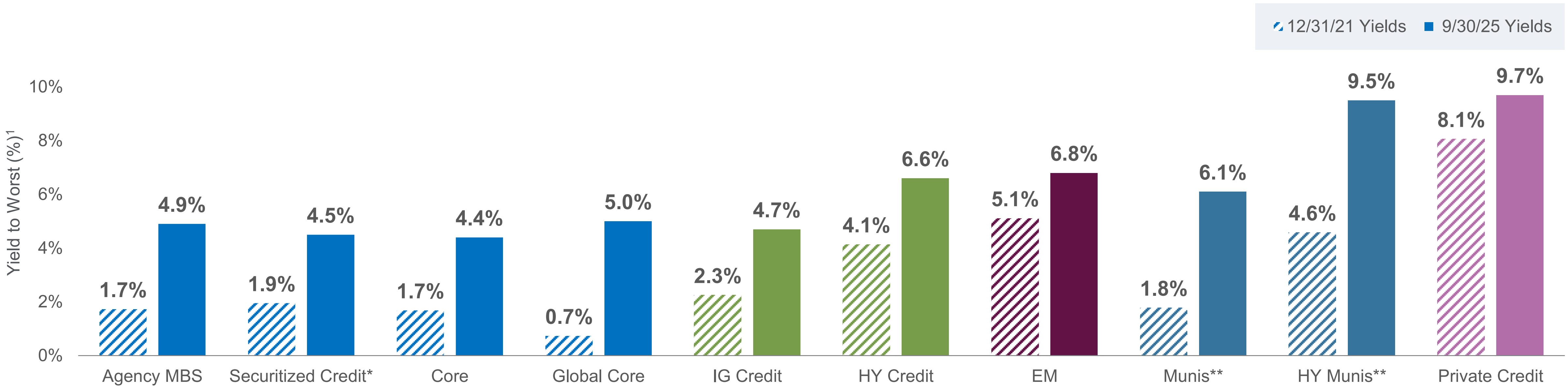
As of 30 September 2025. SOURCE: Bloomberg, PIMCO.
Cutting cycles start: 30 June 1981, 30 September 1984, 31 May 1989, 30 June 1995, 31 December 2000, 30 September 2007, 31 July 2019, and 31 August 2024. The starting Fed Funds rate for each cycle was: 19.1% (June 1981); 11.3% (September 1984); 9.8% (May 1989); 6.0% (June 1995); 6.4% (December 2000); 4.9% (September 2007); 2.4% (July 2019); 5.3% (August 2024); *The 1981, 1984, and 1989 cycles are shown on the secondary axis (RHS) to show proportionate yield moves given the significantly higher starting rates versus other cycles.
Refer to Appendix for additional index, outlook, and risk information.

Yields Across Most Fixed Income Sectors Are High vs. Recent History

WHAT IT MEANS FOR INVESTORS

Yields are still near decade highs across most fixed income sectors. The combination of high starting yields and the potential for rates to fall creates an attractive outlook for a wide variety of bonds.

Today, yields are at a much stronger starting point when compared to Q4 2021



As of 30 September 2025. SOURCE: Bloomberg, PIMCO.Index proxies for asset classes displayed are as follows: Agency MBS: Bloomberg MBS Fixed Rate Index, Munis: Bloomberg Municipal Bond Index, HY Munis: Bloomberg HY Muni Bond Index, Core: Bloomberg U.S. Aggregate Index, Global Core: Bloomberg Global Aggregate ex-US Index (USD Hedged), HY Credit: Bloomberg U.S. Corporate High Yield Index, EM: JPMorgan EMBI Global, IG Credit: Bloomberg US Credit Index; Private Credit: Market estimates for yield.

* Securitized Credit computed as average of CLOs, CMBS, and ABS from JPMorgan and Bloomberg.

** Municipal yields are the taxable equivalent yield, adjusted by the highest marginal tax rate (40.8%). Unadjusted IG Muni index yield is 3.7% with a change of 264bps compared to 12/31/2021 levels, the unadjusted HY Muni Index yield is 5.3% with a change of 254bps compared to 12/31/2021 levels.

1 The yield to worst is the yield resulting from the most adverse set of circumstances from the investor's point of view; the lowest of all possible yields.

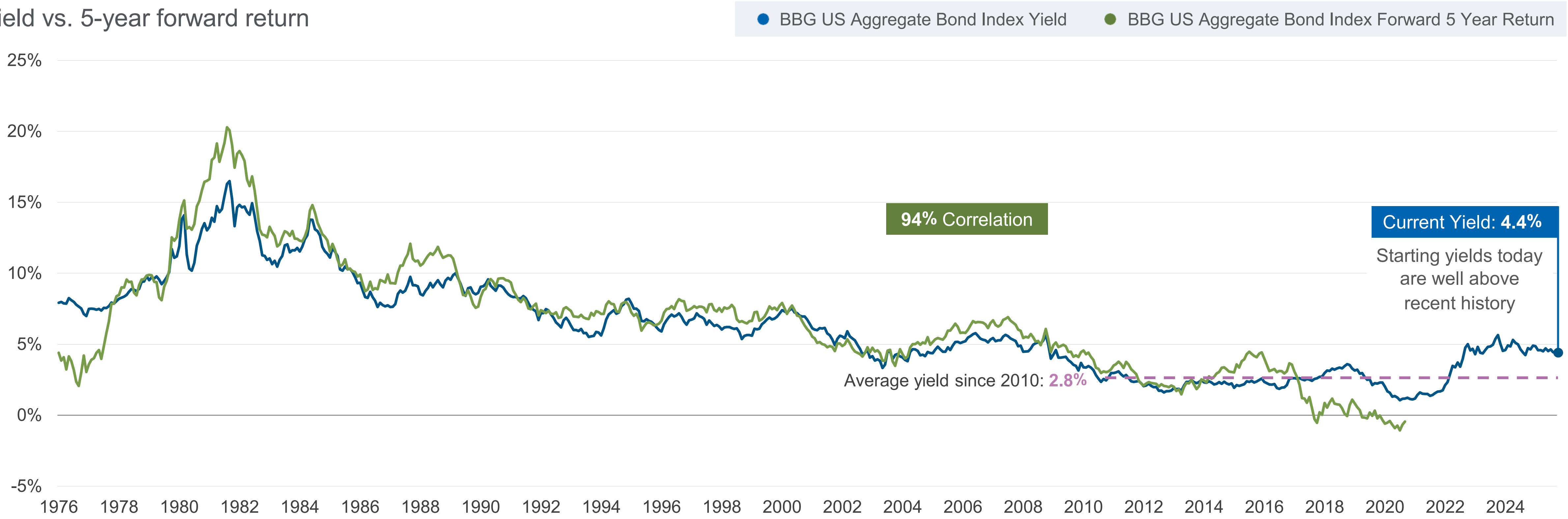
Refer to Appendix for additional index, outlook, and risk information.

Higher Returns Have Historically Followed Higher Starting Yields

WHAT IT MEANS FOR INVESTORS

With starting yields meaningfully higher than the average yield since 2010, investors could stand to benefit from attractive return potential in fixed income investments going forward

Yield vs. 5-year forward return



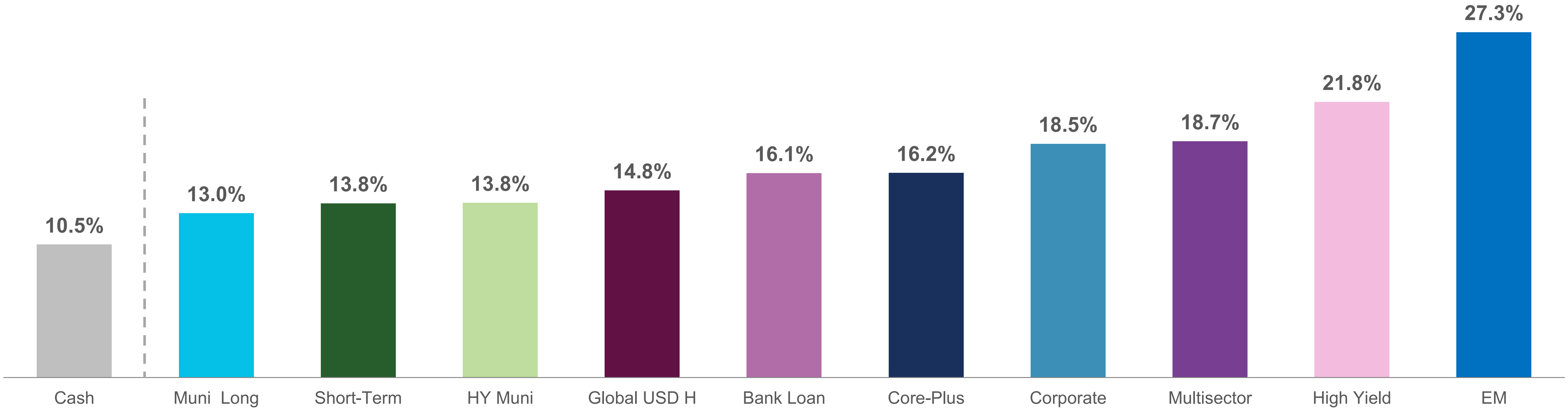
Past performance is not a guarantee nor a reliable indicator of future performance.
Chart is provided for illustrative purposes and is not indicative of the past or future performance of any PIMCO product. As of 30 September 2025. SOURCE: Bloomberg, PIMCO. Yield and return are for the Bloomberg U.S. Aggregate Bond Index. It is not possible to invest directly in an unmanaged index. Refer to Appendix for additional correlation, index, investment strategy, outlook and risk information.

Fixed Income Has Delivered Attractive Returns After Yields Reset Higher

WHAT IT MEANS FOR INVESTORS

Today's starting yields are similar to those offered at the beginning of this chart's period, indicating that investors could stand to benefit from attractive return potential across fixed income sectors. However, risk and returns across fixed income sectors can vary significantly so it is important to be diversified and active.

Morningstar Category Performance (9/30/2023 – 9/30/2025)



Past performance is not a guarantee or a reliable indicator of future results.

As of 30 September 2025. Source: Morningstar, PIMCO.

Cumulative performance is reflected

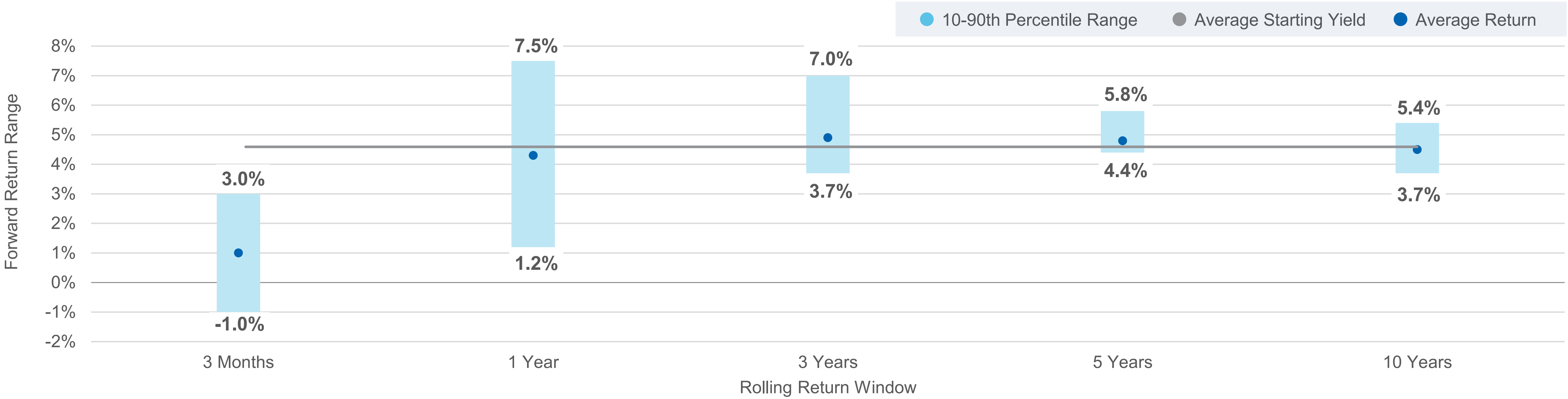
Refer to Appendix for additional forecast, index, Morningstar category, and risk information.

Though Short-Term Returns Can Vary, Long-Term Returns Tend to Anchor on Starting Yields

WHAT IT MEANS FOR INVESTORS

Despite the potential for near-term volatility, data suggests that current yields more consistently reward patient, long-term fixed income investors with returns near their starting yields as their time horizon grows

Bloomberg U.S. Aggregate Return Distribution when starting yields are between 4-5%



Percentage of Rolling Periods with Positive Returns				
72%	95%	100%	100%	100%

As of 30 September 2025; Source: Bloomberg, PIMCO.
Past performance is not a guarantee nor a reliable indicator of future performance.
Yield and return are shown for the Bloomberg U.S. Aggregate Bond Index since its inception.
Refer to Appendix for additional index and risk information

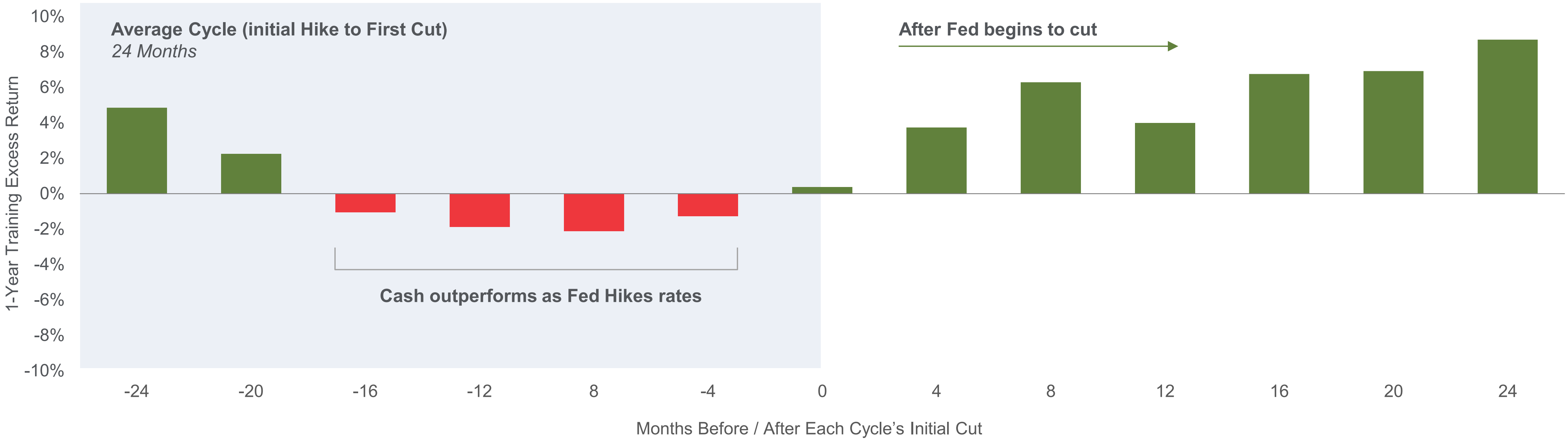
Historically, Fixed Income Has Outperformed Cash Well After the Cutting Cycle Begins

WHAT IT MEANS FOR INVESTORS

At this point in interest rate cycles, bonds have tended to outperform cash. Fed rate cuts have historically supported fixed income performance while also eroding cash returns.

Fixed income performance across interest rate cycles

12-month trailing return: BBG US Aggregate vs. T-bills[1]

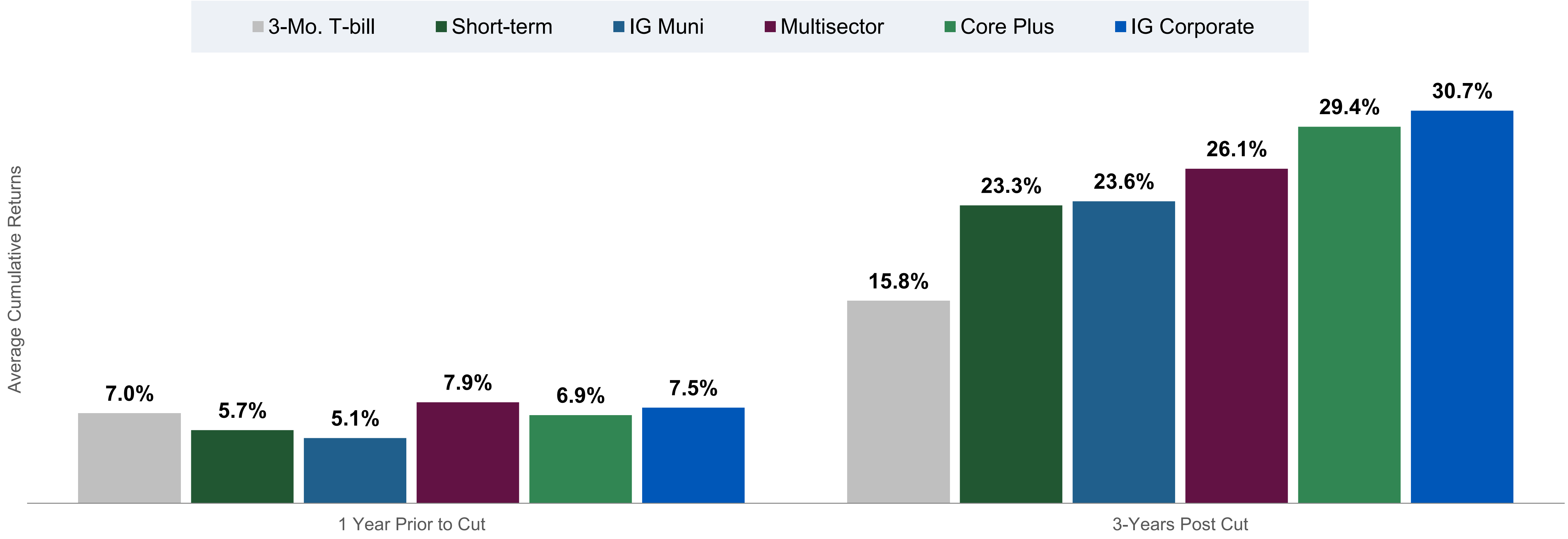


As of 30 September 2025. SOURCE: Bloomberg, PIMCO. **Past performance is not a guarantee nor a reliable indicator of future performance.** 1 Hiking cycles are defined as periods where the Federal Reserve embarks on a sustained path of increasing the target Fed Funds rate and/or target range. We define the end of a hiking cycle as the month where the Fed reaches its peak policy rate for that cycle (i.e., it either pauses rate hikes or cuts). Hiking cycles include (start to peak), 1980 (Jul '80 to May '81), 1983 (Feb '83 to Aug '84), 1988 (Feb '88 to Mar '89), 1994 (Jan '94 to Feb '95), 1999 (May '99 to May '00), 2004 (May '04 to Jun '06) and 2015 (Nov '15 to Dec '18). Cutting cycles start: 30 June 1981, 30 September 1984, 31 May 1989, 30 June 1995, 31 December 2000, 30 September 2007, and 31 July 2019.
Refer to Appendix for additional forecast, index, outlook, and risk information.

Many Fixed Income Sectors Historically Outperform Following Fed Cuts

WHAT IT MEANS FOR INVESTORS

Investors with elevated cash allocations should consider the return potential of other fixed income exposures going forward. .



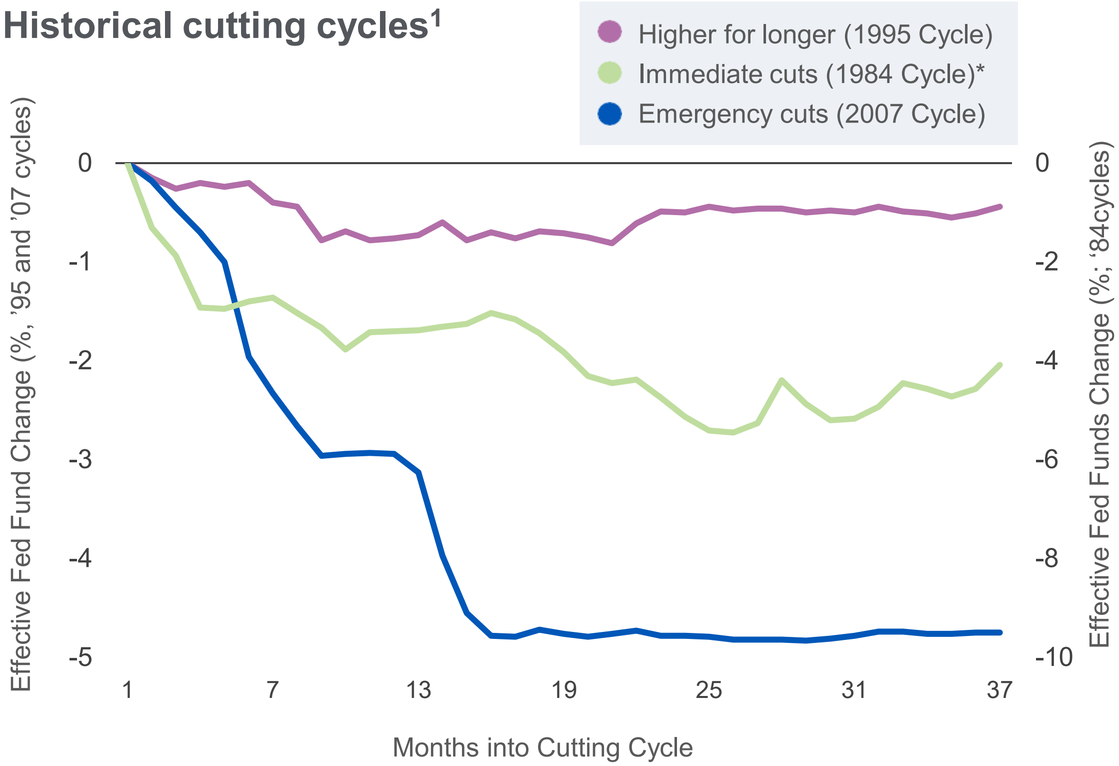
As of 30 September 2025. SOURCE: PIMCO, Morningstar, Bloomberg. **Past performance is not a guarantee nor a reliable indicator of future performance.** T-Bills: FTSE 3-Month Treasury Bill Index; Short-Term: Morningstar Short-Term Bond Category; IG Muni: Morningstar Municipal National Long Category; Core Plus: Morningstar Intermediate Core-Plus Category; Multisector: Morningstar Multisector Bond Category; Corporate: Morningstar Corporate Bond Category
Cutting cycles start: 30 June 1981, 30 September 1984, 31 May 1989, 30 June 1995, 31 December 2000, 30 September 2007, and 31 July 2019.
Refer to Appendix for additional forecast, index, outlook, and risk information.

Bonds Historically Outperform Cash Even if Cash Rates Remain Higher for Longer, but to a Greater Degree if Rates Fall

WHAT IT MEANS FOR INVESTORS

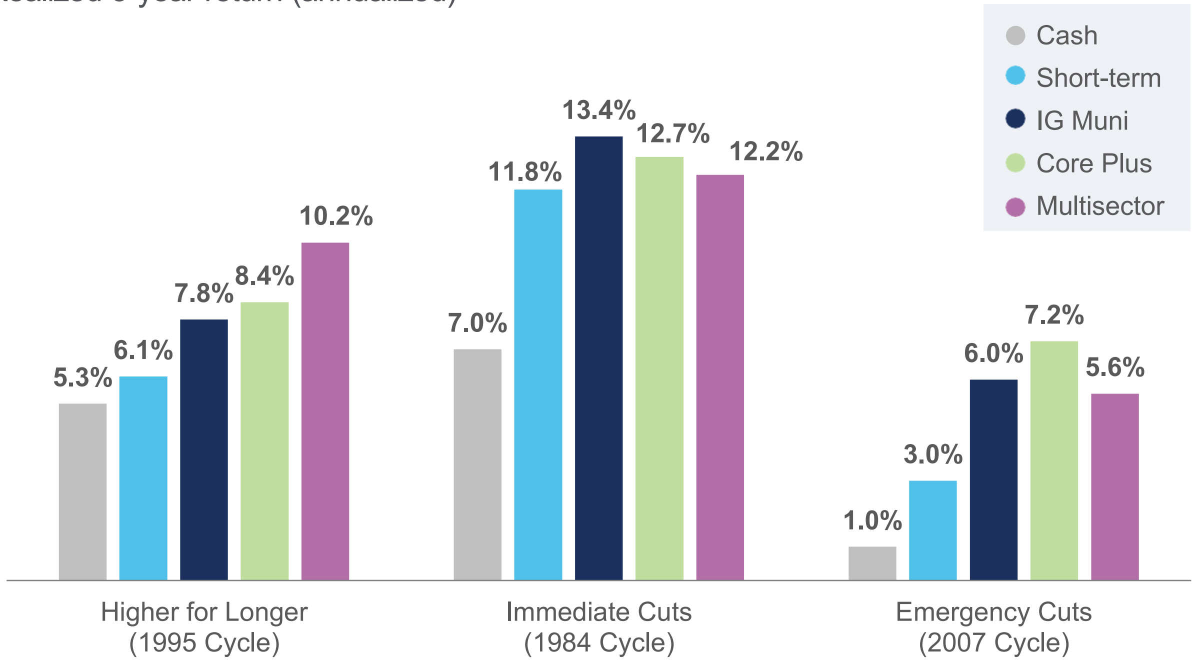
While the pace of further Fed cuts may be uncertain, history shows that even if rates stay higher for longer, like in ’95, higher starting yields and capital appreciation supported traditional fixed income over cash.

Historical cutting cycles[1]



Falling yields supported fixed income performance relative to cash[1]

Realized 3-year return (annualized)



As of 30 September 2025. SOURCE: Bloomberg, PIMCO. **For illustrative purposes only. Figure is not indicative of the past or future results of any PIMCO product or strategy. There is no assurance that the stated results will be achieved.**

1 We select three historical case studies to illustrate three very different outcomes for the path of the Fed Funds rate after rates hit their peak level in each cycle.

Cutting cycles start: 30 September 1984, 30 June 1995, and 30 September 2007. The starting Fed Funds rate for each cycle was: 6.0% (June 1995); 11.3% (September 1984); 4.9% (September 2007); 5.3% (August 2024);

*The 1984 cycle is shown on the secondary axis (LHS) to show proportionate yield moves given the significantly higher starting rates versus other cycles.

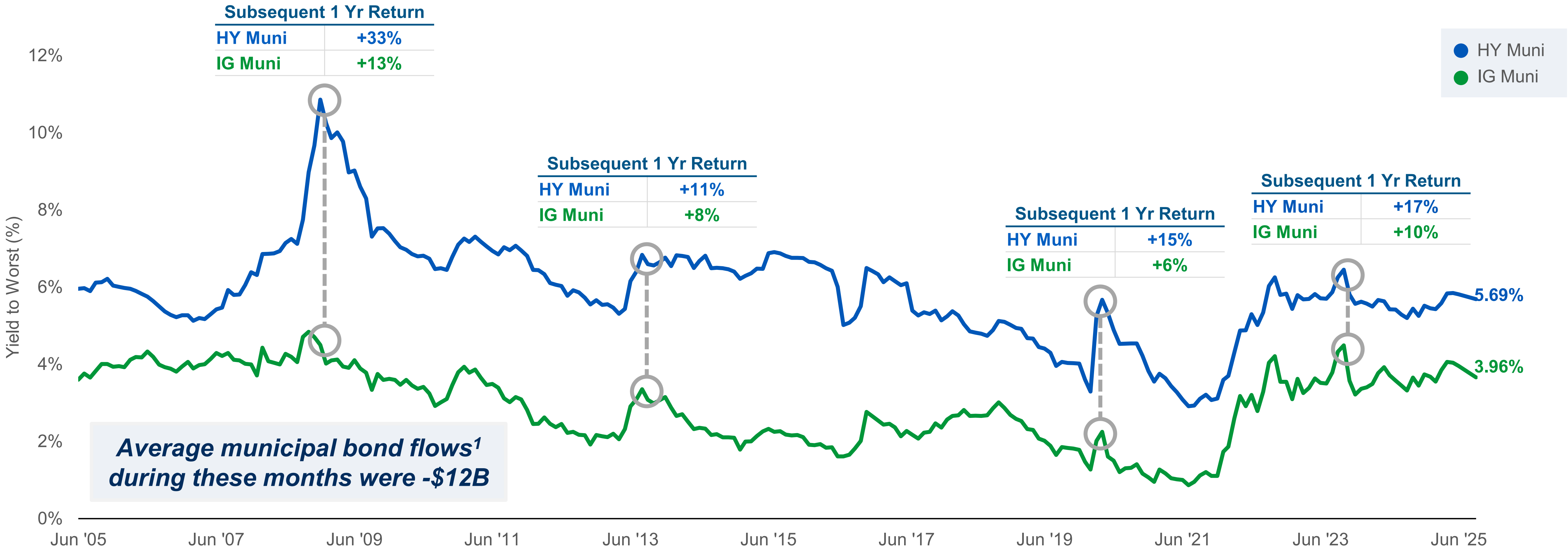
Cash: FTSE 3-Month Treasury Bill Index; Short-Term: Morningstar Short-Term Bond Category; IG Muni: Morningstar Municipal National Long Category; Core Plus: Morningstar Intermediate Core-Plus Category; Multisector: Morningstar Multisector Bond Category; Corporate: Morningstar Corporate Bond Category

Refer to Appendix for additional index, Morningstar category, outlook, and risk information.

Attractive Municipal Bond Yields Signal Opportunity

WHAT IT MEANS FOR INVESTORS

While challenged performance has historically driven outflows from municipal bonds, elevated yields resulting from these episodes rewarded patient investors and delivered attractive returns going forward.



As of 30 September 2025. SOURCE: Bloomberg, PIMCO, Morningstar. Performance periods longer than one year are annualized. **Past performance is not a guarantee nor a reliable indicator of future performance.**

Municipals are represented by the Bloomberg Municipal Bond Index (IG Muni) and the Bloomberg High Yield Municipal Bond Index (HY Muni).

1Highlighted dates are 31 December 2008, 31 October 2013, 31 March 2020, and 31 October 2023 and are intended to illustrate returns following points in time when municipal bond yields reached local peaks. Morningstar categories used to represent municipal bond market flows are High Yield Muni, Muni National Short, Muni National Interm, and Muni National Long.

Refer to Appendix for additional index, OAS, and risk information.

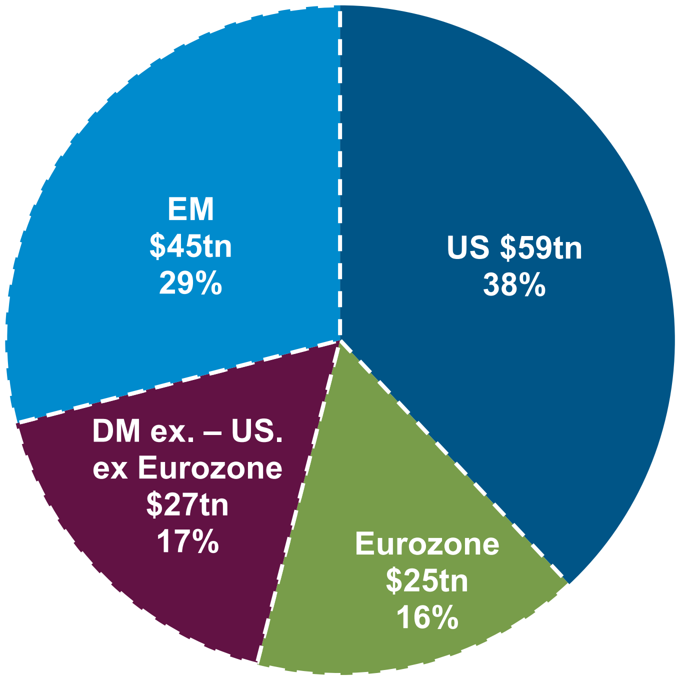
Going Global: Expanding into a Global Opportunity Set May Improve Diversification and Return Potential

WHAT IT MEANS FOR INVESTORS

Expanding from a domestic investment universe to a global one may enhance return potential by diversifying a portfolio's risk across a broader array of rate environments, growth dynamics, and credit profiles.

Over 60% of the global bond market is outside the U.S

Size ($)



Annual Returns for Key Global Markets

U.S. dollar basis*

(Ranked in order of performance)

US | Eurozone | U.K. | Japan | Australia | Canada | EM Local | EM External

2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
10.89%	15.21%	5.25%	14.42%	8.92%	0.23%	-3.23%	12.70%	5.73%	15.41%
10.19%	9.32%	3.56%	13.47%	8.74%	-1.51%	-10.29%	10.45%	5.00%	10.11%
9.94%	3.58%	2.98%	9.40%	7.51%	-1.54%	-11.04%	9.14%	3.44%	6.13%
5.81%	3.54%	1.95%	9.02%	5.88%	-2.60%	-11.69%	7.37%	3.28%	4.29%
4.70%	2.92%	1.43%	8.98%	5.80%	-2.62%	-13.01%	6.36%	2.51%	4.97%
2.65%	2.82%	0.01%	8.72%	4.38%	-3.59%	-16.44%	6.25%	1.25%	2.63%
1.60%	2.68%	-4.61%	7.66%	2.69%	-4.62%	-16.45%	5.91%	-2.10%	2.39%
1.13%	1.86%	-6.21%	4.67%	0.22%	-8.75%	-21.86%	5.53%	-2.38%	-0.63%

As of 30 September 2025. SOURCE: PIMCO, Haver, BIS. **Past performance is not a guarantee or reliable indicator of future results.** Refer to Appendix for additional index, investment strategy and risk information.

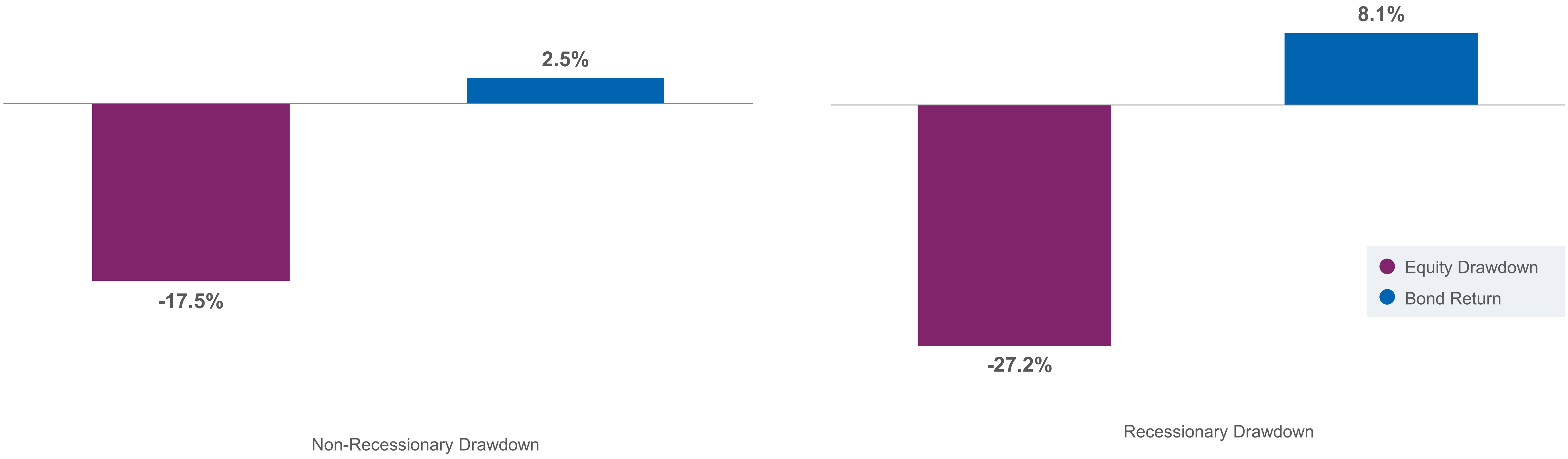
As of 30 September 2025. SOURCE: Bloomberg. **Past performance is not a guarantee or reliable indicator of future results.** *All indices on a U.S. dollar hedged basis, except for Local and External EM proxies. United States represented by Bloomberg U.S. Agg Index USD Hedged, Eurozone represented by Bloomberg Euro Agg Index USD Hedged, Japan represented by Bloomberg Japanese Agg Index USD Hedged, Australia represented by Bloomberg Australian Agg Index USD Hedged, Canada represented by Bloomberg Canadian 300 Index USD Hedged, Local EM represented by JPMorgan GBI-EM Global Diversified Index USD Unhedged, External EM represented by JPMorgan EMBIG Diversified Index USD Unhedged, United Kingdom represented by Bloomberg Sterling Agg Index USD Hedged. Refer to Appendix for additional index, investment strategy and risk information.

During Meaningful Equity Drawdowns, Bonds Delivered Positive Returns and Diversified to a Greater Degree During Recessions

WHAT IT MEANS FOR INVESTORS

Investors should consider bonds' defensive properties during periods of market stress irrespective of the growth environment.

Average Performance During Meaningful Equity Drawdowns



As of 30 September 2025. Source: PIMCO, Bloomberg, NBER. **Past performance is not a guarantee or reliable indicator of future results.**
Equities are represented by the S&P 500 Index and Treasuries are represented by the GFD 10 year Government Bond Total Return Index.
Drawdowns were classified as any drop larger than 12% relative to the previous peak. There were two drawdowns recorded during the 1973 recession. Monthly data was used as proxy for Treasury return and return was calculated based on the monthly peak to trough dates of drawdowns. We referred to the month end date immediately following the start of the market drawdown.
Refer to Appendix for additional index and risk information.

From Current Valuations, Bonds Have Delivered Attractive Outcomes Relative to Stocks

WHAT IT MEANS FOR INVESTORS

Bonds may offer investors more consistent, attractive outcomes than stocks going forward. From current valuations, 5-year forward returns for bonds have never been below +3%, whereas 5-year forward returns for stocks from current valuations have rarely exceeded +3%

From Current Valuations, How Often Have Forward 5 Year Returns Exceeded 3%?

As of 30 September 2025. Source PIMCO, Shiller
'Stocks' are represented by the S&P500 Index and its measurement begins in 1871 based on data availability. CAPE is the Cyclically Adjust Price-to-Earnings Ratio, which divides the price of the index by the average of its earnings over the past 10 years. 'Bonds' are represented by the BBG US Aggregate Index and its measurement beings in 1976, which represents the inception of the index. Yield represents the yield to worst, which is the yield resulting from the most adverse set of circumstances from the investor's point of view; the lowest of all possible yields.
Refer to Appendix for additional charts, index, investment strategy and risk information.

Recent Returns Can Lead to Misbehavior, Partner With a Trusted Advisor

WHAT IT MEANS FOR INVESTORS

When markets are volatile and performance is weak, investors who remain invested may outperform those who sell out and try to time their re-entry

January 2006 to December 2010. Source: Morningstar, Bloomberg, PIMCO

For illustrative purposes only. Not indicative of the past or future performance of any PIMCO product.

** Stocks are represented by S&P 500 Index. Bonds are represented by Bloomberg U.S. Aggregate Index. It is not possible to invest in an unmanaged index.

** These results are based on historical performance and are intended for illustrative purposes only. Emotional Investor is assumed to move to cash on 10/31/2008 and back to 60% Stocks /40% Bonds on 30 April 2010.

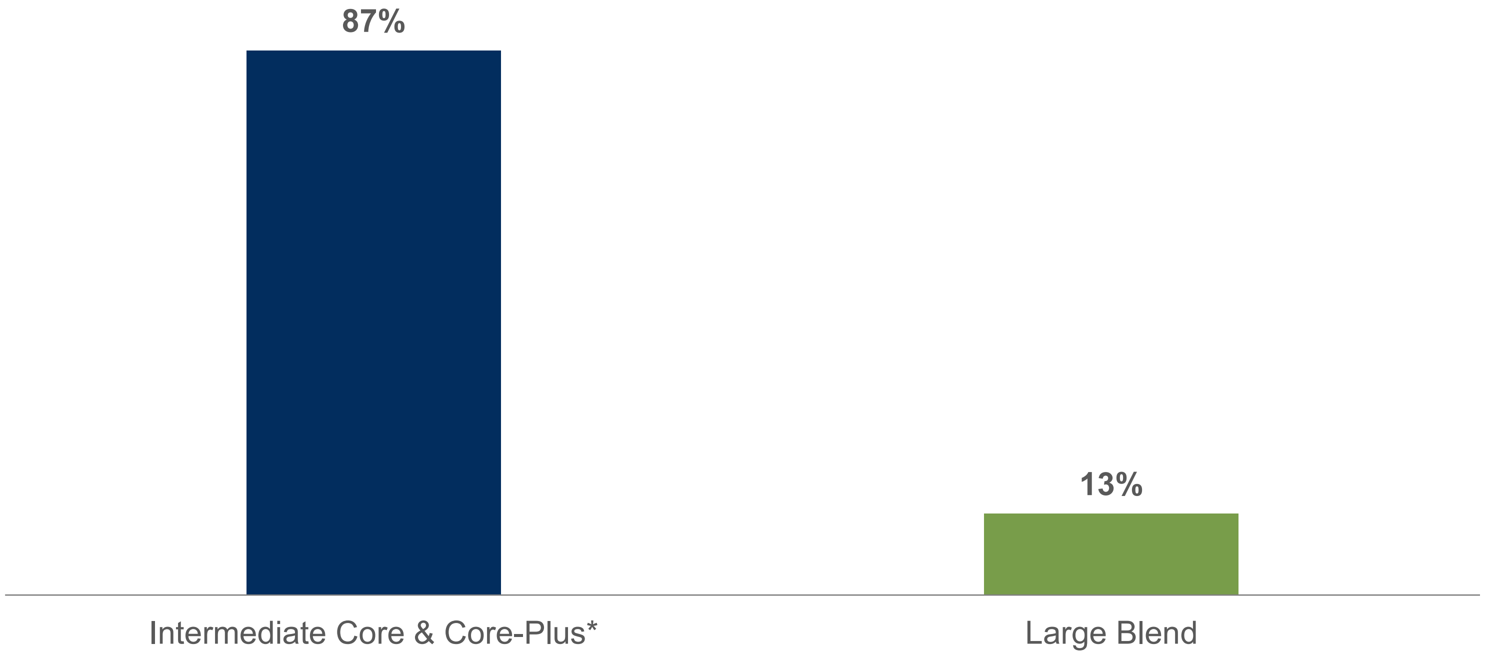
Refer to Appendix for additional hypothetical example, index, investment strategy and risk information.

Bonds Are Different: The Active Advantage

WHAT IT MEANS FOR INVESTORS

While a passive approach may be sensible for equities, investors should consider active fixed income strategies, which have consistently delivered better outcomes than passive fixed income strategies

Percentage of active funds within each category that outperform the median passive fund (10-year return)



WHY ACTIVE BOND MANAGEMENT WORKS

- Index replication is challenging in bond markets
- Bond index design may be suboptimal
- Many bond market participants do not seek to maximize profits

* Combines the Morningstar U.S. Fund Intermediate Core and Intermediate Core-Plus categories.

As of 30 June 2025. Source: Morningstar Direct and PIMCO. **Past performance is not a guarantee or a reliable indicator of future results.** Based on Morningstar U.S. ETF and U.S. Open-End Fund categories (institutional shares only). To avoid potential survivorship bias, we included funds and ETFs that were live at the beginning of each sample period but were liquidated or merged before the end of the period. Chart is provided for illustrative purposes and is not indicative of the past or future performance of any PIMCO product.

Refer to Appendix for additional investment strategy, Morningstar category and risk information.

Definitions

FED FUNDS RATE

The interest rate the government charges banks to borrow money overnight. Raising and lowering this rate is a powerful tool the government uses to stimulate or dampen economic activity.

CONSUMER PRICE INDEX (CPI)

A weighted average price of a basket of goods and services, CPI is considered a measure of inflation.

FIXED INCOME SECTORS

The bond market is made up of numerous sectors, which are distinct parts of the market defined by their investment characteristics. These sectors include agency mortgage- backed securities (agency MBS), securitized credit, core, investment grade credit (IG credit), high yield credit (HY credit), emerging markets (EM), municipals (munis), high yield municipals (HY munis).

10-YEAR U.S. TREASURY BONDS

The 10-year Treasury is often used as a proxy for bond market in general.

RATE HIKING CYCLE

Periods where the Federal Reserve embarks on a sustained path of increasing the target fed funds rate. Hiking cycles include (start to peak): July ‘80 – May ‘81, Feb ‘88 – Aug ‘84, Feb ‘88 – March ‘89, Jan ‘94 – Feb ‘95, May ‘99 – May ‘00, May ‘04 – June ’06 and Nov ‘15 – Dec ‘18.

BLOOMBERG AGGREGATE BOND INDEX

A broad-based fixed-income index used as a proxy for the bond market in general.

CHART

Performance results for certain charts and graphs may be limited by date ranges specified on those charts and graphs; different time periods may produce different results. Charts are provided for illustrative purposes and are not indicative of the past or future performance of any PIMCO product.

CORRELATION

The correlation of various indexes or securities against one another or against inflation is based upon data over a certain time period. These correlations may vary substantially in the future or over different time periods that can result in greater volatility.

FORECAST

Forecasts, estimates and certain information contained herein are based upon proprietary research and should not be interpreted as investment advice, as an offer or solicitation, nor as the purchase or sale of any financial instrument. Forecasts and estimates have certain inherent limitations, and unlike an actual performance record, do not reflect actual trading, liquidity constraints, fees, and/or other costs. In addition, references to future results should not be construed as an estimate or promise of results that a client portfolio may achieve.

HYPOTHETICAL EXAMPLE

Hypothetical illustrations have many inherent limitations, some of which are described below. No representation is being made that any account will or is likely to achieve results similar to those shown. In fact there are frequently sharp differences between hypothetical results and actual results subsequently achieved by any particular trading program. One of the limitations of hypothetical results is that they are generally prepared with the benefit of hindsight. In additional, hypothetical scenarios do not involve financial risk, and no hypothetical illustration can completely account for the impact of financial risk in actual trading. For example, the ability to withstand losses or to adhere to a particular trading program in spite of trading losses are material points which can also adversely affect actual trading results. There are numerous other factors related to the markets in general or to the implementation if any specific trading program which cannot be fully accounted for in the preparation of a hypothetical illustration and all of which can adversely affect actual results.

INDEX

It is not possible to invest directly in an unmanaged index.

INVESTMENT STRATEGY

There is no guarantee that these investment strategies will work under all market conditions or are appropriate for all investors and each investor should evaluate their ability to invest long-term, especially during periods of downturn in the market. No representation is being made that any account, product, or strategy will or is likely to achieve profits, losses, or results similar to those shown.

MORNINGSTAR CATEGORIES

INTERMEDIATE-TERM CORE BOND

Intermediate-term core bond portfolios invest primarily in investment-grade U.S. fixed-income issues including government, corporate, and securitized debt, and hold less than 5% in below-investment-grade exposures

INTERMEDIATE-TERM CORE-PLUS BOND

Intermediate-term core-plus bond portfolios invest primarily in investment-grade U.S. fixed-income issues including government, corporate, and securitized debt, but generally have greater flexibility than core offerings to hold non-core sectors such as corporate high yield, bank loan, emerging-markets debt, and non-U.S. currency exposures. Their durations (a measure of interest-rate sensitivity) typically range between 75% and 125% of the three-year average of the effective duration of the Morningstar Core Bond Index.

LARGE BLEND

Large Blend portfolios are fairly representative of the overall U.S. stock market in size, growth rates, and price. Stocks in the top 70% of the capitalization of the U.S. equity market are defined as large cap. The blend style is assigned to portfolios where neither growth nor value characteristics predominate. These portfolios tend to invest across the spectrum of U.S. industries, and owing to their broad exposure, the portfolios' returns are often similar to those of the S&P 500 Index.

MULTISECTOR BOND

Multisector bond portfolios seek income by diversifying their assets among several fixed-income sectors, usually U.S. government obligations, U.S. corporate bonds, foreign bonds, and high-yield U.S. debt securities. These portfolios typically hold 35% to 65% of bond assets in securities that are not rated or are rated by a major agency such as Standard & Poor's or Moody's at the level of BB (considered speculative for taxable bonds) and below.

SHORT-TERM BOND

Short-term bond portfolios invest primarily in corporate and other investment-grade U.S. fixed-income issues and typically have durations of 1.0 to 3.5 years. These portfolios are attractive to fairly conservative investors, because they are less sensitive to interest rates than portfolios with longer durations. Morningstar calculates monthly breakpoints using the effective duration of the Morningstar Core Bond Index in determining duration assignment. Short-term is defined as 25% to 75% of the three-year average effective duration of the MCBI.

ULTRASHORT BOND

Ultrashort-bond portfolios invest primarily in investment-grade U.S. fixed-income issues and have durations typically of less than one year. This category can include corporate or government ultrashort bond portfolios, but it excludes international, convertible, multisector, and high-yield bond portfolios. Because of their focus on bonds with very short durations, these portfolios offer minimal interest-rate sensitivity and therefore low risk and total return potential. Morningstar calculates monthly breakpoints using the effective duration of the Morningstar Core Bond Index in determining duration assignment. Ultrashort is defined as 25% of the three-year average effective duration of the MCBI. Past performance is no guarantee of future results.

OUTLOOK

Statements concerning financial market trends or portfolio strategies are based on current market conditions, which will fluctuate. There is no guarantee that these investment strategies will work under all market conditions or are appropriate for all investors and each investor should evaluate their ability to invest long-term, especially during periods of downturn in the market. Outlook and strategies are subject to change without notice.

RETURN ASSUMPTIONS

Return assumptions are for illustrative purposes only and are not a prediction or a projection of return. Return assumption is an estimate of what investments may earn on average over the long term. Actual returns may be higher or lower than those shown and may vary substantially over shorter time periods.

RISK

All investments contain risk and may lose value. Investing in the **bond market** is subject to risks, including market, interest rate, issuer, credit, inflation risk, and liquidity risk. The value of most bonds and bond strategies are impacted by changes in interest rates. Bonds and bond strategies with longer durations tend to be more sensitive and volatile than those with shorter durations; bond prices generally fall as interest rates rise, and low interest rate environments increase this risk. Reductions in bond counterparty capacity may contribute to decreased market liquidity and increased price volatility. Bond investments may be worth more or less than the original cost when redeemed. Income from **municipal bonds** is exempt from federal income tax and may be subject to state and local taxes and at times the alternative minimum tax. Investing **in foreign-denominated and/or -domiciled securities** may involve heightened risk due to currency fluctuations, and economic and political risks, which may be enhanced in emerging markets. **Mortgage- and asset-backed securities** may be sensitive to changes in interest rates, subject to early repayment risk, and while generally supported by a government, government-agency or private guarantor, there is no assurance that the guarantor will meet its obligations. **High yield, lower-rated securities** involve greater risk than higher-rated securities; portfolios that invest in them may be subject to greater levels of credit and liquidity risk than portfolios that do not. **Equities** may decline in value due to both real and perceived general market, economic and industry conditions. **Diversification** does not ensure against loss. **Private credit**

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STRESS TESTING

Stress testing involves asset or portfolio modeling techniques that attempt to simulate possible performance outcomes using historical data and/or hypothetical performance modeling events. These methodologies can include among other things, use of historical data modeling, various factor or market change assumptions, different valuation models and subjective judgments.

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INDEX DESCRIPTIONS

Bloomberg U.S. Aggregate Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.

Bloomberg U.S.MBS Fixed-Rate Index covers the mortgage-backed pass-through securities and hybrid ARM pools of Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The MBS Index is formed by grouping individual fixed rate MBS pools into generic aggregates.

Bloomberg Municipal Bond Index consists of a broad selection of investment-grade general obligation and revenue bonds of maturities ranging from one year to 30 years. It is an unmanaged index representative of the tax-exempt bond market. The index is made up of all investment grade municipal bonds issued after 12/31/90 having a remaining maturity of at least one year.

The **Bloomberg High Yield Municipal Bond Index** measures the non-investment grade and non-rated U.S. tax-exempt bond market. It is an unmanaged index made up of dollar-denominated, fixed-rate municipal securities that are rated Ba1/BB+/ BB+ or below or non-rated and that meet specified maturity, liquidity, and quality requirements.

The **Bloomberg US Corporate High Yield Bond Index** measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below.

Bloomberg U.S. Credit Index is an unmanaged index comprised of publicly issued U.S. corporate and specified non-U.S. debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC-registered. This index was formerly known as the Bloomberg Credit Investment Grade Index.

FTSE 3-Month Treasury Bill Index is an unmanaged index representing monthly return equivalents of yield averages of the last 3 month Treasury Bill issues.

The **ICE BofA 3 Month U.S. Treasury Index** measures the performance of a single issue of outstanding treasury bill which matures closest to, but not beyond, three months from the rebalancing date.

J.P. Morgan Emerging Markets Bond Index (EMBI) Global tracks total returns for United States Dollar denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, and Eurobonds.

S&P 500 Index is an unmanaged market index generally considered representative of the stock market as a whole. The Index focuses on the large-cap segment of the U.S. equities market.

It is not possible to invest directly in an unmanaged index.

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