

## Baird Advisors

Core Fixed: BB U.S. Aggregate Bond Index

	For the month of:	June	2025		
Manager Performance Calculations				* Annualized returns	
	Last Month	Last 3 Months	Last 1 Year	Last 3 Years*	Last 5 Years*
Baird	1.69%	n/a	n/a	n/a	n/a
BB Aggregate	1.54%	n/a	n/a	n/a	n/a

## Performance Attribution & Strategy Comments

The PERSI portfolio outperformed the benchmark by 15 basis points, gross of fees. Credit positioning contributed to relative performance, driven by overweight to financials and subsector/security selection decisions within industrials. Securitized positioning also contributed to relative performance, driven by subsector/security selection decisions within agency RMBS (pass-throughs). Active yield curve positioning and the positive convexity bias did not materially impact relative performance. As always, the portfolio remained duration neutral.

Treasury yields uniformly declined across the curve in June. For the quarter, yields declined among shorter tenors (1-7 yrs) but finished higher from 10-30yrs, steepening 2s10s by 19 bps (and 2s30s by 38 bps) in Q2. The 10yr, which rose just 2 bps for Q2 to finish at 4.23%, moved in a 4.60% to 4.00% range during the quarter amid the tariff rollout, the tax-bill debate and Middle East conflict. As expected, the Fed held its policy rate steady at 4.25-4.5% where it has resided since December. The Fed's unanimous decision was supported by "solid data" and the desire to "wait and see" the impacts of various US policy decisions. Core PCE inflation of 2.7%, which remains above the Fed's 2% target, combined with a robust May nonfarm payrolls of +144k, above estimates, were cited by the Fed as rationale for patience. Nonetheless, the Fed's Summary of Economic Projections (SEP) did lower the year-end forecast for real GDP (1.4% from 1.7%) and increase the forecast for Core PCE inflation (3.1% from 2.8%) and unemployment (4.5% from 4.4%). The debate on the One Big Beautiful Bill Act continued as legislators aim to make select 2017 tax cuts permanent while minimizing the deficit growth that Moody's cited in their Treasury downgrade to Aa1 during the quarter. Trade negotiations continued with select new deals finalized, but the US effective tariff rate of 13.5% remains at its highest level since 1938. Geopolitical tension added to uncertainty during the month and quarter as Iran and Israel entered war and US planes bombed Iranian nuclear facilities. IG Corporate spreads finished tighter for the month (-5 bps) and quarter (-11 bps). Closing the quarter at +83 OAS represented a notable rally from the +119 wides experienced at the onset of new tariffs in April. Spreads also tightened in non-Agy CMBS and in ABS for both the month and the quarter. Spread tightening was greatest among the lower quality market sectors as US HY and EM Debt tightened by -57 bps and -40 bps respectively in Q2.

## Organizational/Personnel Changes

N/A

## Manager Style Summary

*Baird's investment philosophy is based structuring the portfolio to achieve the return of the benchmark then add incremental value through a bottom-up, risk-controlled process (yield curve positioning, sector allocation, security selection and competitive execution). The result is consistent, competitive performance over complete market cycles.*

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**Portfolio Guideline Compliance**

Portfolio Guideline:	Baird	BB AGG	Min	Max	Compliance
B1. Effective Duration:	6.1	6.1	5.6	6.6	ok
B2. Sector Diversification:					
Government	31%	46%	11%	81%	ok
Treasuries	31%	45%	10%	80%	ok
Agencies	0%	1%	0%	6%	ok
Credit	36%	28%	3%	53%	ok
Financial	15%	8%	0%	23%	ok
Industrial	20%	14%	0%	29%	ok
Utility	1%	2%	0%	12%	ok
Non-Corporate	0%	3%	0%	13%	ok
Securitized	29%	26%	1%	51%	ok
Non-Agency RMBS	2%	0%	0%	15%	ok
Agency RMBS	20%	25%	5%	45%	ok
ABS	2%	0%	0%	10%	ok
Non-Agency CMBS	4%	1%	0%	11%	ok
Agency CMBS	0%	1%	0%	11%	ok
Municipals	1%	1%	0%	11%	ok
B3. Issuer Concentration: <=5% all non US Gov't/Agcy				6%	ok
B4. Number of positions	187		200	400	check
B. Non-Investment Grade Alloc	0%			5%	ok
F2. Annual Turnover			0%	50%	ok
The portfolio is in compliance with all other aspects of the Portfolio Guidelines				<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

**Manager Explanations for Deviations from Portfolio Guidelines**

B4. Number of Positions: Strategically adding positions to be within the estimated number of positions.

**Total Firm Assets Under Management (\$m) as of:**

Qtr 2

\$ 173,765

**Account Turnover**

Gained: Number of Accounts: 0 Total Mkt Value (\$m): \$ -  
Lost: Number of Accounts: 0 Total Mkt Value (\$m): \$ -  
Reason(s) for loss: Baird Advisors did not gain or lose any accounts in the Aggregate Strategy this month.