

Income Research & Management (IR+M)

Core Fixed: BB Gov/Credit Bond Index

	For the month of:	January	2025		
Manager Performance Calculations				* Annualized returns	
	Last	Last	Last	Last	Last
	Month	3 Months	1 Year	3 Years*	5 Years*
IR+M	0.58%	0.02%	2.52%	-1.13%	0.10%
BB Gov/Credit	0.53%	-0.18%	1.95%	-1.60%	-0.58%

Performance Attribution & Strategy Comments

The portfolio outperformed the BB Gov/Credit index, returning 0.58% and 0.53% respectively. The portfolio's underweight towards TSYs aided performance, while its overweight to Utilities detracted. Security selection within SBAs, Utilities, and ABS aided performance, while selection within Industrials and Financials detracted. Market participants navigated a wave of high-impact events in Jan, including destructive California wildfires with estimated losses up to \$45 billion, the sudden entry of China's DeepSeek into the AI horserace, and a series of policy changes from President Trump, who closed out the month with the tariff announcement, adding to the market uncertainty. Economic data continued to highlight a resilient labor market in the face of persistently elevated inflation, with Dec's change in nonfarm payrolls shattering expectations and its unemployment rate ticking slightly lower. The Fed kept the fed funds target range unchanged at 4.25% - 4.50%, reaffirming confidence in the labor market and the broader US economy amid sticky inflation. TSY Bond yields rose early in the month, with the 10-year rate hitting 4.79% – its highest level in over fourteen months – before falling to close the month down 3bps to 4.54%. IG corporates outperformed TSYs during the month except for Utilities, which lagged other sectors amid uncertainty surrounding the California wildfires' impact. Yields rose to 5.54% in the first half of the month before reversing course and closing at 5.30%, 3bps lower than where they started; spreads remained rangebound between 78-81bps, finishing at 79bps. HY bonds extended their rally to six consecutive months, posting a total return of 1.37%; all-in yields declined by 29bps to 7.20%, and spreads narrowed by 26bps to 261bps, the tightest monthly reading in nearly a year. High-grade corporate issuance totaled \$186 billion, exceeding estimates, but remaining 2% below the Jan 2024 figure. HY primary market activity was muted for most of the month, but experienced a late boost from a bevy of new issues pricing in the final week, ending the month with \$22 billion of new bonds – nearly 30% lower than this point last year. MBS saw the highest Jan supply since 2022, driven by an increase in purchase loans; spreads tightened by 9bps during the month to 34bps, supported by renewed interest from banks and foreign investors.

Total Firm Assets Under Management (\$m) as of:	Qtr 4	\$	111,221
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Organizational/Personnel Changes

N/A

Manager Style Summary

IR+M's investment philosophy is based on the belief that careful security selection and active portfolio risk management provide superior returns over the long term. Utilizing a disciplined, bottom-up investment approach, IR+M adds value through security selection by seeking attractive, overlooked, and inefficiently priced issues.

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Portfolio Guideline Compliance

Portfolio Guideline:	IR+M	BB G/C	Min	Max	Compliance
B2. Effective Duration:	6.1	6.1	5.6	6.6	ok
B3. Sector Diversification:					
Government	40%	62%	32%	92%	ok
Treasuries	37%	61%	31%	91%	ok
Agencies	0%	1%	-4%	6%	ok
Govt Guaranteed	3%	0%	-10%	10%	ok
Credit	41%	38%	18%	58%	ok
Financial	16%	11%	-4%	26%	ok
Industrial	19%	19%	4%	34%	ok
Utility	5%	3%	-7%	13%	ok
Non-Corporate	0%	4%	-6%	14%	ok
Securitized					
RMBS	1%	0%	-10%	10%	ok
ABS	8%	0%	-10%	10%	ok
CMBS	7%	0%	-10%	10%	ok
Agency CMBS	2%	0%	-5%	5%	ok
Municipals	1%	1%	-9%	11%	ok
B4. Issuer Concentration: <=5% all corporate issuers				5%	ok
B5. Number of positions	305		100	175	check
B6. Non-Investment Grade alloc	0%			5%	ok
E2. Annual Turnover	33%		25%	75%	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

B5. Number of Positions: Due to volatility, we positioned the portfolio to take advantage of attractive opportunities.

Account Turnover

Gained: Number of Accounts: 4 Total Mkt Value (\$m): 227 million
 Lost: Number of Accounts: 1 Total Mkt Value (\$m): 23 million
 Reason(s) for loss: Account closing due to client cashflow needs