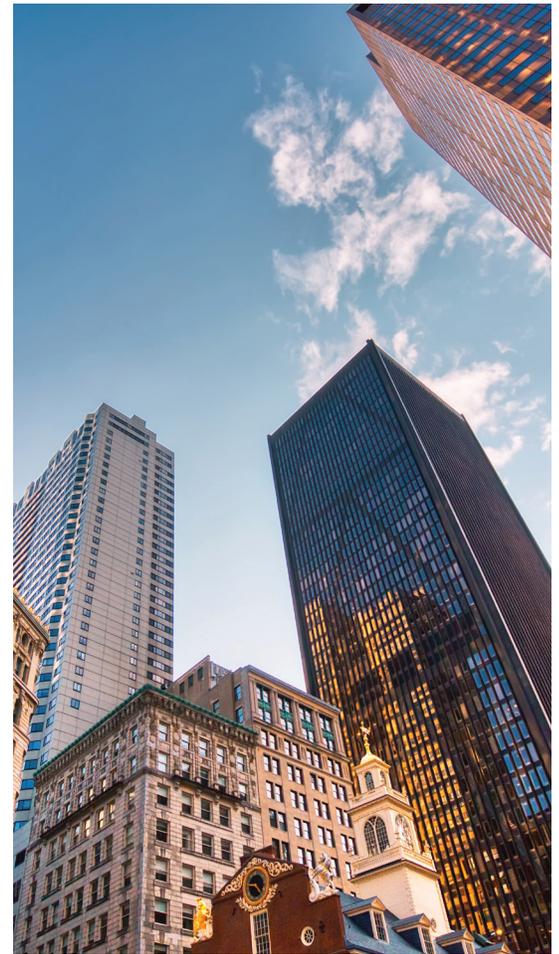


April 2022 Market Commentary



(The following commentary is a summary of discussions among members of the Breckinridge Capital Advisors Investment Committee as they reviewed monthly activity in the markets and investment returns. The members of the Investment Committee under the leadership of Chief Investment Officer Ognjen Sosa, CAIA, FRM, are Co-Head, Portfolio Management, Matthew Buscone; Senior Portfolio Manager Sara Chanda; Co-Head, Research, Nicholas Elfner; Co-Head, Portfolio Management, Jeffrey Glenn, CFA; Head, Municipal Trading, Benjamin Pease; and Co-Head, Research, Adam Stern, JD.)

Strategy and Outlook

- **U.S. Treasury Curve:** U.S. Treasury rates increased, and the curve steepened (See Figure 1).
- **Municipal Market Technicals:** April issuance was \$34 billion, 7.5 percent lower than the same month in 2021. Monthly mutual fund outflows were more than \$13 billion in April.
- **Corporate Market Technicals:** Investment grade (IG) fixed-rate bond supply for April was \$134 billion. IG bond funds reported \$14 billion of outflows during the month.
- **Securitized Trends:** Higher-coupon mortgage-backed securities (MBS) outperformed lower coupons. Auto-loan asset-backed securities (ABS) outperformed credit-card ABS.

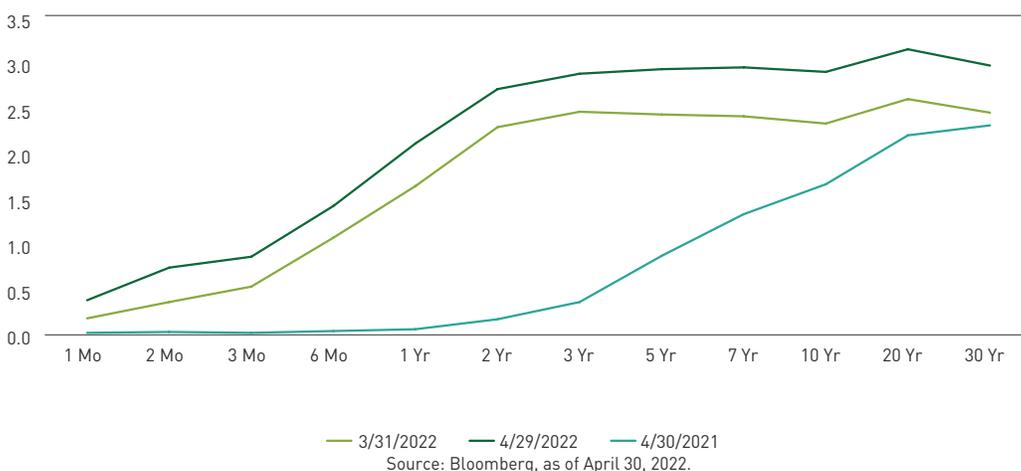


Market Review

Global uncertainty over inflation, the Russia/Ukraine invasion, and COVID-induced supply chain concerns led to market volatility and losses. The Federal Reserve (Fed) was expected to hike the federal funds rate by 50 basis points (bps) at its early May meeting and continue to hike rates to combat U.S. inflation. Meanwhile, the invasion and the pandemic worsened inflation pressures.

Treasury yields increased across the curve (See Figure 1). Treasuries are now yielding significantly more for investors than a year ago. Yields for maturities for 2- and 5-year ranges were higher by 38 and 50 basis points (bps), respectively. Yields at 10- and 30-years were higher by 60bps and 55bps at 30 years.

FIGURE 1: TREASURY YIELDS INCREASED AND THE CURVE STEEPENED



Equity prices fell sharply in April, too. For the month, the S&P 500 Index fell 8.8 percent, the Dow Jones Industrial Average fell about 5 percent, and the NASDAQ was 13 percent lower, according to [Dow Jones Market Data](#), as of April 30, 2022.

The Bureau of Economic Analysis reported first quarter gross domestic product (GDP) was weaker than expected, with real GDP falling 1.4 percent. Net exports and inventories detracted significantly, while, on a positive note, consumer spending and business investment showed strength. The savings rate fell below pre-COVID levels.

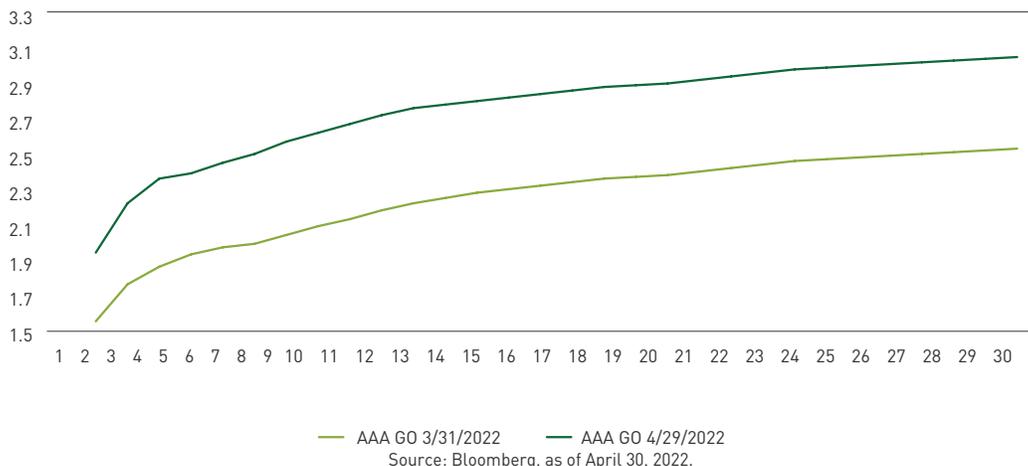
Breckinridge portfolios remain neutral to modestly long as certain indices duration continued to shorten during April. Municipal credit fundamentals are healthy. We look for fund outflows to taper if and when rates stabilize, presenting a good entry point for clients. Corporate credit fundamentals are broadly stable. Multi-Sector portfolios are overweight spread sectors, but underweight lower quality as we expect rate and spread volatility.

Municipal Market Review

Municipal yields tracked Treasuries and continued to trend higher across the curve. (See Figure 2). Yields rose 44bps in the 2-year range and nearly 50bps across the 5, 10, and 30-year spots over the month, per Bloomberg. As a result, the municipal yield curve steepened slightly between 2 and 10 years and 10 and 30 years.

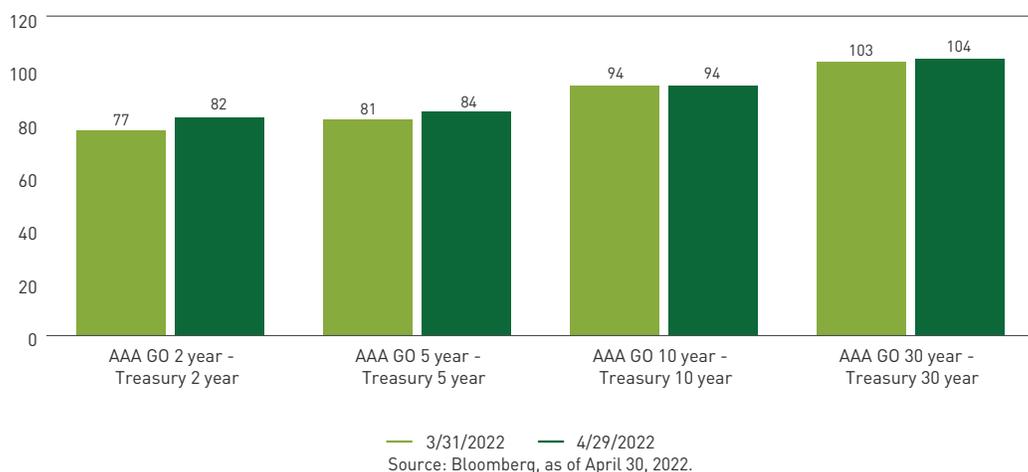


FIGURE 2: MUNICIPAL BOND YIELDS INCREASED AGAIN IN APRIL



Municipals underperformed Treasuries and ratios improved, closing at or near year-to-date highs (See Figure 3).

FIGURE 3: M/T RATIOS IMPROVED ONCE AGAIN



April municipal bond issuance of \$34 billion marked a 7.5 percent drop compared to April 2021 and 22 percent lower than March 2022, per *The Bond Buyer*. Tax-exempt bond issuance was 8.5 percent lower than April 2021, while monthly taxable municipal bond issuance was 35 percent lower year-over-year. Asset outflows continued from municipal bond funds, topping \$13 billion, per Lipper, about twice the prior month's level.

For April, the Bloomberg Managed Money Short/Intermediate (1-10) Index fell 2.00 percent and the Bloomberg 1-10 Year Blend Index declined 1.72 percent. Shorter-maturity and higher quality municipal bonds outperformed those with lower credit ratings and longer maturities.

Corporate Market Review

IG corporate bond spreads widened by 19bps, per Bloomberg data, ending April at 135bps. The Bloomberg U.S. Corporate Investment Grade (IG) Index fell 5.47 percent on a total return basis and delivered a negative excess return of 1.40 percent compared with duration-matched Treasuries.

Bloomberg data showed that corporate bonds rated AA and higher outperformed lower rated A and BBB bonds in April. Shorter-maturity IG bonds outperformed comparable longer-maturity bonds.



The best-performing corporate sectors were airlines, construction machinery and automotive, according to Bloomberg. The worst-performing were cable satellite, media entertainment, oil field services and transports.

Index-eligible IG bond issuance in April, per Bloomberg, was \$134 billion, a substantial decrease from \$246 billion in March. Net issuance, after redemptions, was a \$49 billion in April. According to Emerging Portfolio Fund Research, IG bond funds reported approximately \$14 billion of outflows in April.

Securitized Market Review

Nominal Current Coupon MBS spreads widened 15bps in April and closed the month at 125bps over the 5/10 Treasury blend, per Bloomberg data. This produced a negative excess return of 105bps for the overall MBS index. Within the sector, higher coupons outperformed lower coupons, with the 5 percent coupon being the best performer. With a negative excess return of 98bps, Ginnie Mae MBS outperformed Conventional MBS (those backed by Fannie Mae and Freddie Mac), which delivered a negative excess return of 105bps, matching the index headline number.

Among commercial mortgage-backed securities (CMBS), Agency CMBS had negative excess return of 4bps, per Bloomberg data. Non-Agency CMBS delivered a negative excess return of 7bps.

In the ABS market segment, spreads widened 15bps and 8bps for auto loan and credit card debt, respectively. Volume stands at \$92.7 billion priced across 134 transactions, year to date. Volume is up 8.3 percent relative to the comparable period in 2021. During April, ABS backed by auto loans had a negative excess return of 3bps, while negative excess return for credit card-backed securities was 18bps.



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