Breckinridge
CAPITAL ADVISORS

INVESTING | **SEPTEMBER 10, 2025**

AUGUST 2025 MARKET COMMENTARY

Summary

- **U.S. Treasury Curve:** Treasury yields fell, with the 2-year yield down 34 basis points (bps) and the 10-year yield down 15bps.
- **Municipal Market Rates and Technicals:** Municipal yields declined, with the 10-year yield down 7bps and Municipal/Treasury ratios[1] (M/T ratios) holding steady.
- **Corporate Market Technicals:** The option-adjusted spread (OAS) for the Bloomberg (BBG) Corporate Investment Grade Index[2] widened by 3bps, while corporate issuance was about $119 billion.
- **Securitized Trends:** Mortgage-backed securities (MBS) returns were strong at 1.61 percent, while Asset-backed securities (ABS) returns were favorable, with Auto Loans at 0.90 percent.
- **Equity Market Trends:** The S&P 500 Index gained 1.9 percent in August, led by strong performance in Health Care and Materials sectors.

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 Co-Chief Investment Officers Matthew Buscone and Jeffrey Glenn, CFA, are Co-Heads of Research, Nicholas Elfner and Adam Stern, J.D., M.P.A.; and Portfolio Manager and Director, Corporate Research, Josh Perez, CFA.

1. The Municipal/Treasury (M/T) ratio compare yields of municipals bonds with those of U.S. Treasury bonds of the same maturity. M/T ratios can show the relative value of municipal bonds compared with taxable bonds, by indicating when yields for municipal bonds exceed the after-tax yields on taxable bonds. M/T ratio data is per Municipal Market Data, as of August 31, 2025.
2. IG Corporate bond performance as of August 31, 2025, is as measured by the BBG U.S. Corporate Investment Grade Bond Index, an unmanaged market-value-weighted index of investment grade corporate fixed-rate debt issues with maturities of one year or more. You cannot invest directly in an index

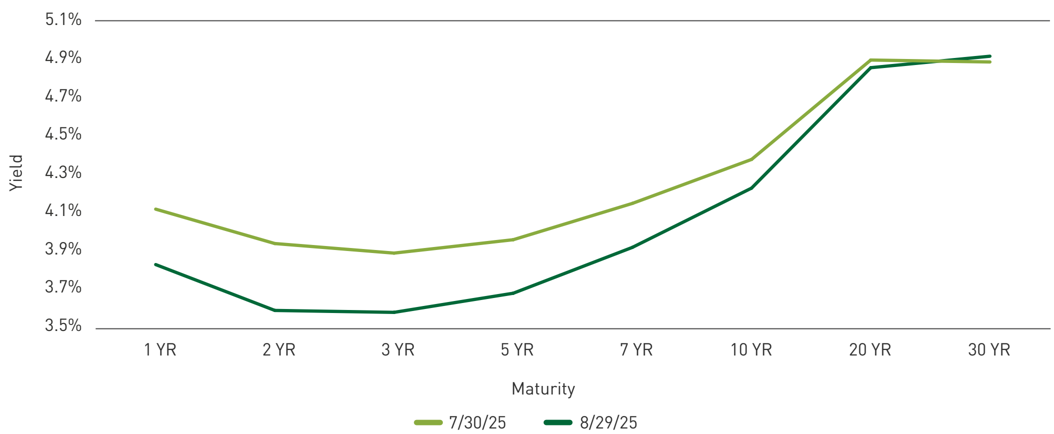
MARKET REVIEW

In August 2025, the financial markets were marked by a mix of economic resilience and shifting policy expectations. The Jackson Hole Economic Symposium revealed a potential pivot in Federal Reserve (Fed) policy, with Chairman Jerome Powell hinting at a possible easing cycle. This dovish signal, combined with solid quarterly earnings results, powered the S&P 500 to several record highs during the month. Investment grade (IG) bond spreads widened by 3bps.

The Fed's more dovish policy outlook reflected concerns about slowing job creation and its potential impact on economic growth. Core Personal Consumption Expenditures (PCE) inflation for July came in at 2.9 percent year-over-year, remaining above the Fed's 2 percent target. However, the recent deceleration in job creation, with July payrolls adding only 73,000 jobs, is likely to influence the Fed's decision making. The Breckinridge Investment Committee expects the Fed to cut interest rates twice this year, aligning with the more accommodative rhetoric from Fed officials.

Treasury yields experienced noteworthy declines in August, with the 2-year, 5-year, and 10-year yields falling by 34, 28, and 15bps, respectively (See Figure 1). The 30-year yield, however, saw a slight increase of 3bps. The Bloomberg U.S. Treasury Index[3] recorded a total return of 1.06 percent for the month.

FIGURE 1: MOST TREASURY YIELDS FELL IN AUGUST, INTERMEDIATE YIELDS DECLINED THE MOST



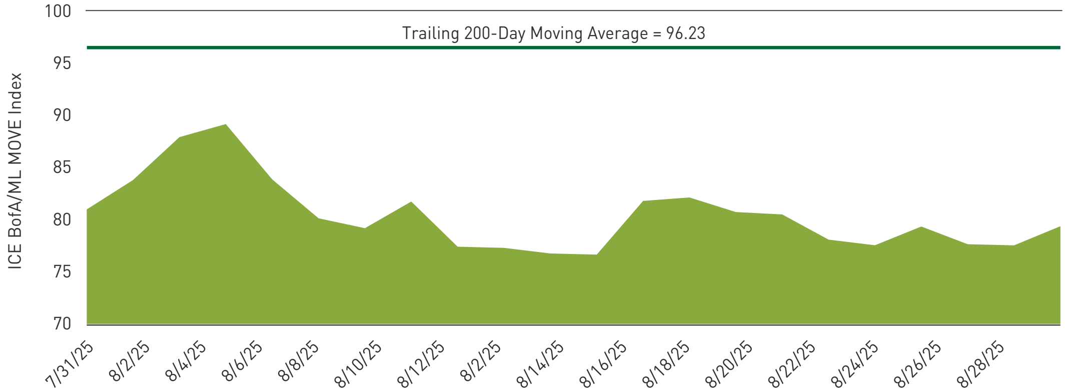
Source: U.S. Department of the Treasury, as of August 31, 2025. Past performance is not indicative of future results.

Bond market volatility, as measured by the Intercontinental Exchange Bank of America/Merrill Lynch MOVE Index, remained relatively stable, reflecting a cautious market environment (See Figure 2).

The Investment Committee's outlook for the second half of 2025 is for a slowdown in labor markets, sticky inflation measures, and moderating economic growth. The committee remains concerned about the risk of permanent tariffs on large trading partners, which could negatively impact growth, consumer spending, and price levels. Given this outlook, portfolio positioning is defensive with still tight valuations in most spread sectors, partially mitigated by attractive yields that continue to bring fund flows into the IG market.

3. The Bloomberg U.S. Treasury Bond Index is an unmanaged index of prices of U.S. Treasury bonds with maturities of 1 to 30 years. You cannot invest directly in an index. You cannot invest directly in an index.

FIGURE 2: BOND MARKET VOLATILITY DECLINED,200-DAY MOVING AVERAGE FELL BELOW 100



Source: Intercontinental Exchange, as of August 31, 2025. Past performance is not indicative of future results.

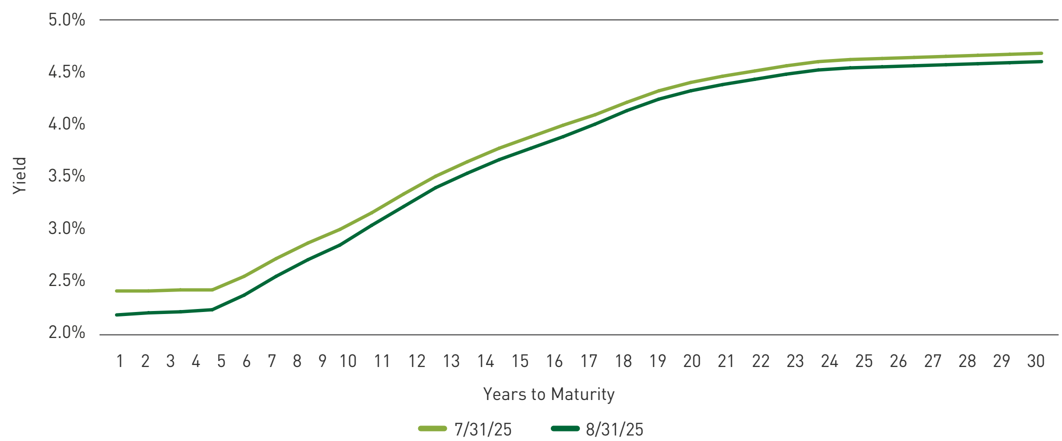
MUNICIPAL MARKET REVIEW

In August 2025, the municipal bond market experienced a relatively stable month, with supply and demand dynamics remaining balanced. According to London Stock Exchange Group (LSEG) data, total municipal bond issuance for August 2025 was about $52 billion, a slight decrease from $53 billion in July 2025 and $55 billion in August 2024.

The Bloomberg Short/Intermediate Municipal Bond Index (the Index), which tracks the performance of municipal bonds with maturities between 1 and 10 years, returned 0.85 percent in August 2025. This performance was driven by a combination of stable yields and positive fund flows. The Index's total return was slightly lower than the U.S. Treasury Index, which returned 1.06 percent.

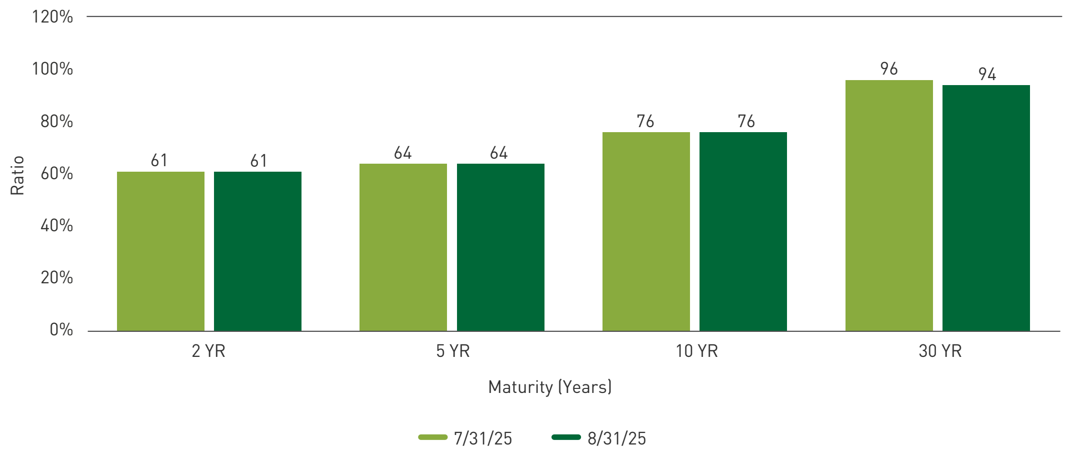
Municipal yields declined across the curve, with the 10-year yield down 7bps, while M/T ratios held steady (See Figures 3 and 4). The steeper curve has begun to translate into better returns for longer duration municipal bonds. The pace of net new-issue supply could influence performance moving into the fourth quarter, with the potential for a slowdown in supply into year-end helping performance.

FIGURE 3: MUNICIPAL BOND YIELDS FELL ACROSS THE CURVE



Source: Municipal Market Data, as of August 31, 2025. Past performance is not indicative of future results.

FIGURE 4: M/T RATIOS WERE MOSTLY UNCHANGED IN AUGUST



Source: Municipal Market Data, as of August 31, 2025. Past performance is not indicative of future results.

CORPORATE MARKET REVIEW

The U.S. Corporate Index OAS widened by 3bps in August. This movement reflects a slight increase in credit spreads for IG corporate bonds.

On a total return basis for August, the Corporate Bond Index returned 1.01 percent, with an excess return of negative 0.08 percent, trailing the return for Treasuries with similar maturities. This indicates that corporate bonds underperformed by a small margin during the month.

Per BBG, the best-performing sectors in August were Sovereigns, Office REITS, Oil Field Services, Other REITs, Finance Companies, Health Insurance, and Refining. Conversely, the worst-performing sectors were Wirelines, Railroads, Wireless, Food and Beverage P&C Insurance and Pharmaceuticals.

Total fixed-rate gross IG corporate supply was $119 billion in August. After $76.3 billion in redemptions, net supply was $42.6 billion, BBG reported.

In August, a net total of approximately $56.23 billion flowed into corporate mutual and exchange-traded funds (ETFs). This inflow suggests strong investor demand for corporate bonds during the month.

SECURITIZED MARKET REVIEW

MONTH-TO-DATE (MTD) & YEAR-TO-DATE (YTD) RETURNS THROUGH AUGUST 31, 2025:

BBG Index	MTD Total Return (%)	MTD Excess Return (%)	YTD Total Return (%)	YTD Excess Return (%)
BBG MBS Index[4]	1.61	0.47	5.48	0.59
BBG Agency CMBS Index[4]	1.43	0.07	5.91	0.55
BBG Non-Agency CMBS Index[4]	1.51	0.28	5.89	0.93
BBG ABS Auto Loan Index[5]	0.90	0.07	3.99	0.44
BBG ABS Credit Card Index[5]	1.06	0.09	4.30	0.43

Source: BBG Index data, as of August 31, 2025. Past Performance is not a guarantee of future results.

4. The Bloomberg MBS Index tracks agency mortgage-backed pass-through securities (both fixed-rate and hybrid ARM) guaranteed by government-sponsored enterprises (GSEs) Government National Mortgage Association (Ginnie Mae) (GNMA), Federal National Mortgage Association (Fannie Mae) (FNMA), and Federal Home Loan Mortgage Corporation (Freddie Mac) (FHLMC). The index is constructed by grouping individual pools into aggregates or generics based on program, coupon, and vintage. You cannot invest directly in an index.
5. Bloomberg U.S. Asset-Backed Securities (ABS) Index is the ABS component of the Bloomberg U.S. Aggregate Bond Index, a flagship measure of the U.S. investment grade, fixed-rate bond market. The ABS index has three subsectors: credit and credit cards, autos, and utility. You cannot invest directly in an index.

During August, the mortgage-backed securities (MBS) sector generated a total return of 1.61 percent and an excess return of 0.47 percent. The sector's performance was driven by spreads that tightened by 5bps. Lower-coupon MBS outperformed higher-coupon MBS, as rates rallied.

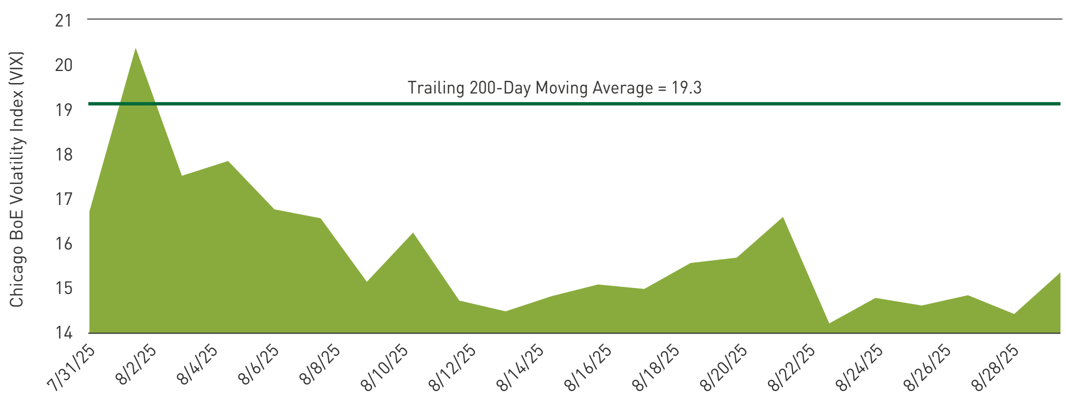
In the asset-backed securities (ABS) market, the Auto Loans subsector returned 0.90 percent with an excess return of 0.07 percent, while the Credit Card Loans subsector returned 1.60 percent with an excess return of 0.09 percent. The ABS market experienced a quiet month with muted supply and generally unchanged spreads. Issuance is expected to pick up later in the month.

The performance of the MBS and ABS sectors was influenced by several factors. In the MBS market, declining rate volatility, as measured by the MOVE Index, provided a tailwind. Additionally, headlines about potential privatization of mortgage-related government sponsored entities (GSEs) resurfaced but did not significantly impact spreads. In the ABS market, stable spreads across subsectors characterized the quiet month, with no significant movements reported.

EQUITY MARKET REVIEW

The S&P 500 Index returned 2.03 percent in August 2025, marking a positive month for U.S. equities. The VIX Index, a measure of market volatility, experienced a decline, ending the month below the 200-day moving average, indicating a reduction in market uncertainty and investor anxiety (See Figure 5).

FIGURE 5: AFTER A BRIEF JUMP EARLY ON DISAPPOINTING JOBS DATA, STOCK MARKET VOLATILITY CONTINUED A DOWNWARD TREND



Source: Chicago Board Options Exchange, as of August 31, 2025. Past performance is not indicative of future results.

At a sector level, the performance was mixed. The best-performing sectors were Materials, which gained 5.8 percent, and Health Care, which rose 5.4 percent. These sectors were followed by Energy, Communication Services, Consumer Discretionary, Financials, and Real Estate, all of which posted positive returns. Conversely, the worst performing sectors were Utilities, which fell 1.6 percent, Industrials, which gained 0.01 percent, Information Technology, which gained only 0.3 percent, and consumer staples, which saw a 1.6 percent increase.

The Russell 1000 Value Index[6] outperformed the Russell 1000 Growth Index[7] in August, returning 3.2 percent compared to 1.1 percent for the Russell 1000 Growth Index. This performance aligns with a broader market trend of value outperforming growth in August, a shift from the year-to-date outperformance of growth. During August, equity factors that turned in the best performance included Value (up 7.8 percent) and Dividend Yield (up 4.3 percent), while Momentum, Quality, Size, Growth and Low Volatility factors yielded negative results.

6. The Russell 1000® Value Index is an unmanaged market capitalization-weighted index of value-oriented stocks of U.S. domiciled companies that are included in the Russell 1000 Index. Value-oriented stocks tend to have lower price-to-book ratios and lower forecasted growth values. You cannot invest directly in an index.
7. The Russell 1000® Growth Index is an unmanaged market capitalization-weighted index of growth-oriented stocks of U.S. domiciled companies that are included in the Russell 1000 Index. Growth-oriented stocks tend to have higher price-to-book ratios and higher forecasted growth values. You cannot invest directly in an index.