Breckinridge
CAPITAL ADVISORS

INVESTING | **AUGUST 13, 2025**

JULY 2025 MARKET COMMENTARY

Summary

- **U.S. Treasury Curve:** Treasury yields increased in July on favorable economic data and the Federal Reserve's (Fed's) decision to hold rates steady.
- **Municipal Market Rates and Technicals:** Supply continued at an elevated level and demand was sustained. Municipal bonds[1] earned a positive total return of 0.60 percent, as short and intermediate bonds outperformed longer-term bonds.
- **Corporate Market Technicals:** The option-adjusted spread (OAS) for the Bloomberg (BBG) Corporate Investment Grade (IG) Index[2] (the Corporate Bond Index) ended at 76 basis points (bps), tightening another 7bps on the month. Total fixed-rate gross investment grade (IG) corporate bond supply was nearly $90 billion, although net issuance was negative after redemptions.
- **Securitized Trends:** Total returns, per BBG data, across mortgage-backed securities (MBS) were flat to negative, while excess[3] were generally flat to positive. Asset-backed securities (ABS) earned positive total and excess returns.
- **Equity Market Trends:** Equity markets, as represented by the S&P (the S&P Index),[4] added about 2.2 percent. July returns were positive across 6 of 11 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. Returns are as of July 31, 2025, for the Bloomberg Municipal Managed Money Short/Intermediate (1-10) Index, which measures the performance of the publicly traded municipal bonds that cover the USD-denominated short/intermediate term tax-exempt bond market, including state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds. It is rules-based and market-value weighted. You cannot invest directly in an index.
2. IG Corporate bond performance as of July 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.
3. Excess return refers to the amount by which an investment's actual return exceeds what is expected, given its risk level. It measures how much an investment outperforms a benchmark or a risk-free rate. A positive excess return indicates outperformance, while a negative one suggests underperformance. Bond excess return is typically the return of a corporate or securitized bond compared to the return of a U.S. Treasury security of the same maturity.
4. The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market-value-weighted index with each stock's weight in the index proportionate to its market value. You cannot invest directly in an index.

MARKET REVIEW

Investor sentiment remained positive in July, driving equity prices higher and bond prices lower. Equity gains were led by Information Technology and Utility stocks and the biggest decline in bonds came from longer maturities.

Economic data indicated the U.S. economy continued an upward trajectory. On July 29, second quarter gross domestic product (GDP) was reported by the U.S. Commerce Department to be 3 percent year-over-year (Y/Y), on a seasonally adjusted annual rate, which was a rebound from the first three months of the year, when output contracted at a 0.5 percent rate, which some analysts attributed to shifting tariff policies. Over the first six months of 2025 (1H25), GDP data suggested more modest economic growth.

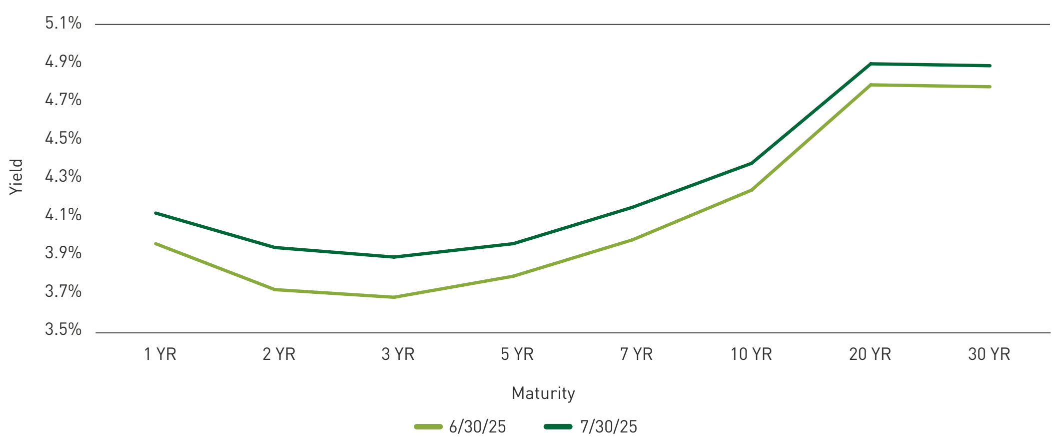
Earlier in the month, the U.S. Bureau of Labor Statistics (BLS) reported the June Consumer Price Index (CPI) rose 0.3 compared to May's reading, leaving the Y/Y change at 2.7 percent. The Fed's preferred inflation measure, the Personal Consumption Expenditures (PCE) index, increased by 0.3 percent from the previous month, according to the U.S. Bureau of Economic Analysis (BEA), pushing the annual PCE inflation rate to 2.6 percent from 2.4 percent in May. Forecasters continued to sift through the data for definitive proof that tariffs were contributing to higher inflation.

The BLS reported in early July that U.S. non-farm payrolls rose by 147,000 in June 2025, following an upwardly revised 144,000 May total. Analysts who were waiting for federal job cuts and stricter immigration policies to filter through the economy got some evidence in the July jobs report. On August 1, the BLS reported that the economy added 73,000 jobs in July, lower than economists' expectations, according to *Bloomberg*. The unemployment rate rose to 4.2 percent, up from 4.1 percent the month before. Job gains from the prior two months were revised lower.

With encouraging GDP data offset by unresolved concerns about future inflation and employment, the Federal Open Market Committee (FOMC) ended its July meeting by announcing no change to the federal funds rate. Two FOMC members expressed their dissent from the committee's view, aligning with President Donald J. Trump's consistent urging for rate cuts. Their action offered support to those viewing an interest-rate cut is in the making sooner rather than later.

In July, Treasury yields from two years and longer moved higher. Yields for the 2-, 5-, 10-, and 30-year Treasuries were 24, 18, 15, and 13bps higher, respectively (See Figure 1). The BBG Treasury Bond Index[5] lost 0.39 percent in July.

FIGURE 1: TREASURY YIELDS WERE HIGHER AT THE END OF JULY, WITH THE LARGEST INCREASES IN THE BELLY OF THE CURVE

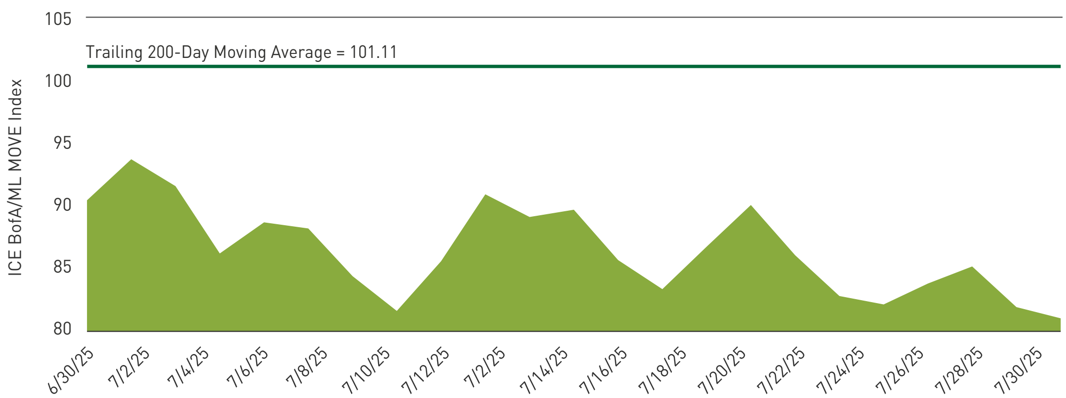


Source: U.S. Department of the Treasury, as of July 31, 2025. Past performance is not indicative of future results.

5. 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. 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.

Bond market volatility was at low levels, as measured by the Intercontinental Exchange Bank of America/Merrill Lynch MOVE Index declined (See Figure 2).

FIGURE 2: DESPITE DAY-TO-DAY VARIABILITY, BOND MARKET VOLATILITY CONTINUED 2025'S DOWNWARD TREND



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

The Breckinridge Investment Committee expects growth to remain muted in the second half of 2025. Because consumer spending is a critical component of the growth outlook, a recent softening of real spending (down 0.3 percent in May) and the ongoing tariff-related uncertainty are the largest risks to growth, consumer spending, and price levels. The Committee continues to expect two Fed rate cuts this year, starting in September.

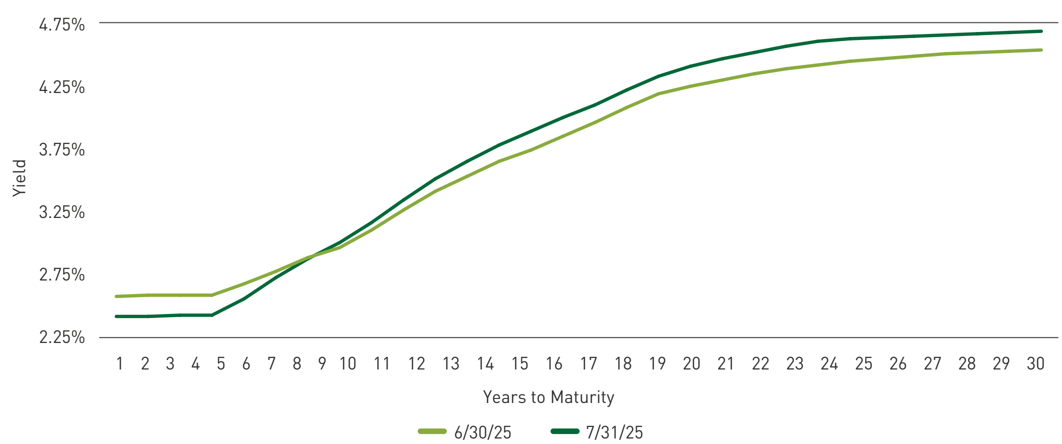
MUNICIPAL MARKET REVIEW

Ample new bond supply continued in July, with more than $53 billion issued, according to data from the London Stock Exchange Group (LSEG), as reported by *The Bond Buyer*. The total represented a nearly $12 billion or 29 percent increase over issuance in the same month in 2024.

Municipal bonds, as measured by the BBG Short/Intermediate (1-10) Municipal Bond Index, posted a positive return at 0.60 percent.

Yields for 2- and 5-year municipal bonds fell 22 and 19bps, respectively, while yields on 10- and 30-year bonds increased 6 and 17bps, respectively (See Figure 3).

FIGURE 3: YIELDS INCREASED FOR INTERMEDIATE- & LONG-TERM MUNICIPAL BONDS

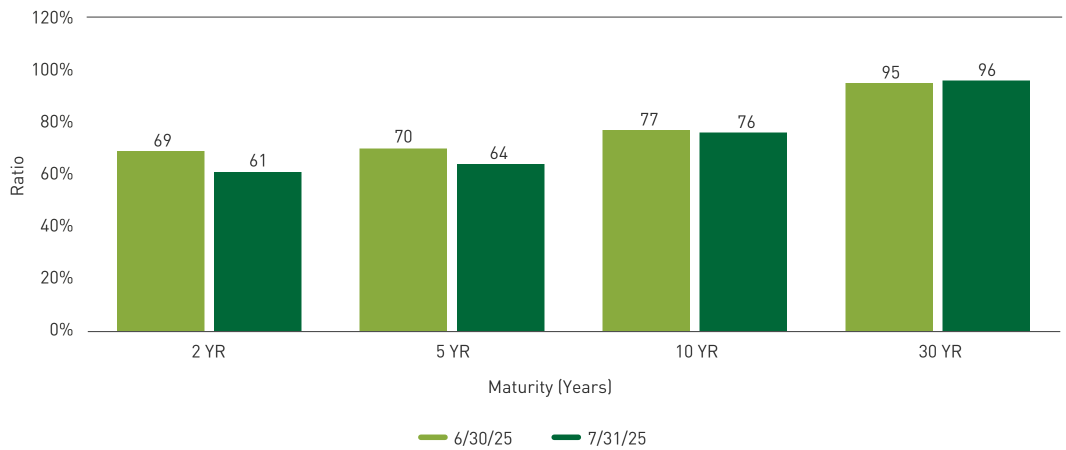


Source: Municipal Market Data, as of July 31, 2025. Past performance is not indicative of future results.

Municipal/Treasury Ratios[6] (M/T Ratios) dipped by 8 and 6 ratios at 2 and 5 years, while holding fairly unchanged at 10 and 30 years (See Figure 4).

Through July 31, monthly municipal bond fund net asset inflows exceeded $1.7 billion, LSEG reported, and totaled about $9.1 billion year-to-date (YTD).

FIGURE 4: M/T RATIOS DECLINED AT THE SHORTER END OF THE CURVE



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

CORPORATE MARKET REVIEW

The U.S. Corporate Index OAS tightened by 7bps in July. The Corporate Bond Index earned a total return of 0.07 percent and an excess return of 0.56 percent.

According to BBG data, the best-performing sectors were Sovereign bonds, Independent Oil and Gas producers, Electric Utilities, Oil Refining and Natural Gas producers. The worst-performing sectors were Health Insurance, Cable Satellite, Supranational financing entities, Foreign Agencies and Chemical companies. Bonds rated BBB fared the best across the IG quality spectrum, while AA rated bonds fared the worst.

Total fixed rate gross IG supply in July was $89.8 billion. After $119 billion in redemptions, net supply was a negative total of $29.4 billion, BBG reported.

Through July 23, 2025, month-to-date flows to taxable mutual and exchange-traded funds (ETFs) was more than $59 billion, according to the Investment Company Institute (ICI).

SECURITIZED MARKET REVIEW

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

BBG Index	MTD Total Return (%)	MTD Excess Return (%)	YTD Total Return (%)	YTD Excess Return (%)
BBG MBS Index[7]	-0.40	0.00	3.81	0.10
BBG Agency CMBS Index[7]	-0.23	0.13	4.42	0.46
BBG Non-Agency CMBS Index[7]	0.00	0.29	4.31	0.63
BBG ABS Auto Loan Index[8]	0.14	0.14	3.07	0.36
BBG ABS Credit Card Index[8]	0.03	0.13	3.20	0.33

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

6. 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.
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8. 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.

MBS MTD total returns were mostly negative while excess returns were mostly positive. ABS MTD total and excess returns were positive. YTD total and excess returns across MBS and ABS sectors were positive through July 31, 2025.

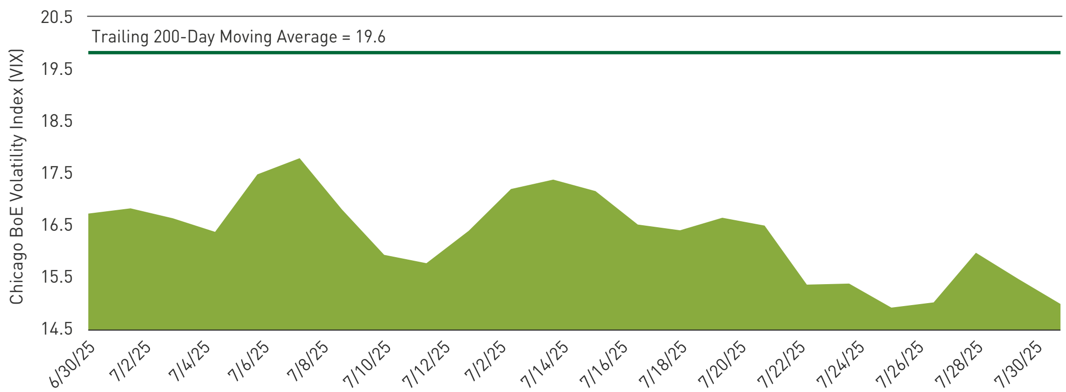
According to BBG data, conventional[9] and Ginnie Mae[10] MBS with coupons ranging from 5.5 to 6.5 outperformed others in their categories.

Auto loan ABS outperformed credit card ABS on a total and excess return basis MTD through July 31. Total returns for credit card ABS exceeded auto loan ABS YTD through July, while auto loan excess returns beat credit cards.

EQUITY MARKET REVIEW

The S&P Index earned a positive monthly return of 2.2 percent in July. The VIX Index declined (See Figure 5).

FIGURE 5: EQUITY MARKET VOLATILITY WAS LOW, ENDING JULY BELOW THE 200-DAY MOVING AVERAGE



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

At a sector level, 6 of 11 sectors earned positive monthly returns, led by Information Technology (5.2 percent) and Utilities (4.9 percent). Industrials (3 percent), Energy (2.9 percent), Consumer Discretionary (2.6 percent) and Communication Services (2.4 percent) also turned in positive results. Negative returns were recorded in Health Care (-3.3 percent), Consumer Staples (-2.4 percent), Materials (-0.4 percent), Real Estate (-0.1 percent) and Financials (-0.05 percent).

The Russell 1000 Value Index[11] gained 0.6 percent, while the Russell 1000 Growth Index[12] added 3.8.

From a factor perspective, Momentum and Dividends delivered positive returns, while Volatility, Growth, Value, Size and Quality were negative.

On August 1, *FactSet* reported, “About two-thirds of the way through the second quarter earnings season, the S&P 500 is reporting strong results. Both the percentage of S&P 500 companies reporting positive earnings surprises and the magnitude of earnings surprises are above their 10-year averages.” The S&P 500 is reporting double-digit Y/Y earnings growth for the third consecutive quarter.

9. Conventional MBS are issued by the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC).
10. Ginnie Mae MBS are issued by the Government National Mortgage Association (GNMA).
11. 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.
12. 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.

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