



OCTOBER 2025 MARKET COMMENTARY

Summary

- **U.S. Treasury Curve:** Treasury yields fell by 3, 5, 7, and 8 basis points (bps) across the 2-year, 5-year, 10-year, and 30-year maturities.
- **Municipal Market Rates and Technicals:** Municipal bond yields increased by as much as 22bps at the short end and declined by as much as 18bps at the long end, while Municipal/Treasury (M/T) ratios¹ ranged from 65 to 88 percent.
- **Corporate Market Technicals:** The option-adjusted spread (OAS) for the Bloomberg (BBG) Corporate Investment Grade (IG) Index² (Corporate Bond Index) widened by 5bps, and corporate bond issuance before redemptions was \$149 billion.
- **Securitized Trends:** Mortgage-backed securities (MBS) returned 0.86 percent, and asset-backed securities (ABS) returned 0.38 percent, according to BBG benchmark indexes.
- **Equity Market Trends:** The S&P 500 Index returned 2.34 percent, with Information Technology, Health Care, and Consumer Discretionary sectors leading gains.

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 compares yields of municipal 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.

2. As of October 31, 2025, 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.



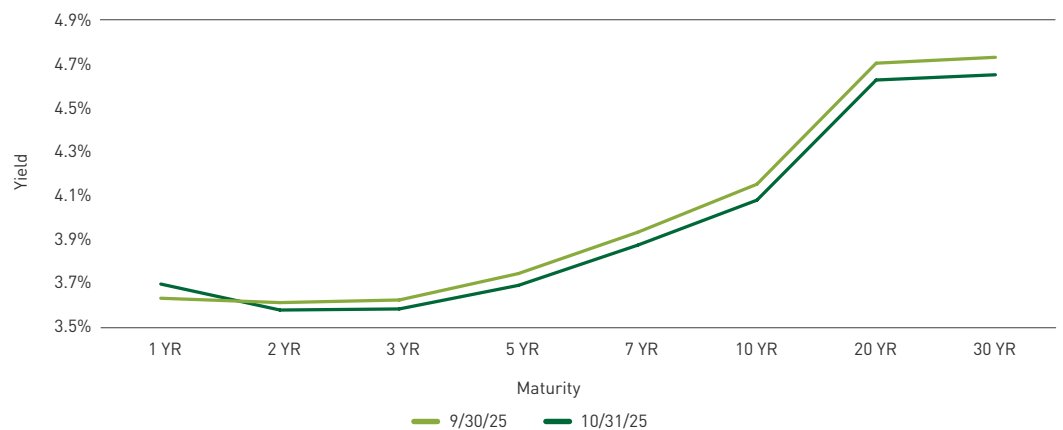
MARKET REVIEW

In October 2025, the Federal Open Market Committee (FOMC) cut interest rates by 25bps to a range of 3.75 to 4.00 percent and announced an end to quantitative tightening in December. The decision was met with dissents, and a December cut remains uncertain. The Fed faces a challenging environment with elevated inflation and a weakening labor market.

Since October 1, the federal government has been “shutdown” due to Congress’ failure to enact a timely fiscal year 2026 (FY26) budget. Now exceeding 35 days, this represents the longest full government shutdown in U.S. history. Breckinridge anticipates the shutdown to end sooner rather than later. Senate Republicans and Democrats agreed to a compromise spending bill on November 9. The House of Representatives still must approve it. The Breckinridge Investment Committee’s (IC’s) view is that the main impact on the market has been weaker growth in specific local economies, much of which it expects will reverse once the government reopens.

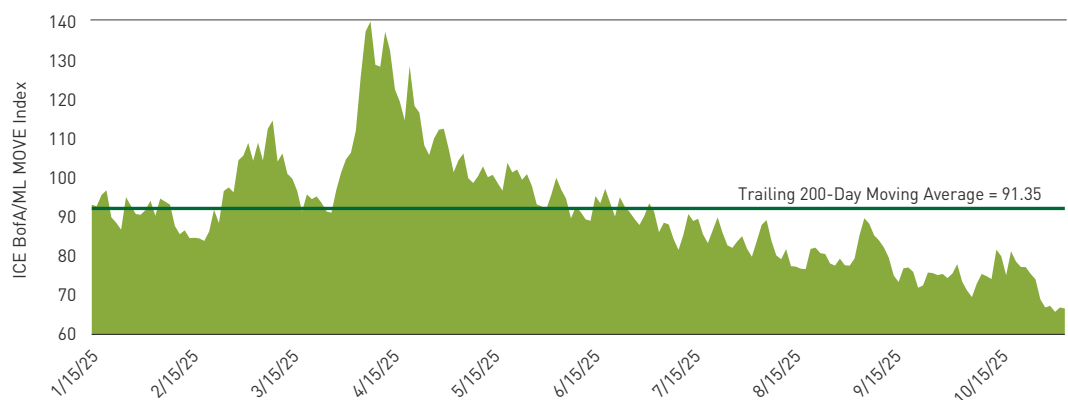
Treasury yields declined modestly in October, with the 10-year yield falling by 7bps (See Figure 1). The Intercontinental Exchange (ICE) Bank of America/Merrill Lynch Option Volatility Estimate (MOVE) Index,³ a measure of bond market volatility, remained relatively stable but ended the month lower than September (See Figure 2).

FIGURE 1: TREASURY YIELDS DECREASED ACROSS THE CURVE, ROSE AT THE SHORT END



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

FIGURE 2: BOND MARKET VOLATILITY VARIED OVER THE MONTH, BUT ENDED LOWER



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

3. As of March 31, 2025, based on the Intercontinental (ICE) Bank of America/Merrill Lynch Option Volatility Estimate (MOVE) Index, which tracks the movement in U.S. Treasury yield volatility implied by current prices of one-month over-the-counter options on 2-year, 5-year, 10-year and 30-year Treasuries. Historically, the index rises as concerns grow that interest rates may be higher. You cannot invest directly in an index.



The IC expects the 10-year Treasury yield to range between 4.0 and 4.5 percent, with two more rate cuts anticipated by mid-2026. Given the outlook for moderate real growth, portfolio positioning remains defensive, with a focus on tight valuations in spread sectors and continued flows into IG bond funds.

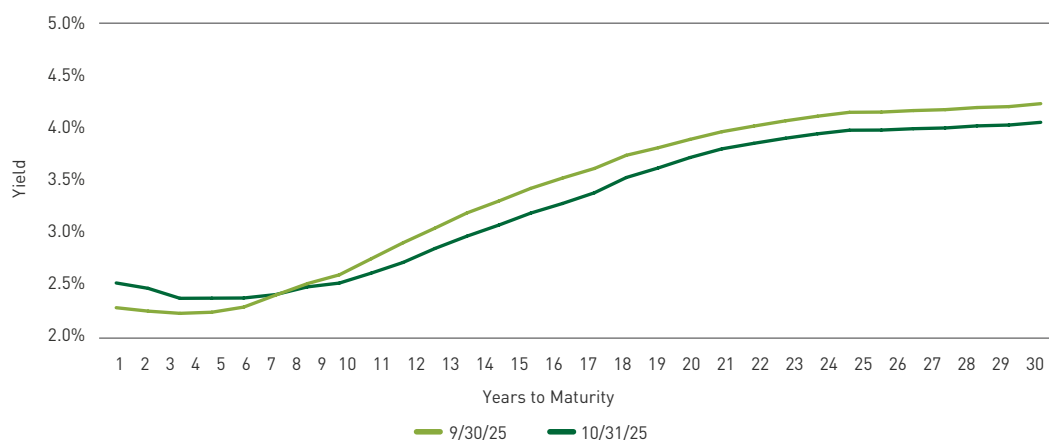
MUNICIPAL MARKET REVIEW

New issue supply declined year-over-year (Y/Y) for the third month in a row, as supply moderated compared to the surge in issuance in October 2024. Year-to-date (YTD) issuance stands at \$490 billion, up 9 percent from last year. According to Bloomberg data, new issuance amounted to just over \$58 billion, an increase from the \$49 billion issued in September and the \$52 billion issued in August.

Moderating supply is expected to support the market into year-end, particularly given continued inflows following Fed rate cuts in September and October. Municipal bonds posted another month of positive returns, with the BBG Managed Money Short/Intermediate Index⁴ adding 0.36 percent in October. Longer duration munis outperformed Treasuries of similar maturities, and ratios fell below 70 percent across much of the curve. The 10-year range is now the best performing maturity range for municipals year-to-date.

Municipal bond yields at 2- and 5-years increased, while 10- and 30-year maturities declined for the month. The yield curve flattened, with the 2-year to 10-year slope declining to below 30bps, supportive, in our view, of a more defensive market stance (See Figure 3).

FIGURE 3: MUNICIPAL YIELDS AFTER 5 YEARS FELL DURING OCTOBER



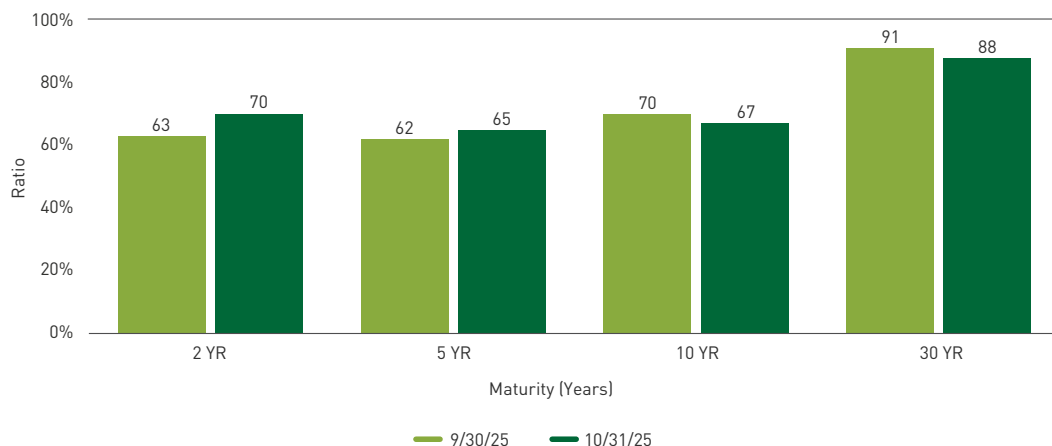
Source: Bloomberg, as of October 31, 2025. Past performance is not indicative of future results.

4. Municipal bond performance is as measured by the BBG 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.



Municipal/Treasury (M/T) ratios remained at 70 percent for 2-year maturities and below 70 percent for 3- to 10-year maturities (See Figure 4).

FIGURE 4: M/T RATIOS GAINED AT THE SHORT END OF THE CURVE & FELL AFTER 5 YEARS



Source: Bloomberg, as of October 31, 2025. Past performance is not indicative of future results.

CORPORATE MARKET REVIEW

The Corporate Bond Index OAS widened by 5bps in October. On a total return basis for the month, the Corporate Bond Index returned 0.38 percent, with an excess return of negative 0.28 percent.

Per BBG, the best-performing sectors in October were Sovereigns, Foreign Local Government, and Airlines. Conversely, the worst-performing sectors were Cable Satellite, Media Entertainment, and Wirelines. Total fixed-rate gross IG corporate supply was \$149 billion in October. After \$83 billion in redemptions, net issuance as \$66 billion.

According to the Investment Company Institute, corporate bond fund flows were about \$11 billion in October.

SECURITIZED MARKET REVIEW

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

BBG Index	MTD Total Return (%)	MTD Excess Return (%)	YTD Total Return (%)	YTD Excess Return (%)
BBG MBS Index ⁵	0.86	0.26	7.68	1.25
BBG Agency CMBS Index ⁶	0.52	0.08	6.94	0.78
BBG Non-Agency CMBS Index ⁶	0.40	-0.01	6.68	0.98
BBG ABS Auto Loan Index ⁷	0.21	-0.13	4.64	0.39
BBG ABS Credit Card Index ⁷	0.36	0.01	5.10	0.53

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

During October, MBS posted a total return of 0.86 percent, with an excess return of 0.26 percent. Commercial MBS (CMBS) returned 0.46 percent, with agency CMBS (ACMBS) outperforming at 0.52 percent.

- 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.
- The Bloomberg U.S. CMBS Investment Grade Index measures the market of U.S. Agency (GNMA, FNMA, and FHLMC) and U.S. Non-Agency conduit and fusion CMBS deals with a minimum current deal size of \$300mn. You cannot invest directly in an index.
- 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.



ABS also saw mostly positive returns, with a total return of 0.38 percent and an excess return of negative 0.02 percent, at the broad sector level, according to BBG. Within ABS, credit card loans outperformed, returning 0.36 percent, while auto loans underperformed with a still-positive total return of 0.21 percent.

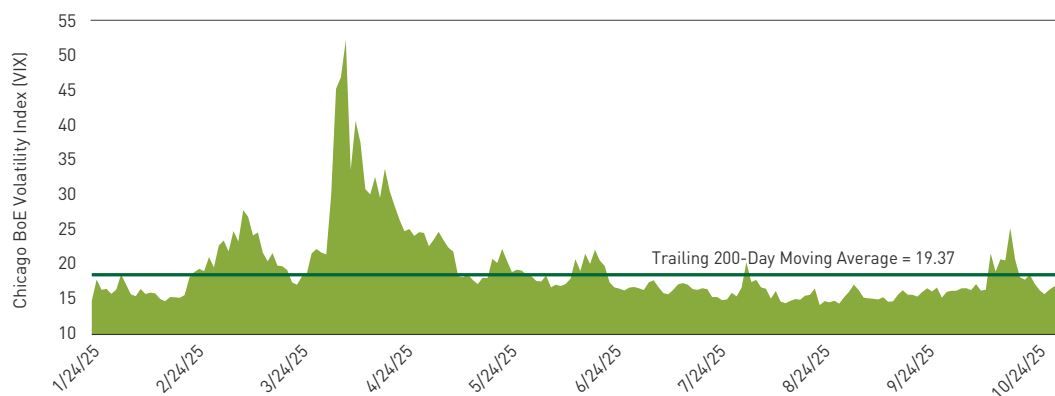
EQUITY MARKET REVIEW

The S&P 500 Index returned 2.34 percent in October. The Chicago Board Options Exchange (BoE) Volatility Index⁸ (VIX), a measure of equity market volatility, increased over the month but remained below the 200-day moving average (See Figure 5). At a sector level, Information Technology (6.23 percent), Health Care (3.58 percent), and Consumer Discretionary (2.37 percent) were the top performers.

Conversely, Materials (down 5.04 percent), Financials (down 2.84 percent), and Real Estate (down 2.63 percent) lagged. The Russell 1000 Growth Index⁹ gained 3.6 percent, outperforming the Russell 1000 Value Index,¹⁰ which returned 0.4 percent.

Based on BBG data, top performing factors in October were High Beta, Large Market Capitalization and Growth, while the worst performing factors were Dividend Yield, Quality and High Profitability.

FIGURE 5: STOCK MARKET VOLATILITY INCREASED EARLY IN OCTOBER, BUT ENDED BELOW THE 200-DAY MOVING AVERAGE



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

8. The Chicago Board Options Exchange (OEX) Volatility (VIX) Index is the ticker symbol and name for the Chicago Board Options Exchange's (CBOE) Volatility Index, a measure of the stock market's expectation of volatility based on S&P 500 index options. You cannot invest directly in an index.
9. 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.
10. 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.



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