Breckinridge
CAPITAL ADVISORS

INVESTING | **OCTOBER 14, 2025**

SEPTEMBER 2025 MARKET COMMENTARY

Summary

- **U.S. Treasury Curve:** The Treasury yield curve bull flattened in September, with the 10-year yield falling by eight basis points (bps).
- **Municipal Market Rates and Technicals:** Municipal bond yields declined, particularly at the long end, with the 10-year AAA yield falling by 28bps.
- **Corporate Market Technicals:** The option-adjusted spread (OAS) for the Bloomberg (BBG) Corporate Investment Grade (IG) Index[1] tightened by 5bps, and corporate bond issuance reached $226 billion.
- **Securitized Trends:** Mortgage-backed securities (MBS) and asset-backed securities (ABS) saw positive returns, with MBS outperforming due to a 4bps spread tightening.
- **Equity Market Trends:** The S&P 500 Index gained 3.65 percent in September, driven by strong performance in the Information Technology and Communication Services 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.

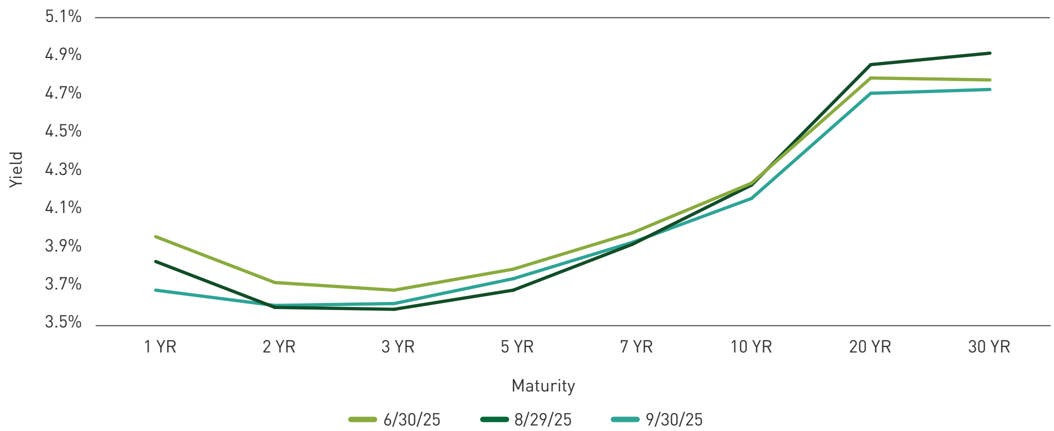
1. As of September 30, 2025, as measured by the BBG U.S. Corporate Investment Grade Bond Index, an unmanaged market-value-weighted index of investment grade corporate fixed-rate debt issues with maturities of one year or more. You cannot invest directly in an index.

MARKET REVIEW

Risk assets continued their summer rally in September, with the S&P 500 Index rising more than three percent. The economy showed constructive data, including robust consumption and personal spending, which increased by 0.6 percent in August.[2] The Federal Reserve (Fed) cut interest rates by 25bps in mid-September, as expected, and its Dot Plot[3] suggests one or two more cuts in the fourth quarter.

The Treasury curve bull flattened[4] in September, with the 30-year yield down 20bps and the 2-year yield down 1bp (See Figure 1). The Bloomberg U.S. Treasury Index[5] returned 0.85 percent for the month. Treasury yields ended the quarter lower across the curve.

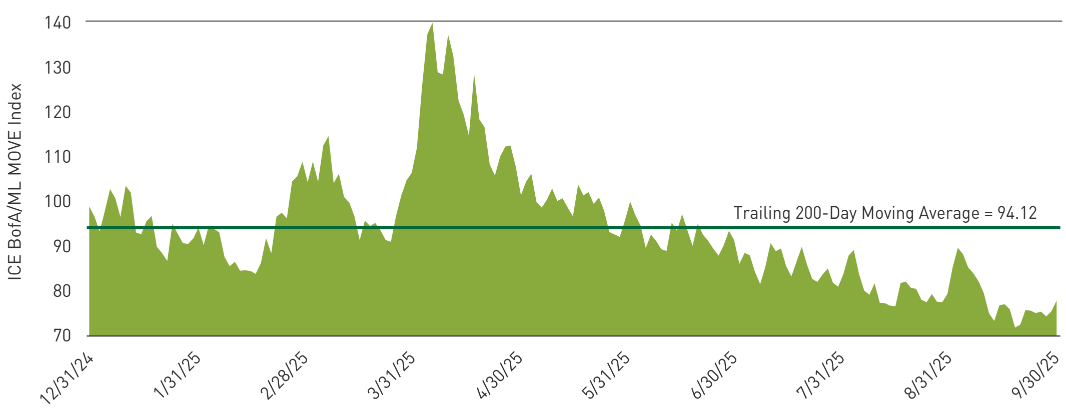
FIGURE 1: SEPTEMBER TREASURY YIELDS INCREASED IN THE BELLY OF THE CURVE, FELL AT THE SHORT & LONG ENDS



Source: U.S. Department of the Treasury, as of September 30, 2025. Past performance is not indicative of future results.

Since peaking in April, the Intercontinental Exchange (ICE) Bank of America/Merrill Lynch Option Volatility Estimate (MOVE) Index, a measure of bond market volatility, has continued its downward trend. (See Figure 2).

FIGURE 2: BOND MARKET VOLATILITY CONTINUED ITS SIX-MONTH DOWNWARD TREND



Source: Intercontinental Exchange, as of September 30, 2025. Past performance is not indicative of future results.

The Breckinridge Investment Committee (IC) expects the Fed to cut rates one more time this year, recognizing the potential impact of slowing job growth on economic expansion. Given the outlook for moderate growth, portfolio positioning remains defensive, with a focus on very tight valuations in most spread sectors and continued fund flows into fixed income.

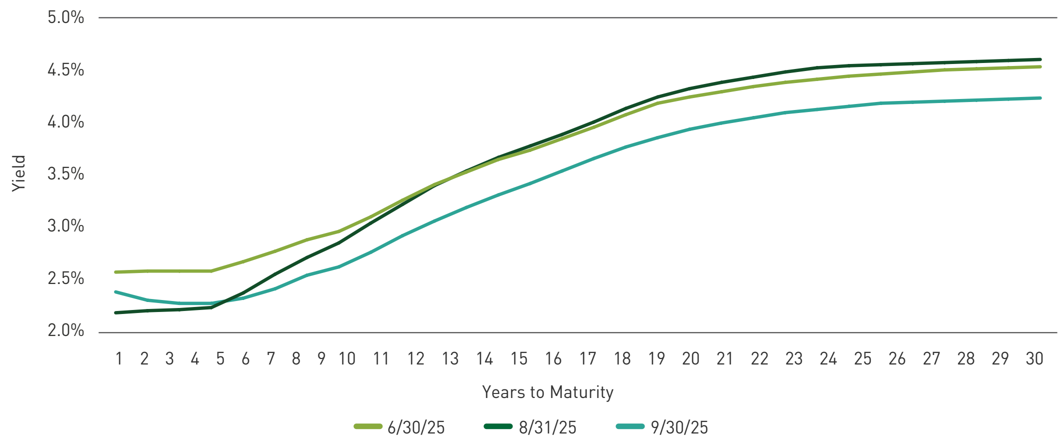
2. U.S. Department of Commerce, as of September 16, 2025.
3. The Fed's dot plot is a chart that records each Fed official's projection for the central bank's key short-term interest rate.
4. A curve that bull flattens shows long-term interest rates falling faster than short-term interest rates, causing the spread between them to narrow.
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.

MUNICIPAL MARKET REVIEW

In September 2025, the municipal bond market saw a modest increase in new issuance, totaling $49 billion, a slight decrease from the $52 billion issued in August. This supply was met with strong demand, particularly in the short and intermediate sectors, driven by favorable economic conditions and the Fed's rate cut.

The Bloomberg Short/Intermediate Municipal Bond Index[6] returned 0.96 percent in September, outperforming Treasuries. Longer-term municipal yields generally declined in the month, and the quarter ended September 30. The 2-year yield added 6bps, the 5-year, 10-year, and 30-year yields fell by 6, 28, and 35bps, respectively in September (See Figure 3). These yield changes contributed to outperformance for longer maturity bonds.

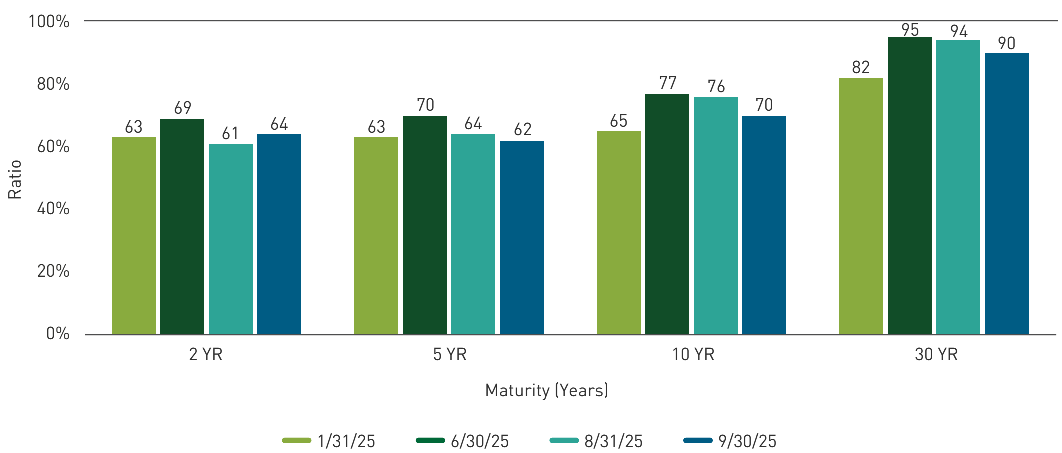
FIGURE 3: MUNICIPAL BOND YIELDS FELL IN SEPTEMBER



Source: Municipal Market Data, as of September 30, 2025. Past performance is not indicative of future results.

Municipal/Treasury[7] (M/T) ratios rose slightly in 2 years but declined across the rest of the curve, outperforming in 10 years and 30 years (See Figure 4). These ratios suggest that municipal bonds continue to offer attractive yields relative to Treasuries, particularly at the longer end of the curve.

FIGURE 4: M/T RATIOS FROM FIVE YEARS & OUT FELL IN THE MONTH & QUARTER, & ARE HIGHER THAN EARLIER IN 2025



Source: Municipal Market Data, as of September 30, 2025. Past performance is not indicative of future results.

6. 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.
7. 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 September 30, 2025.

Municipal bond fund flows were positive, with net inflows of $969 million in September. This inflow reflects continued investor interest in the sector, driven by the search for yield and the tax advantages of municipal bonds. The IC expects this trend to continue, with potential for higher net supply in October, creating buying opportunities. Over the longer-term, the IC anticipates that the Fed's easing cycle and reduced supply in the fourth quarter will place downward pressure on yields and ratios in the municipal bond market.

CORPORATE MARKET REVIEW

The U.S. Corporate Index OAS tightened by 5bps in September. On a total return basis, the Corporate Bond Index returned 1.50 percent, with an excess return of 0.48 percent.

Per BBG the best-performing sectors in September were Sovereigns, Health Insurance, Oil Field Services, and supermarkets. Conversely, the worst-performing sectors were Supranationals, Foreign Agencies, Cable Satellite Services, Foreign Local Governments, and Chemicals.

Total fixed-rate gross IG corporate supply was $226 billion in September. After accounting for redemptions of $116 billion, net supply was $110 billion.

Through September 30, a net total of approximately $71 billion flowed into long-term taxable bond mutual and exchange-traded funds (ETFs), according to the Investment Company Institute.

SECURITIZED MARKET REVIEW

MONTH-TO-DATE (MTD) & YEAR-TO-DATE (YTD) RETURNS THROUGH SEPTEMBER 30, 2025:

BBG Index	MTD Total Return (%)	MTD Excess Return (%)	YTD Total Return (%)	YTD Excess Return (%)
BBG MBS Index[8]	1.22	0.35	6.76	0.97
BBG Agency CMBS Index[9]	0.45	0.14	6.39	0.70
BBG Non-Agency CMBS Index[9]	0.34	0.05	6.25	0.98
BBG ABS Auto Loan Index[10]	0.41	0.07	4.42	0.52
BBG ABS Credit Card Index[10]	0.40	0.08	4.72	0.51

Source: BBG Index data, as of September 30, 2025. Past Performance is not a guarantee of future results.

During September, MBS generated a total return of 1.22 percent, with an excess return of 0.35 percent as spreads tightened 4bps. Lower coupons (2.0 and 2.5) led the sector, delivering 65 to 73bps of excess return.

In the ABS market, total returns were positive. Auto loans returned 0.41 percent, while credit card loans returned 0.4 percent. Excess returns were modest, with auto loans generating 7bps and credit card loans 8bps.

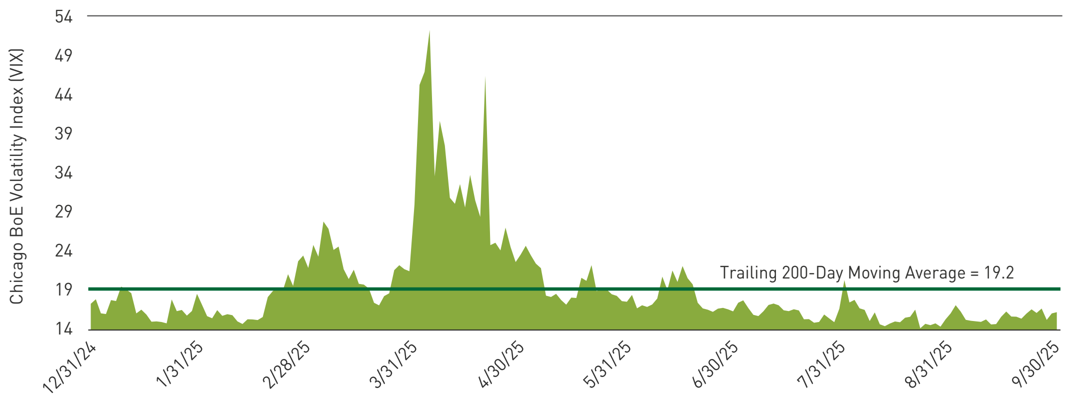
The securitized market outlook remains healthy with fundamentals remaining stable away from recent subprime auto headlines. Lower rate volatility and strong demand are supporting MBS, while ABS and RMBS sectors are holding steady despite heavy supply.

8. 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.
9. 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.
10. 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.

EQUITY MARKET REVIEW

The S&P 500 Index returned 3.65 percent in September. The VIX Index, a measure of market volatility, trended below the 200-day moving average of 19.2, indicating low volatility (See Figure 5).

FIGURE 5: STOCK MARKET VOLATILITY REMAINED BELOW THE 200-DAY MOVING AVERAGE



Source: Chicago Board Options Exchange, as of September 30, 2025. Past performance is not indicative of future results.

The best-performing sectors were Information Technology, up 7.25 percent, and Communication Services, up 5.6 percent. The worst-performing sectors were Materials, down 2.08 percent, and Consumer Staples, down 1.56 percent.

The Russell 1000 Growth Index[11] gained 5.3 percent, outperforming the Russell 1000 Value Index,[12] which returned 1.5 percent.

In September, momentum and large capitalization were the strongest performing factors while dividend yield and high value underperformed.

11. 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.
12. 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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