INTERMEDIATE  
GOV/CREDIT

Q2 2024

## Performance

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | MTD | QTD | YTD | Trailing 1 Year | Trailing 3 Year | Trailing 5 Year | Since Inception 05/31/05 |
| Intermediate G/C (Gross) | 1.05% | 2.50% | -0.45% | 2.58% | 5.87% | 3.74% | 4.47% |
| Intermediate G/C (Net) | 1.03% | 2.47% | -0.52% | 2.45% | 5.73% | 3.59% | 4.29% |
| Barclays Aggregate | 0.70% | 1.83% | -1.60% | -0.33% | 5.34% | 3.03% | 4.11% |

## Performance Commentary and Attribution

Our Intermediate G/C strategy continued its favorable start to 2024, supported by strong excess returns in spread sectors and weakness in interest rate markets. While corporate credit markets ended the second quarter on a sour note, widening by 10 basis point in June, the strong performance in April and May was enough to power the sector’s positive total and excess return for the second quarter. Securitized credit also performed well, particularly CMBS, as CRE markets remained stable and spreads rallied over 20 basis points.

Underweight duration positioning was the primary contributor to performance this quarter, followed by coupon income. While we began to reduce the duration underweight over the course of the second quarter, we did so at a measured pace and benefited from bearish rate moves as the markets continued to re-evaluate timing and magnitude of the Federal Reserve’s (Fed) looming easing cycle. We continue to favor higher coupons in our higher quality corporate holdings, thus driving our 50 basis point coupon advantage versus the benchmark. We believe this advantage will continue to provide excess returns as we are likely past the point of “peak rates”.

Curve positioning was the primary detractor to performance this quarter. The yield curve remains inverted for a record amount of time, thus contributing to performance volatility as market participants continuously re-evaluate macroeconomic data and Federal Open Market Committee (FOMC) statements. We believe that curve volatility should subside as the Fed commences an easing cycle later this year.