

# Enhanced Cash Management Fixed Income Strategy

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Characteristics and Commentary

2nd Quarter 2025

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## Market Environment

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- The second quarter packed a year's worth of macroeconomic developments into just three months, with the standout theme being a tariff-driven selloff followed by a swift rebound.
- Core fixed income returns were mostly positive but muted for the quarter (Aggregate Bond Index +1.2%). Short and intermediate duration segments outperformed as the yield curve steepened, with 2yr-5yr yields falling 18 bps to 20 bps, while backend yields rose 15 bps.
- Credit outperformed as spreads initially widened in early April but gradually tightened throughout quarter, ending 10 bps tighter overall.

## Quarterly Performance

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Primary contributors to relative performance:

- Sector: Overweight Corporate Credit
- Subsector: Allocation to ABS
- Industries: Consumer Cyclical, Banking & Energy

Primary detractors to relative performance:

- Duration: Curve positioning relative to the benchmark
- Sector: Overweight Treasuries
- Industries: Consumer Non-Cyclical

## Outlook

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- Risks across several fronts have been mitigated, including tariffs, which will be higher (12% to 18%) than in previous years but are far from the more dire levels seen in April.
- Labor markets remain strong while inflation continues to ease, and fiscal expansion should boost the economy in the near term.
- Easing fiscal and monetary policy is putting downward pressure on rates, with increased T-bill issuance reducing coupon bond supply and markets anticipating multiple Fed cuts through 2026.
- With our base case assuming no near-term US recession, we continue to allocate to corporate credit despite historically tight spreads. We also favor relative value in select securitized assets, such as MBS and data center-backed debt.

## Positioning

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- The key question is when, not if, the Fed will begin easing rates in 2025. As policy timing becomes clearer, we expect yields to trend lower across the curve. The backdrop heading into the second half also supports taking advantage of excess yield carry in spread sectors.
- Our game plan is to lean into yield carry and drive returns through relative value opportunities and security selection, while keeping overall portfolio risk low.
- Within our core credit allocations, we continue to prioritize sectors with short-term tailwinds and minimal exposure to policy-related risks.

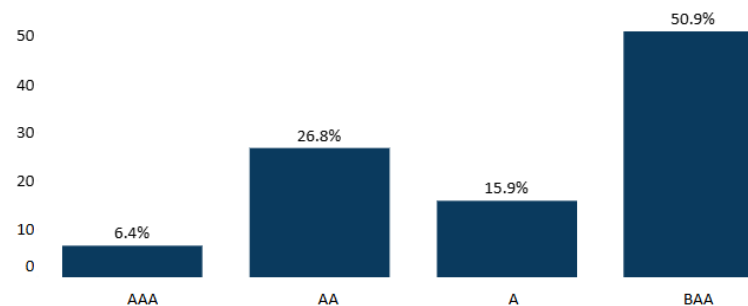
## PORTFOLIO SUMMARY

<b>As of Date</b>	June 30, 2025
<b>Portfolio Market Value</b>	Composite
<b>Benchmark</b>	Bloomberg T-Bill 1-3 Month

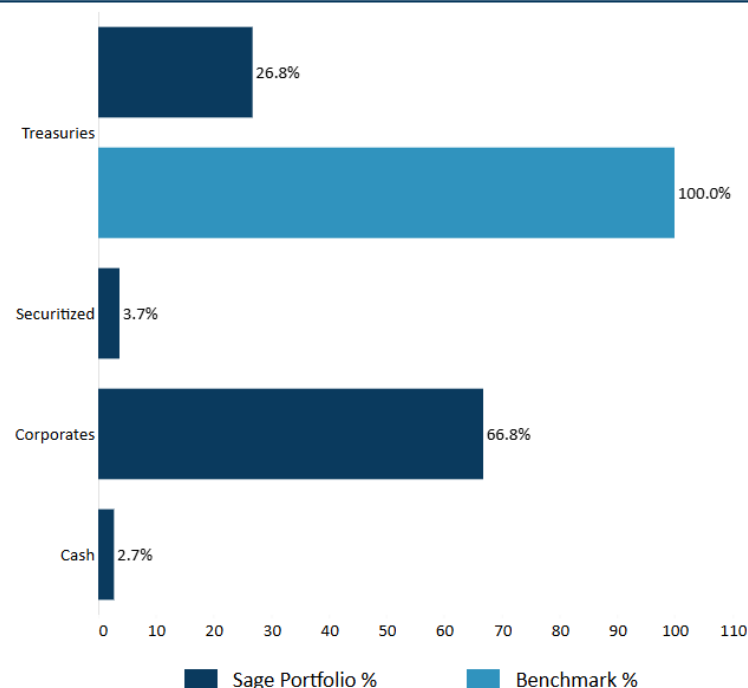
## PORTFOLIO CHARACTERISTICS

	Portfolio	Benchmark
<b>Yield to Worst</b>	4.43%	4.35%
<b>Coupon</b>	3.91%	
<b>Effective Maturity</b>	0.76	0.16
<b>Effective Duration</b>	0.71	0.16
<b>Average Credit Rating</b>	A	AA

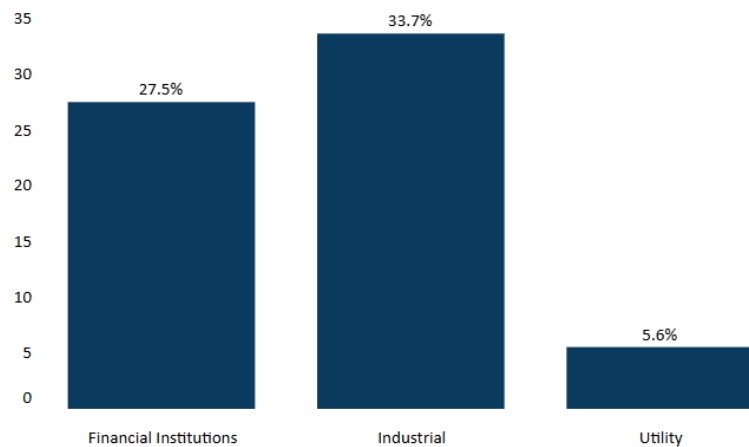
## CREDIT RATING ALLOCATION



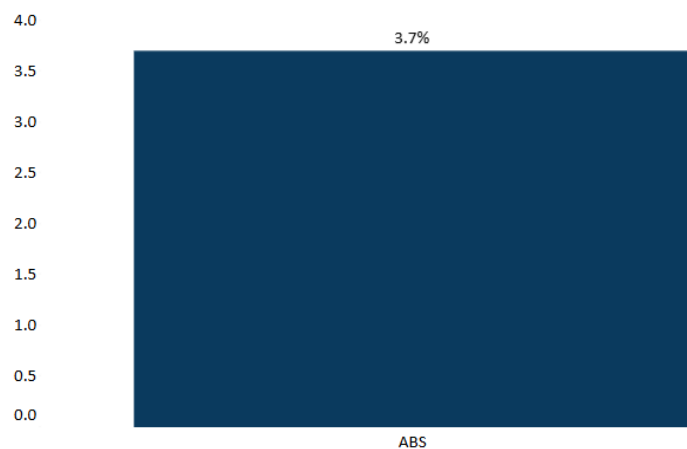
## SECTOR ALLOCATION



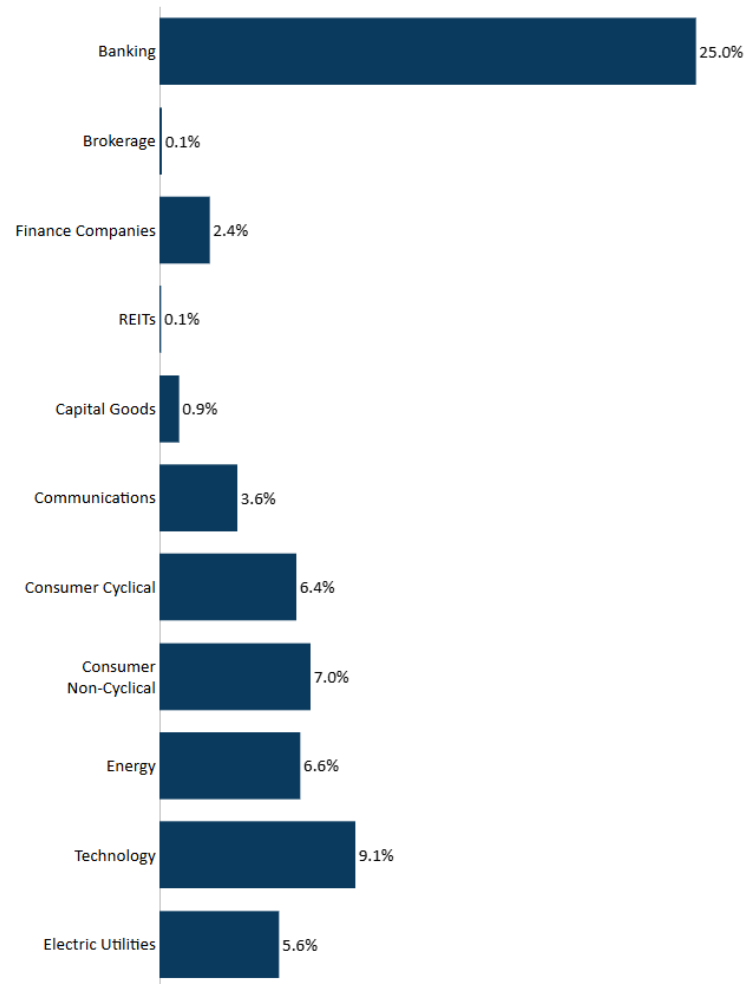
## CORPORATE SECTOR ALLOCATION



## SECURITIZED SECTOR ALLOCATION



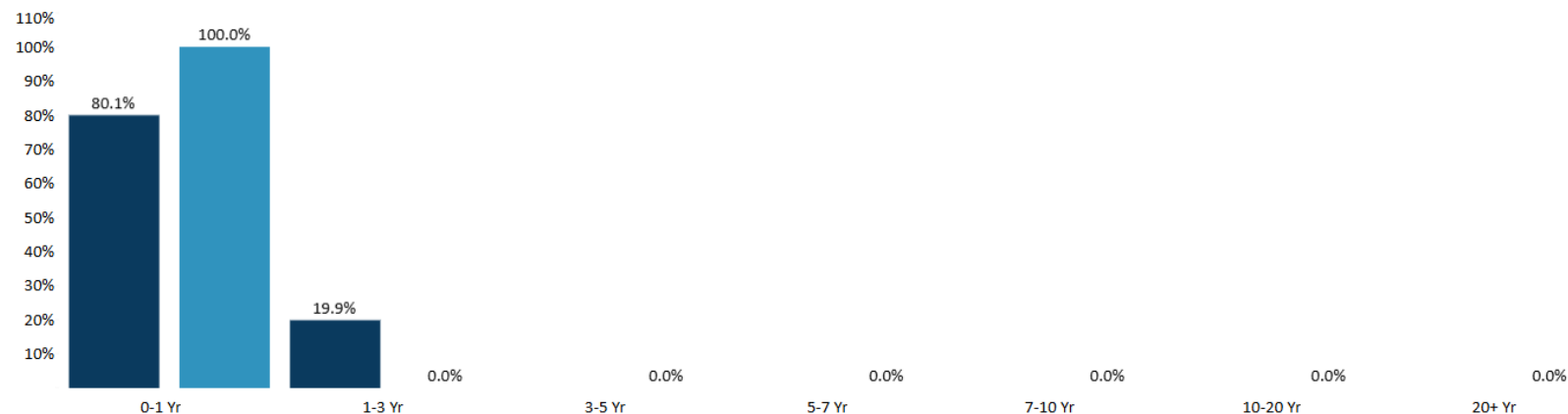
## CORPORATE INDUSTRY ALLOCATION



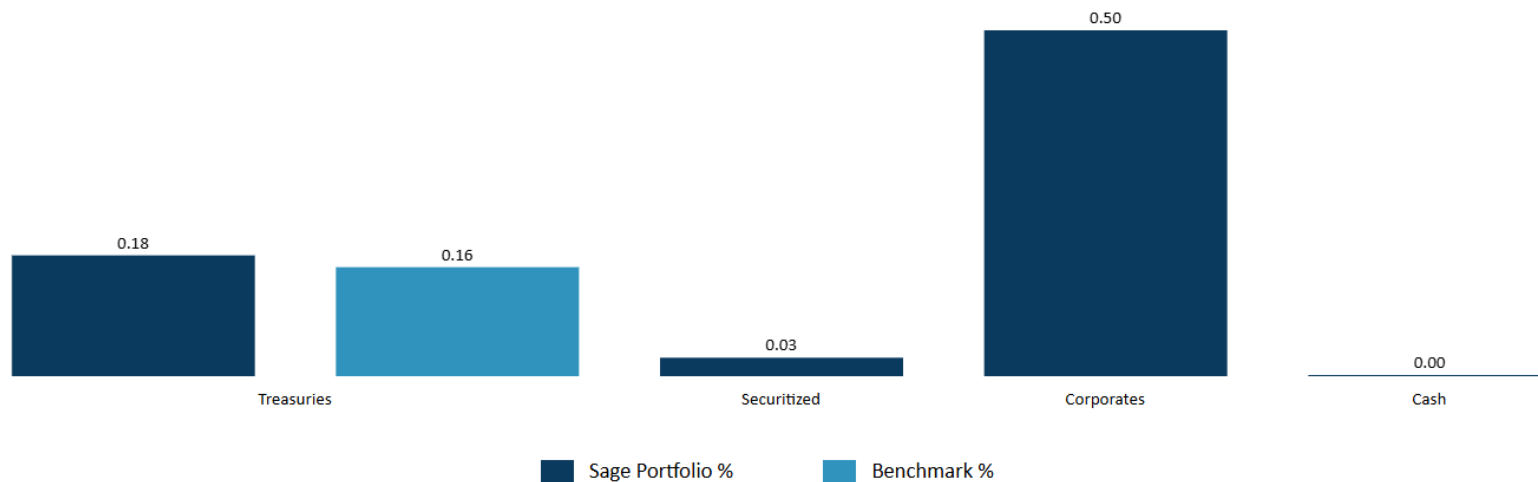
■ Sage Portfolio %

■ Benchmark %

## MARKET VALUE DISTRIBUTION BY MATURITY



## CONTRIBUTION TO DURATION DISTRIBUTION BY SECTOR





## IMPORTANT DISCLOSURES

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