

**City of Naperville**  
**Quarterly Cash and Investment Report**  
**March 31, 2026**



**Naperville**

## Schedule of Investment Rates, Portfolio Summary by Category, Portfolio Weighting, and Yields

### FY26 Yields by Account

	MetLife <i>Yield to Maturity at Market</i>	PFM <i>Yield to Maturity at Market</i>	Wintrust MFT	Wintrust General
<b>YTD 2025 Monthly Average</b>	<b>4.42%</b>	<b>4.49%</b>	<b>4.64%</b>	<b>4.59%</b>
January 2026	4.05%	4.05%	3.95%	4.00%
February 2026	3.91%	3.82%	3.91%	3.88%
March 2026	4.32%	4.28%	3.90%	3.85%
April 2026				
May 2026				
June 2026				
July 2026				
August 2026				
September 2026				
October 2026				
November 2026				
December 2026				
<b>YTD Monthly Average</b>	<b>4.09%</b>	<b>4.05%</b>	<b>3.92%</b>	<b>3.91%</b>

### Cash & Investment Balances by Account

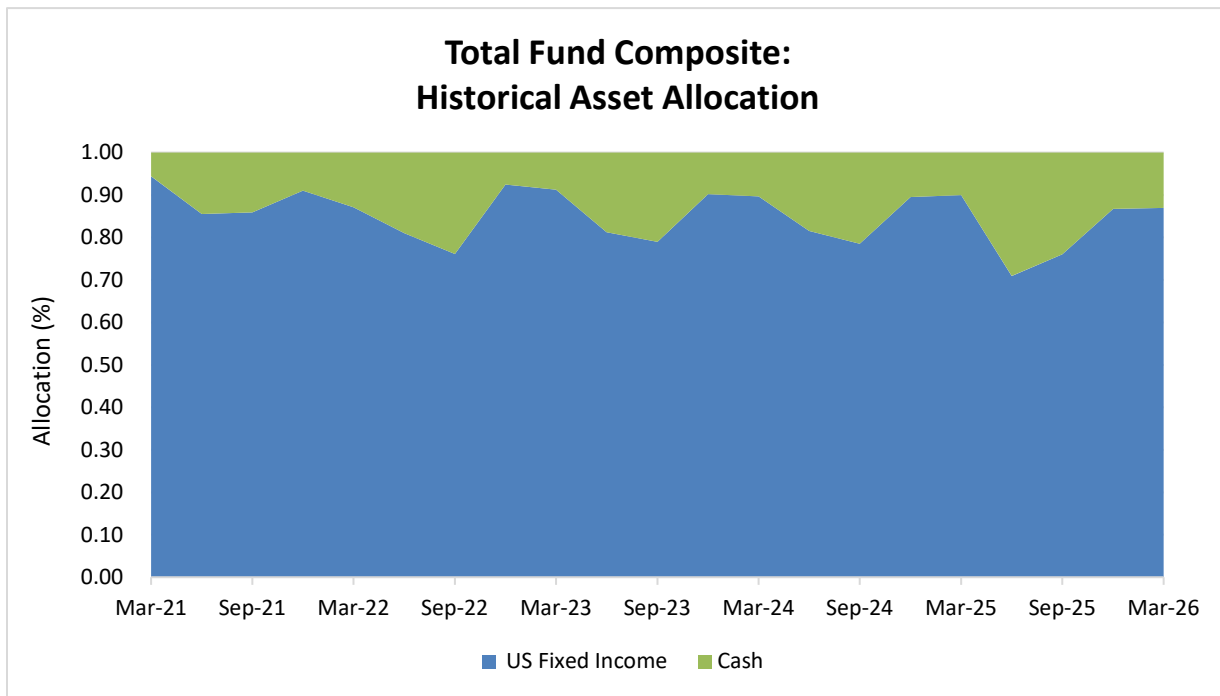
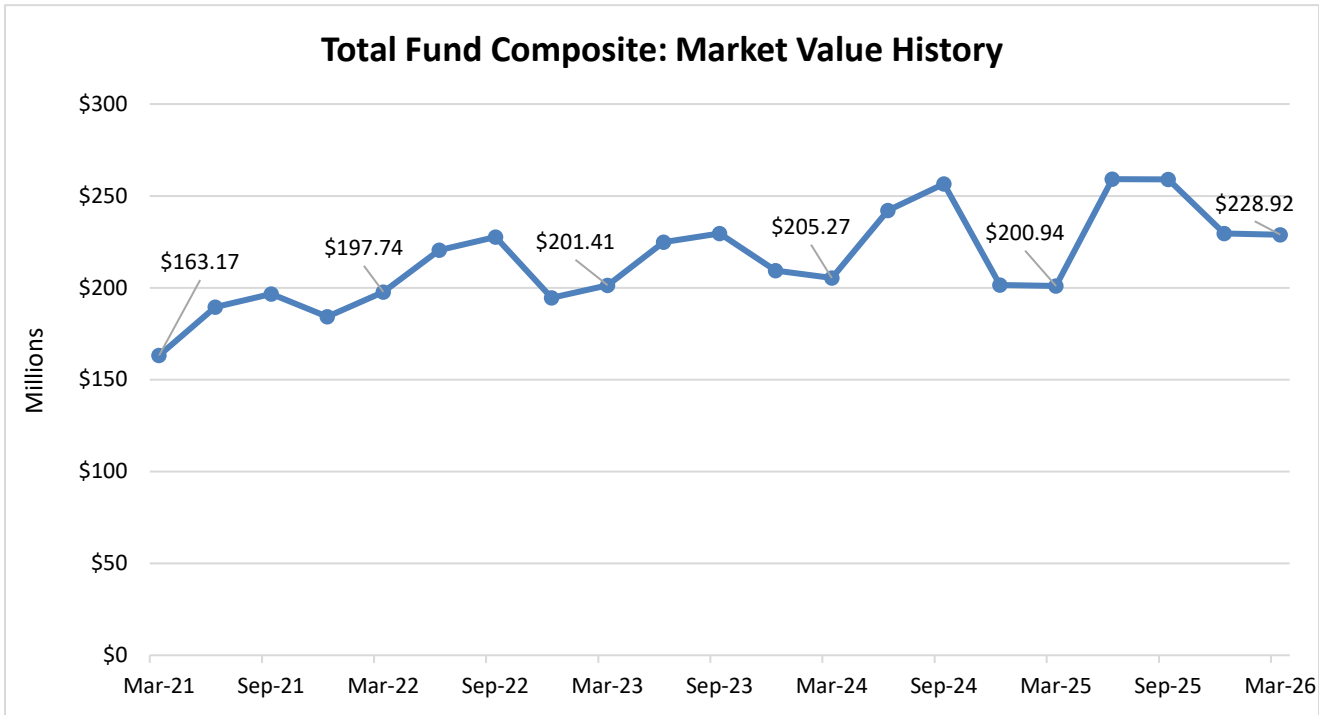
	MetLife Balances		PFM Balances		Wintrust MFT		Wintrust General	Total Cash & Investment Portfolio
January 2026	\$ 91,692,891	\$	107,545,137	\$	9,954,664	\$	9,450,929	\$ 218,643,621
February 2026	\$ 92,700,715	\$	107,694,208	\$	10,681,675	\$	10,776,486	\$ 221,853,083
March 2026	\$ 91,589,168	\$	107,185,194	\$	11,062,006	\$	18,773,541	\$ 228,609,908
April 2026								
May 2026								
June 2026								
July 2026								
August 2026								
September 2026								
October 2026								
November 2026								
December 2026								

NOTES:

[a] Balances exclude Police and Fire pensions.

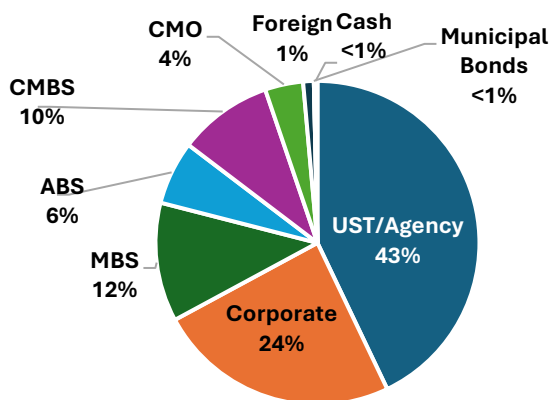
### Total Portfolio Weighting & Yield

	Cash	Investments	Portfolio Totals	Portfolio Weighted Yield
January 2026	8.88%	91.12%	100.00%	3.87%
February 2026	9.67%	90.33%	100.00%	3.68%
March 2026	13.05%	86.95%	100.00%	3.93%
April 2026				
May 2026				
June 2026				
July 2026				
August 2026				
September 2026				
October 2026				
November 2026				
December 2026				
<b>YTD Monthly Average</b>	<b>10.53%</b>	<b>89.47%</b>	<b>100.00%</b>	<b>3.82%</b>

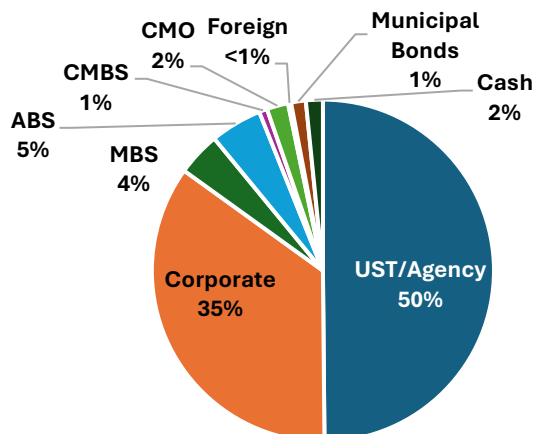


Fixed Income Composite			
	PFM	MetLife	Combined
UST/Agency	45,989,930.40	45,662,038.51	91,651,968.91
Corporate	25,954,370.35	32,130,228.20	58,084,598.55
MBS	12,729,015.86	3,767,200.10	16,496,215.96
ABS	6,799,661.43	4,470,366.22	11,270,027.65
CMBS	10,108,441.33	705,557.02	10,813,998.35
CMO	4,082,461.48	1,854,365.40	5,936,826.88
Foreign	1,138,392.33	262,565.31	1,400,957.64
Municipal Bonds	0.00	1,271,986.94	1,271,986.94
Cash	382,920.47	1,464,860.23	1,847,780.70
<b>Total</b>	<b>107,185,193.65</b>	<b>91,589,167.93</b>	<b>198,774,361.58</b>

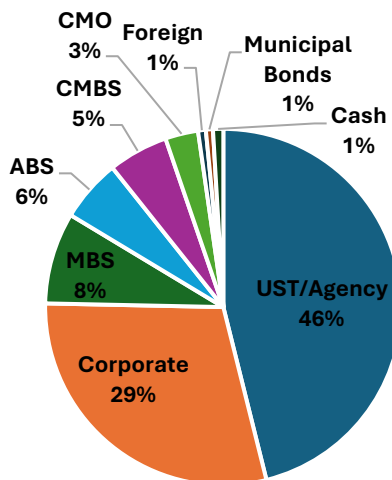
**PFM Sector Distribution**



**MetLife Sector Distribution**



**Combined**





# CITY OF NAPERVILLE

## Investment Performance Review For the Quarter Ended March 31, 2026

### Client Management Team

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Michael P. Downs, Portfolio Manager  
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# Agenda

- Market Update
- Portfolio Review

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# Market Update

## Current Market Themes



- ▶ Geopolitics has overtaken U.S. macro fundamentals as the market's primary focus
  - ▶ Conflict in Iran has increased near-term inflation risks due to higher commodity prices
  - ▶ Unemployment rate remains stable with net new job creation near zero
  - ▶ Consumer spending and business investment continue to support growth, though momentum is slowing



- ▶ The Federal Reserve paused during both meetings in Q1, keeping rates at 3.50-3.75%
  - ▶ The median "dot plot" projection continues to show one 25 basis point cut in 2026, though individual projections showed less easing
  - ▶ Fed Chair Powell acknowledged the path forward is complicated by geopolitical uncertainty, making it more difficult for the Fed to balance its dual mandate



- ▶ Rising front-end yields unwound the inversion in the Treasury curve
  - ▶ Rate cut expectations were pushed further out, lifting front-end yields
  - ▶ Escalating Middle East conflict drove a spike in volatility
  - ▶ Credit spreads widened from historically tight levels amid heavy supply and geopolitical pressure

Source: Details on market themes and economic indicators provided throughout the body of the presentation. Bloomberg Finance L.P., as of March 31, 2026.

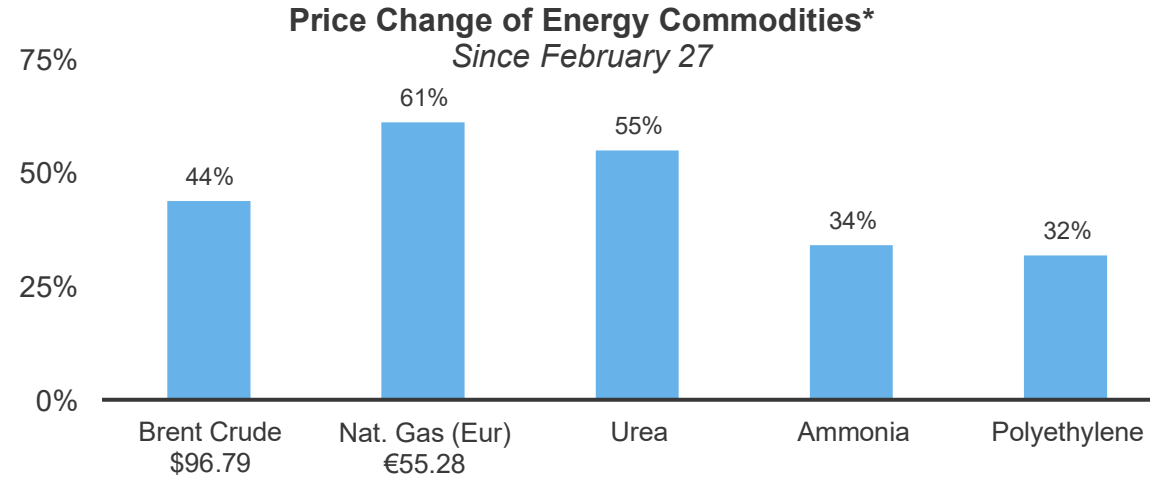
## Market Pricing Conflict In Iran

▶ **Closure of the Strait of Hormuz creates a supply shock**

- ▶ Higher oil prices pressure agricultural and industrial inputs
- ▶ Duration of price shock more important than magnitude

▶ **Federal Reserve likely to remain on hold as it assesses evolving risks**

- ▶ Headline inflation expected to rise though uncertainty remains regarding passthrough to core inflation and labor markets
- ▶ Fed to look through supply-side energy shock if inflation expectations remain anchored



\*Brent Crude are quoted in dollars per barrel based on the front-month futures contract. Natural gas prices are quoted in euros per megawatt-hour. Ammonia, and urea prices are based on the front-month exchange-traded futures contract. Polyethylene is price are based on the active exchange-traded futures contract.

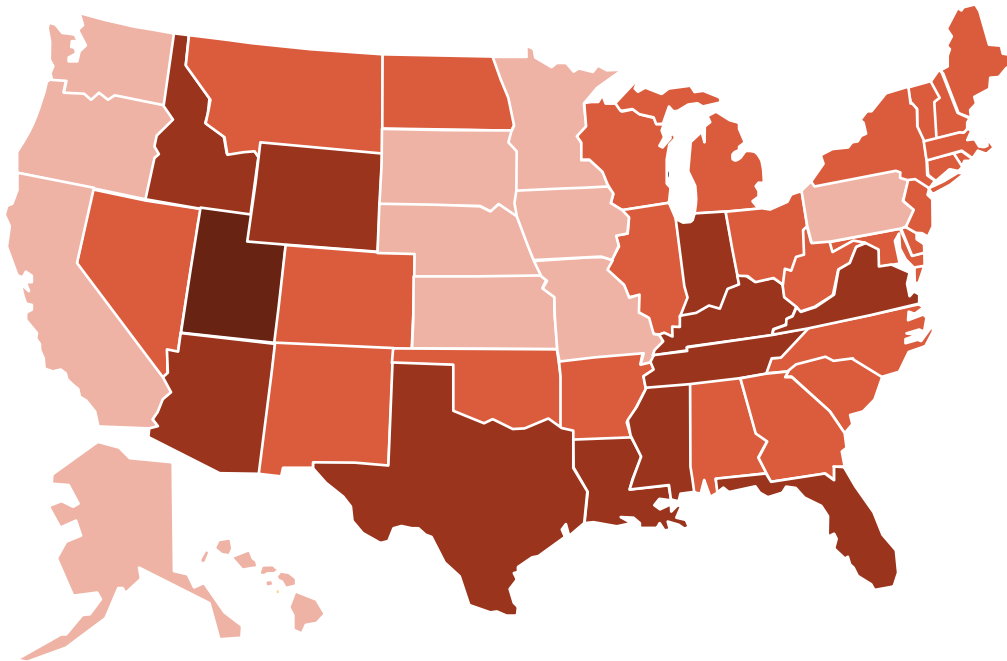
Source: Bloomberg Finance L.P., as of March 31, 2026. Market implied inflation expectations shown using 1-year and 5-year inflation swaps.

## Gasoline Prices Surge Across the Country

### % Change in Gas Prices

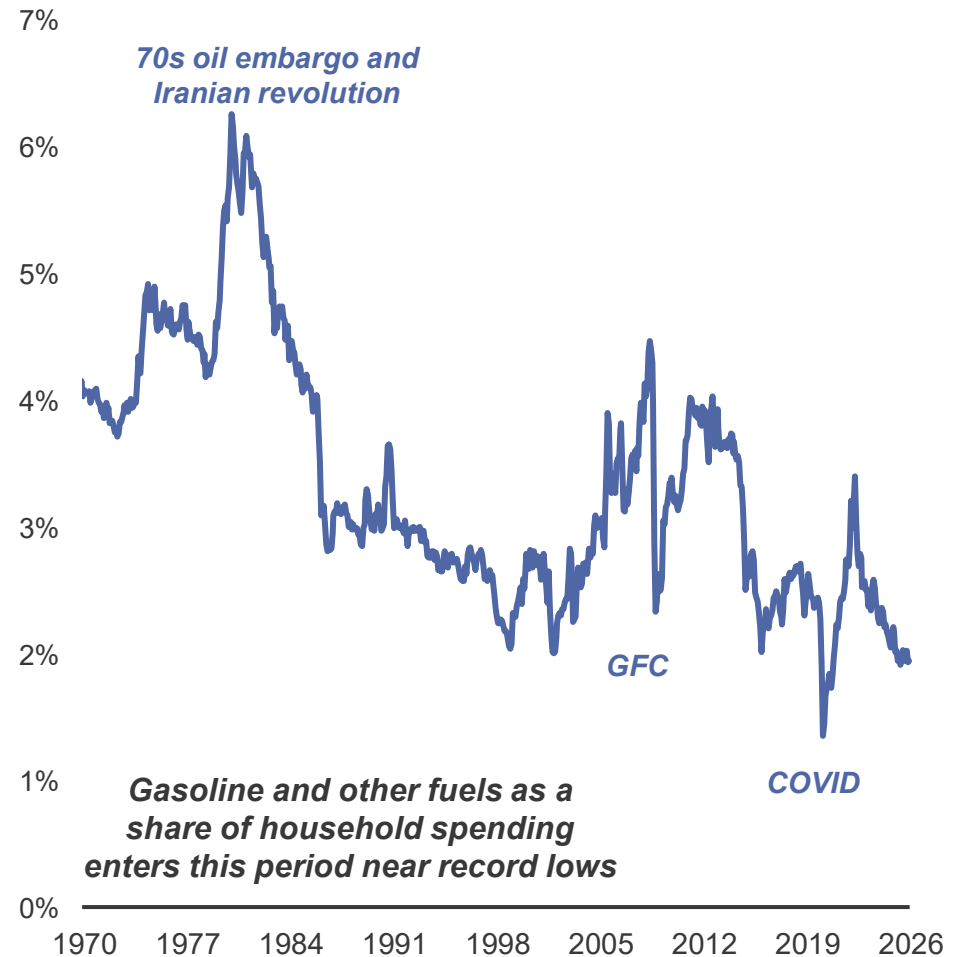
2/28 – 3/31

■ Greater than 50% ■ 40% to 49% ■ 30% to 39% ■ 20% to 29%



**National Average Price of Gasoline**  
**\$4.02**

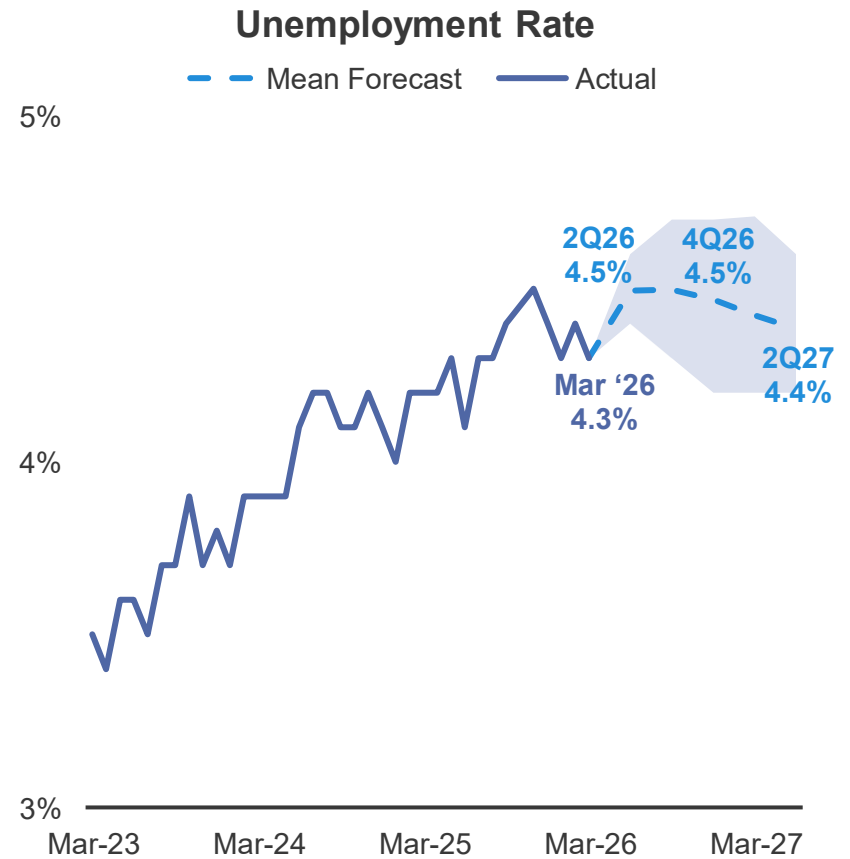
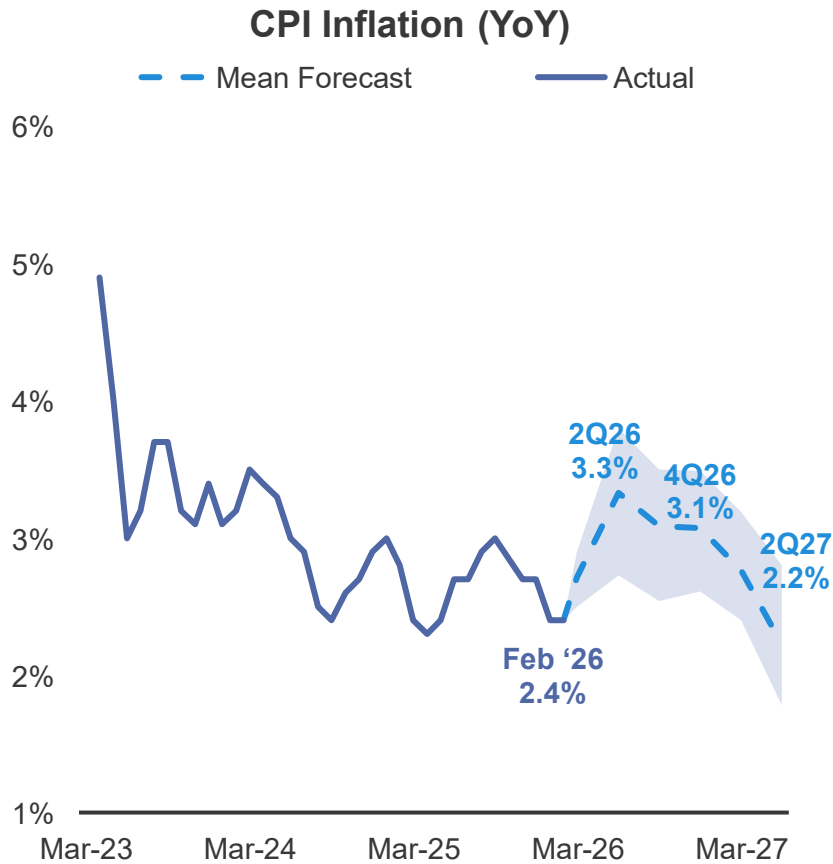
### Gasoline and Other Fuel Spending as a Percentage of Household Spending



Source: Bloomberg Finance L.P., Bureau of Economic Analysis, and gasprices.aaa.com. BEA data as of February 2026 and gasoline data as of 3/31/2026. Other fuels contain diesel, fuel oil, kerosene and others.

## Macro Data Takes a Back Seat

*Fed Chair Powell: "What we have is some tension between the goals, and we're trying to manage our way through it."*

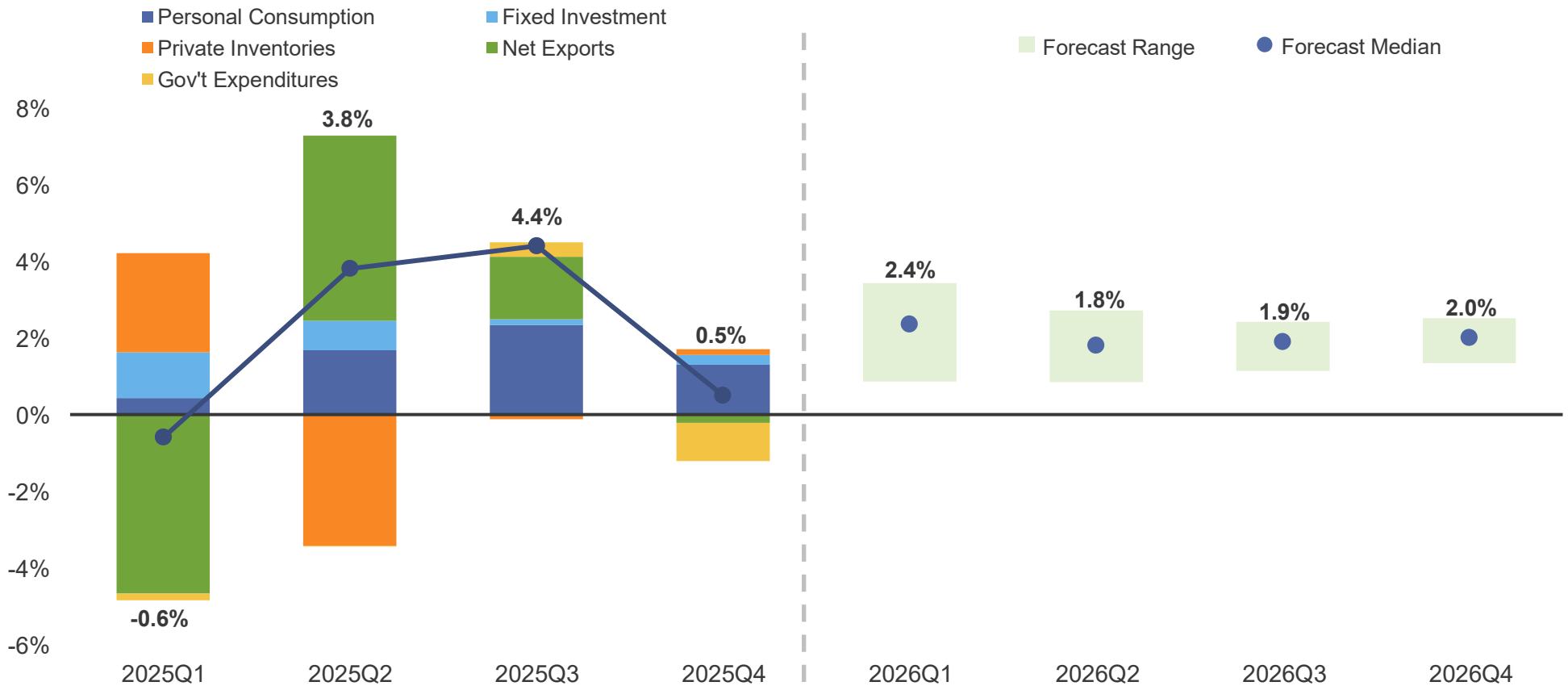


Source: FOMC Chair Jerome Powell Press Conference, March 18, 2026. Bureau of Labor Statistics and Bloomberg Finance L.P. CPI Inflation as of February 2026 and Unemployment Rate as of March 2026. Survey responses after March 27, 2026, included in mean and forecast range for CPI Inflation and Unemployment Rate. Shading represents the central 80% of the forecasts.

## U.S. Growth Forecasts Remain Steady

*Fed Chair Powell: “[I]f we have a long period of much higher gas prices, that is going to weigh on consumption... Meanwhile, the economy is solid... It’s just we don’t know what the effects of this will be.”*

### U.S. Real GDP Contributors and Detractors



Source: FOMC Chair Jerome Powell Press Conference, March 18, 2026. Bloomberg Finance L.P. and Bureau of Economic Analysis, as of December 2025 (left). Survey responses after March 27, 2026, included in Median and forecast range. Shading represents the central 80% of the forecasts (right).

## Factors Shaping the Economic Outlook

### Negative

- ▶ Geopolitical uncertainty
- ▶ Higher energy prices
- ▶ Net new job creation near zero
- ▶ Increasing retail credit card balances
- ▶ Rising student loan delinquencies

### Neutral

- ▶ Stable Fed Policy
- ▶ Core inflation stable but above target
- ▶ Stabilizing credit card delinquencies

### Positive

- ▶ Above-average tax refunds
- ▶ Resilient consumer spending
- ▶ Positive real disposable personal income growth
- ▶ Corporate fundamentals

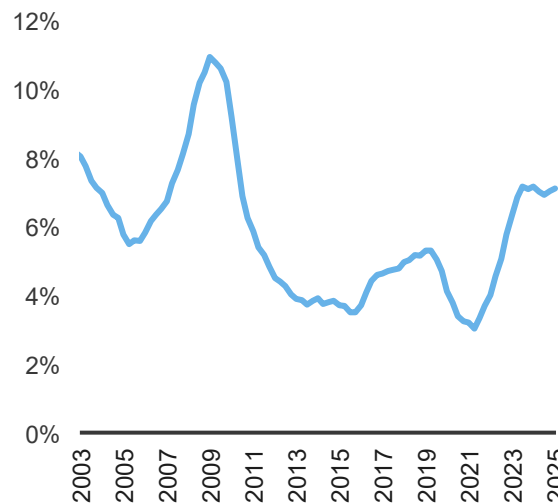
### Price of Oil

WTI crude oil futures, \$/barrel



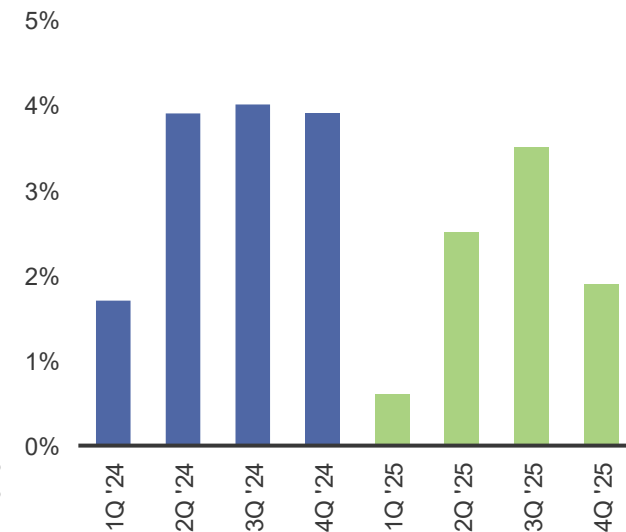
### Credit Card Delinquencies

90+ Days



### Personal Consumption

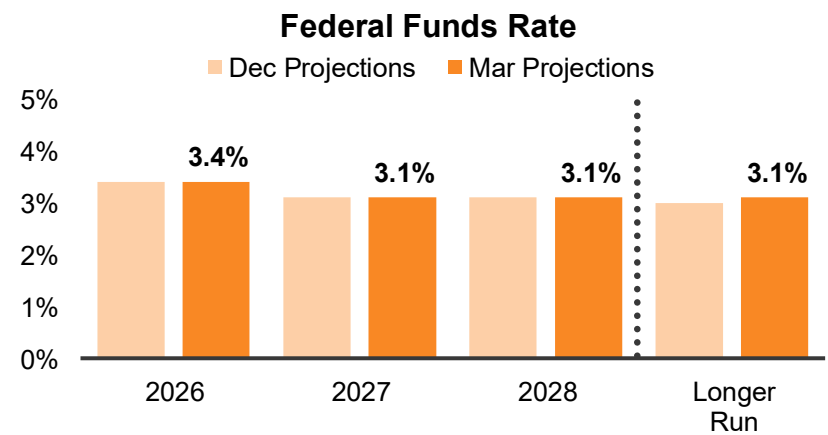
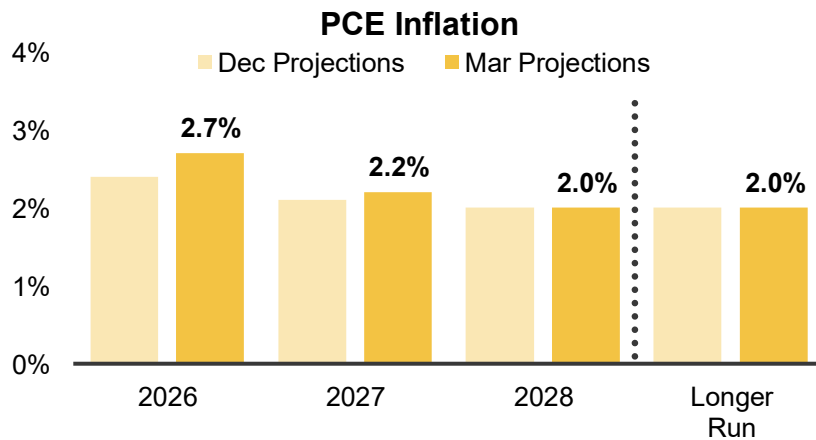
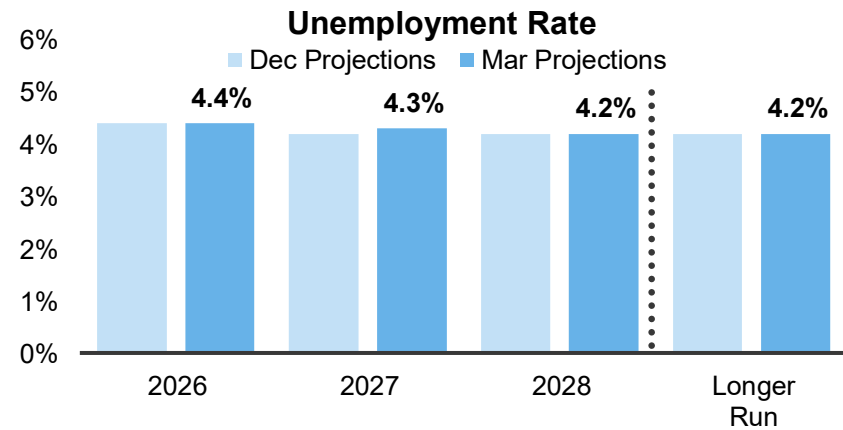
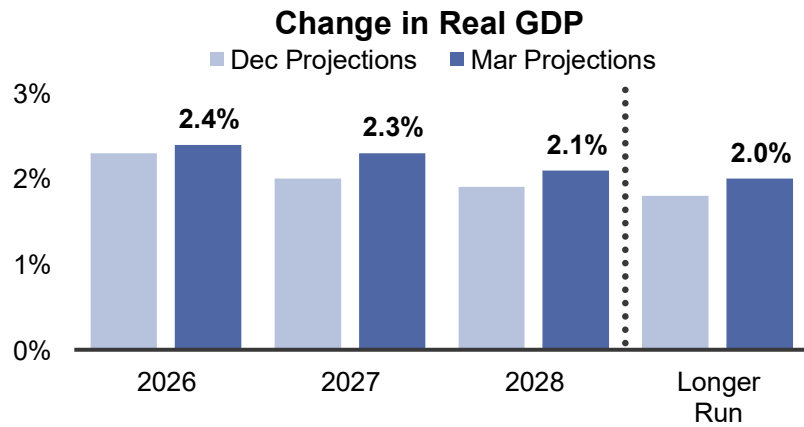
Quarter-Over-Quarter Change



Sources: Bloomberg Finance L.P., March 31, 2026, Federal Reserve Bank of New York as of December 2025, and Bureau of Economic Analysis as of December 2025.

## Fed's Updated Summary of Economic Projections

*Fed Chair Powell: "The economic effect could be bigger, they could be smaller ... We just don't know. People are writing down what seems to make sense to them but have no conviction."*

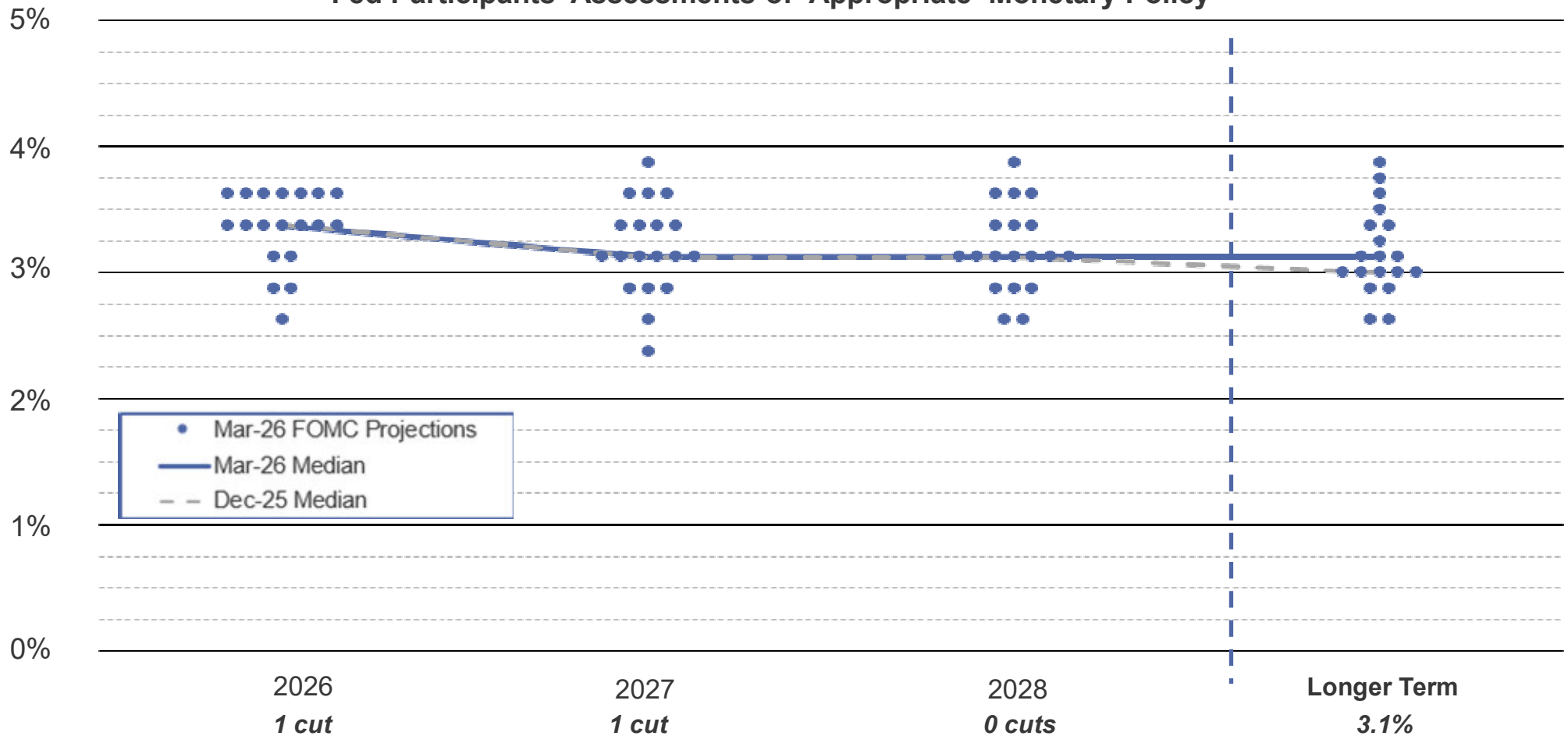


Source: FOMC Chair Jerome Powell Press Conference, March 18, 2026. Federal Reserve, latest median economic projections, as of March 2026.

### The Latest Fed “Dot Plot”

*Fed Chair Powell: “We feel like the framework calls to balance the risks. We feel where we are now is on the higher borderline of restrictive versus not restrictive, we feel like that is the right place to be.”*

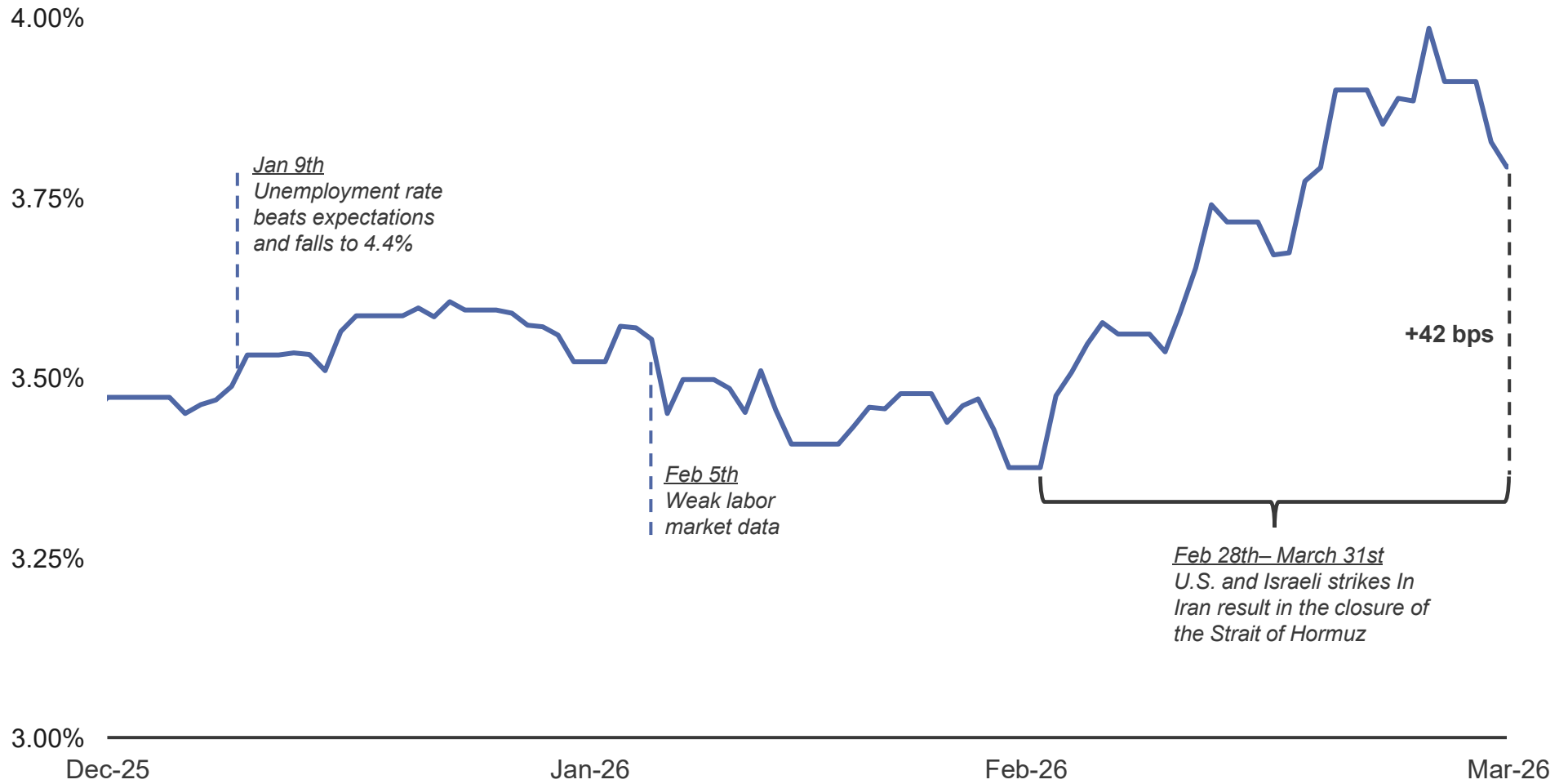
#### Fed Participants’ Assessments of ‘Appropriate’ Monetary Policy



Source: FOMC Chair Jerome Powell Press Conference, March 18, 2026. Federal Reserve; Bloomberg Finance L.P. Individual dots represent each Fed members’ judgement of the midpoint of the appropriate target range for the federal funds rate at each year-end. As of March 2026.

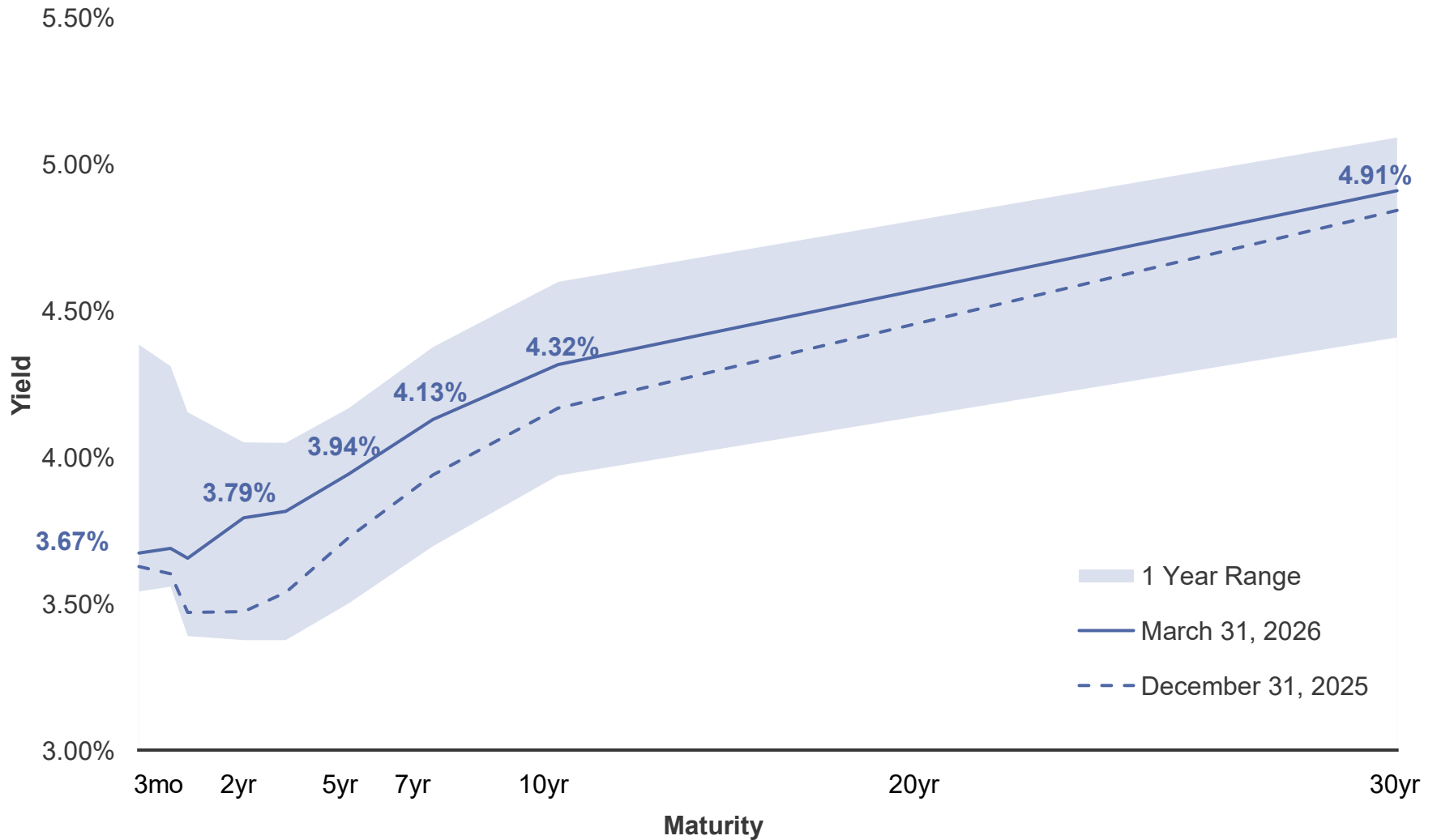
### Treasury Yields Reach 8-Month High

#### 2-Year U.S. Treasury Yield December 31, 2025 – March 31, 2026



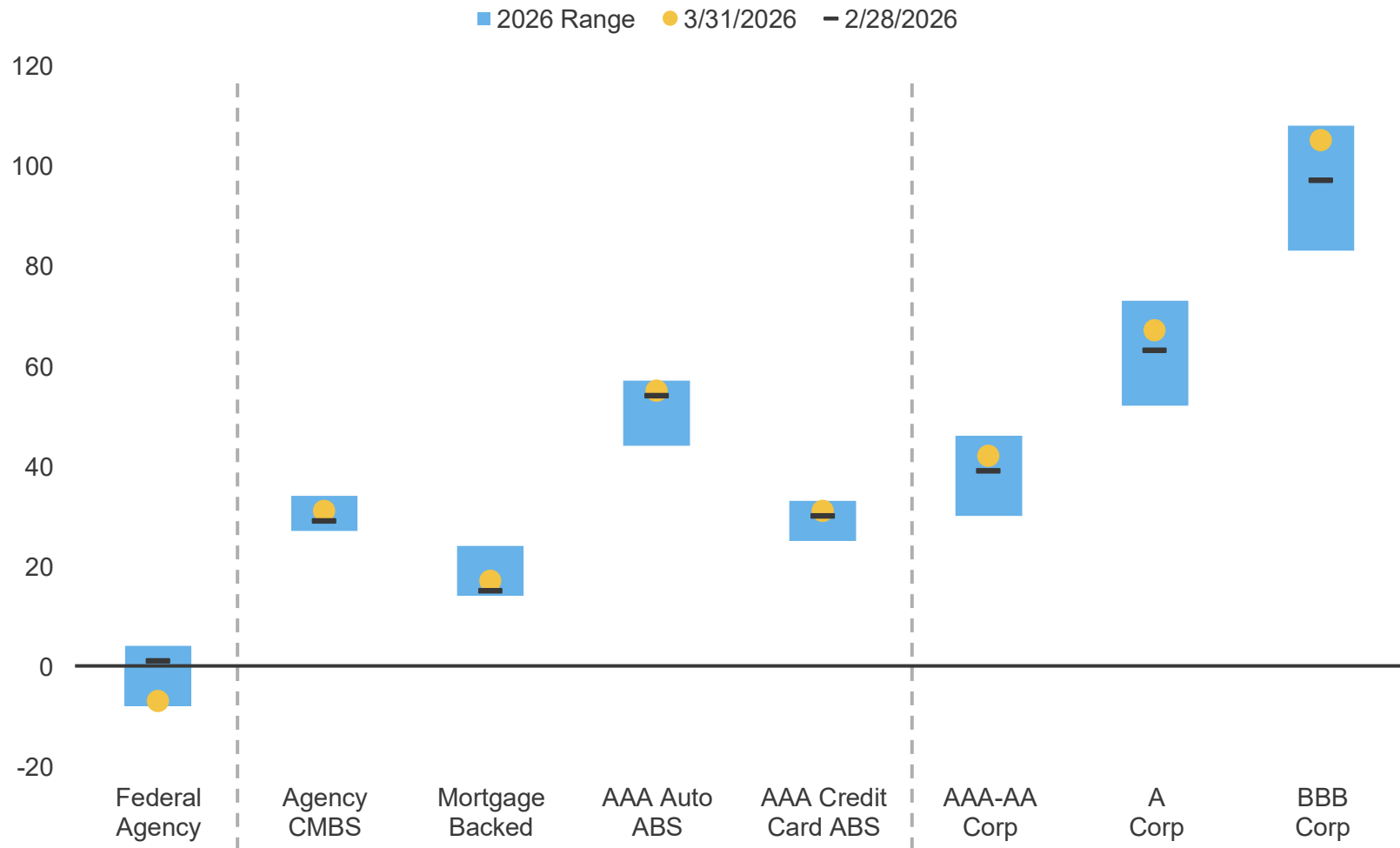
Source: Bloomberg Finance L.P., as of March 31, 2026.

### Treasury Yields Rise Across the Curve U.S. Treasury Yield Curve



Source: Bloomberg Finance L.P., as of March 31, 2026.

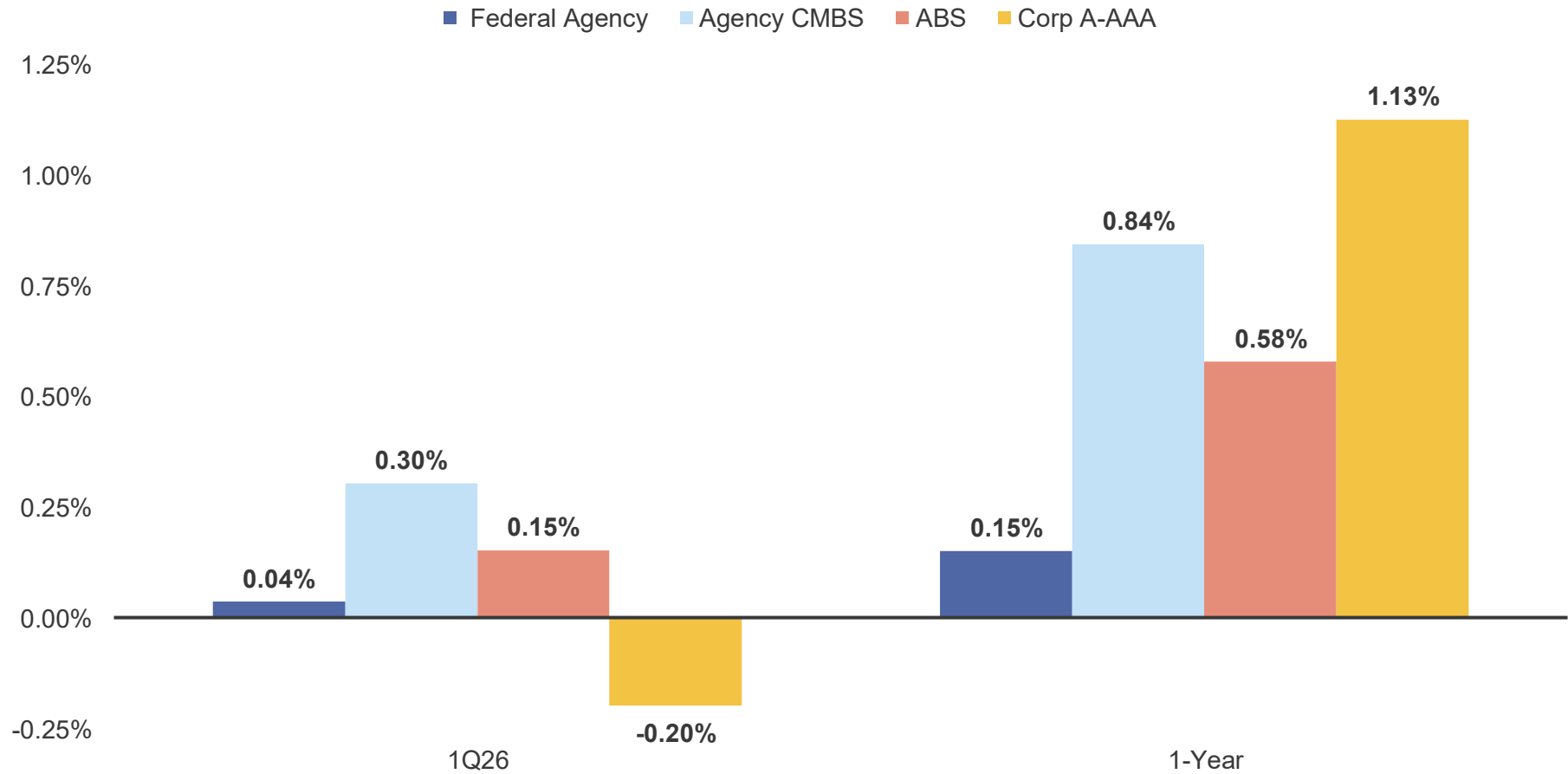
## Sector Yield Spreads 1-10 Year Yield Spreads



Source: ICE BofA 1-10 year Indices via Bloomberg Finance L.P. as of March 31, 2026. Spreads on ABS and MBS are option-adjusted spreads based on weighted average life; spreads on agencies are relative to comparable maturity Treasuries. CMBS is Commercial Mortgage-Backed Securities and represented by the ICE BofA Agency CMBS Index.

## Fixed-Income Index Excess Returns

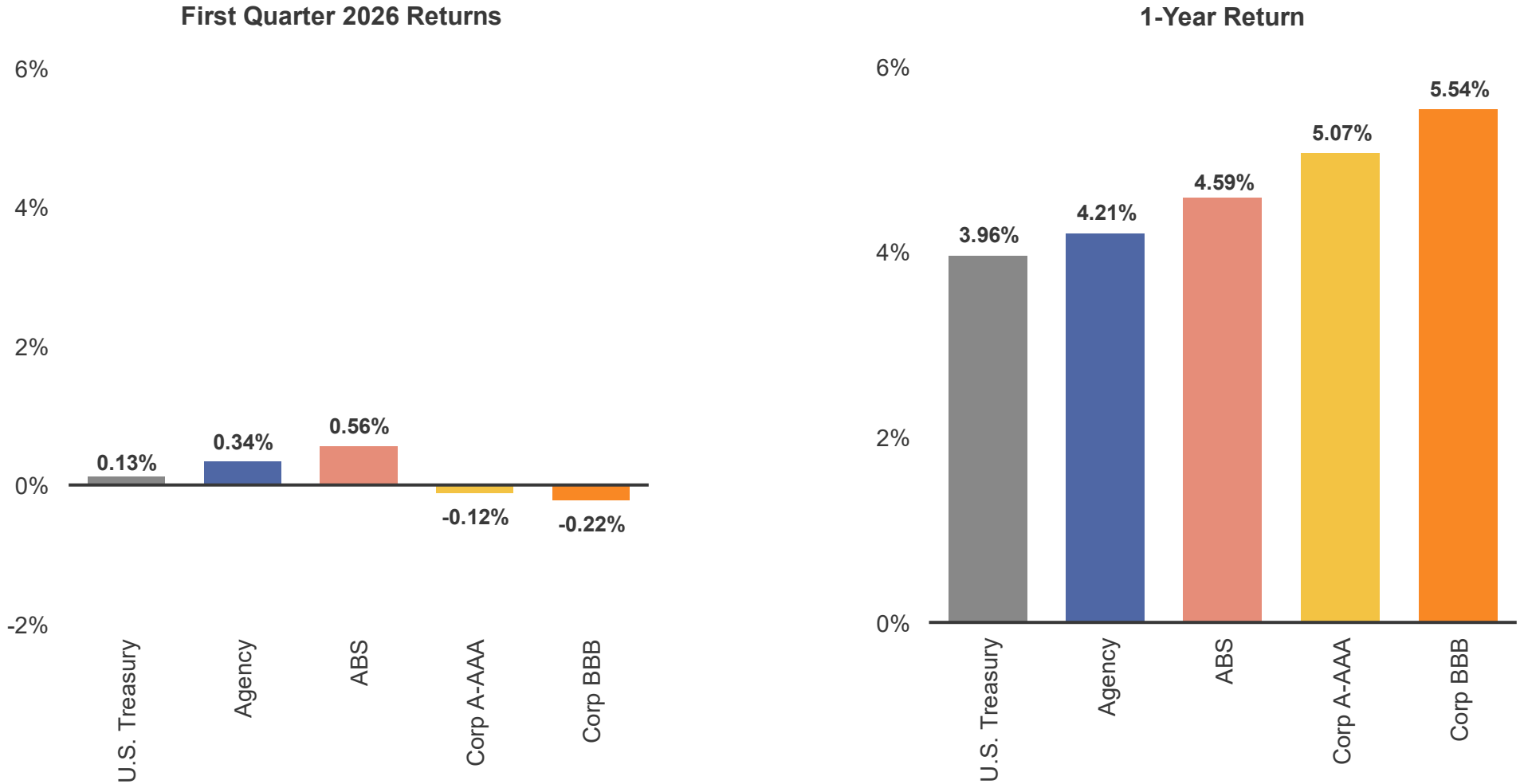
### Excess Returns 1-10 Year Indices



Source: ICE BofA Indices. ABS indices are 0-10 year, based on weighted average life. Agency CMBS represented by ICE BofA CMBY Index. As of March 31, 2026.

## Fixed-Income Index Total Returns in 1Q 2026

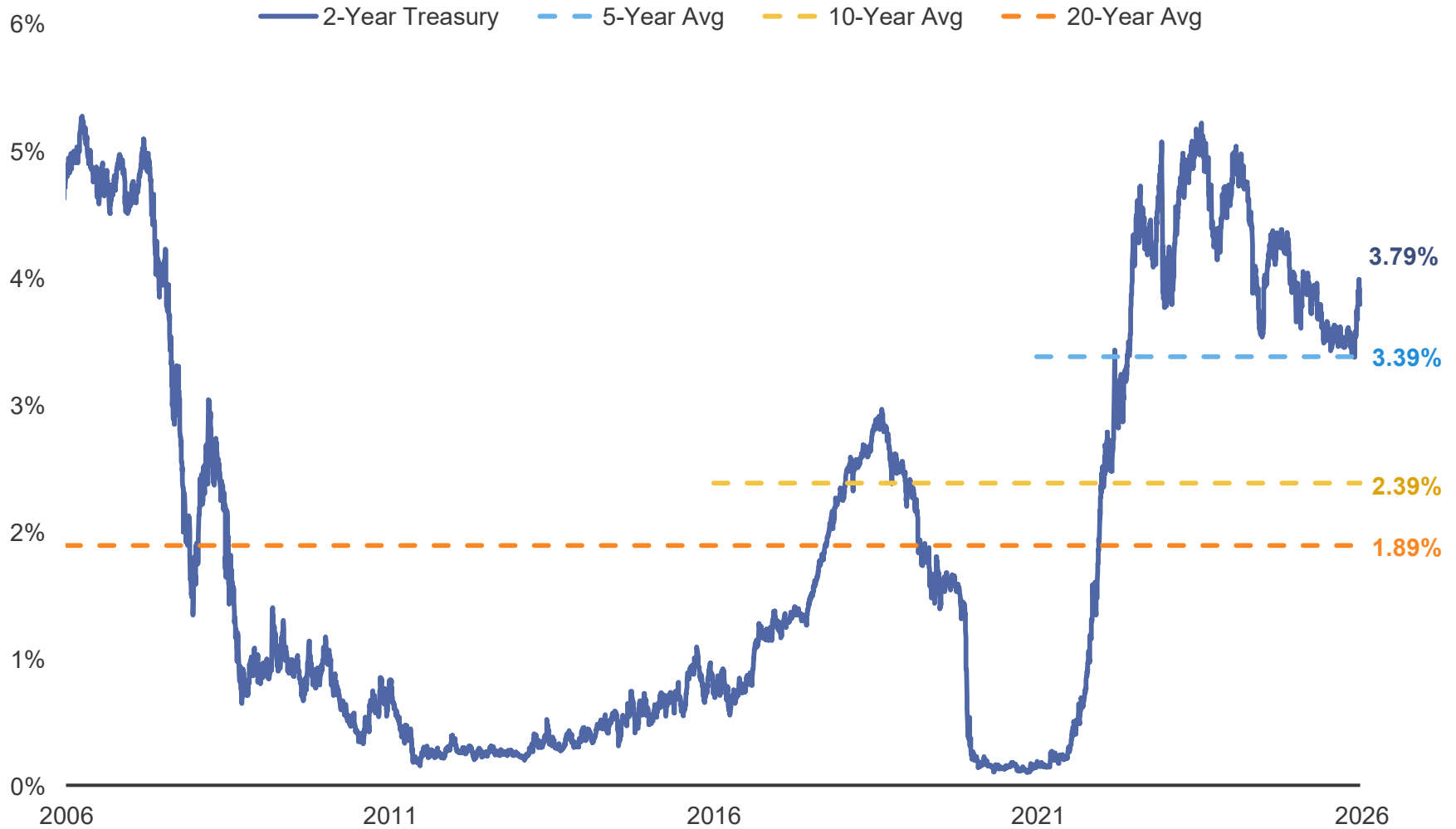
### 1-10 Year Indices



Source: ICE BofA Indices. ABS indices are 0-10 year, based on weighted average life. As of March 31, 2026.

## Treasury Yields Remain Above Historical Averages

### 2-Year Treasury Yield



Source: Bloomberg Finance L.P., as of March 31, 2026.

## Government Sector Strategy

### AGENCY BULLETS



Reduce allocations

#### Summary:

- Spreads remain rich, especially in the 1–7 year area, trading near or through Treasuries
- Limited issuance outside of 12 months continues to keep spreads narrow

#### Outlook:

- Spreads expected to remain tight unless issuance increases
- Opportunistically sell for rebalancing or swaps into new issue across sectors
- Continue monitoring ongoing privatization efforts of Fannie Mae and Freddie Mac

### CALLABLE AGENCIES



Reduce allocations

#### Summary:

- Front-end spreads have widened over the month on increased market volatility
- Activity remains elevated versus 1H25 as redemptions drive more issuance
- Valuations remain rich across the front end

#### Outlook:

- Evaluate callables cautiously with a preference for longer lockouts
- Spread widening has improved valuations but caution remains as most inventory is still at negative OAS

### SUPRANATIONALS



Reduce allocations

#### Summary:

- Spreads remain near historic lows and continues to tighten as issuance slows
- Flat spread curve favors shorter maturities inside 2.5 years
- The sector offers on average 5 to 10 bps of value over Agencies

#### Outlook:

- New issue opportunities remain historically low and increased volatility could keep issuance muted
- Continue evaluating new issues
- Opportunistically sell for rebalancing or sector rotation

● Current outlook

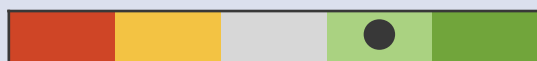


Statements and opinions were developed based on our independent research with information obtained from Bloomberg. The views expressed within this material constitute the perspective and judgment of PFM Asset Management at the time of distribution (3/31/2026) and are subject to change. Information is obtained from sources generally believed to be reliable and available to the public; however, PFM Asset Management cannot guarantee its accuracy, completeness, or suitability.

### Corporate Sector Strategy

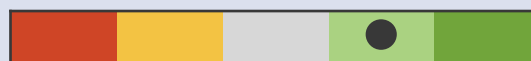
<b>OVERALL</b>		<b>Short (&lt;5 year) Corporates:</b> Maintain flexibility to add / swap as opportunities arise
<b>FINANCIALS</b>		
<b>INDUSTRIALS</b>		

#### Fundamentals:



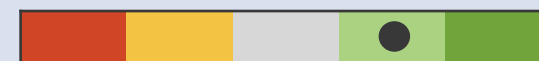
- Corporate balance sheets remain strong and default risk is low
- Some issuers or sectors such as industrials could find credit metrics under pressure on heightened spending and M&A activity
- Credit risks seem to be stabilizing, with upgrades continuing to outpace downgrade
- We view volatility in private credit as contained and not a systemic risk
- Corporate fundamentals will be impacted by direction of economy once Middle East conflict is settled

#### Technicals:



- Corporate supply remains exceptionally strong with full-year gross issuance projected at a record \$2 trillion; however, issuance is expected to slow in Q2
- Strong issuance has been met with extremely robust domestic demand
- Lower yields and higher supply are main risks
- Market positioning is shifting towards higher-quality issuance, with sentiment around spreads pointing towards broader spreads.

#### Valuations:



- Short-term credit spreads are at their widest levels since May '25 with new-issue concessions rising with secondary spreads
- Longer-duration credit remains extremely rich with spreads near decades-long tight
- Breakevens have widened modestly across the curve year-to-date, with the short end still offering value
- Corporate spread curve remains flat but expected to steepen on long end, improving relative value on the short end.
- All-in yields remain elevated

● **Current outlook**



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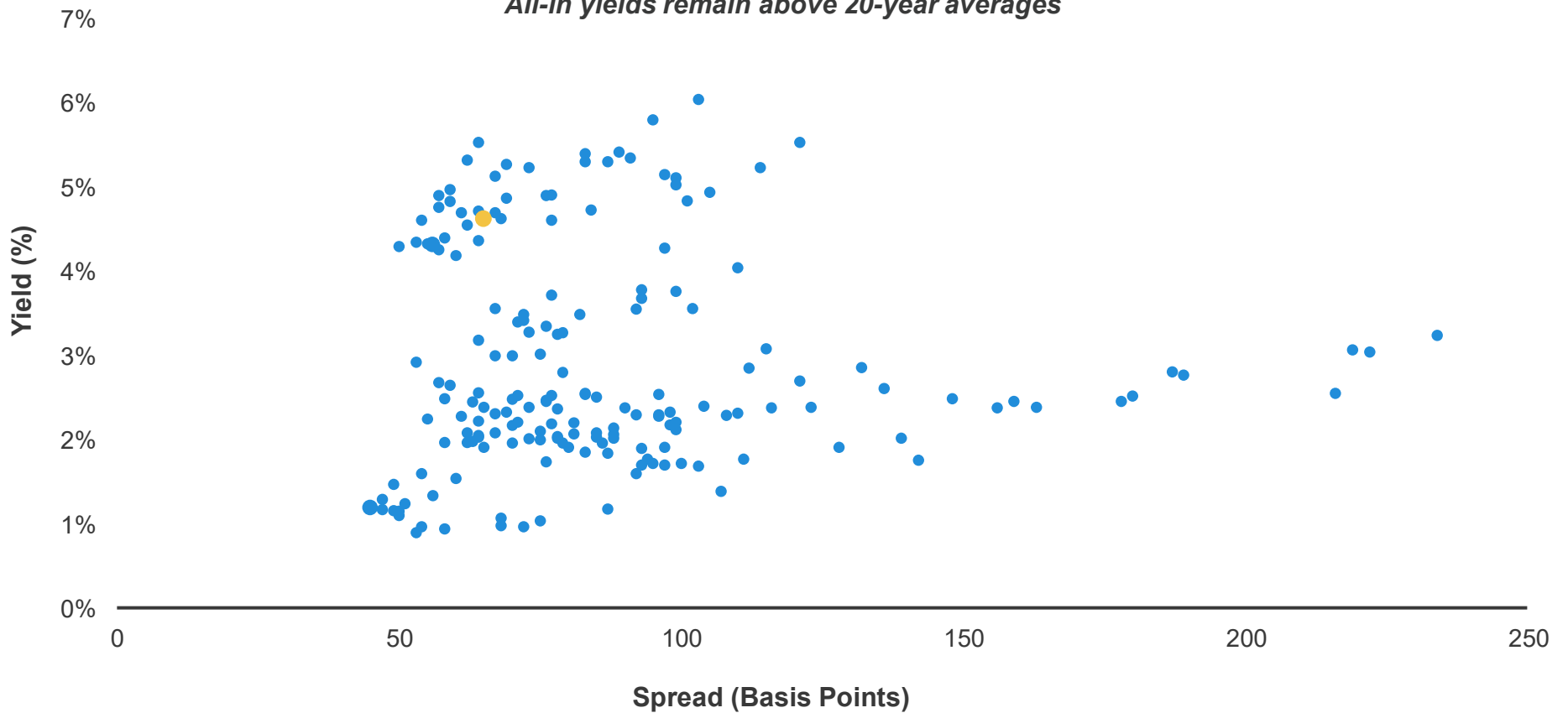
### Corporate Index Yield vs OAS (2011 – 2026)

#### 1-10 Year U.S. Corporate AAA-A

Mar 2011 – Mar 2026

● Mar-26

*All-in yields remain above 20-year averages*



Source: Bloomberg Finance L.P., ICE BofA Indices. Spread is option adjusted spread (OAS). Monthly data from March 2011 to March 2026.

### Securitized Sector Strategy

#### AGENCY MBS



Maintain target allocations

- Summary:**
- Spreads have widened on geopolitical pressure and increased volatility but remain historically narrow
  - 2026 net supply is projected to increase modestly
  - The sector is expected to underperform in the short term

- Outlook:**
- Maintain target underweight with a focus on specific structures

#### AGENCY CMBS



Reduce through attrition

- Summary:**
- Spreads have barely widened despite market volatility
  - Fundamentals are weak but stabilizing with soft rent growth and moderately high vacancies
  - Issuance is up notably year-to-date and dealer inventory remains near record highs

- Outlook:**
- New issue remains extremely robust
  - Valuations remain extremely tight
  - Sector expected to perform well if/when volatility increases

#### ASSET-BACKED



Reduce through attrition

- Summary:**
- Prime ABS fundamentals remain stable
  - Credit metrics have normalized and structures remain resilient to recession scenarios

- Outlook:**
- Supply expected to be well digested, limiting new issue attractiveness
  - Spread versus corporates is narrowing, reducing relative value
  - Prime auto and credit card ABS may be more defensive in a widening environment
  - Carry expected to be driver of excess returns
  - Evolution of labor market and economy remain key risks

● Current outlook



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### Fixed-Income Sector Outlook – 2Q 2026

Sector	Our Investment Preferences
COMMERCIAL PAPER / CD	
TREASURIES	
T-Bill	
T-Note	
FEDERAL AGENCIES	
Bullets	
Callables	
SUPRANATIONALS	
CORPORATES	
Financials	
Industrials	
SECURITIZED	
Asset-Backed	
Agency Mortgage-Backed	
Agency CMBS	
MUNICIPALS	

● Current outlook

○ Outlook one quarter ago



## Fixed-Income Sector Commentary – 1Q 2026

- ▶ The **Federal Open Market Committee (FOMC)** maintained the target range for the federal funds rate, noting continuing challenges to achieving its dual mandate of maximum employment and stable prices.
- ▶ **U.S. Treasury** yields rose across the curve with 2- to 5-year tenors experiencing the largest repricing. The short-end curve inversion ended given the move higher in yields.
- ▶ **Federal Agency & supranational** issuance remained limited, keeping spreads narrow and excess returns muted. The announcement of \$200 billion of mortgage purchases by FNMA and FHLMC is unlikely to materially affect issuance trends with buying funded by cash.
- ▶ **Investment-Grade (IG) corporate** bond yield spreads were stable in the first two months of the quarter. However, in response to geopolitical tensions, heightened issuance, and concerns over private debt capital in the last month of the quarter, spreads widened noticeably. Excess returns for the sector were generally negative, but strong carry is expected to provide support.
- ▶ Spreads on **Asset-Backed Securities** widened marginally, but spreads versus equivalent-duration corporate notes narrowed. Auto loan collateral marginally outperformed credit receivables.
- ▶ 30-year **Agency-backed mortgage-backed securities (MBS)** generated solid excess returns in Q1 and outperformed 15-year tenors. Surging bond volatility toward quarter end neared weighed on excess returns. **Agency-backed commercial MBS (CMBS)** also produced positive excess returns for the quarter.
- ▶ **Short-term credit** (commercial paper and negotiable bank CDs) experienced spread widening which created opportunities, particularly in 9- to 12-month tenors. Floating-rate notes also saw notable spread widening, ending the quarter 10 to 15 bps wider versus year end levels.

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## Fixed-Income Sector Outlook – 2Q 2026

- ▶ While future Fed policy remains uncertain amid the ongoing conflict, we view the meaningful rise in **U.S. Treasury** yields as an opportunity. As a result, for shorter duration strategies, we prefer a modestly longer duration stance. For longer duration strategies, we believe the risk profile is less favorable relative to shorter strategies but will maintain a curve steepening bias by modestly underweighting the long end of the curve.
- ▶ **Federal Agency & Supranational** spreads are likely to remain at tight levels. Government-only accounts may find occasional value on an issue-by-issue basis.
- ▶ **Taxable Municipals** continue to present limited opportunity due to an ongoing lack of supply and strong demand which is keeping yields low. We do not expect this dynamic to change in the near term.
- ▶ **Investment-Grade (IG) Corporate** bond fundamentals remain stable with technicals supportive of the sector. All-in yields remain attractive and wider spreads have improved value. We expect an increase in buying opportunities across both new-issue and secondary markets.
- ▶ **Asset-Backed Securities** fundamentals remain within expectations and credit enhancements remain robust. We expect supply to increase as credit card issuers re-enter the market, with demand remaining strong and new issues well-digested. We expect solid consumer fundamentals and structural credit enhancements to insulate the sector from meaningful downturns. We expect carry to be the driver of excess returns.
- ▶ **Mortgage-Backed Securities** are expected to remain rich despite increased market volatility modestly aiding valuations. With spreads remaining historically tight, opportunities are limited, and we will look to other sectors for better value.
- ▶ **Short-term credit** (commercial paper and negotiable bank CDs) spreads have widened notably in Q1. We favor maturities beyond 9 months given the positively sloped curve, wider spreads, and added protection against potential Fed rate cuts late this year.

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### Factors to Consider for 6-12 Months

#### Monetary Policy (Global):



- The Fed held rates steady in Q1 amid persistent inflation pressures and limited net job creation.
- Policymakers acknowledged the path forward is complicated, with geopolitical uncertainty adding additional strain to the Fed’s dual mandate.
- The “dot plot” projects 25 bps of rate cuts in both 2026 and 2027; however, this is predicated on inflation progress.
- Global central banks remained on pause in Q1 but energy inflation pressures may necessitate hikes.

#### Economic Growth (Global):



- Stable consumer and business spending support growth, offsetting the weakness seen from the U.S. government shutdown in Q4 GDP.
- Fiscal support and AI investment should aid growth; however, a prolonged conflict in Iran may weigh on consumer discretionary spending.
- Risks to global growth prospects have increased amid the escalating conflict due to higher energy prices, supply-chain disruptions, and increased uncertainty.

#### Inflation (U.S.):



- The inflation outlook depends on the duration of the Middle East conflict and the degree to which higher energy and commodity costs raise core goods and services prices.
- Inflation remains sticky with limited progress on core services and continuing pressure from tariffs passthroughs.
- Near-term inflation expectations have increased due to the higher energy prices while long-run expectations remain anchored.

#### Financial Conditions (U.S.):



- Corporate fundamentals and underlying demand remain strong. Spread widening has improved valuations, though the sector is still rich from a historic perspective.
- The conflict in the Middle East has tightened financial conditions. The duration of the conflict and its impact on the economy will be a key driver of corporate fundamentals.
- Geopolitical conflict, higher oil prices, and the evolution of the economy are key risks. At this time we view volatility in private credit as contained and not a systemic risk.

#### Consumer Spending (U.S.):



- Modest job growth and inflationary pressures continue to weigh on consumer sentiment. Higher energy and food prices will likely drive consumer sentiment lower.
- Wage growth continues to exceed inflation, but this gap has narrowed. Energy shocks may compress real incomes and reduce discretionary spending.
- Lower-income cohorts remained more exposed to higher energy prices as a larger share of household budgets are allocated to essentials.
- Higher-income cohorts benefit from strong equity markets and home price appreciation in recent years.

#### Labor Markets (U.S.):



- Labor market conditions continued to cool with net new job creation close to zero.
- The unemployment rate remained unchanged as lower job creation was offset by a reduction in the pace of labor force growth.
- The Fed has framed the combination of limited job growth and a stable unemployment rate as an uncomfortable balance.
- Initial jobless claims and layoff rates remain low, consistent with a continued “low-hire/low-fire” environment.

● Current outlook    ○ Outlook one quarter ago    
 **Stance Unfavorable to Risk Assets**    
 Negative    Slightly Negative    Neutral    Slightly Positive    Positive    
 **Stance Favorable to Risk Assets**

Statements and opinions expressed about the next 6-12 months were developed based on our independent research with information obtained from Bloomberg Finance L.P. and FactSet. The views expressed within this material constitute the perspective and judgment of PFM Asset Management at the time of distribution (3/31/2026) and are subject to change. Information is obtained from sources generally believed to be reliable and available to the public; however, PFM Asset Management cannot guarantee its accuracy, completeness, or suitability.

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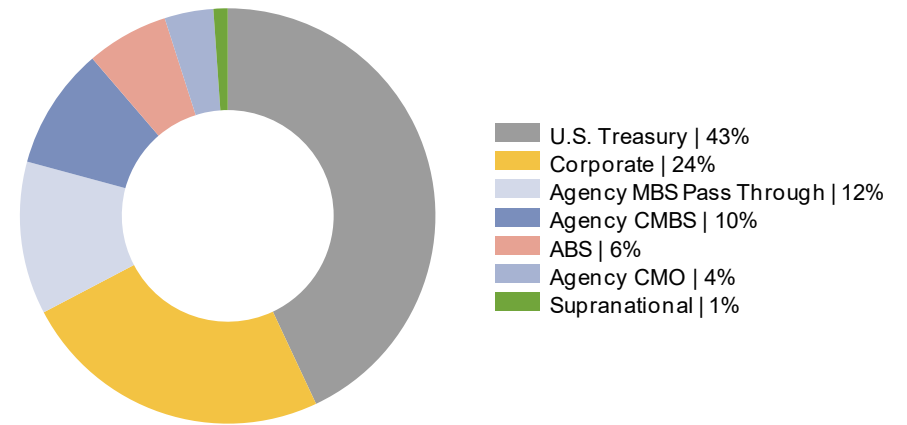
# Portfolio Review: CITY OF NAPERVILLE

## Portfolio Snapshot - CITY OF NAPERVILLE<sup>1</sup>

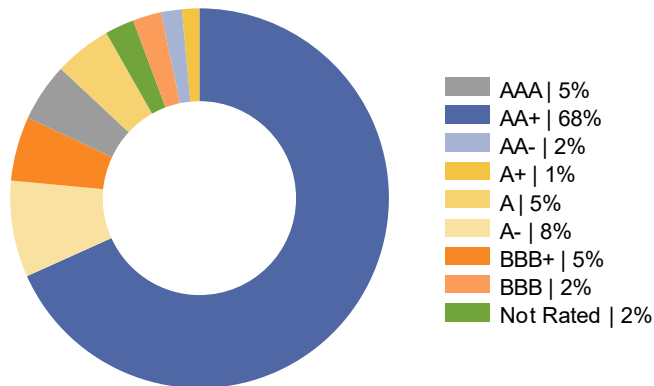
### Portfolio Statistics

<b>Total Market Value</b>	\$107,876,531.83
<i>Securities Sub-Total</i>	\$106,802,273.38
<i>Accrued Interest</i>	\$691,337.98
<i>Cash</i>	\$382,920.47
<b>Portfolio Effective Duration</b>	3.48 years
<b>Benchmark Effective Duration</b>	3.56 years
<b>Yield At Cost</b>	3.89%
<b>Yield At Market</b>	4.20%
<b>Portfolio Credit Quality</b>	AA

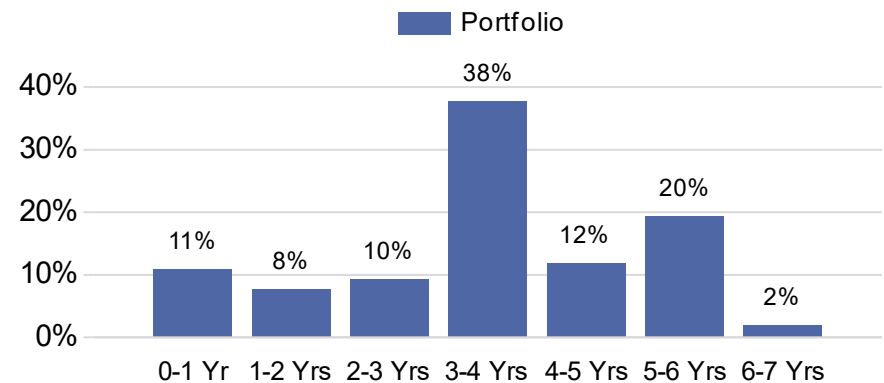
### Sector Allocation



### Credit Quality - S&P

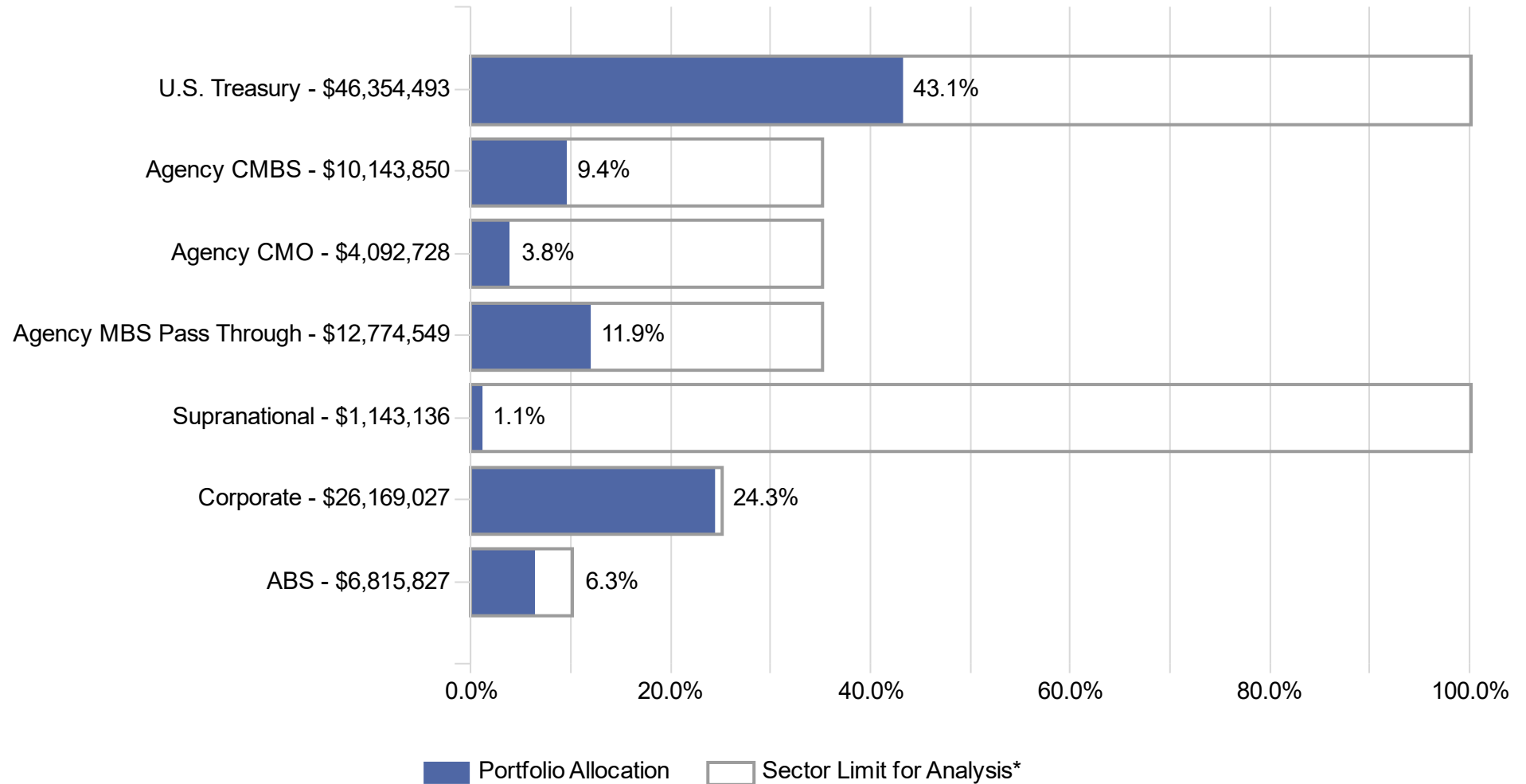


### Duration Distribution



1. Yield and duration calculations exclude cash and cash equivalents. Sector allocation includes market values and accrued interest. The portfolio's benchmark is Bloomberg Barclays Intermediate U.S. Government Index. Source: Bloomberg Financial LP. An average of each security's credit rating was assigned a numeric value and adjusted for its relative weighting in the portfolio.

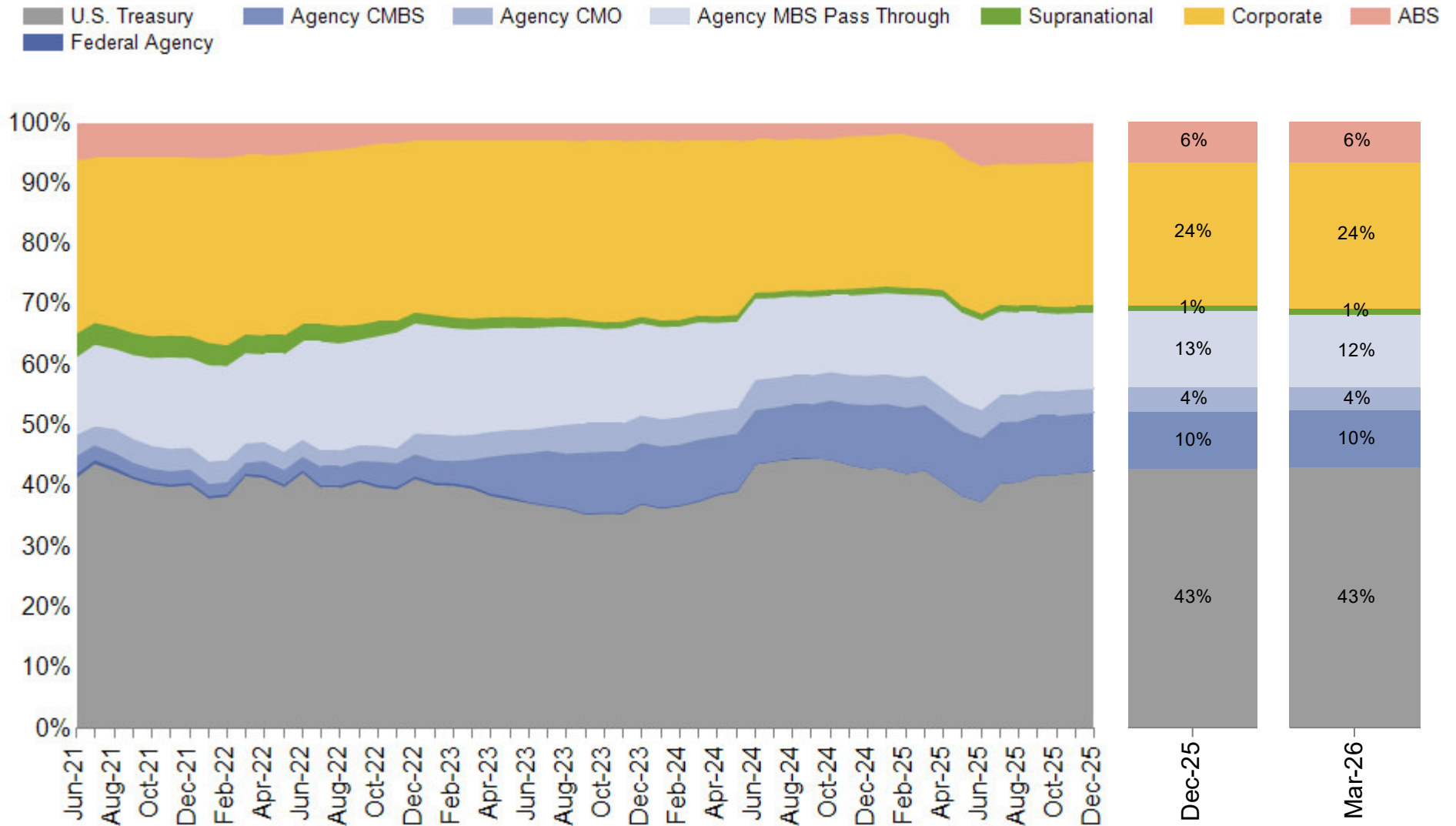
### Sector Allocation Analytics



*For informational/analytical purposes only and is not provided for compliance assurance. Includes accrued interest.*

*\*Sector Limit for Analysis is as derived from our interpretation of your most recent Investment Policy as provided.*

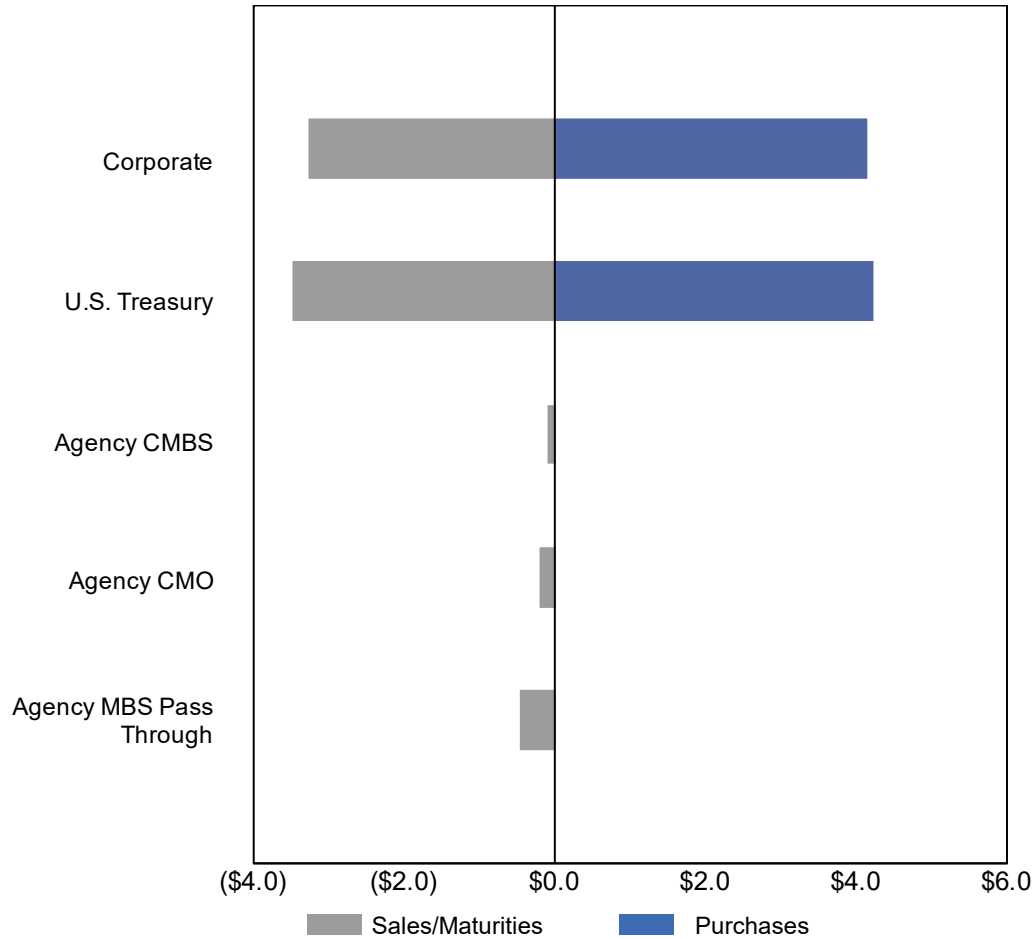
### Historical Sector Allocation - CITY OF NAPERVILLE



Only includes fixed-income securities held within the separately managed account(s) and LGIPs managed by PFMAM.

## Portfolio Activity - CITY OF NAPERVILLE

**Net Activity by Sector**  
(\$ millions)

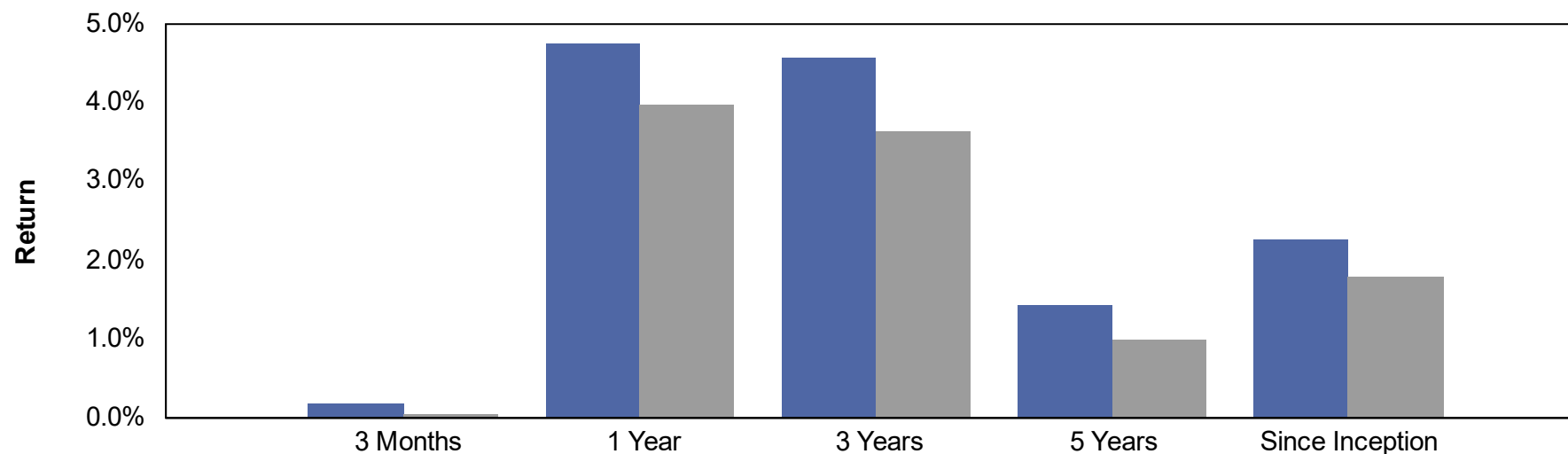


Sector	Net Activity
Corporate	\$895,250
U.S. Treasury	\$764,296
Agency CMBS	(\$58,363)
Agency CMO	(\$180,811)
Agency MBS Pass Through	(\$438,442)
<b>Total Net Activity</b>	<b>\$981,931</b>

Based on total proceeds (principal and accrued interest) of buys, sells, maturities, and principal paydowns. Detail may not add to total due to rounding.

## Portfolio Performance

■ Portfolio ■ Benchmark



Market Value Basis Earnings	3 Months	1 Year	3 Years	5 Years	Since Inception <sup>1</sup>
Interest Earned <sup>2</sup>	\$930,450	\$3,610,888	\$9,325,601	\$12,946,334	\$17,163,344
Change in Market Value	(\$734,662)	\$1,199,018	\$4,537,622	(\$4,685,927)	(\$2,706,933)
<b>Total Dollar Return</b>	<b>\$195,788</b>	<b>\$4,809,906</b>	<b>\$13,863,223</b>	<b>\$8,260,407</b>	<b>\$14,456,411</b>
<b>Total Return<sup>3</sup></b>					
Portfolio	0.18%	4.75%	4.57%	1.43%	2.26%
Benchmark <sup>4</sup>	0.05%	3.98%	3.65%	1.00%	1.79%
<b>Difference</b>	<b>0.13%</b>	<b>0.77%</b>	<b>0.92%</b>	<b>0.44%</b>	<b>0.47%</b>

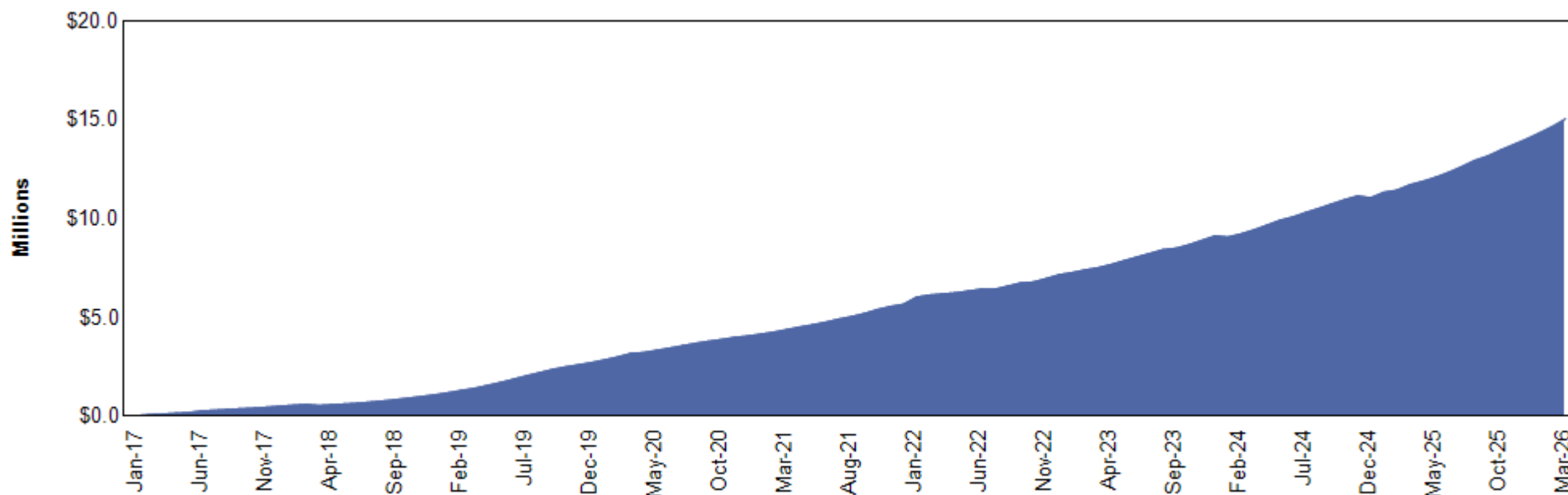
1. The lesser of 10 years or since inception is shown. Since inception returns for periods one year or less are not shown. Performance inception date is December 31, 2016.

2. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.

3. Returns for periods one year or less are presented on a periodic basis. Returns for periods greater than one year are presented on an annualized basis.

4. The portfolio's benchmark is Bloomberg Barclays Intermediate U.S. Government Index. Source: Bloomberg Financial LP.

## Accrual Basis Earnings - CITY OF NAPERVILLE



Accrual Basis Earnings	3 Months	1 Year	3 Years	5 Year	Since Inception <sup>1</sup>
Interest Earned <sup>2</sup>	\$930,450	\$3,610,888	\$9,325,601	\$12,946,334	\$17,163,344
Realized Gains / (Losses) <sup>3</sup>	(\$4,947)	(\$479,948)	(\$2,191,624)	(\$2,411,895)	(\$2,277,862)
Change in Amortized Cost	\$93,733	\$198,780	\$393,206	\$131,977	\$167,130
<b>Total Earnings</b>	<b>\$1,019,237</b>	<b>\$3,329,720</b>	<b>\$7,527,184</b>	<b>\$10,666,416</b>	<b>\$15,052,611</b>

1. The lesser of 10 years or since inception is shown. Performance inception date is December 31, 2016.

2. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.

3. Realized gains / (losses) are shown on an amortized cost basis.

## Issuer Diversification

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
<b>U.S. Treasury</b>	<b>43.1%</b>	
United States Treasury	43.1%	AA / Aa / AA
<b>Agency CMBS</b>	<b>9.4%</b>	
Federal Home Loan Mortgage Corp	9.4%	AA / Aa / AA
<b>Agency CMO</b>	<b>3.8%</b>	
Federal Home Loan Mortgage Corp	1.3%	AA / Aa / AA
Federal National Mortgage Association	1.9%	AA / Aa / AA
Government National Mortgage Associatio	0.7%	AA / Aa / AA
<b>Agency MBS Pass Through</b>	<b>11.9%</b>	
Federal Home Loan Mortgage Corp	3.9%	AA / Aa / AA
Federal National Mortgage Association	8.0%	AA / Aa / AA
Government National Mortgage Associatio	0.0%	AA / Aa / AA
<b>Supranational</b>	<b>1.1%</b>	
Asian Development Bank	0.4%	AAA / Aaa / AAA
Inter-American Development Bank	0.7%	AAA / Aaa / AAA
<b>Corporate</b>	<b>24.3%</b>	
Allstate Corp	0.3%	BBB / A / BBB
American Express Co	0.6%	A / A / A
Amgen Inc	0.5%	BBB / Baa / BBB
ANZ Group Holdings Ltd	0.7%	AA / A / A
AstraZeneca PLC	0.5%	A / A / NR
Bank of America Corp	1.4%	A / A / AA
Bank of Montreal	0.6%	A / A / AA
Bank of Nova Scotia	0.7%	A / A / AA
Barclays PLC	0.4%	BBB / Baa / A
Bayerische Motoren Werke AG	0.7%	A / A / NR
BlackRock Inc	0.2%	AA / Aa / NR

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
<b>Corporate</b>	<b>24.3%</b>	
Bristol-Myers Squibb Co	0.6%	A / A / NR
Broadcom Inc	0.9%	A / A / A
Capital One Financial Corp	0.4%	BBB / Baa / A
Citigroup Inc	0.3%	BBB / A / A
Citizens Financial Group Inc	0.5%	BBB / Baa / BBB
Commonwealth Bank of Australia	0.6%	AA / Aa / NR
CVS Health Corp	0.5%	BBB / Baa / BBB
DNB Bank ASA	0.5%	A / A / NR
Fifth Third Bancorp	0.5%	BBB / Baa / A
General Motors Co	0.3%	BBB / Baa / BBB
Goldman Sachs Group Inc	0.7%	BBB / A / A
HSBC Holdings PLC	1.0%	A / A / A
Huntington Bancshares Inc/OH	0.4%	BBB / Baa / A
Hyundai Motor Co	0.5%	A / A / A
JPMorgan Chase & Co	1.8%	A / A / AA
KeyCorp	0.4%	BBB / Baa / A
Lloyds Banking Group PLC	0.3%	A / A / A
Macquarie Group Ltd	0.4%	BBB / A / A
Mars Inc	0.7%	A / A / NR
Meta Platforms Inc	0.2%	AA / Aa / NR
Mitsubishi UFJ Financial Group Inc	0.6%	A / A / A
Morgan Stanley	0.7%	A / A / A
National Rural Utilities Cooperative Fi	0.2%	A / A / A
Nordea Bank Abp	0.6%	A / A / AA
Oracle Corp	0.5%	BBB / Baa / BBB
Principal Financial Group Inc	0.3%	A / Baa / A

Ratings shown are calculated by assigning a numeral value to each security rating, then calculating a weighted average rating for each security type / issuer category using all available security ratings, excluding Not-Rated (NR) ratings. For security type / issuer categories where a rating from the applicable NRSRO is not available, a rating of NR is assigned. Includes accrued interest and excludes balances invested in overnight funds.

## Issuer Diversification

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
<b>Corporate</b>	<b>24.3%</b>	
Salesforce Inc	1.0%	A / A / NR
Societe Generale SA	0.4%	BBB / Baa / A
US Bancorp	0.4%	A / A / A
Verizon Communications Inc	0.3%	BBB / Baa / A
Volkswagen AG	0.4%	BBB / Baa / A
Wells Fargo & Co	0.7%	BBB / A / A
<b>ABS</b>	<b>6.3%</b>	
American Express Co	0.6%	AAA / NR / AAA
Bank of America Corp	0.5%	NR / Aaa / AAA
Capital One Financial Corp	0.9%	AAA / NR / AAA
Citigroup Inc	0.5%	AAA / Aaa / NR
GM Financial Consumer Automobile Receiv	0.2%	AAA / Aaa / NR
Honda Auto Receivables Owner Trust	0.3%	NR / Aaa / AAA
Hyundai Auto Receivables Trust	0.3%	AAA / NR / AAA
Nissan Auto Receivables Owner Trust	0.5%	NR / Aaa / AAA
Porsche Innovative Lease Owner	0.9%	AAA / NR / AAA
Toyota Auto Receivables Owner Trust	0.4%	AAA / NR / AAA
Toyota Motor Corp	0.6%	NR / Aaa / AAA
Verizon Master Trust	0.6%	NR / Aaa / AAA
<b>Total</b>	<b>100.0%</b>	

Ratings shown are calculated by assigning a numeral value to each security rating, then calculating a weighted average rating for each security type / issuer category using all available security ratings, excluding Not-Rated (NR) ratings. For security type / issuer categories where a rating from the applicable NRSRO is not available, a rating of NR is assigned. Includes accrued interest and excludes balances invested in overnight funds.

## Important Disclosures

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PFMAM professionals have exercised reasonable professional care in the preparation of this performance report. Information in this report is obtained from sources external to PFMAM and is generally believed to be reliable and available to the public; however, we cannot guarantee its accuracy, completeness or suitability. We rely on the client's custodian for security holdings and market values. Transaction dates reported by the custodian may differ from money manager statements. While efforts are made to ensure the data contained herein is accurate and complete, we disclaim all responsibility for any errors that may occur. References to particular issuers are for illustrative purposes only and are not intended to be recommendations or advice regarding such issuers. Fixed income manager and index characteristics are gathered from external sources. When average credit quality is not available, it is estimated by taking the market value weights of individual credit tiers on the portion of the strategy rated by a NRSRO.

It is not possible to invest directly in an index. The index returns shown throughout this material do not represent the results of actual trading of investor assets. Third-party providers maintain the indices shown and calculate the index levels and performance shown or discussed. Index returns do not reflect payment of any sales charges or fees an investor would pay to purchase the securities they represent. The imposition of these fees and charges would cause investment performance to be lower than the performance shown.

The views expressed within this material constitute the perspective and judgment of PFMAM at the time of distribution and are subject to change. Any forecast, projection, or prediction of the market, the economy, economic trends, and equity or fixed-income markets are based upon certain assumptions and current opinion as of the date of issue and are also subject to change. Some, but not all assumptions are noted in the report. Assumptions may or may not be proven correct as actual events occur, and results may depend on events outside of your or our control. Changes in assumptions may have a material effect on results. Opinions and data presented are not necessarily indicative of future events or expected performance.

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- Generally, PFMAM's market prices are derived from closing bid prices as of the last business day of the month as supplied by ICE Data Services. There may be differences in the values shown for investments due to accrued but uncollected income and the use of differing valuation sources and methods. Non-negotiable FDIC-insured bank certificates of deposit are priced at par. Although PFMAM believes the prices to be reliable, the values of the securities may not represent the prices at which the securities could have been bought or sold. Explanation of the valuation methods for a registered investment company or local government investment program is contained in the appropriate fund offering documentation or information statement.
- In accordance with generally accepted accounting principles, information is presented on a trade date basis; forward settling purchases are included in the monthly balances, and forward settling sales are excluded.
- Performance is presented in accordance with the CFA Institute's Global Investment Performance Standards (GIPS). Unless otherwise noted, performance is shown gross of fees. Quarterly returns are presented on an unannualized basis. Returns for periods greater than one year are presented on an annualized basis. **Past performance is not indicative of future returns.**
- ICE Bank of America Indices provided by Bloomberg Financial Markets.
- Money market fund/cash balances are included in performance and duration computations.
- Standard & Poor's is the source of the credit ratings. Distribution of credit rating is exclusive of money market fund/LGIP holdings.
- Callable securities in the portfolio are included in the maturity distribution analysis to their stated maturity date, although, they may be called prior to maturity.
- MBS maturities are represented by expected average life.

## Glossary

- **Accrued Interest:** Interest that is due on a bond or other fixed income security since the last interest payment was made.
- **Agencies:** Federal agency securities and/or Government-sponsored enterprises.
- **Amortized Cost:** The original cost of the principal of the security is adjusted for the amount of the periodic reduction of any discount or premium from the purchase date until the date of the report. Discount or premium with respect to short-term securities (those with less than one year to maturity at time of issuance) is amortized on a straight line basis. Such discount or premium with respect to longer-term securities is amortized using the constant yield basis.
- **Asset-Backed Security:** A financial instrument collateralized by an underlying pool of assets – usually ones that generate a cash flow from debt, such as loans, leases, credit card balances, and receivables.
- **Bankers' Acceptance:** A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill as well as the insurer.
- **Commercial Paper:** An unsecured obligation issued by a corporation or bank to finance its short-term credit needs, such as accounts receivable and inventory.
- **Contribution to Total Return:** The weight of each individual security multiplied by its return, then summed for each sector to determine how much each sector added or subtracted from the overall portfolio performance.
- **Effective Duration:** A measure of the sensitivity of a security's price to a change in interest rates, stated in years.
- **Effective Yield:** The total yield an investor receives in relation to the nominal yield or coupon of a bond. Effective yield takes into account the power of compounding on investment returns, while nominal yield does not.
- **FDIC:** Federal Deposit Insurance Corporation. A federal agency that insures bank deposits to a specified amount.
- **Interest Rate:** Interest per year divided by principal amount and expressed as a percentage.
- **Market Value:** The value that would be received or paid for an investment in an orderly transaction between market participants at the measurement date.
- **Maturity:** The date upon which the principal or stated value of an investment becomes due and payable.
- **Negotiable Certificates of Deposit:** A CD with a very large denomination, usually \$1 million or more, that can be traded in secondary markets.
- **Par Value:** The nominal dollar face amount of a security.
- **Pass-through Security:** A security representing pooled debt obligations that passes income from debtors to its shareholders. The most common type is the mortgage-backed security.

## Glossary

- **Repurchase Agreements:** A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date.
- **Settle Date:** The date on which the transaction is settled and monies/securities are exchanged. If the settle date of the transaction (i.e., coupon payments and maturity proceeds) occurs on a non-business day, the funds are exchanged on the next business day.
- **Supranational:** A multinational union or association in which member countries cede authority and sovereignty on at least some internal matters to the group, whose decisions are binding on its members.
- **Trade Date:** The date on which the transaction occurred; however, the final consummation of the security transaction and payment has not yet taken place.
- **Unsettled Trade:** A trade which has been executed; however, the final consummation of the security transaction and payment has not yet taken place.
- **U.S. Treasury:** The department of the U.S. government that issues Treasury securities.
- **Yield:** The rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.
- **YTM at Cost:** The yield to maturity at cost is the expected rate of return based on the original cost, the annual interest receipts, maturity value, and the time period from purchase date to maturity, stated as a percentage on an annualized basis.
- **YTM at Market:** The yield to maturity at market is the rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.

# City of Naperville

## Intermediate Gov/Credit

First Quarter Review  
As of March 31, 2026

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# 1Q 2026 Market Review

	Index	OASTSY	QTD OAS Δ	QTD Total Return	QTD Excess Return
	<b>US Aggregate Index</b>	30	4	-0.05%	-0.08%
	<b>US Intermediate Aggregate</b>	26	3	0.13%	0.01%
	<b>US Intermediate Gov't / Credit</b>	26	4	-0.01%	-0.06%
	<b>Bloomberg MBS Index</b>	24	2	0.40%	0.16%
	<b>Bloomberg CMBS Index</b>	71	-4	0.32%	0.33%
	<b>Bloomberg ABS Index</b>	53	1	0.31%	0.10%
	<b>US Credit Index</b>	83	10	-0.48%	-0.44%
	<b>US Corporate Index</b>	89	11	-0.54%	-0.49%
	<b>Industrials</b>	85	9	-0.46%	-0.41%
	<b>Financials</b>	94	17	-0.67%	-0.67%
	<b>Utilities</b>	92	8	-0.48%	-0.42%
	<b>Non-Corporate Credit</b>	42	2	-0.07%	-0.08%
<b>Quality</b>	<b>A</b>	74	10	-0.54%	-0.50%
	<b>Baa</b>	111	13	-0.55%	-0.51%
<b>Maturity</b>	<b>Intermediate</b>	81	11	-0.22%	-0.22%
	<b>Long</b>	106	11	-1.20%	-1.02%
<b>Plus Sectors</b>	<b>ICE BofA Merrill High Yield Constrained Index</b>	328	47	-0.55%	
	<b>JP Morgan Emerging Market Debt Global Index</b>	239	42	-1.14%	

Source: MIM, Bloomberg

First quarter returns across the aggregate fixed income universe (Bloomberg U.S. Aggregate Index, or "the Agg") were mixed. Credit posted negative excess returns of -0.44% and negative total returns of -0.48%, though these figures remain broadly contained given the range of macro variables driving market volatility during the period. Within the securitized segment, performance was more constructive: Mortgage-Backed Securities (MBS) and Asset-Backed Securities (ABS) each delivered modestly positive excess returns of +0.16% and +0.10%, respectively, while Commercial Mortgage-Backed Securities (CMBS) outperformed with excess returns of +0.33%.

Much of the market activity during the quarter was shaped by themes highlighted in our 2026 Outlook. Strong technicals kept corporate spreads anchored at tight levels, while a surge in U.S. Investment Grade issuance — particularly from hyper-scalers — exerted influence on curve dynamics. We also identified the potential for resilience in mortgage-backed securities, tactical relative value opportunities across asset classes, and cautioned against the risk of unforeseen geopolitical developments, all of which proved prescient as these dynamics materialized early in 2026.

AI fear-driven repricing was abrupt but quickly reversed, as markets reassessed the implications for employment, growth, and the net productivity impact. These dynamics contributed to weakness in private credit, with knock-on effects across exposed sectors including Business Development Companies, adjacent financial services, and software portfolio companies. Contagion remained contained, but larger investment-grade software names faced spread pressure. Separately, markets digested multiple military operations, including Venezuela and Iran, with the latter contributing to a meaningful volatility spike that dominated market activity late in the quarter.

More broadly, we'd be remiss not to mention the initial spark driving volatility in the markets as being the US Supreme Court's decision to strike down the Trump administration's global tariffs imposed under the International Emergency and Economic Powers Act, which added uncertainty around potential tariff refunds and the administration's next legal steps. At the same time, other policy headlines from President Trump — included proposals to ban institutional purchases of single family homes, increased GSE mortgage buying which ultimately supported MBS over the period, and a possible 10% cap credit card rates — which caused confusion within the securitized sector given the negative risks to the banking segment it would cause. President Trump's nomination of Kevin Warsh to be the next chair of the Fed, pending Senate confirmation, truly really feels like an afterthought amidst all of the current events at play. Despite all of these various events taking shape over the first quarter of 2026, the U.S. fixed income market demonstrated resilience.

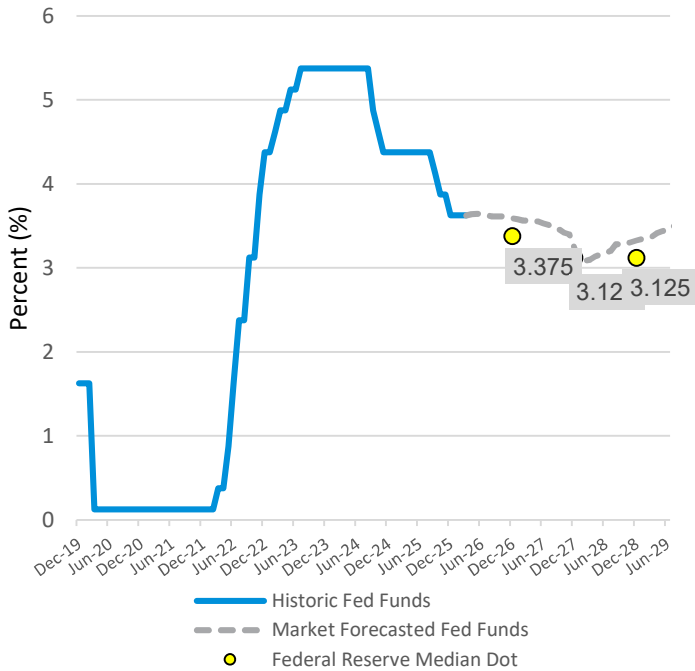
While credit markets were fairly contained given all of the events in the first quarter, the same cannot be said for U.S. Treasury rates. U.S. rates repriced sharply in March on a combination of geopolitical risk and renewed inflation sensitivity, with the Iran conflict (Strait of Hormuz closure and energy infrastructure attacks) acting as the proximate catalyst for a higher crude prices and a re-pricing of the Fed's reaction function. The curve bear-flattened as front-end yields reset higher on policy risk while the long end moved in sympathy but with less duration-adjusted beta. The 2-year finished +42bps at 3.79% after reaching 3.99% intra-month, reflecting a material repricing of the expected policy path. The 10-year rose +38bps to 4.32% and the 30-year increased +30bps to 4.91%, consistent with a duration-led selloff that was not purely a front-end phenomenon. Curve dynamics were directionally consistent with a bear-flattening regime: 2s10s flattened 4bps to 52bps, 10s30s flattened 8bps to 59bps, and 5s30s flattened 14bps to 97bps, indicating that the move was not isolated to the belly but extended through the long end.

<sup>i</sup> Bloomberg

# Market Review (Continued)

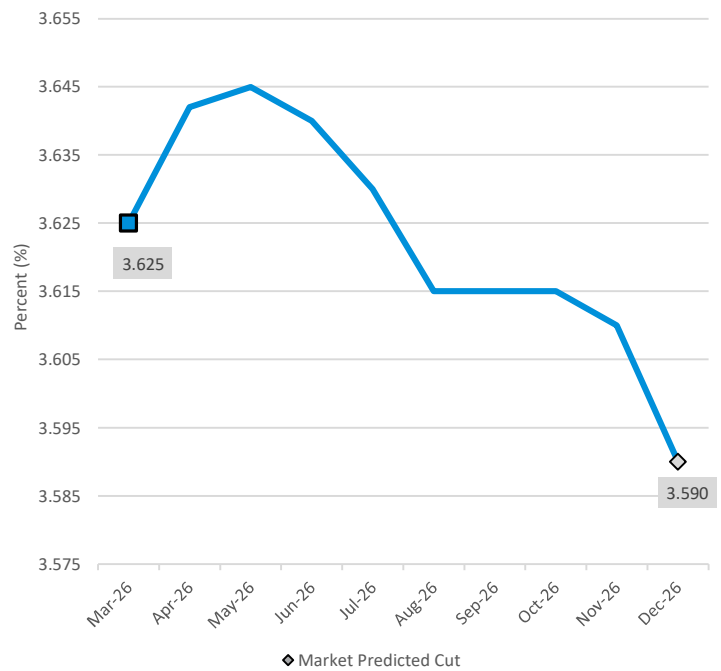
## Federal Reserve Dashboard

### Federal Reserve's Federal Funds Forecasts



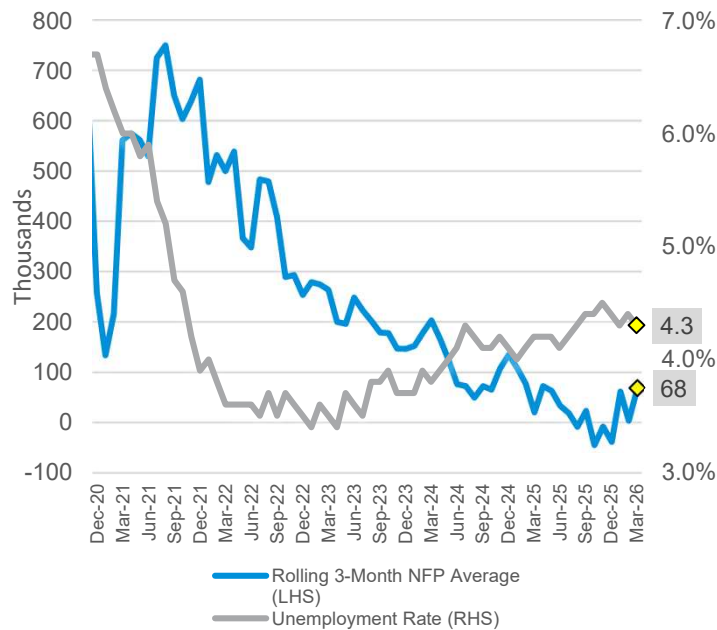
Source: Bloomberg L.P. As of March 31, 2026

### Market Expectations for Federal Reserve Rate Cuts (Hikes)



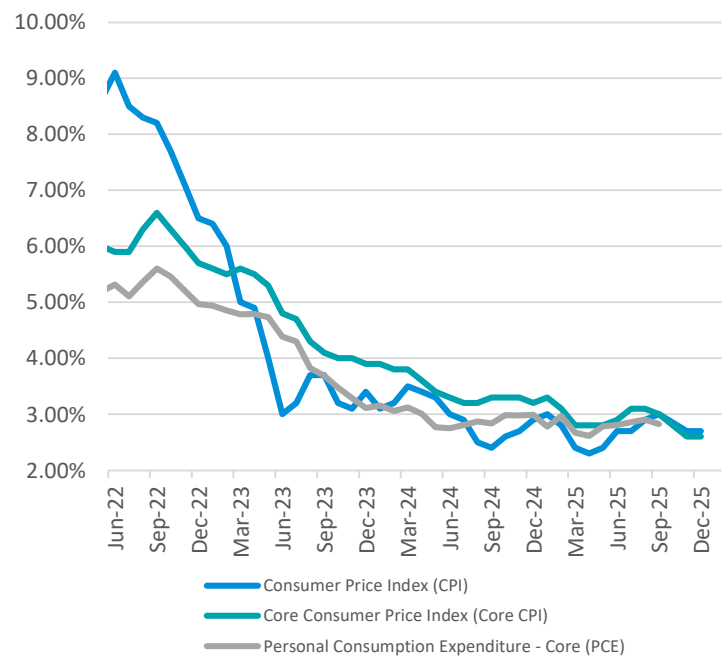
Source: Bloomberg L.P. As of March, 31, 2026

### Three-Month Avg. NFP & Unemployment Rate



Source: Bloomberg L.P. As of April 3, 2026

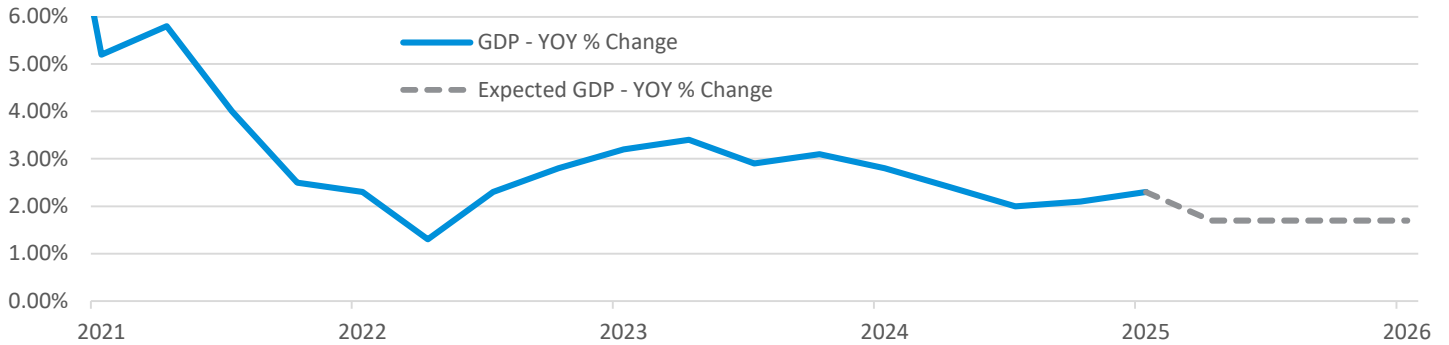
### Inflation YoY (CPI & PCE)



Source: Bloomberg L.P. As of April 6, 2026

# Market Review (Continued)

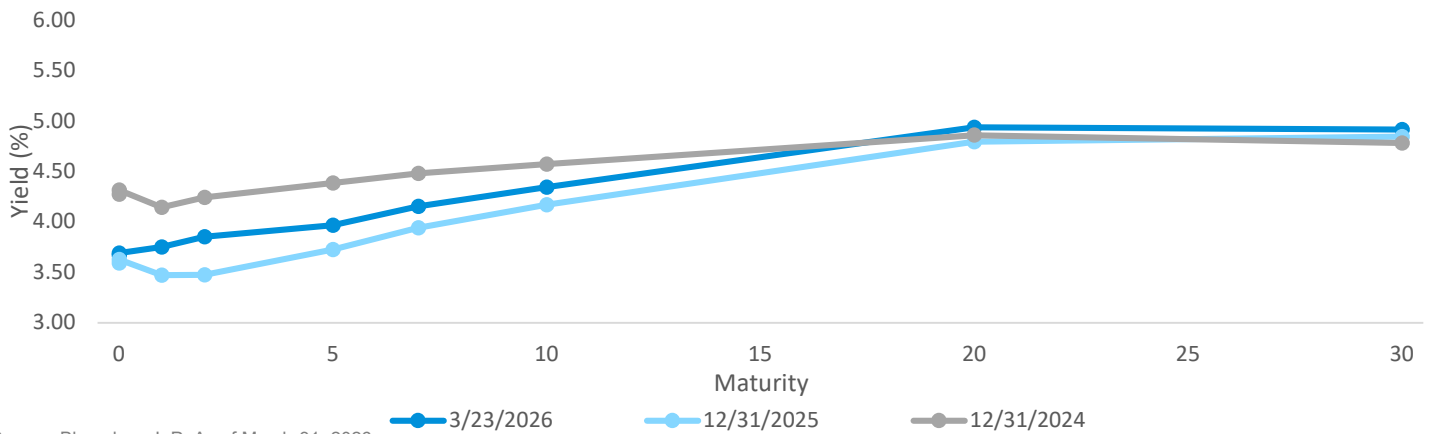
## GDP



Source: Bloomberg L.P. As of April 6, 2026

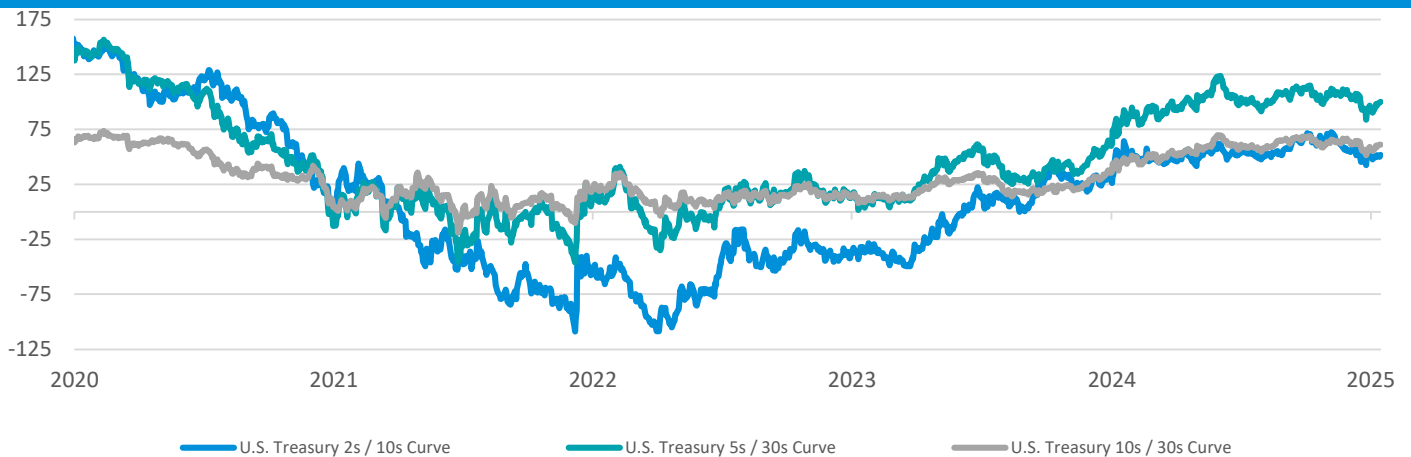
## U.S Treasury Curves

### U.S. Treasury Yield Curve



Source: Bloomberg L.P. As of March 31, 2026

### U.S. Treasury Curves

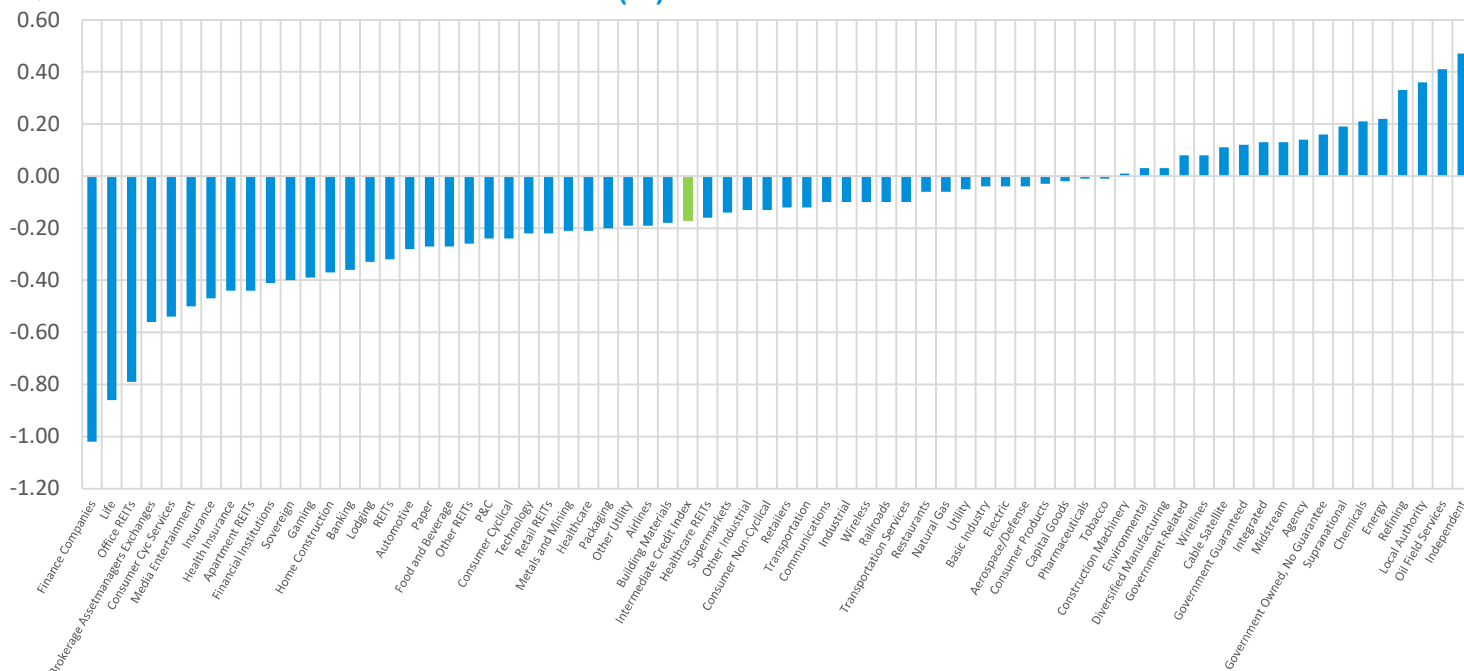


Source: Bloomberg L.P. As of December 31, 2025

# Market Review (Continued)

Across Corporate sectors dispersion was shaped by a mix of macro, technical, and idiosyncratic drivers. Financials lagged (-0.67% excess) both Utilities and Industrials, which didn't perform much better with -0.41% and -0.42% excess returns, respectively. Subsectors within the Energy space benefited from heightened oil prices with the Energy sector posting +0.42% excess return shrugging off any weakness on fears of a global growth slowdown. However, the Midstream (+0.02% excess return) was rather muted. The Chemicals sector (+0.01% excess return) held in versus other sector weakness across Industrials. Media & Entertainment was by far the weakest subsector and largely weakened due to idiosyncratic pressures related to M&A within the subsector. Tighter trading subsectors such as Pharmaceuticals and Food & Beverage were other weak spots within the index as these subsectors were pressured with the deluge of issuance from high quality issuers with robust balance sheets offering attractive concessions. The Insurance sector (-1.03% excess return) weighed on the index largely due to the Life Insurance (-1.37% excess return) subsector's exposure to private credit and their underlying exposures to software companies coupled with BDC pressures from retail investor redemptions. Elsewhere in Financials, the Brokerage / Asset Manager / Exchange and Finance Companies subsector bore the brunt of the private credit headlines each posting -0.94% and -1.01% excess return, respectively. Lastly, as expected Sovereigns (-0.88% excess return) weighed on the non-corporate credit space given certain countries direct and indirect exposure to the conflict in the middle east.

## 1Q26 Intermediate Credit Excess Return (%)



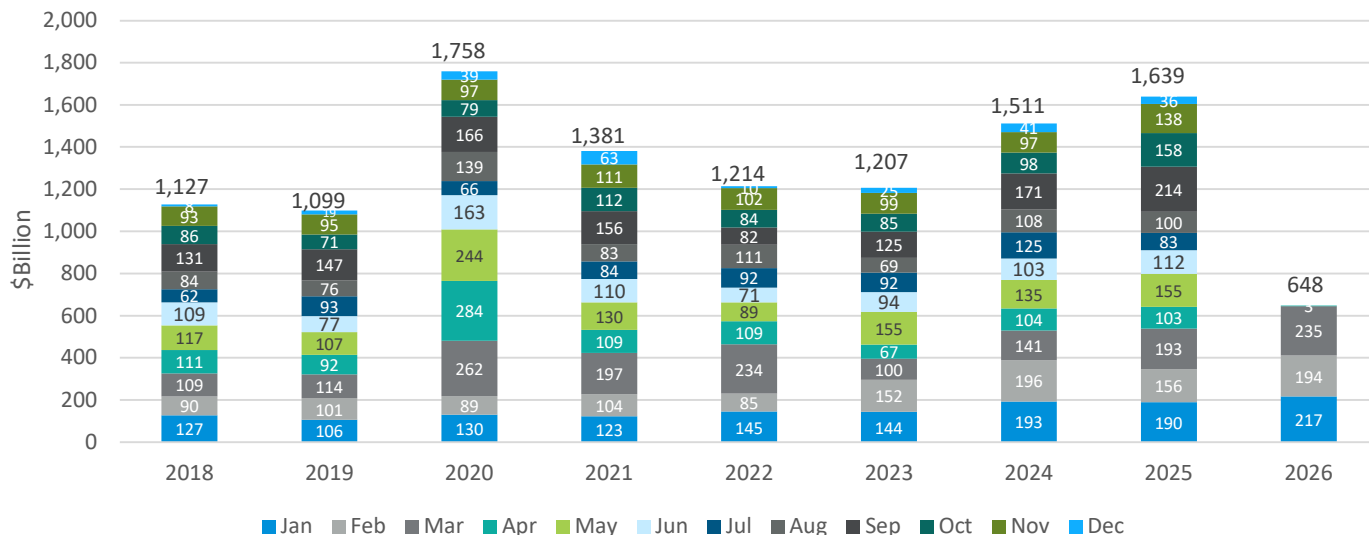
Source: MIM, Bloomberg

<sup>1</sup> Bloomberg

<sup>2</sup> Bank of America Merrill Lynch

# Market Review (Continued)

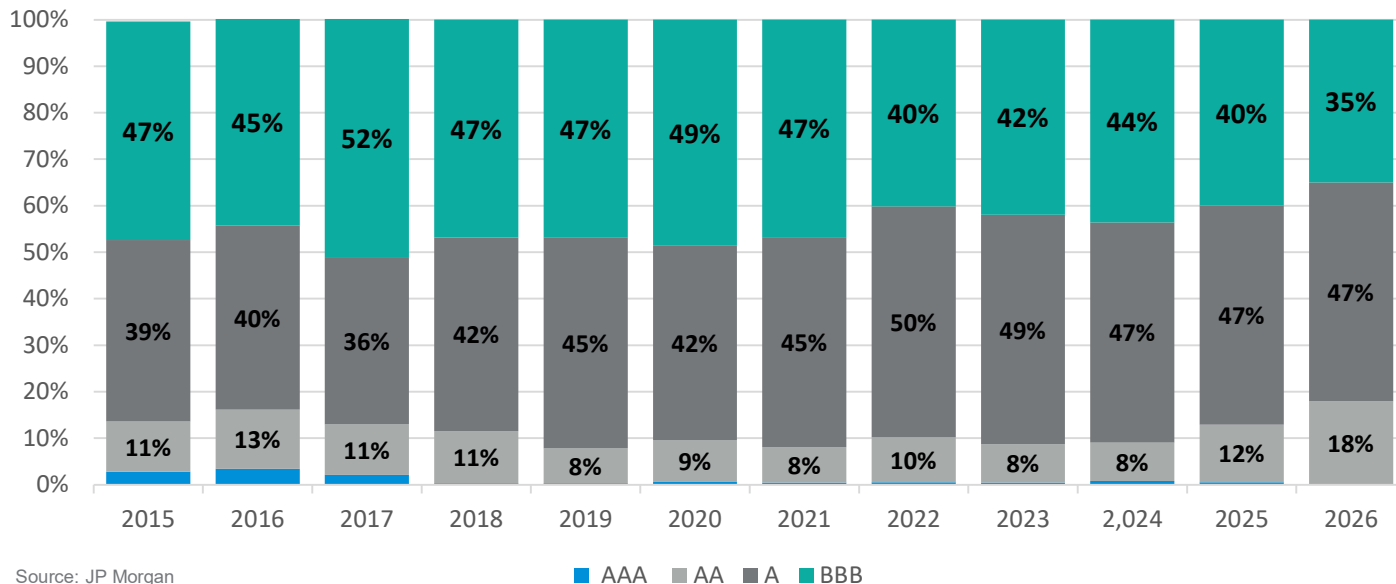
## 2026 First Quarter Issuance has come at a record pace



Source: JP Morgan

The market also saw a significant surge in supply bringing a total of roughly \$645bn, a figure that is up 20% year-over-year and primarily by a wave of large-scale AI-related issuance which built on the extensive AI/Hyperscaler issuance of the fourth quarter. This issuance came with significant concessions due to the size of the deals, which not only pressured existing hyperscaler debt but also the broader market, as this largely high-quality issuance reframed many relative value relationships. High quality issuance rose in March with AA-rated issuance of \$58bn, the second highest on record behind January 2008. By sector, Non-Financials supply was \$410bn while Financials brought \$235bn. And as we expected an increase in M&A related issuance, we saw 1Q26 M&A supply of \$104bn, a figure that was the highest since at least 2016, outpacing the previous record of \$80bn in 1Q21, led by Healthcare/Pharma (\$41bn) and Capital Goods (\$30bn). The average maturity of IG new issuance was 10.1yrs, largely driven by the Non-Financials sector which saw average maturity of new issuance at 12.1yrs.

## New issuance has come with a higher quality tilt

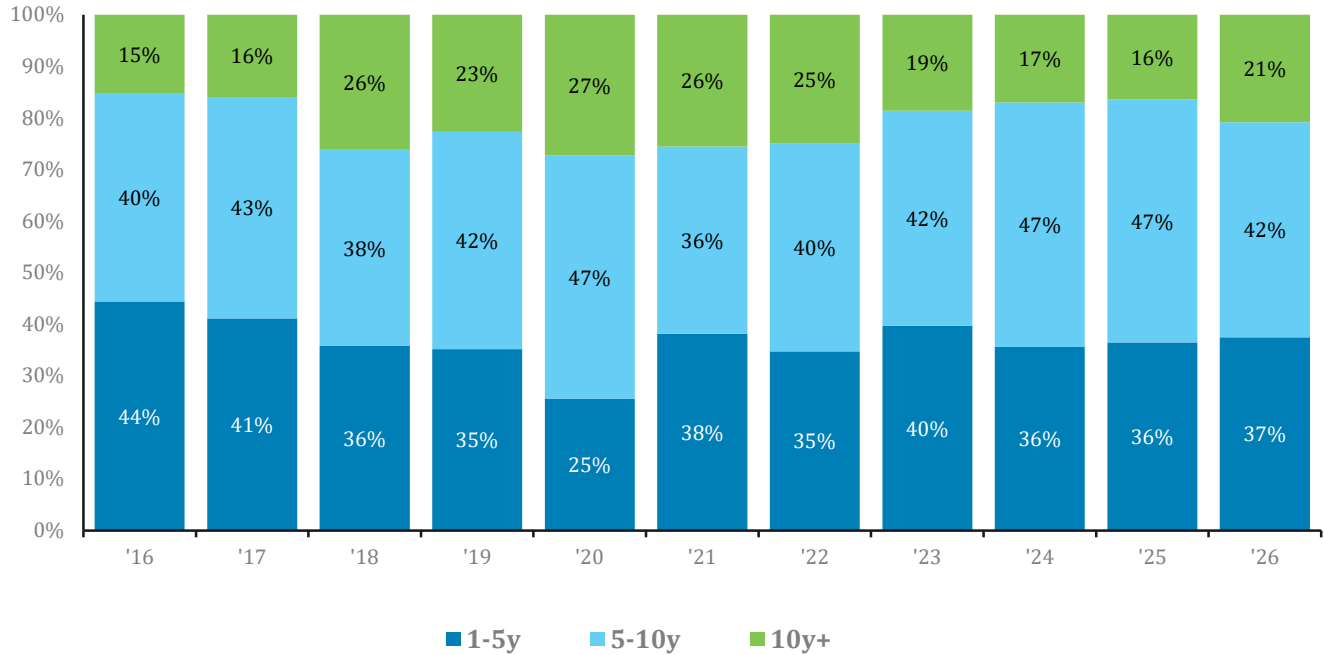


Source: JP Morgan

# Market Review (Continued)

## Long-End supply (10Yr+) has also been robust to start the year

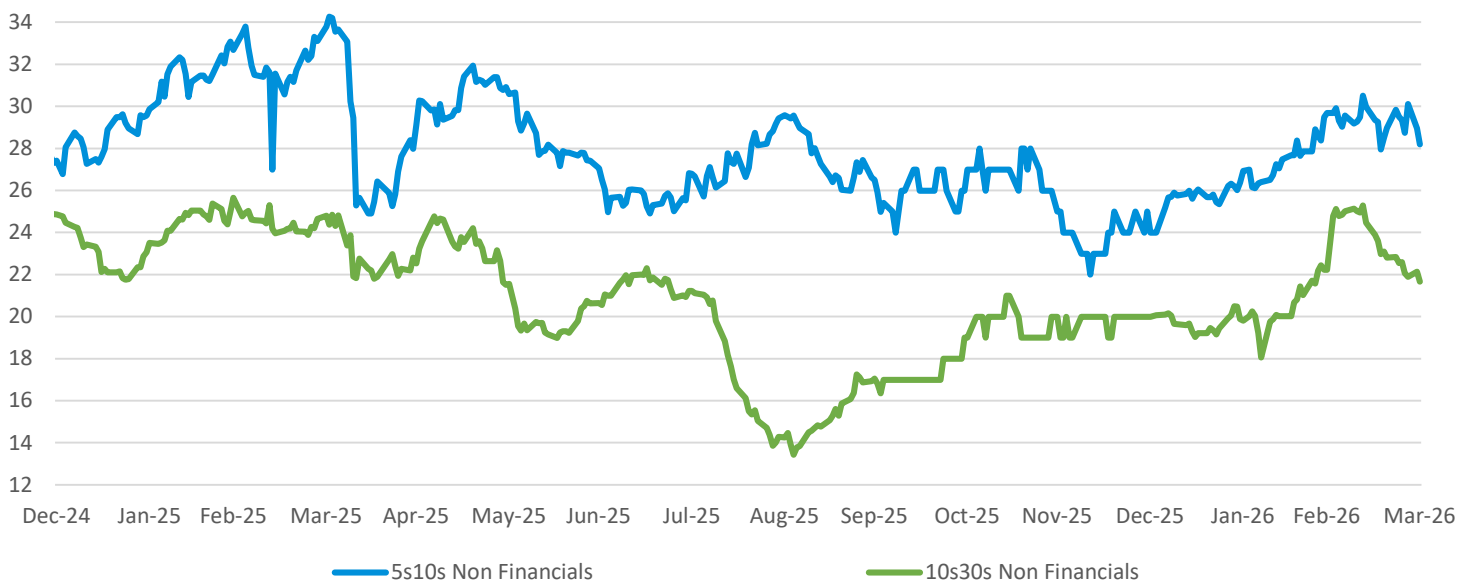
YTD Supply (% of Total)



Source: Bloomberg, Barclays Research.

## The tenor and magnitude of issuance pressured spreads out the curve

### Corporate Credit Curves

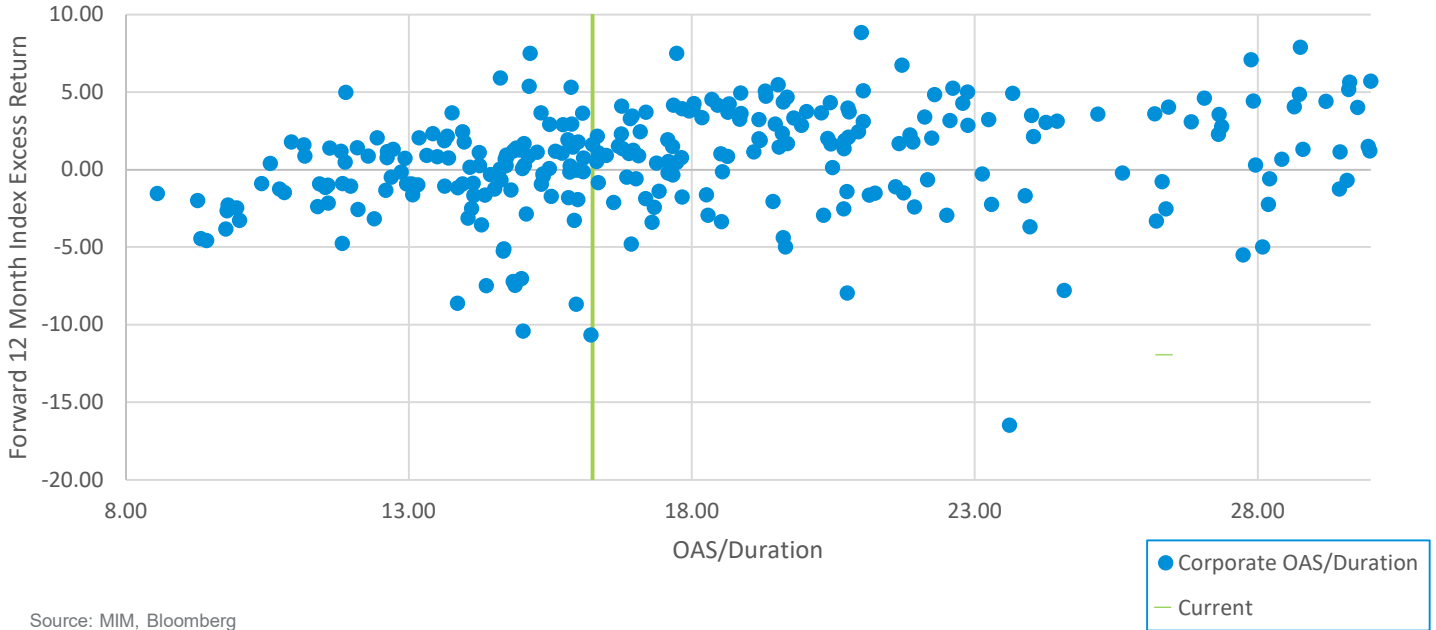


<sup>i</sup> Bloomberg  
<sup>ii</sup> Bank of America Merrill Lynch

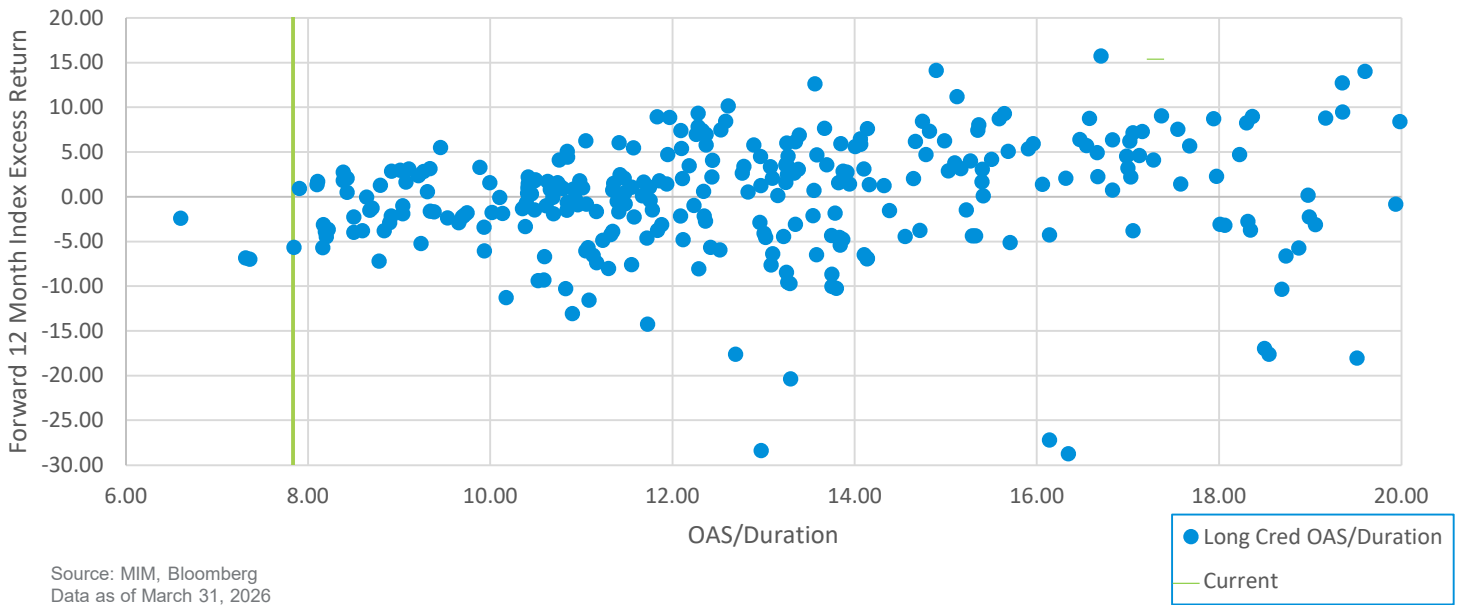
# Market Review (Continued)

With how 2026 has unfolded, we still favor Intermediate relative to Long Credit

### Intermediate Credit Index (Excluding Tail)



### Long Credit Index (Excluding Tail)



# Market Review (Continued)

## Elevated yields sustained investor demand from yield-oriented buyers

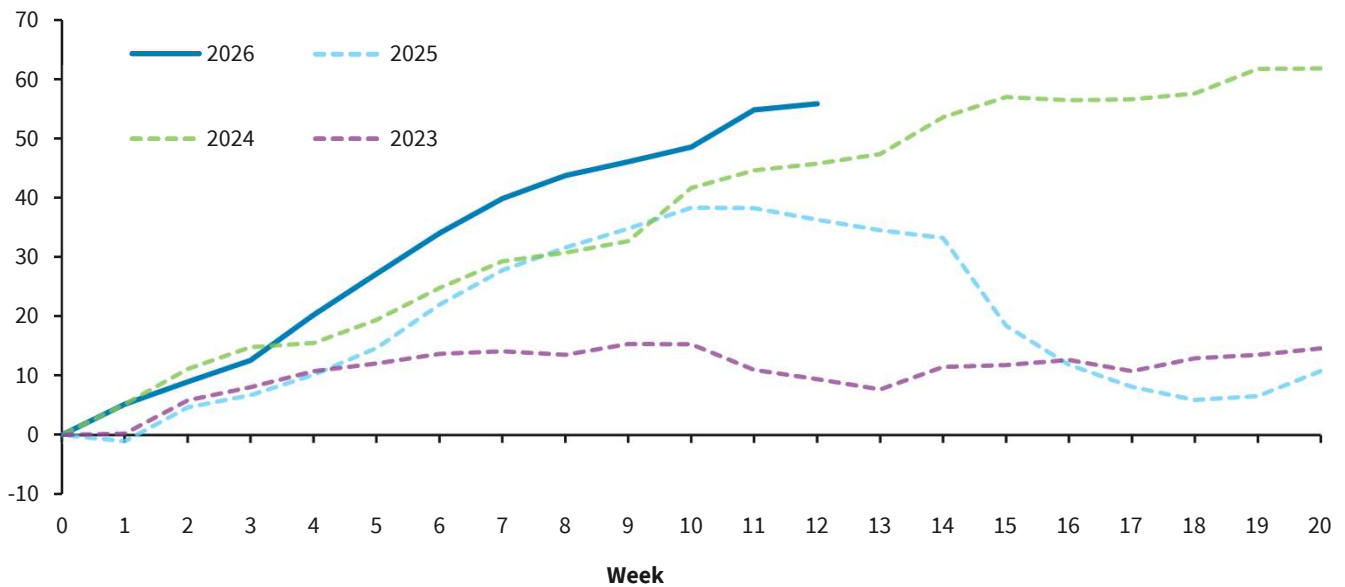
Bloomberg US Credit Index Yield



Source: Bloomberg, MIM.

## Retail demand remained robust providing further support to corporate spreads

IG Cuml. Fund Flows (\$bn)

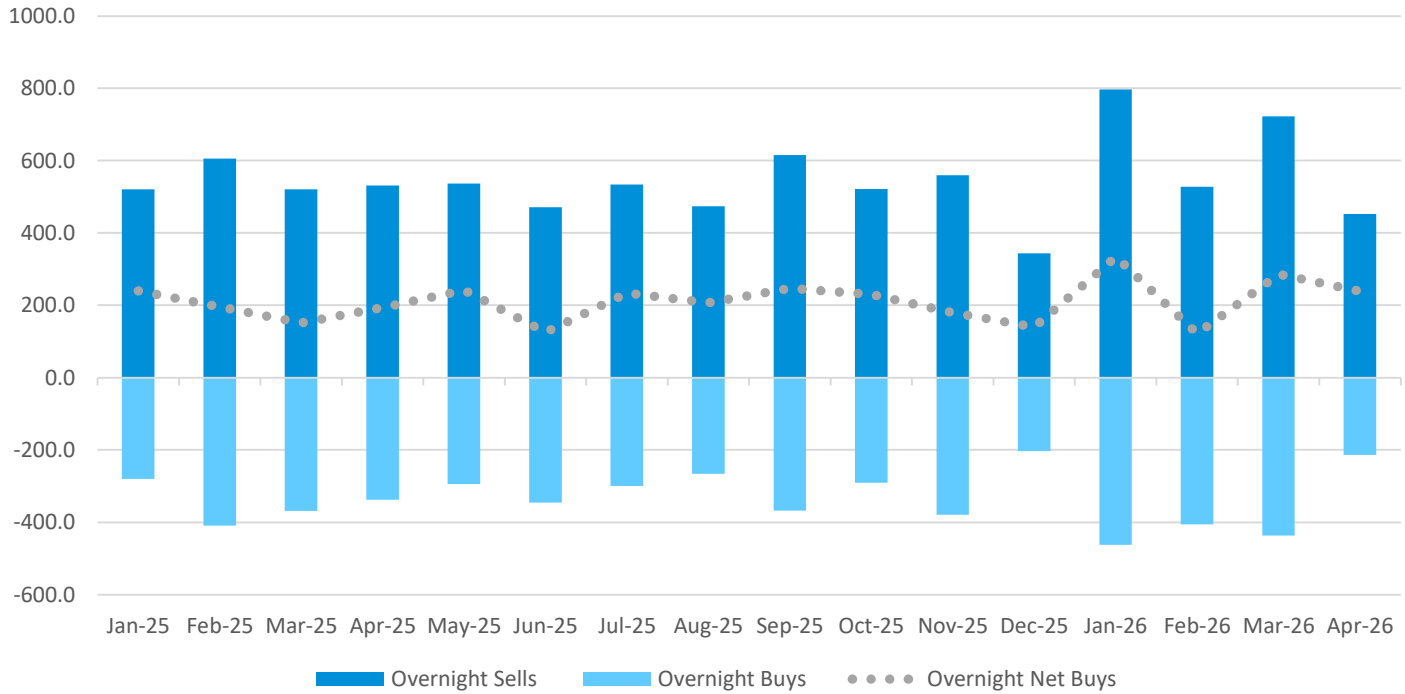


Source: Bloomberg, Lipper, Barclays Research.

# Market Review (Continued)

Healthy foreign demand was also supportive to corporate spreads

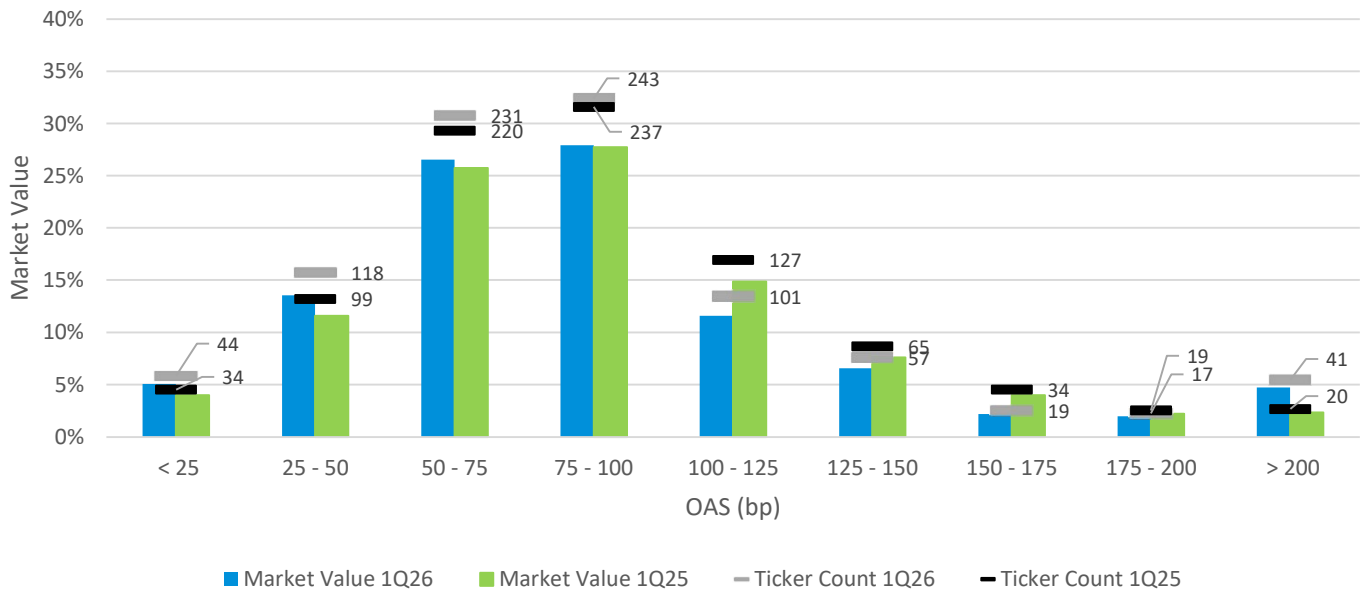
Monthly Overnight TRACE flows



Source: JP Morgan, FINRA, MIM

Spreads migrated towards tighter buckets with nearly 80% of issues in the index between 50 and 125 bps

Bloomberg Intermediate US Credit OAS Distribution



Source: MIM, Bloomberg

# Market Review (Continued)

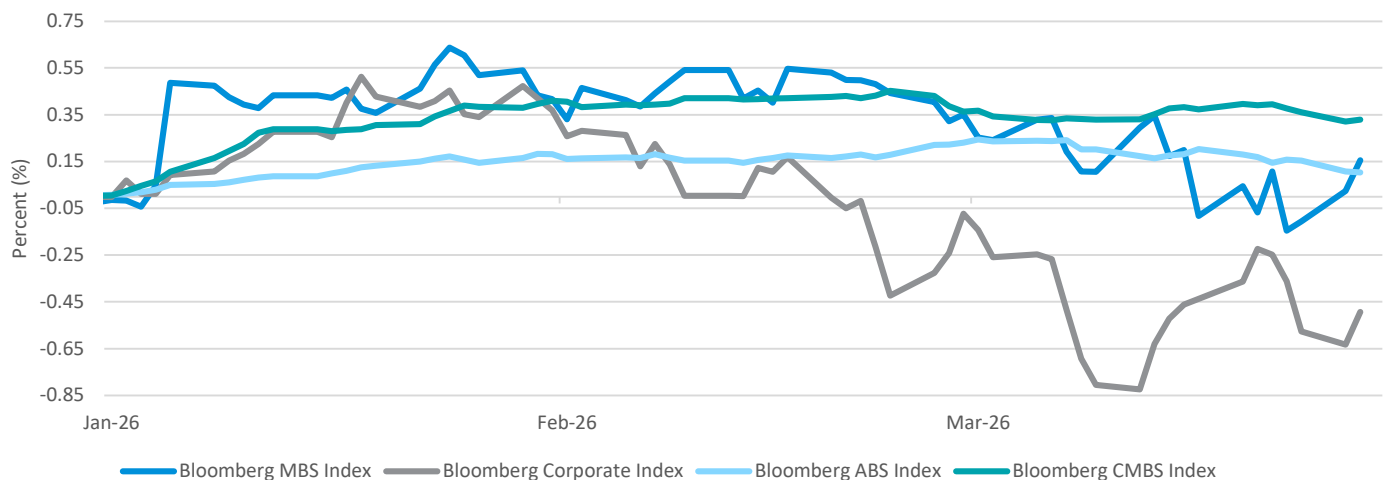
## Agency RMBS Snapshot

	QTD Excess Return <sup>1</sup>	QTD Total Return		QTD Excess Return <sup>1</sup>	QTD Total Return		QTD Excess Return <sup>1</sup>	QTD Total Return
<b>FNMA 30 Year</b>	<b>0.12%</b>	<b>0.34%</b>	<b>GNMA 30 Year</b>	<b>0.24%</b>	<b>0.63%</b>	<b>FNMA 15 Year</b>	<b>0.03%</b>	<b>0.19%</b>
Coupon 2.0%	0.42%	0.39%	Coupon 2.0%	0.49%	0.45%	Coupon 2.0%	-0.08%	0.01%
Coupon 2.5%	0.40%	0.40%	Coupon 2.5%	0.37%	0.49%	Coupon 2.5%	0.17%	0.38%
Coupon 3.0%	0.29%	0.31%	Coupon 3.0%	0.07%	0.24%	Coupon 3.0%	-0.09%	0.16%
Coupon 3.5%	0.04%	0.09%	Coupon 3.5%	1.15%	1.34%	Coupon 3.5%	0.02%	0.20%
Coupon 4.0%	0.21%	0.31%	Coupon 4.0%	0.04%	0.28%	Coupon 4.0%	-0.06%	0.14%
Coupon 4.5%	-0.30%	-0.09%	Coupon 4.5%	-0.12%	0.26%	Coupon 4.5%	-0.03%	0.29%
Coupon 5.0%	-0.40%	0.02%	Coupon 5.0%	-0.12%	0.49%	Coupon 5.0%	0.09%	0.54%
Coupon 5.5%	-0.25%	0.35%	Coupon 5.5%	0.16%	1.02%	Coupon 5.5%	0.16%	0.65%
Coupon 6.0%	-0.20%	0.53%	Coupon 6.0%	-0.05%	0.85%	Coupon 6.0%	0.12%	0.50%
Coupon 6.5%	-0.08%	0.64%	Coupon 6.5%	0.19%	1.27%			

Source: MIM, Bloomberg L.P.

Mortgage-backed securities (MBS) were off to a rather strong start but as volatility set in, performance waned. The asset class started the year with spreads compressing and mortgage rates falling. Prepayment concerns mounted for higher coupon MBS as the primary mortgage rate fell below 5%. However, as the macro backdrop shifted due to the war performance became more mixed. Early on in the quarter, the current-coupon spread tightened by 18bps. following the announcement of a \$200B GSE retained-portfolio MBS purchase program, concurrently while volatility declined in January, ultimately supporting the move. With that announcement, renewed GSE buying and record bond-fund inflows provided further support over the period and a strong starting point for performance. It is also worth noting that commercial bank agency MBS holdings also rebounded to pre-SVB-collapse levels while deposits reached all-time highs as improved regulatory clarity encouraged incremental bank participation. FNMA 30-year posted QTD excess return of 0.12% (QTD total return 0.34%), while FNMA 15-year lagged at 0.03% excess (0.19% total), consistent with a flatter carry profile. GNMA 30-year screened as the relative outperformer in the snapshot at 0.24% QTD excess (0.63% total). The QTD excess return profile across the FNMA coupon stack was consistent with a duration- and convexity-driven dispersion, with lower coupons (2.0–3.0%) delivering positive excess while higher coupons (4.5–6.5%) skewed negative.

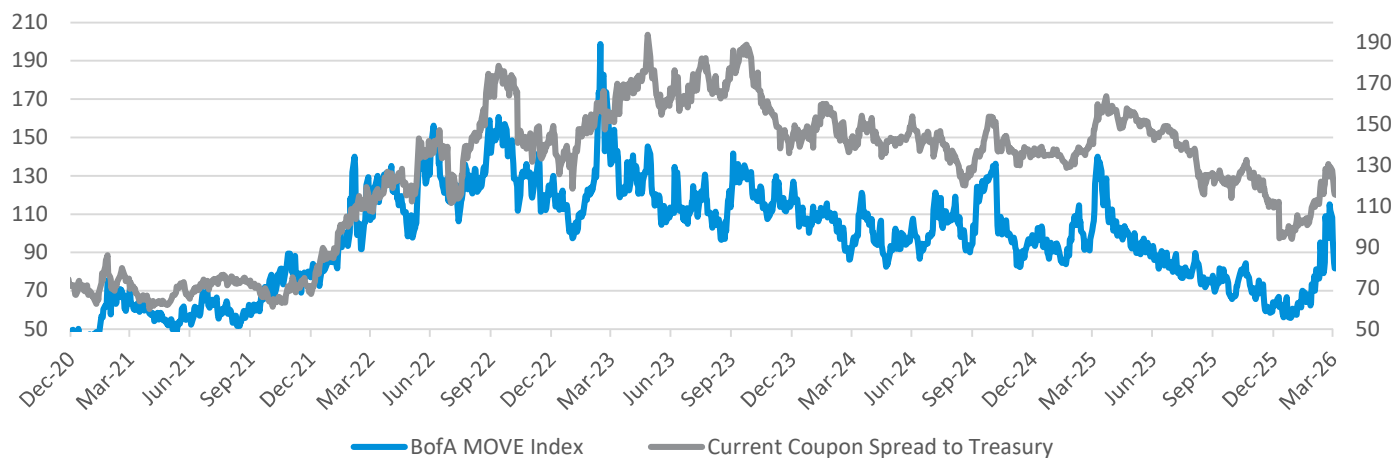
## 1Q26 Excess returns by asset class



Source: MIM, Bloomberg L.P.

# Market Review (Continued)

## Higher rates volatility has weighed on the performance of Agency MBS

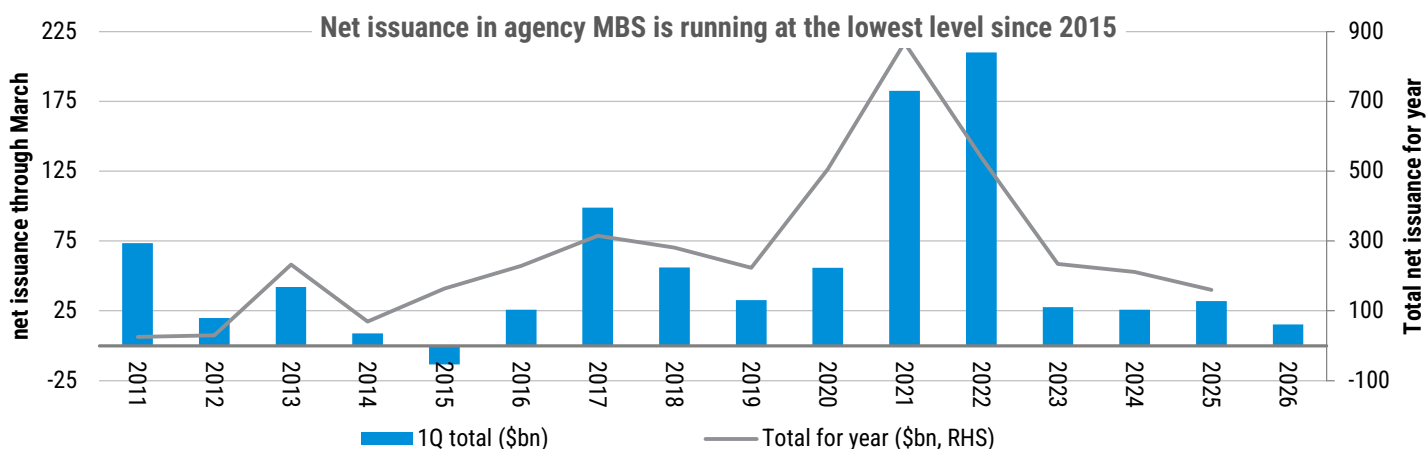


Source: MIM, Bloomberg L.P.

As MBS spreads tightened to start the year, the relative value of agency MBS vs intermediate corporates cheapened in the favor of corporates, further bolstered by new-issue supply which continued to add incremental pressure to corporate spreads. This dynamic shifted the relative value balance further toward corporates, reversing the market backdrop for much of the past year in which MBS had screened more attractive on a relative basis. The backup in spreads made high-quality credit more compelling, which induced demand and subsequent tightening in corporate spreads. As a result, investment grade credit now screens on the richer side vs agency MBS, with MBS spreads widening alongside higher rate volatility. The Bank of America MOVE index—a widely tracked measure of interest rate volatility—rose to 115 from a low of 56 (Jan 26, 2026), a move that has exhibited a tight relationship with the direction of MBS current coupon spreads. Although the relative attractiveness of MBS versus corporates has moderated, MBS still offers a government backed asset at a reasonable spread.

While interest rate volatility has been a headwind to valuations as a result of the war, the technical condition of the market continues to improve. In addition to the GSE announced purchases, bank regulatory reform has begun to spur bank demand for MBS while encouraging them to keep whole loans on their balance sheet, thus avoiding securitization. Foreign and REIT demand continues to impress while asset managers continue to receive inflows. Higher mortgage rates have put a damper on what was hoped to be a robust Spring housing season crimping potential supply. Just prior to the conflict mortgage rates touched 5.90% per Optimal Blue, an encouraging sign for affordability. However, as oil surged and interest rates rose due to inflation concerns mortgage rates touch 6.50%. All of the above points to a supply picture that will potential be the most benign since 2015

## Technical continue to shift in the favor of MBS



Source: MIM, Morgan Stanley

# Market Review (Continued)

## Asset-Backed Securities (ABS)

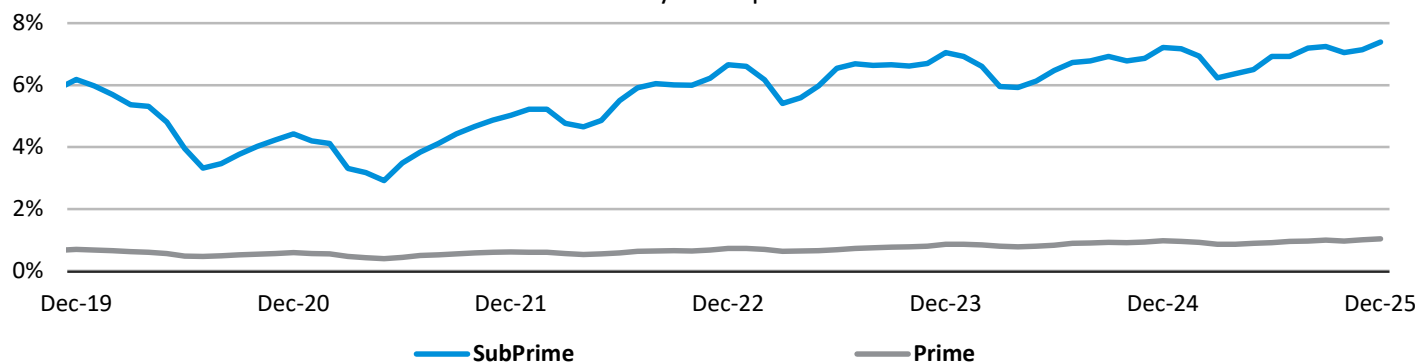
The ABS market delivered a front-loaded Q1 2026, with ~\$99B of issuance (up 4% year over year) concentrated in January and February and a sharp supply pullback in March (down 25% year over year) amid the Middle East conflict. Automotive ABS remained the largest sector at 51% of issuance, while "Other ABS" grew to \$36B (up ~50% year over year) with digital infrastructure ABS nearly doubling year over year to ~\$12B. Spreads widened modestly at the top of the stack (Bloomberg ABS Index OAS +0.01% quarter over quarter) and more meaningfully in esoterics (BofA "Other ABS" OAS +0.07% quarter over quarter), yet excess returns remained positive (Bloomberg ABS Index +0.10% excess; BofA "Other ABS" +0.19% excess), consistent with ABS' shorter spread duration and relative resilience in risk-off market moves. Valuations finished the quarter near neutral versus short-dated IG corporates where the 2-year average spread pick-up is around 0.37%. It's worth noting that sector dispersion remained elevated, including data center ABS (5yr A-rated) widening 30 bps quarter over quarter to ~200/l. Consumer fundamentals remained bifurcated while credit card ABS performance recently improved. Automotive ABS deteriorated across both prime and subprime, with some analysts calling for modestly weaker performance through mid-2026 as tax refunds could provide a near-term cushion to offset. Full-year 2026 ABS supply is projected at ~\$387B (up 4% year over year), including ~\$40B of digital infrastructure ABS, reinforcing the structural expansion of non-traditional ABS subsectors even as macro volatility continues to constrain issuance timing and execution.

Excess Returns	1Q 2026
<b>Bloomberg ABS Index</b>	<b>0.10%</b>
<b>BofA Other ABS Index</b>	<b>0.19%</b>
<i>BofA Other ABS: AAA</i>	<i>0.13%</i>
<i>BofA Other ABS: AA-BBB</i>	<i>0.23%</i>

Source: MIM, Bank of America

## Lower FICO cohorts deterioration continues to be top of mind amidst consumer price pressures

### 30+ Day Delinquencies



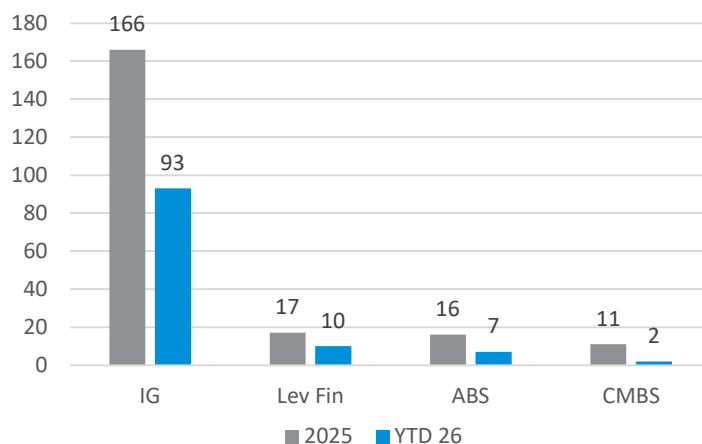
Source: MIM, Bank of America

## Financing the AI/data center expansion will also be a theme in ABS & CMBS like Corporates

ABS Sector Forecasted Issuance	2026F
Retail Auto Loan & Lease	\$ 170
Credit Card	\$ 25
Student Loans	\$ 12
Installment & Other Consumer	\$ 50
<b>Total Consumer ABS</b>	<b>\$ 257</b>
Commercial Auto	\$ 20
Multi-sector Equipment	\$ 25
Digital Infrastructure	\$ 40
Transportation	\$ 16
Others	\$ 30
<b>Total Commercial ABS</b>	<b>\$ 131</b>
<b>Total ABS</b>	<b>\$ 388</b>

Source: MIM, Bank of America

### AI Related Issuance by Asset Class



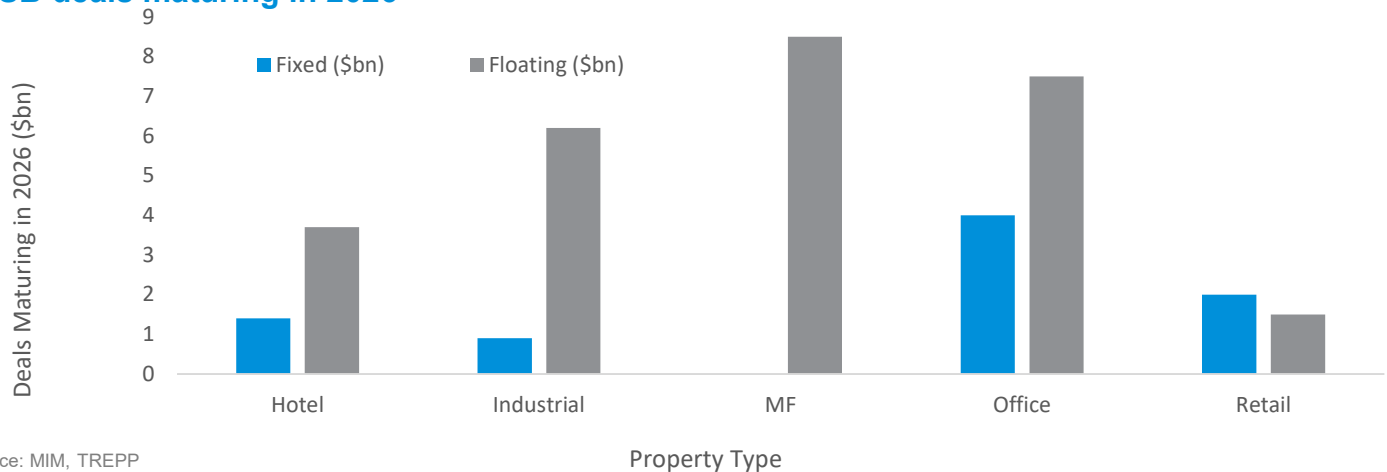
Source: MIM, Morgan Stanley

# Market Review (Continued)

## Commercial Mortgage-Backed Security (CMBS)

In Q1 2026, CMBS excess returns were modestly positive, underpinned by stable to marginally tighter spreads quarter-over-quarter, despite a round-trip in risk premia driven by macro volatility. The quarter began with nearly 9 basis points of spread tightening in early January, but spreads retraced most of that move as the Iran military campaign introduced a renewed volatility impulse, leaving quarter-end levels just slightly tighter at 4 basis points. Elevated interest rates continued to pressure the commercial real estate financing backdrop, undermining confidence in a nascent CRE lending rebound and reducing expected primary issuance, while also contributing to stagnating price appreciation. Credit fundamentals deteriorated further, with delinquency rising to 7.5% and an additional 1.5% of loans failing to pay off at maturity (while remaining current on debt service), reinforcing the refinancing and takeout risk profile for maturing loans as higher rates constrain refinancing capacity. Notwithstanding these headwinds, higher-quality properties remained comparatively resilient, supporting dispersion between weaker collateral and better-performing assets within the sector.

## SASB deals maturing in 2026



## Collateralized Loan Obligations (CLO)

CLO primary issuance volumes were strong in Q1 despite headwinds from AI risk in the software sector, private credit headlines, and the conflict with Iran. Primary issuance reached \$48B, surpassing the \$45B issued in Q1 2025, which turned out to be a record year. The pace of issuance slowed in March as the market turned its focus to refinancings as arbitrage for new deal creation became more challenging. Primary market AAA spreads from Tier 1 managers rallied to a tight of 115 bps in February but have since widened roughly 10 bps. The CLO credit curve (AAA-BBB) steepened sharply from 169 bps in Q4 to 226 bps in Q1. The selloff in the software sector drove MVOC levels lower for mezzanine CLO tranches, a significant contributor to the gap wider. Default rates, including distressed exchanges, inched higher to 3.5%, up from 3.3% at year-end. Geopolitical uncertainty and weakness in the software sector remain in focus moving forward.<sup>i</sup>

<sup>i</sup> JPM (issuance, spreads, CLOIE), Pitchbook LCD (defaults)

## CLO Snapshot

	DM (Spread) 03/31/26	DM (Spread) 12/31/25	QoQ Change in Spread
<b>CLOIE Index</b>	<b>179</b>	<b>151</b>	<b>28</b>
<b>AAA</b>	126	106	20
<b>AA</b>	153	136	17
<b>A</b>	192	163	29
<b>BBB</b>	352	275	77

Source: MIM, Bloomberg L.P.

# 1Q 2026 Portfolio Review - Attribution

Portfolio Value

\$91,589,168

	Jan	Feb	Mar	1Q 2026	1 Year	Since Inception (1/2/2024)
City of Naperville (Gross of Fees)	0.12	1.10	-1.20	0.01	4.65	4.62
City of Naperville (Net of Fees)	0.11	1.10	-1.20	-0.01	4.59	4.55
Bloomberg Inter U.S. Govt/Credit TR	0.08	1.13	-1.22	-0.02	4.41	4.39

1Q Attribution	Market Value Weight (%)			Total Return (bp)			Attribution <sup>1</sup> (bp)		
	Portfolio	Index	Active	Portfolio	Index	Active	Sector Allocation	Security Selection	Total
<b>Investment-Grade Corporates</b>	<b>34.1</b>	<b>29.0</b>	<b>5.1</b>	<b>-19</b>	<b>-22</b>	<b>3</b>	<b>-1</b>	<b>2</b>	<b>1</b>
Financials	14.1	11.6	2.5	-43	-39	-4	-1	-1	-2
<b>Industrials</b>	<b>14.8</b>	<b>15.0</b>	<b>-0.2</b>	<b>6</b>	<b>-12</b>	<b>18</b>	<b>0</b>	<b>3</b>	<b>3</b>
<b>Utilities</b>	<b>5.1</b>	<b>2.3</b>	<b>2.8</b>	<b>-18</b>	<b>-7</b>	<b>-11</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Structured</b>	<b>12.9</b>	<b>0.0</b>	<b>12.9</b>	<b>30</b>	<b>-2</b>	<b>32</b>	<b>7</b>	<b>-5</b>	<b>2</b>
Agency MBS	6.0	0.0	6.0	35	-2	37	1	0	1
CMBS	1.3	0.0	1.3	89	-2	91	1	0	1
Asset Backed	5.6	0.0	5.6	10	-2	12	5	-5	0
<b>Government-Related</b>	<b>1.3</b>	<b>6.0</b>	<b>-4.7</b>	<b>-15</b>	<b>12</b>	<b>-27</b>	<b>-1</b>	<b>0</b>	<b>-1</b>
Sovereign / Quasi	0.7	5.8	-5.1	-93	11	-104	-1	0	-1
Taxable Municipal	0.6	0.2	0.4	75	39	36	0	0	0
<b>US Treasuries/Cash &amp; Equivalents</b>	<b>51.4</b>	<b>65.0</b>	<b>-13.6</b>	<b>4</b>	<b>5</b>	<b>-1</b>	<b>0</b>	<b>-1</b>	<b>-1</b>
High Yield	0.3	0.0	0.3	153	-2	155	0	0	0
<b>Duration / Curve</b>									<b>2</b>
<b>Total</b>							<b>5</b>	<b>-4</b>	<b>3</b>

Past performance is not indicative of future returns; future results may vary.  
<sup>1</sup>Index Methodology is applied in performance attribution calculations.

# 1Q 2026 Portfolio Review - Attribution

- Modest outperformance was mostly due to sector allocation decisions. Out of benchmark exposures to Structured products in Mortgage-backed securities (MBS), Asset-backed securities (ABS) and Commercial Mortgage-backed securities (CMBS) were the primary contributors. U.S. Treasuries were a modest laggard as was underweights to the Agency space. The overweight to Investment Grade (IG) Corporates was also a draw on relative performance but largely offset by security selection decisions.
- Spreads in MBS rallied early in the quarter spurred by President's Trump announcement for GSE purchases of mortgages in addition to a steeper treasury curve providing an opportunity to reduce lower coupons into strength. Exposures to upper coupons (5.0%, 5.5%, 6.0%) aided carry despite weakness in the back half of the quarter. CMO exposure was also a positive contributor over the period.
- ABS outperformed in terms of spread movement and excess return as it often does in risk off environments with its shorter spread duration and somewhat "safe-haven" status. Within the allocation, our bias being up in quality in Credit Cards was a helpful factor contributing to outperformance.
- CMBS was modestly additive, with excess return of ~1bp, driven by balanced contributions from floating-rate and fixed-rate exposures. Floating-rate bonds contributed via carry resilience in a volatile rates environment, while fixed-rate bonds were supported by spread performance, with quarter-end levels unchanged to modestly tighter.
- Across Financials, the Banking sector was an area of weakness as new issuance from the sector over the quarter pressured curves. While a lack of exposure to the BDC's and alternative asset manager's aided relative performance, exposure to Jefferies weighed on the sectors performance. Selection decisions in owning airline lessors like AerCap and Avolon which continued to benefit given airline industries production issues were positives over the period.
- Select underweights across the Insurance subsectors were also a source of relative strength as the sectors underperformed on AI related risks compounded with the sectors indirect exposure to private credit and that respective weaknesses from that sector.
- Broad underweights in Consumer Cyclical contributed positively to relative performance. At the security level, participation in Amazon's new issue was an incremental driver of outperformance within Retailers, notwithstanding the issuer's proximity to the Technology ecosystem.
- The Technology was an area we were active in over the quarter with positive contributions coming from Salesforce, Micron and Google. However, Oracle's spreads were pressured by new issuance and weighed on the sector.
- Consumer Non-cyclicals was another bright spot across the Industrial sub-sectors. Tobacco was a segment that outperformed and benefitted from continued momentum helped by positioning in Philip Morris and British American Tobacco. Underweights to Pharmaceuticals and Food & Beverage were also helpful from a sector allocation perspective as new issuance within the sector pressured existing spreads.
- Media & Entertainment was a headwind this quarter, driven primarily by exposure to Meta which underperformed on expectations for further issuance from the Tech giant.
- Utilities was also an area of underperformance with weakness coming from Wisconsin Public Service Electric and Louisville Gas. A position in Southern California Edison helped to offset as the credit continues to recover from weakness due to wildfire exposures.

Past performance is not indicative of future returns; future results may vary.

# 1Q 2026 Portfolio Review - Risk Summary

12/31/2025

3/31/2026

Broad Risk	12/31/2025		3/31/2026	
	Portfolio	Index <sup>1</sup>	Portfolio	Index <sup>1</sup>
Average Price (\$)	100.14	99.19	99.15	98.30
Yield (%)	4.0	3.9	4.3	4.2
Duration (yrs)	3.7	3.7	3.7	3.7
OAS (bps)	27	21	34	24
Average Quality (S&P)	AA-	AA-	AA-	AA-

12/31/2025

3/31/2026

Sector Exposure	12/31/2025				3/31/2026			
	Portfolio		Index <sup>1</sup>		Portfolio		Index <sup>1</sup>	
	MV <sup>2</sup>	CTD <sup>3</sup>	MV <sup>2</sup>	CTD <sup>3</sup>	MV <sup>2</sup>	CTD <sup>3</sup>	MV <sup>2</sup>	CTD <sup>3</sup>
<b>Investment-Grade Corporates</b>	<b>32.7</b>	<b>1.30</b>	<b>29.0</b>	<b>1.18</b>	<b>35.5</b>	<b>1.50</b>	<b>29.1</b>	<b>1.20</b>
Financials	12.2	0.32	11.7	0.45	15.4	0.65	11.5	0.45
Industrials	14.3	0.69	15.0	0.62	15.4	0.65	15.3	0.64
Utilities	6.2	0.29	2.3	0.10	4.7	0.20	2.4	0.10
<b>Structured</b>	<b>13.5</b>	<b>0.35</b>	<b>0.0</b>	<b>0.00</b>	<b>11.8</b>	<b>0.30</b>	<b>0.0</b>	<b>0.00</b>
Agency MBS	7.2	0.24	0.0	0.00	5.6	0.17	0.0	0.00
Non-Agency MBS	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
CMBS	1.3	0.01	0.0	0.00	1.3	0.01	0.0	0.00
ABS	5.0	0.10	0.0	0.00	4.9	0.12	0.0	0.00
<b>Government-Related</b>	<b>0.9</b>	<b>0.03</b>	<b>0.0</b>	<b>0.22</b>	<b>0.9</b>	<b>0.03</b>	<b>5.9</b>	<b>0.22</b>
Sovereign/Quasi	0.2	0.02	0.0	0.20	0.3	0.02	5.7	0.21
Taxable Municipal	0.7	0.02	0.0	0.01	0.6	0.02	0.2	0.01
<b>US Treasuries/Cash &amp; Equivalents</b>	<b>52.4</b>	<b>2.04</b>	<b>0.0</b>	<b>2.34</b>	<b>51.7</b>	<b>1.88</b>	<b>64.9</b>	<b>2.32</b>
<b>HY Corporates</b>	<b>0.3</b>	<b>0.01</b>	<b>0.0</b>	<b>0.00</b>	<b>0.3</b>	<b>0.01</b>	<b>0.0</b>	<b>0.00</b>

12/31/2025

3/31/2026

Quality Breakdown <sup>4</sup>	12/31/2025		3/31/2026	
	Portfolio	Index <sup>1</sup>	Portfolio	Index <sup>1</sup>
AAA/Cash and Equivalents	8	3	8	3
AA	62	69	57	69
A	17	14	21	14
BBB	13	14	13	14
Below BBB	0	0	1	0

Past performance is not indicative of future returns; future results may vary.

<sup>1</sup> The Index for the City of Naperville portfolio is Bloomberg Intermediate Gov/Credit Index.

<sup>2</sup> Market Value (MV) - Expressed in percentage of portfolio value.

<sup>3</sup> Contribution to Duration (CTD) - Expressed in years.

<sup>4</sup> Quality breakdown represents the Index methodology.

# Market Outlook

Price action in the first quarter left fixed income markets in familiar starting spot to the beginning of the year despite a persistent mix of policy, geopolitical, and growth risks as the Agg is just 4 basis point wider from the start of 2026. Corporate spreads remain within a narrow range of the historically tight levels of spread, while all-in yields appear relatively attractive given elevated interest rates. Certainly, the Iranian conflict contributed to the weak macro tone in the back half of the quarter, as elevated inflation concerns pushed Treasury yields sharply higher – which coupled with wider spreads offered yield-sensitive investors another chance to lock in yields at levels not seen since the middle of last year. This is yet another reminder that technicals are in the driver's seat in this market.

Sitting here today, it is difficult to foresee a repeat of 2025's exceptional mortgage performance, but we remain constructive on the sector, particularly valuing its lower spread volatility relative to credit. Across the Agg opportunity set, we continue to see tactical opportunities paired with security selection, with carry expected to buoy performance if spreads remain range bound. Within MBS, our strategy favors a barbell approach, yet we remain active in adjusting positioning based on the market environment. We prefer lower coupons (3.0% and below) for convexity and emphasizing 5-6% coupons for carry. Within higher coupons, we prefer specified pools with characteristics such as low FICO or low loan balance, to mitigate prepayment risk, which the market has largely overlooked amid previously elevated rates. We continue to maintain a meaningful overweight to Agency MBS, as their relative value remains compelling even as OAS compresses, though we may moderate this stance if market conditions shift. Technicals have shifted strongly in the asset class's favor, buoyed by higher rates dampening supply, and regulatory reform both enhancing bank demand for securities and their ability to hold back whole loans from the market. GSE sponsorship also provides a backstop should spreads widen.

Against this backdrop, we still maintain a relatively low ABS weighting, having reduced the exposure into strength over the quarter. We will welcome the opportunity to increase exposure if spreads widen, focusing on issuers and structures with whom we have high conviction. At the same time, we believe there to be unique opportunities within ABS to bolster front-end spread versus the index as well and will increase exposure as opportunities arise based on our assessment of valuations. Until then, we remain highly selective, prioritizing quality and structure. In CMBS, relative value persists, particularly in new issue fixed-rate and floating-rate SASB, which are attractive to conduit CMBS. With Select conduit CMBS screening attractive to corporates.

On the corporate credit side, the year began with light industrial issuance, allowing spreads to grind tighter, before a subsequent issuance wave and a major geopolitical shock pushed spreads wider. The core call last quarter was that yield-driven demand would eventually be overwhelmed by record supply; that dynamic began to show as spreads widened 16bp in the last two months of the quarter while issuance ran +32% vs the 3-year average. Since mid-March, de-escalation in Iran and seasonally lower issuance have led to a retracement of the move. The desk debate remains whether that level of spread is adequate compensation given a higher geopolitical risk regime, a higher-for-longer oil backdrop that complicates inflation progress and consumer health, and sector-specific cracks in the fastest-growing parts of credit.

Valuation remains the central issue: spreads have not consistently priced in the breadth of known and unknown headwinds. Q1 reinforced that point, with AI-related themes evolving from capex financing concerns in Q4 to broader disruption risk across sectors in Q1. Software was the most acute example, with spread pressure that was quickly extrapolated into private credit given the sector concentration of many managers. The market response included a rush to insulate portfolios from second-order impacts of a potential private credit repricing on public markets. While these concerns faded into the background during the Iran conflict, they are unlikely to remain dormant.

The mechanical reason spreads remain near tight is straightforward: corporate yields rose ~33bp during the quarter. Higher inflation concerns pushed Treasury yields higher, and the combination of wider spreads and higher rates created another entry point for yield-sensitive demand at levels not seen since mid-last year. Technicals remain the dominant driver, but the supply side is still expected to reassert itself, with issuance projected to exceed last year by 30%+.

Positioning remains anchored in three areas: curve, quality, and sector defensiveness. On the curve, the expectation is for spread curves to steepen as long-end issuance increases. We will continue to favor the front end and the belly of the curve where we can benefit from roll-down and attractive breakevens rather than have to rely solely on spread tightening from the long end. On quality, the bias remains toward A-rated credit, supported by the ability to source primary market exposure at healthy concessions. Sector allocation continues to favor more defensive profiles that should outperform in a spread widening event. For portfolios that allow for plus sector exposure, we would expect to continue to carry a below-average allocation, with the positions we do have likely to be concentrated in shorter duration situations with compelling breakevens.

In a market where spread compression opportunities are scarce and much of credit trades like a widget, the focus remains on using credit expertise to improve hit rates in higher-conviction names, while positioning for an eventual return to relative value as broader repricing occurs. We believe the case for employing ideas that fit the theme of "Conservative Carry" is just as strong as when we entered the year. Whether in corporate credit or structured credit, our focus remains on demanding appropriate compensation for risk, favoring trades that allow us to upgrade portfolio quality without sacrificing yield.

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