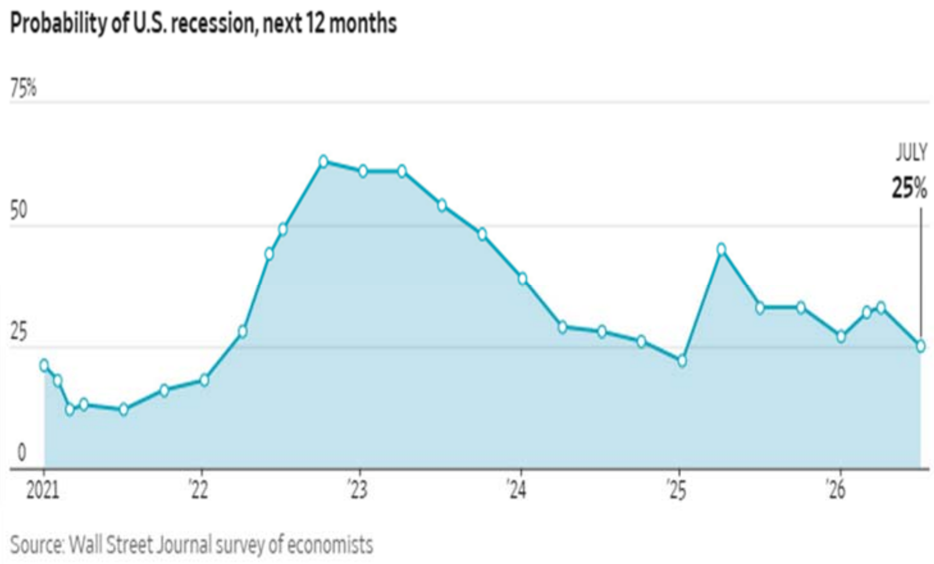
| Second Quarter 2026 Bond Market Review and Outlook | CAM Cincinnati Asset Management, Inc. Investment Grade & High Yield Bond Specialists | Celebrating our 37th year delivering value |
|---|---|---|

"If we get policy right — and we will — the inflation surge of the last five years will be a thing of the past."

(Kevin Warsh, *Semiannual Monetary Policy Report to the Congress* 7/14/26)




## Market Review and Outlook

A good outlook is reflected in the chart above showing a recent survey of economists forecasting a low probability of recession. This is important in light of the ongoing difficulties arising from the Iran conflict.

The Thursday release of retail sales data was also positive rising 0.2% in June from a revised 0.1% increase in May. The trend was even stronger if the impact of lower gasoline prices is excluded. In that case, retail sales increased 0.7% (source: *Bloomberg* 7/16/26) This report shows strong resilience in consumer spending which usually accounts for about two-thirds of GDP.

Currently, economists surveyed by *Bloomberg* forecast GDP growth of 2.1% this year, in 2027 and at 2.2% in 2028 (source: *Bloomberg Economic Forecasts* 7/16/26). The forecast may be underestimating the total impact of the intensive build out of data centers and the impact of Artificial Intelligence on both corporate investment and productivity.

The impact of AI on productivity might lead to much lower inflation. Currently, economists surveyed by *Bloomberg* forecast CPI of 3.4% for 2026 year over year up from 2.7% in 2025. Welcome is their forecasting of declining inflation of 2.5% in 2027 and 2.3% in 2028 (source: *Bloomberg Economic Forecasts* 7/16/26).

The major banks in the USA just reported unexpectedly robust second quarter earnings, indicative of solid economic growth. Jamie Dimon, CEO of J.P. Morgan Chase noted in his earnings commentary that "the U.S. economy has demonstrated notable resiliency this year, with stronger business investment and hiring. This strength is being supported by several tailwinds, including AI-driven capital investment, fiscal stimulus and the benefits of more efficient regulation" (source: J.P. Morgan Chase 2Q26

(Continued on page 3)

| Yields* on 6/30/2026 | Yield* |
|---|---|
| **CAM Broad Market (corporate core plus) Strategy** (7.1 year maturity; 5.1 duration) | **5.38%** |
| **CAM Investment Grade (100% corporate bonds) Strategy** (7.5 year maturity; 5.9 duration) | **5.05%** |
| **CAM High-Yield Strategy (only BA & B rated purchased)** (6.1 year maturity; 3.4 duration) | **6.06%** |
| **CAM Short Duration Strategy** (2.9 year maturity; 2.3 duration; 50% IG & 50% HY) | **5.22%** |
| **CAM Short Duration Investment Grade Strategy** (3.2 year maturity; 2.7 duration) | **4.64%** |
| **U.S. Treasury**** (10 year maturity) | **4.47%** |
| **U.S. Treasury**** (5 year maturity) | **4.23%** |
| **U.S. Treasury**** (2 year maturity) | **4.18%** |

* The lower of yield to maturity or yield to worst call date ** Source: Bloomberg

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### CAM's Key Strategic Elements

- Bottom-up credit analysis determines value and risk.
- Primary objective is preservation of capital.
- Larger, more liquid issues preferred.
- Target is always intermediate maturity.
- No interest rate forecasting.
- <u>All</u> clients benefit from institutional trading platform and multi-firm competitive bids and offers.

| CAM returns are after CAM's average management fee & all transaction costs but before any broker, custody or consulting fees. **The indices are unmanaged and do not take into account fees, expenses, and transaction costs.** | Total Return (%) | Annualized Returns (%) | | | | |
|---|---|---|---|---|---|---|
| | 2Q '26 | YTD | 1-YEAR | 3-YEARS | 5-YEARS | 10-YEARS |
| **CAM Broad Market Strategy—Net** 1/3 high yield, 2/3 investment grade | 1.25 | 0.95 | 4.53 | 6.13 | 1.43 | 3.05 |
| **CAM High Yield "Upper Tier" Strategy—Net** only purchase BB and B; no purchases of CCC & lower | 1.99 | 1.99 | 5.71 | 7.90 | 2.99 | 4.63 |
| Bloomberg US Corporate High Yield Index | 2.46 | 1.96 | 5.91 | 8.86 | 4.17 | 5.81 |
| **CAM Investment Grade Strategy—Net** 100% corporate bonds | 0.89 | 0.46 | 3.94 | 5.29 | 0.70 | 2.31 |
| Bloomberg US Corporate Index | 1.41 | 0.86 | 4.35 | 5.29 | 0.34 | 2..60 |
| **CAM Short Duration Strategy—Net** 1/2 investment grade, 1/2 high yield | 1.08 | 1.38 | 4.39 | 6.04 | 2.62 | 3.49 |
| **CAM Short Duration Investment Grade Strategy—Net** 100% corporate bonds | 0.76 | 0.85 | 3.39 | 4.88 | 1.59 | 2.10 |

**Relative Performance Review 06/30/2026**

CAM's **Investment Grade Strategy ("IG")** produced a gross total return of 0.95% in the quarter ended June 30, 2026, compared to 1.41% for the Bloomberg U.S. Corporate Index. CAM always positions a majority of the portfolio within intermediate maturities. Longer dated maturities (10+ years) outperformed the broader index during the quarter. Shorter dated maturities (0-3 years) were the worst performers. CAM's overall positioning and focus on intermediate maturities was a cumulative -23bp detriment to relative performance. Additionally, BAA quality credit modestly outperformed the broader index during the quarter. CAM's positioning and underweight vs. the index concentration of 44.5% was a -7bp benefit to relative performance. CAM's positioning within the Chemicals and Retailers industries made the largest positive impact to performance, with +9 and +1 basis point contributions to excess return, respectively. The YTD return for the CAM IG strategy was 0.58%, underperforming the Index return of 0.86%. CAM's positioning within the Chemicals industry was the largest positive impact to performance, with a +10 basis point contribution to excess return. Our positioning within Electric Utilities was the largest negative contributor, with a -7 basis point contribution to excess return.

The **High Yield Strategy** ("HY") delivered a gross total return of +2.06% in Q2 while the Bloomberg US Corporate High Yield Index returned 2.46%. CAM's overweight and security selection within the Banking, Cable Satellite, and Chemicals industries had the largest positive impact on performance relative to the index with +13, +10, and +8 basis point contributions to excess return during the quarter. For negative impact relative to the index, CAM's positioning and security selection within the Media & Entertainment, Retailers, and Gaming industries provided -13, -8, and -6 basis point contributions to excess return, respectively. The HY YTD return was 2.13% while the Index returned 1.96%. CAM's overweight and security selection in the Banking, Media & Entertainment, and Chemicals industries had the biggest positive impact on performance relative to the index with +11, +10, and +9 basis point contributions to excess return, respectively. CAM's credit quality positioning was a -12bp detriment to YTD performance versus the index driven primarily by CAM's exposure to BAA-rated credit (the index has no exposure).

Our **Broad Market Strategy ("BM")** – a 67%/33% blend of the IG and HY strategies above – produced a gross total return of 1.31% for the quarter compared to 1.76% for the Index, a similar blend of Bloomberg IG and HY corporates. CAM has a structural underweight in the lower-rated credit tiers of HY and IG and its upper tier positioning yielded a -11bp benefit to its relative performance. The YTD return for the CAM Broad Market strategy was 1.08% compared to a blended Index return of 1.23%. CAM's positioning in the Chemicals, Media & Entertainment, and Consumer Cyclical Services industries had the biggest positive impact on performance relative to the index with +10, +8, and +4 basis point contributions, respectively. As far as negative impact relative to the index was concerned, CAM's positioning within the Automotive, Electric Utility, and Pharmaceuticals industries yielded -6, -5, and -5 basis point contributions to excess return, respectively.

**Bloomberg Bond Indices Returns vs. CAM Gross (annualized %)**

| Periods ended 06/30/2026 | 10-yrs | 20-yrs |
|---|---|---|
| U.S. Aggregate | 1.54 | 3.32 |
| U.S. Corporate | 2.60 | 4.40 |
| CAM Investment Grade Strategy (gross) | 2.55 | 4.65 |
| CAM Investment Grade Strategy (net) | 2.31 | 4.40 |

**Better Asset Allocation Might Result from More Exacting Analysis**

CAM looks to minimize the overall volatility of our High Yield strategy by focusing on the upper tier of High Yield credit (BA-B), as well as the conservative portion of a firm's capital structure. The chart to the right indicates 5, 10, and 20-year performance for the High Yield credit quality cohorts. While the CAA-rated cohort outperformed BA and B-rated bonds for the more recent 5 and 10-year periods, higher quality BA-rated bonds exceeded CAA-rated returns over the longer 20-year period. Not shown in the table is the pronounced volatility that has characterized the CAA-rated and lower subsectors. For example, the CAA credit tier returned -20.55% in Q1-2020 (i.e. start of the COVID pandemic) versus -12.69% for the HY Index as a whole. In fact, over the 20-year period the standard deviation of the CAA credit tier has been approximately 61% greater than the broader Bloomberg US Corporate HY Index (16.54% versus 10.29%). This shows investors may not be rewarded for the additional volatility and risk of the CAA-rated and lower subsectors.

Upper tier High Yield credit (BA-B) has also outperformed the Bloomberg US Aggregate Index (the "Agg") for all periods, indicating these credit quality stripes have also kept better pace with inflation.

**Total Return of High-Yield Bonds by Credit Quality**

(periods ended 6/30/2026) Source: Bloomberg US Corporate Indices **(annualized %)**

| High-Yield Bond Sectors | 5-years | 10-years | 20-years |
|---|---|---|---|
| BA-rated bonds | 3.68 | 5.56 | 6.85 |
| B-rated bonds | 4.27 | 5.65 | 5.93 |
| CAA-rated bonds | 5.18 | 6.39 | 6.43 |
| CA & D-rated bonds | 3.50 | 8.73 | 2.17 |

**Performance of Other Asset Classes**

**(periods ended 6/30/2026) Source: Bloomberg & Lipper**

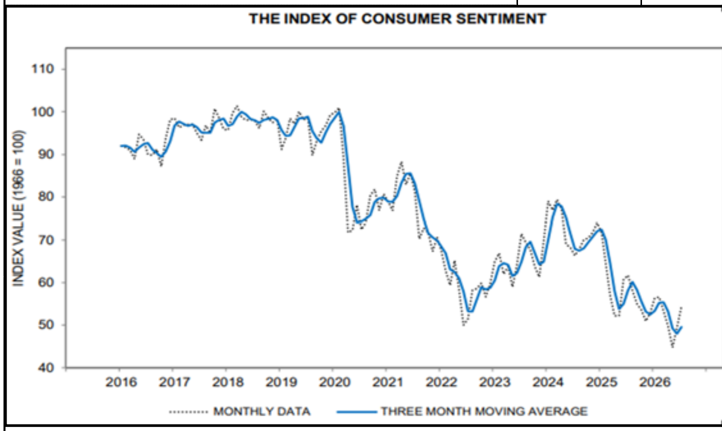
| | | | |
|---|---|---|---|
| S & P 500 Stocks | 13.41 | 15.51 | 11.38 |
| Bloomberg U.S. Aggregate | 0.08 | 1.54 | 3.32 |

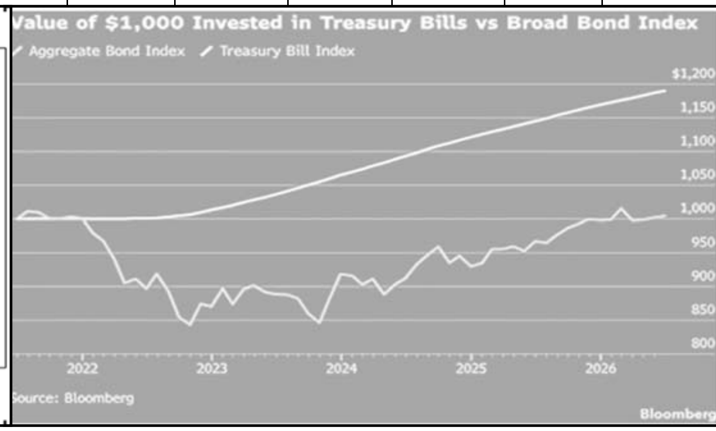
## Yield Spreads Over U.S. Treasuries:



The June 30 spread levels (shown at the right) enhance the value of corporate bonds versus U.S. Treasuries. Yields remain elevated, helping provide a margin of safety for credit investors, even as credit spreads are tighter than 20-year historical averages. The fact that the Index was able to generate a positive total return with the headwind of higher Treasury yields speaks to the power of coupon income. Corporate bond investors have been able to access more attractive coupons since mid-2022 when the Fed was in the midst of its tightening cycle. Elevated yields (and coupons) provide more downside protection against both wider spreads and higher inter-

| Credit Rating | 20-Year Average Spread (as of 12/31/25) | 6/30/26 | 12/31/25 | 12/31/24 | 12/31/23 | 12/31/22 | Tightest This Decade (as of 12/31/25) |
|---|---|---|---|---|---|---|---|
| A | 1.27% | 0.62% | 0.64% | 0.68% | 0.85% | 1.09% | 0.61% |
| BAA | 1.87% | 0.92% | 0.97% | 0.97% | 1.21% | 1.59% | 0.92% |
| BA | 3.45% | 1.55% | 1.65% | 1.79% | 2.01% | 2.95% | 1.56% |
| B | 4.85% | 2.77% | 2.68% | 2.77% | 3.10% | 4.89% | 2.50% |
| CAA | 9.02% | 8.90% | 7.29% | 7.03% | 8.09% | 11.54% | 4.91% |

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Earnings Press Release 7/14/26).

On Friday, July 17 the University of Michigan reported that their preliminary consumer sentiment index rose to 54.4 in July from 49.5 in June. The increase exceeded all forecasts in the *Bloomberg* survey of economists.. The chart above provided by the University of Michigan on 7/17/26 provides the history of the index over the past ten years, showing persistently lower sentiment since the covid outbreak. We surmise the lower readings over the past year or two are driven largely by concerns over inflation and the Iran war and the tensions in the middle east since the Hamas assault on Israel on October 7, 2023.

The graph above right shows the underperformance of the aggregate bond index relative to the growth of the short term 3-month Treasury Bill. The underperformance coincided with the federal Reserve's aggressive interest rate increases in the overnight federal funds rate to battle the large increase in inflation. In March of 2022 through July of 2023 the Federal Reserve raised rates through 11 consecutive increases by more than five percentage points from a range of 0.25% - 0.50% with a 25 basis point increase on March 17, 2022 to a range of 5.25% - 5.50% with a final increase of 25 basis points on July 26, 2023 (source: *Forbes Advisor* article titled "Federal Funds Rate History 1990 to 2026" 7/10/26).

Even now that the Federal Reserve's outlook has shifted to a more neutral outlook for rates, many investors remain skeptical, remembering the beating even intermediate maturity bonds suffered through the FED's aggressive actions.

Lower inflation readings and employment concerns led the Fed to reverse course starting in September 2024 with a 50 basis point decrease followed by five 25

*(Continued on page 4)*

### Footnotes and Disclosure

Advisory services are offered through Cincinnati Asset Management, Inc., ("CAM") an investment adviser registered with the U. S. Securities and Exchange Commission. The CAM High Yield, Investment Grade, Broad Market, Short Duration, and Short Duration-Investment Grade composites consist of all discretionary portfolios under management, including all securities and cash held in the portfolios, and have been appropriately weighted for the size of the account. All accounts are included after they are substantially invested.

Returns are calculated monthly in U.S. dollars and include reinvestment of dividends and interest. Figures for periods of less than one year are cumulative returns. All other figures represent annualized returns. Past performance is no guarantee of future results.

When compared to indices' performance, CAM results are after deduction of all transaction costs and CAM advisory fees. CAM advisory fees used are the actual composite averages. Accounts managed through brokerage firm programs usually will include additional fees. "Net of fees" herein refers only to CAM's management fee. The indices and information shown for comparative purposes are based on or derived from information generally available to the public from sources believed to be reliable. No representation is made to its accuracy or completeness. The Indices are referred to for informational purposes only and the composition of the Index is different from the composition of the accounts included in the performance shown above. Index returns do not reflect the deduction of fees, trading costs or other expenses.

This material was not intended or written to be used, and it cannot be used, by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer under U.S. federal tax laws.

This information is intended solely to report on investment strategies and opportunities identified by CAM. Opinions and estimates offered constitute our judgment and are subject to change without notice, as are statements of financial market trends, which are based on current market conditions. This material is not intended as an offer or solicitation to buy, hold or sell of any financial instrument. References to specific securities and their issuers are for illustrative purposes only and are not intended to be, and should not be interpreted as, recommendations to purchase or sell such securities.

High yield bonds may not be suitable investments for all individuals. Before investing a thorough reading of all materials and consultation with an independent third party financial consultant may be appropriate. Fixed Income securities may be sensitive to changes in prevailing interest rates. When rates rise the value generally declines. For a depository institution, there is also risk that spread income will suffer because of a change in interest rates. Additional disclosures on the material risks and potential benefits of investing in corporate bonds are available on our website: https://www.cambonds.com/disclosure-statements/

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basis point decreases. The last decrease was in December 2025, which brought the Federal Funds overnight rate down to a range of 3.5% - 3.75% (source: ibid).

Investors responded to the Fed's aggressive actions in 2022-2023 persistent concerns of inflation by increasing money market holdings to over $8 trillion, more than double their 2020 level. That preference continues, today (source: *Bloomberg* 7/17/26).

The Iran war has probably contributed to inflation fears with the price of WTI oil briefly topping $100/barrel in May nearly double $55/barrel last December. However prices have moderated to around $82/barrel today 7/17/26. But concerns remain given the situation with the Iran conflict.

We think the threats to global oil supplies posed by Iran will be transitory as new sources come online and significant infrastructure is built to surpass the Straits of Hormuz.

The new Federal Reserve Chairman, Kevin Warsh has soundly stated his commitment that the Fed's top priority is battling inflation. Recently he emphasized that the Fed will not tolerate inflation above 2% (source: PBS News 7/1/26)

The CPI released Tuesday, July 14 showed inflation cooling in June to 3.5% year over year, down from 4.2% in May largely thanks to declining energy prices, which have recently reversed due to resumption of hostilities with Iran. Chairman Warsh is pleased with the direction of the CPI (source: *Barrons Advisor* 7/15/26). However, he commented on the "imperfection" of these statistics to measure underlying inflation. He has previously commented on the need for the Fed to "modernize" its data sources and analytical frameworks. So the "sticky" CPI numbers may be a less significant factor in future Fed meetings.

## Sharpe Ratios (risk & reward relative value) Inception-Q2 2026

**CAM Investment Grade Strategy 0.32**
Bloomberg U.S. Corp Bonds 0.28

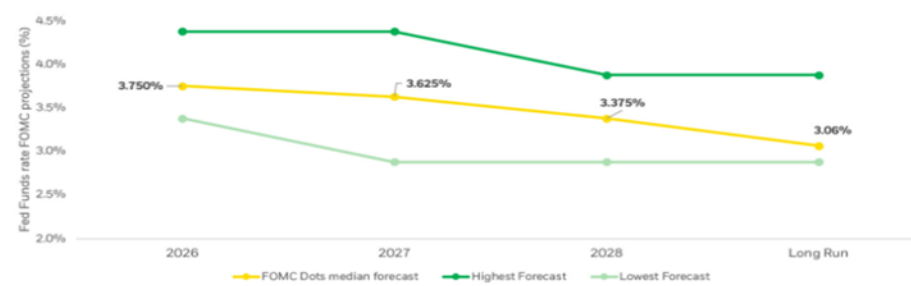
**CAM High Yield Strategy 0.48**
Bloomberg High Yield Corp Bonds 0.47

**CAM Short Duration 0.43**
Bloomberg Weighted Benchmark
(1/2 Interm. HY & 1/2 U.S. Corporate 1-5) 0.51

**CAM Short Duration IG Strategy 0.72**
Bloomberg U.S. Corporate 1-5 Yr 0.75

**CAM Broad Market Strategy 0.53**
Bloomberg Weighted Benchmark
(2/3 Corporate and 1/3 High Yield) 0.54

An important objective for all Cincinnati Asset Management investment strategies is to deliver superior risk-weighted returns versus the benchmark. A quantitative indication of our success is the Sharpe Ratio that calculates total return per unit of risk. The data on the left indicates we have largely been successful. The Sharpe Ratio of the Investment Grade Strategy exceeded its respective benchmark by 14.3%! The High Yield Sharpe Ratio exceeded its benchmark by 2.1%, and the Short Duration Investment Grade and Broad Market strategies fell modestly short of their respective benchmarks.




Source: US Federal Reserve as of 6/17/2026.

Chart description: This is a line chart showing the median average and high and low estimates of the Fed's "dot plot", which tracks where FOMC policymakers expect short-term interest rates to be over the next few years and in the long run.

The chart above might signal changes in the Fed analysis. It is showing average fed funds rate remaining constant and then starting a longer term decline in 2027. So perhaps for more future oriented investors better times are ahead for longer maturity bonds that today offer a yield advantage over money markets.

**Spreads to Treasuries by Credit Rating** show significantly lower risk of BA and B rated bonds. Source: Bloomberg, Barclays Research (12/31/99 to 06/30/2026)

| Rating | BA | B | CAA |
|---|---|---|---|
| Avg Spread | 341 | 494 | 935 |
| Std. Dev. | 165 | 220 | 396 |
| **06/30/2026** | **155** | **277** | **890** |
| Lowest Spread | 151 | 228 | 378 |