

Third Quarter 2026 Bond Market Review and Outlook

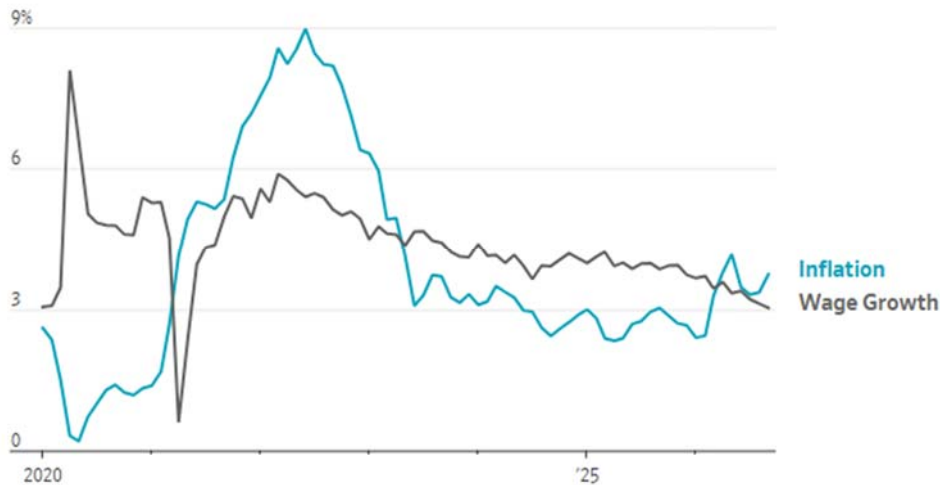


Celebrating our 37th
year delivering value

"The Fed's price-stability objective of 2%, as measured by the personal consumption expenditures (PCE) price index is a firm, fixed target."

"We must be confident that underlying inflation is moving to our objective, clearly and at sufficient speed. Otherwise, we have work to do."
(Fed Reserve Chairman Kevin Warsh comments at the Kansas City Fed's economic symposium Friday 8/28/26)

Inflation vs. wage growth



Note: Wage growth based on average hourly earnings and inflation based on the consumer-price index.
Source: Labor Department

PPI, which excludes food and energy advanced 0.5% from August and 5% over the past 12 months. Both exceeded all estimates in a *Bloomberg* survey of economists.

A major driver was the increase in energy prices which showed a 10.8% increase in the PPI report. This coincides with rising impediments to oil shipments through the straits of Hormuz and in the Red Sea.

A real concern is that the duration of elevated energy costs are spreading into the costs of other goods and services. However, if elevated costs were to remain planned development of pipelines and reserves may help to lower energy costs in time.

The previous day the Consumer Price Index ("CPI") data for September was released. The CPI advanced the most in the past five months, rising 0.6% from the previous month of August and rising 3.7% over the past year. Core CPI, which excludes food and energy rose 2.6%. This remains above the Federal Reserve's inflation target of 2% (source: *Bloomberg* 10/14/26). The CPI data showed gasoline prices rising 9.1% in September. This is

(Continued on page 3)

Market Review and Outlook

The third quarter ended with renewed inflationary pressures. This year's primary drivers of inflation have been higher energy prices, profuse spending in the tech sector, and the re-imposition of tariffs. As the chart on this page shows, this renewed inflation has outpaced wage growth, something we have not seen

since the post-COVID 2021-2023 period. However, evidence suggests some drivers of this most recent inflation may be more temporary than last time.

As we write this the Producer Price Index ("PPI") rose in September at the fastest pace in four years advancing 1.3% from August and 6.3% from a year earlier (source: *Bloomberg* 10/15/26). Also, core

Yields* on 9/30/2026

	Yield*
CAM Broad Market (corporate core plus) Strategy (7.1 year maturity; 5.1 duration)	6.40%
CAM Investment Grade (100% corporate bonds) Strategy (7.5 year maturity; 5.8 duration)	5.98%
CAM High-Yield Strategy (only BA & B rated purchased) (6.3 year maturity; 3.7 duration)	7.22%
CAM Short Duration Strategy (3.3 year maturity; 2.6 duration; 50% IG & 50% HY)	6.35%
CAM Short Duration Investment Grade Strategy (3.7 year maturity; 3.1 duration)	5.54%
U.S. Treasury** (10 year maturity)	5.29%
U.S. Treasury** (5 year maturity)	5.09%
U.S. Treasury** (2 year maturity)	4.89%

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

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.
- All clients benefit from institutional trading platform and multi-firm competitive bids and offers.

Contact us: Artie Awe, Mike Lynch, & Bill Sloneker are always available to assist.

Phone: (513) 554-8500 — Website: www.cambonds.com

Email: aawe@cambonds.com, mlynch@cambonds.com, & wsloneker@cambonds.com

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 (%)				
	3Q '26	YTD	1-YEAR	3-YEARS	5-YEARS	10-YEARS
CAM Broad Market Strategy—Net 1/3 high yield, 2/3 investment grade	-3.31	-2.39	-1.06	5.60	0.71	2.52
CAM High Yield “Upper Tier” Strategy—Net only purchase BB and B; no purchases of CCC & lower	-2.02	-0.08	1.56	7.44	2.34	4.02
Bloomberg US Corporate High Yield Index	-1.82	0.10	1.41	8.03	3.60	5.05
CAM Investment Grade Strategy—Net 100% corporate bonds	-3.91	-3.47	-2.28	4.73	-0.07	1.81
Bloomberg US Corporate Index	-3.94	-3.11	-2.31	4.98	-0.47	2.04
CAM Short Duration Strategy—Net 1/2 investment grade, 1/2 high yield	-1.10	0.26	1.65	5.53	2.29	3.16
CAM Short Duration Investment Grade Strategy—Net 100% corporate bonds	-1.46	-0.63	0.51	4.28	1.27	1.92

overweight and security selection in the Banking and Consumer Cyclical Services industries, along with security selection in Media Entertainment, had the biggest positive impact on performance relative to the index with +21, +17, and +18 basis point contributions to excess return, respectively. CAM's positioning and security selection within the Automotive, Technology, and Consumer Products industries had the biggest negative impact on performance relative to the index with -35, -21, and -20 basis point contributions to excess return, respectively.

Our **Broad Market Strategy (“BM”)** – a 67%/33% blend of the IG and HY strategies above – produced a gross total return of -3.25% for the quarter compared to -3.23% for the Index, a similar blend of Bloomberg IG and HY corporates. CAM's structural underweight in the lower-rated credit tiers of HY and IG and its upper tier positioning yielded a -18bp detriment to its relative performance. The YTD return for the CAM Broad Market strategy was -2.20% compared to a blended Index return of -2.05%. CAM's positioning in the Consumer Cyclical Services, Media Entertainment, and Home Construction industries had the biggest positive impact on performance relative to the index with +13, +12, and +9 basis point contributions, respectively. As far as negative impact relative to the index was concerned, CAM's positioning within the Technology, Banking, and Pharmaceuticals industries yielded -12, -12, and -11 basis point contributions to excess return, respectively.

Relative Performance Review 09/30/2026

CAM's Investment Grade Strategy (“IG”) produced a gross total return of -3.85% in the quarter ended September 30, 2026, compared to -3.94% for the Bloomberg U.S. Corporate Index. CAM always positions a majority of the portfolio within intermediate maturities. Longer dated maturities (10+ years) underperformed the broader index during the quarter, while shorter dated maturities (0-3 years) were the best performers. CAM's overall positioning and focus on intermediate maturities was a cumulative +6bp benefit to relative performance. Additionally, BBB quality credit modestly outperformed the broader index during the quarter. CAM's positioning and underweight vs. the index concentration of 44.28% was a -1bp detriment to relative performance. CAM's positioning within the Utilities and Airlines industries made the largest positive impact to performance, with +7 and +5 basis point contributions to excess return, respectively. CAM's positioning within the Banking industry was the largest negative contributor, with a -24 basis point contribution to excess return. The YTD return for

the CAM IG strategy was -3.29%, underperforming the Index return of -3.11%. CAM's positioning within the Chemicals and Airlines industries had the largest positive impact to performance, with +7 basis point contributions to excess return, respectively. Our positioning within the Banking industry was the largest negative contributor, with a -29 basis point contribution to excess return.

The **High Yield Strategy (“HY”)** The High Yield Strategy (“HY”) delivered a gross total return of -1.95% in Q3 while the Bloomberg US Corporate High Yield Index returned -1.82%. CAM's overweight and security selection within the Airlines, Home Construction, and Consumer Cyclical Services industries had the largest positive impact on performance relative to the index with +13, +13, and +11 basis point contributions to excess return during the quarter. For negative impact relative to the index, CAM's positioning and security selection within the Consumer Products, Technology, and Chemicals industries provided -23, -22, and -16 basis point contributions to excess return, respectively. The HY YTD return was 0.14% while the Index returned 0.10%. CAM's

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

Periods ended 09/30/2026	10-yrs	20-yrs
U.S. Aggregate	1.13	2.95
U.S. Corporate	2.04	3.96
CAM Investment Grade Strategy (gross)	2.05	4.21
CAM Investment Grade Strategy (net)	1.81	3.97

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. 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.

The above points suggest that upper tier High Yield bonds deserve consideration as a core holding over a complete market cycle.

Total Return of High-Yield Bonds by Credit Quality (periods ended 9/30/2026) Source: Bloomberg US Corporate Indices (annualized %)

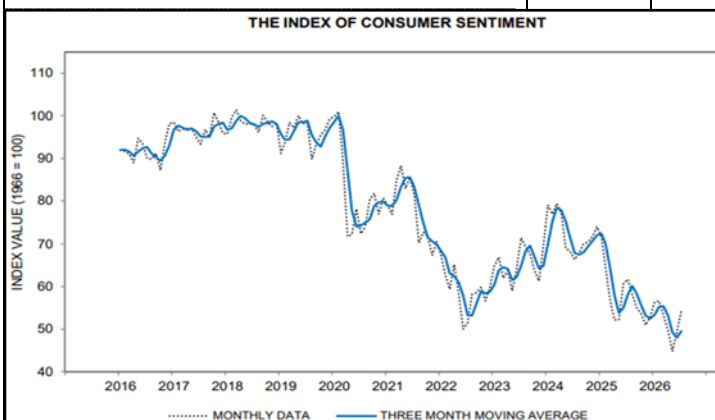
High-Yield Bond Sectors	5-years	10-years	20-years
BA-rated bonds	3.05	4.91	6.52
B-rated bonds	3.89	4.94	5.66
CAA-rated bonds	4.30	5.19	6.03
CA & D-rated bonds	2.79	6.69	2.07

Performance of Other Asset Classes (periods ended 9/30/2026) Source: Bloomberg & Lipper

S & P 500 Stocks	13.79	15.33	11.20
Bloomberg U.S. Aggregate	-0.64	1.13	2.95

The September 30 spread levels (shown at the right) enhance the value of corporate bonds versus U.S. Treasuries. Credit spreads of all cohorts have widened since December 31, 2025. Elevated yields (and coupons) provide more downside protection against both wider spreads and higher interest rates.

Credit Rating	20-Year Average Spread (as of 12/31/25)	9/30/26	12/31/25	12/31/24	12/31/23	12/31/22	Tightest This Decade (as of 12/31/25)
A	1.27%	0.68%	0.64%	0.68%	0.85%	1.09%	0.61%
BAA	1.87%	0.98%	0.97%	0.97%	1.21%	1.59%	0.92%
BA	3.45%	1.86%	1.65%	1.79%	2.01%	2.95%	1.56%
B	4.85%	3.01%	2.68%	2.77%	3.10%	4.89%	2.50%
CAA	9.02%	11.31%	7.29%	7.03%	8.09%	11.54%	4.91%



(Continued from page 1)

the largest increase since the commencement of the Iran war (source: *ibid*).

The report also underscored the pricing impact resulting from the monumental growth in the building of data centers: computer software and peripherals were up 9.7%. Also, the cost of building materials used to build data centers has risen. For example steel prices are up 52% over the past 12-months. Trump's tariffs have also played a role in the rise in steel prices.

The energy and technology contributions to inflation are situations that could prove

temporary or at least moderate in the not too distant future.

Bloomberg Intelligence economists feel the underlying inflation trends do not warrant the 75 basis points of additional rate hikes through next year that the market is currently pricing (Source: Bloomberg Intelligence "US Insight: Why Warsh May Pass on a Hike in October, and Beyond" 10/18/26).

Markets have a tendency to overreact to events. If this is the case, this may represent a favorable entry point in the market for intermediate and longer dated bonds.

Warsh's preferred inflation gauge is the Personal Consumption Expenditures

(PCE) Price Index. In contrast to the more widely known CPI, the PCE dynamically accounts for how consumers switch to cheaper alternatives (the "substitution effect") and covers a broader range of expenses, such as healthcare paid by employers or government programs). Estimates by Bloomberg predict 12-month PCE rising to 3.6% in September (versus 3.4% in August) (source: *ibid*). But Warsh's preferred data sets are the trends in six and twelve month percentage of PCE components rising 3% or more. These trends are already falling, which could support the Fed's holding of interest rates. Expectations of these downward trends driven by declining computer software costs,

(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.camonds.com/disclosure-statements/>

(Continued from page 3)

memory chip prices and AI productivity improvements will continue into 2027.

These elements may contribute to Bloomberg economists estimating the underlying rate of inflation around 2.6%. This is significantly lower than the recent PPI and CPI data noted on page one.

Of course energy is the other major factor. First and foremost, would be a reopening the Straits of Hormuz, which one could expect as soon as after the midterm elections, when Trump has vowed to resume the aerial campaign against Iran.

Another longer term factor for energy costs, is the development of oil, gas and other natural resources and pipelines in the USA. Building the Constitution Pipeline in the Northeast to deliver natural gas, will lower electricity rates and heating expenses. Reversing rules that violated the 2017 Tax Act by restricting available acreage to develop Alaska ANWAR fields, estimated at 7.8 billion barrels will impact oil and gas prices. So too will the reopening of the National Petroleum Reserve in Alaska, which is home to the Alaska oil pipeline (source: American Energy Alliance 7/22/26). And soon to be the home to an LNG pipeline involving the financing through a trade agreement with South Korea that will supply much needed gas to western states and our Asian allies. Also included in South Korea's investment package are eight large scale nuclear reactors (source: Yahoo Finance 9/30/26).

The Fed dot plot above shows forecast for slowly declining Fed Funds rates over the

Sharpe Ratios (risk & reward relative value) Inception-Q3 2026

CAM Investment Grade Strategy 0.29
Bloomberg U.S. Corp Bonds 0.25

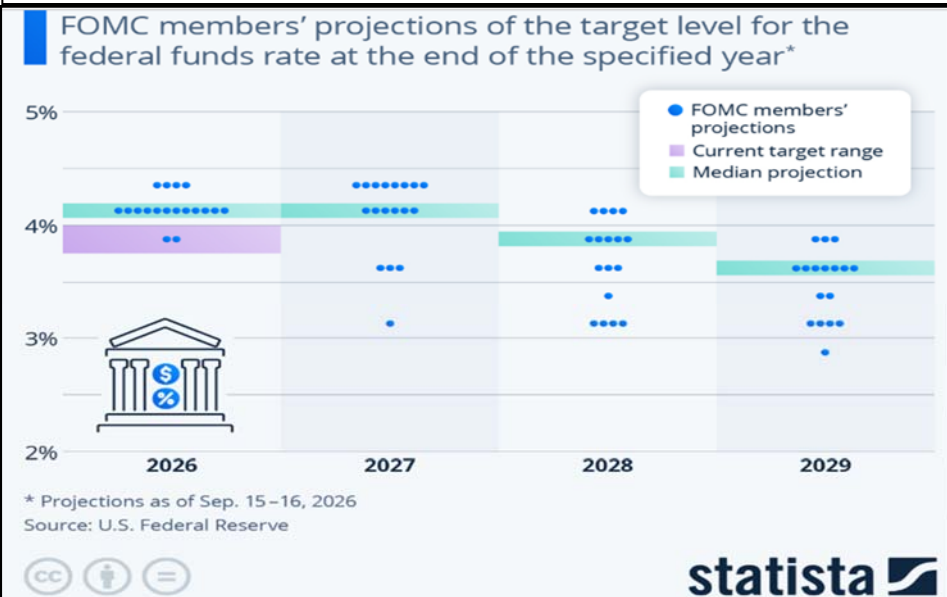
CAM High Yield Strategy 0.46
Bloomberg High Yield Corp Bonds 0.46

CAM Short Duration 0.40
Bloomberg Weighted Benchmark (1/2 Interm. HY & 1/2 U.S. Corporate 1-5) 0.49

CAM Short Duration IG Strategy 0.67
Bloomberg U.S. Corporate 1-5 Yr 0.70

CAM Broad Market Strategy 0.49
Bloomberg Weighted Benchmark 0.51
(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 16%. The High Yield Sharpe Ratio matched its benchmark, and the Short Duration Investment Grade and Broad Market strategies fell modestly short of their respective benchmarks, by approximately 4%.



next few years. However the downward trajectory may well accelerate as data center build out rates slow, AI productivity impacts businesses, the war with Iran ends and many energy infrastructure

projects come online.

If these factors materialize it may point to better times ahead for the bond market. Please contact us anytime to discuss your concerns and questions.

