

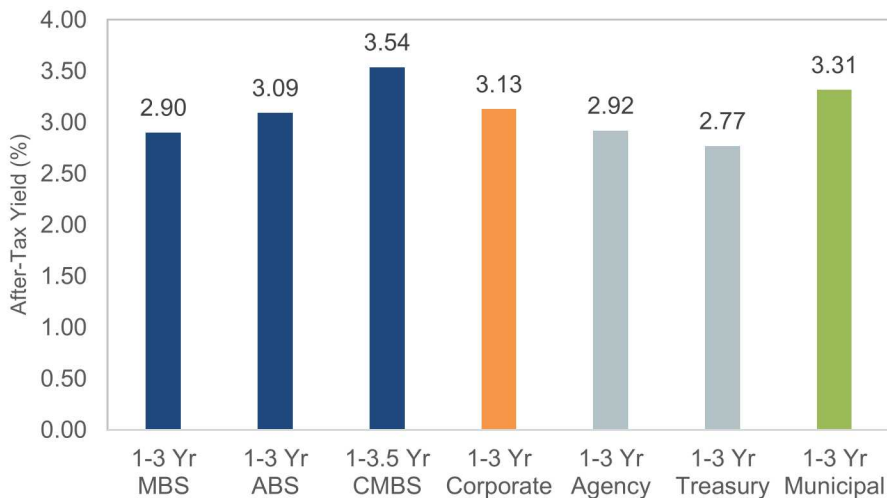
Do you know who isn't the most popular person at a summer barbecue? That would be one of our Senior Portfolio Managers, who loves to wax poetic about the US Tax Code. The funny thing is, at Income Research + Management (IR+M), we have quite a few numerophiles around the office. They consider taxes their year-round sport, and April 15th their Super Bowl. While nearly every investment has expenses, such as management fees and transaction costs, tax inefficiencies may be the biggest one of all. With our tax-aware strategies, we look to mitigate the sting of Tax Day for our investors.

After two decades of low interest rates, the Federal Reserve's rate-hiking cycle has pushed fixed income back into the spotlight. A record-setting 650-day-and-counting yield curve inversion only adds to the intrigue. Yet for some investors, the shine has dulled on these elevated yields, especially in the short end. Why? Understandably, stated yields are not as attractive when taxes are considered, and for many investors, it's all about tax minimization.



- Paying taxes isn't necessarily a bad thing.** For tax-sensitive investors, municipal bonds are often appealing because of their federal tax exemption. Erroneously, some investors believe that municipals always provide superior after-tax yields relative to corporate and securitized bonds. As evidenced in the chart below, sometimes paying, and not avoiding, taxes can result in higher after-tax yields, with short commercial mortgage-backed securities out-yielding short municipal bonds at the end of the first quarter. Interestingly, at the end of 2023, the after-tax yield on short asset-backed securities, corporates, and commercial mortgage-backed securities bested short municipals.

The Investment Universe is Extensive



- Don't try this at home.** With tax-exempt and taxable securities in the toolkit, the resulting investment universe is expansive and complex. As such, a veritable tax-aware strategy can be nearly impossible for individual investors and financial advisors to replicate on their own. Looking through a tax-efficient lens, we leverage our credit research capabilities, extensive market access, and turnover strategy to capture after-tax value across the yield curve.
- At the end of the day, it's not what you make – it's what you keep.** With our tax-aware strategies, we factor tax implications into every investment decision. How? Beyond security

selection and asset allocation, we employ tax-loss harvesting (selling securities at a loss, and then using that loss to offset capital gains) to minimize investors' tax liabilities and improve portfolios' overall tax efficiency.

### Dynamic Investing, 24/7

Every day, we aim to maximize tax efficiency by factoring tax implications into our investment decisions. While many advisors do not have the resources or inclination to undertake this daily initiative, we do. At IR+M, securities must pass through our rigorous credit analysis, liquidity, and after-tax relative value screens before we invest. And every day thereafter, those securities must prove that they deserve to stay there.

Source: Bloomberg as of 3/31/24. In the chart, each point is representative of the after-tax yield of the respective Bloomberg index. After-tax yield assumes a 40.8% federal tax rate. On the bar chart, colors correspond to sector - dark blue is securitized, orange is corporate, gray is government, and green is the 3-year municipal based on the 3-year point on the BVAL Muni AAA Yield Curve. The views contained in this report are those of Income Research + Management ("IR+M") and are based on information obtained by IR+M from sources that are believed to be reliable but IR+M makes no guarantee as to the accuracy or completeness of the underlying third-party data used to form IR+M's views and opinions. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission from IR+M.

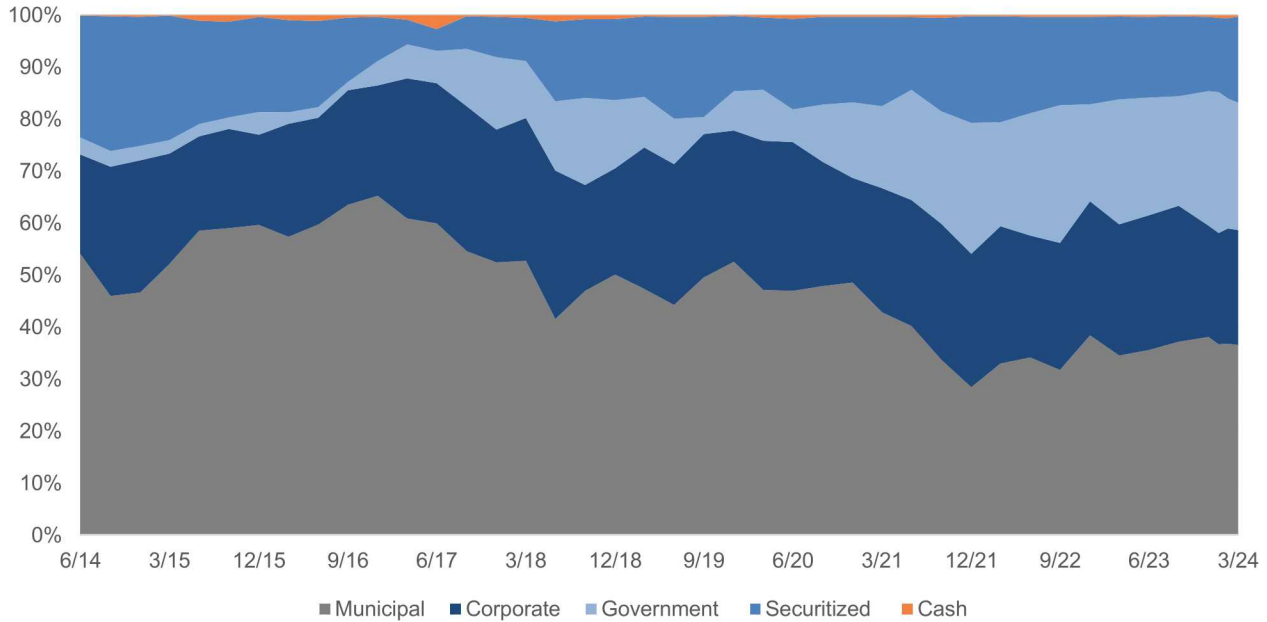
Dynamic Investing, 24/7 (cont...)

Historically, after-tax returns have varied markedly across fixed income sectors. Valuations can change on a dime. As seen in the periodic table below, no sector has placed first or last for more than three consecutive years. After occupying the pole position, that sector typically regresses the following year. When dispersions occur, we dynamically adjust the asset allocation in our tax-aware strategies and capture the relative value.

Periodic Table of After-Tax Returns

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	1Q24
Treasuries 5.7%	Securitized 14.5%	Securitized 4.4%	Munis 2.1%	Corporates 3.5%	Corporates 1.2%	Securitized 0.7%	Munis 0.8%	Corporates 1.6%	Munis 1.1%	Munis 1.8%	Corporates 4.2%	Securitized 3.4%	Munis 0.3%	Munis -2.0%	Munis 3.3%	Securitized 0.5%
Munis 4.9%	Corporates 11.9%	Corporates 3.7%	Securitized 2.1%	Securitized 2.9%	Munis 1.0%	Munis 0.7%	Corporates 0.3%	Securitized 1.1%	Corporates 1.0%	Treasuries 0.5%	Securitized 3.5%	Corporates 3.2%	Securitized -0.3%	Corporates -4.7%	Corporates 3.1%	Corporates 0.3%
Corporates -3.9%	Munis 4.3%	Treasuries 2.1%	Treasuries 1.4%	Munis 1.2%	Securitized 0.3%	Corporates 0.7%	Treasuries 0.3%	Treasuries 0.5%	Securitized 0.5%	Securitized 0.5%	Munis 2.8%	Treasuries 3.0%	Corporates -0.4%	Treasuries -4.9%	Securitized 2.8%	Munis 0.0%
Securitized -5.0%	Treasuries 0.4%	Munis 1.4%	Corporates 1.1%	Treasuries 0.3%	Treasuries 0.2%	Treasuries 0.4%	Securitized 0.1%	Munis 0.2%	Treasuries -0.2%	Corporates 0.3%	Treasuries 2.7%	Munis 2.1%	Treasuries -0.7%	Securitized -5.7%	Treasuries 2.3%	Treasuries -0.2%

Historical Tax-Aware Portfolio Allocation Shift



Nearly twenty years ago, a client approached us about whether we could manage a strategy that oscillated between municipal and taxable bonds, depending on their after-tax relative value. Never ones to back away from a challenge, we embraced the opportunity, and our tax-aware strategy was born. For this strategy, our experienced and integrated team approaches every investment decision using a tax-efficient lens, looking to capitalize on market dislocations and the belief that sometimes, it's beneficial to pay taxes.

Source: Bloomberg and IR+M Analytics as of 3/31/24. In the Periodic Table, the listed sectors are based on the following indices: Corporate = Bloomberg 1-3 Year Corporate Index, Securitized = 40% Bloomberg 1-3 Year ABS Index/40% Bloomberg 1-3.5 Year CMBS Index/20% Bloomberg 1-3 Year Conventional MBS Index, Treasury = Bloomberg 1-3 Year Treasury Index, Municipal = Bloomberg 1-3 Year Municipal Index. After-tax returns for non-municipal indices calculated by subtracting 1/12 of the previous month-end yield to worst, taxed at the highest federal tax rate, from the following month-end return. All returns are shown on an after-tax basis. Historical Tax-Aware Portfolio Allocation chart shows historical sector allocation of the IR+M Short Duration Private Client Tax-Aware Representative Portfolio. For both charts, after-tax yield assumes a 40.8% federal tax rate. Some statistics require assumptions for calculations which can be disclosed upon request. Totals may not sum to 100 due to rounding. The views contained in this report are those of Income Research + Management ("IR+M") and are based on information obtained by IR+M from sources that are believed to be reliable but IR+M makes no guarantee as to the accuracy or completeness of the underlying third-party data used to form IR+M's views and opinions. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission from IR+M. "Bloomberg" and Bloomberg Indices are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited ("BISL"), the administrator of the index (collectively, "Bloomberg") and have been licensed for use for certain purposes by IR+M. Bloomberg is not affiliated with IR+M, and Bloomberg does not approve, endorse, review, or recommend the products described herein. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to any IR+M product.