

# BOND MARKET OVERVIEW

## About Us

Penn Mutual Asset Management (PMAM) is focused on risk-based institutional asset management, advisory and investment operation services. We are fixed-income specialists committed to applying our diverse expertise, delivering tailored investment strategies and solutions and balancing our repeatable, value-driven approach with seasoned investment judgment to drive performance and create value.

## We believe:

- Valuation drives decisions to help generate strong performance
- Diversification is the best form of risk management
- Being nimble and opportunistic creates value for investors
- Focus, discipline, teamwork and accountability enable results

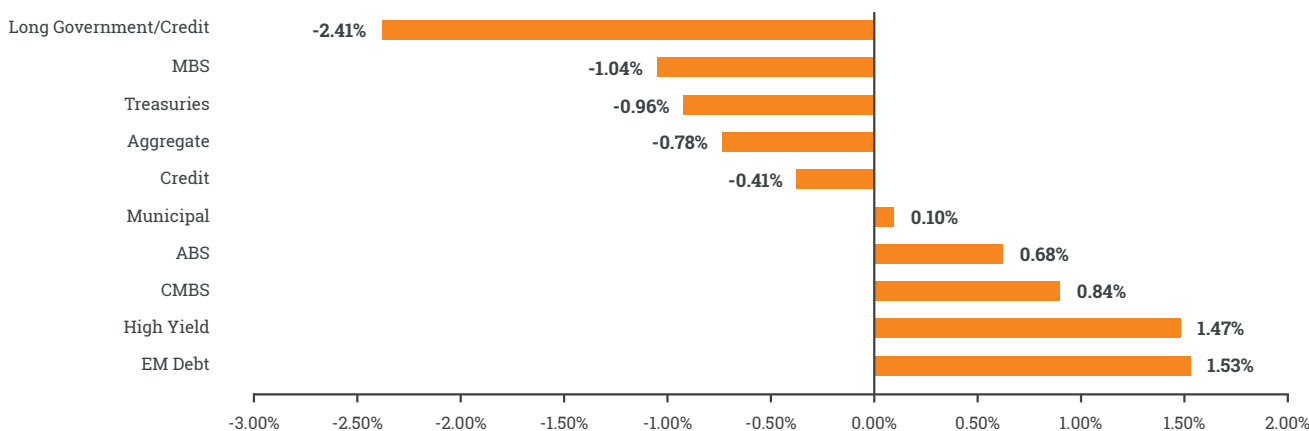
With over \$35 billion in total assets under management,<sup>1</sup> Penn Mutual Asset Management is dedicated to executing on its core asset management competencies, which include total return-based investing, advisory services and expertise in alternative asset investing.

We tailor our proven approach to generate solid risk-adjusted returns, while balancing the need for capital preservation to achieve each client’s strategy and goals.

<sup>1</sup>As of March 31, 2024

## Asset Class Returns<sup>1</sup>

### First Quarter



1 YEAR
-1.15%
1.39%
0.05%
1.70%
4.15%
3.56%
4.32%
4.42%
11.15%
8.43%

<sup>1</sup>U.S. Bloomberg indices. Data as of March 31, 2024

## First Quarter Headlines

**Treasury yields moved higher during the first quarter as bond investors dialed back expectations for the number of Federal Reserve (Fed) interest rate cuts this year...**

The duration of the Treasury yield curve inversion reached the longest on record during March but the U.S. economy continues to exhibit strength, defying the bond market’s historical recession indicator.

**Credit markets also benefited from the prospect of more accommodative Fed policy with investment-grade (IG) corporate spreads closing the first quarter near the tightest levels since the Global Financial Crisis...**

IG corporate credit spreads tightened by nine basis points (bps) during the quarter, outperforming duration-matched Treasuries by 88 bps while the high-yield market registered a total return of 1.47%.

**An uptick in inflation during the first quarter complicates the path forward for Fed policymakers eager to cut interest rates but Chair Powell labeled the increase as “bumps” in the road toward its 2% inflation target...**

The labor market showed signs of improvement with the January and February employment reports posting unexpectedly strong job growth and the unemployment rate remaining below the psychology-important 4% level.

## Outlook

Fed policymakers are likely to continue over-promising but under-delivering on the number of interest rate cuts this year as easing financial conditions and rapidly rising stock prices keep inflation pressures elevated.

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### Index Definitions:

**Bloomberg U.S. Aggregate ABS Total Return Index** – An index that is the ABS component of the U.S. Aggregate Index and has three subsectors: credit and charge cards, autos and utility. The index includes pass-through, bullet and controlled amortization structures and includes only the senior class of each ABS issue and the ERISA-eligible B and C tranche.

**Bloomberg U.S. Aggregate Bond Index** – An index that is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

**Bloomberg U.S. CMBS Index** – An Index that measures the investment-grade market of U.S. Agency and U.S. Non-Agency conduit and fusion CMBS deals with a minimum current deal size of \$300mm that are ERISA eligible.

**Bloomberg U.S. Corporate High Yield Bond Index** – An index that measures the USD-denominated, high yield, fixed-rate corporate bond market.

**Bloomberg U.S. Credit Index** – An index that measures the investment grade, U.S. dollar-denominated, fixed-rate, taxable corporate and government-related bond markets.

**Bloomberg Emerging Markets USD Aggregate Index** – A flagship hard currency Emerging Markets debt benchmark that includes fixed and floating-rate U.S. dollar-denominated debt issued from sovereign, quasi-sovereign and corporate EM issuers.

**Bloomberg U.S. Long Government/Credit Index** – An index that is a broad-based flagship benchmark that measures the non-securitized component of the U.S. Aggregate Index with 10 or more years to maturity. The index includes investment grade, U.S. dollar-denominated, fixed-rate treasuries, government-related and corporate securities.

**Bloomberg U.S. Mortgage Backed Securities (MBS) Index** – An index that tracks agency mortgage backed pass-through securities (both fixed-rate and hybrid ARM) guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA) and Freddie Mac (FHLMC).

**Bloomberg U.S. Municipal Index** – An index that covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligations bonds, revenue bonds, insured bonds and prerefunded bonds.

**Bloomberg U.S. Treasury Index** – An index that measures U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury.

### Disclosures:

The views expressed in this material are the views of PMAM through the quarter ending March 31, 2024 and are subject to change based on market and other conditions.

This material contains certain views that may be deemed forward-looking statements. The inclusion of projections or forecasts should not be regarded as an indication that PMAM considers the forecasts to be reliable predictors of future events. Any forecasts contained in this material are based on various estimates and assumptions, and there can be no assurance that such estimates or assumptions will prove accurate. Actual results may differ significantly.

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