

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

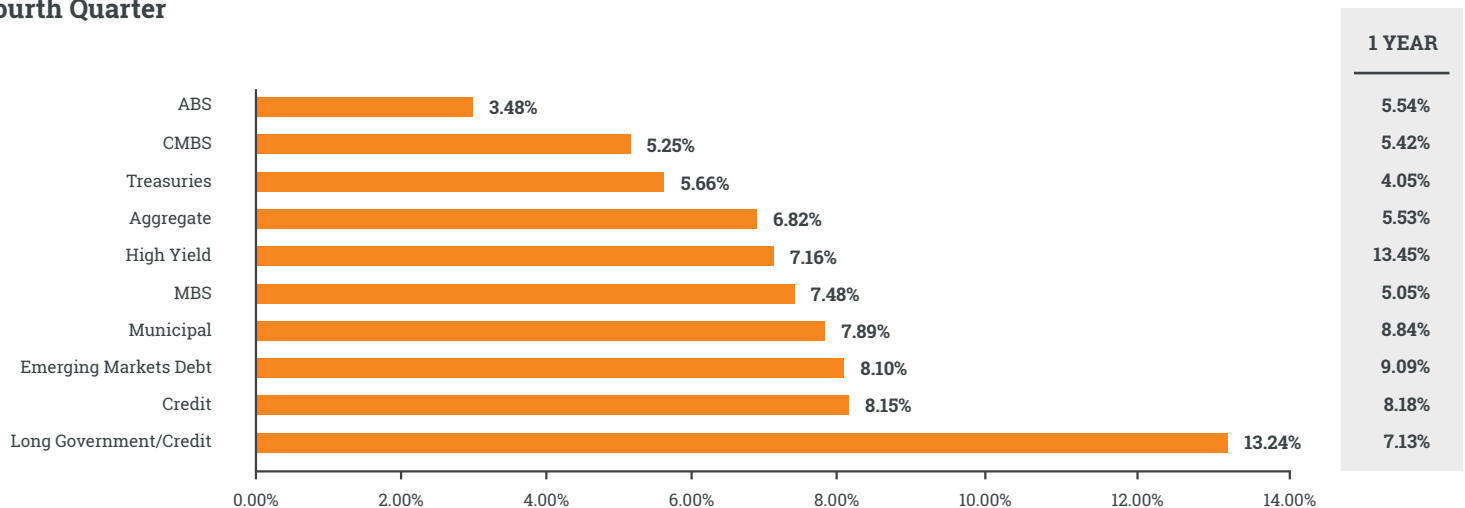
With over \$33 billion in total assets under management,¹ Penn Mutual Asset Management is dedicated to executing on its core asset management competencies, which include total return-based investing, advisory services and expertise in alternative asset investing.

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.

¹As of December 31, 2023

Asset Class Returns¹

Fourth Quarter



¹U.S. Bloomberg indices. Data as of December 31, 2023

Fourth Quarter Headlines

Treasury yields moved materially lower during the fourth quarter as bond investors welcomed the Federal Reserve's (Fed) pivot, marking not just the conclusion of its rate-hiking cycle but also advancing the timeline for potential interest rate cuts...

The 10-year Treasury yield peaked near 5% in mid-October but fell steadily thereafter, closing the fourth quarter at 3.88% — exactly where it started the year.

Credit markets also welcomed the news of a more accommodative Fed policy with investment-grade (IG) corporate spreads closing the year near the tightest levels since the Global Financial Crisis...

IG corporate credit spreads tightened by 22 basis points (bps) during the quarter, outperforming duration-matched Treasuries by 203 bps while the high-yield market registered a total return of 7.16%. Agency residential mortgage-backed securities (RMBS) fully recovered lost ground relative to Treasuries during the fourth quarter, outperforming by 68 bps year-to-date.

The U.S. economy continues to show surprising resilience to the Fed's extended monetary tightening cycle with most recession forecasts being pushed out into the second half of 2024...

The recent decline in oil prices helped bring inflation closer to the Fed's 2% target. Year-over-year personal consumption expenditures (PCE) inflation declined to 2.6% in November, the lowest level since the Fed started hiking rates in March 2022.

Outlook

The financial market's euphoria in response to the Fed's U-turn in monetary policy is likely to gradually give way to the reality of "sticky" inflation and rapidly increasing Treasury bond issuance keeping interest rates above current expectations.

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 December 31, 2023 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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