



CanterburyConsulting

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Quarterly Asset Class Report Tax-Exempt Fixed Income

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September 30, 2025

Index Returns as of September 30, 2025

Fixed Income

	QTD (%)	YTD (%)	1 Year (%)	3 Years (%)	5 Years (%)	7 Years (%)	10 Years (%)
Bloomberg Global Aggregate	0.60	7.91	2.40	5.45	-1.56	0.79	1.15
Bloomberg US Agg Bond	2.03	6.13	2.88	4.93	-0.45	2.06	1.84

U.S. Treasurys

BofAML 3M US Treasury Note	1.07	3.20	4.40	4.78	2.98	2.65	2.10
Bloomberg Short Treasury	1.13	3.25	4.42	4.82	2.91	2.65	2.11
Bloomberg Intermediate Treasury	1.26	5.29	3.50	4.34	0.34	2.14	1.55
Bloomberg Long Term US Treasury	2.49	5.64	-3.47	0.43	-7.79	-0.46	-0.11
Bloomberg U.S. Treasury TIPS 1-5Y	1.67	6.21	5.68	5.46	3.56	3.83	3.08
Bloomberg US Treasury US TIPS	2.10	6.87	3.79	4.88	1.42	3.42	3.01

U.S. Corporate Credit

Bloomberg US Corp IG	2.60	6.88	3.63	7.07	0.35	3.13	3.12
Morningstar LSTA US LL TR USD	1.77	4.63	7.00	9.85	6.96	5.54	5.47
BofAML US HY Master II	2.40	7.06	7.23	10.97	5.53	5.18	6.07
BofAML US HY BB-B Constrained	2.28	7.05	6.87	10.34	4.94	5.10	5.76
BofAML US Corporate AAA	2.63	6.36	1.19	4.81	-2.02	2.09	2.22
BofAML US Corporate AA	2.34	6.15	2.49	5.56	-0.71	2.19	2.20
BofAML US Corporate A	2.54	6.84	3.61	6.63	0.12	2.98	2.83
BofAML US Corps BBB	2.81	7.22	4.54	8.14	1.19	3.68	3.77
BofAML US High Yield BB	2.17	7.24	6.71	9.84	4.66	5.43	5.84
BofAML US High Yield B	2.43	6.73	7.09	10.92	5.34	4.75	5.72
BofAML US High Yield CCC	3.35	7.05	9.67	15.47	9.56	5.09	7.65

Securitized

Bloomberg ABS	1.64	4.62	4.57	5.34	2.11	2.92	2.39
Bloomberg MBS	2.43	6.76	3.39	5.05	-0.14	1.59	1.41
Bloomberg CMBS	1.75	6.32	4.75	5.83	0.86	3.00	2.48

Municipals

Bloomberg Municipal	3.00	2.64	1.39	4.74	0.86	2.38	2.34
Bloomberg Muni 1-10	2.21	4.21	3.29	4.19	1.23	2.29	1.96

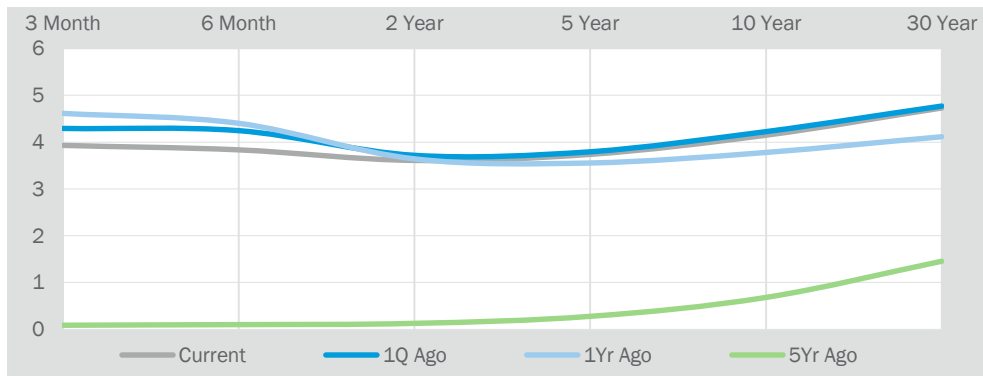
Global

Bloomberg Global Aggregate TR Hdg USD	1.21	4.05	3.06	5.20	0.36	2.31	2.32
Bloomberg Gbl Agg Ex USD	-0.59	9.36	1.87	5.75	-2.54	-0.33	0.48
FTSE WGBI	0.16	7.43	1.59	4.45	-3.02	-0.14	0.40

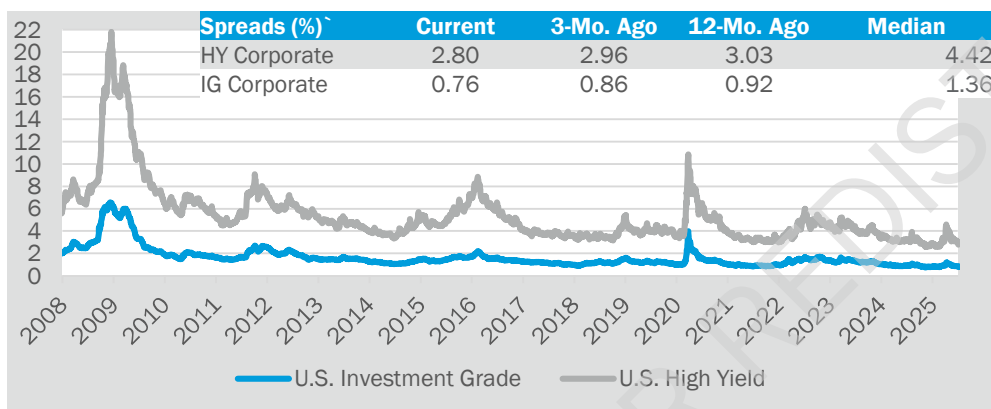
Market Environment as of September 30, 2025

Fixed Income

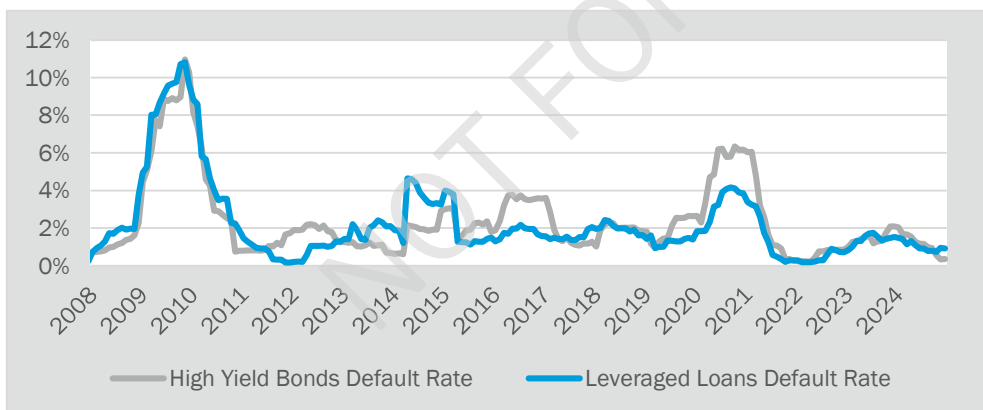
U.S. Treasury Rates (%)



Corporate Spreads (%)



Default Rates (%)



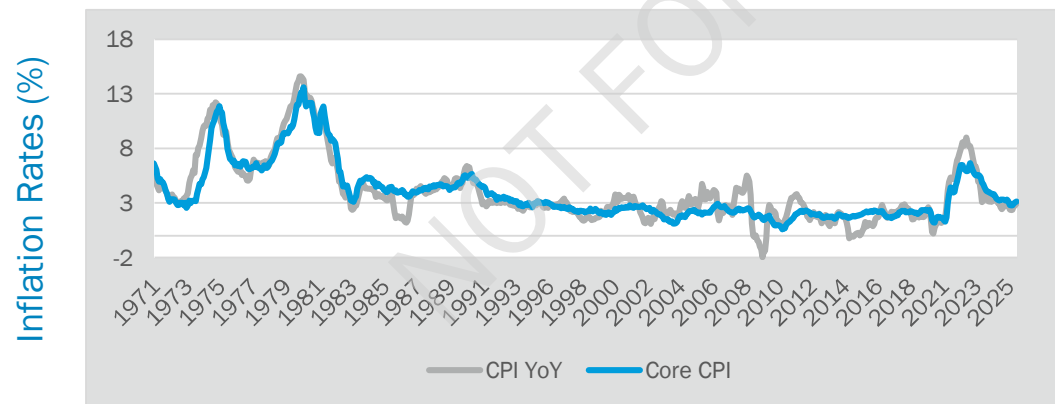
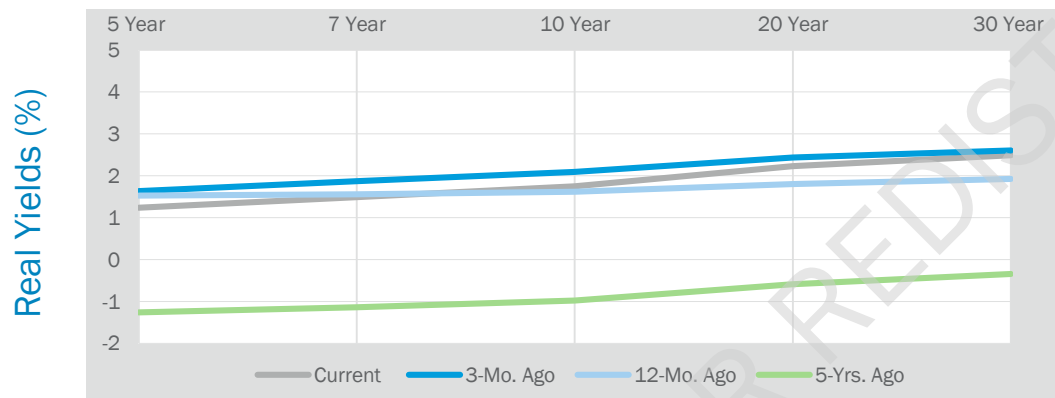
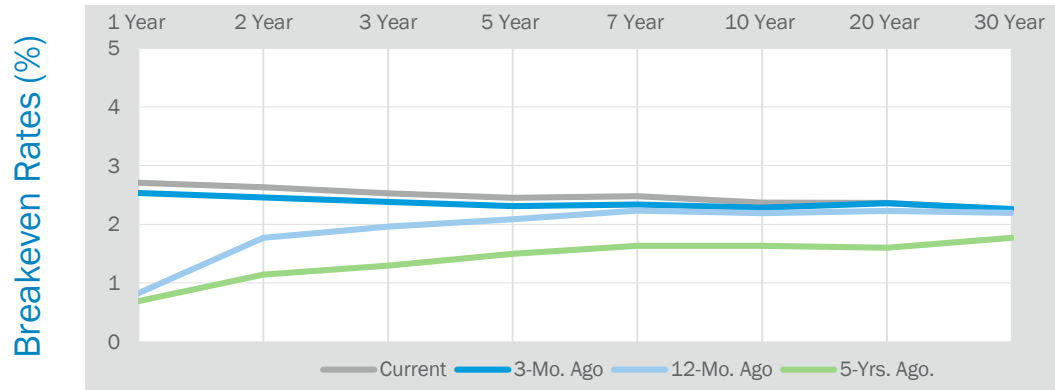
- The Federal Reserve cut the federal funds rate by 25 basis points to a range of 4.00%–4.25% at the September FOMC meeting.
- At the September FOMC meeting, Chair Powell and committee members acknowledged growing concerns over the labor market given weak jobs growth and a slight uptick in unemployment, while stating that upside risks to inflation seem to have either decreased or held constant.
- In its latest projections, the Fed revised growth and inflation forecasts modestly higher relative to June, while lowering its unemployment outlook. The Fed characterized the September adjustment as a “risk management cut” given rising concerns over the labor market and continued uncertainty surrounding trade, fiscal, immigration, and regulatory policy. The Fed projects two further 25 basis point cuts through the end of 2025, although disagreement amongst Fed officials continues to climb.
- The yield curve simultaneously shifted lower and steepened over the quarter, with longer-term yields decreasing less than short-term yields, driven by the Fed’s September rate cut, labor market concerns, and continued uncertainty surrounding inflation and growth.
- Investment-grade (IG) and high-yield (HY) credit spreads tightened over the quarter and remained well below their long-term median levels. [1]

Sources: Federal Reserve Bank of St. Louis, U.S. Treasury Department. Data as of 9/30/2025. S&P LCD Lev Loan Defaults, JP Morgan HY Bond Defaults, Data as of 12/31/2024.

[1] Long-term median is defined as median data starting in 2006.

Market Environment as of September 30, 2025

Fixed Income



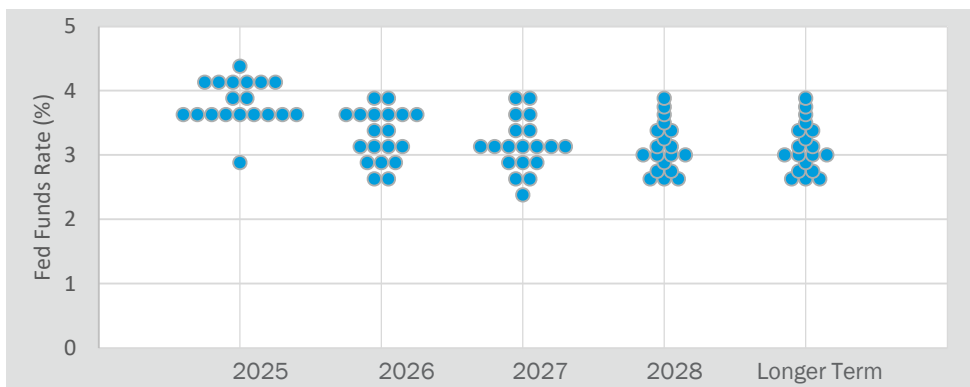
- The breakeven rate yield curve further steepened its inversion during the quarter, with shorter-term rates increasing more significantly than longer-term rates. The only maturity to see a reduction in yield was the 30-year.
- The breakeven rate is the implied inflation rate for a given maturity and is calculated by subtracting the real yield of a Treasury bond from the nominal yield.
- Current breakeven rates suggest that short-term inflation is expected to trend around 2.6%, while intermediate to long-term breakevens imply inflation should run marginally below 2.5%.
- Real yields decreased across the curve, with 5 and 7-year yields declining more than those in the 10, 20, and 30-year range.
- The August Consumer Price Index (CPI) report continued to demonstrate a reacceleration in both headline and core inflation relative to readings from earlier in the year. Gasoline, shelter, and food prices all posted gains, with most economists pointing to tariffs as the cause for broad upticks in inflation across most sectors.

Source: Federal Reserve Bank of St. Louis, Bureau of Labor Statistics CPI & PCE Data, U.S. Treasury Department, U.S. Treasury Inflation-Indexed Rates. Data as of 9/30/2025. CPI data rolled forward from most recent reporting date; as of 8/31/2025.

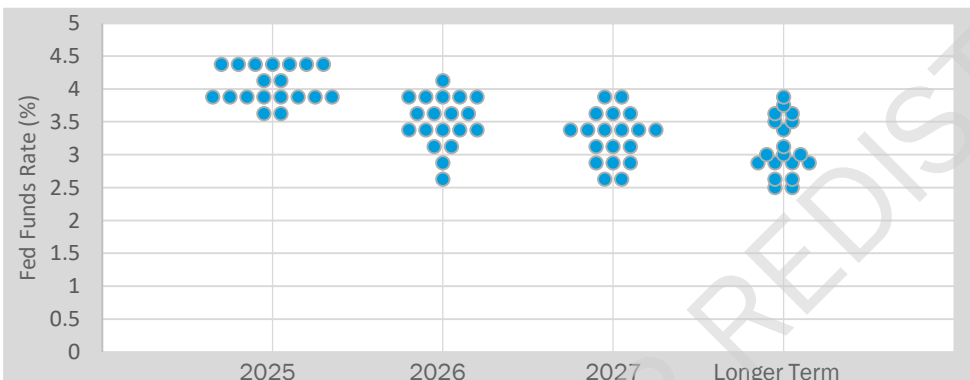
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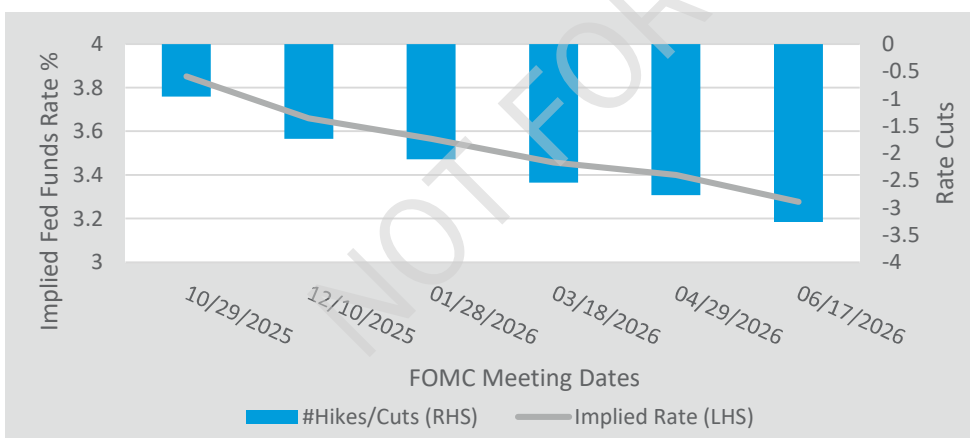
Fed Dot Plot
September 2025



Fed Dot Plot
June 2025



Implied Fed Funds Rate
& Rate Hike Probabilities



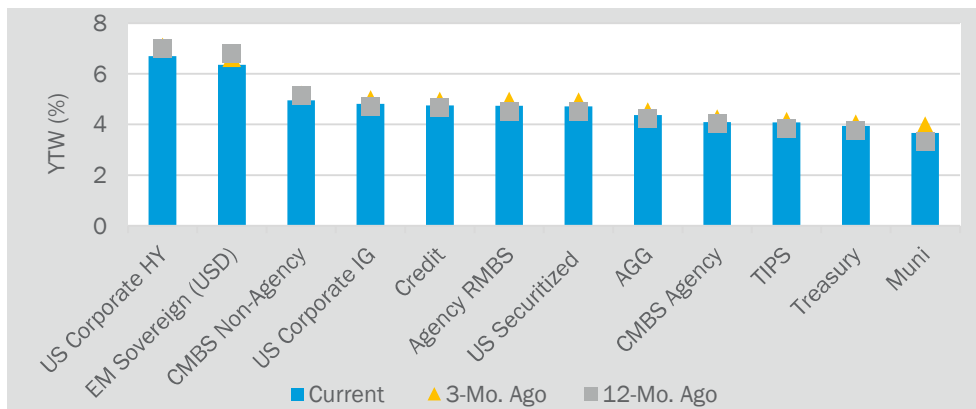
- The June Fed funds rate forecast projected only two rate cuts by the end of 2025. In addition to the September cut, projections from the September meeting now forecast an additional two rate cuts, although there is notable disagreement among FOMC members amidst heightened economic uncertainty.
- Market participants, as reflected in the Fed funds futures market, are currently pricing in less than two 25 basis point rate cuts by the end of 2025.
- The Fed Dot Plot represents where each of the Federal Open Market Committee (FOMC) members believes the Fed funds rate will be in the future.
- The implied Fed funds rate is where market participants believe the Fed funds rate will be based on futures prices.

Source: Board of Governors of the Federal Reserve System, Fed Funds Futures as of 9/30/2025.

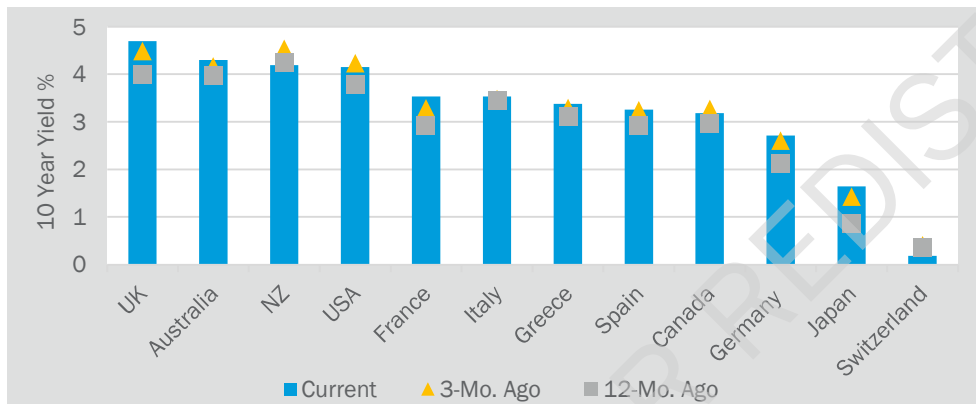
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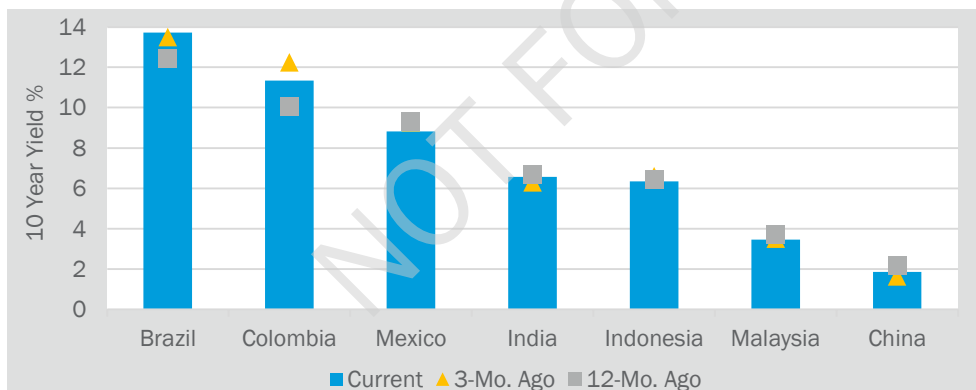
Domestic Yields



Developed Yields (Local Currency)



EM Yields (Local Currency)



- Yields across U.S. fixed income sectors generally declined in the third quarter, with U.S. Corporate High Yield (HY) exhibiting the largest decline (36 basis points) as investors continue to demonstrate strong risk appetite for elevated absolute yields despite continued economic uncertainty.
- In global developed markets, yields moved in varying directions. New Zealand sovereign debt saw yields decrease modestly after weaker than expected growth data and a gradual reversal over the quarter in the currency's strength relative to USD as seen earlier in the year. Yields on French sovereign debt, however, increased modestly as part of a broader sell-off in French assets given recent political turmoil.
- Emerging market (EM) sovereign yields also moved in varying directions. Notably, yields on Colombian sovereign debt fell by approximately 92 basis points as the country began a large-scale debt buy-back plan in August after weak performance to start the year.

Source: Bloomberg Indices. 10-year global sovereign yields. Data as of 9/30/2025.



Goals

- Are clients seeking to preserve capital, generate total return, or blend the two within a fixed income segment?
- What level of risk related to portfolio correlation is the client looking to incur?



Interest Rate & Inflationary Environment

- How does the current interest rate regime and inflationary environment affect return and risk (i.e. stagnant, slow-rise, rapid rise)?
- What level of interest rate volatility is the client willing to take?



Risk Tolerance

- How much risk is a client willing to take?
- Duration, yield curve positioning, sector exposure, credit exposure, the correlation to equities, and the client's distribution flows are important factors to measure.



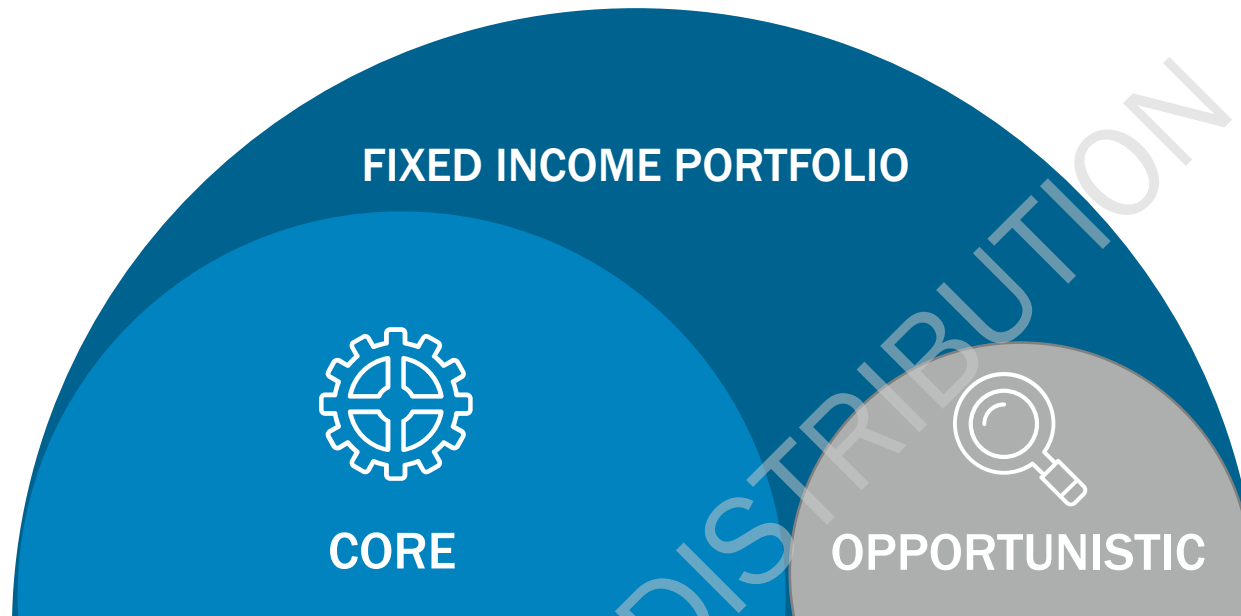
Tax Considerations

- Is the client's status taxable or tax-exempt?
- Does the client have a higher threshold given the respective tax situation?



Time Horizon

- Does the client have short term or long term goals?
- Are spending requirements quarterly, annually, or longer?
- Is spending consistent with the return/risk profile of the portfolio?



Characteristics

- Low volatility
- Uncorrelated to equities
- U.S. Focus



Exposure

- Treasuries
- Agencies
- Investment grade corporate
- MBS



Characteristics

- Income orientated
- Total return focus
- Uncorrelated to core bonds



Exposure

- Non-U.S. developed sovereigns
- EM sovereigns
- High yield
- Bank loans
- Private debt