

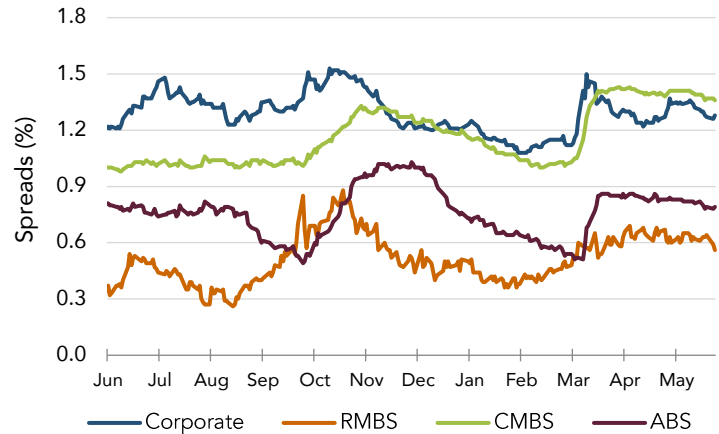


### MARKET COMMENTARY

- Early in the month, the Federal Reserve (Fed) increased its target rate by 25 basis points (bps), bringing it to a range of 5.00% - 5.25%. US Treasury (UST) yields increased across the curve during May, driven by the initial uncertainty surrounding the debt ceiling, data continuing to support economic growth, and hawkish commentary from Fed officials. The 2 Year and 10 Year UST yields increased by 40 bps and 22 bps, respectively. On May 31st, the House passed the debt ceiling bill, likely pushing the next standoff regarding the borrowing limit to after the presidential election.
- Corporate credit spreads leaked slightly wider and corporate credit underperformed Treasuries. In financials, concerns regarding which bank would be “next to go” seemed to dissipate, allowing for modest spread tightening among financials broadly, but US regional bank spreads continue to reflect meaningful uncertainty. In industrials, Pfizer funded its acquisition of Seagen with \$31 billion of new bonds, modestly repricing high-quality pharmaceuticals wider. Utilities were the worst performing corporate credit subsector as secondary market spreads were pushed wider by higher-than-expected new issue supply.
- Agency CMBS was the star performer in Investment Grade Fixed Income during May. The major theme across mortgage-backed markets continues to be the FDIC sale program of the Silicon Valley Bank and Signature Bank assets taken over in March. In May, the FDIC began liquidating the Agency CMBS holdings. Those securities were met with strong demand and traded in-line with expectations. Non-Agency CMBS issuance continues to be anemic. This provides a tailwind for our existing holdings, but also represents the symptom of less liquidity for Commercial Real Estate borrowers in the fallout from the ongoing stress in the banking system.
- As the debt ceiling negotiations progressed, interest rate volatility subsided and Agency RMBS staged a late month rally, meaningfully outperforming Treasuries.
- ABS spreads tightened modestly and ABS outperformed Treasuries. New issue volume increased, with May issuance accounting for approximately 25% of total issuance for the calendar year. New deals were well absorbed by the market, with most deals oversubscribed and some deals able to upsize. Attractive new issue concessions were the primary driver of the strong investor demand.

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### SPREADS TO TREASURIES



Source: Bloomberg

### TREASURY YIELD CHANGES

	YTM	Change From Previous Month
3 Month	5.39%	+0.36%
1 Year	5.17%	+0.43%
2 Year	4.40%	+0.40%
3 Year	4.05%	+0.33%
5 Year	3.76%	+0.27%
10 Year	3.64%	+0.22%
30 Year	3.86%	+0.19%

Source: Bloomberg

### BLOOMBERG SECTOR PERFORMANCE

	Total Return MTD	Excess Return* MTD	YTM
Corporates	-1.45%	-0.08%	5.38%
Financials	-0.93%	0.13%	5.63%
Industrials	-1.63%	-0.13%	5.24%
Utilities	-2.22%	-0.53%	5.36%
RMBS	-0.73%	0.41%	4.61%
CMBS	-0.61%	0.32%	5.38%
ABS	-0.34%	0.17%	5.23%
Agencies	-0.48%	0.15%	4.60%

\*Month-to-date performance of spread bearing bonds versus duration-matched Treasuries