

QUARTERLY PERFORMANCE ATTRIBUTION

INTERMEDIATE GOVERNMENT/CREDIT COMPOSITE

FOURTH QUARTER 2023



INVESTMENT PERFORMANCE¹

as of December 31, 2023

Performance ¹	4Q'23	1 Yr	3 Yr	5 Yr	10 Yr
Intermediate Gov't/Credit (before inv. mgmt. fees)	4.95	6.09	(1.37)	1.97	2.17
Intermediate Gov't/Credit (after max. fees)	4.89	5.82	(1.62)	1.70	1.88
Bloomberg U.S. Intermediate Gov't/Credit Bond Index	4.56	5.24	(1.63)	1.59	1.72
Value Added (before inv. mgmt. fees)	+0.39	+0.84	+0.26	+0.38	+0.45

PERFORMANCE RECAP

Galliard's Intermediate Government/Credit Composite (composite) outperformed its benchmark, the Bloomberg U.S. Intermediate Government/Credit Bond Index (index), during the fourth quarter (Q4). The composite returned 4.95%, while the index returned 4.56%. Allocations to securitized assets helped drive outperformance; security selection in Corporates detracted.

PERFORMANCE ATTRIBUTION (before inv. mgmt. fees)¹

as of December 31, 2023

	4Q'23 Attribution (basis points)
Sector Allocation	+49
Security Selection	(8)
Yield Curve/Duration	(5)
Residual Impact ³	+3
Total Attribution	+39

COMMENTARY ON PERFORMANCE ATTRIBUTION

- Sector positioning drove outperformance over the quarter, with allocations to Agency MBS and Structured Credit proving particularly beneficial.
- A higher quality bias in Corporate issue selection detracted over the period.
- Yield curve positioning also detracted. Neutral duration positioning did not materially impact performance.

COMPOSITE CHARACTERISTICS

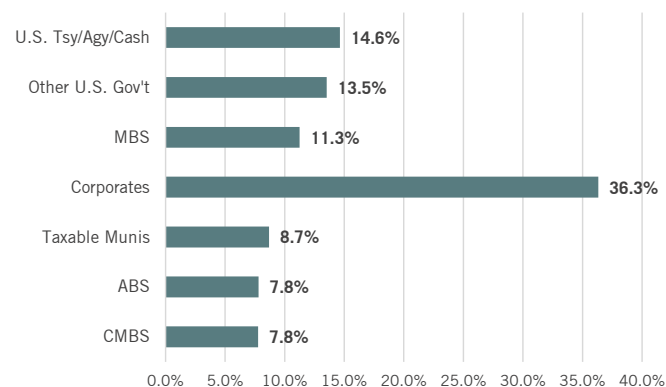
as of December 31, 2023

	Intermediate Gov't/Credit Composite	Bloomberg U.S. Intermediate Gov't/Credit Bond Index
Weighted Average Quality ²	AA-	AA-
Yield to Maturity	4.90%	4.38%
Effective Duration	3.72 Yrs	3.74 Yrs

SECTOR ALLOCATION

as of December 31, 2023

Duration/Yield Curve	U.S. Tsy/Agy	Other U.S. Gov't	Corp/Muni	MBS	CMBS/ABS
Neutral/Overweight Intermediate maturities	Underweight	Overweight	Overweight	Overweight	Overweight



CURRENT STRATEGY & OUTLOOK

- Portfolios are fully invested, for the most part, and we remain comfortable with overall positioning.
- High quality spread assets look fairly priced, generally speaking, but some limited opportunities remain across specific sectors.
- We will continue to emphasize high quality, diversification and liquidity in all new purchases as we look to maintain overall defensive positioning to protect against downside risks and elevated levels of uncertainty.
- Duration positioning will continue to be broadly neutral versus benchmarks.

¹ Benchmark returns are not available net of fees. For comparative purposes, Galliard Composite excess returns are shown gross of investment management fees and include all income, realized and unrealized gains and losses and all transactional costs. See further disclosures on reverse side of this page.

² The Weighted Average Quality shown has NOT been assessed by a nationally recognized statistical rating organization. The Weighted Average Quality shown represents the individual holding's composite ratings, as rated by S&P, Moody's, and Fitch. If S&P, Moody's, and Fitch all provide a credit rating, the composite rating is the median of the three agency ratings. If only two agencies provide ratings, the composite is the more conservative rating. If only one agency provides a rating, the composite rating reflects that agency's rating.

³ Includes trading, cash flows and other residual impacts.

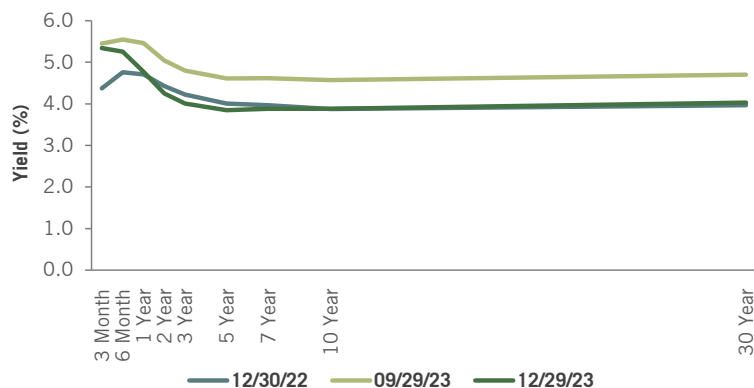
INTERMEDIATE GOVERNMENT/CREDIT COMPOSITE

FOURTH QUARTER

Interest Rates Declined as Fed Pivot Looks Imminent; Credit Spreads Tightened

CHANGES IN U.S. TREASURY RATES

With Additional Rate Cuts Now Expected in 2024 Yields Adjusted Lower



Source: Bloomberg

QUARTERLY MARKET COMMENTARY

- For now, the economic outlook is remarkably sanguine. 3Q GDP growth measured 4.9% q/q annualized, with 3.1% q/q annualized personal consumption and gross private investment that jumped up to 10.0% q/q annualized on strong residential fixed investment and inventory building.
- As anticipated, the Fed stayed on hold and provided a dovish message in December, indicating that interest rate cuts are forthcoming. However, the market continues to price in more aggressive rate cuts than the Fed: futures are pricing in nearly seven cuts through January 2025. This hardly seems consistent with a soft landing.
- Many forecasters find underlying trends indicating that the recent, favorable drop in inflation is expected to continue. Further, the stability of inflation expectations is consistent with the market view that the Fed is done with monetary policy tightening and that rate cuts are on deck in 2024.
- In general, the labor market remained relatively strong heading into year end. A healthier balance in the supply and demand for labor is taking shape that should ease wage pressure, which is an important component in the ongoing inflation fight. With inflation trending lower, nominal wage gains are translating into real wage gains.
- The ISM Manufacturing PMI has been in contractionary territory since November 2022, but the trend seems to have slowed, while the ISM Services PMI continues to be the bright spot in business activity. Mortgage rates fell sharply alongside Treasuries during the quarter; however, rates remain elevated relative to the last decade. As a result, housing activity remains muted.

CORPORATE CREDIT SPREADS

Corporate Spreads Tightened Across Maturities



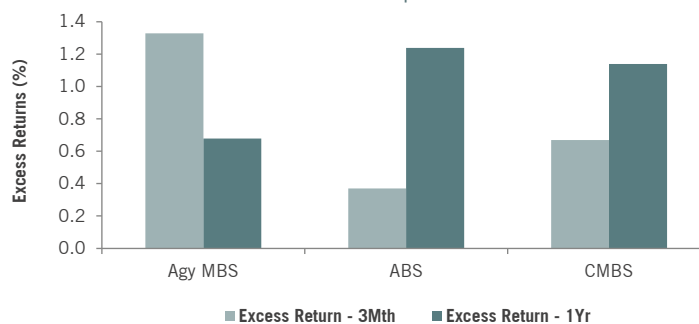
Source: Bloomberg

The Intermediate Government/Credit Composite (composite) consists of all fully discretionary separate accounts that do not use derivatives and are managed against the Bloomberg U.S. Intermediate Gov't/Credit Bond Index or equivalent indices. Prior to July 1, 2018, the Intermediate Government/Credit Composite was named the Intermediate Core Composite. The composite strategy focuses on risk control and adding value through security selection. Returns for periods less than one year are not annualized. Returns designated as being "before investment management fees" include all income, realized and unrealized gains and losses, and all transactional costs. Returns designated as "after maximum fees" are the "before investment management fees" returns less the maximum investment management fee of 0.25% which may be charged by Galliard for management of each client's account. Prior to April 1, 2021 the maximum fee which could be charged by Galliard was 0.30%. Historical composite returns shown as after maximum fees reflect this fee reduction on the respective date. These returns may also be impacted by the effect of compounding and will be rounded to the nearest basis point. Galliard's advisory fees are disclosed in the firm's Form ADV Part 2 which is available upon request. Benchmark returns do not include potential transaction costs or management fees. For comparison purposes the benchmark is fully invested and includes the reinvestment of income. While it is believed that the benchmark used here represents an appropriate point of comparison for the composite referenced above, prospective investors should be aware that the volatility of the benchmark or index may be substantially different from that of the composite; and holdings in the composite may differ significantly from the benchmark or index if the investment guidelines and criteria are different than the composite. **Past performance is not an indication of how the investment will perform in the future.**

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STRUCTURED PRODUCT

Securitized Sectors Continued to Outperform



Source: Bloomberg