Shape of the Markets

IT'S NOT A TYPO | APRIL 2026

Last month, Taylor put out an excellent article highlighting the importance of building interest rates up protection for investors. I want to highlight a specific line from this article, because we had someone reach out, asking if there was a typo in the piece.

The Quote: *"PTIAX has outperformed its benchmark, the Bloomberg US Aggregate ("the Agg"), by* ***769*** *basis points (bps) on average in rising rate environments." (Link to full article here.)*

You read that correctly – in rising rate environments, PTIAX has, on average, outperformed the Agg by over 7.5%.[1] This is NOT a typo! But before I break down HOW this outperformance has come about, I want to pause a moment to think critically about how we should think about "rates up" in fixed income.

When someone says, "I think rates are going up," then it behooves me to ask them (when proper) these two questions:

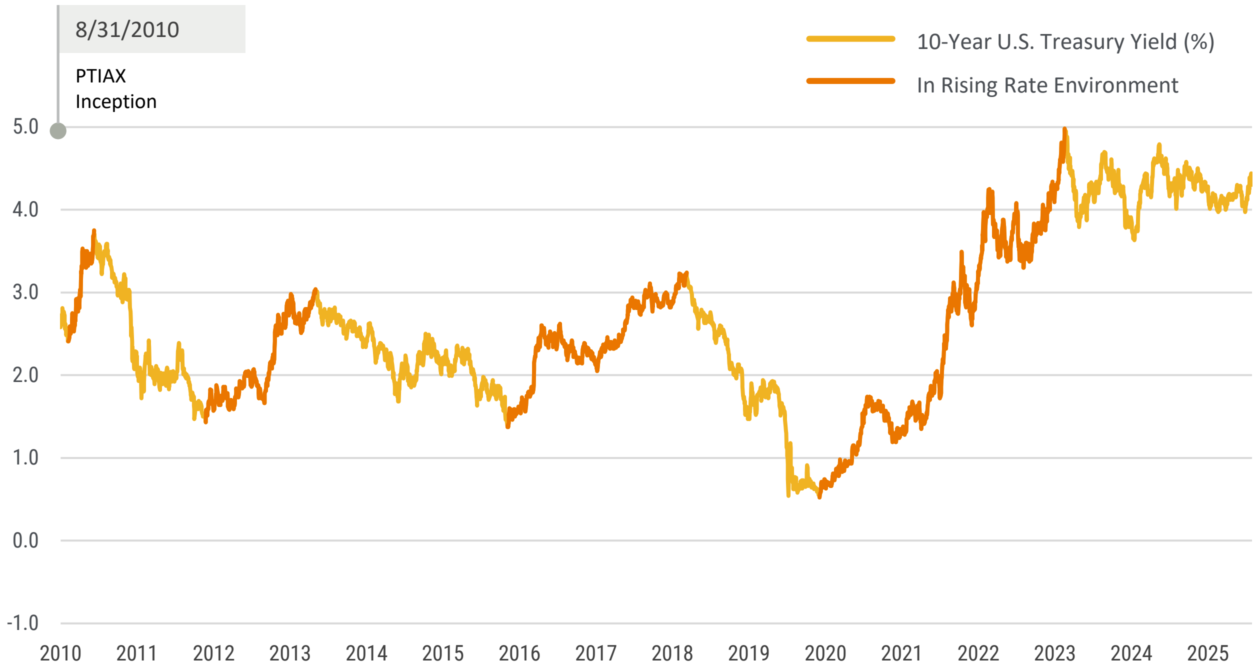
1. How much do you think rates will rise?
2. Over what timeframe will this rate increase occur?

95% of the time, the answer to these questions is – "I'm not sure." Rightly so!

Without answers to these two questions, we have NO valuable framework to provide us with certainty around where we should invest, besides a vague resistance to "going long." This gut feeling of aversion to "long bonds" is not helpful to investors, and quite often leads to poor investment decisions. Shape Management, however, enables us to quantify the risk/reward trade-off between short and long investments if rates were to rise! Our historic performance is a function of this philosophy. So, let us break this down – how has our Shape Management methodology contributed to our historic outperformance, in rates up?

1- Source: Morningstar Direct. Based on cumulative total returns.

Consistent Outperformance in Rising Rate Environments



	Total Returns[1] in Rising Rate Environments				
	1st Period (10/7/10-2/8/11)	2nd Period (7/25/12-12/31/13)	3rd Period (7/5/16-11/8/18)	4th Period (8/4/20-10/19/23)	Average
PTIAX	**3.72%**	**5.72%**	**7.76%**	**-10.36%**	**1.71%**
Bloomberg US Aggregate Bond Index	-2.96%	-1.71%	-1.89%	-17.38%	**-5.98%**
Intermediate Core-Plus Bond Category Avg.	-1.44%	1.23%	0.62%	-14.98%	**-3.64%**
10-Year Treasury Movements	+134 bps	+161 bps	+187 bps	+446 bps	**+232 bps**

Sources: 10-Year Treasury: www.treasury.gov, Returns: Morningstar Direct. Data as of 3/31/2026. 1 Based on cumulative total returns.

Reason 1: Diversification of “Offensive” and “Defensive” Sectors

Shape Management emphasizes the importance of powerful asset combinations. As a result, our portfolios often look like a balance between “Offense,” or interest rate sensitive bonds, and “Defense,” or interest rate in-sensitive bonds. In 2016, for example, we had a large allocation to defensive sectors, particularly heavily discounted non-agency RMBS. Of course, these “Defensive Sectors” were paired with longer Offensive sectors because we did not know what the Fed would do. We bought a strong offensive line AND a strong defensive line – and in 2016, our Defensive line helped us beat the Agg as well as the competition.

Reason 2: Avoidance of inferior cash flow structures

It's hard to look at any Core-Plus bond fund during the '20-'23 sell-off without grimacing. But if we look at the losses during that season for PTIAX, the Category, and the Index ("the Agg"), you'll notice that PTIAX outperformed both by about 5% and 7%, respectively.[2] Why? Both the Core-Plus Category, AND the Agg, were heavily weighted in negatively convex Agency MBS. When mortgage rates rose from historic lows in 2020, the risk profiles of these cash flows (which was hidden from investors who relied on yield and duration) extended significantly. This led to unexpected severity in the re-pricing of these assets, for those who didn't understand the cash flow weakness (negative convexity) inherent in these bonds. We remain underweight in this sector, for the same reason.

Reason 3: Consistency and Discipline

Since 2010, PTAM has run monthly analysis to re-confirm the trade-offs between asset classes, across rate scenarios. This can lead to a fund that can, at first blush, seems inconsistent – in 2016, about half of our fund was invested in RMBS. Ten years later, we own hardly any! Our fund's consistency is not in which asset classes we own, but rather HOW we decide which cash flows TO own; and we will continue to use this methodology, because it continues to work. For investors that value a disciplined approach towards fixed income investing, PTIAX's track record speaks for itself – even in rates up scenarios!

2- Source: Morningstar Direct. Based on cumulative total returns.

Adam Wolcott
Client Portfolio Manager

Adam is a Client Portfolio Manager with 9 years of experience in fixed income markets. He serves as a liaison between the investment, marketing, and sales teams, leading investment strategy updates, portfolio communications, and market commentary. A previous employee of PTAM's affiliate company, Performance Trust Capital Partners, Adam specializes in educating investors on complex fixed income asset classes and strategies through the lens of Shape Management. He holds a BA in Business Economics from Wheaton College.

Total Returns (as of 3/31/2026)

	1-Year	5-Year	10-Year	Since Inception (8/31/2010)
PTIAX	4.58%	1.33%	3.04%	4.46%
Bloomberg US Aggregate Bond Index	4.35%	0.31%	1.70%	2.25%

Returns quoted represent past performance which does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than original cost. Current performance may be lower or higher than the performance quoted. Returns current to the most recent month-end may be obtained at www.ptam.com or by calling (866) 792-9606. Returns over one year are annualized. PTIAX Expense Ratio: 0.75%; 30-Day SEC Yield: 4.80%.

PTIAX Top 10 Holdings (as of 3/31/2026)

1.	US TREASURY N/B 4.750000 2045/02/15	2.42%
2.	US TREASURY N/B 4.375000 2043/08/15	1.81%
3.	STRIP PRINC 0 2042/05/15	0.67%
4.	STRIP PRINC 0 2042/08/15	0.66%
5.	STRIP PRINC 0 2043/02/15	0.64%
6.	STRIP PRINC 0.000000 2044/11/15	0.61%
7.	STRIP PRINC 0 2044/02/15	0.61%
8.	STRIP PRINC 0 2044/05/15	0.60%
9.	STRIP PRINC 0 2044/08/15	0.59%
10.	US TREASURY N/B 4.875000 2045/08/15	0.54%

Glossary

Yield Curve refers to the U.S. Treasury yield curve rates.

Risks and Other Important Considerations

Investing involves risk; principal loss is possible. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investments in lower rated and non-rated securities present a greater risk of loss to principal and interest than higher-rated securities. Investments in asset-backed and mortgage-backed securities include risks that investors should be aware of such as credit risk, prepayment risk, possible illiquidity and default, as well as increased susceptibility to adverse economic developments. For a complete list of disclosures, please visit www.ptam.com.

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Morningstar Rankings represent a fund's total return percentile rank relative to all funds in the same Morningstar Category for the same time period. The highest (or most favorable) percentile rank is 1%, and the lowest (or least favorable) percentile rank is 100%. It is based on Morningstar total return, which includes both income and capital gains or losses and is not adjusted for sales charges or redemption feed. Past performance does not guarantee future results.

While PTIAX (Class I) is no-load, management fees and other expenses still apply. Please refer to the prospectus for further details.

The ETF is actively managed and does not seek to replicate the performance of a specified index. The ETF may have a higher portfolio turnover than funds that seek to replicate the performance of an index.

Investment and Insurance Products: •Are not FDIC or any other Government Agency Insured •Are not Bank Guaranteed •May Lose Value

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The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The summary and statutory prospectuses contain this and other important information about the investment company, and may be obtained by calling 1.877.738.9095. Read carefully before investing.