

Shape of the Markets

THE ROAD LESS TRAVELED

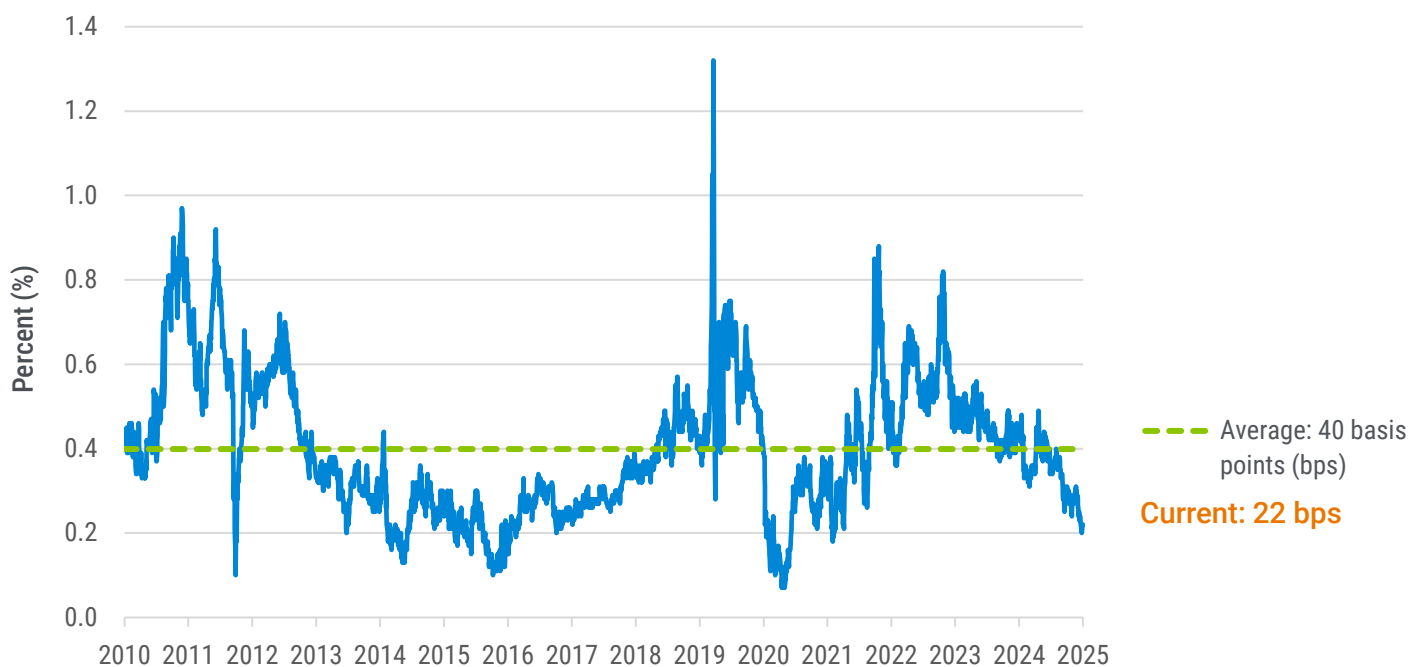
JANUARY 2026

As we mentioned in December's [Shape of the Markets](#), 2025 was a solid year for fixed income, posting rather attractive returns for the year. Leading much of the charge, particularly for our peers and the Bloomberg US Aggregate Bond Index ("the Agg"), were Agency Mortgage-Backed Securities (Agency MBS) and Investment Grade (IG) Corporates, which experienced notable spread tightening throughout the year. These are two sectors we are generally underweight when compared to both our peers and the Agg.

So, what does the opportunity look like *going forward* for Agency MBS and IG Corporates?

Agency MBS Spreads are at 11th percentile tights when measured over the last 15 years. Put differently, spreads have only been tighter than current levels 11% of the time since 12/31/2010.

Agency MBS Spreads

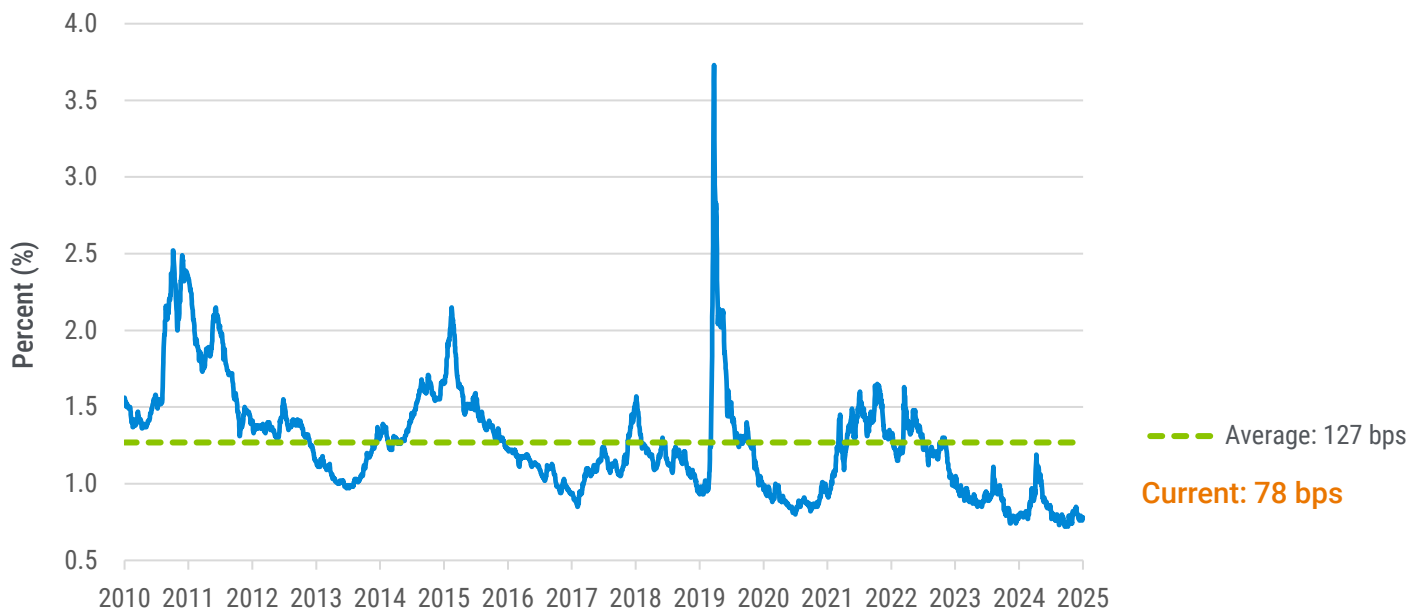


Source: Bloomberg. Data from 12/31/2010-12/31/2025.

IG Corporate spreads may be even worse, trading at 3rd percentile tights when measured over the last 15 years. Put differently, spreads have only been tighter than their current levels **3% of the time** since 12/31/2010!

Financial professionals only. Not for public distribution.

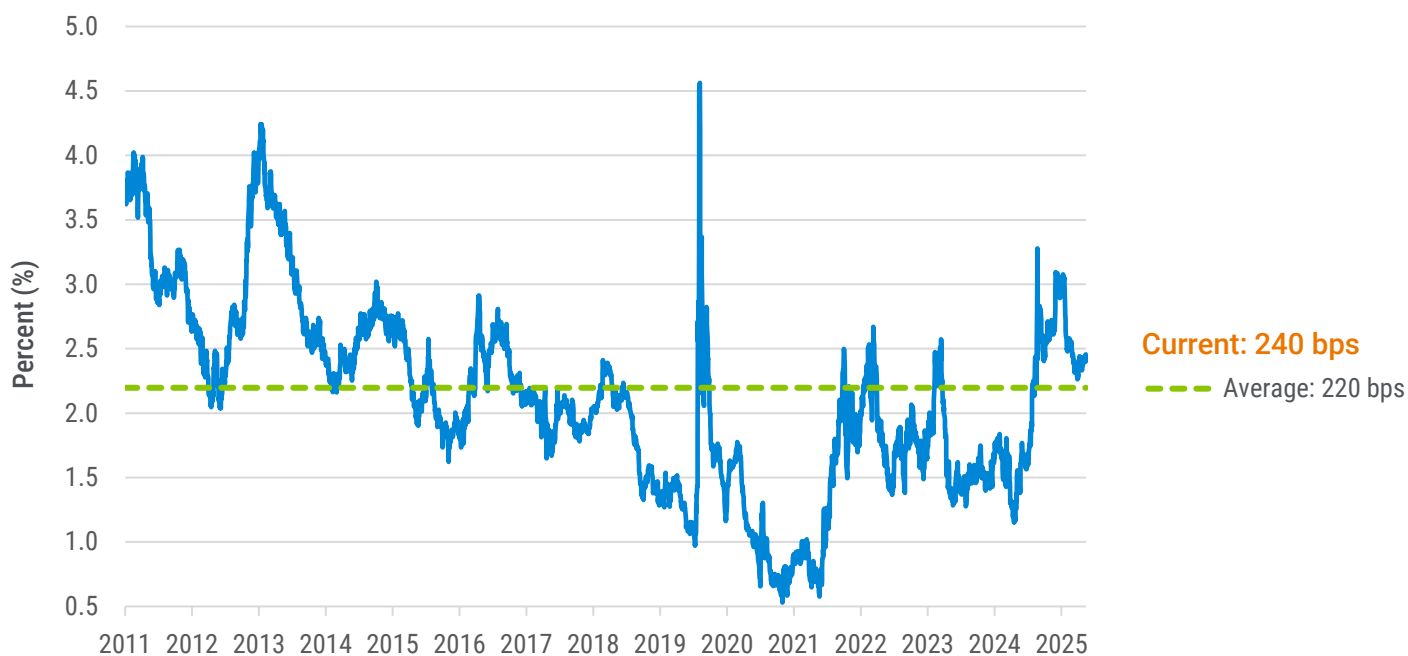
Investment Grade Corporate Spreads



Source: Bloomberg. Data from 12/31/2010-12/31/2025.

If the opportunity in Agency MBS and IG Corporates isn't very enticing, what is?

20-Year AAA Muni Taxable Equivalent Yield (TEY) Spreads



Source: Bloomberg. Data from 1/3/2011-12/31/2025. Not intended to represent any PTAM product or service.

The 20-year spot of the AAA Municipal Benchmark Curve¹ has a taxable equivalent spread at a 63rd percentile over the last 15 years. In other words, spreads are actually wider than their 15-year historical averages.

Not to mention, for someone in the top tax bracket, **the taxable equivalent yield (TEY) of a benchmark, AAA-rated Municipal bond is 6.57%**! This starting yield is at 92nd percentile levels – **yields have only been higher 8% of the time** over the last 15 years!

Tax-Exempt Municipal bonds are just one sector we find attractive today. There are other sectors, such as Taxable Municipals and Commercial Mortgage-Backed Securities (CMBS), that we believe present attractive opportunities today, and yet are excluded from more vanilla fixed income products.

We don't know where yields, or spreads, will go from here. Our math-based methodology, Shape Management, focuses on an objective way to identify where the opportunity lies in fixed income today. We believe a steadfast pursuit of the most favorable risk-adjusted return potential as identified by Shape Management will lead to success over time, even when it may be the "road less traveled"!

1- BVAL (Bloomberg Valuation) AAA Curve



Taylor Huffman, CFA®

Taylor acts as PTAM's Client Portfolio Manager, serving as a liaison between investments, marketing, and sales. She is responsible for investment strategy updates and portfolio

communications for all PTAM's products. Taylor additionally leads production of various portfolio and market commentary as well as dedicated strategy content.

Taylor received a Bachelor of Arts from the Princeton School of Public and International Affairs from Princeton University. She is also a CFA® charter holder.

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.

When selecting a bond to invest in, most investors rely on what we refer to as "traditional fixed income metrics," which are generally a combination of (1) taking a stance on whether interest rates will increase or decrease, (2) yield and (3) duration. Nearly 30 years ago, PTAM's founders recognized the potential shortcomings in traditional bond metrics, and developed Shape Management, a math-based investment process that addresses each of these shortcomings by analyzing the risk return profile of a bond's future cash flows. Shape Management is a mathematical calculation that analyzes the risk return profile of a bond's or group of bonds' future cash flows. By using Shape Management, PTAM creates projections of the performance of specific bonds or grouping of bonds. These projections are not the actual performance of any bond or product. As a result, Shape Management performance in this email were not actually achieved by any PTAM investment or product. The criteria and assumptions underlying the projected performance may prove to be incorrect. Prospective investors should not rely solely on such projected performance and should conduct a thorough independent analysis of the investment opportunity. The graphs included throughout this email are provided for illustrative and educational purposes only. Projected performance results may have many inherent limitations. No representation is being made that an investment will, or is likely to, achieve profits or losses similar to those shown. In fact, there are frequently significant differences between projected performance results and actual results subsequently achieved. Although projected performance may be useful to consider when making an investment decision. Investment decisions based on Shape Management information may not be profitable. All projected performance is shown as net performance, which includes management fees, reinvestment of interest

payments, principal payments, and capital gains.

The information included is not an offer, recommendation or professional advice. Certain information contained herein has been obtained from third party sources and such information has not been independently verified by PT Asset Management, LLC. No representation, warranty, or undertaking, expressed or implied, is given to the accuracy or completeness of such information by PT Asset Management, LLC or any other person. While such sources are believed to be reliable, PT Asset Management, LLC does not assume any responsibility for the accuracy or completeness of such information. PT Asset Management, LLC does not undertake any obligation to update the information contained herein as of any future date. This email is confidential, is intended only for the person to whom it has been directly provided and under no circumstances may a copy be shown, copied, transmitted or otherwise be given to any person other than the authorized recipient without the prior written consent of PT Asset Management, LLC. Any indices and other financial benchmarks shown are provided for illustrative purposes only, are unmanaged, reflect reinvestment of income and dividends and do not reflect the impact of advisory fees. Investors cannot invest directly in an index. Comparisons to indexes have limitations because indexes have volatility and other material characteristics that may differ from a particular hedge fund. For example, a hedge fund may typically hold substantially fewer securities than are contained in an index. Certain information contained herein constitutes "forward-looking statements," which can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "project," "estimate," "intend," "continue," or "believe," or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events, results or actual performance may differ materially from those reflected or contemplated in such forward-looking statements. Nothing contained herein may be relied upon as a guarantee, promise, assurance or a representation as to the future.

CFA® and Chartered Financial Analyst® are registered trademarks owned by CFA Institute.

© 2026 PT Asset Management, LLC. All Rights Reserved. PT Asset Management, LLC ("PTAM") is the advisor to the PTAM Funds. Distributed by ALPS Distributors, Inc.

Financial professionals only. Not for public distribution.