

Shape of the Markets

THE POWER OF HIGHER INCOME

JUNE 2026

We have often highlighted that higher yields (income) enhance both the total return potential and the defensive characteristics of bonds. Today, with the 30-year Treasury yield at levels that have only been exceeded 1% of the time over the last 15 years¹, we believe bonds generally offer one of the most compelling combinations of income, value, and downside protection seen in years.

We can analyze this by comparing the Shape of the 30-year Treasury in two very different fixed income landscapes. In July 2021, when Treasury rates were over 300 basis points (bps) lower, and today, to compare the total return opportunity and see how much more attractive, and defensive, bonds are today.

Shape Management is a mathematical calculation that analyzes the return profile of a bond or a group of bonds' future cash flows over a horizon. The below Shapes are run on a three-year horizon, and the projected returns in the tables below represent annualized returns.

30-year Treasury Shape as of July 31st, 2021:

Date	-300	-150	Unchanged	+150	+300
7/31/2021	14.12%	11.45%	1.31%	-7.56%	-15.26%

30-year Treasury Shape today:

Date	-300	-150	Unchanged	+150	+300
5/31/2026	19.40%	11.23%	4.23%	-1.73%	-6.78%

Sources: PTAM, Bloomberg, BlackRock Anser as of 7/31/2021 and 5/31/2026. The 30-Year Treasury is constructed with the on-the-run 30-Year Treasury. These total returns are estimated over a 3-year horizon. The bonds used to create this Shape are not held by PTAM clients as of the date of this presentation.

Assumptions: (1) a parallel shift in the yield curve (2) static allocation for 3 years (3) linear rate changes (4) sector specific spreads are held constant across five rate scenarios (5) reinvestment rate consistent with respective sector.

The 30-year Treasury today is vastly improved with the benefit of a higher interest rate environment. The higher income can offset some price erosion in the "rates up" scenarios, while also contributing to total return in the "rates unchanged" and "rates down" scenarios.



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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.

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1- Source: Bloomberg. Data as of 1/30/2011-5/31/2026.

How does a higher rate environment impact the Shapes of PTAM Strategies?

Our Intermediate Core-Plus Strategy Shape as of July 31st, 2021:

Date	-300	-150	Unchanged	+150	+300
7/31/2021	2.98%	2.91%	1.71%	0.25%	-1.16%

Our Intermediate Core-Plus Strategy Shape today:

Date	-300	-150	Unchanged	+150	+300
7/31/2021	9.96%	7.41%	5.04%	2.90%	0.96%

Sources: PTAM, Bloomberg, and BlackRock Anser as of 7/31/2021 and 5/31/2026. Intermediate Core-Plus Bond Strategy Shape consists of the following sectors to reflect current portfolio composition: 12% 20-Year Treasury, 6% ABS, 7% HY BB, 28% AA Taxable Muni, 10% NA CMBS Credit AAA, 12% NA CMBS XA, 12% CLO AA, 5% Non-Agency RMBS, and 8% 10YR BBB Corp. The bonds that make up Core-Plus Strategy Shape are held by PTAM clients. The Core-Plus strategy shape is not a PTAM product.

Assumptions: (1) a parallel shift in the yield curve (2) static allocation for 3 years (3) linear rate changes (4) sector specific spreads are held constant across five rate scenarios (5) reinvestment rate consistent with respective sector.

There are a couple of facts we know:

- With Treasury rates over 300 bps higher today than in 2021, the Intermediate Core-Plus Bond Strategy's total return potential looks significantly better today in every interest rate scenario. *Higher starting yields (income) make bonds more attractive.*
- With a higher yield environment, the Intermediate Core-Plus Bond Strategy has become much more defensive if interest rates move higher from here. Comparing the two Shapes above, the potential return if rates rise 150 bps today essentially ties the Intermediate Core-Plus Bond Strategy Shape's return from 2021 if rates were to fall 300 bps. **In other words, the best-case scenario for the Strategy in 2021 ties today's shape if interest rates were to rise moderately over the next three years!** *Higher yields (income) make bonds more defensive.*

Market volatility and unsettling headlines are a constant. However, when we focus on the underlying fundamentals of bond investing, the forward return potential in fixed income appears as compelling as it has in the last 15 years.

Glossary

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

Risks and Other Important Considerations

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 presentation 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.

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All projected performance is shown as net performance, which includes management fees, reinvestment of interest payments, and principal payments. More details of security selection and methodology can be obtained by emailing mutualfunds@ptam.com.

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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

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