

FIXED INCOME STRATEGY

as of 6/30/2025

OVERVIEW

Fixed income markets delivered somewhat more muted performance in the second quarter than the first, but broadly posted solid returns for the quarter. Market performance was driven by a resumed steepening of the yield curve, as shorter maturity yields fell, while longer maturity yields rose. The 10 year benchmark Treasury was the fulcrum of the yield curve, little changed from beginning to end at 4.23%. However, this masked the intra-quarter volatility of yields, particularly in the wake of the Liberation Day tariff announcements, where the 10 year yield traded in its widest weekly range since 2001, trading as high as 4.59% after bottoming at 3.86% in that short timespan.

Following the Trump administration's decision to ease off some tariff rate increases and allow time for negotiations with trading partners, fixed income volatility eased and has settled into more of a range-bound trading environment. While tariff rates have moved significantly higher and may move higher still, it seems likely that they will remain at levels shy of a de facto trade embargo with other countries, particularly China. We believe the impact of this policy in the near term will be to reduce economic growth, while adding to inflationary pressures. Part of the economic drag is the uncertainty of final tariff and trade details, causing businesses to hold off on larger expenditures and hiring. Somewhat counteracting this is the impending passage of the One Big Beautiful Bill budget, which looks to be modestly stimulative in the coming several quarters.

Despite pressure from the administration to cut rates, the Federal Reserve held its policy rate steady this quarter and it has been unchanged this year. Since final tariff rates are still unknown, the committee is unsure of the degree to gauge them and are concerned that anticipated inflation

from tariffs could become persistent. Although the economy looks to have softened somewhat from last year, underlying growth continues at a reasonable pace. While labor market growth has also cooled, unemployment remains at what is thought to be full-employment levels. As the Fed projects two rate cuts in 2025, it will take a continued absence of tariff pass-through to inflation, or a cracking in the labor market, to justify the action to cut.

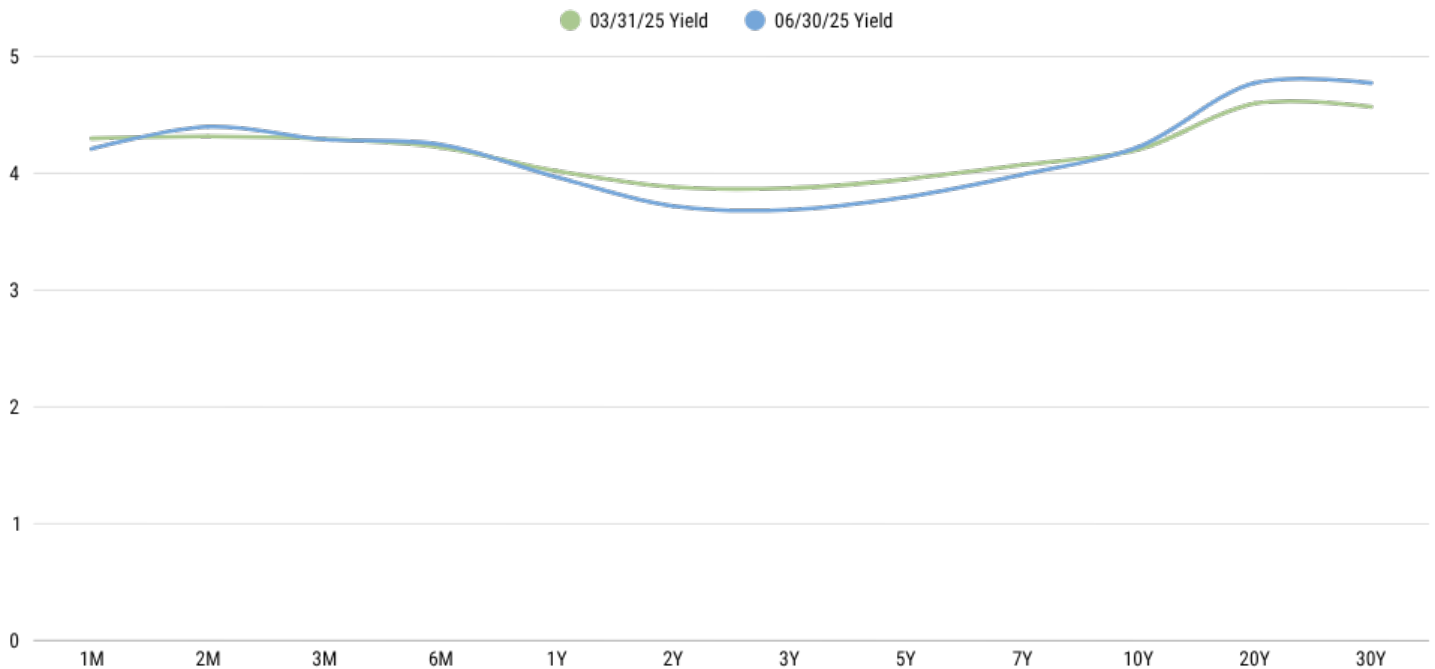
Although corporate spreads widened sharply after Liberation Day announcements, investment grade spreads ended the quarter modestly tighter at +83bps. High yield credit spread volatility and subsequent tightening was stronger, narrowing to +290bps as equities powered to all-time highs. An overall solid fundamental backdrop, coupled with strong demand from investors, has supported the corporate markets, leading to historically tight spread levels.

Due to what we feel are a wide range of policy and economic outcomes, along with tighter corporate spreads, we have a balanced approach across our strategy. As a result, our maturity distribution is relatively balanced with an overall duration overweight. We have incrementally increased our government sector allocation, including adding exposure to TIPS, as corporate spreads have become less attractive, although our strategy has maintained a corporate sector focus to augment portfolio yields.

SAMPLE FIXED INCOME PORTFOLIO - TOP CORPORATE BOND HOLDINGS BY SECTOR

Communications:	Verizon
Consumer Discretionary	Lowe's Co
Consumer Staples:	Anheuser-Busch Inbev, Church & Dwight
Energy:	Enbridge, Enterprise Products
Financials:	Bank of America Corp., JPMorgan Chase & Co, MetLife Inc
Healthcare:	AbbVie, Quest Diagnostics
Industrials:	Air Products, Nucor
REIT:	Prologis
Technology:	Hewlett Packard Enterprise
Utilities:	American Electric Power, Duke Energy

YIELD CURVE



MEET THE TEAM



Jeff Hibbeler, CFA **Sr. Portfolio Manager**

Jeff joined Exencial Wealth Advisors in 2018 as a Senior Portfolio Manager for Fixed Income. He brings an extensive fixed income background and over 20 years of experience in the investment management industry. Previous to joining Exencial, Jeff was a Portfolio Manager for 11 years on the Core Fixed Income Team for Columbia Threadneedle Investments, managing portfolios for high-net-worth and institutional clients. Prior to his fixed income role, Jeff was the Institutional Performance Measurement Manager for a predecessor organization of Columbia Threadneedle, where he was responsible for managing performance reporting and attribution analysis across all investment platforms. Jeff began his career as a Performance Measurement Service Manager at Infovisa, Inc.

Jeff received a B.S. in Business Administration from Nebraska Wesleyan University, where he graduated with high distinction. Jeff holds the Chartered Financial Analyst designation and is a member of the CFA North Carolina Society.

Jeff and his wife, April, have two daughters and are active in their community primarily through their church and support of the Ada Jenkins Center, a not-for-profit organization helping those in poverty gain economic independence. Jeff has also coached for several seasons in the Cornelius-Davidson girls basketball league.

MEET THE TEAM



Michael Conerly, CFA **Sr. Portfolio Manager**

Michael joined Exencial Wealth Advisors in 2021 as a Senior Portfolio Manager for Fixed Income and brings over 20 years of experience in the investment management industry. Previous to joining Exencial, Michael was the Southeast Tax -Exempt Fixed Income Team Lead for Columbia Threadneedle Investments. Michael was also a Portfolio Manager for 14 years on the Tax-Exempt Fixed Income Team, managing individually tailored portfolios for high-net-worth clients. Prior to his Portfolio Manager role, Michael was a tax-exempt credit analyst covering various sectors. Michael began his professional career as a Mutual Fund Accountant at BISYS.

Michael received a B.S. in Business Administration with a concentration in Finance from The Ohio State University. Michael holds the Chartered Financial Analyst designation and is a member of the CFA North Carolina Society.

Michael and his wife, Peggy, have two sons and daughter. The family is active in Scouts BSA (formerly Boy Scouts of America) and supports the Paula Takacs Foundation, a non-for-profit organization that raises awareness and funds for sarcoma cancer research and clinical trials.

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All performance returns reflect the reinvestment of dividends and other earnings and the deduction of Exencial's investment advisory fee. Exencial's investment advisory fees are described in Part 2A of its Form ADV which is available upon request. Clients may also incur other transactions costs such as brokerage commissions, custodial costs, and other expenses which are not reflected in the performance returns. Actual client accounts utilizing the Fixed Income Strategy may experience different weightings and allocation and as such, the performance of a specific individual client account may vary substantially from the Fixed Income Strategy results. Exencial may depart from its strategic asset class allocations for particular strategies and allocate more or less to any asset class, or to other asset classes, in an attempt to add to the portfolio's overall returns. Exencial makes no representations that the results presented herein reflect the typical experience of an Exencial client nor that current or prospective clients will experience similar results in comparable situations. The Fixed Income Strategy holdings listed herein do not represent all of the securities purchased, sold, or recommended for clients during the reflected time period. Information on the methodology used to calculate the performance and a list reflecting the contribution of each holding in the Fixed Income Strategy Composite's overall performance during the time period is available upon request. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment or investment strategy will be profitable or equal the results portrayed herein. Information presented herein is subject to change without notice and should not be considered as a solicitation to buy or sell any security. Comparison of the Fixed Income Strategy to the various indexes set forth above is for illustrative purposes only and the benchmarks have not been selected to represent the most appropriate or comparable benchmark with which to compare the Fixed Income Strategy performance, but rather to allow for comparison of the Fixed Income Strategy's performance with well known and widely recognized benchmark indexes. It is not possible to directly invest in an index, as indices are unmanaged, hypothetical vehicles that serve as market indicators and do not account for the deduction of investment management fees or transaction costs generally associated with investable products, which otherwise have the effect of reducing the performance of an actual investment portfolio. The securities held in clients' accounts following a particular strategy and the Fixed Income Strategy may differ significantly from the securities included in a benchmark index, and the volatility of the securities may differ significantly from that of the benchmark index. A description of each index is available from us upon request. References to specific securities are presented principally to illustrate the firm's investment methodology or approach and are not being referenced to demonstrate Exencial's performance or investment results. Exencial is under no obligation to hold any equity position for any time period and Exencial's current recommendations are subject to change at any time without notice. A complete list of portfolio holdings and specific securities transactions for the preceding 12 months is available upon request. The information contained herein, while not guaranteed as to the accuracy or completeness, has been obtained from sources we believe to be reliable.

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Treasury yields are yields on debt obligations issued by the U.S. government. U.S. treasuries can be purchased individually.

The Fed Funds Target Rate is the interest rate charged by one bank for an overnight loan of money stored at the Federal Reserve to another bank. A target range is sometimes designated by the FOMC along with the target rate during times of economic uncertainty. The target rate is often related to the risk-free rate of an economy.

Treasury Inflation-Protected Securities (TIPS) are U.S. Treasury bonds indexed to inflation to protect investors from decline in the purchasing power of their money. The principal value of TIPS