

# Enhanced Cash Management Fixed Income Strategy

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Characteristics and Commentary

4th Quarter 2025

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## Market Environment

- Markets faced multiple challenges during the quarter, including a record-breaking government shutdown, weak job data, and rising AI valuation concerns.
- Ultimately, markets recovered and investors gained policy clarity on a few fronts, including Fed cuts, and economic data showed overall resilience with a robust 4Q GDP number.
- Credit had positive performance as spreads remained historically tight, while MBS showed strength during the quarter as valuations in that space began to normalize on policy support.

## Quarterly Performance

The Enhanced Cash Management Strategy returned +1.08% (gross) / +1.03% (net) vs. +1.01% for the Bloomberg 1-3 Month T-Bill Index.

### Attribution:

- Curve/Duration: +3 bps
- Sector/Selection: +4 bps (+3 bps/ +1 bps)

### Primary contributors to relative performance:

- Sector: Overweight Corporate Credit
- Subsector: RMBS
- Industries: Banking, Consumer Non-Cyclical & Consumer Cyclical

### Primary detractors to relative performance:

- Subsector: RMBS

## Outlook

- The setup for fixed income in 2026 appears positive and similar to 2025 with decent yield carry and accommodative fiscal and monetary policies, albeit with less rate cuts than last year.
- This suggests fixed income investors should stay positioned for lower rates overall but more neutral early in the year, especially during peak midterm election campaign season.
- Consensus on spreads seems to be that they will “hold the line,” and there is a historical precedent (2003-2006) for spreads remaining tight if fundamentals stay firm.

## Positioning

- From a broad positioning standpoint, we believe 2026 should be about excess yield generation again, but with an eye toward stability given spread levels.
- We continue to outyield by leaning selectively into high-quality spread sectors and focusing on security selection as a source of excess return given tight credit spreads.
- In credit, we favor large banks, regulated utilities, and natural gas-centered energy businesses.

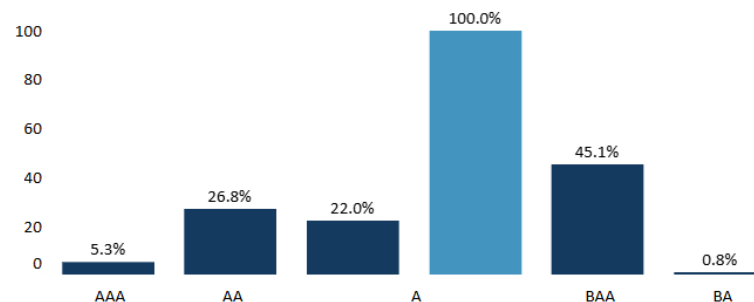
## PORTFOLIO SUMMARY

<b>As of Date</b>	December 31, 2025
<b>Portfolio Market Value</b>	Composite
<b>Benchmark</b>	Bloomberg T-Bill 1-3 Month

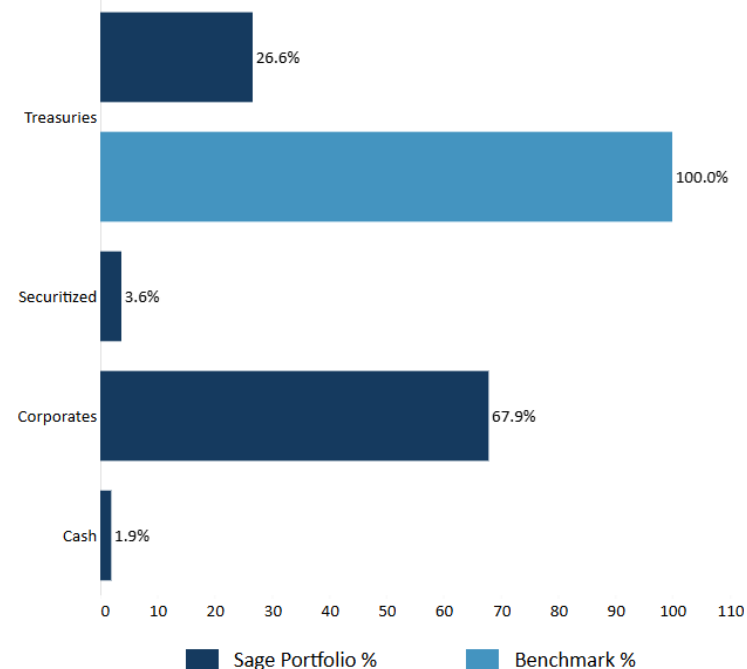
## PORTFOLIO CHARACTERISTICS

	Portfolio	Benchmark
<b>Yield to Worst</b>	3.98%	3.60%
<b>Coupon</b>	3.46%	
<b>Effective Maturity</b>	0.66	0.16
<b>Effective Duration</b>	0.61	0.16
<b>Average Credit Rating</b>	A	AA

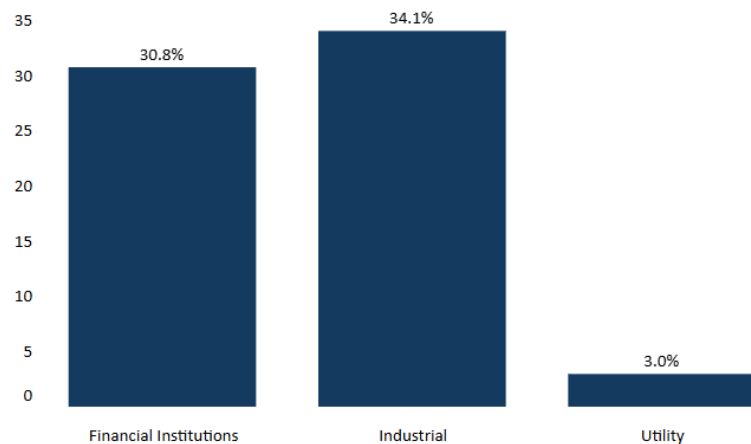
## CREDIT RATING ALLOCATION



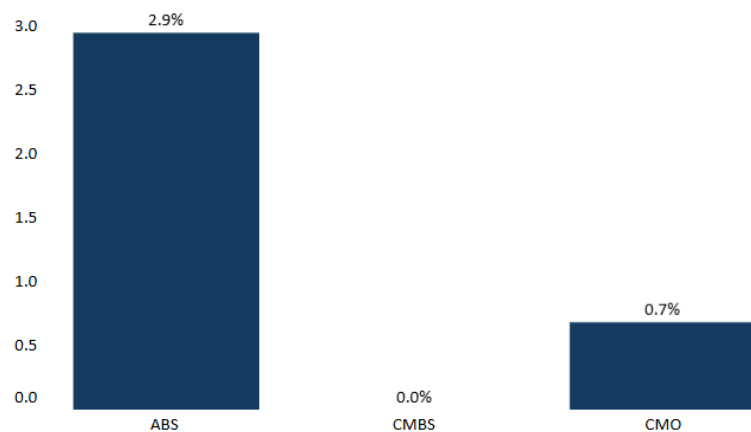
## SECTOR ALLOCATION



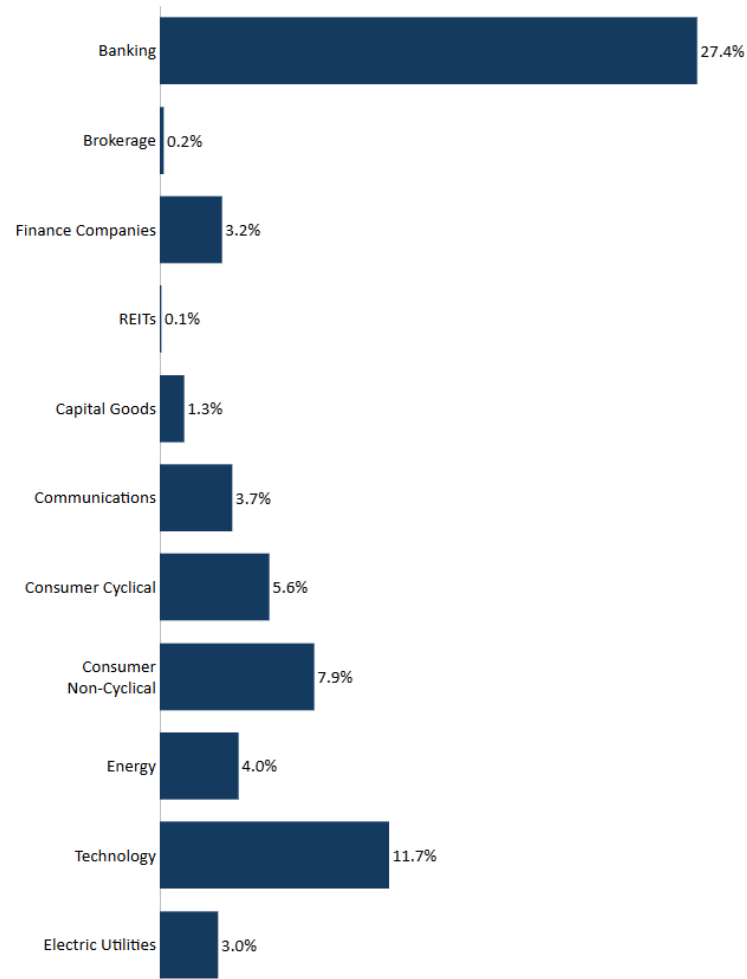
## CORPORATE SECTOR ALLOCATION



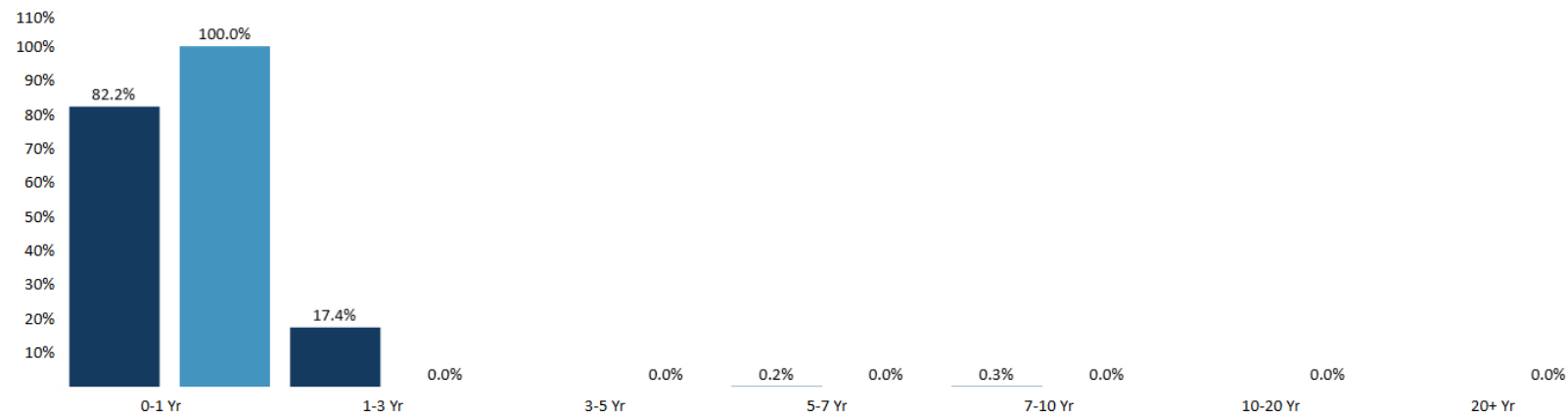
## SECURITIZED SECTOR ALLOCATION



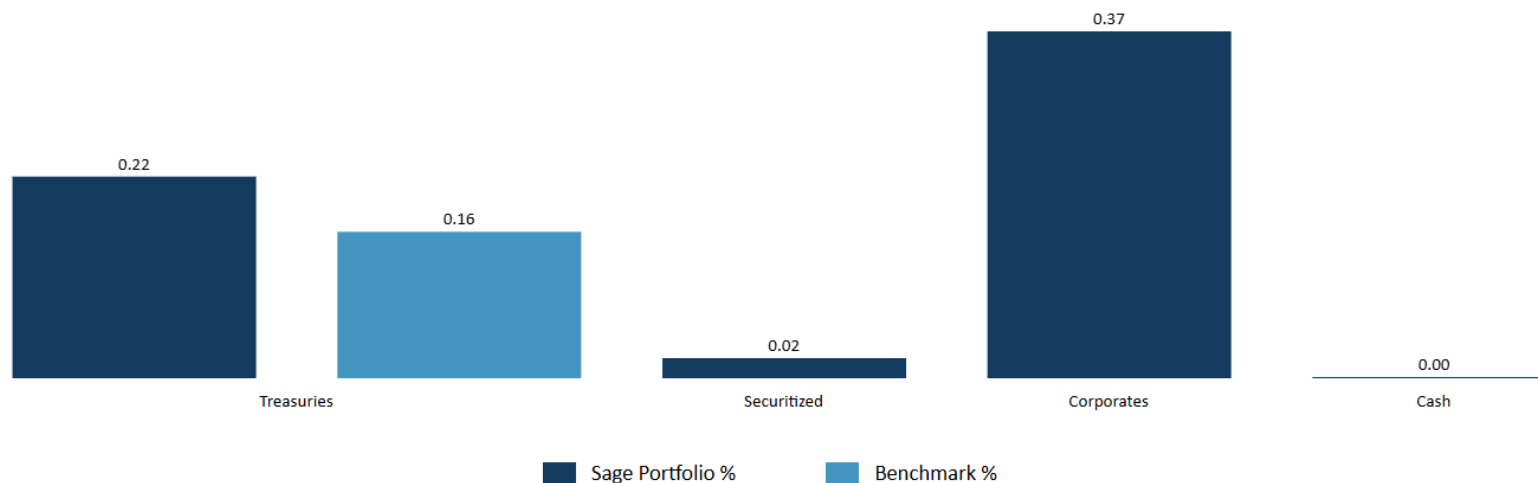
## CORPORATE INDUSTRY ALLOCATION



## MARKET VALUE DISTRIBUTION BY MATURITY



## CONTRIBUTION TO DURATION DISTRIBUTION BY SECTOR





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## Enhanced Cash Management Fixed Income Composite

Year	Gross Return (%)	Net Return (%)	Benchmark Return (%)	Number of Portfolios	3 Yr Composite Deviation (%)	3 Yr Benchmark Deviation (%)	Internal Dispersion	Total Composite Assets (\$MM)	Total Firm Assets (AUM) (\$MM)	Advisory Only Assets* (\$MM)	Total Firm Assets (AUA)* (\$MM)
2016	1.35	1.15	0.26	3	0.22	0.04		139	10,183	1,809	11,992
2017	1.45	1.25	0.82	6	0.21	0.11		267	10,808	1,904	12,712
2018	1.99	1.78	1.82	17	0.22	0.20	0.11	298	11,062	1,677	12,739
2019	3.18	2.98	2.21	44	0.28	0.19	0.31	612	12,798	1,823	14,621
2020	1.36	1.15	0.54	46	1.33	0.25	0.36	501	13,731	1,961	15,691
2021	0.38	0.18	0.04	39	1.34	0.30	0.08	856	15,053	2,491	17,544
2022	0.79	0.59	1.52	24	1.37	0.32	0.20	506	15,286	2,036	17,322
2023	5.40	5.19	5.14	34	0.79	0.65	0.08	1,309	22,640	1,986	24,626
2024	5.63	5.42	5.32	30	0.80	0.55	0.22	655	24,912	1,881	26,793
2025	4.78	4.57	4.29	26	0.29	0.17	0.11	417	28,347	1,859	30,206
	<b>1 Yr</b>	<b>5 Yr</b>	<b>10 Yr</b>	<i>Returns for periods less than one year are not annualized.</i>							
Gross Return (%)	4.78	3.37	2.61	<i>*Assets Under Advisement (AUA) includes Advisory Only Assets where Sage provides investment recommendations but has no control over implementation of investment decisions and no trading authority.</i>							
Net Return (%)	4.57	3.16	2.41	Compliance Statement: Sage Advisory Services, Ltd. Co. ("Sage") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Sage has been independently verified for the period December 31, 2004 to December 31, 2024. The verification report is available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.							
Benchmark Return (%)	4.29	3.24	2.18								

As of December 31, 2025

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**Composite Characteristics:** The Enhanced Cash Management Composite (the "Composite") consists of all non-wrap program discretionary, fee-paying accounts over \$1,000,000 that are managed for a full month according to this style. The Composite contains accounts investing primarily in fixed income securities. The Composite creation and inception date is March 31, 1997. Not every client's account in the Composite will have the identical characteristics. The actual characteristics with respect to any particular client account may vary based on a number of factors, including but not limited to: (i) the size of the account; (ii) the investment restrictions applicable to the account, if any; and (iii) the market conditions at the time of investment.

**Composite Fee:** The gross investment results for the Composite presented herein represent historical gross performance with no deduction for investment management fees but net of all trading expenses. Net returns are net of all trading expenses and are calculated by deducting 1/12th of the highest management fee on a monthly basis from the monthly gross composite return. The model fee is 0.20%. The fee schedule for the Composite is as follows: 0.20% for the first \$10 million and 0.15% for the balance over \$10 million. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. Please see Sage's Form ADV Part 2A for a full disclosure of Sage's fee schedules.

**Composite Benchmark:** Sage has reviewed the relevant universe of indices and has determined that the Bloomberg 1-3 Month U.S. Treasury Bill Index most closely resembles the Composite managed by Sage. The Bloomberg 1-3 Month U.S. Treasury Bill Index represents securities that are U.S. Treasury Bills with maturities ranging from one month up to, but not including, three months.

**Calculation Methodology:** All valuations, gross, and net returns are based in U.S. Dollars and are computed using a time-weighted total rate of return. Periodic returns have been geometrically linked and annualized for all time periods longer than one year. Portfolio performance results include, and reflect, as applicable, the reinvestment of all interest, accrued income, cash, cash equivalents, realized and unrealized gains and losses. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. Internal dispersion is the asset-weighted standard deviation of annual gross returns of those accounts included in the Composite for the entire year. If there are years whereby there are 5 or fewer accounts, the dispersion is N/A. The 3-year ex-post standard deviation measures the variability of the composite gross returns and the benchmark returns over the preceding 36-month period. If there are years whereby there are fewer than 36 monthly returns available, the 3-year annualized ex-post standard deviation of this composite and its benchmark is N/A.

**Risk Disclosures:** Actual performance results may differ from Composite returns, depending on the size of the account, investment guidelines and/or restrictions, inception date and other factors. Past performance is not indicative of future returns. As with any investment vehicle, there is always the potential for gains as well as the possibility of losses.

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