Core Municipal Strategy

Characteristics and Commentary

3rd Quarter 2025

Sage Advisory Services
5900 Southwest Parkway
Building 1, Suite 100
Austin, Texas 78735

SAGE | INVEST WITH WISDOM™

Core Municipal Strategy Characteristics & Commentary

Market Environment

- The municipal market saw a strong rebound in the third quarter after a challenging first half. Municipal bonds recovered due to falling benchmark yields, improved fund flows, and reduced supply pressures.
- Longer maturity municipals became more attractive, with taxable equivalent yields comparable to BB-rated corporate bonds, and the 10s30s curve steepened.
- Strong municipal fundamentals and elevated state savings made municipals a late-cycle credit haven. While some credit-sensitive sectors lagged, overall market sentiment improved, benefiting investors in longer-dated and out-of-favor coupon structure bonds as spreads compressed and fund flows remained positive.

Quarterly Performance

Primary contributors to relative performance:

- Curve Positioning: Slight barbell allocation relative to the benchmark
- Allocation: Overweight higher quality (AA-A) allocation within Revenue & GO's
- State: Underweight specialty states and overweight TX PSF
- Security Selection: AA & A rated Revenue & GO issuers

Primary detractors to relative performance:

- Duration Tilt: Return duration favored sub-5% coupon structures as rates declined due to the reversal of 'de minimis" tax effects.
- Allocation: Underweight AAA rated bonds and State GO's
- Coupon Stake: Slight underperformance due to underweight in sub-5% coupon structures

Outlook

- State and local government finances remained solid in Q3, with steady tax collections and stable employment, bolstering the credit quality of high-grade issuers.
- Revenue-backed sectors showed mixed performance: healthcare and transportation credits improved, while utilities lagged due to regulatory and capital spending pressures.
- Investor demand shifted toward high-quality issuers as rich credit spread valuations and seasonal supply factors introduced caution and limited appetite for riskier credits.
- Despite strong fundamentals, elevated market valuations and macroeconomic uncertainties highlight the need for careful credit analysis and selective positioning going into year-end.

Positioning

- Sage maintained a slightly long duration and adopted a barbell curve positioning, favoring longer maturities due to attractive valuations.
- The barbell strategy, previously a drag on performance, has recently improved as curve spreads became more favorable, leading to further enhancements in the portfolio's curve structure.
- Overweight positions in single A credits and targeted investments in higher beta credits contributed to strong portfolio performance.
- Sage employs a sector-neutral approach, emphasizing security selection except for a positive tilt towards prepaid gas bonds, which offer enhanced income and potential for excess returns.

Performance attribution and commentary is in reference to the composite, as of 9/30/25.

Core Municipal Strategy Characteristics & Commentary

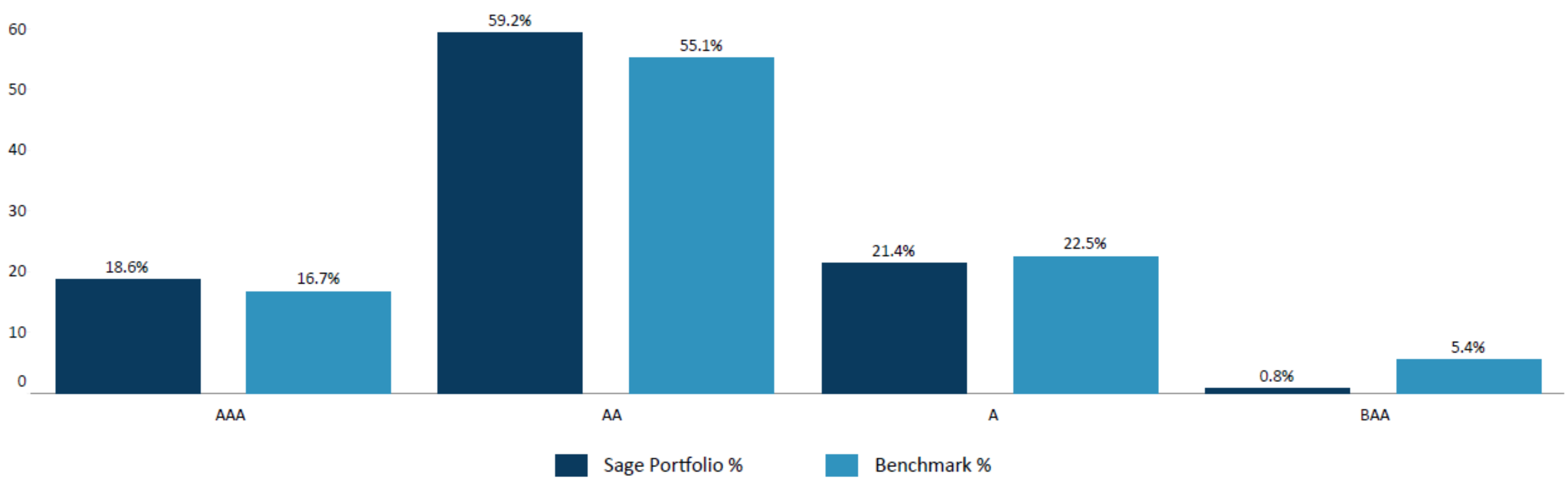
PORTFOLIO SUMMARY

As of Date	September 30, 2025
Benchmark	Bloomberg Municipal Bond

PORTFOLIO CHARACTERISTICS

	Portfolio	Benchmark
Yield to Worst	3.65%	3.66%
Coupon	4.92%	4.68%
Effective Maturity	6.50	8.04
Effective Duration	6.64	6.64
Average Credit Rating	Aa	AA-

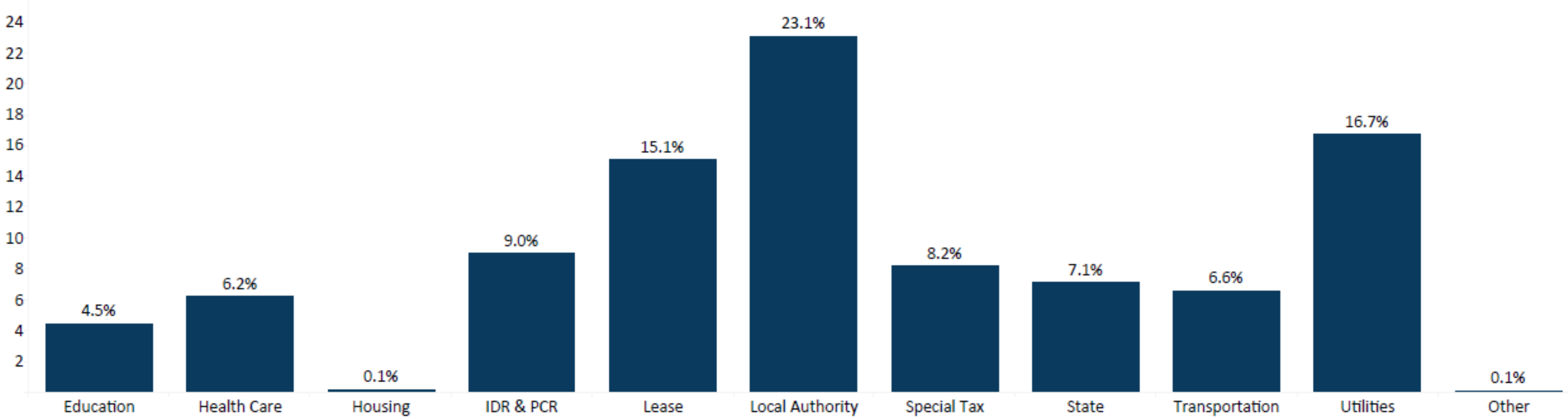
CREDIT RATING ALLOCATION



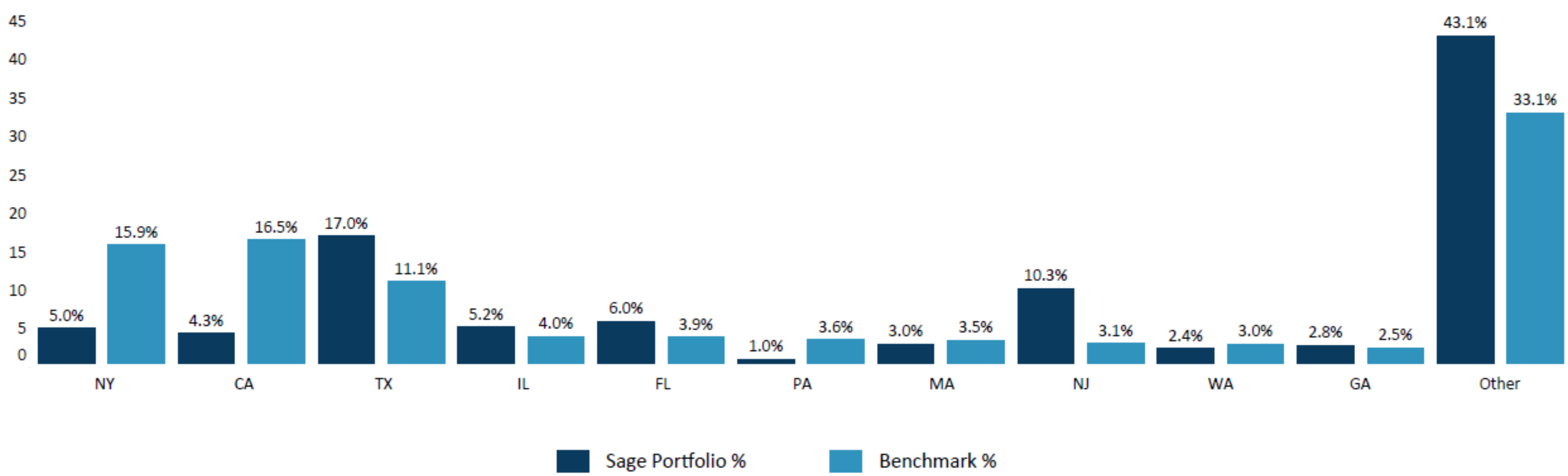
Information as of 9/30/2025. This information is supplemental to the GIPS presentation attached and is based on underlying composite accounts. Sage represents that the holdings, characteristics and risk profile are representative of the strategy/style. Please reference complete GIPS disclosures at the end of the presentation.

Core Municipal Strategy Characteristics & Commentary

MUNI SECTOR ALLOCATION



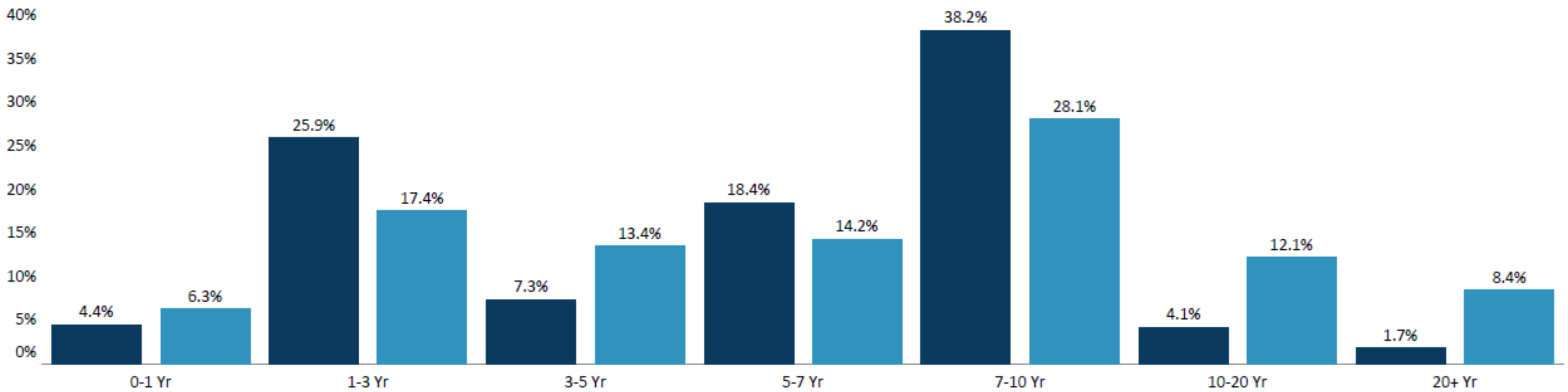
STATE DISTRIBUTION



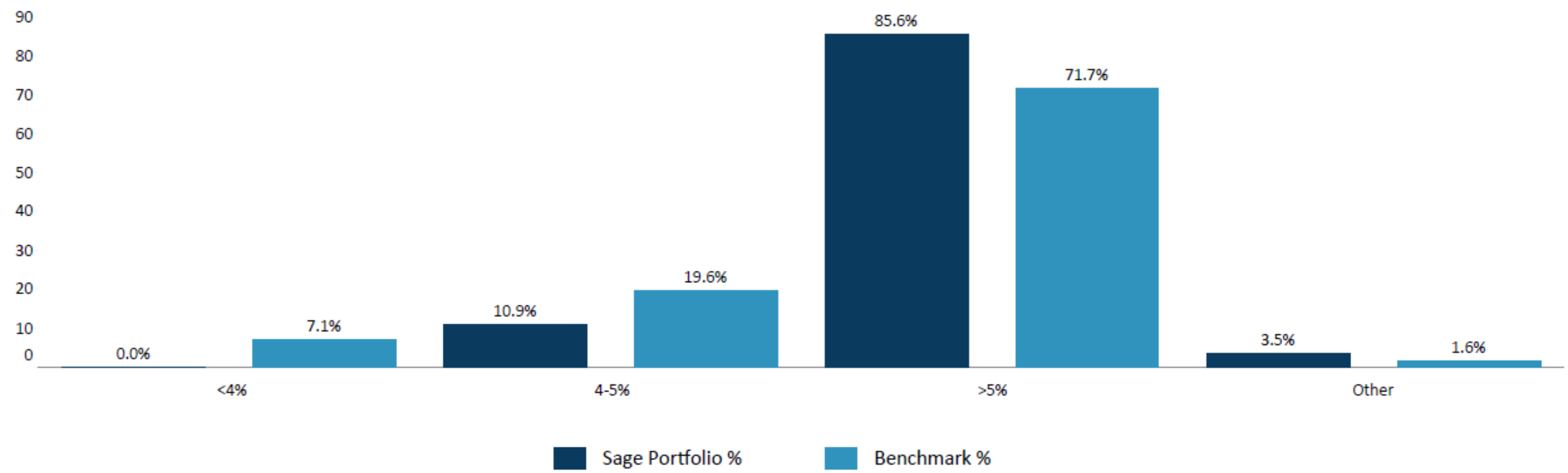
Information as of 9/30/2025. This information is supplemental to the GIPS presentation attached and is based on underlying composite accounts. Sage represents that the holdings, characteristics and risk profile are representative of the strategy/style. Please reference complete GIPS disclosures at the end of the presentation.

Core Municipal Strategy Characteristics & Commentary

MARKET VALUE DISTRIBUTION BY MATURITY



MARKET VALUE DISTRIBUTION BY COUPON



Information as of 9/30/2025. This information is supplemental to the GIPS presentation attached and is based on underlying composite accounts. Sage represents that the holdings, characteristics and risk profile are representative of the strategy/style. Please reference complete GIPS disclosures at the end of the presentation.

IMPORTANT DISCLOSURES

This report is for informational purposes only and is not intended as investment advice or an offer or solicitation with respect to the purchase or sale of any security, strategy or investment product. Although the statements of fact, information, charts, analysis and data in this report have been obtained from, and are based upon, sources Sage believes to be reliable, we do not guarantee their accuracy, and the underlying information, data, figures and publicly available information has not been verified or audited for accuracy or completeness by Sage. Additionally, we do not represent that the information, data, analysis and charts are accurate or complete, and as such should not be relied upon as such. All results included in this report constitute Sage's opinions as of the date of this report and are subject to change without notice due to various factors, such as market conditions. No part of this Material may be reproduced in any form, or referred to in any other publication, without our express written permission.

Investors should make their own decisions on investment strategies based on their specific investment objectives and financial circumstances. All investments contain risk and may lose value. Debt or fixed income securities are subject to market risk, credit risk, interest rate risk, call risk, tax risk, political and economic risk, derivatives risk, income risk, and other investment company risk. As interest rates rise, bond prices fall. Credit risk refers to an issuer's ability to make interest payments when due. Below investment grade or high yield debt securities are subject to liquidity risk and heightened credit risk. Foreign investments involve additional risks as noted above. Investing involves substantial risk and high volatility, including possible loss of principal. Bonds and bond funds will decrease in value as interest rates rise. Past performance is not a guarantee of future results.

Sage Advisory Services, Ltd. Co. is a registered investment adviser that provides investment management services for a variety of institutions and high net worth individuals. For additional information on Sage and its investment management services, please view our web site at www.sageadvisory.com, or refer to our Form ADV, which is available upon request by calling 512.327.5530.

Not FDIC Insured
May Lose Value
No Bank Guarantee