

# Sage Core Municipal Fixed Income Strategy

---

December 2025

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

**SAGE** | INVEST WITH WISDOM™



## Strategy Overview

---

## Who We Are

- Founded in 1996
- 100% employee operated
- 17-member investment team has an average industry experience of 18 years
- Deliver fixed income SMAs across the yield curve
- \$2 billion in Municipal AUM

## Why Sage

### Agility

Our size and independence as an employee-controlled firm enable us to take a nimble approach.

### Alignment

We customize the investment experience to align with each client's unique objectives and needs.

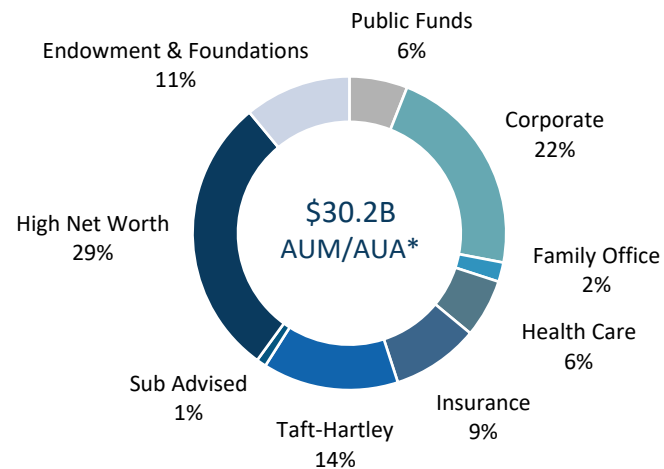
### Consistency

We have a tenured investment team and proven process that enable us to deliver expected results.

### Culture

We are committed to cultivating a culture of service and trust among our clients, our employees, and our community.

## Who We Serve



## Strategies & Services

---

### Overview

- Standard and customized municipal fixed income strategies across the yield curve
- Tax-efficient solutions with fixed income characteristics
- Separately managed accounts tailored to specific client investment needs
- Focus on meeting client objectives with low volatility and competitive risk-adjusted performance

#### Municipal Strategies

**Income:** deliver a consistent income advantage from diversified sources

**Risk Management:** risk profile consistent with the assigned mandate

**Diversification:** fulfill our role in the asset allocation process

#### Investment Approach

**Team Integration:** IC, Portfolio Management, & Research

**Philosophy:** key drivers of outcomes are income, price, and volatility

**Process:** balance macro view with portfolio design and risk management

#### The Sage Difference

**Access:** clients & consultants interact directly with investment professionals

**Customization:** willingness to tailor portfolios and client experience

**Structure:** independence and size leads to better client outcomes

## Our Approach

### Investment Philosophy

*We believe that over complete market cycles, consistent returns are driven by income generation, value opportunities, and rigorous risk management practices.*

#### Generate Income

Generate a consistent income advantage by harvesting a diversified set of risk premiums: duration, credit, structure and liquidity.

#### Capture Value

Capture value opportunities by taking advantage of market dislocations due to unexpected volatility or market inefficiencies.

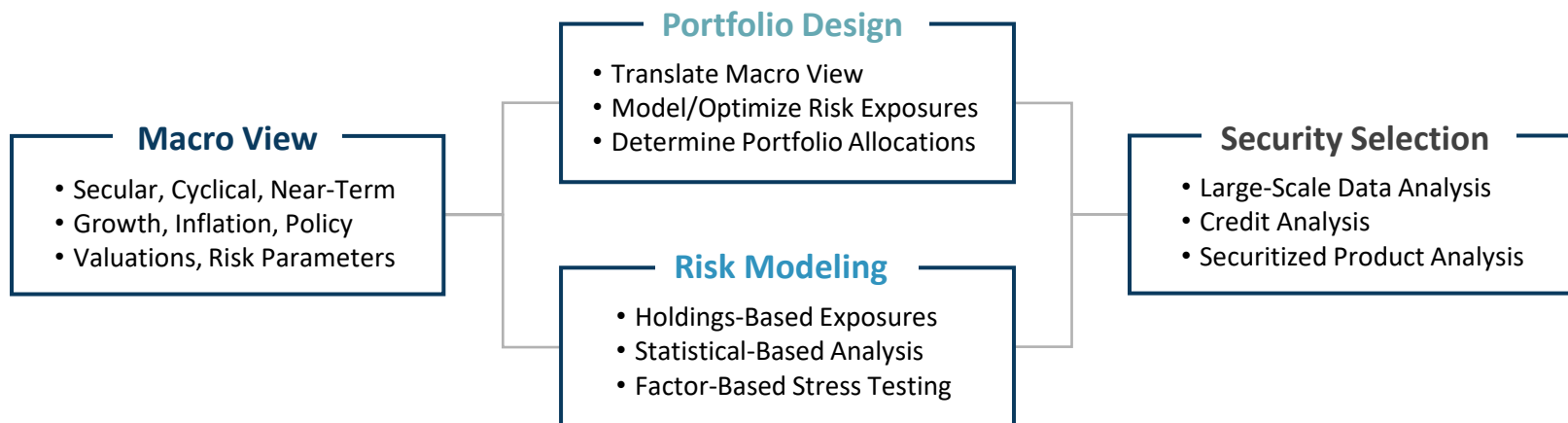
#### Manage Risk

Actively manage portfolio-level risk to ensure alignment with investment outlook and client objectives.

## Our Approach

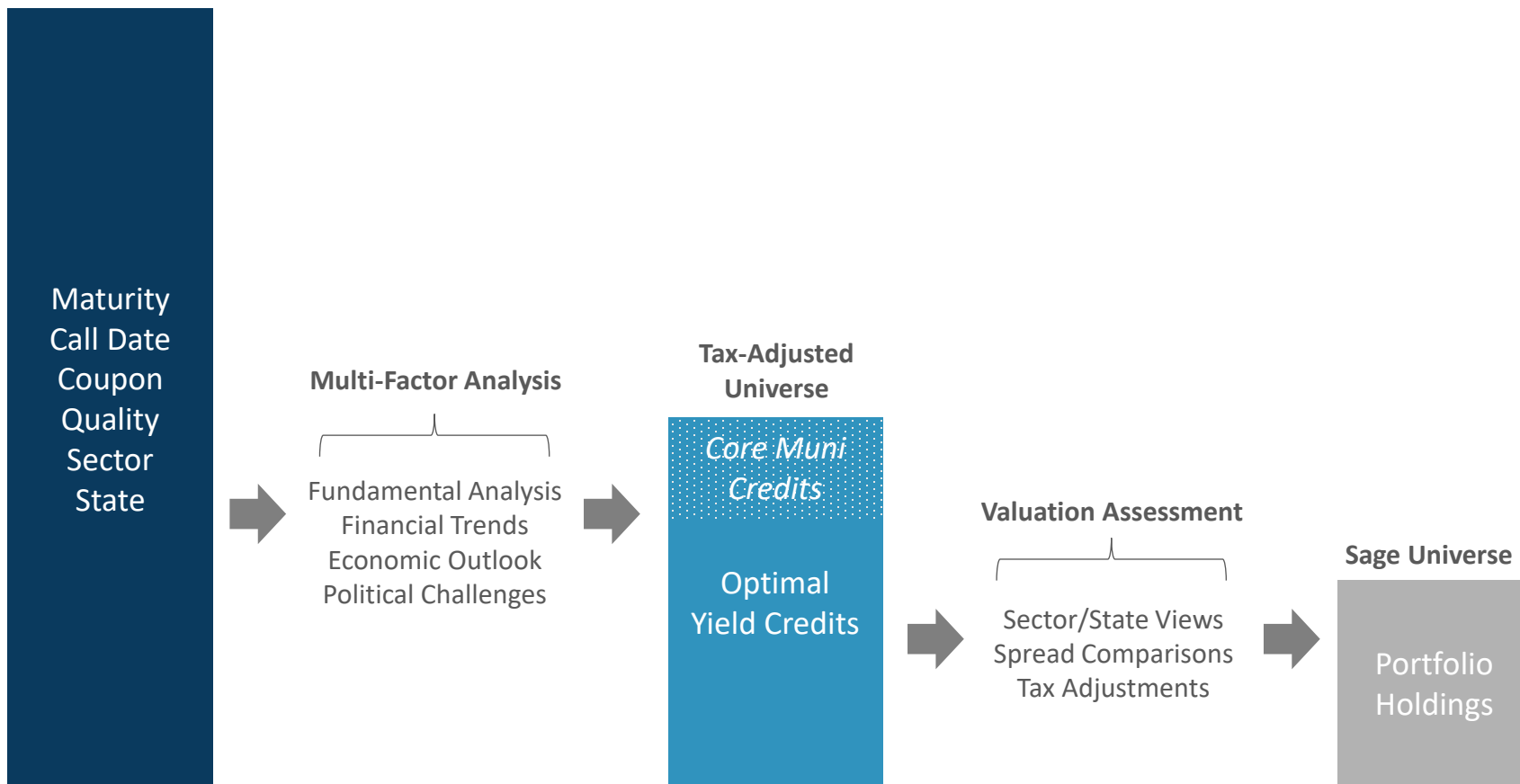
### Investment Process

*Our teams work together to balance the development of our macro views with thoughtful portfolio design, value-driven security selection, and active risk management.*



## Municipal Universe

Portfolio Implementation: Tax-adjusted yields determine the allocation to municipals



## Investor Concerns: Four Tenets of Muni Investment

	Key Question	Manager Commentary	Hypothetical Example
Maximum Tax Efficiency	What factors determine the optimal tax efficiency of my portfolio?	"Federal, State and Local tax rates are utilized to determine the most tax-efficient investment at time of purchase"	<u>Example:</u> In-state and out-of-state bonds are tax-adjusted to determine which bonds provide a higher after-tax income stream.
Superior Risk-adjusted Yield	I just buy and hold the highest yielding bond I can find. What is wrong with that strategy?	"Historically that may have worked; however, today's uncertain environment requires dedicated and seasoned professionals to identify both challenges and opportunities"	<u>Example:</u> Although rare, many retail investors were caught off-guard by the defaults of Detroit and Puerto Rico. Not selling prior because the "yield" was too attractive.
Predictable price volatility	Since I only focus on the income, why do I need to care about price movements?	"A total return approach to investing, not only provides the same income, but also enhances return opportunities by trading over and under valued bonds"	<u>Example:</u> Much like equities, municipal bonds experience periods of over and under valuation that can be capitalized on. An active manager constantly scans the market for attractive entry and exit points.
Institutional Liquidity	I'm a buy and hold municipal investor. Why should I care about liquidity?	"Liquidity is two ways, both on the buy and sell. Sage provides all of our clients institutional liquidity due to our access to over 60 broker/dealers nationwide"	<u>Example:</u> Regardless of size, Sage's relationship with "The Street" provides us pools of liquidity that only large institutions have access to. Over a short period of time, these unseen cost saving can pay dividends in additional yield/income returns.



## Portfolio Construction

SECTOR DIVERSIFICATION	<b>Municipal Bonds</b>	Tax efficiency and principal protection drives the active management of portfolio's overall duration and yield curve positioning
	<b>General Obligation</b>	Seek relative value opportunities compared to duration equivalent Treasury positions on an after-tax basis
	<b>Revenue</b>	Fundamental and structural analysis determines approved universe, top-down view drives sector and sub-sector allocation
	<b>Essential Service</b>	Maintain meaningful allocation to utilities, transportation and education, typically offers strong risk-adjusted returns
	<b>Corporate Backed</b>	Emphasis on issuers that are well collateralized and supported by strong fundamentals
	<b>Prerefunded</b>	Used tactically when the sector provides attractive relative value opportunities in risk-off markets
PORTFOLIO CONSTRUCTION	<b>Duration Range:</b> Typically +/- 25% of benchmark	
	<b>Credit Quality:</b> Investment grade	
	<b>Typical Holdings:</b> 20-25 <sup>1</sup>	
STRATEGY KEYS	<b>Foundational Fixed Income:</b> fixed income returns with fixed income characteristics	
	<b>Flexible Investment Approach:</b> investment process geared towards 3-6 month timeframe	
	<b>Active Risk Management:</b> determine best compensation per unit of risk	

1: Denotes typical holding for a retail separately managed account.



## Portfolio Characteristics

---

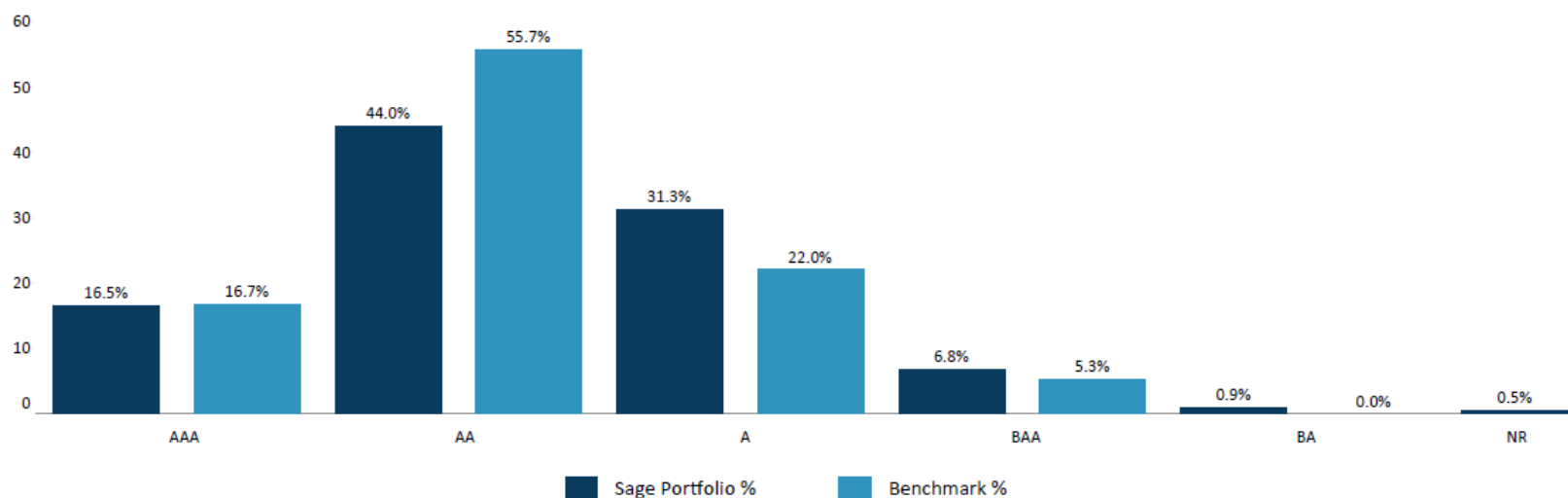
## PORTFOLIO SUMMARY

<b>As of Date</b>	December 31, 2025
<b>Benchmark</b>	Bloomberg Municipal Bond

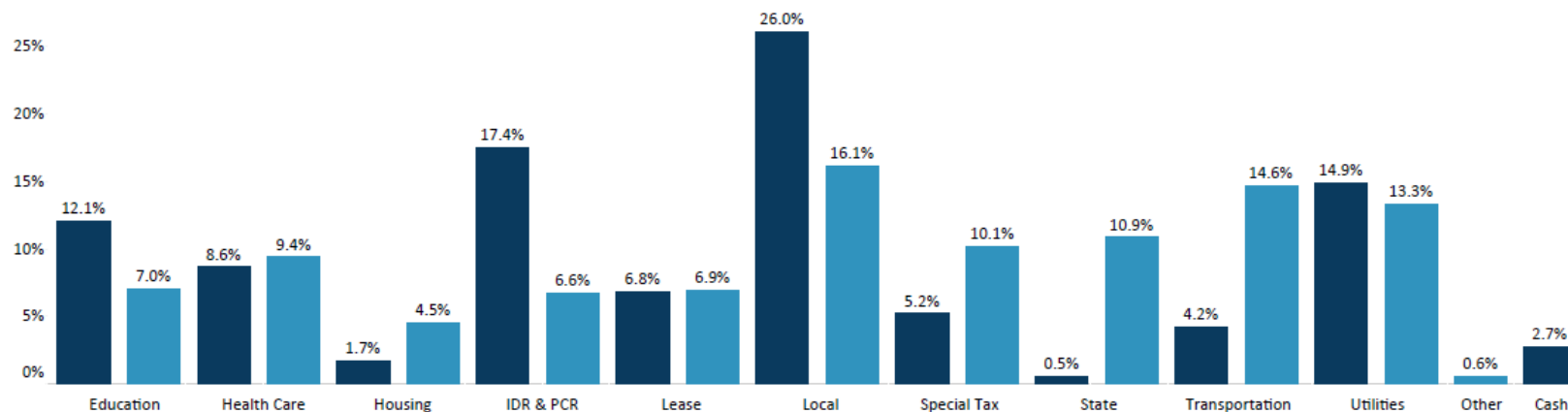
## PORTFOLIO CHARACTERISTICS

	Portfolio	Benchmark
<b>Yield to Worst</b>	3.82%	3.59%
<b>Coupon</b>	4.83%	4.69%
<b>Effective Maturity</b>	8.19	7.81
<b>Effective Duration</b>	6.89	6.45
<b>Average Credit Rating</b>	A	AA-

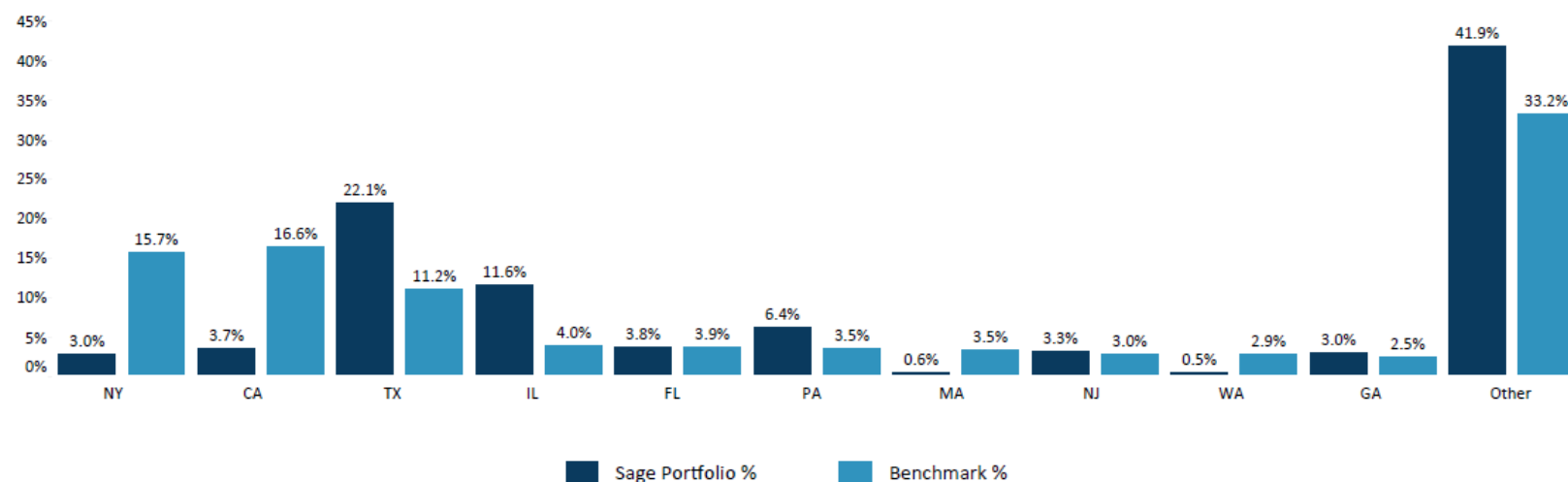
## CREDIT RATING ALLOCATION



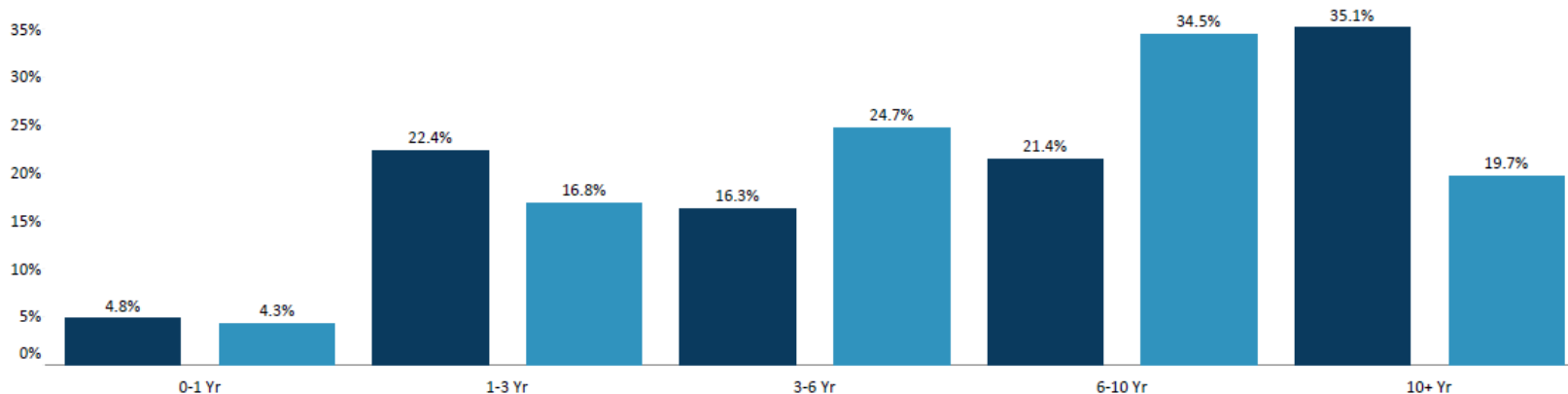
## MUNI SECTOR ALLOCATION



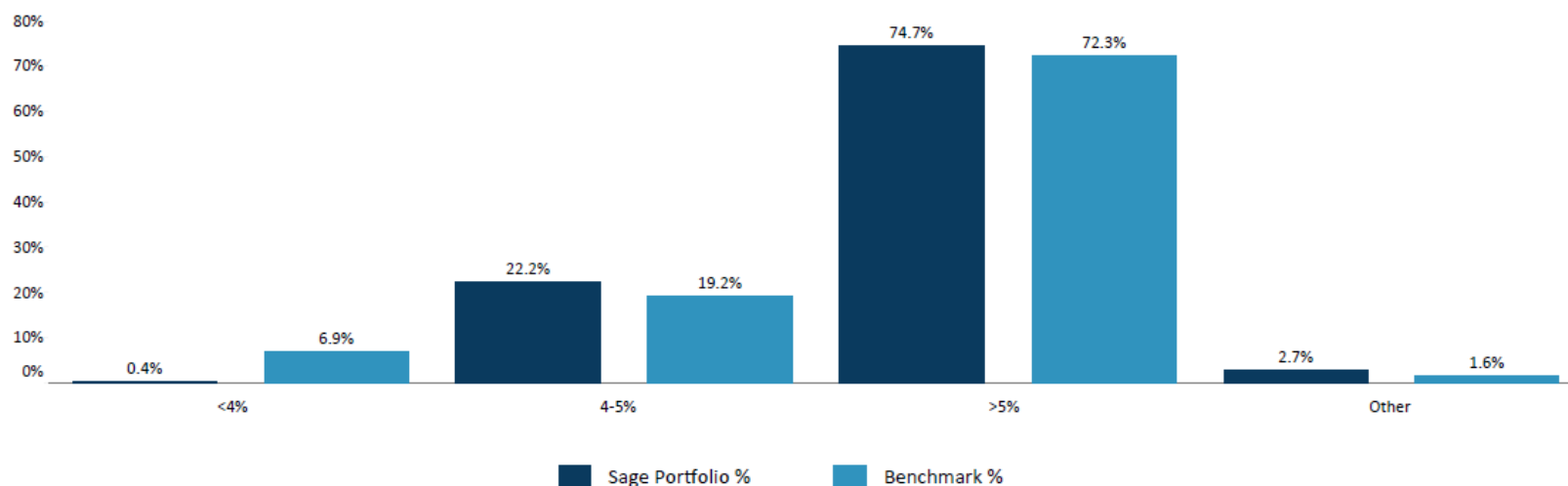
## STATE DISTRIBUTION



## MARKET VALUE DISTRIBUTION BY DURATION



## MARKET VALUE DISTRIBUTION BY COUPON

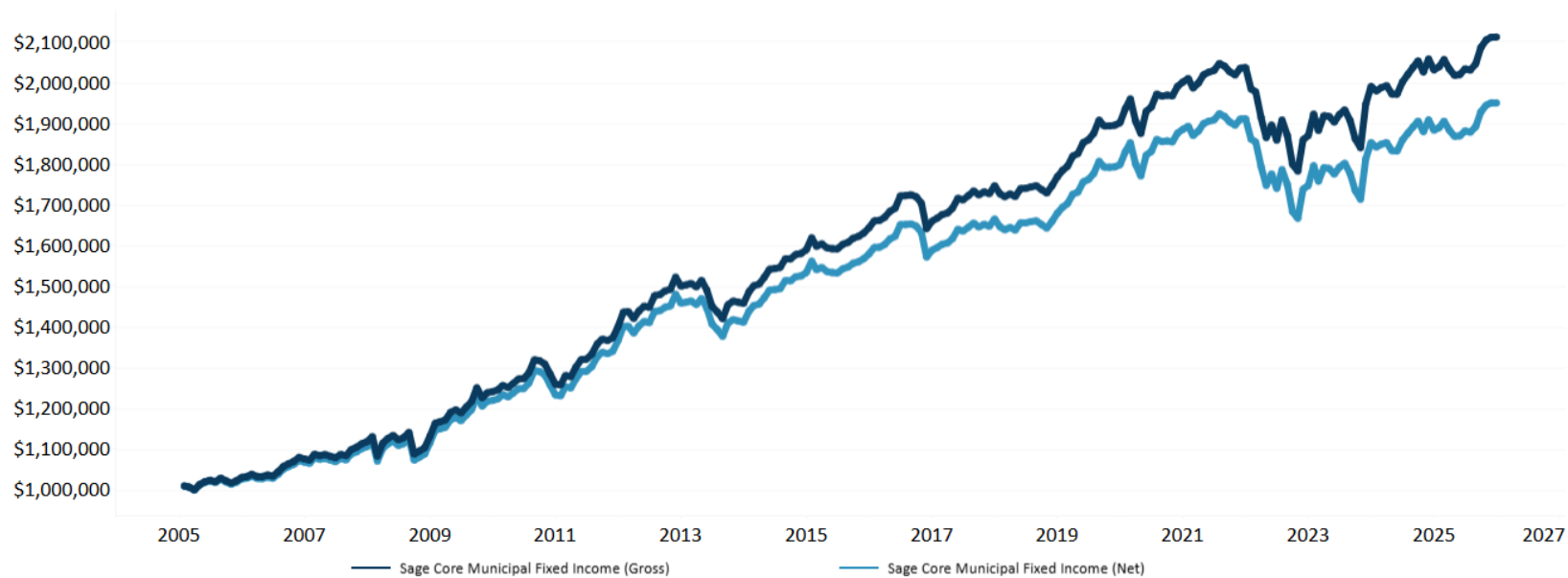




## Composite Performance

---

## INVESTMENT GROWTH

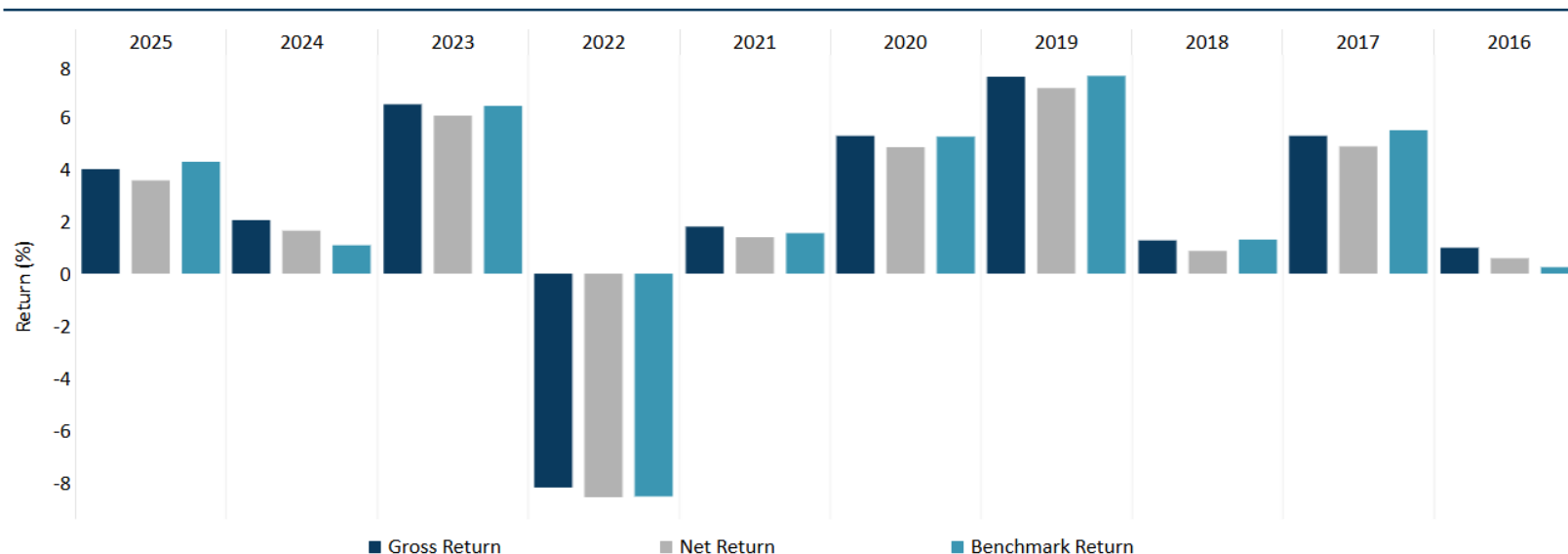


## ANNUALIZED RETURNS

As of Date: 12/31/2025. Inception Date: 1/1/2005

	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
Sage Core Municipal Fixed Income (Gross)	3.97%	3.97%	4.13%	1.08%	2.53%	3.62%
Sage Core Municipal Fixed Income (Net)	3.56%	3.56%	3.72%	0.68%	2.13%	3.23%
Bloomberg Municipal Bond	4.25%	4.25%	3.88%	0.80%	2.34%	3.52%

## CALENDAR YEAR RETURNS



## CALENDAR YEAR RETURNS

As of Date: 12/31/2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Gross Return	3.97%	2.03%	6.45%	-8.18%	1.77%	5.24%	7.50%	1.25%	5.25%	0.97%
Net Return	3.56%	1.62%	6.03%	-8.55%	1.37%	4.83%	7.07%	0.84%	4.83%	0.57%
Benchmark Return	4.25%	1.05%	6.40%	-8.53%	1.52%	5.21%	7.54%	1.28%	5.45%	0.25%



## RISK STATISTICS: 3 YEAR

	Std Dev	Alpha	Beta	Tracking Error	Sharpe Ratio	Information Ratio	Up Capture Ratio	Down Capture Ratio
Sage Core Municipal Fixed Income (Gross)	5.24	0.14	0.90	0.80	-0.12	0.27	93.44%	86.67%
Sage Core Municipal Fixed Income (Net)	5.24	-0.26	0.90	0.80	-0.19	-0.23	90.65%	89.57%
Bloomberg Municipal Bond	5.78	---	1.00	---	-0.14	---	---	---

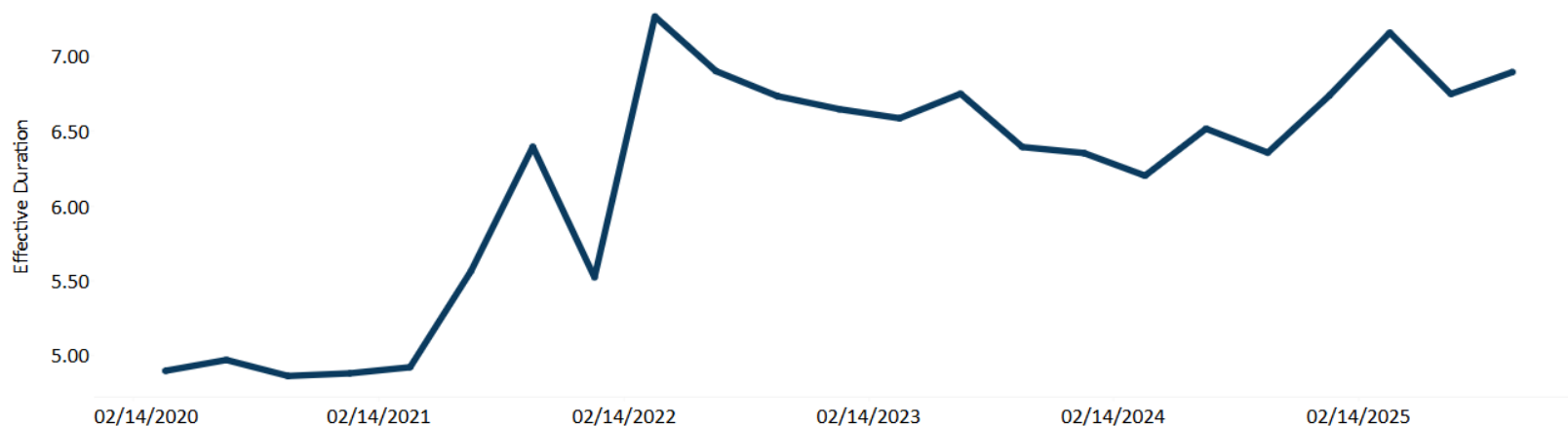
## RISK STATISTICS: 5 YEAR

	Std Dev	Alpha	Beta	Tracking Error	Sharpe Ratio	Information Ratio	Up Capture Ratio	Down Capture Ratio
Sage Core Municipal Fixed Income (Gross)	5.79	0.10	0.93	0.73	-0.34	0.34	95.37%	93.39%
Sage Core Municipal Fixed Income (Net)	5.79	-0.30	0.93	0.73	-0.41	-0.20	92.22%	95.46%
Bloomberg Municipal Bond	6.16	---	1.00	---	-0.36	---	---	---

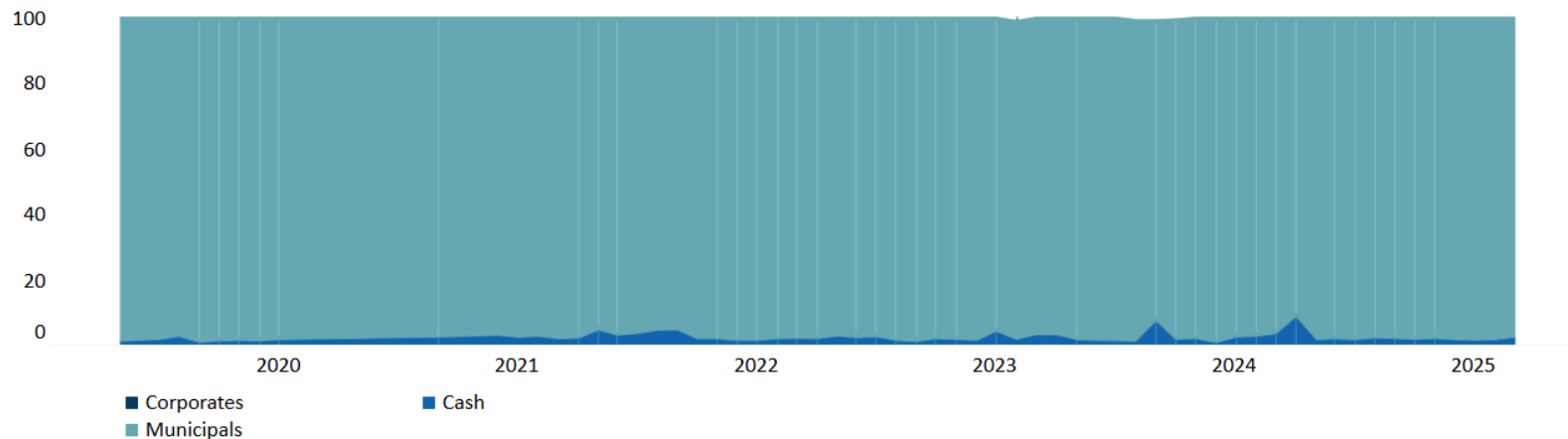
## RISK STATISTICS: SINCE INCEPTION - 1/1/2005

	Std Dev	Alpha	Beta	Tracking Error	Sharpe Ratio	Information Ratio	Up Capture Ratio	Down Capture Ratio
Sage Core Municipal Fixed Income (Gross)	4.47	0.20	0.94	0.84	0.43	0.10	93.43%	94.84%
Sage Core Municipal Fixed Income (Net)	4.46	-0.18	0.94	0.84	0.35	-0.35	87.43%	96.76%
Bloomberg Municipal Bond	4.69	---	1.00	---	0.40	---	---	---

## HISTORICAL DURATION



## SECTOR BREAKDOWN





## Additional Information

---

## Executive Leadership

**Robert G. Smith, III, AIF® & CIMC**

*President & Co-CIO  
56 Years*

**Thomas H. Urano, CFA**

*Co-CIO  
30 Years*

**Robert D. Williams, CFA**

*Chief Investment Strategist  
29 Years*

**Michael D. Walton, AIF®**

*Managing Partner  
29 Years*

**Robert W. Moser, CIMA®, CRPC, CFIP**

*Managing Partner  
26 Years*

### Investment Management

**Portfolio Management**

**Research & Strategy**

### Relationship Management

**Institutional**

**Private Client**

**Marketing Services**

### Enterprise Management

**Information Technology**

**Operations**

**Administration**

### Organizational Committees


Executive — Investment — Operating — Vendor Oversight — GIPS Oversight — Brokerage Oversight

## Investment Team

### Chief Investment Officers

**Robert G. Smith, III, AIF® & CIMC**  **Thomas H. Urano, CFA**   
 President & Co-CIO Co-CIO

### Portfolio Management & Trading

<b>Jeffery S. Timlin, CFA, CMT</b>  Managing Partner   Municipal	<b>Nicholas C. Erickson, CFA</b> Vice President   Securitized
<b>Seth B. Henry, CFA</b>  Partner   Securitized	<b>Brett J. Adelglass, CFA</b> Associate   Municipal
<b>Andrew K. Demand, CFA</b>  Partner   Credit	<b>Nicholas A. Barnard, CFA</b> Associate   Securitized
<b>David L. Luria, CFA</b> Vice President   Credit	<b>Alex Bender, CFA</b> Associate   Credit

 Investment Committee

### Expert Team Specializing in Institutional Fixed Income

- Average industry experience is 18 years
- Average tenure at Sage is 13 years
- 12 CFA charterholders

### Research & Strategy

<b>Robert D. Williams, CFA</b>  Chief Investment Strategist	<b>Jae Y. Song, ASA</b> VP, Sr. Research Analyst   LDI
<b>Komson Silapachai, CFA</b>  Partner   Sr. Strategist	<b>Douglas A. Benning</b> VP, Sr. Research Analyst   General
<b>Andrew S. Poreda, CFA</b>  VP, Sr. Research Analyst   LDI, Responsible Investing	<b>Xochitl C. Maldonado</b> Research Analyst   Quantitative
<b>Emma L. Harper, CIMA</b> VP, Institutional Research, Client Relations   Responsible Investing	



## Sage | Invest With Wisdom

# Core Municipal 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	0.97	0.57	0.25	4	3.41	3.38		16	10,183	1,809	11,992
2017	5.25	4.83	5.45	9	3.28	3.30	0.13	172	10,808	1,904	12,712
2018	1.25	0.84	1.28	10	3.26	3.35	0.11	162	11,062	1,677	12,739
2019	7.50	7.07	7.54	10	2.37	2.44	0.18	167	12,798	1,823	14,621
2020	5.24	4.83	5.21	10	3.64	3.96	0.11	175	13,731	1,961	15,691
2021	1.77	1.37	1.52	10	3.57	3.94	0.15	70	15,053	2,491	17,544
2022	-8.18	-8.55	-8.53	11	6.06	6.39	0.08	115	15,286	2,036	17,322
2023	6.45	6.03	6.40	8	7.00	7.38	0.16	93	22,640	1,986	24,626
2024	2.03	1.62	1.05	9	7.17	7.55	0.21	87	24,912	1,881	26,793
2025	3.97	3.56	4.25	14	5.24	5.78		97	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> <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>							
Gross Return (%)	3.97	1.08	2.53	<b>Compliance Statement:</b> 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.							
Net Return (%)	3.56	0.68	2.13								
Benchmark Return (%)	4.25	0.80	2.34								

As of December 31, 2025

**Firm Information:** Sage is a registered investment advisor based in Austin, Texas. Sage specializes in Fixed Income, Balanced and Exchange Traded Fund ("ETF") investment management for insurance companies and other financial institutions, Taft-Hartley organizations, endowments, foundations, non-profit institutions, corporations, defined benefit plans, healthcare institutions, family offices and high net worth individuals. Sage does not utilize leverage, futures, or options in any portfolios included in the composites. A list of composite descriptions, a list of limited distribution pooled fund descriptions, and a list of broad distribution pooled funds are available upon request.

**Composite Characteristics:** The Core Municipal Fixed Income Composite (the "Composite") consists of all non-wrap program discretionary, fee-paying accounts over \$250,000 that are managed for a full two months according to this style. The Composite contains accounts investing primarily in municipal 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. Effective 1/1/14, the Significant Cashflow policy is defined as a cashflow equal or greater than 10% percent of the total account value on the day the cash flow is initiated. The account will be removed from the composite at the beginning of the month in which the significant cash flow occurs and added back to the composite on the first day of the month following the date that the account is fully invested.

**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 0.35%. The fee schedule for the Composite is as follows: 0.35% for the first \$10 million; 0.25% for the next \$15 million; and 0.20% for the balance over \$25 million. Prior to 1/1/2020 the model fee was 0.40% and the fee schedule for the Composite was as follows: 0.40% for the first \$10 million; 0.35% for the next \$15 million; and 0.25% for the balance over \$25 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 Municipal Bond Index most closely resembles the Composite managed by Sage. The Bloomberg Municipal Bond Index is a rules based, market-value-weighted index engineered for the long-term tax-exempt bond market and represents investment grade tax-exempt securities ranging in all maturities. Taxable municipal bonds and bonds with floating rate notes are excluded from the Index.

**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.

GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

## 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](http://www.sageadvisory.com), or refer to our Form ADV, which is available upon request by calling 512.327.5530.