Income ETF Strategies

Performance Commentary | Third Quarter 2025

SAGE
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MULTI-ASSET INCOME ALLOCATION PERFORMANCE

Contributors

- Preferreds
- Dividend Equities

Detractors

- All segments positive on the quarter

Despite mixed economic data and volatile trade and geopolitical news, the underlying forces of tax cuts, Fed easing, and solid earnings drove markets to extend gains for the year. All major asset classes posted strong returns. Core fixed income delivered gains across all major sectors, driven by falling front-end yields and modestly tighter spreads. While long-end yields faced some pressure mid-quarter due to global deficit and inflation concerns, this mostly reversed by quarter-end. Outside core markets, attractive yield carry and spread tightening led to positive returns. However, with less duration, both high-yield bonds and loans lagged core markets.

The best performers for the quarter were preferred stocks, which benefited from falling rates and strong equity returns, and non-dollar EM debt, which enjoyed duration benefits, attractive yield carry, and a currency boost.

The MAI strategy produced a strong quarter, led by the allocation to high-yield preferred stocks. The allocation to income equities also contributed to the quarter.

Notable Portfolio Adjustments During the Quarter

- Trimmed passive MBS into actively-managed MBS
- Trimmed Loans, added High Yield Corporates

TAX-AWARE MAI ALLOCATION PERFORMANCE

Contributors

- High Yield Municipals
- Long Munis

Detractors

- All segments positive on the quarter

The third quarter of 2025 marked a notable turnaround following a difficult first half for the municipal market. After underperforming other fixed income alternatives earlier in the year, municipal bonds staged a meaningful recovery, supported by declining benchmark yields, improved fund flows, and easing supply pressures. Performance in the municipal sector during the third quarter reflected a clear preference for higher-beta segments, such as high-yield municipals.

While fundamentals remain broadly supportive, elevated valuations and lingering macroeconomic risks — such as slower growth and geopolitical tensions — underscore the importance of selective positioning and diversification in the current environment.

The yield on aggregate investment-grade municipal debt ended the quarter at 3.66%, while the average yield on high-yield municipal bonds was 5.68%.

Notable Portfolio Adjustments During the Quarter

- Rotated from passive HY municipals to active HY municipals