

Income ETF Strategies

Performance Commentary | Second Quarter 2026



MULTI-ASSET INCOME ALLOCATION PERFORMANCE

Contributors

- US Dividend Equities
- Mortgage REITs
- EM Debt

Detractors

- International Dividend Equities

The dominant factor for markets in the second quarter was the shift in Fed expectations toward hikes and the strong earnings and spending cycle in the US. For equities, the result was a risk-on rebound from Q1 and large gains; for fixed income, returns were positive but muted. Fixed income returns improved from Q1 but remained modest across sectors, as the curve shifted higher on a more hawkish Fed posture and spreads ground slightly tighter. MBS outperformed, as did credit markets, such as investment grade/high yield credit and loans.

The MAI strategy was positive on the quarter as nearly all assets rallied due to easing energy prices and a strong fundamental backdrop. The best-performing segment was US equities, which led the way, along with mortgage REITs. Within fixed income, EM debt was the largest contributor given the recovery of EM assets on the quarter. International dividend equities was a small detractor on the quarter, particularly its exposure to energy equities.

Notable Portfolio Adjustments During the Quarter

- Initiated CLOs
- Trimmed High Yield Corporates

TAX-AWARE MAI ALLOCATION PERFORMANCE

Contributors

- US Dividend Equities
- High Yield Munis

Detractors

- International Dividend Equities

The municipal bond market delivered a strong rebound during the second quarter of 2026 as elevated yields, supportive technical conditions, and resilient investor demand offset concerns surrounding record issuance, geopolitical uncertainty, and slowing economic growth. Following the significant repricing experienced during the first quarter, municipal investors were presented with one of the most attractive entry points in several years. As rates stabilized and reinvestment demand accelerated, municipal bonds recovered much of their earlier weakness and generated favorable risk-adjusted returns.

On the quarter, the strategy produced strong total returns as municipal bonds recovered along with equities and taxable fixed income. We continue to harvest yield from diversified sources, with a particular focus on non-core municipal and traditional bond sectors.

The yield on aggregate investment grade municipal debt ended the quarter at 3.58%, while the average yield on high-yield municipal bonds was 5.41%.

Notable Portfolio Adjustments During the Quarter

- Initiated CLOs
- Trimmed Core Municipals

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