



# Taxable Fixed Income

Commentary | Quarterly update: 2Q24

**Separately managed account (Core Fixed Income, Current Income Portfolio and Intermediate Fixed Income)**



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## Markets and performance

The second quarter of the year finally brought what many investors globally were waiting for: rate cuts by central banks. However, that was not a universal move. Many central banks, like the Federal Reserve, have held steady at current high levels, and some have even discussed increasing rates as inflation continues to be a harder problem to conquer than originally believed. Shorter-term or more tactical investment decisions will continue to revolve around the timing of interest rate cuts, which U.S. markets are pricing in around September, although any of the FOMC meetings seem to be in play. Mixed economic reports have proven to muddy the waters in trying to determine the exact path forward vis-a-vis monetary policy.

## Positive and negative contributors to performance

We began the quarter around the 4.20% level for the U.S. 10-year Treasury with the following three months above that level and ending the quarter around a 4.35%. There was a spike in yields up to 4.70% in late April, but that move was short-lived, as expectations of Fed rate cuts once again pushed yields lower. This yield environment supported the more conservative positioning of the Crossmark Taxable Fixed Income strategies. Most of the taxable fixed income composites outperformed their respective indices for the quarter. The one exception was the Current Income Portfolio composite which underperformed its benchmark, as the financial preferreds exhibited more market value volatility than the rest of the portfolio. As we have discussed previously, we have been extending the duration of the taxable fixed income strategies to be closer to neutral as compared to the benchmarks, but we have still maintained the duration somewhat shorter due to the continued volatility and still unclear path of future rate cuts.

## Looking ahead

2023 and 2024 have proven to be, so far, some of the most interesting years of my career, as we have had to throw historic norms out the window as it relates to leading economic and recession indicators and focus on momentum and stubborn inflation. At Crossmark, we err on the side of caution for our fixed income strategies, and we continue to focus on quality, income and yield curves to set our allocations in taxable fixed income portfolios in a still uncertain rate environment. Our four-step process of focusing on duration, yield curve placement, sector and security selection allows us to evaluate the economy and participate in opportunistic trades as appropriate while reducing our exposure to rate volatility.

Composite performance (%)	Quarter	YTD	1-year	3-year	5-year	10-year
Core Fixed Income (Wrap) – Gross	0.36	-0.11	3.82	-1.20	0.90	1.79
Core Fixed Income (Wrap) – Net <sup>1</sup>	-0.38	-1.59	0.76	-4.14	-2.10	-1.23
Bloomberg U.S. Govt/Credit Index	0.05	-0.68	2.74	-3.11	-0.07	1.51
Current Income Portfolio (Wrap) – Gross	0.31	1.30	4.91	-0.42	1.27	2.21
Current Income Portfolio (Wrap) – Net <sup>1</sup>	-0.43	-0.21	1.81	-3.38	-1.74	-0.83
Bloomberg U.S. Govt/Credit Intermediate Index	0.64	0.49	4.19	-1.18	0.71	1.55
Intermediate Fixed Income (Wrap) – Gross	0.89	0.90	4.37	-0.32	0.88	1.49
Intermediate Fixed Income (Wrap) – Net <sup>1</sup>	0.13	-0.60	1.29	-3.28	-2.12	-1.52
Bloomberg U.S. Govt/Credit Intermediate Index	0.64	0.49	4.19	-1.18	0.71	1.55

1 Net performance was calculated using the hypothetical highest annual all-inclusive wrap fee of 3.00% by deducting 0.75% from the last month of each quarter. Gross performance is shown as supplemental information and is stated as pure gross of all fees as the returns have not been reduced by transaction costs. Wrap fees include Crossmark's portfolio management fee as well as all charges for trading costs, custody, and other administrative fees. Due to the effect of compounding, annual returns shown net of fees may be lower than the return that would be shown if the fee were deducted from the gross return at a single point in time.

Crossmark uses a model account to manage the individual client accounts that have selected this investment strategy. All performance information shown is composite performance derived from the aggregate of all accounts included in the composite.

## Our firm

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The U.S. Dollar is the currency used to express performance. The performance reflects the reinvestment of dividends and other earnings to the extent that client accounts included in the composite elected to reinvest dividends and earnings. Performance figures shown gross of fees do not reflect the payment of investment advisory fees.

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