RED CEDAR INVESTMENT MANAGEMENT

SECOND QUARTER 2023

Core Plus Fixed Income Commentary

June 30, 2023

2Q MARKET REVIEW

As the second quarter of 2023 wrapped up, investors found themselves on an uncertain but not entirely unfamiliar terrain. The S&P 500® returned a robust 8.7%, lending a sense of relative stability to a quarter tinged with volatility. Yet, this outcome stands in sharp contrast to the less cheerful performances of the Bloomberg U.S. Aggregate Bond Index, the Goldman Sachs Commodity Index, and the KBW Bank Index, which recorded declines of -0.8%, -5.8%, and -1.2%, respectively. This uneven picture is reminiscent of a complex mosaic—each element crucial, yet the overarching theme not easily discernible.

The equity markets and fixed income markets seemed to shrug off the prior quarter's troubles in the banking sector as stocks continued their upward trajectory while bond yields increased to levels seen prior to the bank failures. This would indicate that the markets are comfortable with the notion that the bank problems are behind us, and the U.S. economy will continue growing despite higher interest rates and a hawkish Federal Reserve (Fed). For its part, the Fed did not increase rates at its June 14 meeting, instead opting for a hawkish "skip." While all measures of inflation remain uncomfortably high, the headline Consumer Price Index reading for May came in at +4% year over year (YoY) non-seasonally adjusted—a level not seen since the middle of 2021. Other measures of inflation such as the Core Personal Consumption Expenditure Index (+4.6% YoY, seasonally adjusted, in May) seem to indicate a stickiness to services inflation that the Fed will continue to fight against.

Heading into the second half of 2023, we believe the Fed is close to the end of its rate hike cycle. The question remains whether it can engineer a soft landing of the economy or not. Given the Fed's poor track record in that regard, we remain cautious on equities. Additionally, the asset class looks rich from a valuation perspective, ending the quarter at a 20x P/E multiple for the S&P 500. Equity analysts are also forecasting a third consecutive quarter of negative earnings growth for that index. Finally, the most recent stock market rally has been driven by just seven stocks: Amazon, Apple, Alphabet, Meta, Microsoft, Nvidia, and Tesla. In the fixed income markets, we will look to put cash to work in order to lock in longer-term attractive yields. As valuations or economic conditions change, we will look to purchase equities at more attractive levels.

CORE PLUS FIXED INCOME PORTFOLIO REVIEW

The Core Plus Composite (Composite) rebounded in the second quarter of 2023, outperforming its benchmark, the Bloomberg U.S. Aggregate Bond Index. The strategy returned 0.20%, gross of fees (0.11%, net of fees), compared to the strategy's benchmark, which had a return of -0.84%.

The Composite's performance during the quarter was driven first and foremost by its allocation to corporate bonds. Corporate bonds experienced a strong quarter, supported by favorable economic conditions and improving corporate fundamentals. Positive economic data, including strong job growth, rising consumer confidence, and increased industrial production, provided support for market optimism. The strategy's security selection within this asset class was effective, contributing positively to relative performance.

Furthermore, the Composite's exposure to the financial sector was advantageous. The banking sector showed resilience and demonstrated positive momentum during the quarter. The strategy's security selection within this sector played a significant role in generating alpha, as it successfully avoided exposure to potentially troubled institutions or events that could have impacted performance negatively.

Another contributing factor to the Composite's outperformance was its duration positioning. Treasury yields experienced a moderate increase during the quarter, driven by expectations of economic growth and a potential shift in Fed policy. The Composite's positioning, which anticipated rising yields, enabled it to capture the benefits, thereby boosting performance relative to the benchmark.

Overall, the Composite's performance during the second quarter of 2023 showcased its ability to navigate evolving market conditions and capitalize on favorable opportunities. The successful allocation to corporate bonds, prudent security selection, and effective duration positioning were key drivers of its outperformance against the benchmark.

STRATEGY INFORMATION

Benchmark	Bloomberg U.S. Aggregate Index
Business Minimum	$10M
Number of Holdings	193
Assets	$82.91M

PORTFOLIO MANAGEMENT TEAM

John L. Cassady III, CFA
Chief Investment Officer
Industry start date: 1987
Joined Red Cedar: 2018

Jason M. Schwartz, CFA
Senior Portfolio Manager
Industry start date: 2004
Joined Red Cedar: 2018

David L. Withrow, CFA
Director of Portfolio Management
Industry start date: 1988
Joined Red Cedar: 2018

Michael J. Martin, CFA
Senior Portfolio Manager
Industry start date: 1994
Joined Red Cedar: 2018

INVESTMENT PHILOSOPHY

"We seek income producing opportunities in the capital structure, in a variety of risk profiles where we find relative value in an effort to reduce correlation to traditional bonds."
—David Withrow

continued on page 2

Core Plus Fixed Income Commentary

June 30, 2023

CORE PLUS FIXED INCOME POSITIONING & OUTLOOK

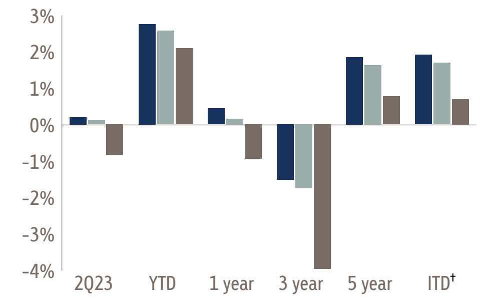
The failure of four U.S. banks and one Swiss bank got the attention of central banks, including the Fed, and regulators, including the Federal Deposit Insurance Corporation. With regulations ramping up, it seems that the economic impact has settled, and banks have remained resilient in the second quarter. Throughout this crisis, the Core Plus Composite maintained its focus on credit quality, holding only larger regional and money center banks, such as PNC, JP Morgan, Citibank, and Morgan Stanley. This positioning proved beneficial to overall performance.

During the second quarter, the Composite increased its exposure to preferred securities. Despite a low trading volume following the banking crisis, increasing the weighting of bank preferred securities proved to be a positive for the Composite. The funding for this increase was sourced from a rotation out of commercial mortgage-backed securities (CMBS).

Additionally, the Composite maintained its underweight position in securitized products. This underweight primarily takes place in the CMBS sector, which continues to be affected by the volatility in regional banks and the increase in work-from-home lifestyle hurting office loans. The strategy identified better relative value opportunities in corporate bonds and consequently shifted its allocation accordingly.

In summary, the second quarter of 2023 continued to highlight the volatility present within the market. The Composite's focus on credit quality, selective bank exposure, and adjustments in securitized positions reflect its adaptive approach in navigating evolving market conditions and pursuing attractive relative value opportunities.

PERFORMANCE



	Composite Gross	Composite Net	Index*
2Q23	0.20%	0.11%	-0.84%
YTD	2.76%	2.57%	2.09%
1 year	0.44%	0.16%	-0.94%
3 year	-1.52%	-1.76%	-3.97%
5 year	1.85%	1.63%	0.77%
ITD†	1.91%	1.69%	0.69%

†Inception Date 5/1/2016
Periods greater than 12 months are annualized
*Bloomberg U.S. Aggregate Bond Index
Source: Bloomberg, Clearwater Analytics

DISCLOSURES

Red Cedar Investment Management, LLC (RCIM) is an investment adviser registered under the Investment Advisers Act of 1940, founded in 2013. Registration as an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser. For more information, please visit www.adviserinfo.sec.gov and search for our firm name. Neither the information nor any opinion expressed herein should be construed as personalized investment, tax, or legal advice, or a recommendation of any particular security or strategy.

The securities discussed do not represent the Composite's entire portfolio. Actual holdings will vary depending on the size of the account, cash flows, and restrictions. It should not be assumed that any of the securities transactions or holdings discussed will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein.

The information presented in this material is general in nature and not designed to address your investment objectives, financial situation, or particular needs. Prior to making any investment decision, you should assess, or seek advice from a professional regarding whether any particular transaction is relevant or appropriate to your individual circumstances. The mention of specific securities and sectors illustrates the application of our investment approach only and is not considered a recommendation by RCIM. There is no assurance that the securities purchased remain in the portfolio or that securities sold have not been repurchased. The opinions expressed herein are those of RCIM and may not actually come to pass.

All information and performance are reported in U.S. dollars.

The "Net" returns presented are net of fees. Investing involves the risk of loss and investors should be prepared to bear potential losses. Past performance is not indicative of future results.

The "Gross" returns presented are gross of fees. The results do not reflect the deduction of investment management fees. The client's return will be reduced by the management fees and any other expenses incurred in the management of the account. For example, a U.S. $100 million account, paying a 0.50% annual fee, with a given rate of 10% compounded over a 10-year period would result in a net of fee return of 9.5%. Management fees are described in Part 2A of RCIM's Form ADV Part 2A. Investing involves the risk of loss and investors should be prepared to bear potential losses. Past performance is not indicative of future results.

The information herein was obtained from various sources. RCIM does not guarantee the accuracy or completeness of information provided by third parties. The information in this report is given as of the date indicated and believed to be reliable. RCIM assumes no obligation to update this information, or to advise on further developments relating to it.

The Core Plus Composite includes all fully discretionary institutional portfolios that invest in Treasury and agency bonds, investment grade and non-investment grade corporate bonds, municipal bonds, asset-backed securities, agency, and non-agency mortgage- backed securities, collateralized mortgage obligations and preferred securities. The strategy may use derivatives, including forward contracts, futures contracts, swap contracts and options in implementing its strategy. The use of derivative instruments allows the strategy to achieve its investment objectives, reduce risks, or manage the strategy more efficiently. The Composite also invests in international securities, foreign exchange, and non-U.S. dollar denominated securities. The Composite was created January 1, 2019. The inception date of the Composite was May 1, 2016.

Benchmark Definition: The Bloomberg U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, mortgage-backed securities, asset-backed securities, and commercial mortgage-backed securities.

Index Definitions: The Goldman Sachs Commodity Index serves as a benchmark for investment in the commodity markets and as a measure of commodity performance over time. The KBW Bank Index is a modified cap-weighted index consisting of 24 exchange-listed National Market System stocks, representing national money center banks and leading regional institutions. The S&P 500 is widely regarded as the best single gauge of the U.S. equities market. The index includes a representative sample of 500 leading companies in industries of the U.S. economy.

An index is an unmanaged portfolio of specific securities, the performance of which is often used as a benchmark in judging the relative performance of certain asset classes. Investors cannot invest directly in an index. An index does not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown.

RCIM claims compliance with the Global Investment Performance Standards (GIPS®). 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. Please see the Composite's GIPS® Composite Report for important additional information. To receive a list of composite descriptions and/or GIPS® Composite Report that complies with the GIPS® standards, contact RCIM at mfeldhaus@redcedarim.com.

333 Bridge St. NW, Suite 601, Grand Rapids, Michigan 49504
www.redcedarim.com (513) 345-4414