THIRD QUARTER 2023

Core Fixed Income Commentary

September 30, 2023

3Q MARKET REVIEW

During the third quarter of 2023, U.S. Treasury investors were beginning to wake up to the sobering reality that the Federal Reserve (Fed) just might hold short-term interest rates higher than previously anticipated. From a bigger picture perspective, it can no longer be ignored that the United States fiscal profligacy is unsustainable, and investors are demanding higher yields to hold U.S. Treasuries. Running 7% budget deficits in times of peace and full employment will only add to the already bloated 113% debt-to-GDP ratio. In August, Fitch Credit Ratings downgraded U.S. Government debt from AAA to AA+. It cited the lack of political will to deal with these deficits in any meaningful way along with the political dysfunction in Washington. These issues, along with a Fed still fighting inflation, were instrumental in 10-year Treasury yields rising from 3.84% to 4.57% during the quarter. The Bloomberg U.S. Aggregate Bond Index returned -3.2% for the quarter, bringing its year-to-date (YTD) return to -1.2%. Despite these less-than-ideal fundamentals and lackluster returns, fixed income has become an interesting asset class once again. As the quarter ended, real yields across the maturity spectrum¬—as measured by Treasury inflation-protected securities (TIPs)—are now all above 2%. These levels have not been seen across the curve since prior to the Global Financial Crisis.

The equity market turned in negative returns for the quarter as the Fed's higher-for-longer messaging was cause for concern. The S&P 500® Index returned -3.3% for 3Q but is still up YTD at 13.1%. The more interest-rate-sensitive small cap Russell 2000® Index was the laggard and returned -5.1% for the quarter and is up just 2.5% YTD. Commodities were a bright spot for investors as the S&P Goldman Sachs Commodity Index returned 12.8% for the quarter, primarily on the strength of the crude oil market.

Heading into the final quarter of the year, investors will be looking for evidence that the long-awaited corporate earnings growth will reassert itself during 4Q. Investors will also want to know if the rate of inflation will continue to moderate or whether it will be sticky as some suspect. A strong U.S. economy with moderation of inflation and a return to corporate earnings growth would go a long way to offset some of the fiscal challenges and slowing global growth picture.

CORE FIXED INCOME PORTFOLIO REVIEW

The Core Composite (Composite) underperformed its benchmark, the Bloomberg U.S. Aggregate Bond Index, by 4 basis points (bps) on a gross-of-fees basis.

The sector that contributed most positively to relative performance was the fixed-rate agency mortgage-backed securities (MBS) sector. The team positioned the Composite with a barbell strategy, which proved to be advantageous.

The Composite's allocation to commercial mortgage-backed securities (CMBS) contributed positively to performance. Most of the outperformance within the CMBS sector can be attributed to spread tightening of interest-only agency-backed bonds. Additionally, the strategic selection of high-quality bonds within the non-agency CMBS sector by the team further bolstered relative performance as these bonds demonstrate resilience to extension risk.

The corporate bond sector overall contributed negatively to relative performance. Within this sector, industrials had the largest negative impact, led by spread widening in consumer non-cyclicals, technology, and energy names.

The Composite's position in preferred securities contributed to relative underperformance for the quarter. While the Composite maintains minimal exposure to preferred securities, exposure to a Wells Fargo institutional preferred security that widened over the quarter was a drag on performance.

CORE FIXED INCOME POSITIONING & OUTLOOK

Communication from the Fed during the quarter signaled its intention to maintain elevated interest rates for longer than previously priced into the market. Following a 25-bps rate hike in July, the Federal Open Market Committee (FOMC) held rates unchanged in September but conveyed a prolonged period of higher rates through a 2024 dot plot projection that exceeded previous expectations by 50 bps. This narrative of "higher for longer," along with the idea that the neutral

STRATEGY INFORMATION

Benchmark	Bloomberg U.S. Aggregate Bond Index
Business Minimum	$10M
Number of Holdings	227
Assets	$181.34M

PORTFOLIO MANAGEMENT TEAM

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

David L. Withrow, CFA
Senior Market Analyst
Industry start date: 1988
Joined Red Cedar: 2018

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

Jason M. Schwartz, CFA
Director of Portfolio Management
Industry start date: 2004
Joined Red Cedar: 2018

INVESTMENT PHILOSOPHY

"We seek consistent income across the capital structure and in high quality companies."
—Michael Martin

continued on page 2

THIRD QUARTER 2023

Core Fixed Income Commentary

September 30, 2023

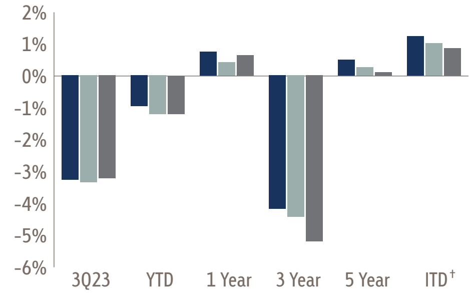
Fed Funds rate may be higher than previously expected, led to an increase in rates over the quarter. Long rates rose by more than short rates, resulting in a steeper yield curve. In September, the core Consumer Price Index (CPI) exhibited a slowdown, while headline inflation increased during the quarter due to elevated oil prices. The U.S. economy continues to display resilience despite elevated inflation.

The Composite reduced exposure to corporate bonds during the quarter, specifically in the industrials sector. This was mainly a relative value trade. The team sold corporate bonds in sectors that were trading tight, such as metals and mining, technology, and airlines, to take advantage of opportunities in the securitized sector.

In the securitized space, the Composite added exposure to agency fixed-rate MBS. The team strategically positioned the Composite to be slightly overweight low coupons and high coupons, with an underweight in the middle coupons. The team expects this structure to be beneficial to performance as banks begin participating in the agency MBS market once again and new issue supply remains low.

The Composite also added exposure to non-agency CMBS. The team found opportunities in recently issued bonds. The underwriting of these bonds was more stringent than previous issues given that the loans have adjusted to higher interest rates and mark-to-market property valuations, and therefore the collateral is high quality.

PERFORMANCE



	Composite Gross	Composite Net	Index*
3Q23	-3.27%	-3.35%	-3.23%
YTD	-0.96%	-1.22%	-1.21%
1 year	0.74%	0.41%	0.64%
3 year	-4.19%	-4.44%	-5.21%
5 year	0.49%	0.26%	0.10%
ITD†	1.24%	1.01%	0.85%

†Inception Date 8/1/2014
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 Composite includes all fully discretionary institutional portfolios that invest in Treasury and agency bonds, U.S. dollar denominated investment grade corporate bonds, municipal bonds, asset-backed securities, agency, and non-agency mortgage-backed securities, collateralized mortgage obligations and preferred securities. The Composite also invests in derivatives such as Treasury futures and CDX for hedging purposes. The Composite was created January 1, 2019. The inception date of the Composite was August 1, 2014.

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 S&P GSCI is widely recognized as a leading measure of general price movements and inflation in the world economy. It provides investors with a reliable and publicly available benchmark for investment performance in the commodity markets. The Russell 2000 (Small Cap) measures the performance of the 2,000 smallest companies in the Russell 3000 Index. It is generally representative of US Equity Small and Mid-Cap Performance. 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. The Core Consumer Price Index (CPI) measures the changes in the price of goods and services, excluding food and energy.

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.

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

RCIM-2023-09