VERITABLE

Domestic Investment Grade Fixed Income Market Summary

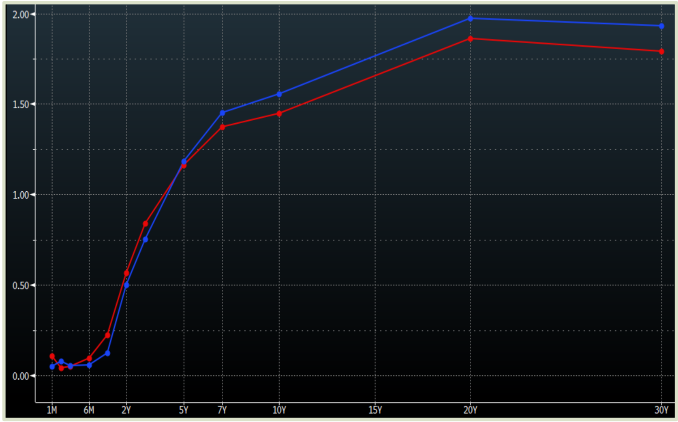
November 2021

Treasury Yield Curve Flattened as Volatility Increased

- The Treasury yield curve flattened as short-term rates increased due to more hawkish central bank policy projections, while long-term yields fell when the discovery of a new COVID-19 variant, omicron, outweighed inflation worries that had pushed rates higher earlier in the month.
- The Federal Reserve (Fed) formally announced reduction of their bond purchase program starting in November and likely concluding mid-2022.
- The Bureau of Labor Statistics reported that 531,000 jobs were created in October, more than the 450,000 projected.
    - Hiring resumed after two disappointing months due to delta variant concerns.
    - Unemployment rate fell to 4.6% (expected: 4.7%)
- The Consumer Price Index surged 0.9% in October (expected: 0.6%), as both supply (e.g., auto industry) and demand pressures (e.g., travel) were present.
    - YoY: +6.2% (largest since November 1990)
- Inflation concerns and speculation for faster Fed taper pushed the 10-year Treasury yield to as high as 1.69% before a late month rally.
- Emergence of the omicron variant and hawkish commentary from Fed Chair Powell sparked a sharp flight to quality rally in Treasuries to end the month.
    - The 10-year Treasury rate closed the month at 1.45%, an 11-basis point decline from October.

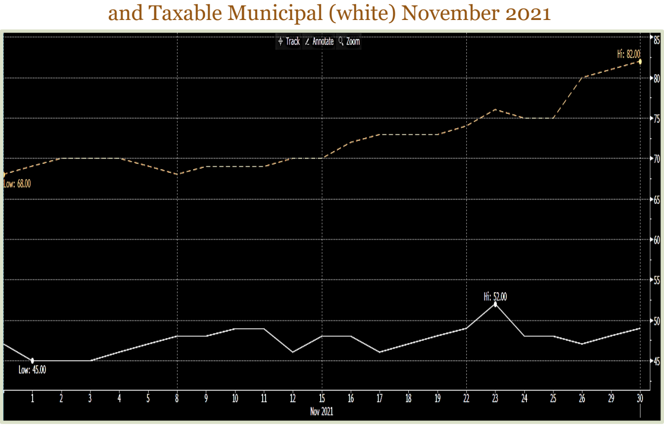
Maturity	10/31/21 Treasury	11/30/21 Treasury	Change
2-year	0.50%	0.57%	+0.07%
5-year	1.19%	1.16%	-0.03%
7-year	1.45%	1.37%	-0.08%
10-year	1.56%	1.45%	-0.11%
30-year	1.93%	1.79%	-0.14%

Treasury Yield Curve: 10/31/21 (blue) vs. 11/30/21 (red)



Segment	November Return	YTD Return
Bloomberg Barclays Intermediate Government Credit Index	0.12%	-1.31%
ICE BofA 1-10 Year US Treasury Index	0.28%	-1.36%
ICE BofA 1-10 Year US Inflation-Linked Treasury Index	0.40%	5.32%
ICE BofA 1-10 Year Corporate Index	-0.15%	-0.89%
ICE BofA 1-10 Year Taxable Municipal Index	0.40%	0.09%

1-10 Year IG Credit Spreads: Corporate (orange) and Taxable Municipal (white) November 2021



Corporate Market Weakened Slightly Due To Uncertainty; TIPS Performance Remained Strong

- Market volatility returned as inflation concerns led to a less predictable central bank policy path, and COVID-19 risks reemerged with cases spiking in certain regions and a newly discovered variant.
- Treasury Inflation Protected Securities (TIPS) continued to perform well, benefiting from higher near-term inflation concerns and an above projection CPI print, despite intermediate and long-term inflation expectations moving off intra-month highs over the final week.
    - By mid-month, 10-year inflation expectations reached 2.77%, the highest level since March 2005, before falling to 2.53%, five basis points lower than October.
    - Inflation break-evens remain inverted with investors projecting average annual inflation of 2.77% for the next five years followed by 2.30% yearly inflation for the subsequent five-year period.
- While investment grade taxable municipal risk premiums held relatively steady, corporate bond spreads widened in November, particularly during the final few trading sessions when risk assets sold off.
    - Investment grade corporate spreads generally increased 10-15 basis points, resulting in the first meaningful monthly underperformance versus Treasuries for the asset class since March 2020.
    - Weakness was felt relatively evenly across the ratings spectrum as BBB rated corporate issuers lagged Treasuries by -113 basis points while more highly rated names underperformed government debt by -96 basis points.

Source: Bloomberg; Bureau of Economic Analysis; Federal Reserve; ICE BofA; Veritable, L.P.
All numbers are estimates. See Disclosures for index descriptions and additional information.

Municipal Yields Declined and the Curve Flattened, Mostly Outperformed Treasuries

- Municipal yields moved lower in November along with Treasury rates with the greatest price strength expressed in longer-dated maturities.
- Lured by the run-up in rates at the end of October that resulted in more attractive absolute rates and relative valuations, investor demand grew, resulting in municipal outperformance versus Treasuries.
    - 10+ year municipal rates fell 18-21 basis points versus an 11-15 basis point decline in comparable Treasury yields.
    - The front-end was the worst-performing maturity sector from an absolute yield change perspective due to more aggressive repricing of Fed rate hikes with the 2-year AAA municipal yield declining only 1 basis point to 0.24%.
    - The 10-year AAA municipal yield fell 18 basis points over the month, while the 10-year Treasury rate declined a more subdued 11 basis points; accordingly, the relative valuation metric fell from around 78% to start November to 71% to end the month.
    - In October, the tax-exempt yield curve flattened notably, as the spread between 2-year and 10-year AAA municipal rates narrowed by 17 basis points to 79 basis points, receding from the near multi-year high observed at October month-end.

Maturity	10/31/21 Muni	11/30/21 Muni	Change	% of U.S. Govt 11/30/21
2-Year	0.25%	0.24%	-0.01%	42.11%
5-Year	0.64%	0.59%	-0.05%	50.86%
7-Year	0.94%	0.86%	-0.08%	62.77%
10-Year	1.21%	1.03%	-0.18%	71.03%
15-Year	1.35%	1.14%	-0.21%	80.85%
20-Year	1.49%	1.29%	-0.20%	69.35%
30-Year	1.69%	1.48%	-0.21%	82.68%

- According to Refinitiv Lipper, weekly reporting municipal bond funds experienced inflows totaling $4.6 billion in November, recording the 38th consecutive week of positive net flows.
    - After experiencing outflows of $469 million in October, high yield municipal bond funds saw investors return to the space enthusiastically in November, adding nearly $2.2 billion to the sector, including the second-largest weekly inflow on record.
    - Municipal bond fund weekly inflows averaged over $1.1 billion in November, up sharply from the $268 million average in October, but slightly below the 2021 year-to-date average of $1.3 billion.

10-Year AAA Municipal-to-Treasury Yield Ratio: 2016-2021

- With the heightened demand for tax-exempts in November, the 10-year AAA municipal-to-Treasury yield ratio declined sharply compared to October month-end but remained above the 2021 average.
- For traditional tax-exempt investors preferring the safety of the short-end of the curve, we continue to identify crossover opportunities where relative valuations are ultra-rich compared to taxable alternatives.
- The supportive technical environment will likely persist next month, as December is anticipated to produce -$10 billion of net supply according to JP Morgan following November's -$5 billion bond shortage.
- This negative net supply should support municipals into year-end, but we continue to surveille for supply pressures as liquidity thins during the holiday season.
- The Infrastructure Investment and Jobs Act, signed into law by President Biden on November 15th, includes $550 billion in new infrastructure spending over the next ten years.
- The American Society of Civil Engineers scores America's infrastructure a C- grade with a $2.6 trillion funding gap.
- Absent more federal infrastructure spending, state and local governments may be forced to tap the tax-exempt bond markets to help further close the funding gap to modernize America's aging infrastructure.
- A rally in Treasuries, coupled with more attractive valuations heading into November, resulted in the ICE BofA 1-12 Year Municipal Index producing a +0.35% total return for the month (year-to-date return: +0.53%).

Source: Bloomberg; JP Morgan; Refinitiv; Veritable, L.P.
All numbers are estimates. See Disclosures for index descriptions and additional information.

Disclosures

This Summary reflects the views of Veritable's Fixed Income Desk and is for your general information. It is not intended to provide personal investment advice and does not take into account the unique investment objectives and financial situation of the reader. Investors should only seek investment advice from their individual financial adviser. Investments in fixed income securities involve the risk of loss that investors should be prepared to bear. Forecasts may not be realized due to a variety of factors, including changes in economic growth, corporate profitability, geopolitical conditions, and inflation.

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Index Descriptions *(Investors cannot invest directly in an index)*

Bloomberg Barclays Intermediate Government Credit Index is a total returns index of U.S. dollar denominated U.S. Treasuries, government-related securities, and investment grade U.S. corporate securities that have a remaining maturity of greater than or equal to 1 year and less than 10 years. Securities must have $250 million or more of outstanding face value and must be fixed rate and non-convertible.

ICE BofA 1-10 Year US Treasury Index is a subset of ICE BofA Treasury Index including all securities with a remaining term to final maturity greater than or equal to 1 year and less than 10 years.

ICE BofA 1-10 Year US Inflation-Linked Treasury Index is a subset of ICE BofA US Inflation-Linked Treasury Index including all securities with a remaining term to final maturity greater than or equal to 1 year and less than 10 years.

ICE BofA 1-10 Year Corporate Index measures the performance of investment grade corporate bonds of both U.S. and non-U.S. issuers that are U.S. dollar-denominated and publicly issued in the U.S. domestic market with a remaining term to final maturity greater than or equal to 1 year and less than 10 years.

ICE BofA 1-10 Year Taxable Municipal Index is designed to track the performance of U.S. dollar-denominated taxable municipal debt publicly issued by U.S. states and territories, and their political subdivisions, in the U.S. market with a remaining term to final maturity greater than or equal to 1 year and less than 10 years.

ICE BofA 1-12 Year Municipal Securities Ind*ex* is a subset of ICE BofA Municipal Securities Index including all securities with a remaining term to final maturity less than 12 years. The ICE BofA Municipal Securities Index is market capitalization weighted and tracks the performance of U.S. dollar denominated investment grade tax-exempt debt publicly issued by U.S. states and territories, and their political subdivisions, in the U.S. domestic market. Qualifying securities must have at least one-year remaining term to final maturity, at least 18 months to final maturity at the time of issuance, a fixed coupon schedule and an investment grade rating (based on an average of Moody's, S&P and Fitch).

Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate. The CPI is published by the US Bureau of Labor Statistics on a monthly basis.