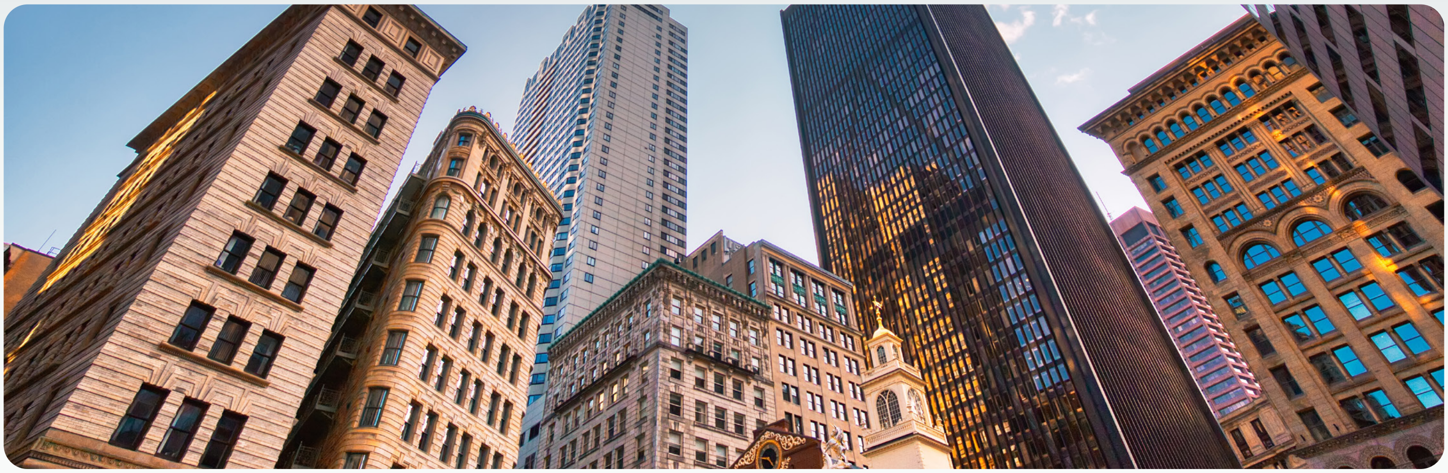
INVESTING | SEPTEMBER 8, 2026

August 2026 Market Commentary



SUMMARY

- **U.S. Treasury Curve:** The Treasury curve flattened in August, as 2- and 5-year yields rose 5 basis points (bps), the 10-year yield increased 2bps and the 30-year yield declined 3bps.
- **Municipal Market:** Short- and intermediate-maturity municipals generated positive returns, as yields declined at the front end, though record-setting issuance and elevated dealer inventories continued to challenge market technicals.
- **Corporate Market:** Investment grade (IG) corporate spreads were mostly unchanged, while August issuance reached approximately $170.7 billion.
- **Securitized Market:** Mortgage-backed securities (MBS) returned 0.52 percent and outperformed asset-backed securities (ABS), which returned 0.28 percent.
- **Equity Market:** The S&P 500 advanced 2.72 percent, led by Energy, Information Technology, and Materials, while growth stocks outperformed value stocks.

The following commentary is a summary of discussions among members of the Breckinridge Capital Advisors Investment Committee as they reviewed monthly activity in the markets and investment returns. All data is as of August 31, 2026, unless otherwise noted. The members of the Investment Committee, under the leadership of Co-Chief Investment Officers Matthew Buscone and Jeffrey Glenn, CFA, are Co-Heads of Research, Nicholas Elfner and Adam Stern, J.D., M.P.A.; and Portfolio Manager and Director, Corporate Research, Josh Perez, CFA.

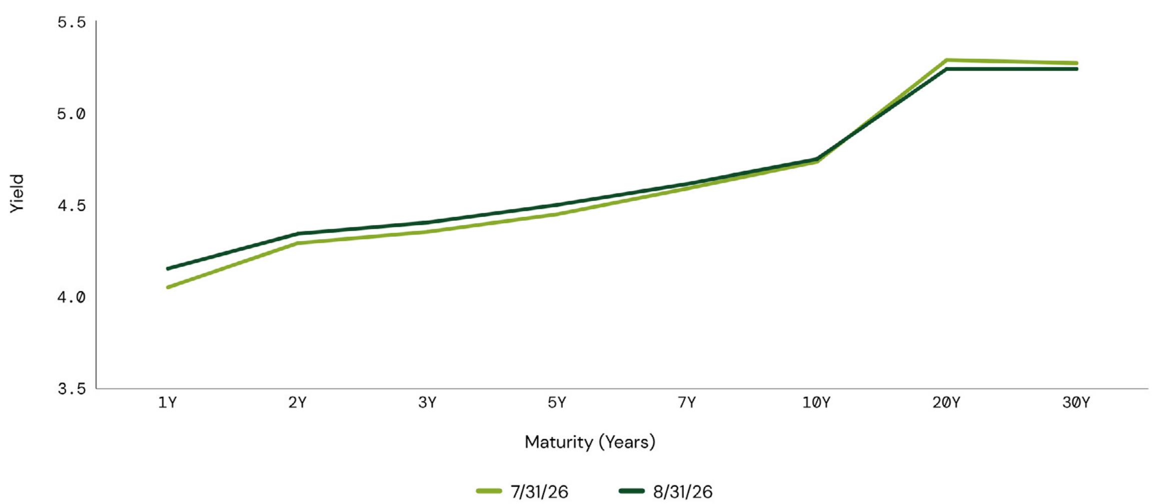
Market Review

August market activity reflected resilient economic growth, inflation that remained above the Federal Reserve's (Fed) target, and heightened expectations for tighter monetary policy. July headline personal consumption expenditures (PCE) inflation was 3.7 percent year over year (Y/Y) and core PCE was 3.3 percent, both unchanged from June and above the Fed's 2 percent target. The Atlanta Fed's GDPNow estimate called for third-quarter 2026 gross domestic product (GDP) growth of 4.6 percent, supported by consumer spending and nonresidential fixed investment, including artificial intelligence (AI)-related spending.

Labor data were softer. The number of employed people declined by 23,000, but the unemployment rate improved to 4.1 percent, as labor force participation fell to 61.4 percent. The Breckinridge Investment Committee (IC) noted that government employment accounted for much of the payroll weakness, while private payrolls continued to increase. Separately, the IC expects tariffs imposed on approximately $20 billion of Canadian goods to have a limited effect on overall U.S. consumption and inflation.

The Treasury curve flattened during the month, following Fed Chair Kevin Warsh's comments at the annual Jackson Hole, WY, conference, reinforcing the Fed's 2 percent inflation target. Yields on 2-, 5-, and 10-year Treasuries increased, while 20- and 30-year yields declined (See Figure 1). The Bloomberg U.S. Treasury Index returned 0.31 percent for August. The IC continues to expect one 25bp rate increase before year-end and maintains a 4.25 percent to 4.75 percent range for the 10-year Treasury through the end of 2026.

FIGURE 1: THE TREASURY CURVE FLATTENED IN AUGUST

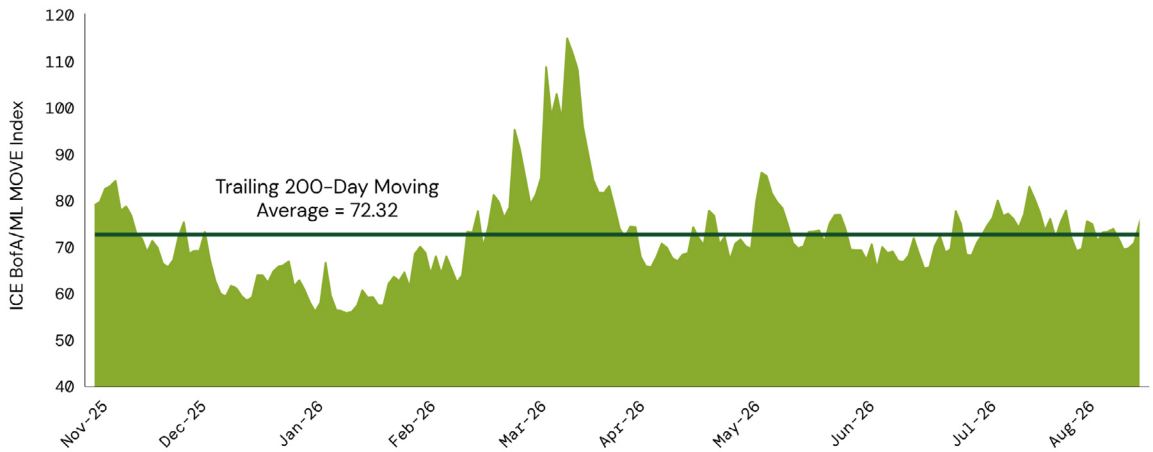


Source: U.S. Department of the Treasury, as of August 31, 2026.

Long-term yields remained elevated. The 10-year Treasury reached a year-to-date high during the month, and the 30-year Treasury moved above 5.20 percent, its highest level since 2007. The IC observed that the Treasury Department's increase in long-end repurchases to approximately $4 billion per operation had not meaningfully supported long-end prices.

Bond market volatility was generally steady, with the ICE Bank of America MOVE Index remaining near but below its 200-day moving average of 72.32 (See Figure 2).

FIGURE 2: BOND MARKET VOLATILITY STAYED STEADY IN AUGUST



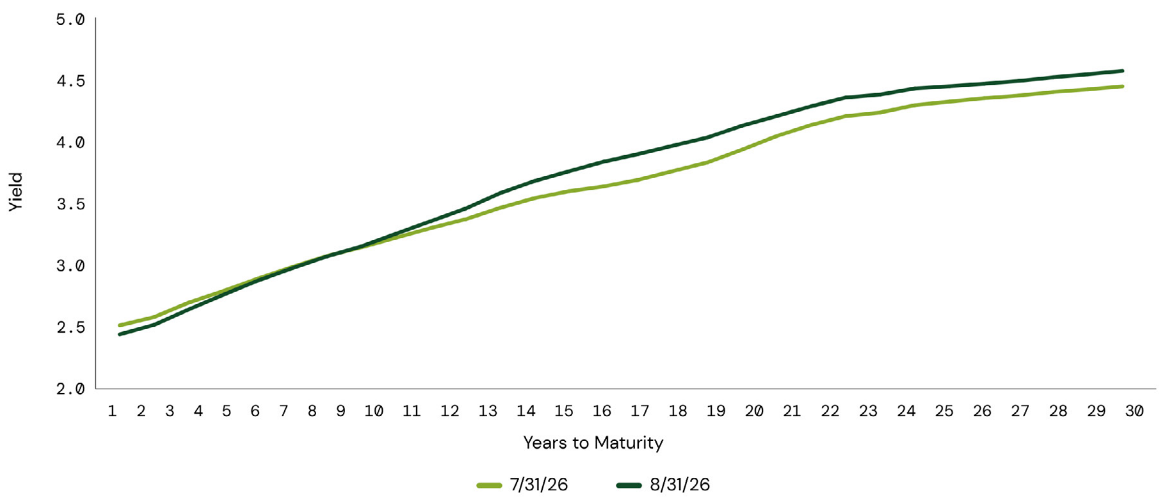
Source: Bloomberg, as of August 31, 2026.

Municipal Market Review

Municipal bonds produced mixed results in August as elevated primary supply, high dealer inventories, rising bids-wanted volume, and higher front-end Treasury yields weighed on the market. Shorter maturities fared better: the Bloomberg Managed Money Short/Intermediate Municipal Index returned 0.43 percent. High-yield municipals were the strongest performing rating category, while AAA-rated bonds lagged.

Municipal yields declined 8bps and 4bps at the 2- and 5-year maturities, respectively, were unchanged at 10 years and increased 9bps at 30 years (See Figure 3).

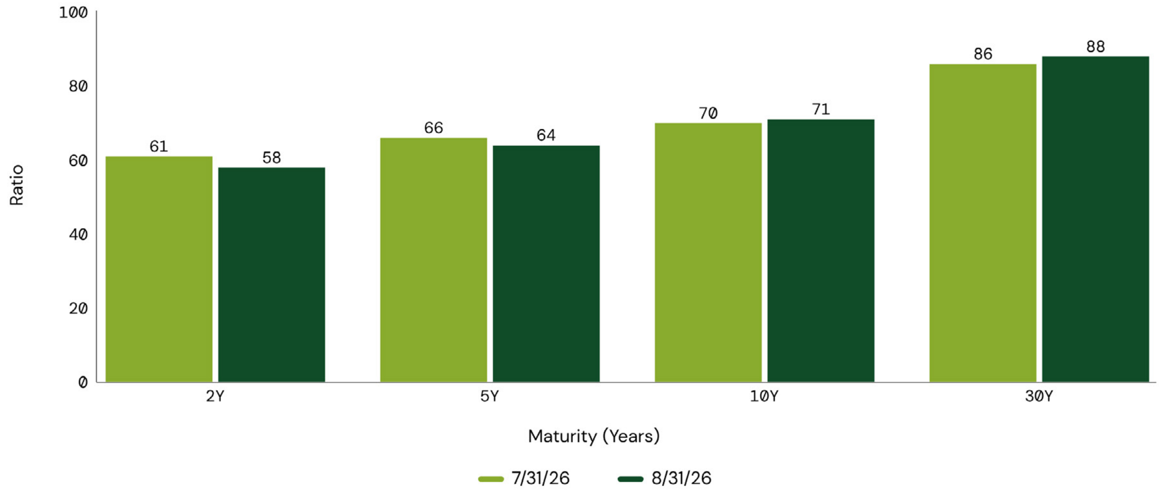
FIGURE 3: MUNICIPAL YIELDS DECLINED IN THE SHORT END OF THE CURVE



Source: Bloomberg, as of August 31, 2026.

Municipal/Treasury (M/T)[1] ratios were lower in shorter maturities and higher from 10 years and out, ending August at 58 percent, 64 percent, 71 percent, and 88 percent at the 2-, 5-, 10- and 30-year maturities, respectively (See Figure 4).

FIGURE 4: M/T RATIOS INCREASED BEYOND 5 YEARS



Source: Bloomberg, as of August 31, 2026.

Primary issuance reached approximately $66.0 billion in August, up from about $50 billion in July. Dealer inventories exceeded $11 billion, their highest level in several years. Continued investor demand helped absorb supply, with municipal funds recording approximately $3.6 billion of net inflows during the month.

The IC noted that major state revenues were generally in line with or above forecasts. Looking ahead, attractive absolute and tax-equivalent yields may support demand, but reduced reinvestment activity in September and October and continued heavy issuance could remain headwinds. A slowdown in new issue supply approaching the election and year-end could improve the technical backdrop.

Corporate Market Review

IG corporate bonds generated positive total and excess returns in August. The Bloomberg U.S. Investment Grade Corporate Index returned 0.43 percent and outperformed duration-matched Treasuries by 12bps. The Index's option-adjusted spread was unchanged at 78bps. AA-rated spreads widened 1bp, while A- and BBB-rated spreads tightened 1bp, contributing to modest underperformance by higher-rated issuers.

August gross issuance totaled approximately $170.7 billion, a record for the month and 44 percent above August 2025 issuance. After $93.2 billion of redemptions, net issuance was approximately $77.5 billion. Taxable bond mutual funds and ETFs recorded approximately $65.1 billion of net inflows, demonstrating continued investor demand despite heavy supply.

Cable Satellite, Wirelines, Independent Oil Companies, and Oil Refining were the best-performing corporate sectors. Property and Casualty Insurance, Health Insurance, and Tobacco were the weakest performers.

Strong earnings growth and record margins continue to support stable-to-improving credit fundamentals. U.S. IG credit rating upgrades have exceeded downgrades by approximately 6-to-1 year to date. However, AI infrastructure investment is driving negative free cash flow at select hyperscalers, while merger and acquisition activity has increased 45 percent Y/Y.

1. The Municipal/Treasury (M/T) ratio compares yields of municipal bonds with those of U.S. Treasury bonds of the same maturity. M/T ratios can show the relative value of municipal bonds compared with taxable bonds, by indicating when yields for municipal bonds exceed the after-tax yields on taxable bonds.

These trends warrant continued attention, even as debt and earnings before interest, taxes, depreciation, and amortization (EBITDA) growth remain broadly aligned.

Securitized Market Review

MONTH-TO-DATE (MTD) & YEAR-TO-DATE (YTD) RETURNS THROUGH AUGUST 31, 2026:

BBG Index	MTD Total Return (%)	MTD Excess Return (%)	YTD Total Return (%)	YTD Excess Return (%)
BBG MBS Index	0.52	0.23	0.07	0.24
BBG Agency CMBS Index	0.14	-0.01	0.21	0.50
BBG Non-Agency CMBS Index	0.30	0.12	1.04	0.97
BBG ABS Auto Loan Index	0.28	0.01	1.78	0.56
BBG ABS Credit Card Index	0.23	-0.01	1.10	0.34

Source: Bloomberg, as of August 31, 2026.

Securitized sectors delivered positive total returns in August. The Bloomberg MBS Index returned 0.52 percent and produced 23bps of excess return, as agency MBS spreads tightened 2bps and intermediate-term coupons outperformed. The broad commercial mortgage-backed securities (CMBS) index returned 0.22 percent, with agency CMBS returning 0.14 percent and non-agency CMBS returning 0.30 percent.

The Bloomberg ABS Index returned 0.28 percent and generated flat excess return. Auto loan ABS returned 0.28 percent and credit card ABS returned 0.23 percent. AAA ABS spreads widened 2bps, but the IC noted that technicals and fundamentals remained supportive ahead of a heavier post-Labor Day issuance calendar. CMBS spreads were broadly stable, while issuance was up approximately 20 percent Y/Y, led by single-asset, single-borrower, data center, and agency CMBS transactions.

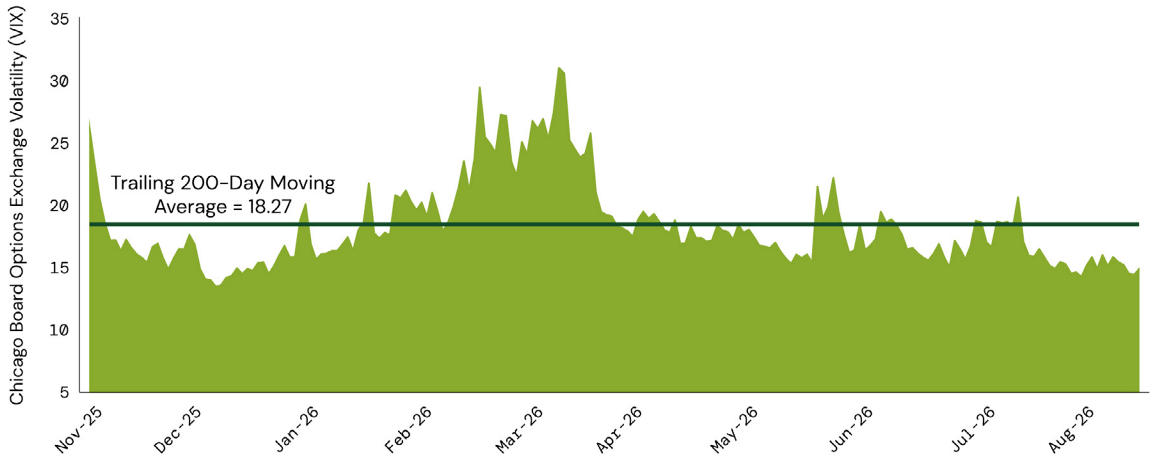
Equity Market Review

U.S. equities rebounded in August, with the S&P 500 advancing 2.72 percent after a nearly flat July. Growth outperformed value: the Russell 1000 Growth Index gained 3.73 percent, compared with a 2.03 percent return for the Russell 1000 Value Index. High beta was the strongest factor, while quality lagged.

Energy (7.02 percent), Information Technology (6.25 percent) and Materials (5.97 percent) led sector performance. Higher crude oil prices supported Energy, strong earnings benefited Information Technology, and supply constraints alongside higher gold and copper prices supported Materials. Utilities (-4.77 percent), Industrials (-2.56 percent) and Real Estate (-1.87 percent) were the weakest sectors. Elevated interest rates weighed on Utilities and Real Estate, while broad airline weakness pressured Industrials.

The Chicago Board Options Exchange Volatility Index (VIX) decreased modestly during August and ended below its 200-day moving average of 18.27 (See Figure 5).

FIGURE 5: EQUITY MARKET VOLATILITY DECREASED MODESTLY



Source: Bloomberg, as of August 31, 2026.

The forward S&P 500 Index price-to-earnings ratio declined to approximately 19.4 times, reflecting strong expected earnings growth, but remained above its 30-year average of approximately 17.2 times. The 10 largest companies represented 39 percent of the Index and traded at approximately 20 times forward earnings, compared with approximately 19 times for the remaining constituents. The IC continues to view several valuation measures as stretched, including cyclically adjusted earnings, dividend yield, and the earnings yield spread relative to BBB-rated corporate bonds.