

June 2026 Market Commentary



SUMMARY

- **U.S. Treasury Curve:** Treasury yields moved higher at the front end in June, reflecting expectations that the Federal Reserve (Fed) may hike rates in 2H2026.
- **Municipal Market:** Municipal yields declined across the curve, producing positive returns, as strong demand absorbed elevated issuance.
- **Corporate Market:** Investment grade (IG) corporate spreads widened modestly during the month, while issuance reached a record June pace of approximately \$220 billion, supported by continued strong investor demand.
- **Securitized Market:** Mortgage-backed securities (MBS) and asset-backed securities (ABS) generated positive total returns during June.
- **Equity Market:** The S&P 500 Index declined 0.95 percent during June, as investors rotated away from large-cap Technology stocks with value materially outperforming growth.

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 June 30, 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.



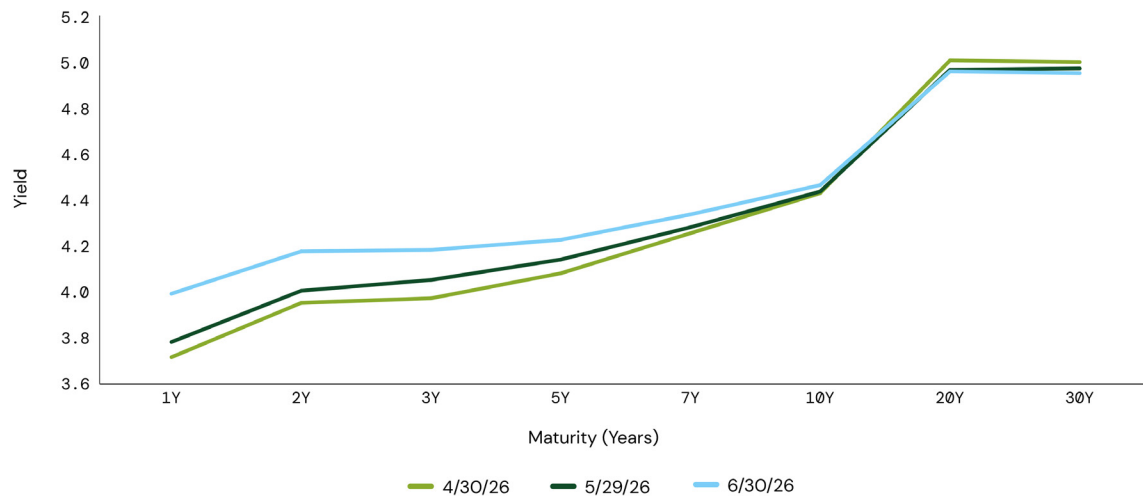
Market Review

Markets navigated a quieter geopolitical backdrop during June after a tentative ceasefire between the United States and Iran helped oil prices retreat from above \$92 per barrel to below \$70, easing concerns over a sustained energy-driven inflation shock. Although geopolitical risks remain elevated, the decline in energy prices contributed to improved inflation expectations late in the month.

The U.S. economy continued to display uneven but positive growth. The Breckinridge Investment Committee (IC) noted that spending tied to artificial intelligence (AI) infrastructure and resilient higher-income consumers continued to support activity, while housing and lower-income consumers remained constrained by elevated borrowing costs. The IC continues to expect economic growth of nearly 2 percent rather than a meaningful slowdown or recession. Labor market data were mixed, as hiring slowed and prior payroll gains were revised lower, although the unemployment rate edged down to 4.2 percent. Inflation remained above 3 percent but is expected to moderate over coming months, as lower energy prices, easing tariff effects, and continued shelter disinflation work through the data.

The Fed maintained its policy stance during June. Market pricing shifted modestly during the month, with investors briefly assigning higher odds to a late-year rate increase. Treasury yields reflected this repricing, as the 2-year Treasury rose 17 basis points (bps) and the 5-year Treasury increased 9bps, while the 10-year and 30-year Treasury yields rose only 3bps and declined 2bps, respectively, resulting in a modest flattening of the curve (See Figure 1).

FIGURE 1: THE TREASURY CURVE FLATTENED MODESTLY IN JUNE

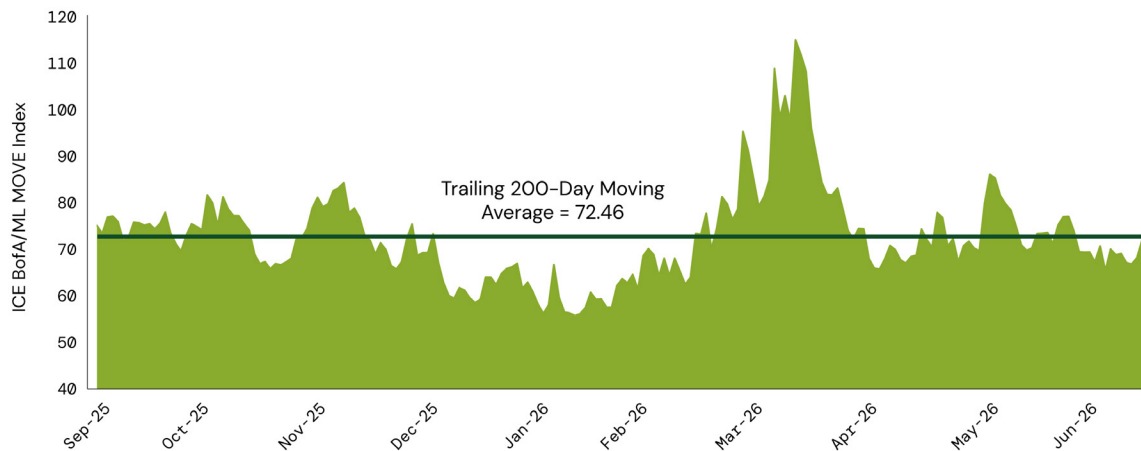


Source: U.S. Department of the Treasury, as of June 30, 2026.



Bond market volatility eased during June, with the ICE Bank of America/Merrill Lynch (MOVE) Index declining from elevated levels reached earlier in the quarter, as geopolitical concerns subsided (See Figure 2).

FIGURE 2: BOND MARKET VOLATILITY DECLINED IN JUNE



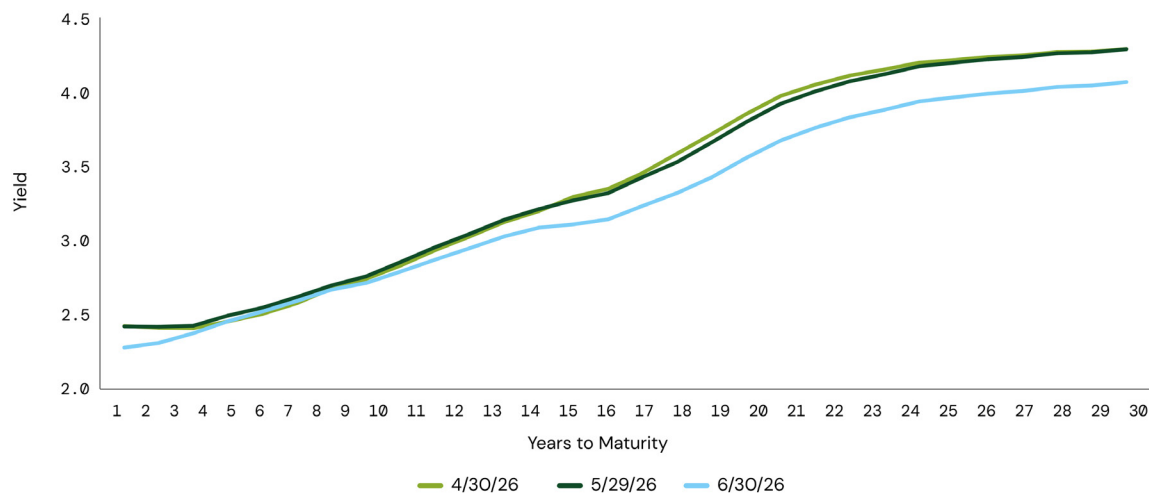
Source: Intercontinental Exchange, as of June 30, 2026.

The IC continues to expect the Fed to remain on hold for the balance of the year and maintain a 4.00 percent to 4.75 percent trading range for the 10-year Treasury. Current portfolio positioning remains modestly long duration relative to benchmarks, while emphasizing attractive all-in yields and maintaining diversified exposure across IG spread sectors amid tight credit spreads and continued macroeconomic uncertainty.

Municipal Market Review

The Bloomberg (BBG) Managed Money Short/Intermediate Municipal Index returned 0.52 percent during June, as municipal yields declined across the curve. AAA municipal yields fell 7bps at two years, 3bps at five years, 4bps at 10 years, and 15bps at 30 years, substantially outperforming comparable Treasury securities (See Figure 3).

FIGURE 3: MUNICIPAL YIELDS DECLINED ACROSS THE CURVE

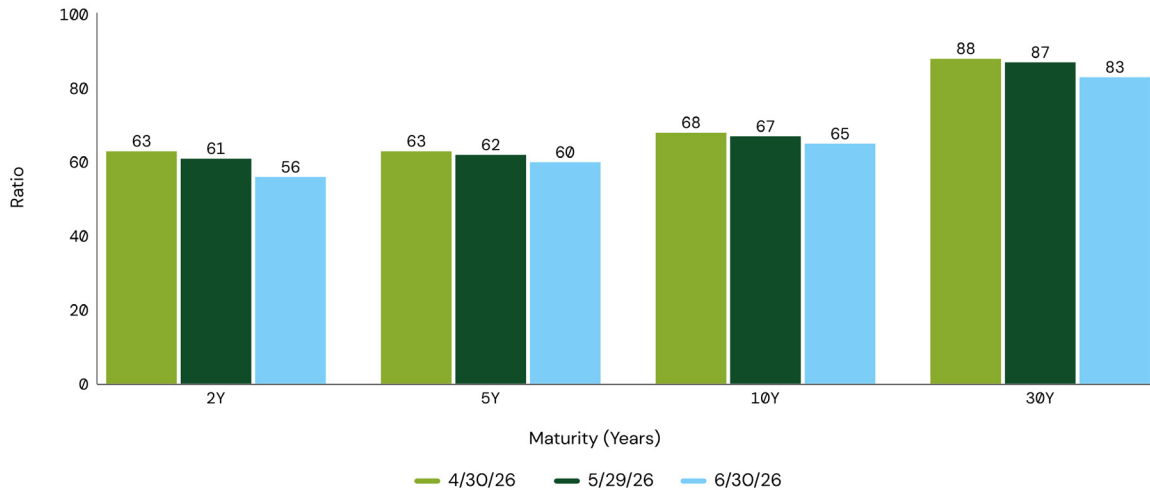


Source: Bloomberg, as of June 30, 2026.



Municipal/Treasury (M/T) ratios¹ ended the month at 56 percent, 60 percent, 65 percent, and 83 percent across the 2-, 5-, 10- and 30-year maturities, respectively (See Figure 4).

FIGURE 4: M/T RATIOS FELL OVER THE SECOND QUARTER



Source: Bloomberg, as of June 30, 2026.

Municipal issuance increased to \$66.5 billion during June, the strongest monthly total of the past three months, while municipal bond mutual funds recorded nearly \$4.9 billion of inflows, reflecting continued strong investor demand for tax-exempt income. The combination of attractive tax-equivalent yields and favorable technical conditions supported positive returns throughout the market.

The IC expects municipal technicals to remain constructive during the second half of the year, as supply is likely to moderate while demand remains supported by attractive absolute yields. Credit fundamentals remain stable despite continued demographic shifts affecting certain high-tax states and local issuers.

Corporate Market Review

The BBG U.S. IG Corporate Index returned 0.19 percent during June, underperforming Treasuries by 18bps, as option-adjusted spreads widened modestly during the month. Within the market, Transportation Services, Airlines, Financial Companies, Packaging, and Foreign Local Governments were among the strongest-performing sectors, while Cable Satellite, Wirelines, Media Entertainment, Oil Field Services, and Technology lagged.

Primary issuance remained exceptionally strong, with IG corporate issuance totaling approximately \$220 billion, up 48 percent from June 2025 and representing a record June calendar. Net issuance totaled approximately \$106 billion after redemptions, while corporate bond funds attracted more than \$25 billion of inflows during the month.

Credit fundamentals remain generally supportive, as earnings growth continues to offset modest leverage pressures. The IC noted that AI-related capital expenditures (capex) continue to support profitability across several industries, although increased merger and acquisition activity warrants ongoing monitoring given its potential impact on issuer leverage over time.

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.



Securitized Market Review

MONTH-TO-DATE (MTD) & YEAR-TO-DATE (YTD) RETURNS THROUGH JUNE 30, 2026:

BBG Index	MTD Total Return (%)	MTD Excess Return (%)	YTD Total Return (%)	YTD Excess Return (%)
BBG MBS Index	0.22	-0.07	0.99	0.45
BBG Agency CMBS Index	0.19	0.11	0.57	0.57
BBG Non-Agency CMBS Index	0.12	0.06	0.99	0.84
BBG ABS Auto Loan Index	0.18	0.10	1.24	0.47
BBG ABS Credit Card Index	0.16	0.09	0.81	0.32

Source: Bloomberg, as of June 30, 2026.

Securitized sectors generally produced positive performance during June. The BBG MBS Index returned 0.22 percent, while the BBG ABS Index returned 0.21 percent. Agency commercial mortgage-backed securities (CMBS) outperformed non-agency CMBS during the month, as spreads tightened modestly, while ABS continued to benefit from resilient consumer credit fundamentals and healthy investor demand.

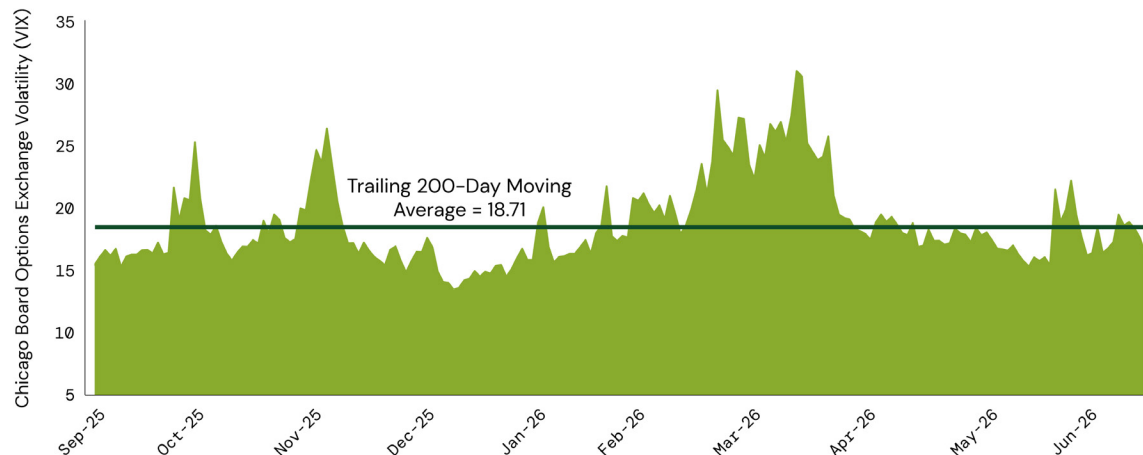
Agency MBS experienced modest spread widening during June but continued to benefit from declining interest rate volatility later in the month. ABS remained supported by stable collateral performance despite elevated issuance, while CMBS continued to demonstrate resilient technicals supported by healthy issuance across data center, single-asset, single-borrower (SASB), and agency CMBS transactions.

Equity Market Review

The S&P 500 Index declined 0.95 percent during June, as performance leadership broadened beyond the largest Technology companies. Renewed concerns surrounding elevated valuations and the cost of AI infrastructure investment weighed on the Magnificent Seven, contributing to weakness in growth-oriented equities.

The Chicago Board Options Exchange (CBOE) Volatility Index (VIX) increased modestly during June but remained well below the elevated levels reached earlier in the year, suggesting equity market volatility remained relatively contained despite sector rotation and ongoing geopolitical uncertainty (See Figure 5).

FIGURE 5: EQUITY MARKET VOLATILITY INCREASED MODESTLY



Source: Chicago Board Options Exchange, as of June 30, 2026.



Value stocks significantly outperformed growth during the month, with the Russell 1000 Value Index gaining 2.27 percent while the Russell 1000 Growth Index declined 2.68 percent. Industrials, Health Care, and Financials led sector performance, while Communication Services, Energy, and Consumer Discretionary posted the weakest returns. Factor performance also shifted, with dividend yield and momentum outperforming while profitability lagged.

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