2Q 2026 | Bond Market Overview

Penn Mutual Asset Management

About PMAM

Penn Mutual Asset Management (PMAM) is focused on risk-based institutional asset management. We are fixed-income specialists committed to applying our diverse expertise, delivering tailored investment strategies and solutions and balancing our repeatable, value-driven approach with seasoned investment judgment to drive performance and create value.

We believe:

- Valuation drives decisions to help generate strong performance
- Diversification is the best form of risk management
- Being nimble and opportunistic creates value for investors
- Focus, discipline, teamwork and accountability enable results

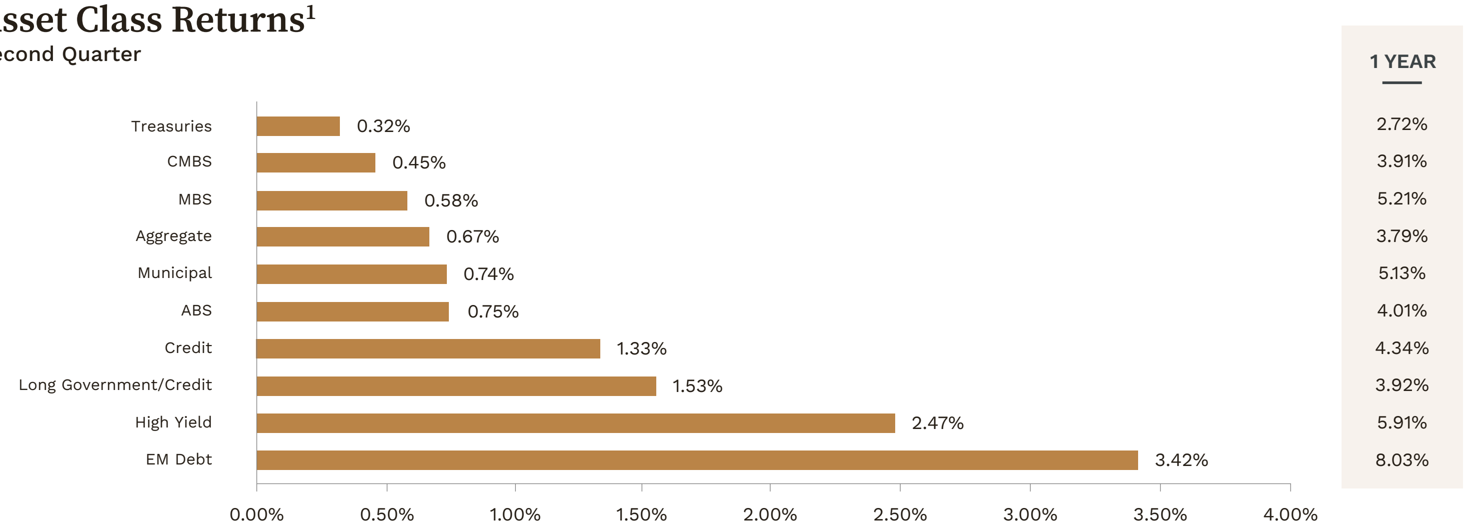
With over $44 billion in total assets under management,[1] Penn Mutual Asset Management is dedicated to executing on its core asset management competencies.

We tailor our proven approach to generate solid risk-adjusted returns, while balancing the need for capital preservation to achieve each investment objective.

[1]As of June 30, 2026

Asset Class Returns[1]

Second Quarter



[1]U.S. Bloomberg indices. Data as of June 30, 2026

Second Quarter Headlines

The Federal Reserve (Fed) remained on hold during the second quarter, maintaining the target range for the federal funds rate at 3.50%-3.75%. Kevin Warsh was sworn in as Fed Chair on May 22 and presided over his first Federal Open Market Committee (FOMC) meeting in June, where policymakers maintained rates and emphasized their commitment to restoring price stability...

The Committee acknowledged a resilient labor market and strong capital investment but noted that inflation remains above target, leaving the outlook highly data dependent. Treasury yields moved higher during the quarter, and the curve bear-flattened as expectations for near-term rate cuts faded. The 2-year Treasury yield increased to approximately 4.18%, while the 10-year Treasury yield rose to approximately 4.47% and the 30-year Treasury yield ended the quarter near 4.95%.[1]

Credit markets rebounded as investor sentiment improved and risk appetite increased. Investment-grade (IG) corporate spreads tightened as strong corporate earnings, resilient fundamentals and continued demand for credit offset elevated issuance, including several large transactions from technology and artificial intelligence (AI)-related issuers...

High-yield bonds were among the strongest-performing fixed-income sectors, returning approximately 2.5% during the quarter, while investment-grade credit returned approximately 1.3%.[2] Structured products also posted positive returns, with commercial mortgage-backed securities (CMBS) returning approximately 0.5% and mortgage-backed securities (MBS) returning approximately 0.6%.[3]

Global interest rates moved higher during the second quarter as inflation remained above target and economic activity continued to expand at a solid pace...

While energy prices moderated from their second-quarter highs, inflation pressures remained elevated, prompting markets to reassess the outlook for monetary policy. Expectations shifted meaningfully during the quarter, with investors moving away from anticipating additional Fed rate cuts and toward a “higher-for-longer” policy path. Fiscal pressures, elevated corporate and Treasury issuance and resilient economic growth also contributed to upward pressure on yields.

[1-3]Bloomberg data as of June 30, 2026

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Outlook

Looking ahead, the outlook for economic growth and corporate profitability remains constructive, supported by solid economic fundamentals, ongoing investment in AI and a generally healthy consumer. Key risks include geopolitical instability, persistent inflation pressures, uncertainty surrounding future Fed policy, liquidity mismatches in private credit markets and AI-driven disruption across industries. However, the most significant risk to financial assets remains a potential loss of confidence in long-duration government debt, which could trigger a sharp rise in Treasury yields and tighter financial conditions across global markets.

Index Definitions:

Bloomberg U.S. Aggregate ABS Total Return Index – An index that is the ABS component of the U.S. Aggregate Index and has three subsectors: credit and charge cards, autos and utility. The index includes pass-through, bullet and controlled amortization structures and includes only the senior class of each ABS issue and the ERISA-eligible B and C tranche.

Bloomberg U.S. Aggregate Bond Index – An index that is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

Bloomberg U.S. CMBS Index – An Index that measures the investment-grade market of U.S. Agency and U.S .Non-Agency conduit and fusion CMBS deals with a minimum current deal size of $300mm that are ERISA eligible.

Bloomberg U.S. Corporate High Yield Bond Index – An index that measures the USD-denominated, high yield, fixed-rate corporate bond market.

Bloomberg U.S. Credit Index – An index that measures the investment grade, U.S. dollar-denominated, fixed-rate, taxable corporate and government-related bond markets.

Bloomberg Emerging Markets USD Aggregate Index – A flagship hard currency Emerging Markets debt benchmark that includes fixed and floating-rate U.S. dollar-denominated debt issued from sovereign, quasi-sovereign and corporate EM issuers.

Bloomberg U.S. Long Government/Credit Index – An index that is a broad-based flagship benchmark that measures the non-securitized component of the U.S. Aggregate Index with 10 or more years to maturity. The index includes investment grade, U.S. dollar-denominated, fixed-rate treasuries, government-related and corporate securities.

Bloomberg U.S. Mortgage Backed Securities (MBS) Index – An index that tracks agency mortgage backed pass-through securities (both fixed-rate and hybrid ARM) guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA) and Freddie Mac (FHLMC).

Bloomberg U.S. Municipal Index – An index that covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligations bonds, revenue bonds, insured bonds and prerefunded bonds.

Bloomberg U.S. Treasury Index – An index that measures U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury.

Disclosures:

The views expressed in this material are the views of PMAM through the quarter ending June 30, 2026 and are subject to change based on market and other conditions.

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