

# **Genter Capital Management**

***With the Fed expected to move rates, will you?***

**Brian Elliott**

**Senior Vice President  
Institutional Division**



**GENTER**  
CAPITAL MANAGEMENT

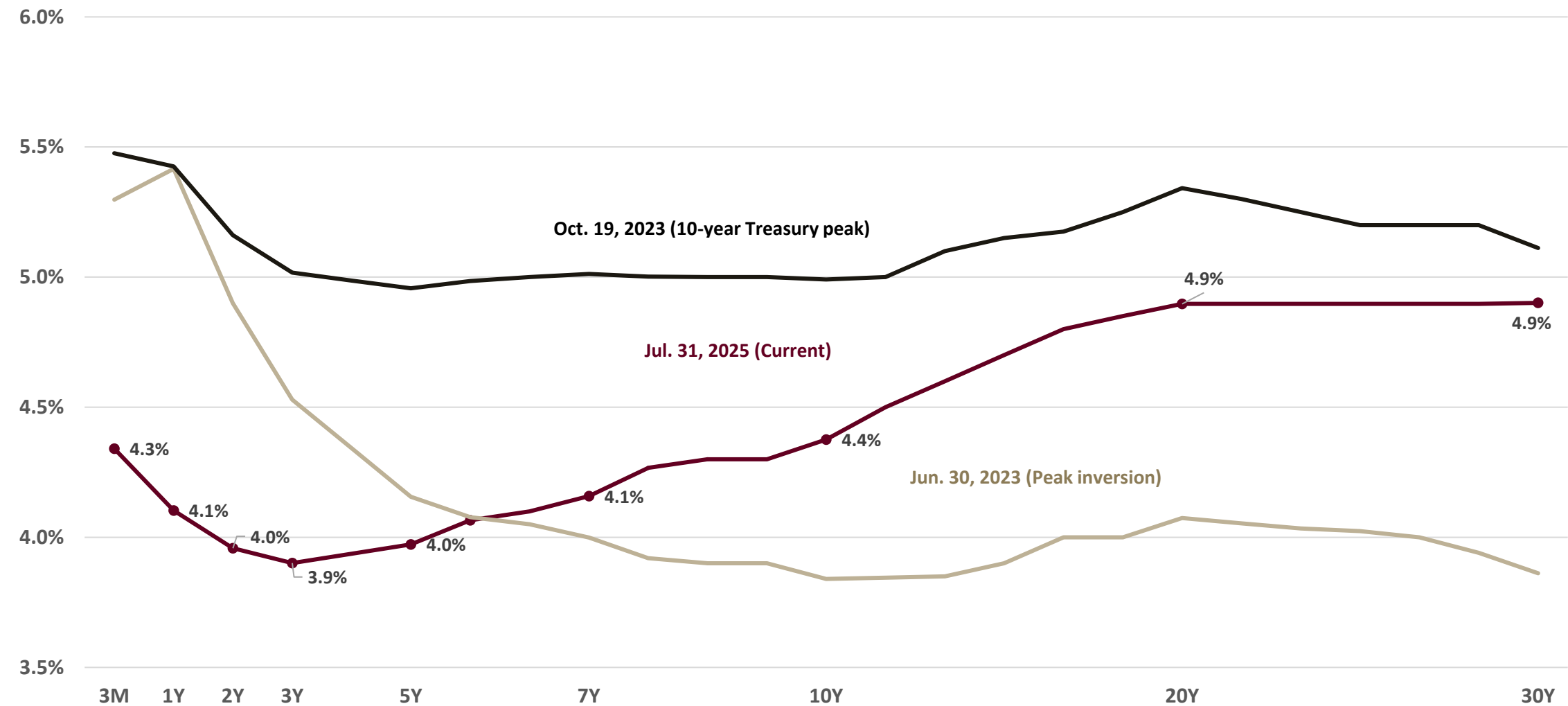
# PSN Top Gun Awards – Fixed Income



*The PSN Top Guns Manager ranking was issued in August 2025 covering the period of Q2 2025. Genter Capital did not pay any fees to be considered for this ranking. However, Genter Capital has paid a licensing fee to reprint and distribute the ranking results and to use the PSN Top Guns Manager logo in marketing materials. Other than this licensing arrangement, Genter Capital has no material conflicts of interest with Zephyr.*

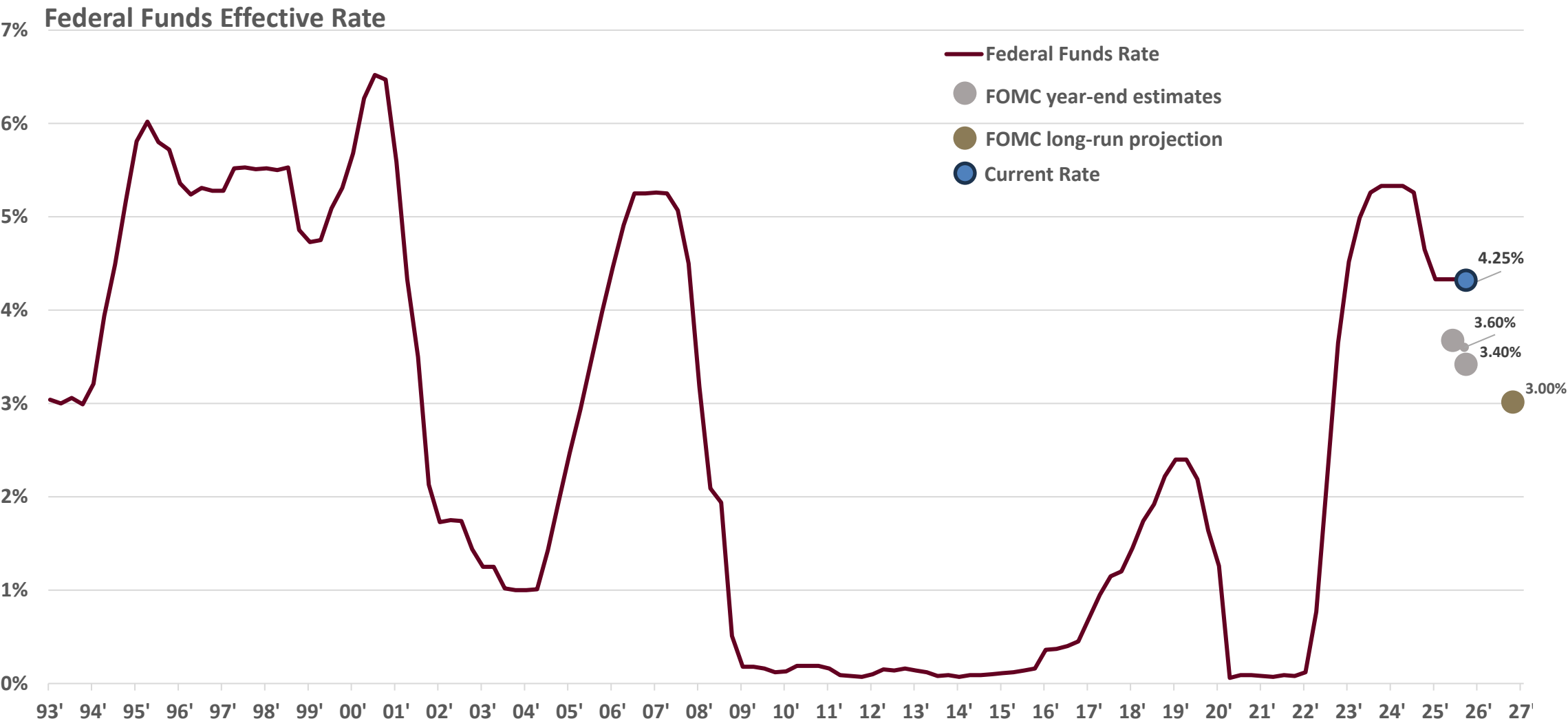
# Yield Curves

U.S. Treasury yield curve



Source: Bloomberg as of July 31, 2025.

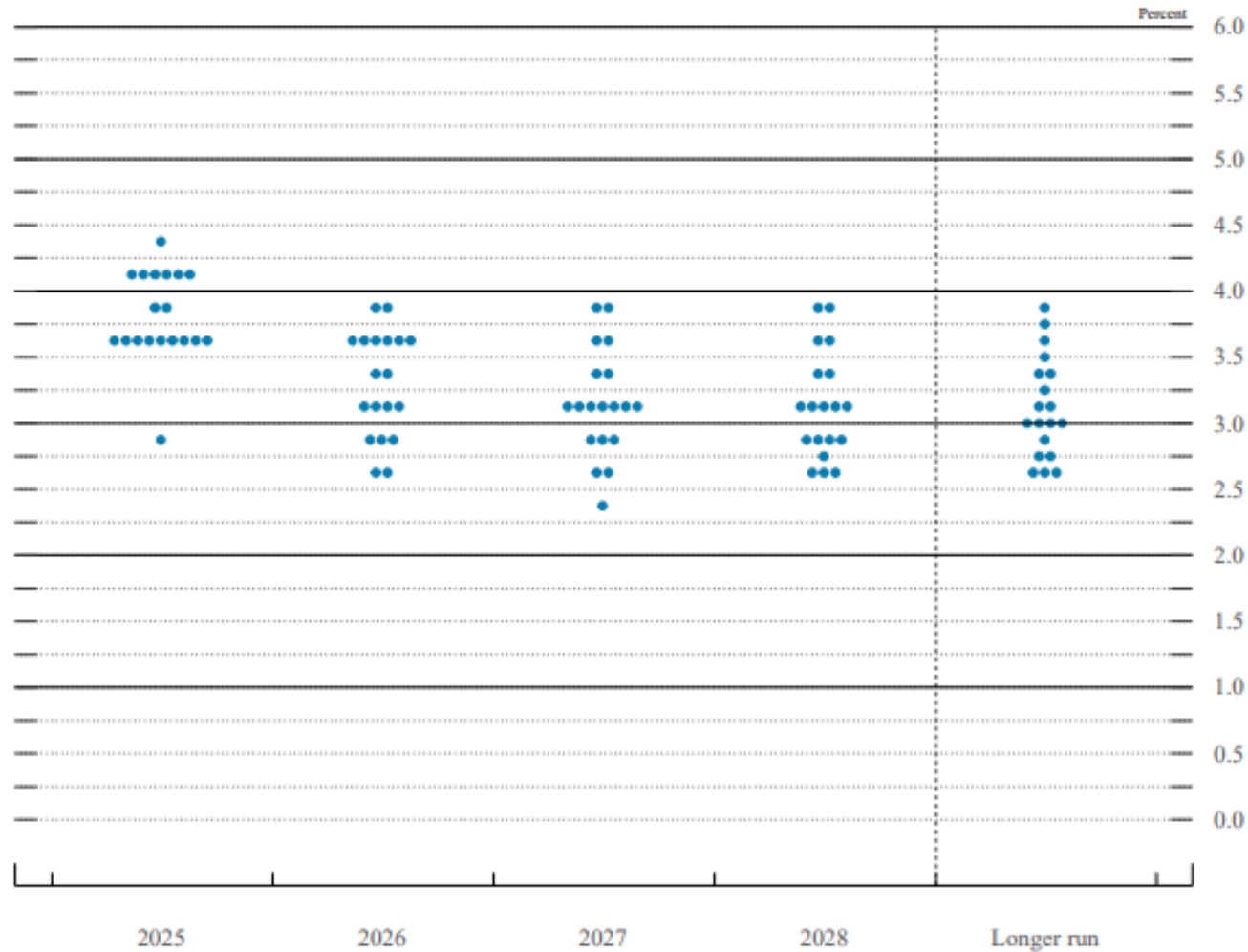
# The Fed Controls the Short End of the Curve



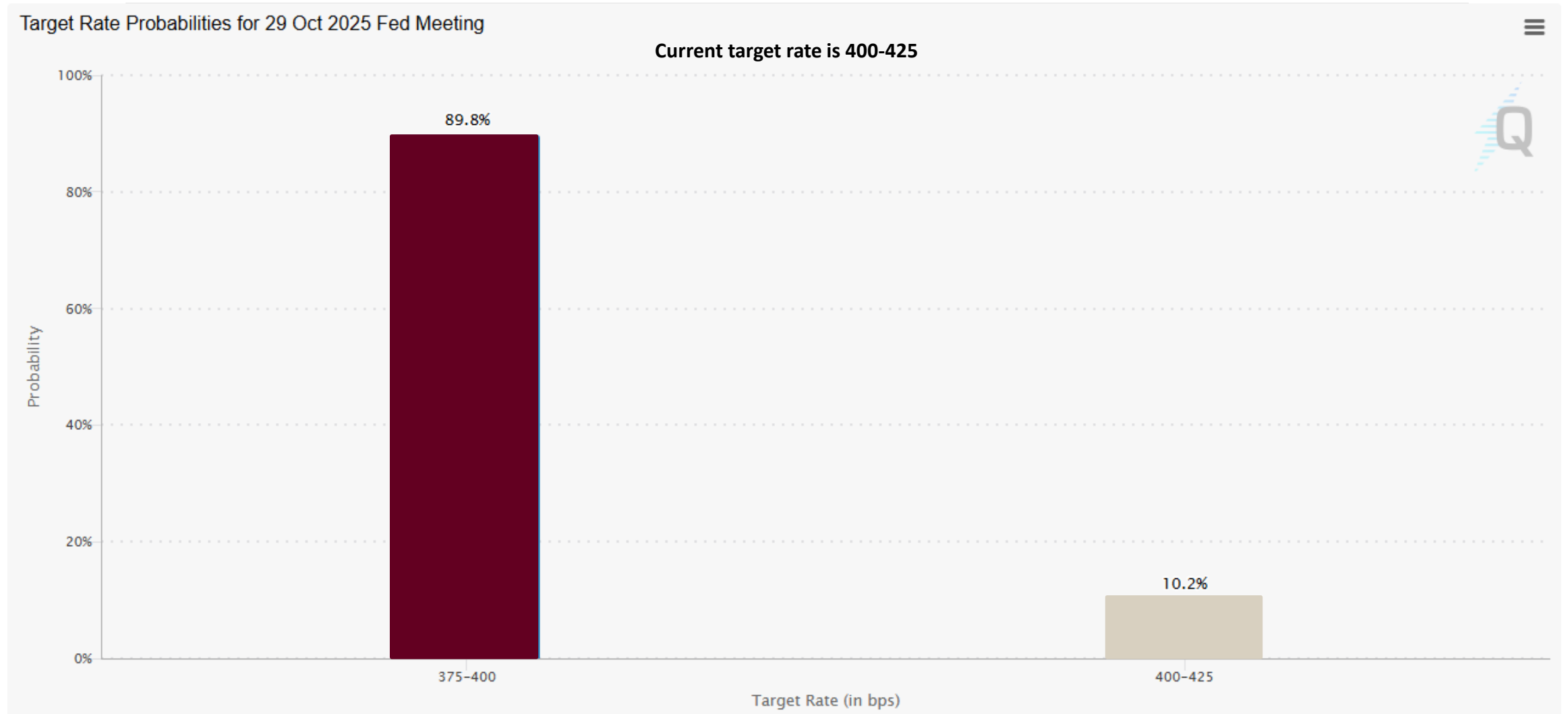
Source: Federal Reserve Bank of St. Louis, Federal Reserve.  
\*Long-run projections are the rates of growth, unemployment and inflation to which a policy maker expects the economy to converge over the next five to six years in absence of further shocks and under appropriate monetary policy.  
Forecasts, projections and other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated.  
Data as of Sep. 17, 2025.

# Outliers Are The New Norm

Figure 2. FOMC participants' assessments of appropriate monetary policy: Midpoint of target range or target level for the federal funds rate



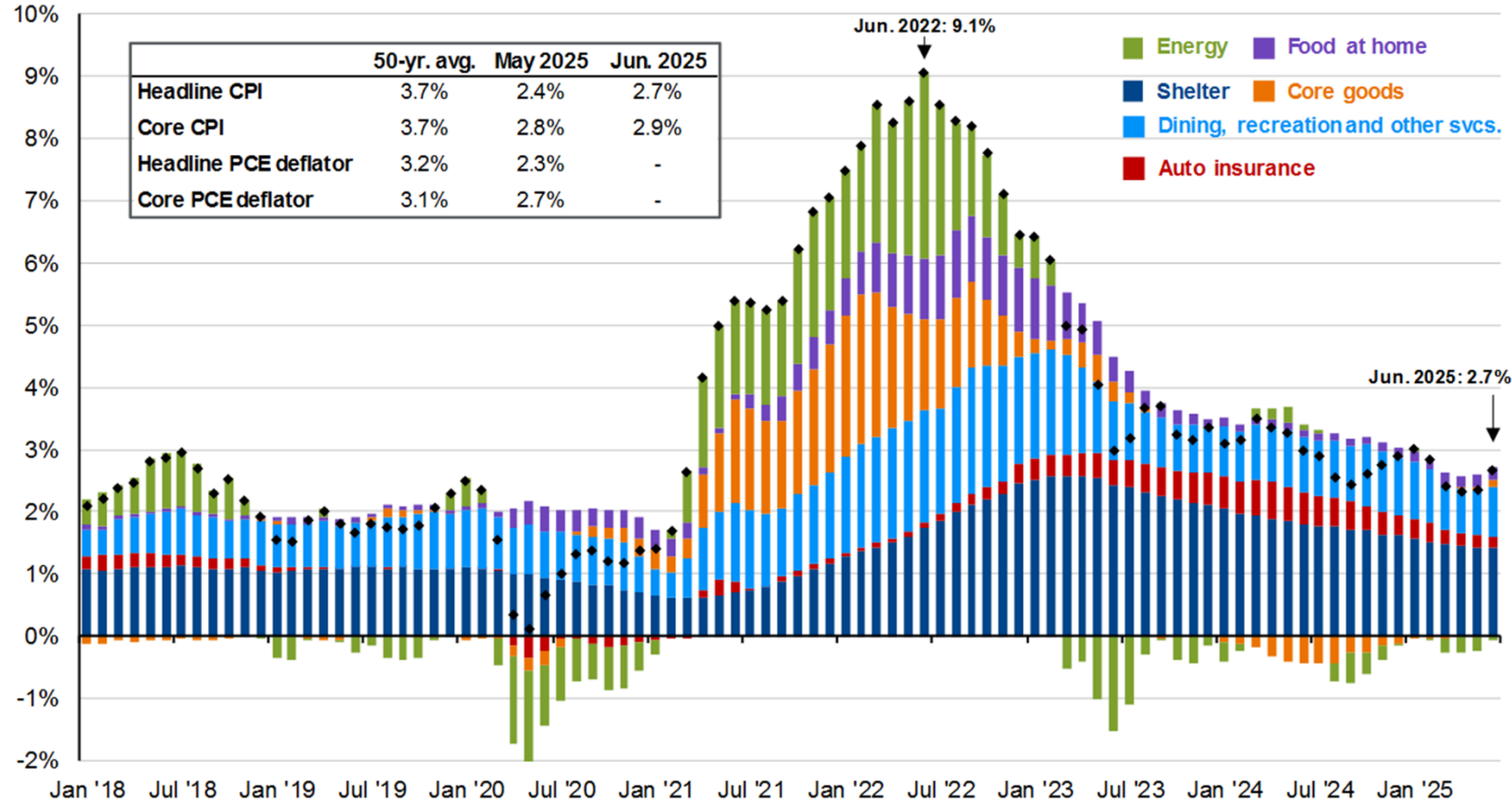
# Rate Cut Expectations



# Inflation

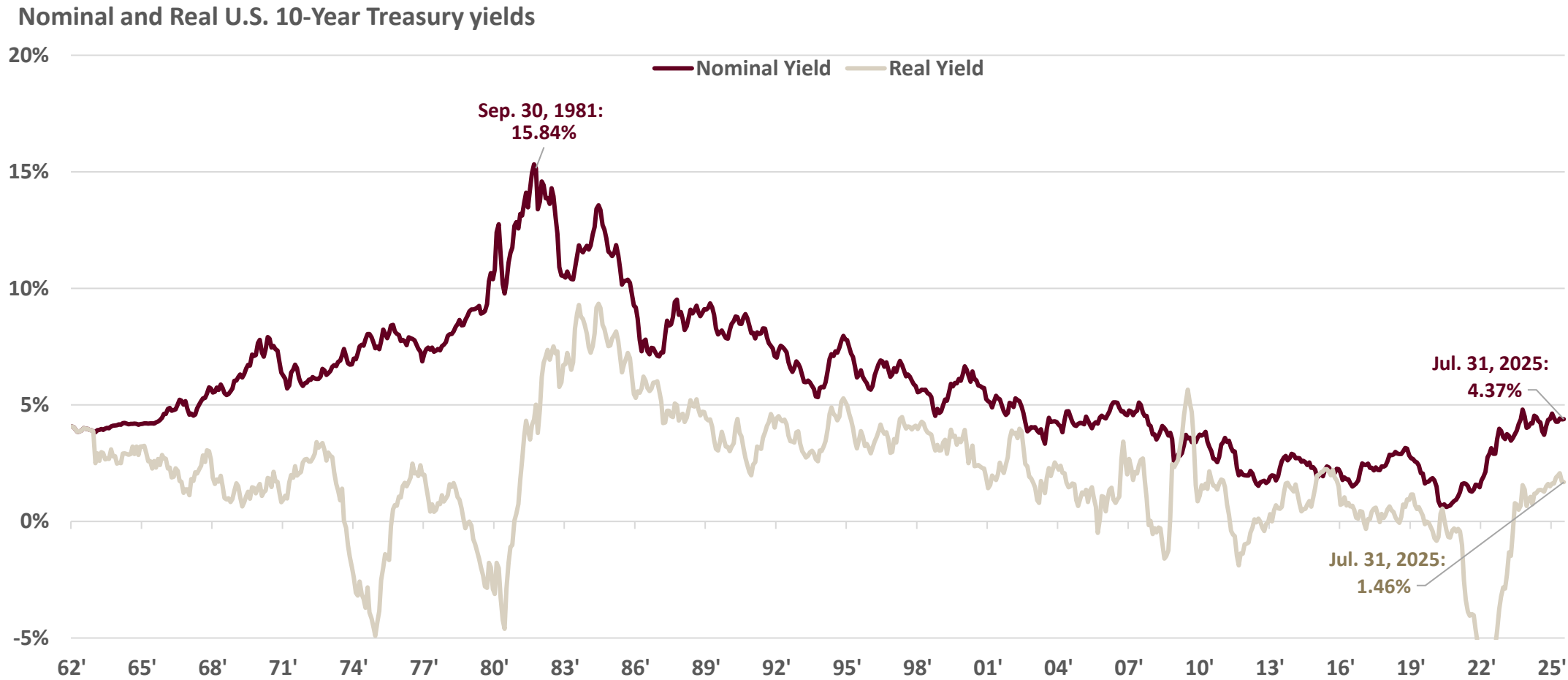
## Contributors to headline CPI inflation

Contribution to y/y % change in CPI, non-seasonally adjusted



Source: BLS, FactSet, J.P. Morgan Asset Management. Contributions mirror the BLS methodology on Table 7 of the CPI report. Values may not sum to headline CPI figures due to rounding and underlying calculations. "Shelter" includes owners' equivalent rent, rent of primary residence and home insurance. "Food at home" includes alcoholic beverages.  
*Guide to the Markets – U.S. Data are as of July 31, 2025.*

# Inflation

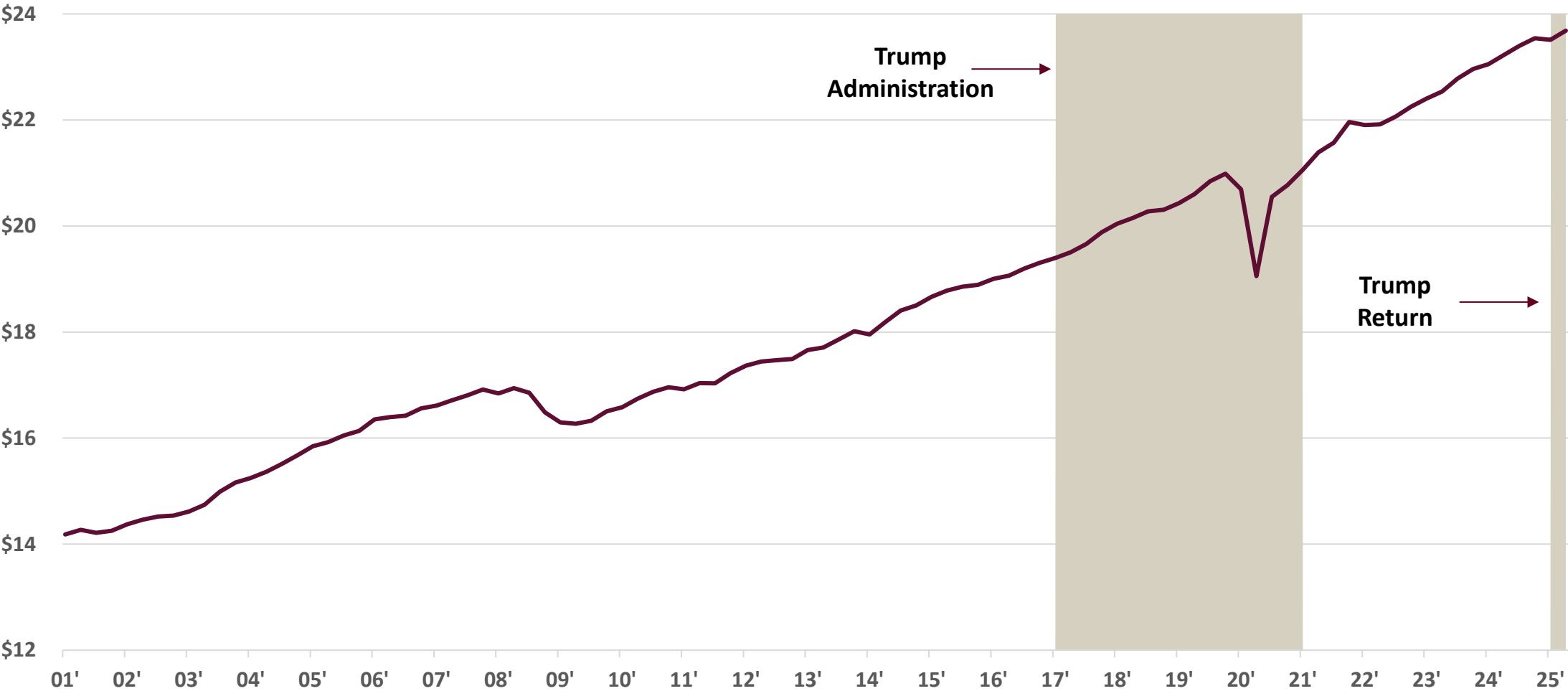


Source: BLS, Federal Reserve.  
Nominal 10-Year Treasury yields are calculated as monthly average. Real 10-year Treasury yields are calculated as monthly Treasury yields less year-over-year CPI-U inflation.  
Genter Capital – data as of 7/31/2025.



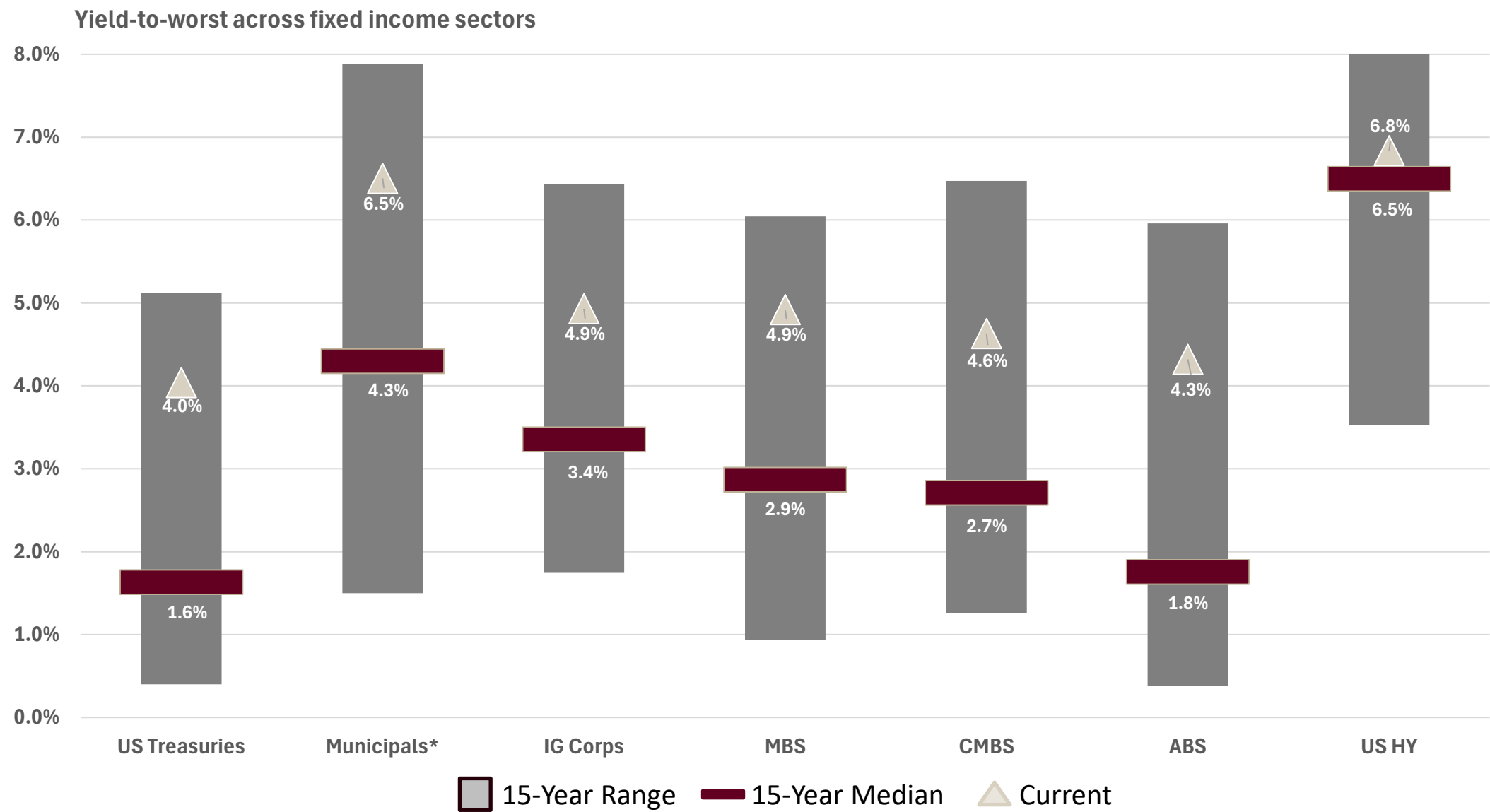
# GDP Growth

Real GDP



Source: BLS.

# Fixed Income Yields



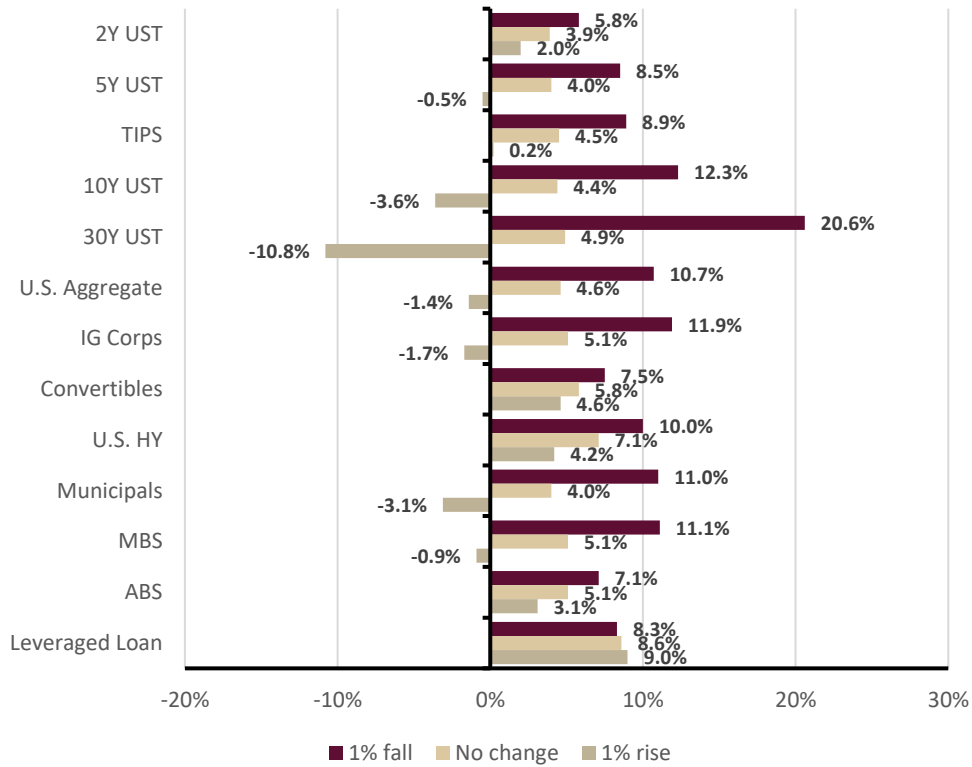
Source: Bloomberg. \*All sectors shown are yield-to-worst except for Municipals, which is based on the tax-equivalent yield-to-worst assuming a top-income tax bracket rate of 37% plus a Medicare tax rate of 3.8%. Data as of 8/25/2025.

# Downside risk for Long Dated Maturities

	Yield		Return			
U.S. Treasuries	7/31/2025	12/31/2024	2025	Avg maturity	Correlation to 10-year	Correlation to S&P 500
2-Year	3.94%	4.25%	2.16%	2 Years	0.74	0.02
5-Year	3.96%	4.38%	4.34%	5	0.94	0.00
TIPS	1.74%	2.13%	4.79%	7.2	0.74	0.35
10-Year	4.37%	4.58%	4.36%	10	1.00	-0.04
30-Year	4.89%	4.78%	0.83%	30	0.93	-0.08
Sector						
U.S. Aggregate	4.64%	4.91%	3.75%	8.3	0.90	0.27
IG Corps	5.07%	5.33%	4.24%	10.4	0.70	0.48
U.S. HY	7.08%	7.49%	5.04%	4.7	0.11	0.79
MBS	5.07%	5.27%	3.81%	7.9	0.82	0.28
ABS	5.09%	5.38%	3.32%	2.2	0.41	0.26

## Fixed income returns in different interest rate scenarios

Total return, assumes a parallel shift in the yield curve



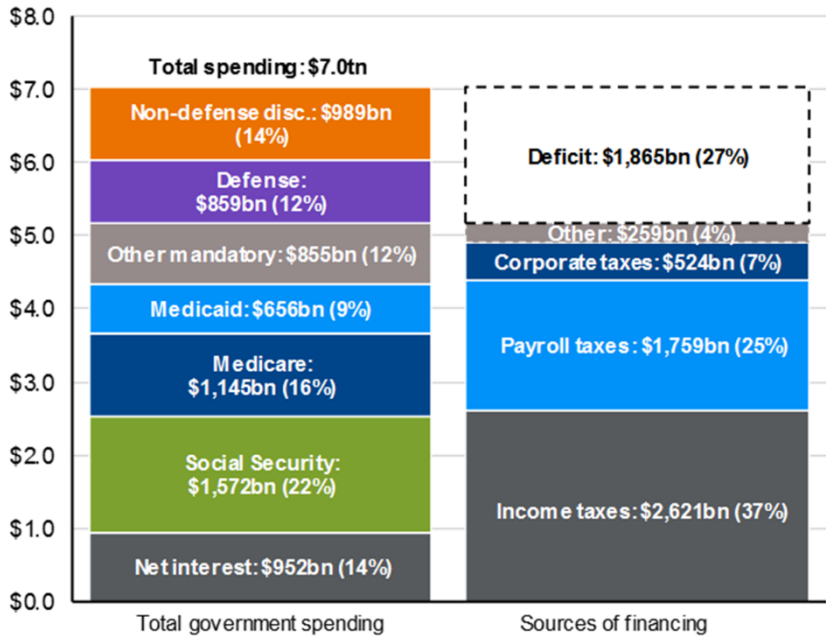
Source: Bloomberg, FactSet, Federal Reserve Bank of Cleveland, Standard & Poor's, U.S. Treasury, J.P. Morgan Asset Management. Sectors shown above are provided by Bloomberg unless otherwise noted and are represented by – U.S. Aggregate; MBS: U.S. Aggregate Securitized – MBS; ABS: J.P. Morgan ABS Index; IG Corporates: U.S. Corporates; Municipals: Muni Bond; High Yield: Corporate High Yield; Leveraged Loans: J.P. Morgan Leveraged Loan Index; TIPS: Treasury Inflation-Protected Securities; Convertibles: U.S. Convertibles Composite. Convertibles yield is as of most recent month-end and is based on U.S. portion of Bloomberg Global Convertibles Index. Yield and return information based on bellwethers for Treasury securities. Yields shown for TIPS are real yields. TIPS returns consider the impact that inflation could have on returns by assuming the Cleveland Fed's 1-year inflation expectation forecasts are realized. Sector yields reflect yield-to-worst. Leveraged loan yields reflect the yield to 3Y takeout. Correlations are based on 15-years of monthly returns for all sectors. ABS returns prior to June 2012 are sourced from Bloomberg. Past performance is not indicative of future results.

Guide to the Markets – U.S. Data are as of July 31, 2025.

# Federal Finances

## The 2025 federal budget

USD trillions

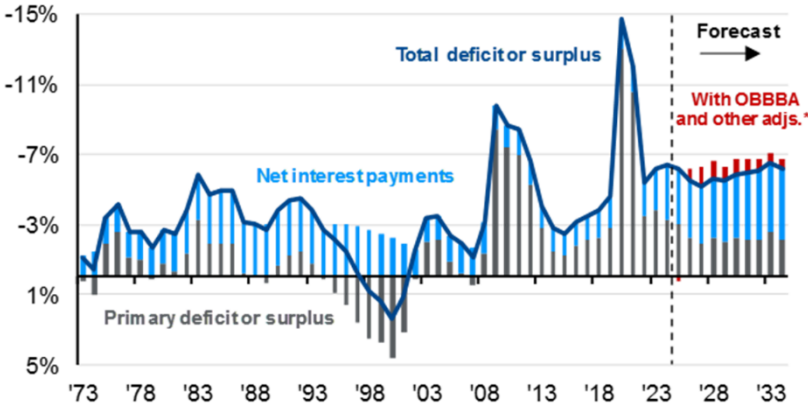


### CBO's Baseline economic assumptions

	2025	'26-'27	'28-'29	'30-'35
Real GDP growth	2.2%	1.8%	1.8%	1.8%
10-year Treasury	4.1%	3.9%	3.9%	3.8%
Headline inflation (CPI)	2.3%	2.4%	2.3%	2.2%
Unemployment	4.2%	4.4%	4.4%	4.4%

## Federal deficit and net interest payments

% of GDP, 1973-2034, CBO Baseline Forecast



## Federal net debt (accumulated deficits)

% of GDP, 1940-2034, CBO Baseline Forecast, end of fiscal year



Source: CBO, J.P. Morgan Asset Management; (Left) Numbers may not sum to 100% due to rounding; (Top and bottom right) BEA, Treasury Department. Estimates are from the Congressional Budget Office (CBO) January 2025 An Update to the Budget Outlook: 2025 to 2035. "Other" spending includes, but is not limited to, health insurance subsidies, income security and federal civilian and military retirement. Years shown are fiscal years. OBBBA refers to the "One Big Beautiful Bill Act." \*Adjusted by JPMAM to include estimates from the CBO July 2025 report "Estimated Budgetary Effects of Public Law 119-21, to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14, Relative to CBO's January 2025 Baseline." Figures are also adjusted to include JPMAM estimates of tariff revenues and the estimated cost of extending expiring tax cuts beyond 2028, based on CBO estimates prepared for the version of the OBBBA proposed by the House of Representatives on May 22, 2025. Forecasts are not a reliable indicator of future performance. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated.

Guide to the Markets – U.S. Data as of July 31, 2025.

# Federal Finances

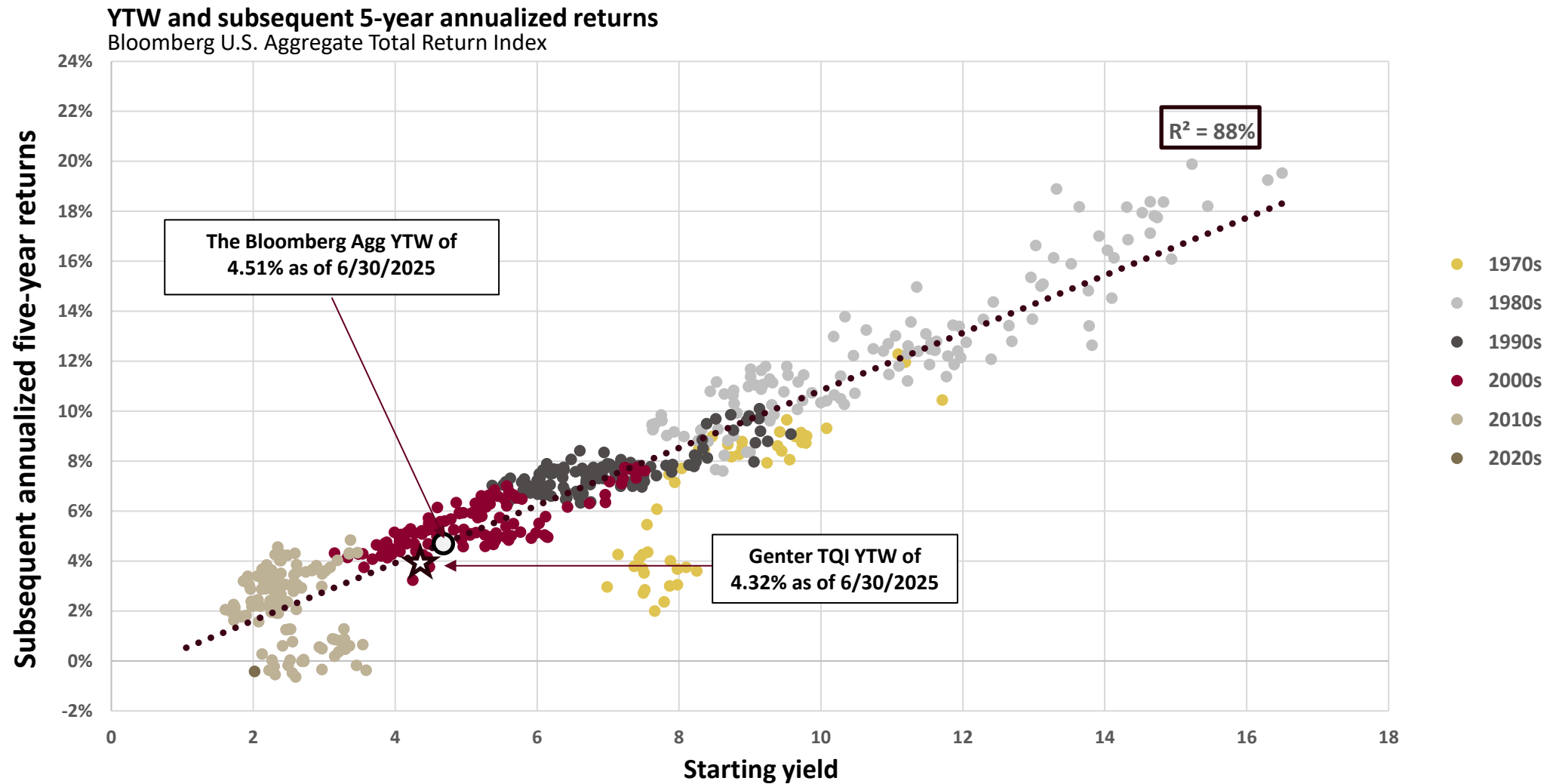
## Just how large is 1 trillion?

1 million seconds = 11.5 days

1 billion seconds = 32 years

1 trillion seconds = 32,000 years

# Fixed Income Returns



Source: Bloomberg.

Returns are 60-month annualized total returns, measured monthly, beginning 1/31/1976.  $R^2$  represents the percent of total variation in total returns that can be explained by yields at the start of each period.

Genter Capital Management – Data as of 6/30/2025.

# Is the Bloomberg Agg the Right Benchmark for Fixed Income Core Allocation?

Comparable yields – but without the excess interest rate risk.

Yield to Worst (YTW)	Bloomberg Agg	Bloomberg Int. Gov/Credit
Current	4.51%	4.09%
Average – 5 Yrs	3.54%	3.23%
High – 5 Yrs	5.74%	5.49%
Low – 5 Yrs	1.02%	0.59%
Range	4.72%	4.90%
Average – 10 Yrs	3.05%	2.69%
High – 10 Yrs	5.74%	5.49%
Low – 10 Yrs	1.02%	0.59%
Range	4.72%	4.90%
Average – 25 Yrs	3.63%	3.07%
High – 25 Yrs	7.31%	7.11%
Low – 25 Yrs	1.02%	0.59%
Range	6.29%	6.52%

More risk hasn't delivered better returns.

Total Returns	Bloomberg Agg	Bloomberg Int. Gov/Credit
1Yr	6.04%	6.70%
3Yr	2.88%	3.79%
5Yr	-0.72%	0.65%
10Yr	1.82%	2.08%
25Yr	3.96%	3.79%

BBG Int. Gov/Credit delivers 90.6% of the Agg's yield, while taking just 61.5% of the duration risk

Calculations:  $4.09/4.51 = 0.906$   
Calculations:  $3.69/6.00 = 0.615$

Yield-to-Duration Efficiency:  
Agg: 0.78% per year of duration  
BBG Int. Gov/Credit : 1.15% per year of duration

Agg's duration fluctuates more, increasing uncertainty for investors.

Duration (OAD)	Bloomberg Agg	Bloomberg Int. Gov/Credit
Current	6.00	3.69
Average – 5 Yrs	6.24	3.88
High – 5 Yrs	6.78	4.18
Low – 5 Yrs	5.95	3.64
Range	0.83	0.54
Average – 10 Yrs	6.01	3.91
High – 10 Yrs	6.78	4.18
Low – 10 Yrs	5.31	3.64
Range	1.47	0.54
Average – 25 Yrs	5.20	3.80
High – 25 Yrs	6.78	4.18
Low – 25 Yrs	3.41	3.37
Range	3.37	0.81

# Outlook

**A market correction is a distinct, and healthy, possibility. Don't try to time markets; stick to your allocations and take advantage of any buying opportunities that may arise.**

**Growth:** Likely to remain positive in 2025, but could approximately be sub-2%.

**Inflation:** Seems to be under control; Fed could be looking at more cuts. But Trump's agenda could complicate this.

**Stocks:** Some areas of the market still offer good risk/reward tradeoffs. Look to high quality, income-producing stocks. Be cautious of headline-grabbing growth stocks as valuations and industry concentration are concerning.

**Bonds:** Yields on high quality bonds remain attractive.

**5.9% (Implied Long-Term Rate) = 2.9% (Core PCE) + 3.0% (GDP Expected)**



# Plenty Of Wind At Our Backs



- Employment Remains Positive
- Consumer Net Worth Rising (Wealth Effect)
- Real Income Growth Positive
- Inflation Moderating
- Rate Cuts
- Liquidity
- Booming A.I. Investment/Buildout
- Business Friendly Administration

# What Might Poke The Bear

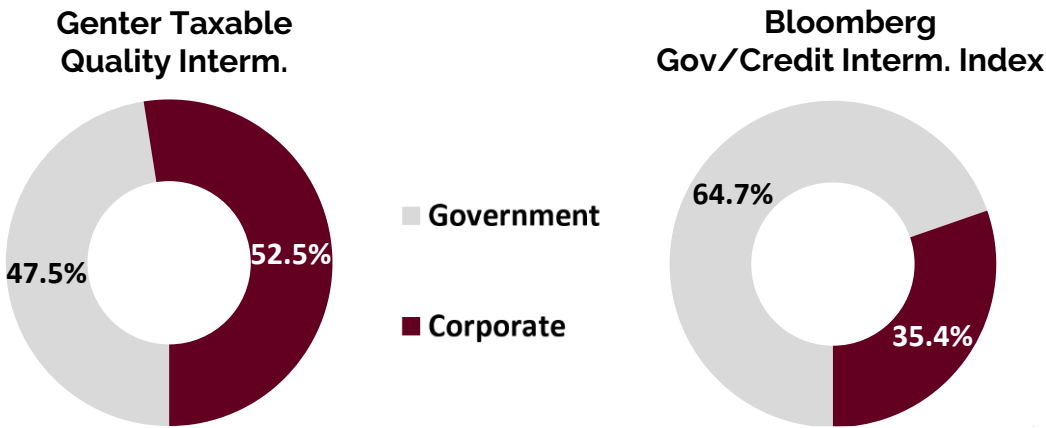


- Not All Consumers Feeling Flush
- Housing Affordability
- CRE continues to deteriorate
- Trade Wars aren't good
- Balloon Gov't Debt & A Trillion Dollar of Interest is a lot even for Uncle Sam
- Fed Slow-Rolls rate cuts
- DOGE-ball and Fiscal Tightening
- China & Europe Struggling
- Valuation doesn't matter until it does

# Distribution

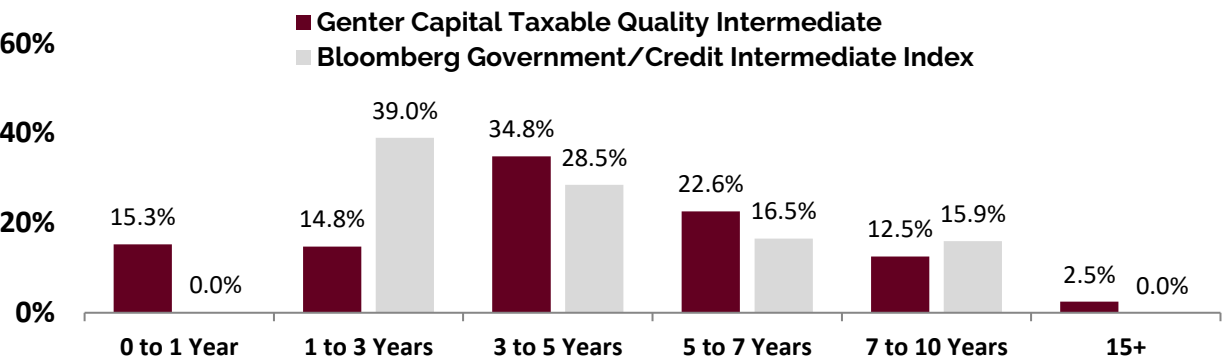
Portfolio is a blend of U.S Treasury and Agency bonds and investment grade corporates.

Sector

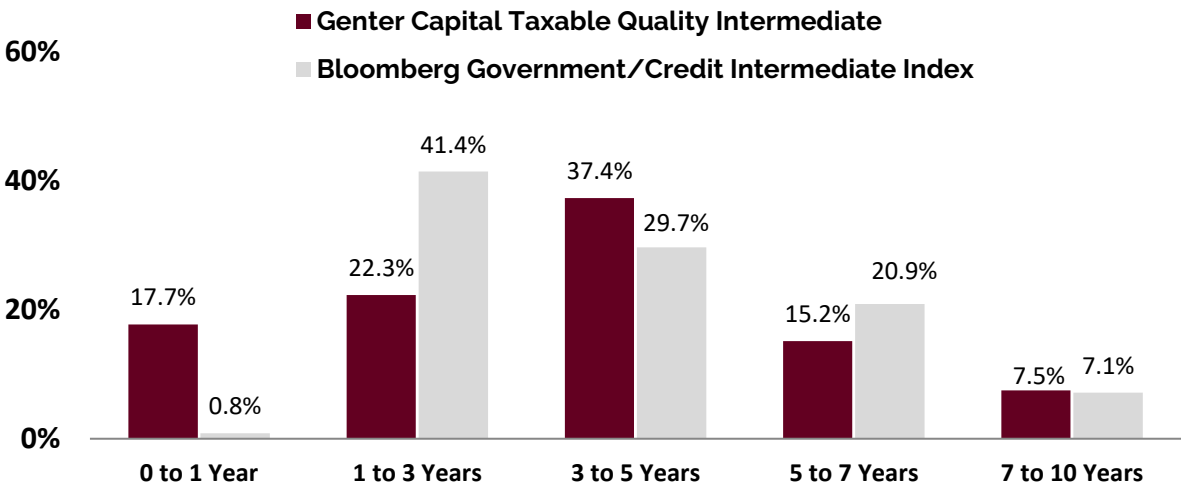


	Taxable Quality Intermediate	Bloomberg Government/Credit Intermediate Index
Average Coupon	4.15%	3.52%
Yield to Worst	4.32%	4.09%
Yield to Maturity	4.32%	4.10%
Effective Maturity Years	4.22	4.27
Option Adjusted Duration	3.62	3.76
Convexity	0.22	0.21
Average Quality	A+/A	AA/AA-

Maturity



Duration



Index Source: Bloomberg Global Family of Indices, Genter Capital data as of 6/30/25. This information is considered supplemental, please refer to the strategy's full composite disclosure.