

TACTICAL INCOME SOLUTION UPDATES

October 28, 2024

Thank you for your continued trust and confidence. We would like to inform you that we have made some changes to Liberty One's Tactical Income Solution portfolio. We sold out of the SPDR Portfolio Long Term Treasury ETF (SPTL) and replaced it with Diamond Hill's Short Duration Securitized Bond Fund in the portfolio. We believe this would provide an opportunity to add incremental yield, reduce duration risks, and improve the risk-adjusted returns within our fixed income portfolios.

After a strong September jobs report and better-than-expected retail sales prints, the US economy remains on track to grow at a solid pace through the end of 2024. As a result, the odds of recessionary risks have come down and prospects of a more aggressive easing cycle could be overpriced by the market. Additionally, long run inflation expectations have recently ticked up, with secular drivers such as reshoring of global supply chains, de-globalization, and high fiscal deficits putting upward pressure on long-term yields. The Fed's long-term neutral rate has moved up from 2.4% to 2.9% just this past quarter, which adds pressure on our duration exposure should the US economy avoid a recession and inflation remains above the Fed's 2% target. Diamond Hill's Short Duration Securitized Bond Fund invests primarily in structured products such as non-agency mortgages and asset-backed securities like consumer loans. With a stronger than expected consumer backdrop, we could benefit from the incremental yield and still relatively attractive spreads on the bonds in the securitized market when compared to long term Treasuries.

As the economic and financial market environment continues to evolve, our tactical positioning allows us to continue to drive strong risk-adjusted returns. We have tactically maneuvered around a rather volatile bond market in the last 3 years and generated strong risk-adjusted returns as a result. We will continue to be tactical as opportunities arise and balance our objective between current income, wealth preservation, and growth within the Tactical Income Solution portfolio.

If you have any questions, please don't hesitate to reach out to us. Thank you for your continued trust and confidence.

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