

# Reams Core Plus Strategy

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## Investment Philosophy

Reams defines risk as permanent loss of principal or the inability to meet investment objectives. This is distinct from other investors who may define risk as volatility or tracking error versus a benchmark. Another differentiating feature is that Reams focuses on reacting to relative value opportunities and taking advantage of volatility, rather than relying on economic forecasting and predicting market movements. These guiding beliefs lead the team to:

- Focus on long-term value and total return
- Employ both top-down macro and bottom-up strategies to uncover unique opportunities
- React opportunistically to valuation discrepancies and volatility in the bond market
- Create diversified bond portfolios in an attempt to outperform over a full market cycle
- Seek opportunities to add value in niche parts of the market overlooked by larger managers

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## Strategy Overview

- The standard benchmark is the Bloomberg U.S. Aggregate Index (other benchmarks may be utilized for separate accounts according to client-specific guidelines).
- Invest tactically across all sectors of the fixed income market including investment-grade and high yield credit, governments, agencies, mortgage-backed, asset-backed and non-dollar.
- Actively manage overall portfolio duration based on market conditions, normally within a range of 3 to 7 years.
- May use derivative instruments such as futures, options and credit default swaps, if explicitly authorized by client guidelines, in order to gain exposure and manage risk.

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## Investment Process

### Step One: Duration and Yield-Curve Decision

Goal: Determine whether the bond market is cheap or expensive

- Emphasize real interest rates and formulate a long-term view
- Take advantage of yield curve opportunities

### Step Two: Sector Decision and Bond Selection

Goal: Identify bonds with the highest risk-adjusted returns

- Focus on over/underweight sectors based on relative value and select bonds expected to perform well in dynamic interest rate and credit environments
- Focus on senior positions within the capital structure and use stress testing/scenario analysis to evaluate potential outcomes

### Step Three: Risk Analysis and Control

Goal: Continually measure and control exposure to key risk factors

- Employ external and proprietary analytical tools to manage and control risk at security, sector and portfolio levels
- Avoid backward looking risk measures and “risk budgeting” approaches to portfolio construction

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## Total Strategy Assets

\$7,916.4 million

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## Portfolio Management Team

### Mark Egan, CFA

Lead Portfolio Manager

- Joined Reams Asset Management in 1990
- 37 years of investment experience

### Todd Thompson, CFA

Co-Portfolio Manager

- Joined Reams Asset Management in 2001
- 29 years of investment experience

### Clark Holland, CFA

Co-Portfolio Manager

- Joined Reams Asset Management in 2002
- 29 years of investment experience

### Jason Hoyer, CFA

Co-Portfolio Manager

- Joined Reams Asset Management in 2015
- 20 years of investment experience

### Dimitri Silva, CFA

Co-Portfolio Manager

- Joined Reams Asset Management in 2021
- 16 years of investment experience

### Neil Aggarwal

Co-Portfolio Manager

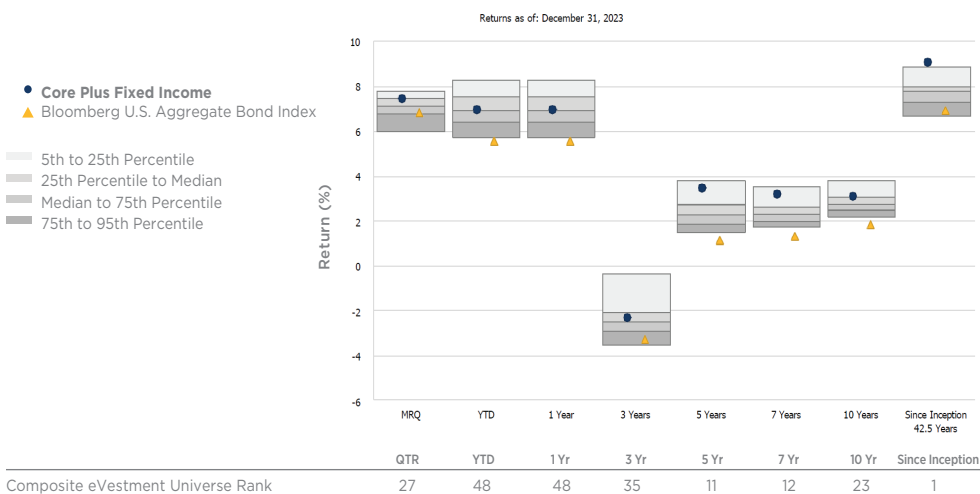
- Joined Reams Asset Management in 2022
- 20 years of investment experience

Performance Summary (USD)

	Core Plus Composite Gross	Core Plus Composite Net	Bloomberg U.S. Aggregate Index	Net Excess Return
Quarter	7.43%	7.34%	6.82%	0.52%
YTD	6.94%	6.63%	5.53%	1.10%
1 Year	6.94%	6.63%	5.53%	1.10%
3 Year	-2.35%	-2.64%	-3.32%	0.68%
5 Year	3.45%	3.14%	1.10%	2.04%
7 Year	3.18%	2.87%	1.29%	1.58%
10 Year	3.08%	2.77%	1.81%	0.96%
Since Inception	9.07%	8.74%	6.88%	1.86%

Inception Date: 6/1/1981

Core Plus Fixed Income vs. eVestment U.S. Core Plus Fixed Income Universe<sup>†</sup>



Source: eVestment Company

Ranking within eVestment US Core Plus Fixed Income universe based on monthly returns gross of fees. Ranking data calculated on Jan. 19, 2024 (as of Dec. 31, 2023) and is subject to change as additional firms within the category submit data. Reams Asset Management pays an annual fee to eVestment to access their platform and to use their data, including peer group rankings, in marketing materials. Reams Asset Management does not pay for the ranking.

Performance Attribution<sup>†</sup>

(Q4-2023)

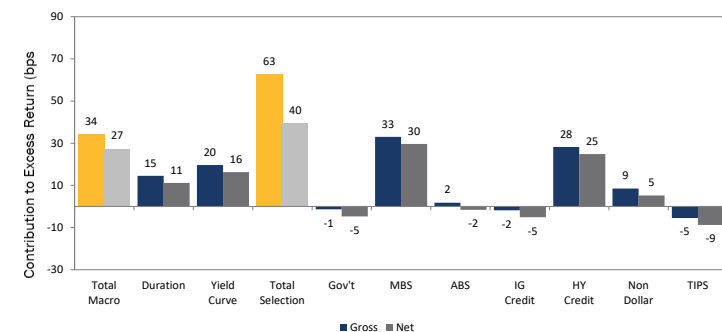
Sector	Impact %
Duration Difference	0.30
Yield Curve Difference	-0.11
<b>Total Macro</b>	<b>0.19</b>
Sector Selection	0.47
Security Selection	-0.05
<b>Total Selection</b>	<b>0.42</b>
<b>Fees</b>	<b>-0.08%</b>

Contributors and Detractors

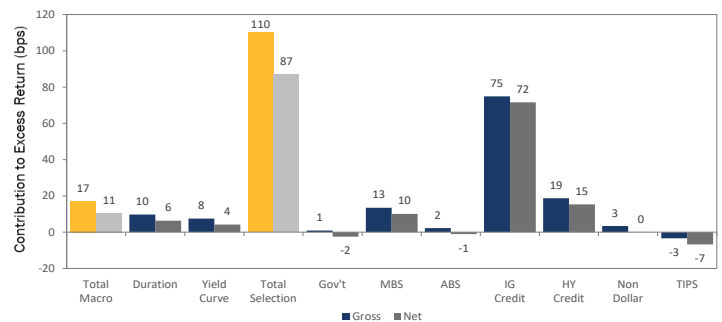
- An above-benchmark duration stance contributed to relative performance due to the sharp decline in U.S. Treasury rates, as investors priced in an end to the Federal Reserve's tightening cycle and a pivot toward a series of rate cuts in 2024.
- Yield curve positioning detracted due to an underweight to the short end of the curve, which experienced a slightly larger decline in rates relative to the belly and long end of the curve.
- Sector allocation contributed, primarily due to non-index exposure to HY corporates, which experienced meaningful spread compression, and an overweight to the outperforming MBS sector.
- The modest allocation to non-U.S. dollar currencies also contributed, as the U.S. dollar weakened in conjunction with the decline in Treasury rates.
- The non-index allocation to U.S. Treasury Inflation-Protected Securities (TIPS) detracted, as inflation breakevens fell from mid-October through year-end, causing TIPS to underperform nominal Treasuries.
- A slight underweight to the outperforming IG corporates sector also detracted.
- Security selection detracted, primarily within the MBS sector. MBS exposure was biased toward higher-coupon agency MBS, which underperformed lower-coupon agency MBS.
- Security selection contributed within the IG corporates, HY corporates, and ABS sectors.

Sources of Excess Returns<sup>†</sup>

3-Year Annualized



10-Year Annualized



Attribution versus Bloomberg U.S. Aggregate Index. Indices do not reflect management fees or transaction costs. It is not possible to invest directly in an unmanaged index.

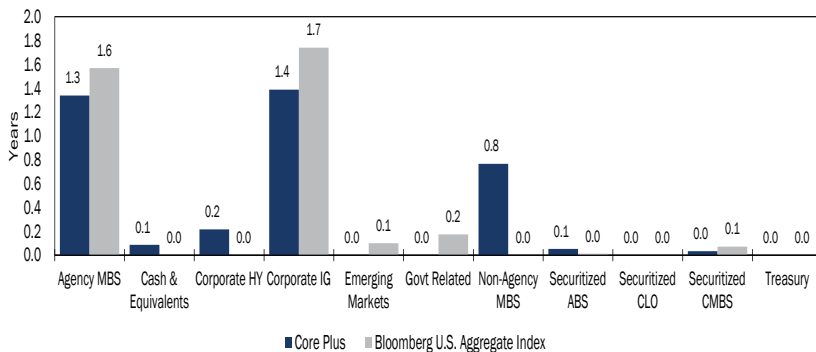
Performance data quoted represents past performance. Past performance is no guarantee of future results. Performance figures are stated as gross and net, which is calculated using the highest management fee of 0.30% for this strategy. The firm's management fees are detailed in its Form ADV Part 2A. Please see the Disclosures for further information. Totals may not equal due to rounding.

<sup>†</sup>Based on Gross of Fee Performance

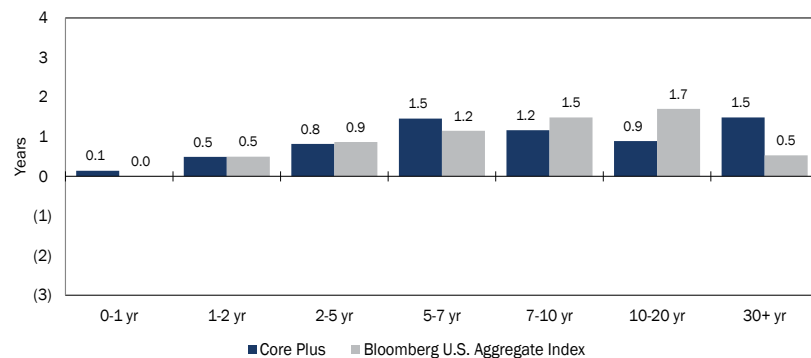
Please see the back page for further information.

## Portfolio Summary

### Contribution to Spread Duration (Years)



### Contribution to Interest Rate Duration (Years)



### Portfolio Characteristics

	Core Plus	Bloomberg U.S. Aggregate Index
Average Duration	6.5 years	6.2 years
Average Convexity	0.29	0.57
Average Yield to Worst	5.1%	4.5%
Average Maturity	10.2 years	8.4 years
Average Quality	Aa3	Aa2

### Sector Allocation (%)

	Core Plus	Bloomberg U.S. Aggregate Index
Agency MBS	32.0	26.6
Cash & Equivalents	0.9	0.0
Corporate HY	4.8	0.0
Corporate IG	23.2	24.6
Emerging Markets	0.0	1.2
Govt Related	0.0	3.8
Non-Agency MBS	10.7	0.0
Securitized ABS	1.8	0.5
Securitized CLO	0.0	0.0
Securitized CMBS	1.7	1.6
Treasury	29.5	41.6
<b>Total</b>	<b>104.5</b>	<b>100.0</b>

### Quality Allocation (%)\*

	Core Plus	Bloomberg U.S. Aggregate Index
AAA	14.1	3.6
AA	62.9	72.2
A	16.7	11.7
BBB	5.1	12.5
Below Investment Grade	4.8	0.0
Cash & Equivalents	0.9	0.0
<b>Total</b>	<b>104.5</b>	<b>100.0</b>

Sector and Quality Exposure may not sum to 100% in some cases. To the extent derivative instruments are held and shown at full notional, collateral will be assigned to its defined Sector or Quality Exposure. Cash & Equivalents may include securities with an effective duration less than one year and rated investment grade.

## Positioning and Rationale

- The allocation to IG corporates was down during the fourth quarter and shifted to a slight underweight relative to the index. IG corporate holdings continued to favor financials.
- Exposure to HY corporates declined and reached a modest absolute level, as valuations became somewhat less attractive following recent outperformance.
- The allocation to agency MBS declined moderately, while exposure to nonagency residential mortgage-backed securities (RMBS) increased by a small amount. The mortgage sector continued to represent a meaningful overweight versus the index.
- The weights in CMBS and ABS declined slightly and both sectors continued to represent modest absolute weights and small overweights relative to the index.
- Exposure to non-U.S. dollar currencies declined and reached a low absolute level.
- The allocation to U.S. Treasuries increased but remained significantly underweight relative to the index.
- Portfolio duration declined in response to the significant move lower in rates but remained moderately above that of the index, reflecting real rates that remained attractive on a long-term basis.
- Yield curve exposure at the end of the quarter featured overweights to the 5- to 7-year and 20+ year duration segments, offset by underweights to the 7- to 10-year and 10- to 20-year duration segments.

\*The bond quality ratings indicated are assigned by credit rating agencies Standard & Poor's, Moody's, and Fitch as an indication of an issuer's creditworthiness. Unless specified by client investment guidelines, the middle of three or highest of two credit quality ratings available from these rating agencies is used. Credit quality is subject to change. Ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest). Credit ratings are statements of opinions and are not statements of fact or recommendations to purchase, hold or sell securities. They do not address the appropriateness of securities or the appropriateness of securities for investment purposes, and should not be relied on as investment advice.

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Please see the back page for further information.

### Firm Overview

Reams Asset Management, founded in 1981, is a fixed income investment management firm whose mission is to provide high-quality investment expertise and unmatched client service. We apply our consistent investment process across a range of strategies, seeking to take advantage of volatility and react opportunistically to price and valuation dislocation in the bond market. Reams offers clients customized solutions that seek to maximize risk-adjusted total returns over a full market cycle and across a range of fixed income strategies.

Reams Asset Management is a division of Scout Investments, which is a wholly owned subsidiary of Raymond James Investment Management. Raymond James Investment Management, which is itself a wholly owned subsidiary of Raymond James Financial, is a global asset-management company that combines the exceptional insight and agility of individual investment teams with the strength and stability of a full-service firm. Raymond James Investment Management's multi-boutique structure provides scalable business-support solutions to distinct and talented investment teams.

For more information about Reams Asset Management, please contact Matt Waz 415-308-1933.

### Product Overview

#### Investment Vehicles

Separate Accounts  
Commingled Funds  
Mutual Funds

#### Fixed Income Strategies

Core  
Core Plus  
Intermediate  
Long Duration  
Low Duration  
Ultra Low Duration  
Unconstrained

To learn more about Reams' products, visit [reamsasset.com](http://reamsasset.com).

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*The Core Plus Fixed Income Composite invests primarily in investment grade securities with investments in high-yield securities and foreign securities, while maintaining an average portfolio duration of generally between three and seven years. The Core Plus Fixed Income Composite may invest in derivatives, including credit default swaps and related instruments, such as credit default swap index products. These derivative securities may be used to enhance returns, increase liquidity and/or gain exposure to certain instruments in the market (such as the corporate bond market) in a more efficient or less expensive way.*

*The Composite may also invest in currency forwards to hedge currency exposure when Reams chooses to establish positions in non-U.S. Dollar bonds. Derivatives used are strictly constrained by client investment policy. The Bloomberg U.S. Aggregate Index is an unmanaged, market-value-weighted index of taxable investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage backed securities, with maturities of one year or more. The eVestment U.S. Core Plus Fixed Income Universe consists of U.S. fixed income products that primarily invest in high quality debt (as rated by Moody's or Standard & Poor's) and also have allocation to "spread product", such as high yield, non-dollar and/or emerging market debt. These products may also seek to "enhance" returns with aggressive duration management strategies or other non-core bond management techniques. The expected benchmarks for this universe would include the Bloomberg Aggregate, Bloomberg Universal or Bloomberg Gov't/Credit. Managers in this category will typically indicate a "Fixed Income Style Emphasis" equal to Core or Core Plus and a "Product Duration Emphasis" equal to Core or Intermediate.*

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*The eVestment US Core Plus Fixed Income universe consists of US Fixed Income products that invest in a well-diversified, investment grade bond portfolio while tactically allocating to "plus" sectors like high yield and Emerging Markets debt (EMD). These strategies seek to enhance returns relative to a core portfolio. Managers may vary in their exposure to "plus" sectors, but between 10% and 35% is typical. Common benchmarks include the Bloomberg US Aggregate.*

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# Core Plus Fixed Income Composite GIPS Report

Year End	Total Firm Assets (USD millions)	Composite Assets		Annual Performance Results				Bloomberg U.S. Aggregate Index*	Index 3-Yr Std Dev (%)
		USD (millions)	Number of Accounts	Composite Gross (%)	Composite Net (%)	Composite Dispersion (%)	Composite 3-Yr Std Dev (%)		
2023	26,706	7,390	24	6.94	6.63			5.53	
2022	26,355	6,030	27	-11.71	-11.98	0.5	7.18	-13.01	5.77
2021	31,030	6,417	21	-1.36	-1.66	0.1	4.14	-1.54	3.35
2020	28,556	5,960	25	17.01	16.66	1.9	4.16	7.51	3.36
2019	25,163	4,463	22	8.70	8.38	0.4	3.07	8.72	2.87
2018	25,366	5,531	21	1.35	1.04	0.2	3.06	0.01	2.84
2017	26,887	5,503	23	3.69	3.38	0.2	2.81	3.54	2.78
2016	27,268	6,085	26	4.44	4.13	0.4	2.82	2.65	2.98
2015	27,185	6,103	29	0.39	0.09	0.2	2.26	0.55	2.88
2014	31,187	6,227	29	3.79	3.48	0.7	2.32	5.97	2.63
2013	31,171	3,399	22	-0.31	-0.61	0.5	2.72	-2.02	2.71
2012	23,570	3,802	27	9.17	8.85	1.0	2.55	4.21	2.38

\* Formerly Lehman Brothers Aggregate Bond Index, then Bloomberg U.S. Aggregate Bond Index

**Performance data quoted represents past performance. Past performance is no guarantee of future results.** Performance figures are stated as gross and net, which is calculated using the highest management fee of 0.30% for this strategy. The firm's management fees are detailed in its Form ADV Part 2A. Please see the Disclosures for further information. Totals may not equal due to rounding.

**Compliance Statement** - Scout Investments claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Scout Investments has been independently verified by The Spaulding Group for the periods 2000-2022. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The Core Plus Fixed Income Composite has had a performance examination for the periods 2002-2022. The verification and performance examination reports are available upon request. Prior to being acquired by Scout Investments, Reams Asset Management's compliance was verified for the period 1987 through 2009 by Ashland Partners & Company LLP. The verification and performance examination reports are available upon request. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

**Definition of the Firm** - Scout Investments, Inc. is a registered investment advisor that offers investment management services for both managed accounts and mutual funds. Scout Investments is a wholly owned subsidiary of Raymond James Investment Management, which is in turn a wholly owned subsidiary of Raymond James Financial. Reams Asset Management is a division of Scout Investments. The firm was previously defined as UMB Institutional Asset Management, a subsidiary of UMB Bank, which managed both institutional and high net worth, trust, and estate assets. On July 1, 2009 the firm transitioned from UMB Bank and became a subsidiary of UMB Financial Corporation in order to focus on institutional investment management. On November 30, 2010, the firm acquired the advisory business of Reams Asset Management, LLC. On December 28, 2010 the firm changed its name from Scout Investment Advisors to Scout Investments. On November 3, 2017, Scout Investments was acquired by Raymond James Investment Management.

**Composite Description** - Core Plus Fixed Income Composite contains fully discretionary fixed income accounts and for comparison purposes is measured against the Bloomberg U.S. Aggregate Bond Index as a general market indicator. This composite invests in the types of securities represented in its benchmark. This composite also permits below investment grade securities (historical range of 0-20%) and non-dollar denominated securities (historical range of 0-25%), which are not included in the benchmark. Its duration ranges from unrestricted to +/- 20% around the benchmark. Prior to January 1, 2013, the composite did not include commingled fund accounts. The minimum account size for this composite is \$20 million. Prior to January 1, 2002, the minimum account size was \$4 million. The Core Plus Fixed Income Composite was created June 1, 1981, and the inception date is January 1, 1976.

**Additional Details** - Reams defines a derivative as an instrument or contract whose value is derived from the performance of an underlying financial asset, index or obligation. Derivatives are employed infrequently, yet opportunistically, when a strategy is unavailable or not cost effective through the cash market. Derivatives used are strictly constrained by client investment policy. In the Core Plus Fixed Income strategy, Credit Default Swaps (CDS) are used as substitutes for cash bonds and do not introduce leverage into the portfolios. Index products (CDX) are used for efficient, diversified exposure to the high yield and investment grade markets. Currency forwards may be used to hedge currency exposure when Reams chooses to establish positions in non-U.S Dollar bonds.

**Performance** - The U.S. Dollar is the currency used to express performance. Returns are presented gross and net of management fees and include the reinvestment of all income. Net of fee performance was calculated using the highest management fee for this strategy. The internal composite dispersion presented is an equal-weighted standard deviation calculated for the fully discretionary, fee-paying accounts in the composite the entire year. The three-year annualized ex-post standard deviation, presented as a measure of volatility, measures the variability of the composite and the benchmark returns over the preceding 36-month period. Three-year annualized ex-post standard deviation of the composite and benchmark are not shown for periods where there were less than 36 months available. Gross returns were used to calculate the risk measures presented in this GIPS Composite Report. Returns presented are time-weighted returns and are based on fully discretionary accounts under management. Past performance is not indicative of future results.

## Fee Schedule -

Vehicle	Management Fee	Expense Ratio
Separate Account	.30% on first \$50M	N/A
	.20% on next \$50M	
	Fees negotiable over \$100M	
Limited Distribution Pooled Fund	.35% on first \$50M	All expenses of the fund, other than management fees, are borne by the manager. The annual expense ratio is 0.21% and is equal to the sum of quarterly management fees divided by prior quarter-end AUM.
	.25% on next \$50M	
	Fees negotiable over \$100M	

Actual management fees incurred by clients may vary.

**Availability** - Lists of the firm's composite and limited distribution pooled fund descriptions, as well as a list of broad distribution pooled funds, are available upon request. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.