

Galliard Stable Return Fund W

Portfolio Commentary – Third Quarter 2025

The Galliard Stable Return Fund W (the Fund) is 100% invested in the Galliard Stable Return Fund Core

INVESTMENT PERFORMANCE

During the third quarter, the Galliard Stable Return Fund W continued its positive performance with a quarterly return of 0.83% (before investment management fees), which was in line with the first quarter's return of 0.80% (before investment management fees). The current blended yield for the Fund increased during the quarter to 3.31% (before investment management fees). In the coming quarter, we expect the Fund's blended yield to remain near current levels.

PORTFOLIO COMMENTARY

The Fund had net outflows of \$617.6 million during the quarter, which represented a decrease of 3.8% in total Fund assets. The overall duration of the Fund was 3.08 years at the end of the quarter, in line with the duration at the end of the previous quarter. In the current market environment, we are managing the Fund's duration toward the middle of its target range, while maintaining an appropriate level of liquidity. The average credit quality at the contract level remains strong at Aa3/AA-.

The Fund's market-to-book-value ratio increased during the quarter to 97.6%, due to modestly lower interest rates. The credit quality of the underlying bond portfolios remains strong with 75.9% of the portfolio's securities rated AAA or AA on average, as rated by S&P, Moody's, and Fitch. Sector allocations continue to be broadly diversified across the bond market.

ECONOMIC COMMENTARY

Sources of uncertainty are not in short supply in 2025. The S&P 500 is at all-time high levels and the investment grade credit index spread levels are at all-time highs. Additionally, measures of interest rate volatility have plummeted since the dramatic Liberation Day spike and interest rate markets have remained remarkably stable. The U.S. Government is currently shut down because Congress has yet to pass an appropriations bill. Notably, the government shutdown will result in delays of economic data releases, including the employment report for September. With inflation remaining stubbornly above target and labor markets trending weaker, this delay in data is another source of potential volatility. For now, however, the market appears to have adjusted to this new and uncertain landscape.

In the face of sticky inflation and a slowing labor market, the Fed kept rates unchanged throughout the summer. The August employment report furthered a downward trend in job creation that emerged earlier in the year and reinforced the need for a change. The Fed delivered a 25 bps cut at the September FOMC meeting. Forecasters and central bankers have been expecting an uptick in inflation as tariffs work their way through the system. Although inflation has once again started trending in the wrong direction with most measures increasing through late summer, this increase has not been as high as expected.

The economy has tolerated uncertainty amid various potential sources of volatility rather well. While the Fed eased monetary policy in September, a stagflation scenario is perhaps materializing. We continue to recognize the potential for policy changes at home and abroad as sources of volatility, and more time is needed to judge the impact. Portfolios are fully invested, generally speaking, and we are comfortable with positioning given the market environment. Going forward, we will continue to opportunistically add value when yields and spreads look relatively attractive. However, we continue to be mindful of downside risks and potential headwinds that may impact our portfolio allocation and positioning decisions.

GUIDELINE COMPLIANCE

We have not become aware of any investment guideline compliance issues occurring in the portfolio during the quarter.

Past performance is not an indication of how the investment will perform in the future.

Returns for periods less than one year are not annualized. Returns designated as "before investment management fees" include all income, realized and unrealized capital gains and losses and all annual fund operating expenses. Returns may have been impacted by the effect of compounding and have been rounded to the nearest basis point. Returns designated as "before investment management fees" do not reflect the maximum 0.25% fee which may be charged by Galliard for management of each client's account. For example, if the maximum advisory fee of 0.25% were deducted quarterly from each account, a one year annualized total return of 3.27% as of September 30, 2025, would have been reduced by 0.25% to 3.01%, which includes the effect of compounding these fees.

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