Strategic Fixed Income Fund

Annual Report - Fiscal Year 2023

Letter to Shareholders

Dear Shareholders, we are pleased to present the annual report for the Strategic Fixed Income Fund for the fiscal year ended December 31, 2023. The fund generated a total return of 4.2% for the year, outperforming the Bloomberg U.S. Aggregate Bond Index, which returned 3.8%. The fund's assets under management grew to $1.8 billion as of year-end.

Investment Approach and Holdings

The fund invests in a diversified portfolio of investment-grade fixed income securities. As of December 31, 2023, the portfolio consisted of 65% corporate bonds, 25% U.S. Treasury securities, and 10% mortgage-backed securities. The weighted average maturity of the portfolio was 7.2 years, with an effective duration of 6.1 years. The fund maintains a minimum credit quality of BBB- or equivalent, with approximately 85% of holdings rated A or higher.

Fund Expenses

The fund's expense ratio for the fiscal year was 0.55%, below the category average of 0.68%. This ratio includes a management fee of 0.40%, administrative expenses of 0.10%, and other operating expenses of 0.05%. The fund continues to benefit from economies of scale as assets have grown, allowing us to maintain competitive fees for our shareholders.

Income and Distributions

The fund declared monthly distributions throughout 2023, with a total distribution of $0.38 per share for the year. The current 30-day SEC yield stands at 4.1%, providing attractive income in the current interest rate environment. All distributions are automatically reinvested unless shareholders elect cash distributions.

Market Outlook and Positioning

Looking ahead to 2024, we maintain a cautiously optimistic outlook for fixed income markets. We have positioned the fund with a modest overweight to corporate credit, particularly in the financials and healthcare sectors, while maintaining our high-quality bias. The portfolio's duration has been extended slightly to 6.1 years to capture attractive yields in intermediate-term maturities. We continue to actively manage interest rate and credit risks while seeking to generate consistent income for shareholders.