Veteran Mark McClellan and team discuss the implications of the Trump presidency on the yield curve. The report lays out four scenarios (Democratic sweep, Biden & split Congress, Republican sweep, Trump & split Congress), and in each case, the impact on the yield curve, rate cuts, and positioning.

ALPINEMACRO
A Unique Mind On The Markets

U.S. BOND STRATEGY

July 11, 2024

Trump And The Yield Curve

- Trump's policies are a bear-steepener…
- …but will be watered down, especially in a split Congress
- Impact will reinforce a Fed-driven steepening trend…
- …so favor belly of the curve
- Long duration positions at risk only if a Republican sweep unfolds

Bond investors are scratching their heads over the implications for the Treasury curve if Trump wins the presidency this fall. Could the short end of the curve rally on Fed rate cuts, while the long end moves sideways or even increases?

As we emphasized last week, a lot depends on the makeup of Congress. **Table 1** summarizes the implications for the four possible outcomes this November according to Alpine Macro's Chief Geopolitical Strategist, Dan Alamariu.[1] Our base case has shifted from the ***Biden/split Congress*** scenario to the ***Trump/split Congress*** outcome.

The risk of a substantial fiscal expansion that lifts the trajectory of government debt is highest under the Biden/Democratic sweep and the Trump/Republican sweep outcomes. The latter appears much more likely than the former at the moment. The Trump tax cuts would certainly be extended beyond 2025 if Republicans have both the Senate and the House. There is speculation that a Republican sweep could lead to fiscal tightening. However, we do not see a Trump Administration and a Republican Congress using political capital on meaningful spending cuts in the first two years of the Administration (at least). Indeed, defense spending will likely increase. The just-released platform from the Republican National Committee did not signal any appetite for meaningful spending restraint.

Deregulation under the ***Trump/Republican sweep*** scenario could boost growth prospects. Deregulation would also be somewhat deflationary, but this effect would likely be outweighed to the extent that a trade war unfolds, at least in the short term.

1 Alpine Macro *Geopolitical Strategy* "A 2024 Elections Preview (Part IV): The United Kingdom, The United States, And France" (July 3, 2024).

ALPINEMACRO **2024 INVESTMENT CONFERENCE**

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Tipping Point In Financial Markets: A Melt-up or Meltdown?

Agenda

08:10 - 08:30 **Opening Remarks : The Shifting Macro Landscape: Opportunities & Risks**
Chen Zhao, Chief Global Strategist

08:30 - 9:30 **Emerging Mega Trends: How Should Investors Be Prepared?**
Ruchir Sharma, Chairman of Rockefeller International and Founder and Chief Investment Officer of Breakout Capital

09:30 - 10:30 **Inflation, Disinflation and Fed Policy: Are We on the Right Path?**
Mike Dooley, Professor Emeritus at University of California, Santa Cruz and Chief Economist at Figure Technologies

10:30 - 10:45 Coffee Break

10:45 - 11:45 **Fireside Chat: Bull Bear Debate**
Francois Trahan, Founding Partner of The Macro Institute Versus
Jim Paulsen, Author of the Paulsen Perspectives research newsletter on Substack

11:45 - 12:30 **The Long and Shorts of U.S. Equities**
Gina Martin Adams, Bloomberg Intelligence Global Director of Portfolio Strategy, Chief Equity Strategist

12:30 - 14:15 **Luncheon Speaker: Biden Vs Trump: How The World Will Be Changed**
Greg Valliere, Chief U.S. Policy Strategist AGF Investments

14:15 - 15:00 **How Is AI Reshaping the Money Management Business?**
Gareth Shepherd, Co-Head of Voya Machine Intelligence (VMI) & Portfolio Manager, Voya Investment Management

15:00 - 15:15 Coffee Break

15:15 - 16:30 **Commodity Panel: Secular Trend, Energy and Prospect of ESG**
Tavi Costa, Partner/Macro Strategist at Crescat Capital
Lenka Martinek, Managing Partner, Sustainable Market Strategies, Nordis Capital
Adam Rozencwajg, Managing Partner, Goehring & Rozencwajg

16:30 - 17:30 **Cocktails & Networking**

Guest Speakers + Alpine Macro Strategists


Ruchir Sharma


Mike Dooley


Francois Trahan


Jim Paulsen


Gina Martin Adams


Greg Valliere


Gareth Shepherd


Tavi Costa


Lenka Martinek


Adam Rozencwajg

Conference Details & Registration: conference.alpinemacro.com | conference@alpinemacro.com | +1 (514) 558-1414

Table 1 Implications Of Election Outcome

*Most likely outcome (for now)***

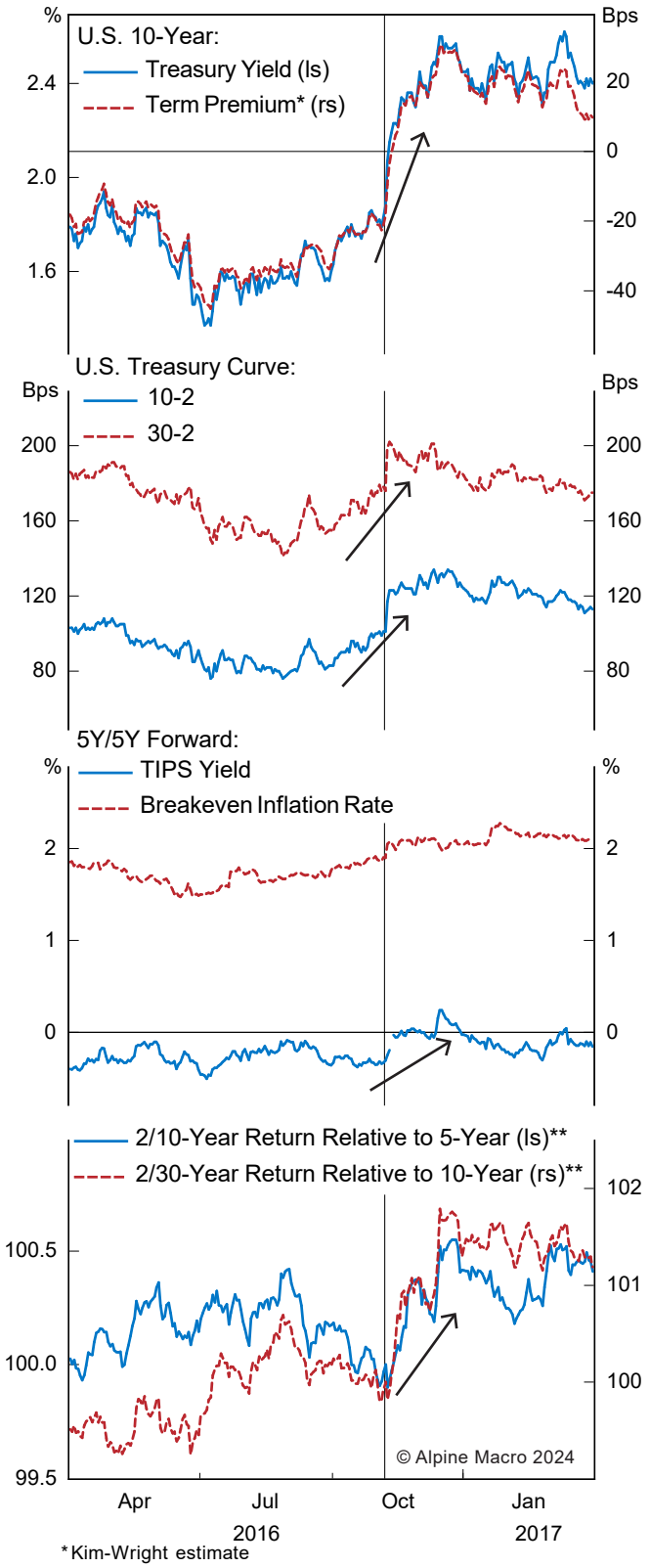
	Democratic Sweep	Biden & Split Congress*	Republican Sweep	Trump & Split Congress*
Fiscal	• Higher taxes on income, corporate and capital gains • Sunset of Trump tax cuts (2025) • Healthcare reforms	• Gridlock limits fiscal expansion • Sunset of Trump tax cuts (2025) • Regular "fiscal cliffs"	• Trump tax cuts extended • IRA "repurposed"/ repealed • Healthcare law repealed/ changed	• Gridlock limits fiscal changes • Compromise on Trump tax cuts
Regulatory	• More financial and environmental regulatory legislation • More anti-trust regulation • Enhanced green energy permitting	• Aggressive rulemaking on fossil fuels, financials and consumer sectors • More anti-trust regulation	• Broad deregulation effort (e.g. fossil fuels), repeal of green mandates • Immigration enforcement	• Broad deregulation effort (e.g. fossil fuels), repeal of green mandates • Immigration enforcement
Foreign/ Trade	• Additional China tariffs, export and investment restrictions • Major Ukraine funding increases	• Additional China tariffs, export and investment restrictions	• Higher restrictions on China, transactional approach, tariffs • Small global tariffs (well under 10%) • Materially higher military spending	• Higher restrictions on China, transactional approach, tariffs • Tariffs on major net exporters • Higher military spending
Net Implications	• Fiscally expansionary • Pro growth, higher deficits, inflationary tailwinds • Weaker USD?	• Lower spending & deficits, slightly disinflationary • Scenario largely priced in, the status quo now • Indeterminate impact on GDP growth	• Fiscally expansionary • Pro growth, higher deficits, inflationary tailwinds • Lower regulation benefits growth • Weaker USD?	• Lower spending & deficits, slightly disinflationary • Lower regulation benefits growth • Social polarization is high

*Assumes the opposition party controls at least one (if not both) chambers of the legislature
**Low confidence in the call for now, many deep uncertainties remain before the November elections

The outlook for fiscal policy is much foggier under the ***Trump/split Congress*** outcome. This is because the composition of Congress will be critical. The Trump tax cuts would likely be extended, but gridlock may prevent any major changes to the thrust of government spending, or may even favor marginally less discretionary spending.

One thing to keep in mind is that all the proposals that Trump is pushing on the campaign trail will surely be significantly watered down if he is elected. There will be plenty of constraining political factors once he is in office. Despite Trump's rhetoric, he and his senior staff are very aware that inflation is unpopular and has damaged the Democrats. Thus, a Trump Administration will likely be dissuaded from pushing highly inflationary policies.

Chart 1 The 2016 Election Selloff



*Kim-Wright estimate
**Series rebased to Nov 08, 2016=100
Note: Vertical line denotes Nov 08 election
Source: Bloomberg Finance L.P.

Table 2 Bond Market Reaction To 2016 Election

	10/31/2016 (%)	12/12/16 (%)	Change (bps)
U.S. 10-Year Yield	1.79	2.60	81
Eurodollar 4th Contract Yield	1.02	1.44	42
Term Premium	-0.23	0.31	54
Treasury Curve 10-2	99	132	33
Treasury Curve 30-2	176	191	15
10-Year TIPS Yield	0.10	0.71	62
10-Year Breakeven Inflation Rate	1.69	1.88	19
5y/5y Forward TIPS Yield	-0.34	0.24	58
5y/5y Forward Breakeven Inflation Rate	1.86	1.98	12

Note: These dates were chosen to capture the broad market move surrounding the election

Implications For The Treasury Yield Curve

Precisely estimating the impact of a Trump win on the yield curve is impossible because there are so many moving parts. For example, there are at least six different channels through which a fiscal expansion can affect the yield curve, as shown in **Diagram 1** in the **Appendix**. That said, all of these channels would tend to steepen the Treasury curve in theory.

The bond market reacted violently when Trump was elected on November 8, 2016 (**Chart 1** and **Table 2**). His win was a surprise to investors, as Clinton was heavily favored going into the election. Thus, investors were forced to discount the possible implications of a Trump Presidency in a short period.

The bond market's reaction to the election surprise was consistent with the channels shown in the Appendix. The curve bear-steepened significantly between the end of October and mid-December of 2016. Additional Fed rates hikes were discounted and the market's estimate of R-star increased (proxied by the 5 year/5-year forward rate). The term premium jumped by more than 50 basis points, helping to push up the 10-year yield by 81 basis points.

Three-quarters of the surge in the 10-year yield was in the real component. Long-term inflation expectations rose only 19 basis points (despite worries over a trade war and higher tariffs). Our interpretation is that Trump's policies were seen to be inflationary, but that the Fed would eventually hike rates to cap most of the inflationary impulse.

One would expect a similar outcome today given that many of Trump's policy prescriptions are similar to those of 2016. However, there are important differences that could significantly affect the shape and level of the yield curve at the end of this year:

- Trump is now the frontrunner, and therefore the potential effects of his polices are already at least partly discounted. The full impact on the curve may occur gradually as the election approaches.

- Moreover, the election will not happen in a vacuum. Its impact will be layered on top of the economic cycle. The market was expecting imminent Fed tightening at the time of the 2016 election. The bond market discounted a faster pace of rate hikes after the election. In contrast, this time we think the election will occur in the midst of a Fed easing phase.

One way to approach the issue is to establish a baseline without any major policy changes. Then, implement shocks to that baseline. Our Yield Curve Simulator allows for such an exercise.

Let's start with the baseline scenario.

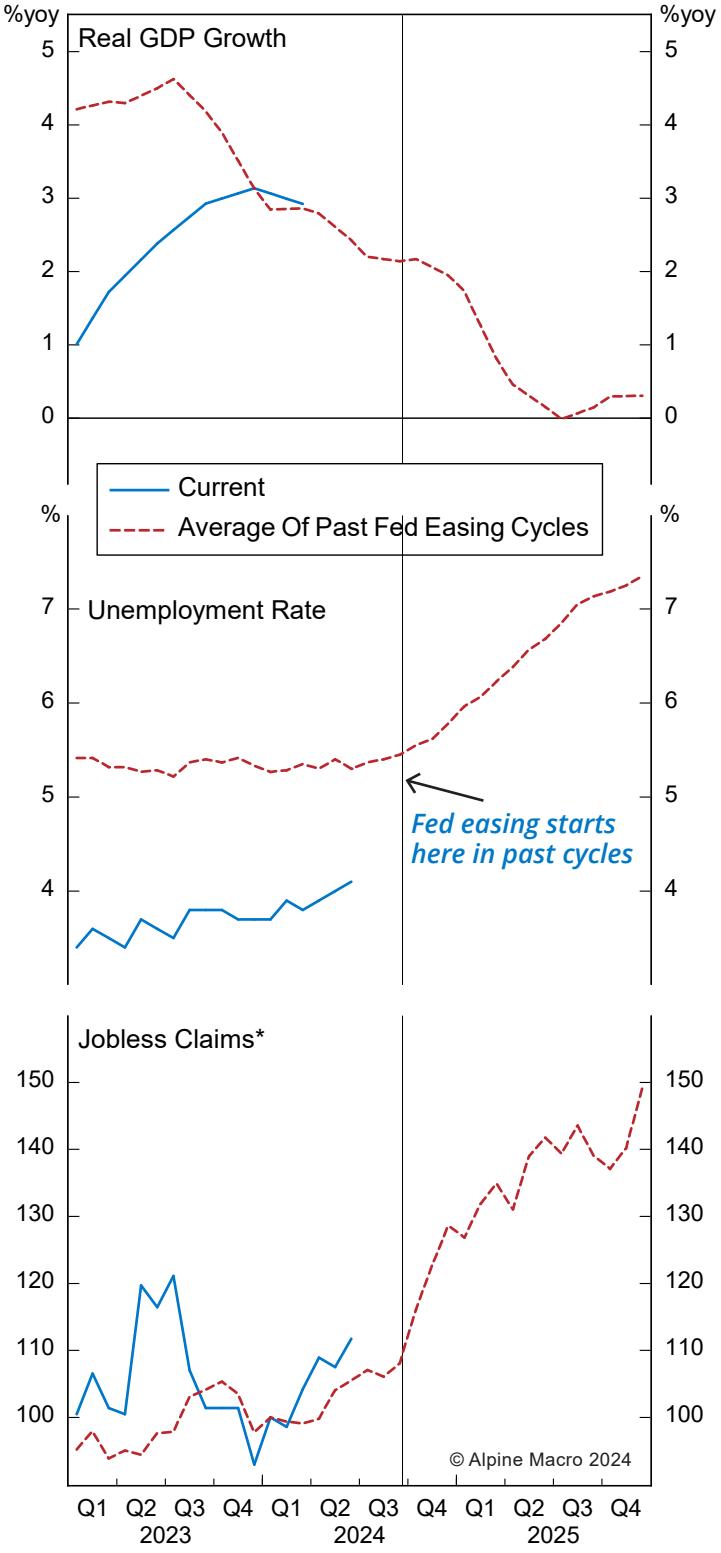
(1) Fed Rate Cuts: More And Faster Than Expected

Recent data releases have supported our view that the FOMC will ease faster than is currently discounted in the curve. The July ISM surveys underscored that growth is cooling, the labor market is loosening and inflation pressure is easing.

The tone of the Fed minutes from the June meeting was on the dovish side. The minutes noted that policymakers see evidence that underlying inflation pressure is moderating. Moreover, the labor market has softened enough that the dual mandate is no longer in conflict. Most FOMC members do not require more labor market slack in order to justify easing policy. This is consistent with previous Fed cycles.

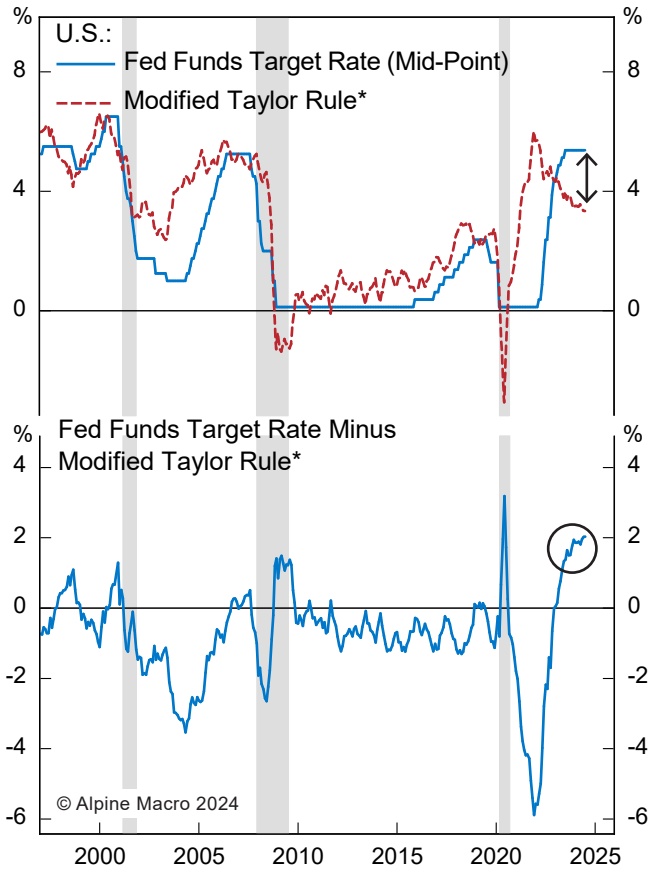
Chart 2 compares the trajectory of some labor market indicators and real GDP to the average of the past 6 Fed easing phases. We have aligned the historical data with the first rate cut in ease phase, assumed to be this September. The chart highlights that the Fed does not wait for clear signs that the labor market is falling apart in order to justify easing policy; only a modest rise in unemployment and jobless claims is sufficient.

Chart 2 Fed Easing Doesn't Require Much More



*Rebased to Jan 2024 = 100
Note: Vertical line denotes anticipated start of Fed easing cycle, previous cycles aligned to start of easing phase

Chart 3 Taylor Says: Fed Should Be Cutting

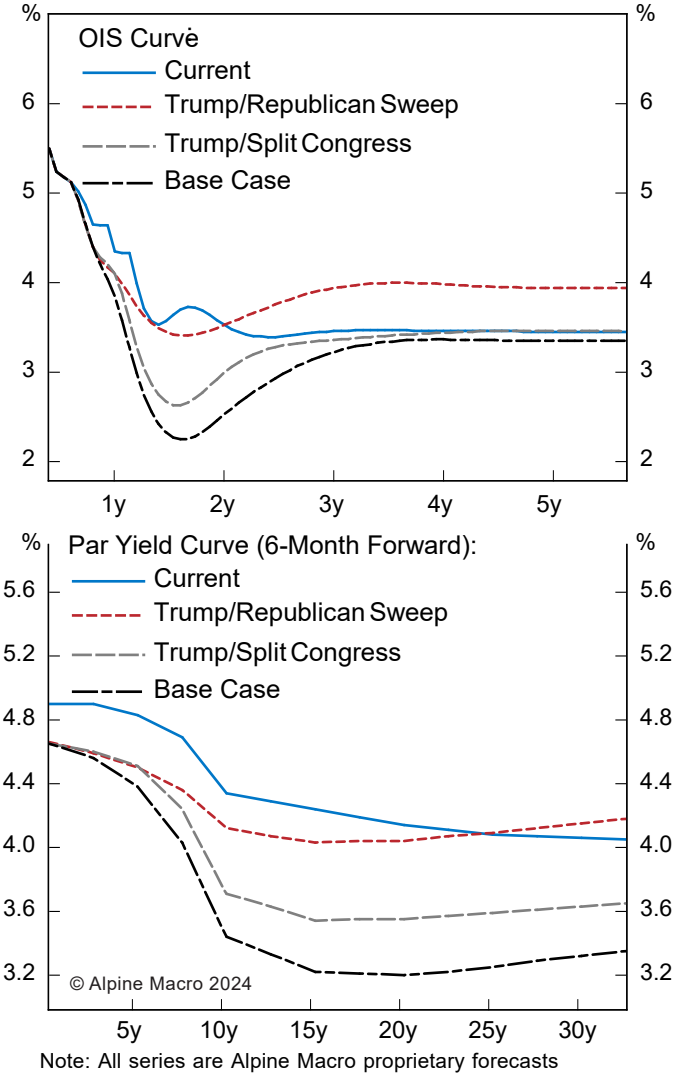


*Alpine Macro calculation
Note: Shading denotes U.S. recessions

Our Modified Taylor Rule indicates that the Fed should already be cutting (**Chart 3**). The Taylor Rule provides an estimate of the "appropriate" Fed funds rate, based on the current deviation of inflation from target and the amount of slack in the labor market. The estimate has dropped to 3.3%.

Another reason for the FOMC to quickly pivot is that, as inflation declines, real short-term interest rates are rising. Chicago Fed President Goolsbee recently commented that policy is getting a bit tighter with each passing month. Pressure on the Fed to ease will ramp up as unemployment moves higher, even if inflation is still above target (as long as it appears to be heading down).

Chart 4 Yield Curve Scenarios



Note: All series are Alpine Macro proprietary forecasts

Our base-case scenario sees the Fed dropping the fed funds rate to 3% in one year. The rate should bottom in 2026 at around 2.5%, in the context of a soft economic landing and a return of inflation to target. We assume that the rate subsequently converges with an equilibrium level at 3.5% in the long term.

The yield curve results given by our Yield Curve Simulator are shown in **Chart 4** and **Table 3**. The scenario horizon is six months, which implies that the rate outlook described above is fully discounted in the curve by around year end.

Table 3 Treasury Yield Curve Simulation

			Level in 6-months		
	Current	6 months forward	Trump/ Rep Sweep	Trump/ Split Congress	Base Case
2-year	4.62	4.14	4.0	3.6	3.2
10-year	4.3	4.16	4.6	4.0	3.8
2/10 slope	-32	2	56	48	64
Butterfly Trades*					
2/5/10			18	20	30
2/10/30			35	37	31
5/10/30			12	12	1

*Positive values indicate that bullet (belly) outperforms the barbell (wings)
Note: All data are in basis points, except 2- and 10-year yields (%)

The 10-year yield reaches 3.8% in the base case, comfortably below the current 6-month forward rate of 4.16%. The 2/10 slope steepens to +64 basis points.

(2) Trump Elected With Republican Sweep

Overlying the impact of new policies on the base-case scenario is tricky because of timing. Some analysts believe that fiscal expansion and/or a trade war could thwart rate cuts. However, it must be kept in mind that the implementation of any major policies will play out over about 2 years beginning January 20, 2025. The current economic slowdown already in play will likely dominate Fed policy for some time. If we are correct on the macro view and unemployment continues to trend higher, then monetary easing will continue long after November's election. Inflationary policies enacted in the ***Trump/ Republican sweep*** scenario would limit, rather than derail, the extent of Fed rate cuts.

We assume in this scenario that Fed easing is slower to develop in 2025, and that the policy rates bottoms in 2026 at about 3.5% (about 100 basis points higher than in the base case). We also assume that the term premium rises modestly and that the fed funds rate settles in the long term at a level that is about 50 basis points higher than in the base case (i.e. a higher R-star).

Unsurprisingly, bear-steepening is the result. The 10-year yield rises to about 4.6% by year-end and the 2/10 curve steepens to +56 basis points. Please note that this should be seen as an absolute worse-case scenario in terms of the effect of fiscal stimulus and trade restrictions. We expect the most controversial policies to be tempered.

(3) Trump Elected With Split Congress

The ***Trump/split Congress*** outcome is perhaps the most difficult to implement. Dan Alamariu notes that this election outcome could be slightly fiscally contractionary and modestly disinflationary (**Table 1**). However, he emphasizes that it could go in either direction, depending on the incoming congressional composition which remains uncertain.

For the purposes of our hypothetical "what if" scenarios, we assume that Trump gets his way on some issues, despite congressional gridlock. Immigration enforcement and some extra tariffs directed at China would be seen as at least somewhat inflationary. The Trump tax cuts would be at least partially extended, likely as part of a deal with the Democrats to moderately boost spending.

The scenario amounts to a more modest version of the Republican sweep discussed above. The Fed still eases into a soft landing, but the downside for the fed funds rate is somewhat truncated to 3% in 2026 (about 50 basis points higher than in the base case). R-star is assumed to rise only slightly because of the limited impact on the long-term budget outlook.

The YC Simulator shows the 10-year yield falling to about 4.0% in six months, indicating that long duration positions would still pay some modest dividends in this scenario. The 2/10 curve steepens to +48 basis points.

Interestingly, duration-matched bulleted positions outperform barbells in all three cases for 2/5/10 and 2/10/30 butterfly trades (**Table 3**). This outcome would be much different than the 2016 bond market experience, when barbells ruled (**Chart 1**, bottom panel). This is because upward revisions to expected Fed rate ***hikes*** hit the belly of the curve the hardest. This time, forthcoming rate ***cuts*** will favor the belly in all three of our scenarios.

Investment Conclusions

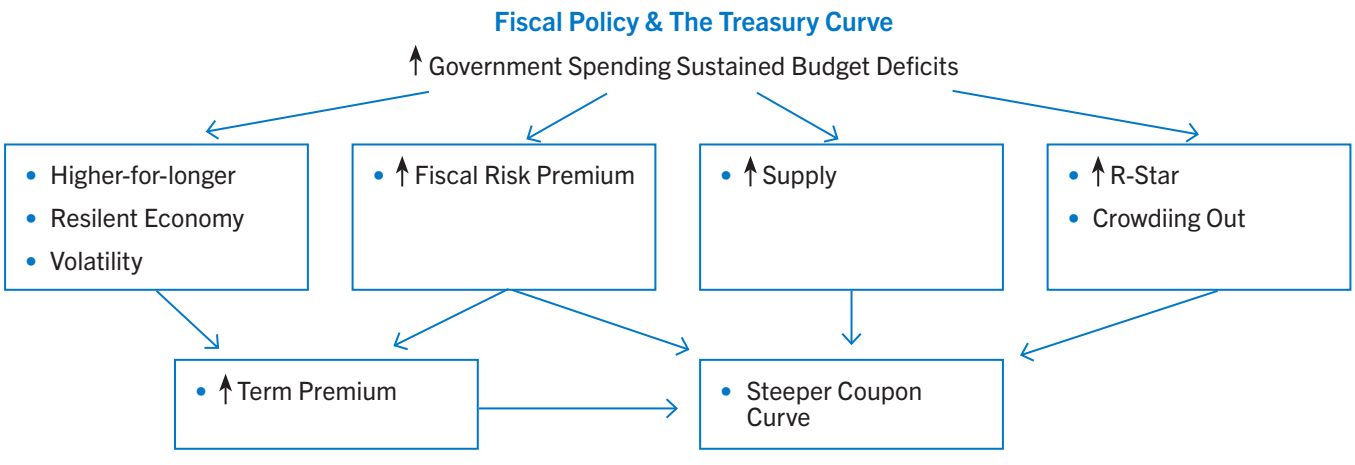
Our yield-curve scenarios are only meant to be suggestive. There is too much uncertainty at this point to draw any firm conclusions on the implications of a Trump presidency. We will update our thoughts on the curve over the coming months as the election outcome comes more into focus.

That said, directionally, the impact of Trump's policies will likely serve to reinforce the steepening trend that we expect to unfold anyway as the Fed eases policy. Bond investors should remain positioned for curve steepening, irrespective of the election outcome.

Long duration bets would probably not work in the ***Trump/Republican sweep*** scenario, especially if Trump's policies are not watered down. However, we believe that yields will be lower than is currently discounted even in a ***Trump/split Congress*** outcome. This is because the economic slowdown currently underway, along with lower inflation, will dominate the Fed and the bond market for at least the remainder of 2024.

Mark McClellan
Chief U.S. Bond Strategist

Diagram 1 Theoretical Channels From Government Profligacy To The Treasury Yield Curve



Alpine Macro U.S. Bond Allocation (Duration: Above Benchmark)

1-5 Scale; 3 Represents Benchmark	Allocation Score	Comments
Treasurys	2	
Spread Product	4	
Spread Product Composition:		
IG Corporates	3	Avoid AAA
High-Yield	3	
Agency CMBS	5	
Non-Agency CMBS	3	Favor AAA
Government-Related	4	Favor Local Authorities and Agencies
ABS	4	Favor up-in-quality, favor sub-prime autos
Agency MBS	4	
Municipals	4	Favor highly-rated taxables in the belly, and BBB non-taxables at the long end

Note: The allocation score presents Alpine Macro's recommended weighting relative to benchmark. It is based on a five-point scale, with "1" being "maximum underweight", and "5" being "maximum overweight". A benchmark weighting is represented by "3". The underweights and overweights across the bond sectors notionally sum to the overall recommendation for spread product versus Treasurys. Our benchmark is the Bloomberg Barclays U.S. Aggregate Bond Index, augmented with High-Yield Corporates and Municipal bonds.

Historical Returns

	Excess Return to Treasurys (Bps)			Total Return (Bps)			Option Adjusted Spread (Bps)				
	Past 5 Days	Past Month	YTD	Past 5 Days	Past Month	YTD	Latest	Past 5-Day Change	Past Month Change	YTD Change	Duration
Barclays Aggregate	10	5	55	98	122	44	37	-1	-1	-7	6.1
Treasury Index				85	115	-7	0	0	0	0	5.9
IG Corporate	1	-4	161	99	117	113	89	0	2	-15	6.9
AAA	-6	14	106	126	137	-96	34	1	-1	-8	10.3
AA	3	-4	94	110	113	6	47	0	2	-6	8.0
A	0	-5	137	98	115	89	76	0	2	-14	6.9
BBB	2	-3	195	98	118	155	109	0	3	-17	6.7
High-Yield	7	-4	276	59	99	397	309	-1	5	-41	3.1
BB	3	1	269	58	107	374	177	-1	0	-44	3.3
B	10	5	246	58	104	378	279	-2	4	-58	2.8
CCC	19	-29	258	69	70	401	809	-1	57	-21	2.9
ABS	-2	-1	72	39	85	212	58	2	4	-10	2.6
Government Related	7	-4	70	83	107	93	45	0	1	-5	5.2
Domestic Agency	1	5	27	49	96	138	13	0	0	-4	3.0
Foreign Agency	2	4	48	59	108	138	21	0	0	-9	3.6
Sovereign	25	-2	175	142	125	53	124	-2	2	-6	8.5
Local Authorities	0	-40	102	108	85	12	65	0	4	-9	7.6
Supranationals	2	4	19	60	113	115	10	-1	0	-3	3.5
MBS	35	25	34	125	144	38	43	-5	-4	-6	6.0
CMBS	-1	-3	171	69	118	227	99	1	4	-28	4.2
Non-Agency	1	-6	262	63	108	341	156	1	6	-47	3.7
Agency	-2	1	80	74	128	112	42	1	2	-7	4.7
Municipals*	-54	-70	-100	40	69	-13	-58	9	11	11	6.0

*YTW used instead of OAS

Detailed U.S. Bond Allocation

	Allocation Score	Yield			Duration			Weight		
	PF	PF* (%)	BM* (%)	Exposure (Bps)	PF*	BM*	Exposure	PF* (%)	BM* (%)	Exposure (Bps)
U.S. Bond Strategy		5.0	4.9	2	6.5	6.2	0.3	100.0	100.0	0.0
Treasurys	2	4.5	4.5	-2	8.4	6.4	2.1	29.4	39.1	-9.8
Spread Product	4	5.2	5.3	-7	5.7	6.1	-0.4	70.6	60.9	9.8
Corporate	3	5.7	5.7	-4	5.5	6.6	-1.0	25.9	25.9	0.0
Investment Grade	3	5.3	5.4	-5	6.0	7.2	-1.2	21.9	21.9	0.0
AAA	3	4.8	4.8	-7	9.1	10.8	-1.8	0.3	0.3	0.0
AA	3	4.9	5.0	-7	6.7	8.4	-1.7	1.5	1.5	0.0
A	3	5.2	5.2	-5	6.0	7.2	-1.2	9.8	9.8	0.0
BBB	3	5.5	5.6	-6	5.8	6.9	-1.1	10.2	10.2	0.0
High Yield	3	7.7	7.7	0	3.1	3.1	0.0	4.0	4.0	0.0
BB	3	6.5	6.5	0	3.3	3.3	0.0	2.0	2.0	0.0
B	3	7.6	7.6	0	2.8	2.8	0.0	1.5	1.5	0.0
CCC	3	12.7	12.7	0	2.9	2.9	0.0	0.5	0.5	0.0
Government Related	4	4.9	5.0	-4	4.8	5.3	-0.5	4.9	4.0	0.8
Agency	5	4.8	4.9	-8	2.5	3.0	-0.5	1.1	0.7	0.4
Foreign Agency	4	4.6	4.7	-7	3.0	3.6	-0.6	0.8	0.6	0.2
Local Authorities	5	5.0	5.1	-8	6.3	7.6	-1.4	1.0	0.7	0.3
Sovereign	3	5.6	5.7	-9	7.0	8.5	-1.5	0.9	0.9	0.0
Supranationals	3	4.5	4.5	-7	2.9	3.5	-0.6	1.1	1.1	0.0
Securitized	4	5.1	5.1	-1	5.8	5.8	0.0	33.7	26.0	7.7
Agency CMBS	5	4.8	4.8	0	4.7	4.7	0.0	1.1	0.7	0.4
Non-Agency CMBS	3	6.0	6.0	0	3.7	3.7	0.0	0.7	0.7	0.0
ABS	4	5.2	5.2	0	2.6	2.6	0.0	0.5	0.4	0.1
Agency MBS	4	5.1	5.1	0	6.0	6.0	0.0	31.5	24.2	7.3
Municipals	4	3.7	3.7	0	6.0	6.0	0.0	6.2	4.9	1.2

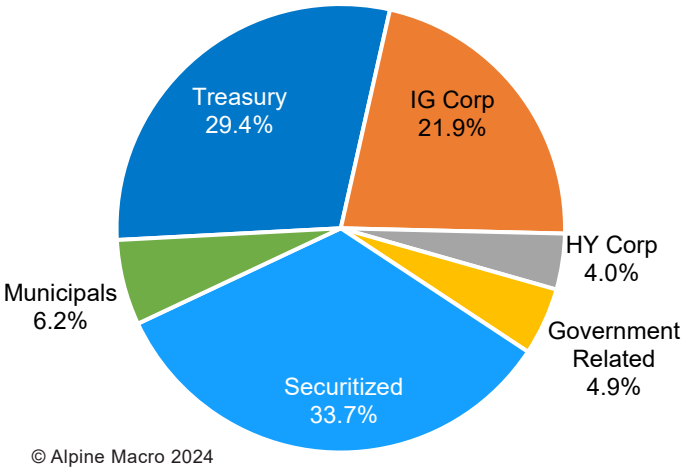
*PF = Portfolio; BM = Benchmark
Source: Bloomberg Finance L.P.
Note: Our methodology incorporates a restriction that the maximum deviation from the benchmark weight is 50%. However, due to the adding-up constraint, the actual weight shown in the table can deviate by slightly more than 50% at times.

Detailed U.S. Bond Allocation

	Contribution to Duration (CTD)			Contribution to Yield (CTY)		
	PF*	BM*	Exposure	PF* ()	BM* ()	Exposure
U.S. Bond Strategy	6.5	6.2	0.3	5.0	4.9	2
Treasurys	2.5	2.5	0.0	1.3	1.7	-44
Spread Product	4.0	3.7	0.3	3.7	3.2	47
Corporate	1.4	1.7	-0.3	1.5	1.5	-1
Investment Grade	1.3	1.6	-0.3	1.2	1.2	-1
AAA	0.0	0.0	0.0	0.0	0.0	0
AA	0.1	0.1	0.0	0.1	0.1	0
A	0.6	0.7	-0.1	0.5	0.5	-1
BBB	0.6	0.7	-0.1	0.6	0.6	-1
High Yield	0.1	0.1	0.0	0.3	0.3	0
BB	0.1	0.1	0.0	0.1	0.1	0
B	0.0	0.0	0.0	0.1	0.1	0
CCC	0.0	0.0	0.0	0.1	0.1	0
Government Related	0.2	0.2	0.0	0.2	0.2	4
Agency	0.0	0.0	0.0	0.1	0.0	2
Foreign Agency	0.0	0.0	0.0	0.0	0.0	1
Local Authorities	0.1	0.0	0.0	0.0	0.0	2
Sovereign	0.1	0.1	0.0	0.1	0.1	0
Supranationals	0.0	0.0	0.0	0.0	0.1	0
Securitized	2.0	1.5	0.5	1.7	1.3	39
Agency CMBS	0.1	0.0	0.0	0.1	0.0	2
Non-Agency CMBS	0.0	0.0	0.0	0.0	0.0	0
ABS	0.0	0.0	0.0	0.0	0.0	1
Agency MBS	1.9	1.4	0.4	1.6	1.2	37
Municipals	0.4	0.3	0.1	0.2	0.2	5

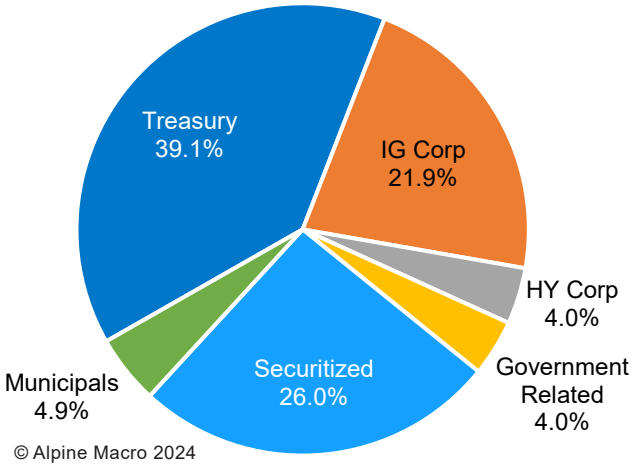
*PF = Portfolio; BM = Benchmark
Source: Bloomberg Finance L.P.
Note: Our methodology incorporates a restriction that the maximum deviation from the benchmark weight is 50%. However, due to the adding-up constraint, the actual weight shown in the table can deviate by slightly more than 50% at times.

Portfolio Exposure



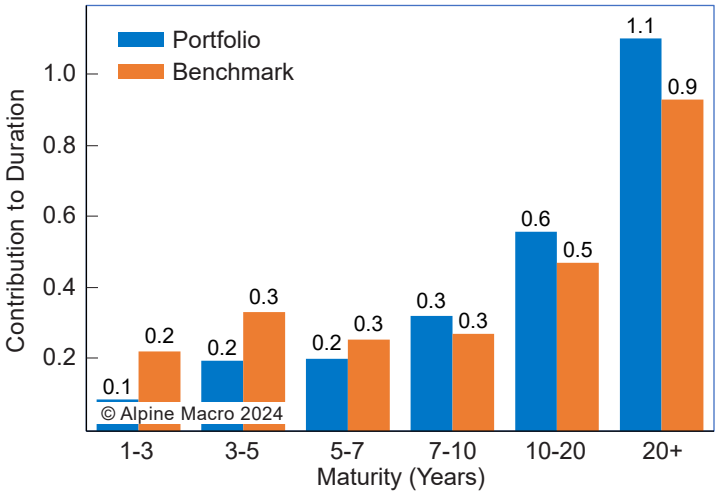
Source: Bloomberg Finance L.P.

Benchmark Exposure

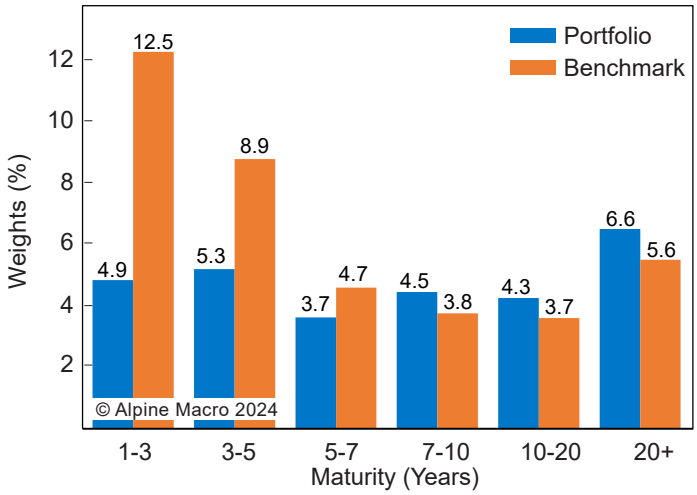


Source: Bloomberg Finance L.P.

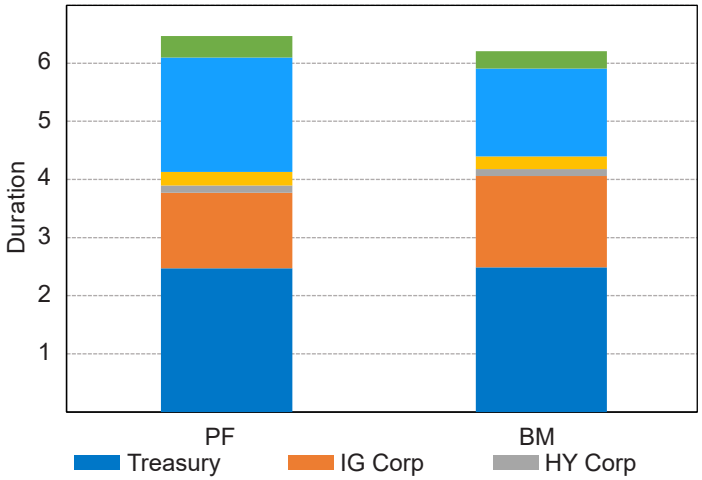
Treasury Contribution To Duration



Treasury Weight

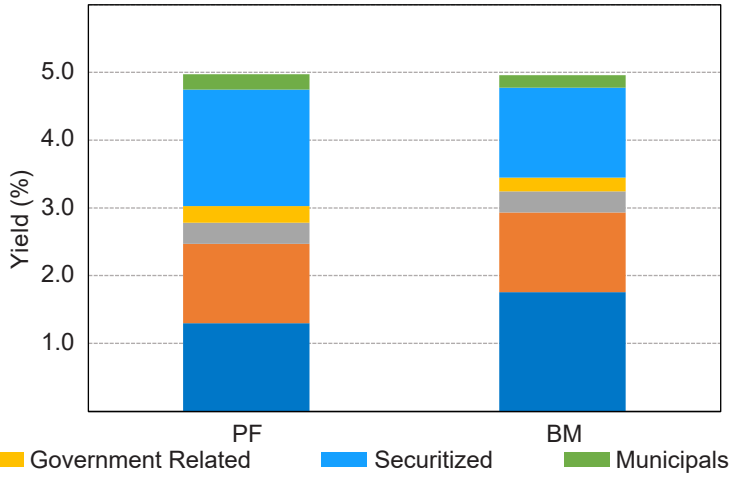


Contribution To Duration



Source: Bloomberg Finance L.P.

Contribution To Yield



Source: Bloomberg Finance L.P.