

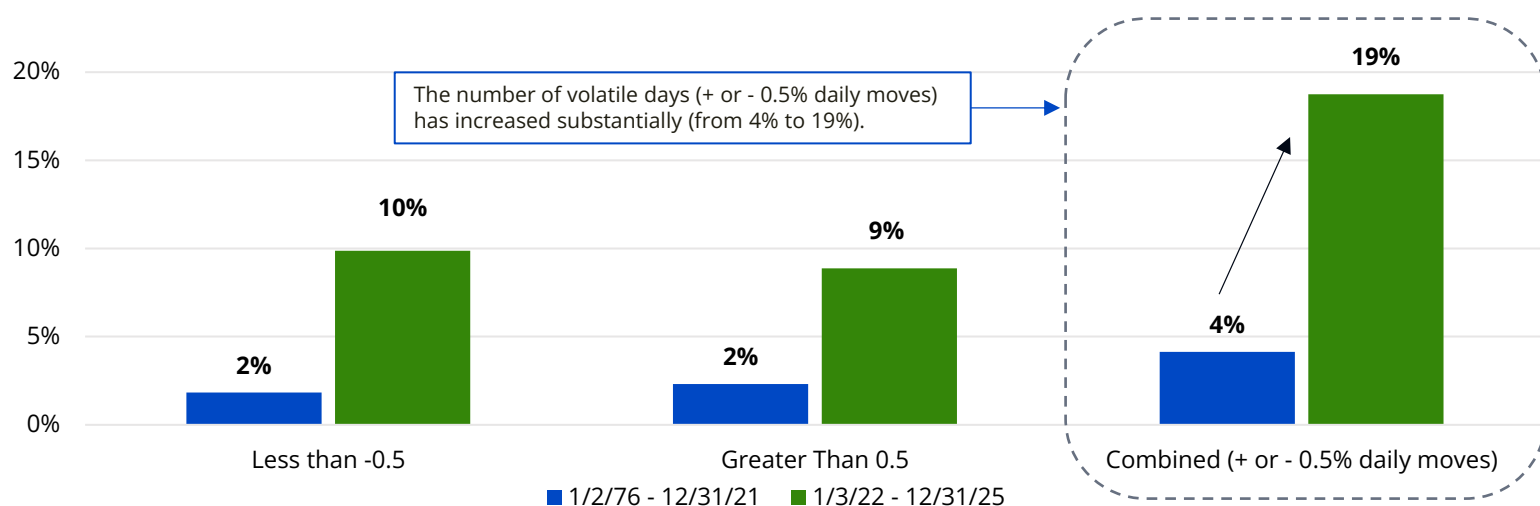
Diversified Income:

A Smarter Approach to Portfolio Design

A New Era of Bond Market Turbulence

For the first time in more than 30 years, the U.S. bond market is experiencing a prolonged period of heightened and unusual volatility. Before 2022 (*Old Era*), only 4% of trading days saw bond price movements outside the narrow range of -0.5% to +0.5%. Since early 2022 (*New Era*), that figure has surged – nearly 20% of trading days now fall outside this range, marking a dramatic shift in market behavior.

Percent of Trading Days Falling Within a Range: Old Era Vs. New Era



Source: Morningstar.

Note: Represented by the daily returns of the Bloomberg U.S. Aggregate Bond Index. Past performance is not indicative of future results. Returns may increase or decrease as a result of currency fluctuations. Indexes are unmanaged and one cannot invest directly in an index.

Uncertainty Remains

Today's fixed-income markets are marked by uncertainty. Fluctuating inflation expectations and an unclear trajectory for the Federal Reserve's interest rate policy make it difficult to predict where interest rates are headed. In this environment, investors may need to adopt a **broader, more flexible approach to generating income**.

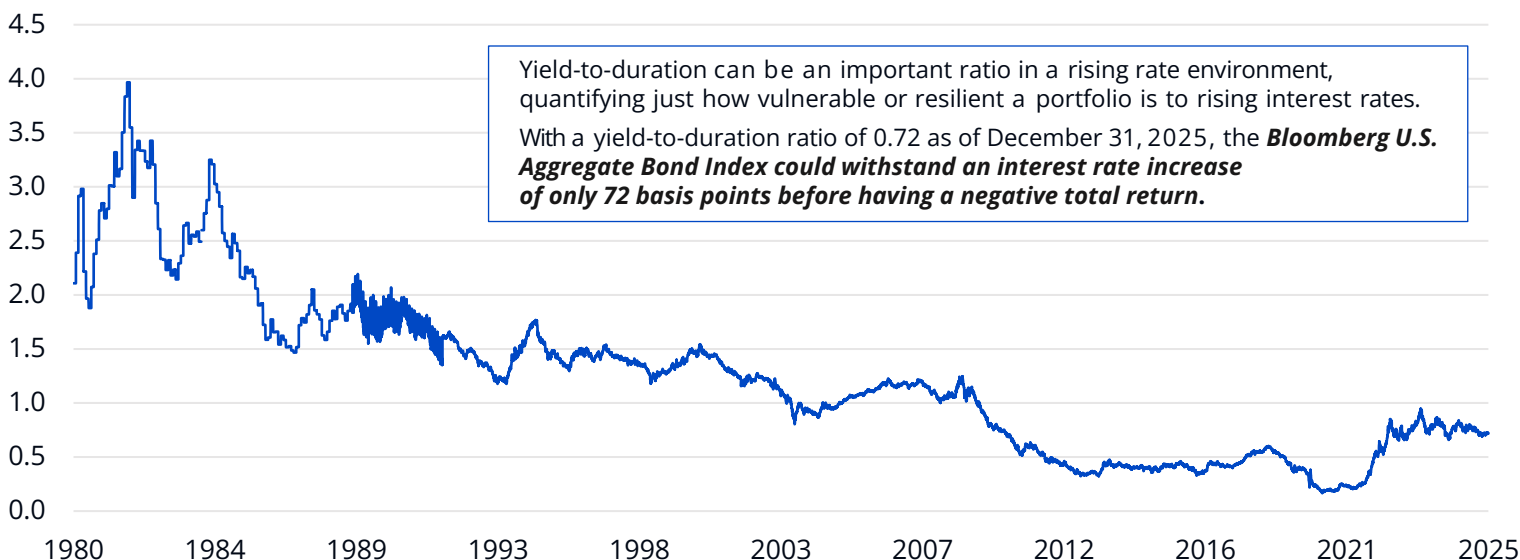
Diversification is an investment strategy that involves building a portfolio from a mix of asset classes such as stocks, bonds, and cash that tend to behave differently. A diversified portfolio usually include a broad range of investments within each asset class.

Bond volatility refers to the degree of price fluctuation over time, determined by changes in interest rates, credit risk, liquidity and market sentiment.

Core Portfolios Remain Vulnerable to Interest Rate Volatility

In the current environment, even a small increase in yield can have a very negative impact on total return.

Yield-to-Duration Ratio: Bloomberg U.S. Aggregate Bond Index (January 1980 – December 2025)



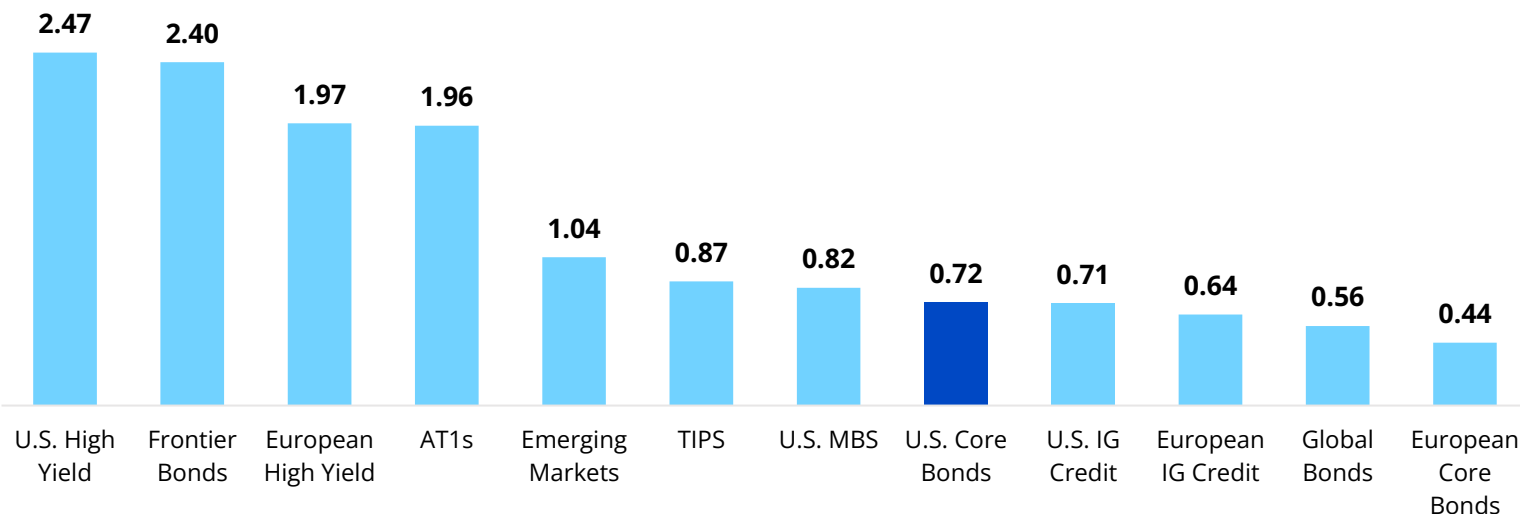
Sources: FactSet, American Beacon Advisors.

As of December 31, 2025, yield and duration were 4.32 and 5.98, respectively. The yield-to-duration ratio is calculated by dividing the yield by the duration. Indexes are unmanaged and one cannot invest directly in an index.

Pursuing A More Favorable Yield-to-Duration Profile

Introducing diversified fixed-income asset classes may help strengthen portfolio resilience, especially as traditional U.S. core bonds offer limited protection in a rising interest rate environment.

Yield-to-Duration (as of December 31, 2025)

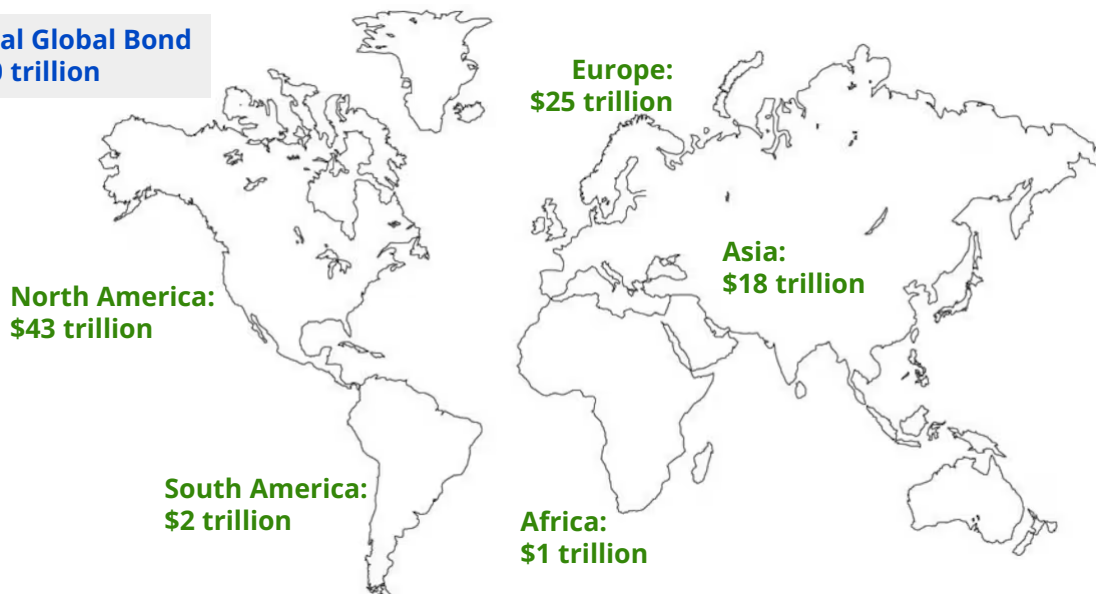


Source: FactSet. See important information on page 4 for all indexes used as asset class representation. Index legend: U.S. High Yield = ICE BofA U.S. High Yield; AT1s = ICE USD Contingent Capital Index; Frontier Bonds = FTSE Frontier Emerging Markets Gov't Bond Index; European High Yield = Bloomberg Pan-European High Yield (USD); Emerging Markets = JP Morgan EMBI Global Diversified; U.S. MBS = Bloomberg Multiverse – U.S. MBS; TIPS = Bloomberg U.S. Treasury Inflation Protection Notes; U.S. IG Credit = Bloomberg U.S. Aggregate Credit Index; U.S. Core Bonds = Bloomberg U.S. Aggregate Bond Index; European IG Credit = Bloomberg Pan-European Aggregate Credit; Global Bonds = Bloomberg Global Aggregate Index; European Core Bonds = Bloomberg Euro Aggregate Government.

Expanding The Opportunity Set

The global bond market is more than twice the size of the U.S. market, offering exposure to a wider range of regions, sectors, and credit profiles that may react differently to shifts in the economic cycle. ***This greater scale and diversification may uncover mispriced opportunities and help reduce dependence on U.S. interest rate and inflation dynamics.***

Current Total Global Bond Market: \$90 trillion



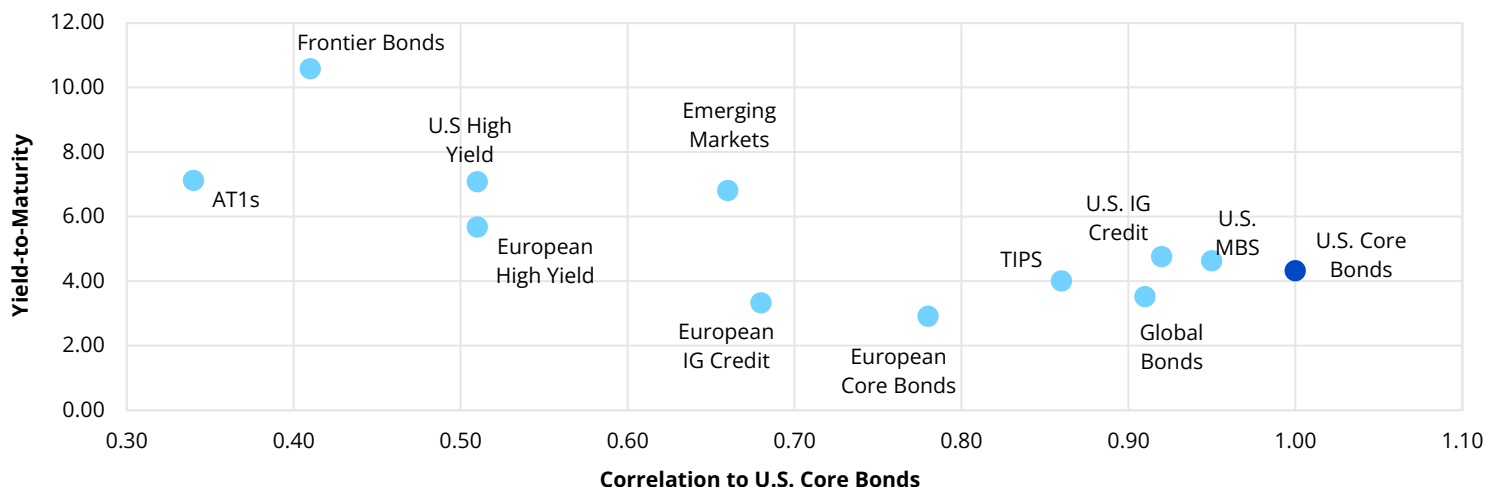
Source: TwentyFour Asset Management, LLC

Note: Values are estimates compiled using ICE BofA Bond indexes and as of December 31, 2025.

Income Potential With Built-In Resilience

By incorporating asset classes that offer higher yields and lower correlations to core bonds, ***investors can enhance income potential without adding undue risk.*** This strategy can help create a more balanced fixed-income allocation, better positioned to navigate shifting interest rates and evolving market conditions.

Yield-to-Correlation Relationship (as of December 31, 2025)



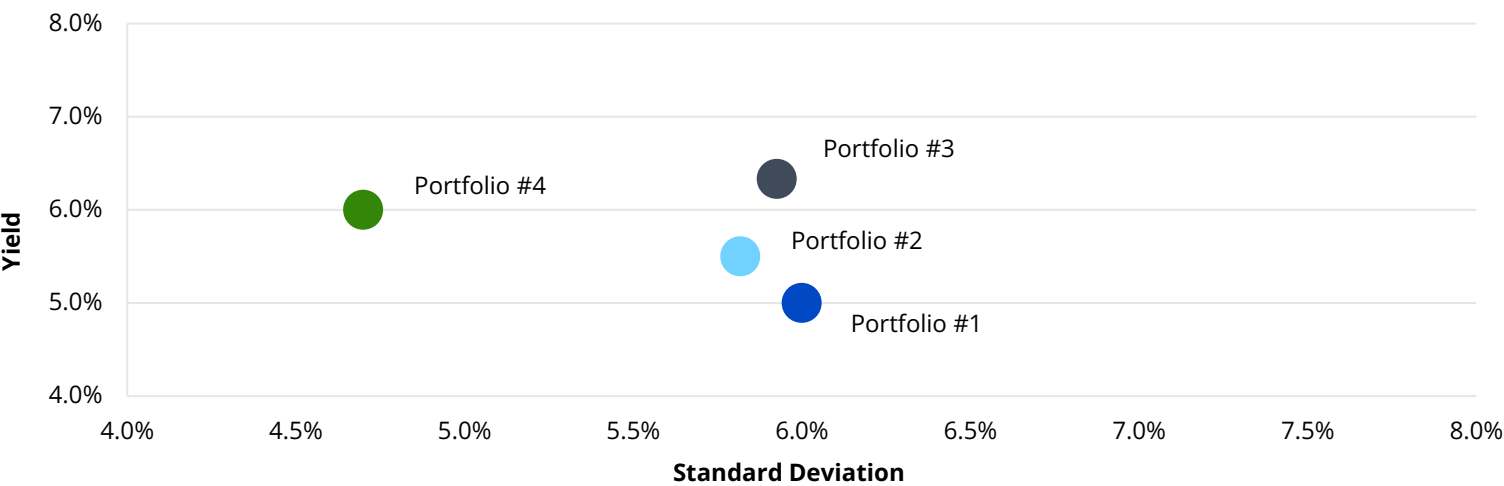
Source: FactSet and Morningstar.

Note: Correlation figures are for the past 10 years as of December 31, 2025. See important information on page 4 for all indexes used as asset class representation. Index legend: U.S. High Yield = ICE BofA U.S. High Yield; AT1s = ICE USD Contingent Capital Index; Frontier Bonds = FTSE Frontier Emerging Markets Gov't Bond Index; European High Yield = Bloomberg Pan-European High Yield (USD); Emerging Markets = JP Morgan EMBI Global Diversified; U.S. MBS = Bloomberg Multiverse – U.S. MBS; TIPS = Bloomberg U.S. Treasury Inflation Protection Notes; U.S. IG Credit = Bloomberg U.S. Aggregate Credit Index; U.S. Core Bonds = Bloomberg U.S. Aggregate Bond Index; European IG Credit = Bloomberg Pan-European Aggregate Credit; Global Bonds = Bloomberg Global Aggregate Index; European Core Bonds = Bloomberg Euro Aggregate Government.

Strategic Additions Leading to Greater Efficiency

By selectively adding fixed-income asset classes with complementary characteristics – such as higher yields, lower correlations, or underrepresented asset classes – *investors may enhance the overall efficiency of a core bond portfolio*. These strategic additions may help improve risk-adjusted returns by balancing income generation with greater diversification and more effective risk management.

Improving Risk-Adjusted Returns Through Strategic Combinations



Note: Chart is for illustrative purposes only and uses capital market assumptions.

Model Assumptions				Portfolio Definitions			
	Yield	Standard Deviation	Correlation*	Portfolio #1	Portfolio #2	Portfolio #3	Portfolio #4
Core Bonds	5.0%	6.0%	1.00	100%	50%	33%	25%
Strategic Income	6.0%	7.0%	0.60	--	50%	33%	25%
High Income	8.0%	8.0%	0.40	--	--	33%	25%
Alternative Income	5.0%	6.0%	0.00	--	--	--	25%

*Correlation to the Bloomberg U.S. Aggregate Bond Index.
Note: Strategic Income seeks to generate consistent income and attractive risk-adjusted returns by using a broad range of asset classes, sectors, and strategies. High Income seeks to deliver elevate levels of income by targeting segments of the fixed-income market with higher yield potential. Alternative Income seeks to generate income from non-traditional and often less correlated segments of the fixed-income market.

Important Information: Indexes are unmanaged, and one cannot invest directly in an index. This material is intended for informational purposes only and should not be considered a personalized recommendation or investment advice. Investors should review investment strategies for their own particular situations or speak with their financial advisors before making any investment decisions.

Diversification does not eliminate the risk of experiencing investment losses. Volatility is a statistical measure of risk. Volatility can either be measured by using the standard deviation or variance between returns from that same security or market index. Commonly, the higher the volatility, the riskier the security. **Interest rate risk** is risk that debt securities will decrease in value with increases in market interest rates. **Yield to Duration Ratio (Sherman Ratio)** is calculated by dividing the bond's yield by its duration (Yield / Duration). This ratio provides a way to compare the yield of different bonds relative to their interest rate risk.

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