ACADEMY ASSET MANAGEMENT

Market Update

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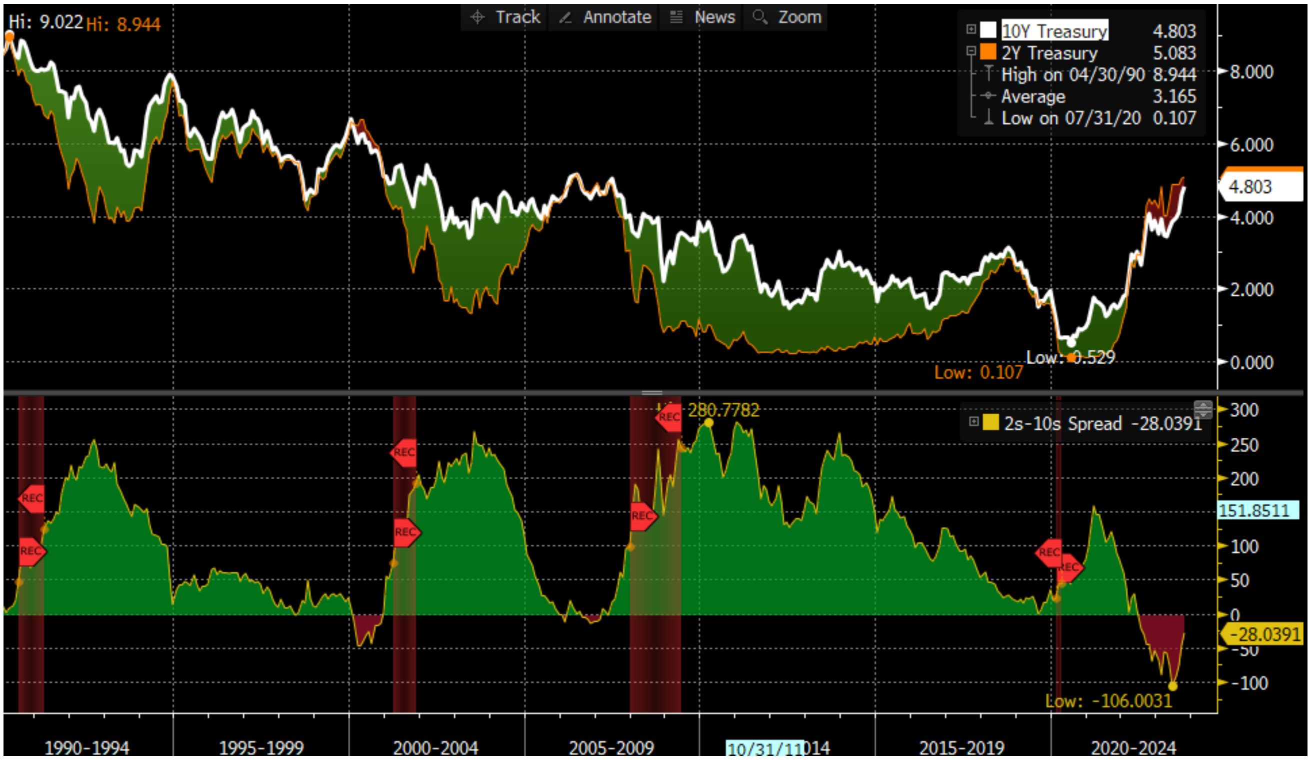
The past month has presented a challenging environment for fixed-income investors, characterized by a 50+ basis point increase in long-duration Treasuries. This surge can be attributed to renewed concerns surrounding deficits and Treasury supply, exerting pressure on the longer end of the yield curve. We are continuing to monitor the yield curve's steepening following the pronounced inversion, which has historically been a precursor to a near-term recession.

Our attention is also focused on bank earnings this quarter. They are already grappling with the challenge of paying higher rates to retain deposits. The mark-to-market assessment of their Available for Sale (AFS) positions has become a re-emerging concern due to the surge in interest rates over the past month. Moreover, while issues in the office commercial real estate sector have been well-documented, we are now witnessing an increase in delinquencies within the hospitality sector.

The broader macroeconomic indicators continue to signal warnings, and our concerns about the fragility of the economy persist. The fourth quarter of 2023 may prove to be particularly challenging. Factors such as the resumption of student loan repayments, the possibility of a Federal Government shutdown, and disruptions in auto production due to strikes all have the potential to negatively impact GDP in Q4'23. The consumer, who has been a stalwart throughout the economic cycle, is showing cracks, as evidenced by an uptick in credit card delinquencies and a reduction in the savings rate.

Geopolitical risks are rising fast. We are watching for an escalation of the conflict between Israel and Hamas and the potential for second-order effects such as higher energy prices and the inflationary impact.

Despite Fed Funds Futures pricing in less than a 50% probability of another tightening, we expect one more "maintenance" tightening this year.



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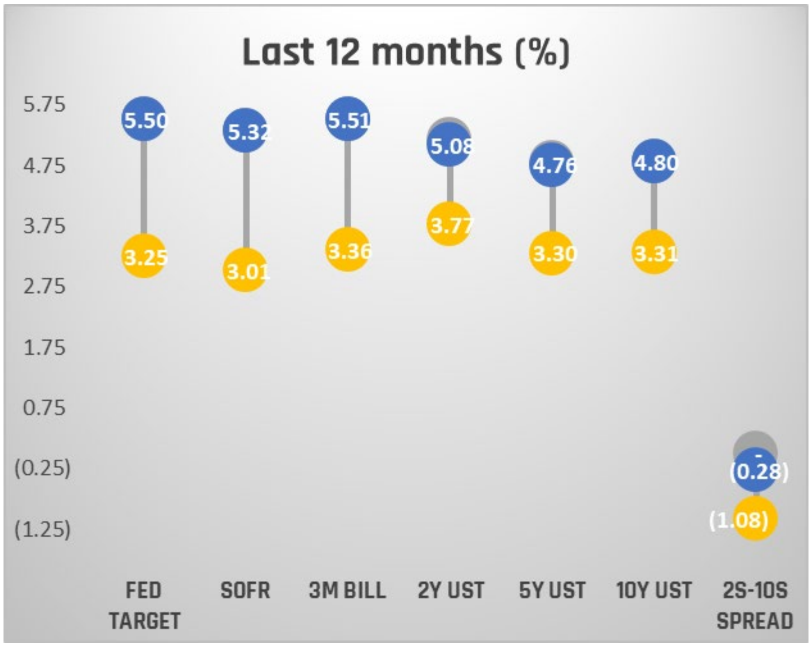
Product Views

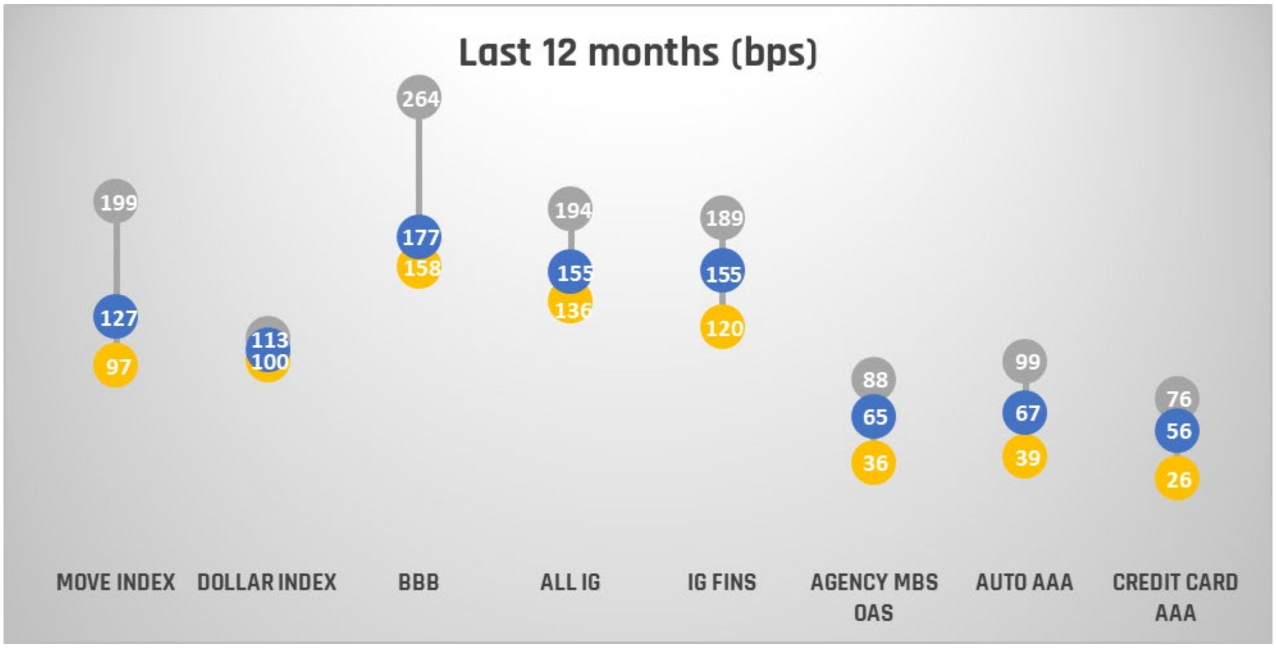
Rates- Given we believe we are toward the end of the cycle, we are cautiously adding duration, recognizing market sentiment right now is toward higher rates. We would add duration selectively when price action isn't warranted. Unless market expectations for more than one Fed tightening occur, we don't see significant backup in the front end.

Credit- Credit spreads have experienced a favorable tightening trend over the past six months, particularly following the bank crisis in March. However, given the prevailing higher interest rates and broader uncertainty, we see limited potential for further tightening in spreads. We remain focused up in quality names.

Securitized- The rise in Treasury yields has had a ripple effect on Mortgage-Backed Securities (MBS). We still perceive value in MBS, whether it's evaluated on a nominal or option-adjusted basis, which reinforces our confidence in this asset class.



12 month high
Current
12 month low



The following risks could cause the Strategy's portfolio to lose money or perform more poorly than other investments.

Investments in bonds and other debt securities will change in value based on changes in interest rates. If rates rise, the value of these investments generally drops. Some investors may be subject to the Federal Alternative Minimum Tax and to certain state and local taxes.

Investing in fixed income products is subject to certain risks, including interest rate, credit, inflation, call, prepayment, and reinvestment risk. Any fixed-income security sold or redeemed prior to maturity may be subject to substantial gain or loss.

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