

QUARTERLY PERFORMANCE ATTRIBUTION

INTERMEDIATE GOVERNMENT/CREDIT COMPOSITE
SECOND QUARTER 2021



INVESTMENT PERFORMANCE

as of June 30, 2021

Performance ¹	2Q'21	1 Yr	3 Yr	5 Yr	10 Yr
Intermediate Gov't/Credit Composite (before inv. mgmt. fees)	1.17	0.98	5.16	3.08	3.27
Intermediate Gov't/Credit Composite (after max. fees)	1.09	0.68	4.85	2.77	2.96
Bloomberg Barclays U.S. Intermediate Gov't/Credit Bond Index	0.98	0.19	4.70	2.63	2.76
Value Added (before inv. mgmt. fees)	+0.19	+0.79	+0.46	+0.45	+0.51

PERFORMANCE RECAP

Galliard's Intermediate Government/Credit Composite (composite) outperformed its benchmark, the Bloomberg Barclays U.S. Intermediate Government/Credit Bond Index (index), during the second quarter (Q2). The composite returned 1.17%, +0.19% or 19 basis points (bps) more than the Index return of 0.98%. An overweight to 7-10 year partials drove performance, as the curve flattened over the quarter.

PERFORMANCE ATTRIBUTION

Through June 30, 2021

	2Q'21 Attribution (basis points)
Sector Allocation	+8
Security Selection	-1
Yield Curve/Duration	+11
Residual Impact ³	+1
Total Attribution	+19

COMMENTARY ON PERFORMANCE ATTRIBUTION

- Yield curve positioning, with an overweight to intermediate maturities, drove performance.
- A general overweight to the spread sectors added to returns, with allocations to Other U.S. Governments and Taxable Municipals proving particularly beneficial. Additionally, out-of-benchmark positioning in ABS and CMBS contributed positively.
- Security selection did not have a material impact on performance over the period.

¹ See endnote on reverse side of this page.

² The Weighted Average Quality shown has NOT been assessed by a nationally recognized statistical rating organization. The Weighted Average Quality shown represents the individual holding's composite ratings, as rated by S&P, Moody's, and Fitch. If S&P, Moody's, and Fitch all provide a credit rating, the composite rating is the median of the three agency ratings. If only two agencies provide ratings, the composite is the more conservative rating. If only one agency provides a rating, the composite rating reflects that agency's rating.

³ Includes trading, cash flows and other residual impacts.

COMPOSITE CHARACTERISTICS

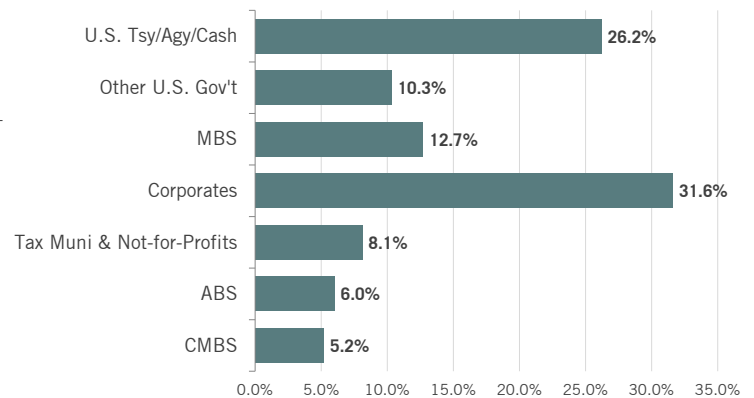
as of June 30, 2021

	Intermediate Gov't/Credit Composite	Bloomberg Barclays U.S. Intermediate Gov't/Credit Bond Index
Weighted Average Quality ²	AA	AA
Yield to Maturity	1.12%	0.93%
Effective Duration	4.10 Yrs	4.12 Yrs

SECTOR ALLOCATION

as of June 30, 2021

Duration/ Yield Curve	U.S. Tsy/Agy	Other U.S. Gov't	Corp/Muni	MBS	CMBS/ABS
Neutral/overweight 7-10 year partials	Underweight	Overweight	Overweight	Overweight	Overweight



CURRENT STRATEGY & OUTLOOK

- Continue to stress high quality, diversification, and liquidity in portfolios.
- Remain focused on relative value across spread (non-Treasury) sectors, trimming where appropriate while still looking for opportunities to add if valuations make sense.
- Maintain slightly higher liquidity positioning to protect against downside risks and provide 'dry powder' for opportunistic purchases.
- Maintain broadly neutral duration positioning versus benchmarks.

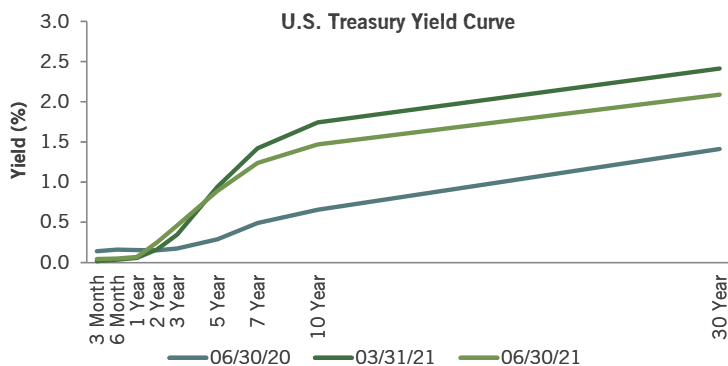
INTERMEDIATE GOVERNMENT/CREDIT COMPOSITE

SECOND QUARTER

Fed Flattens the Yield Curve; Most Non-Treasury Sectors Outperform

CHANGES IN U.S. TREASURY RATES

Long Rates Fall, as Curve Flattens



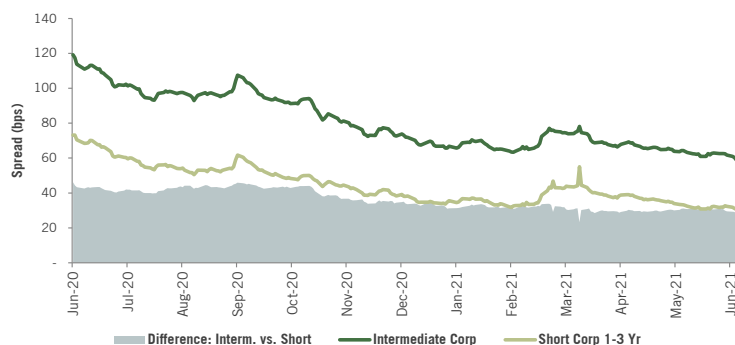
Source: Bloomberg

QUARTERLY MARKET COMMENTARY

- The economy has accelerated considerably, fueled by pent-up consumer demand and the removal of COVID-19 restrictions. With virtually all measures of economic activity signaling a robust rebound for the remainder of the year, 2Q21 GDP is expected to increase at a 10%-11% q/q annualized pace with full-year GDP growth projections in the 6%-7% range.
- As expected, the Federal Reserve kept its policy rate unchanged throughout the quarter; however, published inflation forecasts and expected future rate hike messaging turned slightly hawkish in June. The market expects a formal announcement of QE tapering at the September meeting with implementation in early 2022.
- In a partial reversal of first quarter's steepening, the curve flattened considerably in 2Q21. 2s vs. 10s flattened 36 bps reflecting the Fed's more hawkish tone. Not surprisingly, long-term break-even inflation rates also compressed.
- Retail sales are 18% higher than February 2020, indicating that consumers continue to spend at an elevated rate, but the labor market recovery since early spring has been somewhat underwhelming. The housing market remains red hot, buoyed by low mortgage rates, tight supply, and strong demand.
- Businesses are expanding rapidly, but elevated consumer demand and supply chain bottlenecks are accelerating inflation in the near term, sparking a debate about whether inflationary pressures will be transitory or persistent.

CORPORATE CREDIT SPREADS

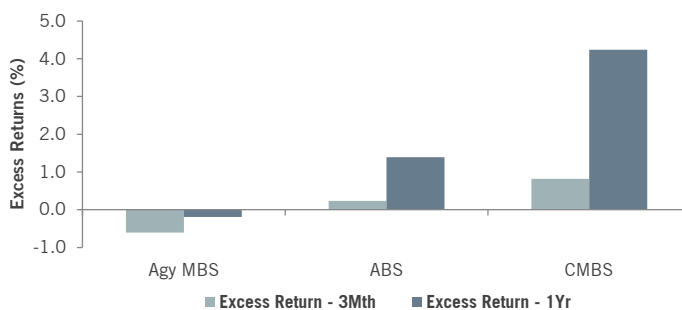
Corporate Spreads Moved Modestly Tighter



Source: Barclays

STRUCTURED PRODUCT SPREADS

Agency MBS struggled, while ABS and CMBS continue to outperform



Source: Barclays

The Intermediate Government/Credit Composite (composite) is a sub composite of the Intermediate Government/Credit Total Composite. Prior to July 1, 2018, the Intermediate Government/Credit Composite was named the Intermediate Core Composite. It consists of all fully discretionary separate accounts that do not use derivatives and are managed against the Bloomberg Barclays U.S. Intermediate Gov't/ Credit Bond Index or equivalent indices. The composite strategy focuses on risk control and adding value through security selection. Returns for periods less than one year are not annualized. Returns are in U.S. dollars. Returns designated as being "before inv. mgmt. fees" include all income, realized and unrealized gains and losses, and all transactional costs. Returns designated as "after max. fees" are the "before inv. mgmt. fees" returns less the maximum investment management fee of .30% which may be charged by Galliard for management of each client's account. These returns may also be impacted by the effect of compounding and will be rounded to the nearest basis point. Galliard's advisory fees are disclosed in the firm's Form ADV Part 2 which is available upon request. Benchmark returns do not include potential transaction costs or management fees. For comparison purposes the benchmark is fully invested and includes the reinvestment of income. While it is believed that the benchmark used here represents an appropriate point of comparison for the composite referenced above, prospective investors should be aware that the volatility of the above referenced benchmark or index may be substantially different from that of the composite; and holdings in the composite may differ significantly from the benchmark or index if the investment guidelines and criteria are different than the composite. **The accounts in the composite are not insured by the FDIC, Federal Reserve Bank, nor guaranteed by Wells Fargo Bank, N.A., or any affiliate, including Galliard Capital Management, and may lose value. Past performance is not an indication of how the investment will perform in the future.**

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