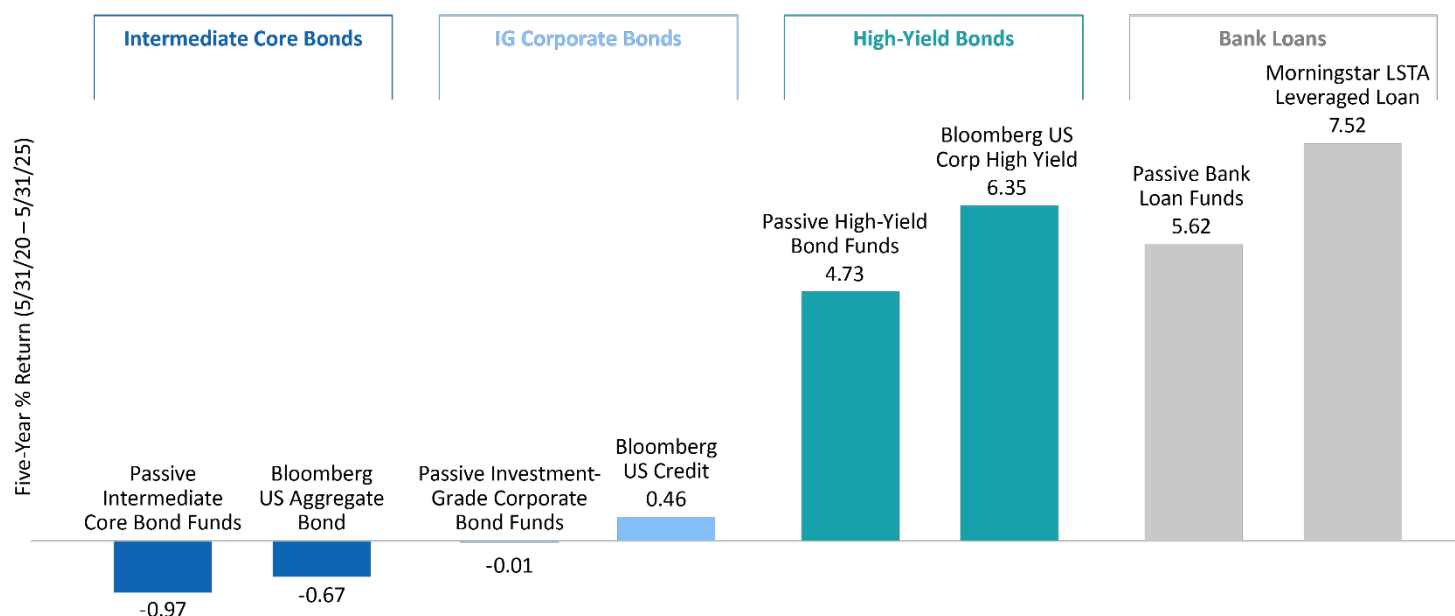


PASSIVE FIXED INCOME'S UNDERPERFORMANCE

Are passively managed fixed-income investments worth the cost savings? When looking at four major areas of fixed income that have historically rewarded investors with price appreciation and attractive yields, passive investing has not stood the test of time. Over the past five years (5/31/20 to 5/31/25), passive management for intermediate core bond, corporate bond, high-yield bond and bank-loan asset classes combined have underperformed their respective benchmarks on average by -1.07%.

Annualized Returns of Passively Managed Funds vs. Their Benchmarks Over Past 5 Years



Past performance does not guarantee future results. Investing involves risk, including loss of principal. Source: Morningstar as of 5/31/25. The Bloomberg US Aggregate Bond Index measures the performance of U.S. investment-grade taxable corporate, fixed-rate, and government-related fixed-income securities. An investment-grade corporate bond fund is a type of bond fund that primarily invests in debt securities issued by corporations with strong credit ratings, indicating a lower risk of default. Investment grade refers to the quality of a company's credit. To be considered an investment-grade issue, the company must be rated at "BBB" or higher. Bloomberg US Credit Index is a benchmark that tracks the performance of investment-grade, USD-denominated, fixed-rate, taxable corporate and government-related bonds within the U.S. market. An intermediate core bond fund is a type of bond fund that primarily invests in investment-grade U.S. fixed-income securities with an intermediate maturity. The Bloomberg US Corporate High Yield Index measures the USD-denominated, high-yield, fixed-rate corporate bond market. A high-yield bond fund is a type of bond fund that primarily invests in bonds that pay higher interest rates because they have lower credit ratings than investment-grade bonds. The Morningstar LSTA Leveraged Loan Index is designed to track the performance of institutional leveraged loans. A bank-loan fund is a type of fixed-income fund that primarily invests in adjustable-rate loans, often from below-investment-grade companies. Bank loans (or floating-rate loans) are financial instruments that pay a variable or floating interest rate. Passive fund is a fund that tracks a particular index and attempts to match its annual returns. Data for the passive funds mentioned in the above chart are from Morningstar fund categories designated as "passive."