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SUMMARY

- “Yield Matters” but investors cannot ignore real yields.
- Real yields are attractive near 2% despite rising inflation, in our opinion.
- Credit spreads are tight, but defaults are low.

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Fixed Income Looks Attractive Again

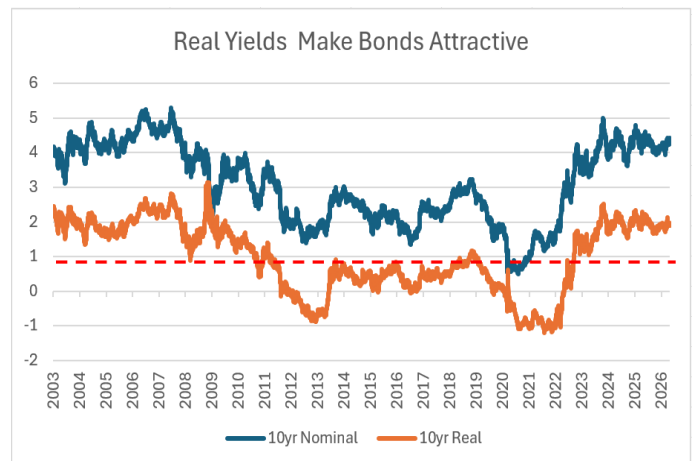
Above Average Real Yields with Strong Fundamentals

Thus far 2026 has been a roller coaster year for fixed income markets. The 10-year Treasury, the benchmark rate for the bond market, saw its yield trade as low as 3.94% and as high as 4.43%. Currently, the benchmark is trading at 4.37%. While investors may not have enjoyed the volatility, the backup in nominal yields has gotten our attention. **Our current fair value for the 10-year Treasury is 4.30% and would view rates above 4.50% as buying opportunities.** The move higher in yields has been driven by worries surrounding the growing budget deficit of the US government and fears of inflation remaining elevated due to war-related energy supply constraints.

In this fixed income update we will explore real yields, credit spreads, and our outlook for the various sectors of the bond market for the remainder of the year.

Real Yields Approaching 2%, Appear Attractive Again

Most investors focus on nominal yields when purchasing bonds because, as we have reiterated over the years, “yield matters.” Typically, the starting yield of a bond is the return that the investor will receive if they hold the bond to maturity. While the nominal yield is important, the ‘real’ yield (nominal yield minus implied inflation) is crucial as it calculates the true increase in purchasing power of the investment. Chart 1 above compares nominal yields and real yields back several years prior to the Great Financial Crisis (GFC) in 2008.

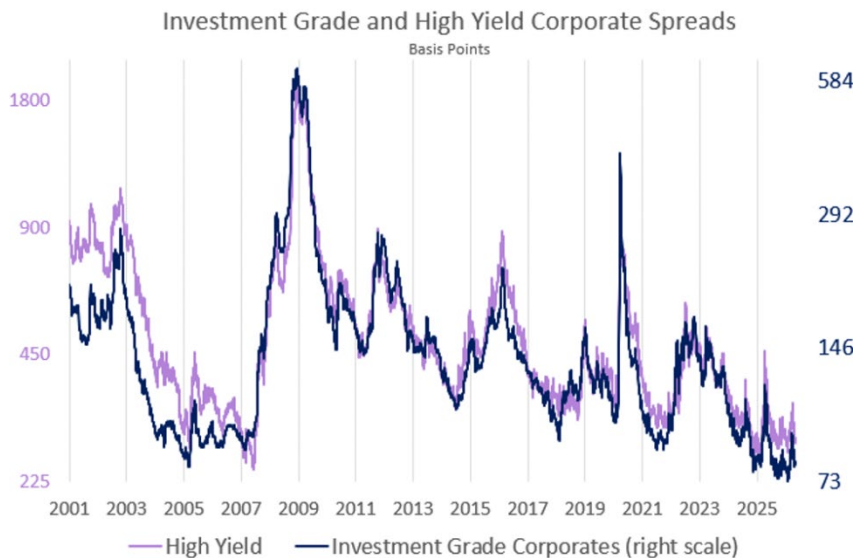


Source: Bloomberg, RiverFront. Data daily as of May 1, 2026. Chart shown for illustrative purposes. Past performance is no indication of future results.

While real yields have averaged nearly 1% over the last 23 years, (the dotted red line in the chart), it has been a story of 3 regimes. From 2003 to 2010, and now in the post COVID world the average has been around 2%. By contrast, to prevent deflation after the GFC, the Federal Reserve ensured that both short- and long-term interest rates were below the rate of inflation, making bonds unattractive in our opinion. With real yields back around 2%, we see opportunities. **Hence, bonds are attractive again in our opinion.**

Credit Spreads Likely to Stay Tight, Due to Strong Corporate Earnings

While we view real yields as an important indicator of the attractiveness of bond valuations, we also view credit spreads (the risk premium paid to own corporate bonds rather than Treasuries) as an important input. When credit spreads are 'tight' compared to Treasuries (meaning investors require a smaller risk premium than normal to own bonds), this indicates that investors are confident that companies can meet their debt obligations. When credit spreads are 'wide' versus Treasuries, this suggests less confidence in their creditworthiness. Currently, credit spreads both in investment grade corporates (bonds rated BBB or higher) and high yield corporate bonds (rated BB or lower) are trading exceptionally 'tight', near their all-time lows as shown in Chart 2, right. High yield and investment grade risk premiums are 2.77% and 0.81% respectively above comparable maturing Treasuries. High yield credit represented by the left axis and investment grade risk by the right axis in Chart 2. Strong corporate balance sheets have kept investors' appetites for bonds robust, leading to solid availability of credit. We believe that credit spreads will remain in a tight range for the remainder of the year, barring a global macroeconomic event, as corporate earnings in the US remain strong.



Source: RiverFront, FactSet. Data daily as of May 1, 2026. Chart shown for illustrative purposes. Past performance is no indication of future results.

Conclusion: Bonds Are Offering Real Value Again; Look to Lock in Higher Yields on Inflation Concerns

We expect the bond market yields to face upward pressure the remainder of 2026, as the fallout from the Iran war will keep oil and gas prices elevated for an extended period. The combination of elevated oil and gas prices will put upward pressure on inflation via higher transportation costs passed along the supply chain into finished goods prices. Higher inflation will bring worries of stagflation to the forefront, causing bond yields to rise further, in our opinion. However, we believe that there is a ceiling on how high yields can go because higher inflation will slow the economy down and cause Fed officials to lower interest rates. Hence, we believe upside resistance for the 10-year Treasury in a stagflation scenario is around 5%...a level that would likely trigger significant demand from yield-seeking investors and slow economic activity enough to be self-correcting. Given a Kevin Warsh-led Fed will likely have a bias towards cutting rates, we do not believe the central bank will wait for yields to move that high. We view the oil and gas inflationary impulse as temporary and thus seek to take advantage of opportunities if yields move meaningfully higher than current levels.

The bottom line: bonds are offering real value again, in our view – something investors haven't been able to say for much of the past fifteen years. With our balanced portfolios currently underweight fixed income, any further backup in yields driven by transitory inflationary pressures would represent an opportunity to add exposure at even more attractive levels.

Risk Discussion: All investments in securities, including the strategies discussed above, include a risk of loss of principal (invested amount) and any profits that have not been realized. Markets fluctuate substantially over time, and have experienced increased volatility in recent years due to global and domestic economic events. Performance of any investment is not guaranteed. In a rising interest rate environment, the value of fixed-income securities generally declines. Diversification does not guarantee a profit or protect against a loss. Investments in international and emerging markets securities include exposure to risks such as currency fluctuations, foreign taxes and regulations, and the potential for illiquid markets and political instability. Please see the end of this publication for more disclosures.

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All charts shown for illustrative purposes only. Technical analysis is based on the study of historical price movements and past trend patterns. There are no assurances that movements or trends can or will be duplicated in the future.

Stocks represent partial ownership of a corporation. If the corporation does well, its value increases, and investors share in the appreciation. However, if it goes bankrupt, or performs poorly, investors can lose their entire initial investment (i.e., the stock price can go to zero). Bonds represent a loan made by an investor to a corporation or government. As such, the investor gets a guaranteed interest rate for a specific period of time and expects to get their original investment back at the end of that time period, along with the interest earned. Investment risk is repayment of the principal (amount invested). In the event of a bankruptcy or other corporate disruption, bonds are senior to stocks. Investors should be aware of these differences prior to investing.

In general, the bond market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa). This effect is usually more pronounced for longer-term securities). Fixed income securities also carry inflation risk, liquidity risk, call risk and credit and default risks for both issuers and counterparties. Lower-quality fixed income securities involve greater risk of default or price changes due to potential changes in the credit quality of the issuer. Foreign investments involve greater risks than U.S. investments, and can decline significantly in response to adverse issuer, political, regulatory, market, and economic risks. Any fixed-income security sold or redeemed prior to maturity may be subject to loss.

Investing in foreign companies poses additional risks since political and economic events unique to a country or region may affect those markets and their issuers. In addition to such general international risks, the portfolio may also be exposed to currency fluctuation risks and emerging markets risks as described further below.

Changes in the value of foreign currencies compared to the U.S. dollar may affect (positively or negatively) the value of the portfolio's investments. Such currency movements may occur separately from, and/or in response to, events that do not otherwise affect the value of the security in the issuer's home country. Also, the value of the portfolio may be influenced by currency exchange control regulations. The currencies of emerging market countries may experience significant declines against the U.S. dollar, and devaluation may occur subsequent to investments in these currencies by the portfolio.

Foreign investments, especially investments in emerging markets, can be riskier and more volatile than investments in the U.S. and are considered speculative and subject to heightened risks in addition to the general risks of investing in non-U.S. securities. Also, inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economies and securities markets of certain emerging market countries.

In a rising interest rate environment, the value of fixed-income securities generally declines.

Index Definitions:

The Bloomberg Aggregate Bond Index or "the Agg" is a broad-based fixed-income index used by bond traders and the managers of mutual funds and exchange-traded funds as a benchmark to measure their relative performance.

Definitions:

The global financial crisis (GFC) refers to a period of extreme stress in global financial markets and banking systems between 2007 and 2009, which changed the financial system culminating in the Dodd-Frank Wall Street Reform and Consumer Protection Act.

High yield bonds are debt securities often referred to as "high-yield" or "junk" bonds issued by corporations. High-yield bonds tend to pay higher interest rates because they have lower credit ratings than investment-grade bonds. High-yield securities (including junk bonds) are subject to greater risk of loss of principal and interest, including default risk, than higher-rated securities.

Treasuries are government debt securities issued by the US Government. Treasury securities typically pay less interest than other securities in exchange for lower default or credit risk. With relatively low yields, income produced by Treasuries may be lower than the rate of inflation.

Treasury Bonds is represented by the Bloomberg US Treasury Index which measures the performance of the US Treasury bond market.

Inflation is a gradual loss of purchasing power, reflected in a broad rise in prices for goods and services over time.

Deflation is a general decline in prices for goods and services, typically associated with a contraction in the supply of money and credit in the economy. During deflation, the purchasing power of currency rises over time.

Stagflation is an economic cycle characterized by slow growth and a high unemployment rate accompanied by inflation. Economic policymakers find this combination particularly difficult to handle, as attempting to correct one of the factors can exacerbate another.

Treasury bond yields (or rates) are tracked by investors for many reasons. The yields are paid by the U.S. government as interest for borrowing money via selling the bond. The 10-year Treasury yield is closely watched as an indicator of broader investor confidence. Because Treasury bonds (along with bills and notes) carry the full backing of the U.S. government, they are viewed as one of the safest investments.

When referring to being "overweight" or "underweight" relative to a market or asset class, RiverFront is referring to our current portfolios' weightings compared to the composite benchmarks for each portfolio. Asset class weighting discussion refers to our Advantage portfolios.

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