Genter Capital Management

With the Fed expected to move rates, will you?



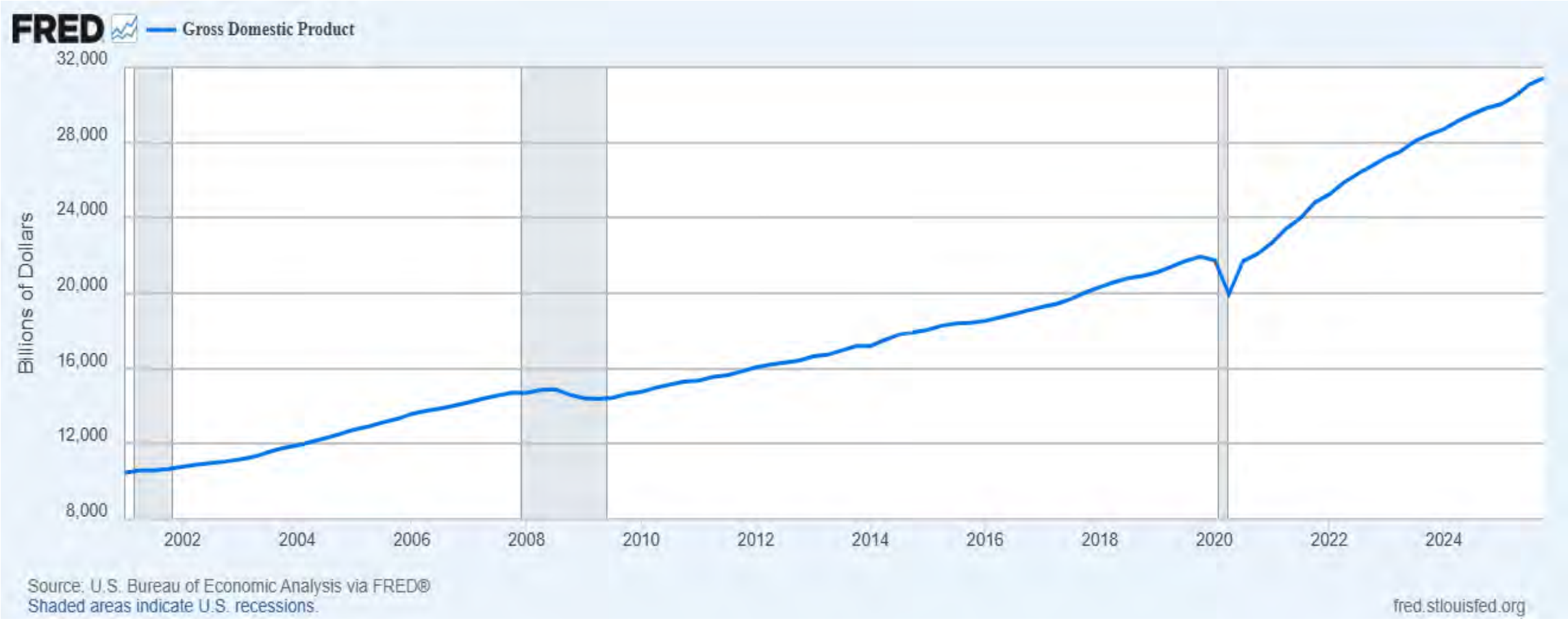
Presented by:

Brian Elliott

GENTER
CAPITAL MANAGEMENT

Escape Velocity

The "Long Decade" of Low Growth, Low Inflation and Low Rates is Over



Kevin Warsh – New Sherrif in Town

- He thinks the Fed has drifted from its proper focus
- Supply side orientation (former “Inflationista” – now thinks inflation may be muted by productivity gains)
- Emphasis on data trends
- Thinks overlarge balance sheet distorts market signals
- Institutionalist – Serves at Fed and believes in central bank independence
- During selection process he was supported by Wall Street and big banks
- Biggest challenge is retaining consensus while implementing major reforms

Warsh's Five Task Forces

FEDERAL RESERVE POLICY OUTLOOK

Task Force	Purpose	Warsh's View
Communication	How to improve conveying policy to the wider world	Wants to see less, more disciplined, communications
Balance Sheet Policy	What are the implications of the current balance sheet regime to the economy	Calls it "fiscal policy by other means," and wants balance sheet reduced
Data	Evaluate the ability of data to capture of economic signals	Focus on "trend." Wants analysis to look forward rather than backward
Productivity and Jobs	How do new technologies impact the broader economy	Has AI changed the productivity equation, and should that affect rates
Inflation Framework	Does the Fed have a proper understanding of inflation's drivers	Thinks the current PCE indices do not provide a good read. Institute a new benchmark?

Warsh's First Four Months

POLICY

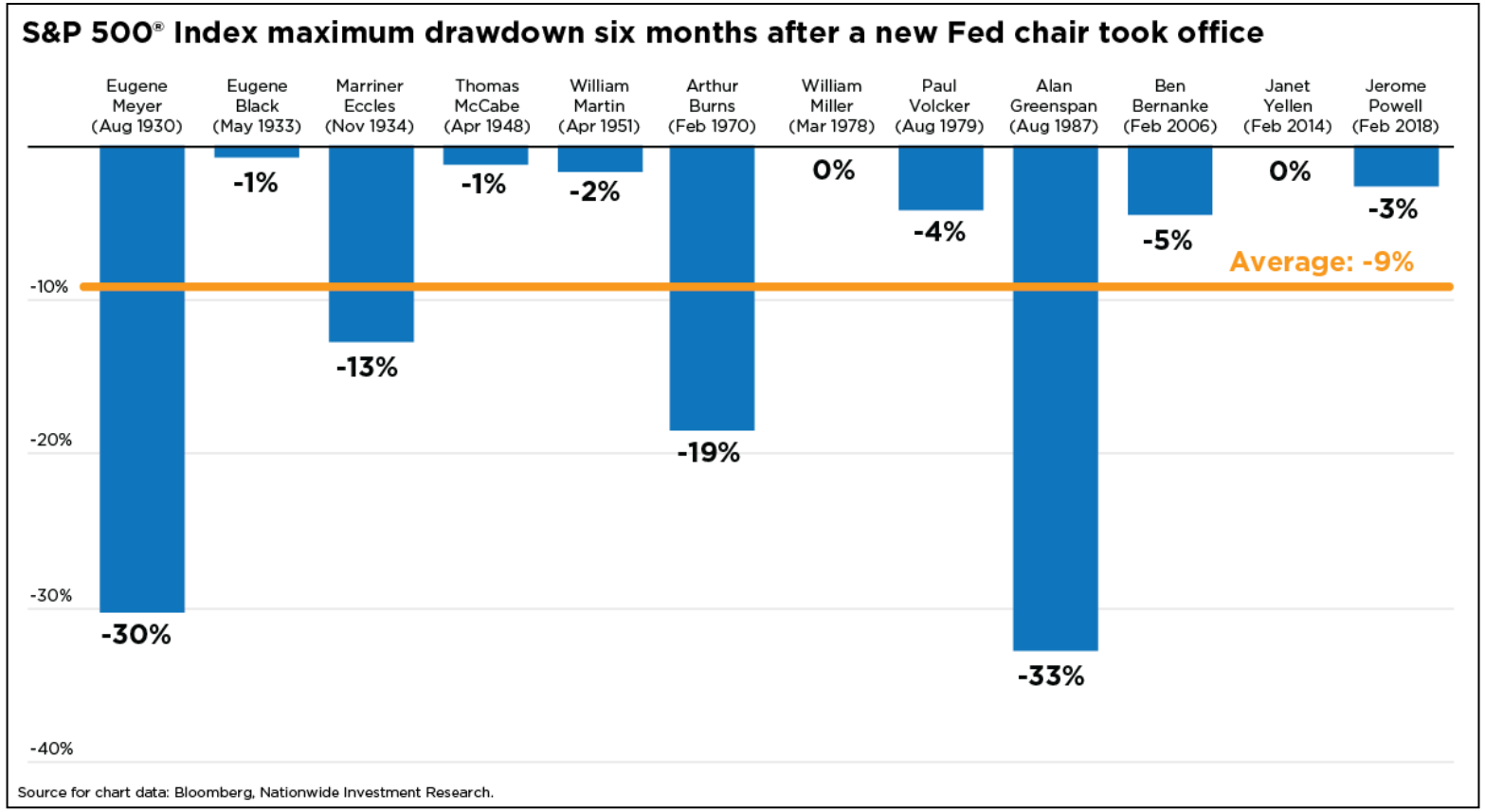
- **Price Stability mandate -** Economy takes care of itself when price stability is achieved
- **Jackson Hole Speech** – Soothed concerns in the market about his commitment to inflation-fighting
- **Reduced communication** – Among other things, wants fewer FOMC meetings
- **Trend-based policy** – Policymaking framework to focus on where things are going, not where they have been
- **Reaction Function** – Wants Fed to respond to market signals rather than the other way around
- **2027** – Between the recommendations from the Task Forces and revisiting the policy template approved at the start of each year, we expect Warsh reforms to begin in earnest as the year ends and the new one begins

Warsh's First Four Months

ISSUES

- **Colleagues** – Governors seem aligned with Warsh's agenda; Bank Presidents less so
- **Jerome Powell** – Remains on the Board, though keeping a low profile
- **Lisa Cook** – "Won" her case before the Supreme Court, but Trump administration using the Court's guidelines to renew efforts to oust her
- **No QT yet** – If anything, the balance sheet has slightly increased

So Far, Warsh Has Avoided the "New Fed Chair Effect"



Historical Pattern

Maximum loss in the first six months averages -9%. There are limited data points, and significant variability within those data points, but there is a pattern of underperformance during the earliest months of a new tenure

Dual Testing Dynamic

Market may test the new Chair, but the new Chair may also test the market's appetite for policy reform.

Consequential Period

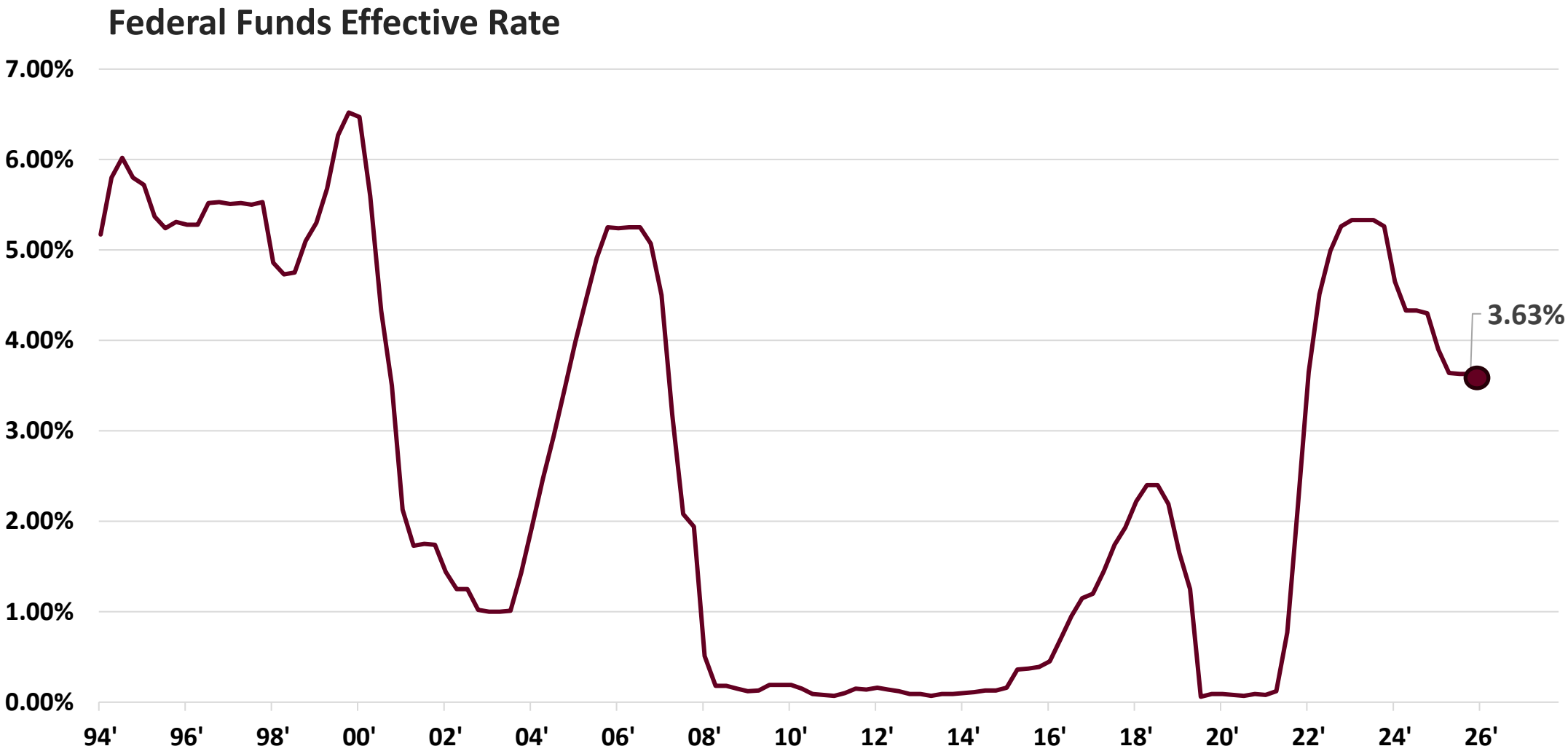
First months after assuming the Chair may be explosive for the market—or maybe not—but either way, it should set the table for the next few years.

Bottom line: Kevin Warsh's proposed reforms—balance sheet reduction, easier inflation targets, dovish rate policy, increased focus on fewer variables, sparser guidance and communication—could generate market reactions. They may also provoke reactions from his new colleagues at the Federal Reserve. Both the market and the Fed should be an interesting place in the months ahead.

Investing in securities involves the risk of loss. Past performance is not a guarantee of future results. The opinions expressed herein are subject to change at any time without notice. This content represents our opinions developed from sources believed to be providing accurate information. While reasonable care has been taken to ensure that the information herein is factually correct, Genter Capital Management makes no representations or guarantee as to its accuracy or completeness. This material is intended for general informational purposes only, and should not be construed as legal, tax, investment, financial, or other advice.

The Fed Controls the Short End of the Curve

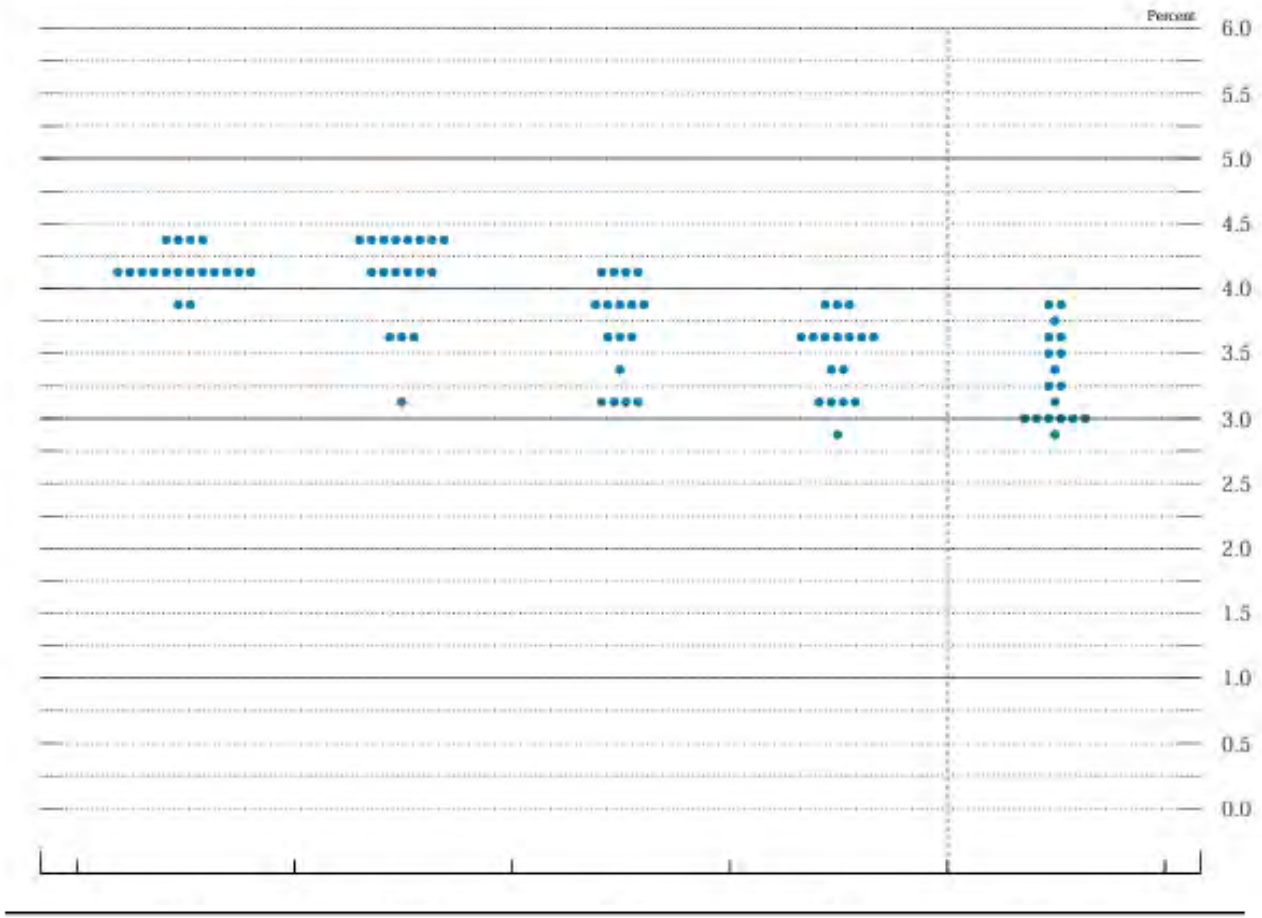
Market expectations regarding growth and inflation controls the longer end



Source: Federal Reserve Bank of St. Louis, Federal Reserve.
Data as of Aug. 31, 2026.

Different Visions of The Future

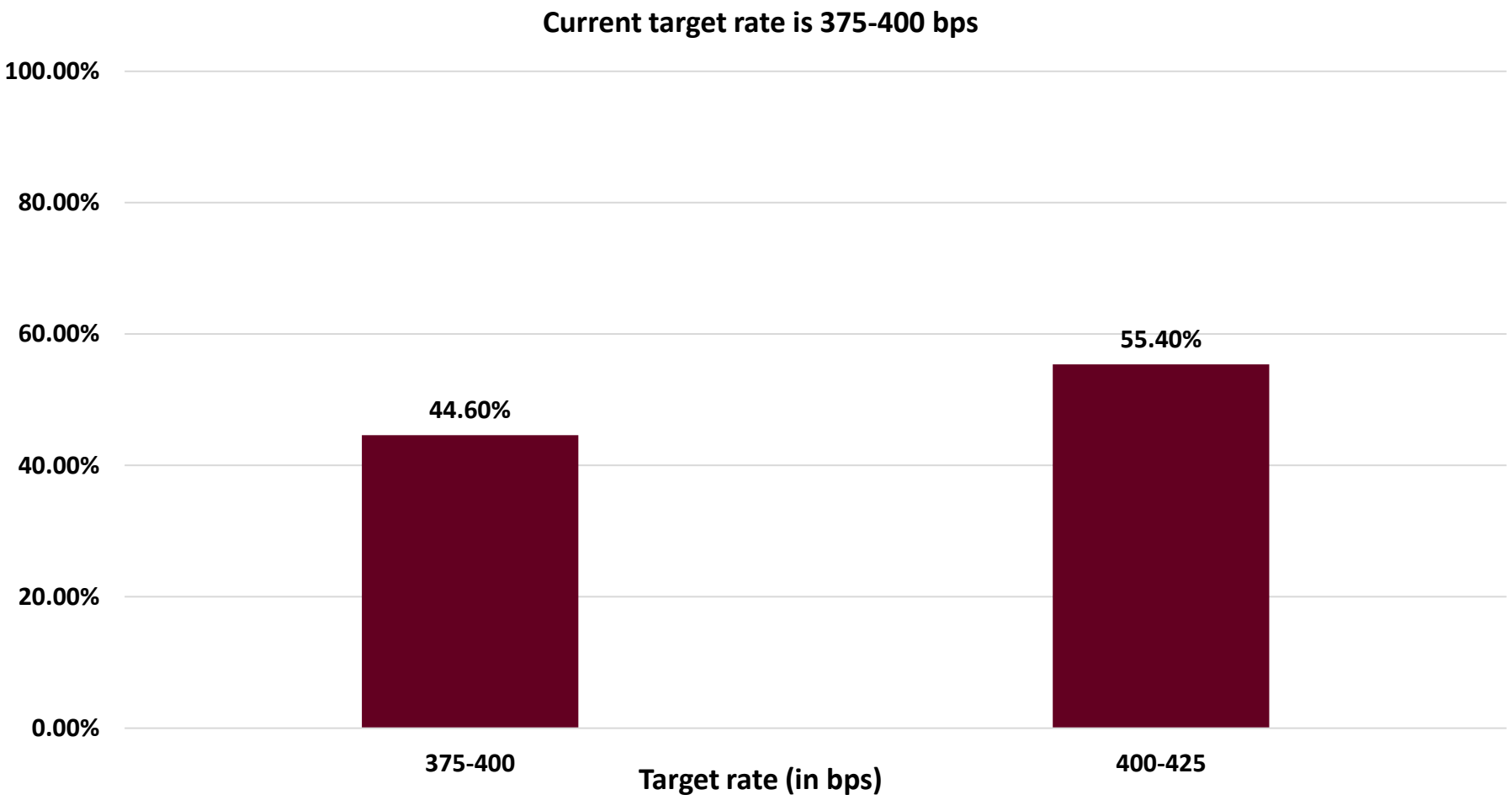
Figure 2. FOMC participants' assessments of appropriate monetary policy: Midpoint of target range or target level for the federal funds rate



NOTE: Each shaded circle indicates the value (rounded to the nearest 1/8 percentage point) of an individual participant's judgment of the midpoint of the appropriate target range for the federal funds rate or the appropriate target level for the federal funds rate at the end of the specified calendar year or over the longer run.

Source: Federalreserve.gov. *As of September 16, 2026*

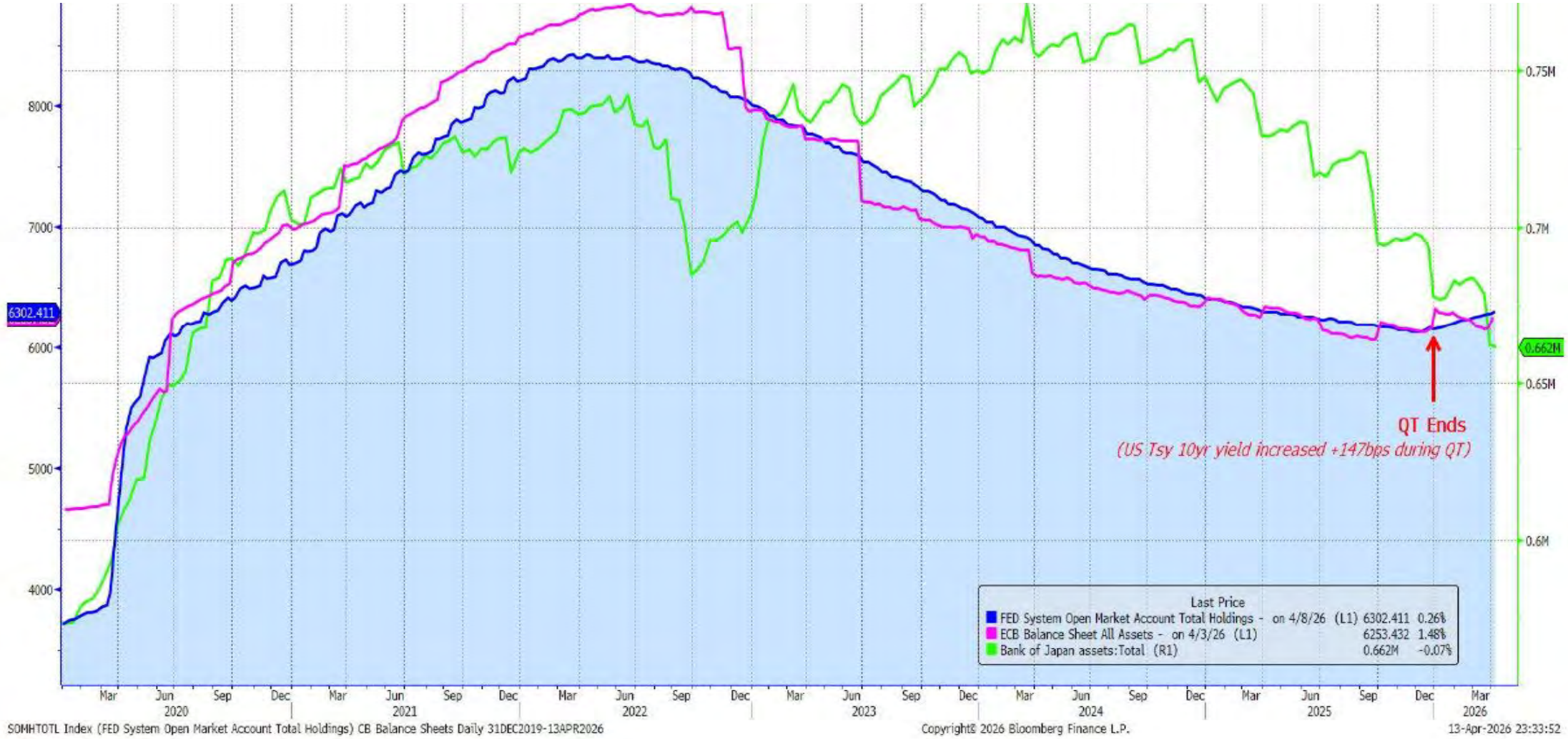
Current Expectations for a Hike at the Next FOMC Meeting



Source: cmegroup.com; data as of 09/21/26.

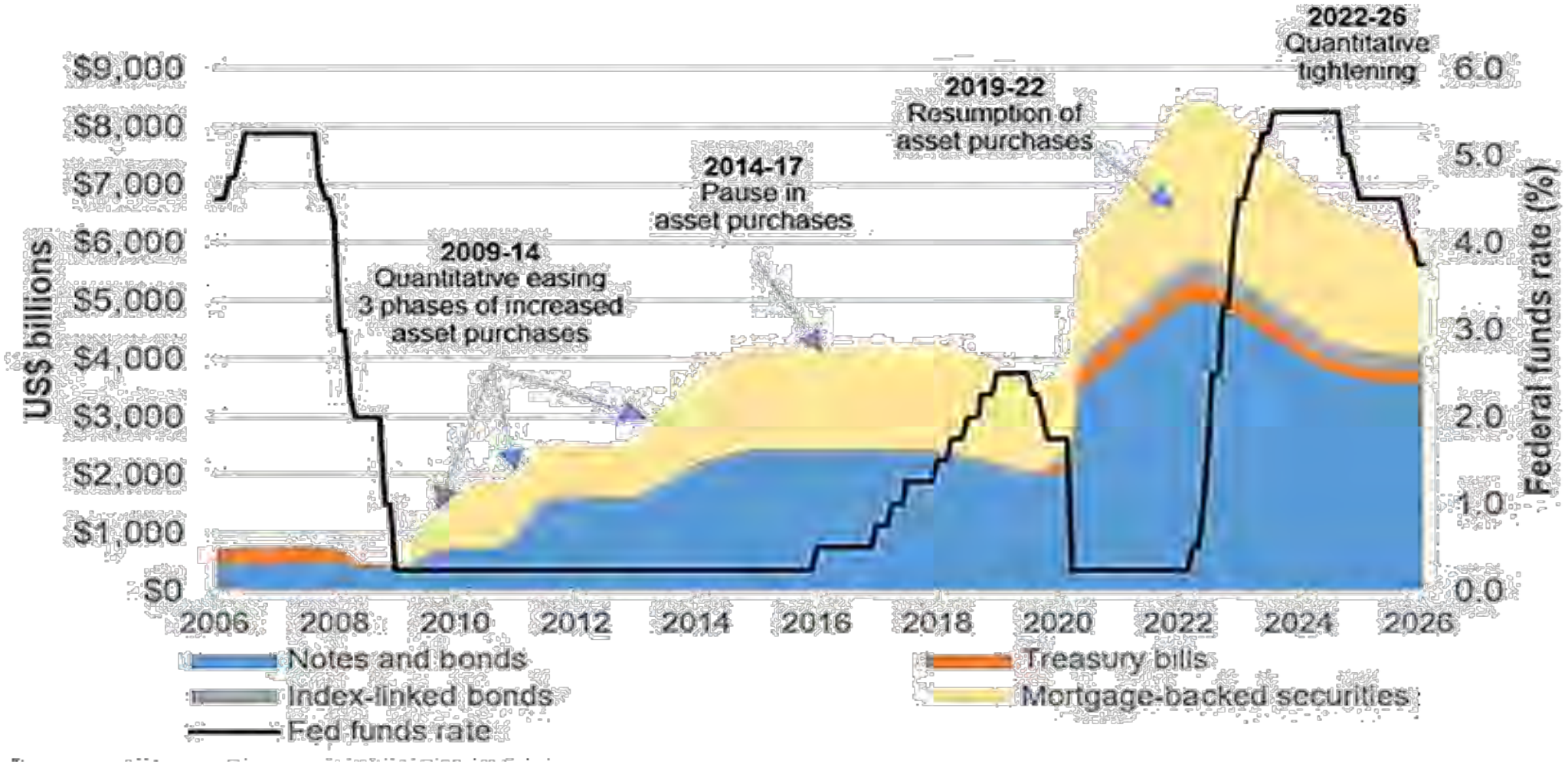
Major Central Bank Balance Sheets

FEDERAL RESERVE | ECB | BANK OF JAPAN



Source: Bloomberg Finance L.P.

Balance Sheet Operations Since the Financial Crisis



Source: Bloomberg; RSM US LLP

What's Driving Yields Higher?

According to Fed Chairman Kevin Warsh, there are three factors behind the recent rise

01

Economic Strength

Stronger economic activity can support higher interest rates as growth increases demand for capital.

02

Competition for Capital

Greater demand for loanable funds can tighten capital markets and put upward pressure on rates.

03

Geopolitical Risk

Global uncertainty and geopolitical tensions can add risk and inflation pressures, contributing to higher yields.

What's Driving Yields Higher?: Continued

Other Factors Influencing Yields

04

Fiscal Deficit Concerns

Higher government borrowing can increase Treasury supply and put upward pressure on longer-term yields.

05

Fed Inflation-Fighting Credibility

Warsh pushed back on this concern, and the Fed's September rate hike reinforced its commitment to addressing inflation.

U.S. Debt Has Grown Twice as Fast as the Economy

US TREASURY TOTAL PUBLIC DEBT OUTSTANDING | 2000–2026 | SOURCE: BLOOMBERG



U.S. Public Debt

$5.6T → $38.9T

U.S. GDP

$10T → ~$29T

Debt Growth

~6×

since 2000

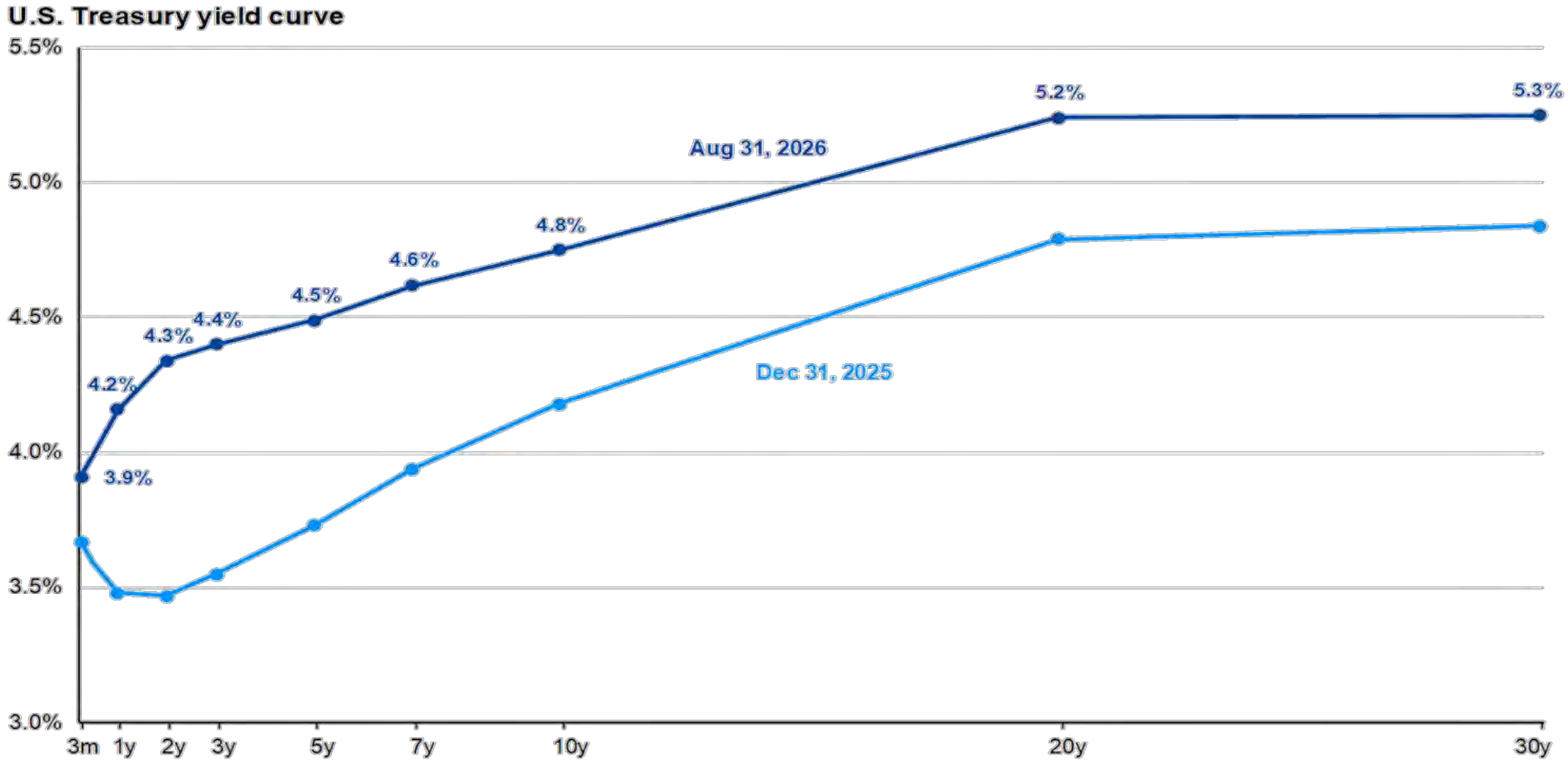
GDP Growth

~3×

since 2000

Yield Curves Normalizes

Short end and parallel shift further out



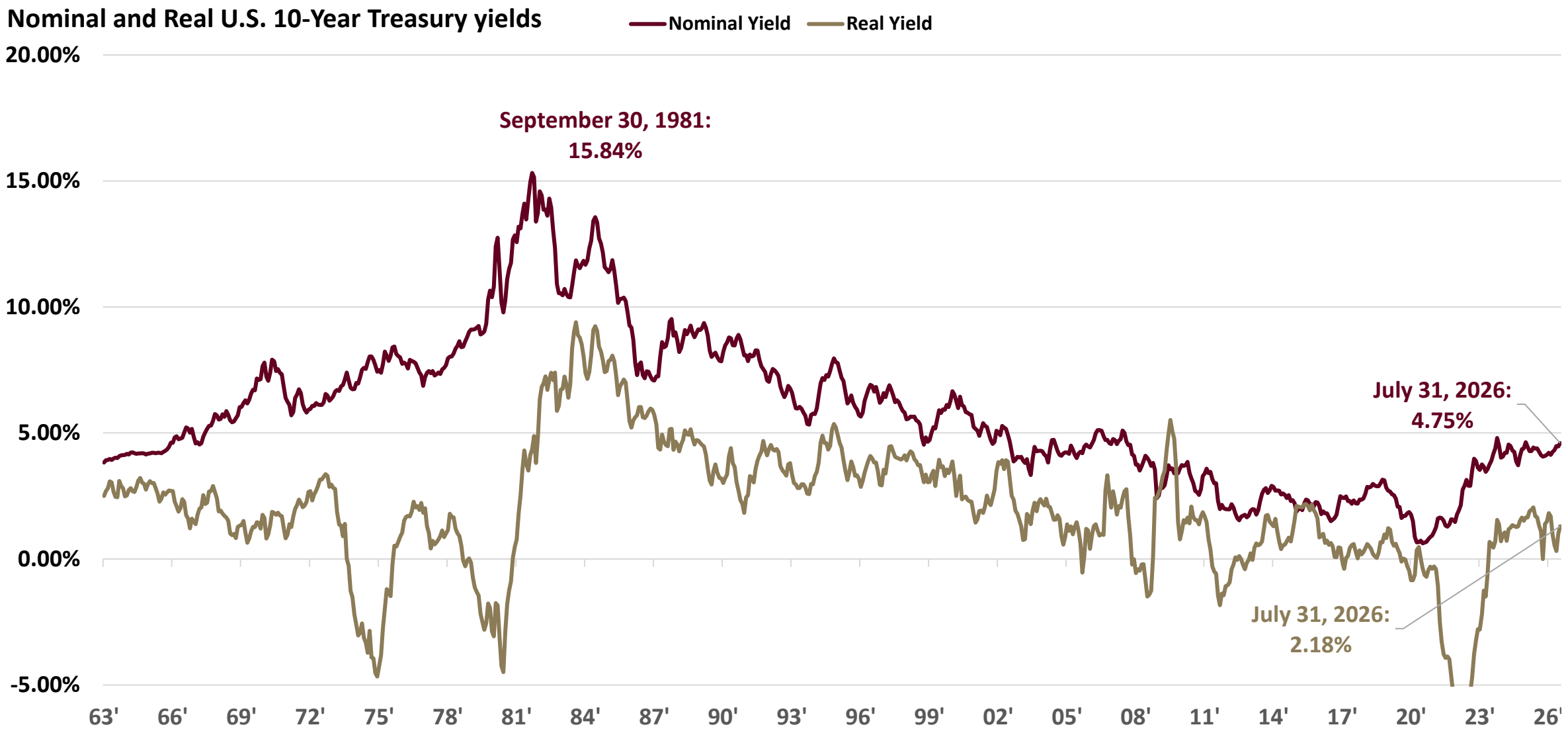
Source: FactSet, Federal Reserve, J.P. Morgan Asset Management.
Guide to the Markets – U.S. Data are as of August 31, 2026.

Yields - Defined

“Yield” is used several ways in fixed income — here's what each version actually measures.

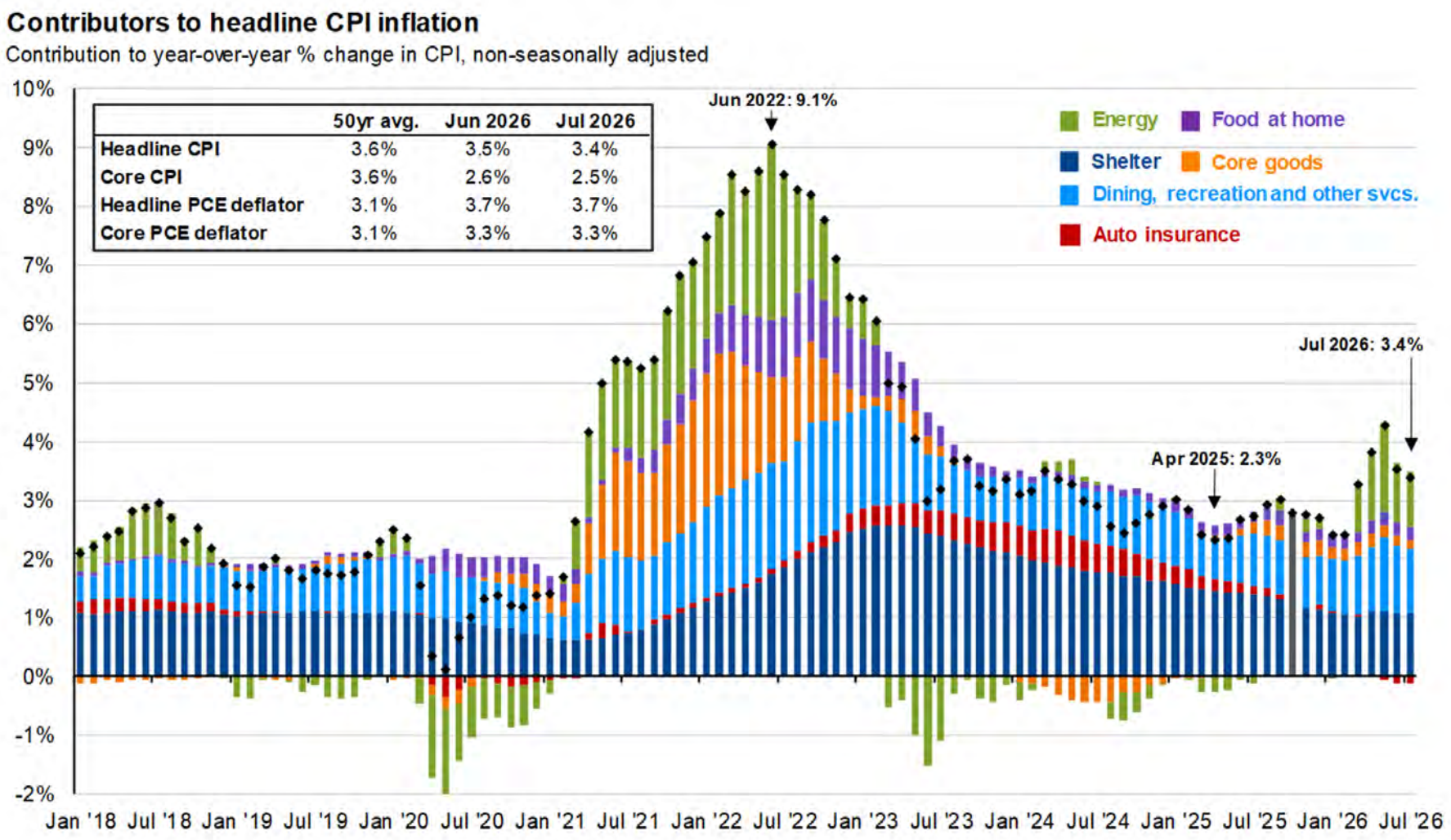
YTM	**Yield to Maturity**	The bond's annual rate of return assuming it's held to maturity and principal is repaid — accounts for interest-on-interest across all payment methods.
YTC	**Yield-to-Call / Yield-to-Worst**	For callable bonds: YTC assumes repayment at a call date instead of maturity. Yield-to-worst is the lowest of the possible YTC/YTM outcomes.
CY	**Current Yield**	Old-timey way to measure yield: annual interest income ÷ current market price. Less useful for short-dated maturities.
NY	**Nominal Yield / Effective Yield**	Nominal yield is simply the coupon rate. The bond prices at discount, par, or a premium depending upon whether the effective yield is higher, the same, or lower than the coupon.

Inflation



Source: BLS, Federal Reserve.
Nominal 10-Year Treasury yields are calculated as monthly average. Real 10-year Treasury yields are calculated as monthly Treasury yields less year-over-year CPI-U inflation.
Genter Capital – data as of 7/31/2026.

Inflation



Source: BLS, FactSet, J.P. Morgan Asset Management.
Contributions mirror the BLS methodology on Table 7 of the CPI report. Values may not sum to headline CPI figures due to rounding and underlying calculations. "Shelter" includes owners' equivalent rent, rent of primary residence and tenants' and household insurance. "Food at home" includes alcoholic beverages. Headline and core PCE deflator inflation shown are based on seasonally adjusted data due to data availability. Official October 2025 data unavailable due to government shutdown and data shown are J.P. Morgan Asset Management estimates.
Guide to the Markets – U.S. Data are as of August 31, 2026.

Outlook

A market correction is a distinct, and healthy, possibility. Don't try to time markets; stick to your allocations and take advantage of any buying opportunities that may arise.

Growth: Despite nay sayers, economy continues along a good growth path.

Inflation: Fed predominantly focused on upside risks.

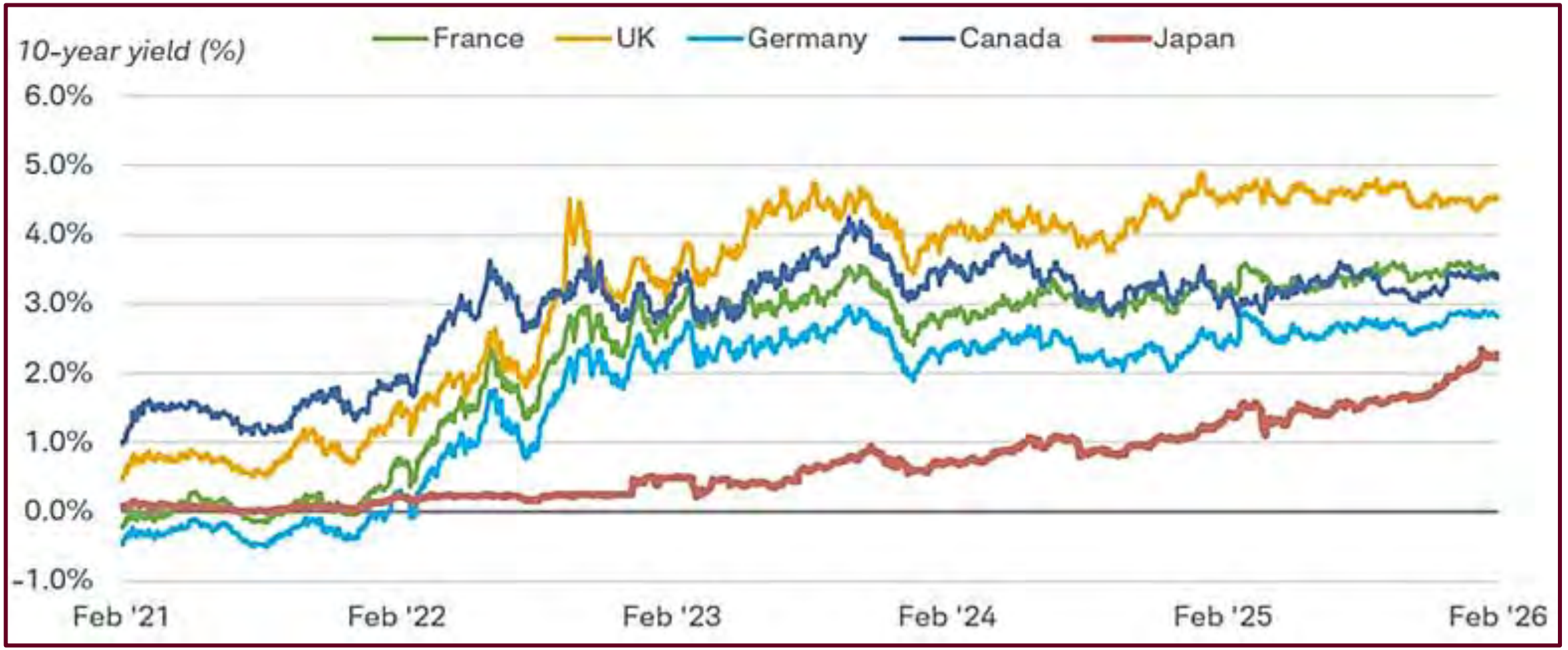
Stocks: Some areas of the market still offer good risk/reward tradeoffs. Look to high quality, income-producing stocks. Be cautious of headline-grabbing growth stocks as valuations and industry concentration are concerning.

Bonds: Fixed income is back to generating income rather than simply being a store of value. Despite tight spreads, yields on high quality bonds remain attractive.

5.8% (Implied Long-Term Rate) = 3.3% (Core PCE) + 2.5% (Economist GDP)

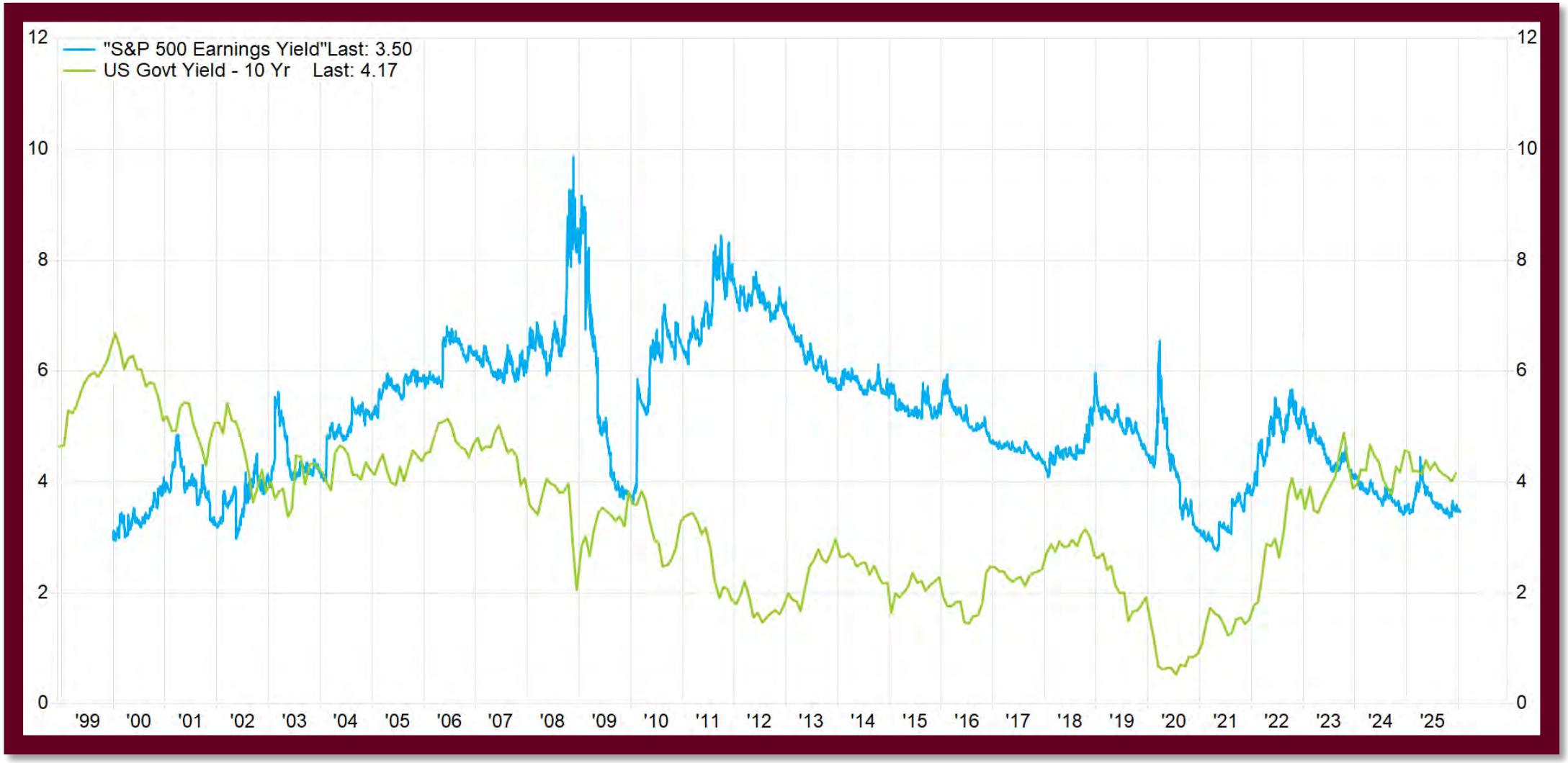
Rising Global Yields

Persistent Inflation and Deficit Fears Elevate Rates



Source: Bloomberg Data from 2/6/2021 to 2/6/2026.

Bonds Offer Alternative To Broad Market Yield



Source: FactSet Research Systems, Inc.

Is the Bloomberg Agg the Right Benchmark for Fixed Income Core Allocation?

Comparable yields – but without the extra interest rate risk.

Yield to Worst (YTW)	Bloomberg Agg	Bloomberg Int. Gov/Credit
Current	4.73%	4.43%
Average – 5 Yrs	4.17%	3.89%
High – 5 Yrs	5.74%	5.49%
Low – 5 Yrs	1.34%	0.77%
Range	4.40%	4.72%
Average – 10 Yrs	3.27%	2.92%
High – 10 Yrs	5.74%	5.49%
Low – 10 Yrs	1.02%	0.59%
Range	4.72%	4.90%
Average – 25 Yrs	3.55%	2.99%
High – 25 Yrs	6.15%	5.64%
Low – 25 Yrs	1.02%	0.59%
Range	5.13%	5.05%

More risk hasn't delivered better returns.

Total Returns	Bloomberg Agg	Bloomberg Int. Gov/Credit
1Yr	3.79%	3.14%
3Yr	4.15%	4.67%
5Yr	0.08%	1.22%
10Yr	1.54%	1.92%
25Yr	3.65%	3.47%

BBG Int. Gov/Credit delivers **93.6%** of the **Agg's** yield, while taking just **63.4%** of the duration risk

Calculations: 4.43/4.73 = 0.936
Calculations: 3.73/5.88 = 0.634

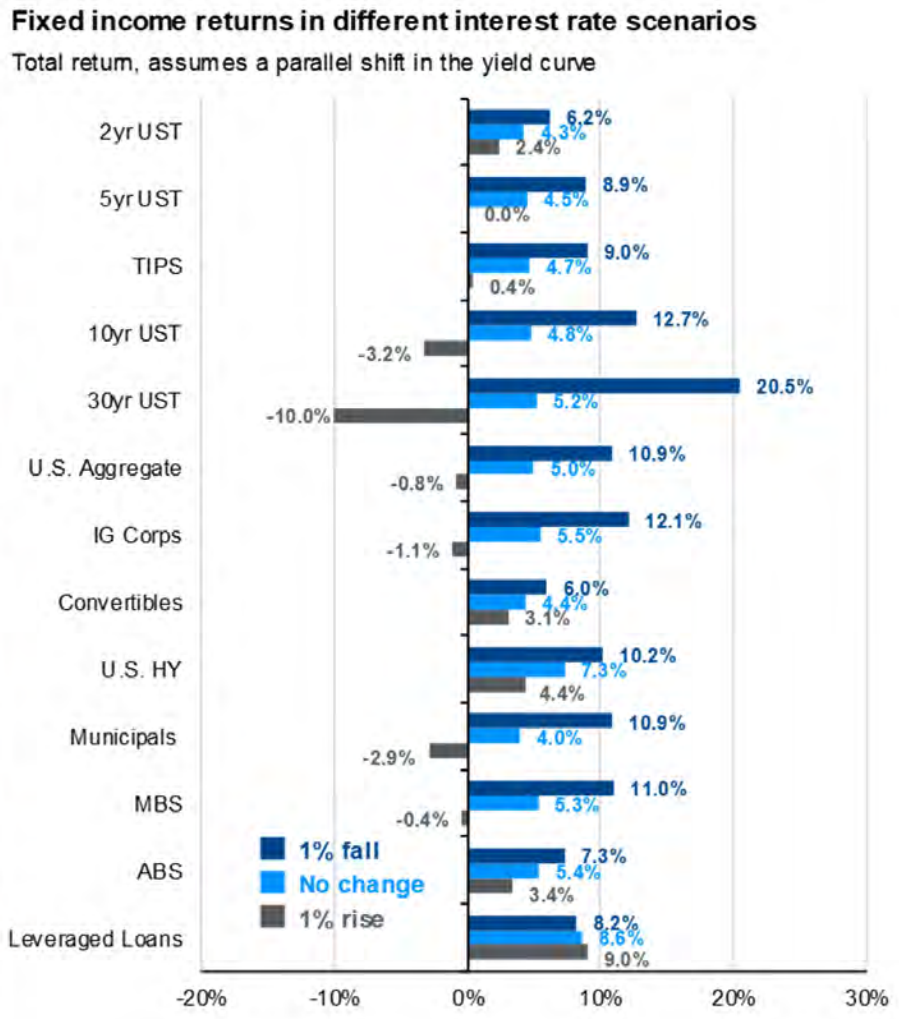
Agg's duration fluctuates more, increasing uncertainty for investors.

Duration (OAD)	Bloomberg Agg	Bloomberg Int. Gov/Credit
Current	5.88	3.73
Average – 5 Yrs	6.27	3.87
High – 5 Yrs	6.86	4.22
Low – 5 Yrs	5.86	3.72
Range	1.00	0.50
Average – 10 Yrs	6.13	3.95
High – 10 Yrs	6.86	4.22
Low – 10 Yrs	5.47	3.72
Range	1.39	0.50
Average – 25 Yrs	5.32	3.88
High – 25 Yrs	6.86	4.22
Low – 25 Yrs	3.45	3.58
Range	3.41	0.64

Date Ranges: **5 Years** - 6/30/21 – 6/30/26 | **10 Years** - 6/30/16 – 6/30/26 | **25 Years** - 6/30/01 – 6/30/26

Downside risk for Long Dated Maturities

U.S. Treasuries	Yield 8/31/2026	Yield 12/31/2025	Return 2026	Avg. Maturity	Correlation to 10-year	Correlation to S&P 500
2-Year	4.34%	3.47%	0.89%	2 years	0.75	0.04
5-Year	4.49%	3.73%	-0.82%	5	0.94	0.06
TIPS	2.29%	1.69%	0.51%	7.2	0.76	0.40
10-Year	4.75%	4.18%	-1.69%	10	1.00	0.03
30-Year	5.25%	4.84%	-3.07%	30	0.93	-0.02
Sector						
U.S. Aggregate	5.01%	4.32%	-0.31%	8.2	0.92	0.31
IG Corps	5.49%	4.81%	-0.40%	10.3	0.72	0.51
Convertibles	4.38%	6.13%	16.17%	-	0.06	0.85
U.S. HY	7.27%	6.53%	2.69%	4.7	0.17	0.78
Municipals	3.98%	3.60%	0.20%	13.3	0.73	0.34
MBS	5.29%	4.63%	0.07%	7.6	0.84	0.31
ABS	5.37%	4.69%	2.13%	2.2	0.37	0.33
Leveraged Loans	8.59%	8.10%	3.26%	4.7	-0.16	0.60



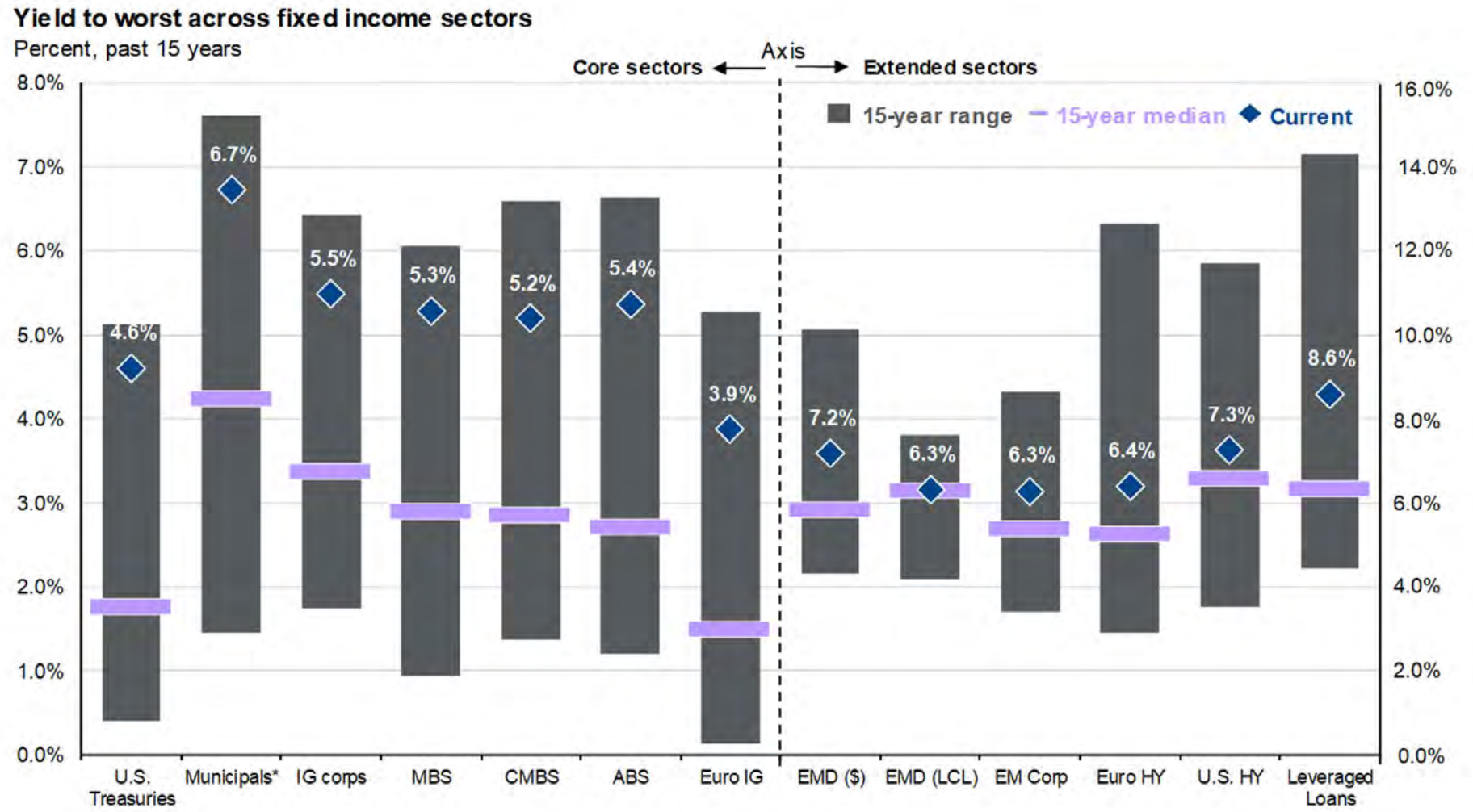
Intermediate is the place to be

Short enough to be protected when rates go up…

Long enough to benefit when rates go down…

Source: Bloomberg, FactSet, Federal Reserve Bank of Cleveland, Standard & Poor's, U.S. Treasury, J.P. Morgan Asset Management.
Sectors shown above are provided by Bloomberg unless otherwise noted and are represented by – U.S. Aggregate; MBS: U.S. Aggregate Securitized - MBS; ABS: J.P. Morgan ABS Index; IG Corporates: U.S. Corporates; Municipals: Muni Bond; High Yield: Corporate High Yield; Leveraged Loans: J.P. Morgan Leveraged Loan Index; TIPS: Treasury Inflation-Protected Securities; Convertibles: U.S. Convertibles Composite. Convertibles yield is as of most recent month-end and is based on U.S. portion of Bloomberg Global Convertibles Index. Yield and return information based on bellwethers for Treasury securities. Yields shown for TIPS are real yields. TIPS returns consider the impact that inflation could have on returns by assuming the Cleveland Fed's 1-year inflation expectation forecasts are realized. Sector yields reflect yield to worst. Leveraged loan yields reflect the yield to 3-year takeout. Correlations are based on 15 years of monthly returns for all sectors. ABS returns prior to June 2012 are sourced from Bloomberg. Past performance is no guarantee of future results.
Guide to the Markets – U.S. Data are as of August 31, 2026.

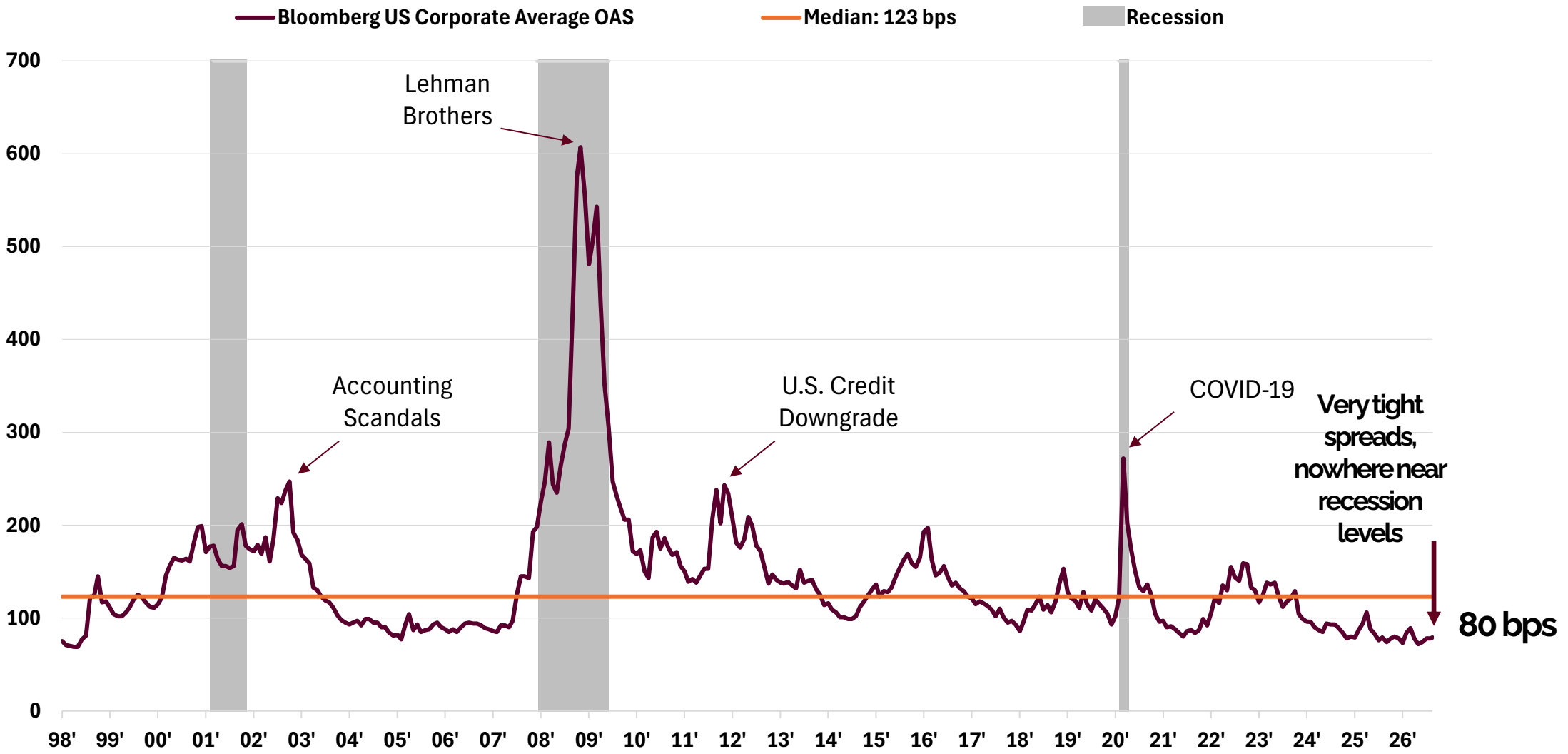
Fixed Income Yields



Source: Bloomberg, FactSet, J.P. Morgan Credit Research, J.P. Morgan Asset Management.
Indices used are Bloomberg except for ABS, emerging market debt and leveraged loans: ABS: J.P. Morgan ABS Index; CMBS: Bloomberg Investment Grade CMBS Index; EMD (USD): J.P. Morgan EMIGLOBAL Diversified Index; EMD (LCL): J.P. Morgan GBI-EM Global Diversified Index; EM Corp.: J.P. Morgan CEMBI Broad Diversified; Leveraged Loans: JPM Leveraged Loan Index; Euro IG: Bloomberg Euro Aggregate Corporate Index; Euro HY: Bloomberg Pan-European High Yield Index. Yield to worst is the lowest possible yield that can be received on a bond apart from the company defaulting and considers factors like call provisions, prepayments and other features that may affect the bonds' cash flows. ABS data begins in 2012. *All sectors shown are yield to worst except for Municipals, which is based on the tax-equivalent yield to worst assuming a top income tax bracket rate of 37% plus a Medicare tax rate of 3.8%.
Guide to the Markets – U.S. Data are as of August 31, 2026.

OAS at Historic Lows

Average Option Adjusted Spreads OAS



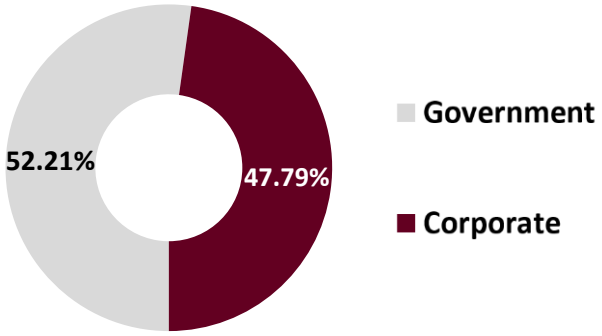
Source: Bloomberg, As of 8/31/2026.

Distribution

Portfolio is a blend of U.S Treasury and Agency bonds and investment grade corporates.

Sector

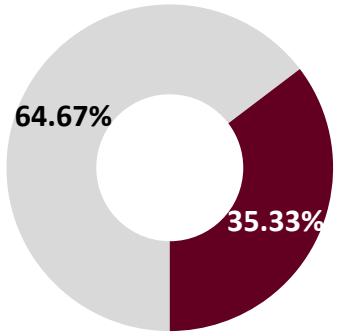
Genter Taxable Quality Interm.



Government

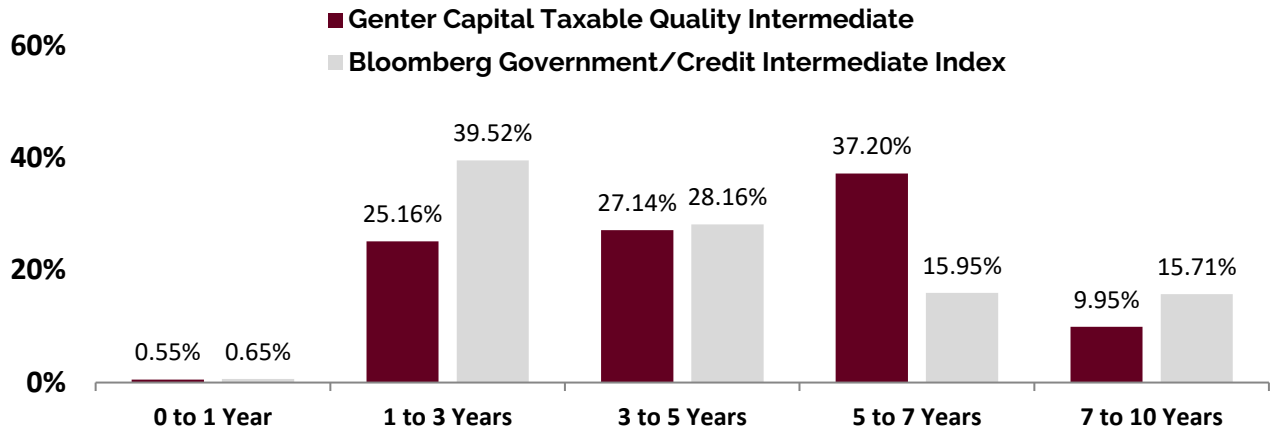
Corporate

Bloomberg Gov/Credit Interm. Index

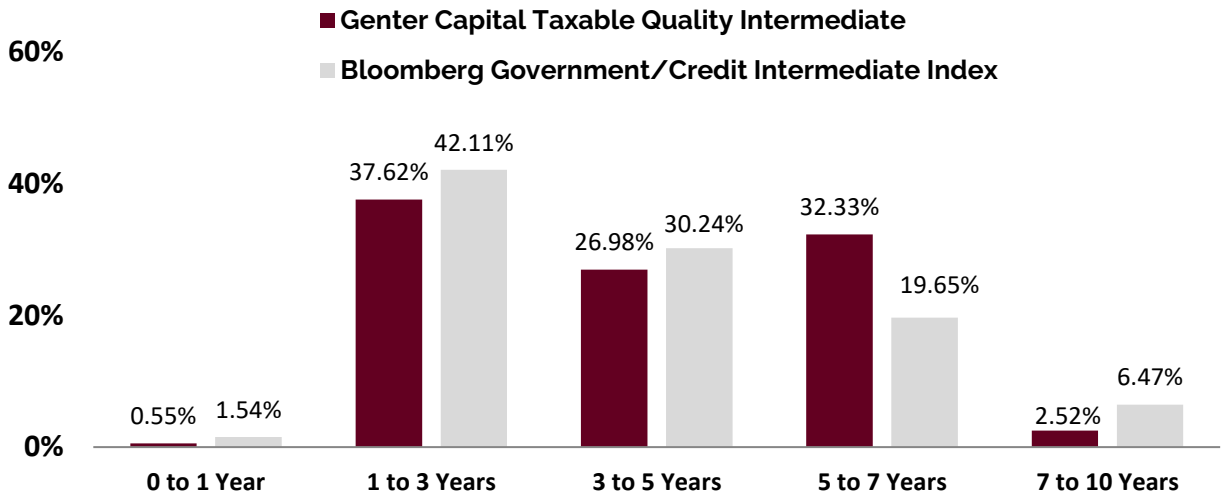


	Taxable Quality Intermediate	Bloomberg Gov/Credit Int. Index
Average Coupon	4.37%	3.79%
Yield to Worst	5.17%	5.05%
Yield to Maturity	5.18%	5.05%
Effective Maturity Years	4.45	4.20
Option Adjusted Duration	3.90	3.63
Convexity	0.22	0.20
Average Quality	AA-/A+	AA/AA-

Maturity



Duration



Index Source: Bloomberg Global Family of Indices, Genter Capital data as of 09/18/26. This information is considered supplemental, please refer to the strategy's full composite disclosure.

Duration's Effect on Fixed Income Portfolios

Duration measures a bond's price sensitivity to interest-rate changes — the weighted average time until all cash flows (interest and principal) are received.

Macaulay Duration

The original measure: the weighted-average maturity of a bond's cash flows, balanced like a fulcrum along the payment timeline.

Modified Duration

Approximates the % price change for each 1% move in yield. A duration of 3.0 means roughly a 3% price swing per 1% rate change.

Effective Duration

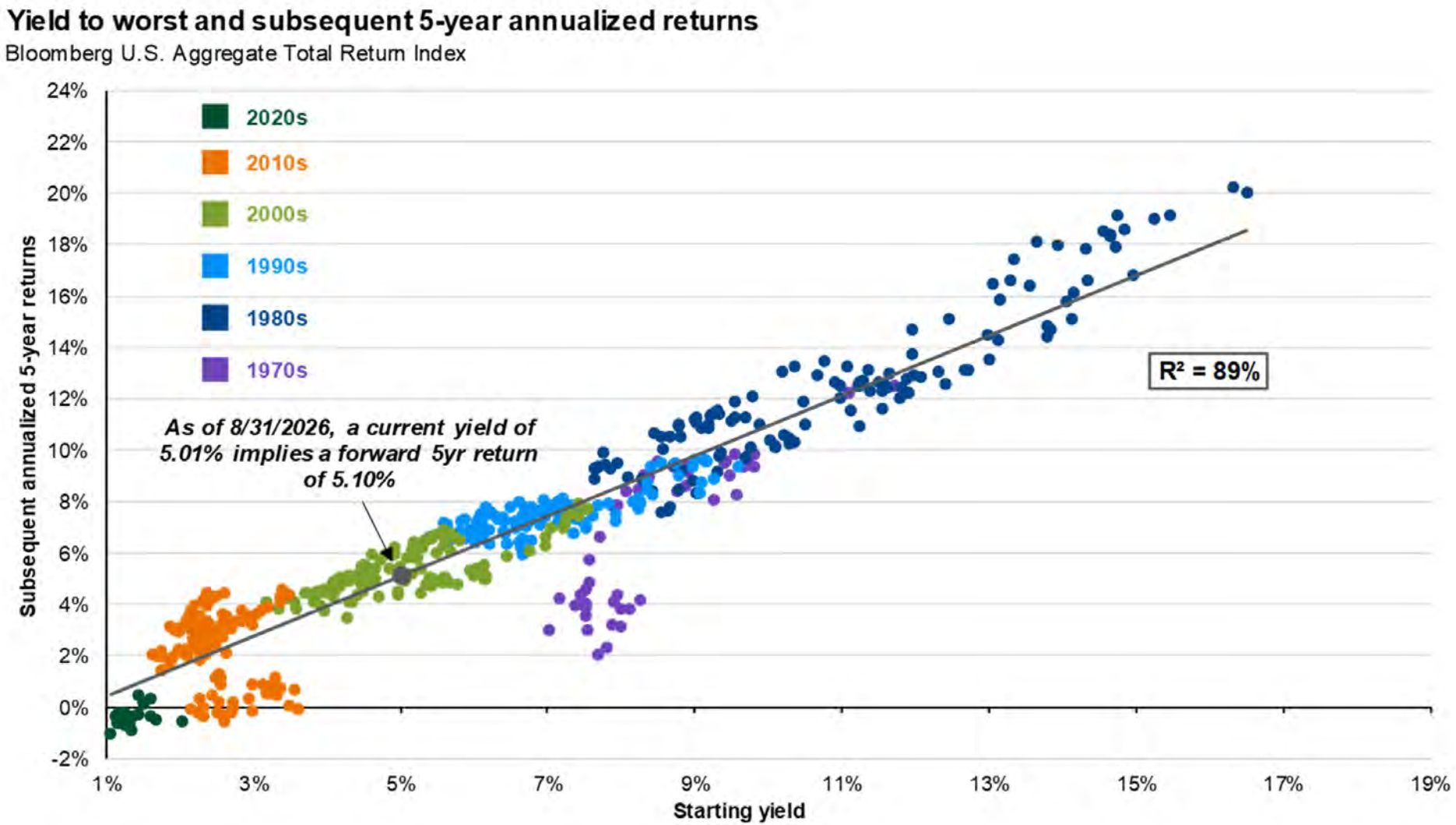
Used for bonds with embedded options (callables, MBS) whose cash flows shift as rates move; calculated via binomial trees and OAS.

Key-Rate Duration

Measures sensitivity to a single point on the yield curve — useful for bond ladders and hedging against non-parallel curve shifts.

Bottom line: Duration estimates work best for small yield changes; it doesn't capture credit-spread moves or yield-curve reshaping — active duration management remains key to controlling interest-rate risk.

Fixed Income Returns



Source: Bloomberg, FactSet, J.P. Morgan Asset Management.
Returns are 60-month annualized total returns, measured monthly, beginning 1/31/1976. R^2 represents the percent of total variation in total returns that can be explained by yields at the start of each period.
Past performance is no guarantee of future results.
Guide to the Markets – U.S. Data are as of August 31, 2026.

PSN Top Gun Awards – Fixed Income



The PSN Top Guns Manager ranking was issued in September 2026 covering the period of Q2 2026. Genter Capital did not pay any fees to be considered for this ranking. However, Genter Capital has paid a licensing fee to reprint and distribute the ranking results and to use the PSN Top Guns Manager logo in marketing materials. Other than this licensing arrangement, Genter Capital has no material conflicts of interest with Zephyr.