BondBloxx Fixed Income Monthly Update

August 2023

- **Fixed income markets took a breather in August, as interest rates rose** at the long end of the yield curve (Chart 3), and **spreads were modestly wider** across investment grade, high yield, and emerging markets (Table 1).
- Recent statements from the Federal Reserve ("Fed") **indicate a continued commitment to +2.0% inflation** even though headline inflation has fallen from +9.0% to +3.0% over the past year.
- In spite of weaker global growth, including economic data out of China, **oil prices have risen since June,** due to product cutbacks from Saudi Arabia and Russia. This makes the Fed's inflation fight more difficult, but also hinders growth and consumer demand.
- In addition to Janet Yellen, several major banks, including Goldman Sachs and J.P. Morgan, have **recently reduced their probability that the U.S. experiences a recession** over the next 12 months.
- **High yield was the only major fixed income asset class to generate positive performance in August**. Year-to-date, high yield has returned +7.2%, significantly outperforming the US Aggregate Index return of +1.4%.
- The back-up in interest rates, combined with tighter lending conditions, **drove equity markets lower**, especially in small-cap space, with the Russell 2000 Index down over 5% in August, compared to -1.8% for the S&P 500.

Chart 1

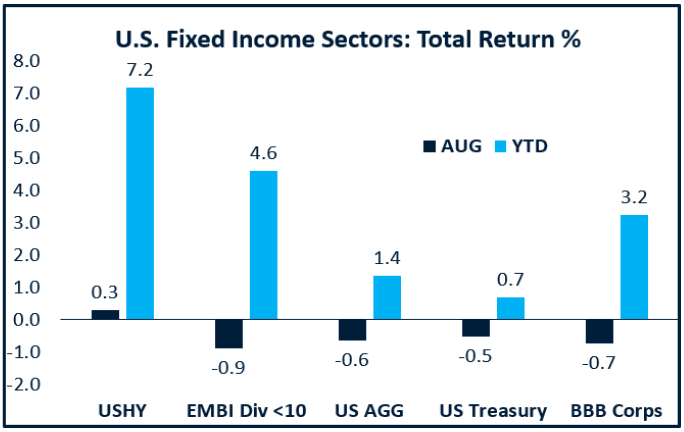

Chart 2

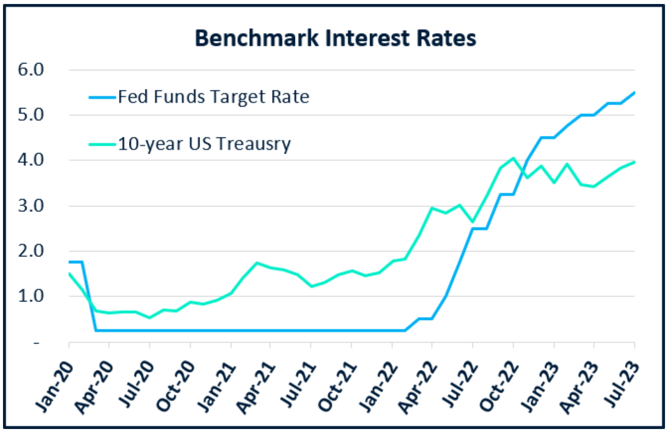

Table 1

Name	Index Name	Total Return			OAS				Yield (%)	Duration
		Aug	3 Mo	YTD	Aug	Δ Aug	Δ 3 Mo	Δ YTD		
US AGG	Bloomberg **US Agg** Index	-0.6%	-1.1%	1.4%	48	+3	-6	-3	4.97	6.2
US Treasury	Bloomberg **US Treasury** Index	-0.5%	-1.6%	0.7%					4.51	6.0
Mortgages	Bloomberg **US Mortgage-Backed** Securities Index	-0.8%	-1.3%	1.0%	53	+5	-2	+2	5.02	6.2
A Corps	Bloomberg **A Corporate** Index	-0.8%	-0.3%	2.4%	100	+6	-16	-8	5.45	6.9
BBB Corps	Bloomberg **BBB Corporate** index	-0.7%	0.4%	3.2%	143	+5	-25	-16	5.87	6.7
Munis	Bloomberg **Municipal** Bond Index	-1.4%	-0.1%	1.6%					3.79	6.2
USHY	ICE BofA US Cash Pay **High Yield** Constrained Index	0.3%	3.4%	7.2%	381	+4	-86	-96	8.44	3.6
EMBI DIV<10	JP Morgan **EMBI Global Diversified 1-10 Liquid** Index	-0.9%	3.0%	4.6%	594	+37	-67	+29	10.23	4.1

Chart 1, 2 and Table 1 Sources: ICE Data Services, JP Morgan, Bloomberg | Data as of 8/31/2023

Fixed Income: U.S. Treasuries

- **U.S. interest rates rose at the longer end of the yield curve in August.** This effect is likely due to investors reacting to data on inflation, strong employment figures, Federal Reserve meeting minutes, and comments from Jerome Powell at Jackson Hole.
- **While this summer's headline inflation figures (+3.0%)** are significantly lower than last summer's 40-year peak (+9%), prices continue to grow above 2.0% annually, a target consistently emphasized by Federal Reserve Chairman Jay Powell (Chart 4).
- Consistent with previous reports, **labor statistics in August were strong**. Unemployment edged up slightly to 3.8% from 3.5% due to an expansion in the labor force. Average hourly earnings increased by +4.3% on an annual basis suggesting that workers' pay is now rising faster than prices.
- After a "pause" in June, **the Fed raised their target rate by 25 basis points in July** to a target range of 5.25%-5.50% (Chart 2). Given the recent economic data, Fed statements, and the Fed's interest rate projections, it is likely that the **Fed will increase rates again in 2023** to demonstrate their commitment to their inflation goal.
- In August, shorter-duration Treasuries experienced positive returns, while Treasuries with duration above five years reported negative total returns (Table 2).

Chart 3

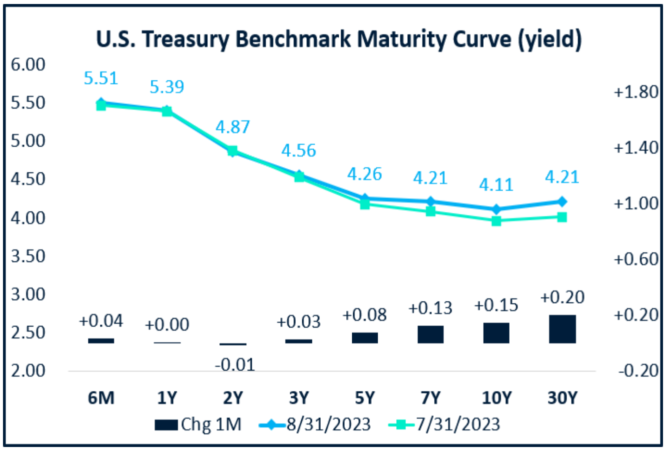

Chart 4

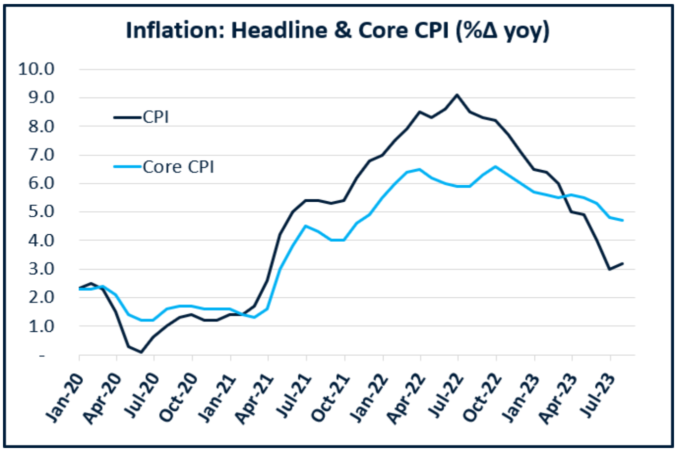

Table 2

Name	Index Name	Total Return			Yield (%)	Duration
		Aug	3 Mo	YTD		
6m Tsy	Bloomberg US Treasury **Six Month Duration** Index	0.4%	1.2%	3.0%	5.42	0.5
1y Tsy	Bloomberg US Treasury **One Year Duration** Index	0.4%	1.0%	2.5%	5.35	1.0
2y Tsy	Bloomberg US Treasury **Two Year Duration** Index	0.4%	0.1%	1.7%	4.86	2.0
3y Tsy	Bloomberg US Treasury **Three Year Duration** Index	0.2%	-0.5%	1.4%	4.53	3.0
5y Tsy	Bloomberg US Treasury **Five Year Duration** Index	-0.2%	-1.5%	1.0%	4.26	5.0
7y Tsy	Bloomberg US Treasury **Seven Year Duration** Index	-0.7%	-2.4%	0.3%	4.15	7.0
10y Tsy	Bloomberg US Treasury **Ten Year Duration** Index	-1.4%	-3.3%	-0.3%	4.24	10.0
20y Tsy	Bloomberg US Treasury **Twenty Year Duration** Index	-3.8%	-6.2%	-2.3%	4.27	20.0

Chart 3, 4 and Table 2 Sources: Bloomberg | Data as of 8/31/2023

Fixed Income: Emerging Markets Debt

- **Emerging Markets ("EM") debt posted negative returns in August** in line with weaker equity markets and rising longer-term interest rates. EM debt with maturities under 10 years returned -0.9% for the month (Table 3).
- **EM spreads were wider in August for the first time since May**, as tighter credit conditions, a lower economic forecast from the World Bank, and a wave of government coups across central Africa weighed on investor sentiment.
- **Year-to-date, EM Debt** continues to be second only to U.S. high yield in performance when compared to other US-dollar fixed income assets, posting a **+4.6% total return** through August.
- **Countries in Africa lagged the broader market**, as soldiers in Gabon arrested the declared winner of the recent election and took over the government on August 26th, resulting in a sell-off across similar assets. This is the 8th military coup across the region since 2020.
- **Countries from the Middle East reported the strongest performance in August**, as oil prices continued their rise from about $70/barrel in June to over $85/barrel.
- **Lower-rated EM debt** has led returns year-to-date, returning over 6.5% so far this year, compared to +2.5% for investment grade-rated EM debt (Chart 5, Table 3).

Chart 5

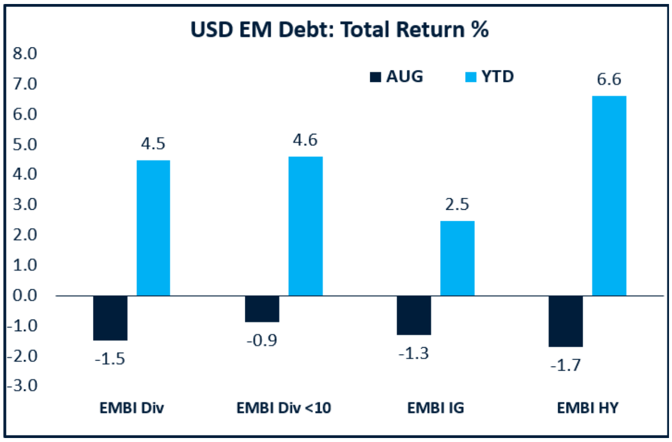

Chart 6

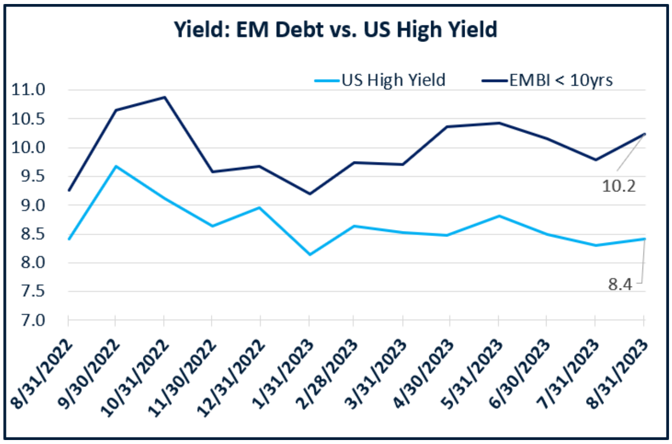

Table 3

Name	JP Morgan Index Name	Total Return			OAS				Yield (%)	Duration
		Aug	3 Mo	YTD	Aug	Δ Aug	Δ 3 Mo	Δ YTD		
EMBI DIV<10	EMBI Global Diversified 1-10 Liquid Index	-0.9%	3.0%	4.6%	594	+37	-67	+29	10.23	4.1
EMBI DIV	EMBI Global Diversified Composite Index	-1.5%	2.6%	4.5%	422	+24	-55	-31	8.51	6.7
EMBI IG	EMBI Global Diversified Inv Grade Index	-1.3%	-0.4%	2.5%	130	+7	-18	-9	5.58	7.9
EMBI HY	EMBI Global Diversified High Yield Index	-1.7%	5.9%	6.6%	779	+46	-115	-43	12.10	5.4

Chart 5, 6 and Table 3 Sources: J.P. Morgan | Data as of 8/31/2023

Fixed Income: U.S. High Yield Ratings

- The U.S. high yield market generated a modest positive return in August, and it was the only major fixed income sector to generate a positive return for the month. **Year-to-date, high yield remains the clear performance leader among fixed income,** returning over 7% (Table 1, Chart 1).
- In credit rating categories, the CCC-rated sector extended its gains in August, up 1.0% for the month. It further increased its year-to-date performance versus both BB's and single-B's, with its 13.0% return (Chart 7, Table 4) **CCC spreads have tightened an impressive 272 basis points year-to-date** (Chart 8, Table 4).
- **Single-B and BB-rated high yield bonds** have generated year-to-date returns of 7.8% and 5.3% respectively, although August was a weaker month of performance for both these rating categories (Chart 7, Table 4).
- **High yield new issue volume of only $9.3 billion in August** was distinguished as the third lightest month of 2023. Nonetheless, year-to-date new issue volume of $111.2 billion remains well ahead of last year's volume at this time of $81 billion. Refinancing activity continues to lead in terms of the use of proceeds year-to-date, representing over 60% of gross volume (J.P. Morgan).
- **Default activity was higher in August**, with five companies defaulting and six completing distressed exchanges during the month. However, six of the eleven defaults/distressed transactions were from loan-only borrowers, and as a result, the month-over month default rate for high yield bonds deteriorated only modestly to 2.4% at the end of August from 2.3% at the end of July. Both rates are still well below the long-term average of 4.0% (J.P. Morgan).

Chart 7

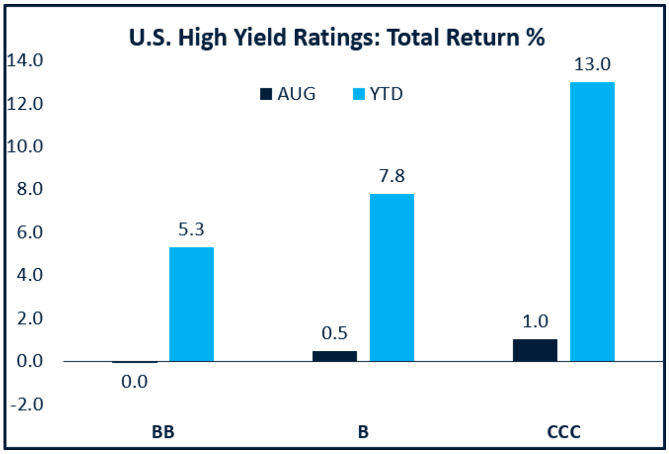

Chart 8

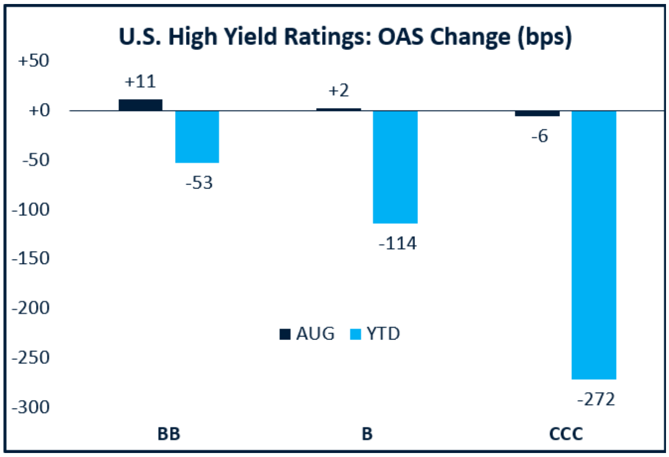

Table 4

Name	Index Name	Total Return			OAS				Yield (%)	Duration
		Aug	3 Mo	YTD	Aug	Δ Aug	Δ 3 Mo	Δ YTD		
BB	ICE BofA BB US Cash Pay High Yield Constrained Index	0.0%	2.3%	5.3%	256	+11	-54	-53	7.17	3.9
B	ICE BofA Single-B US Cash Pay High Yield Constrained Index	0.5%	3.6%	7.8%	398	+2	-94	-114	8.64	3.4
CCC	ICE CCC US Cash Pay High Yield Constrained Index	1.0%	6.7%	13.0%	824	-6	-159	-272	12.86	3.1

Chart 7, 8 and Table 4 Sources: ICE Data Services, Bloomberg | Data as of 8/31/2023

Fixed Income: U.S. High Yield Industry Sectors

- Six of the seven high yield industry sectors generated positive returns in August, with Consumer Cyclical the only one to generate a modest loss, down -0.10% for the month (Chart 9, Table 5).
- Energy and Healthcare experienced the best performance for the month, up 0.9% and 0.7% respectively in total return (Chart 9, Table 5)
- Despite a weaker month of performance in August, the **Consumer Cyclical industry remains the total return performance leader** among sectors, up 9.7%, with large issuers such as Ford, Carnival Corp. and Royal Caribbean boosting returns for the sector (Chart 9, Table 5).
- With its strong relative performance in August, **the Energy sector (+8.2%) pulled ahead of Healthcare (+7.4%) and Core Industrial (+7.2%)** sectors year-to-date (Chart 9, Table 5).
- **Credit spreads for the Consumer Cyclical sector**, while 16 basis points wider in August, **have tightened 179 basis points year-to-date**, the largest spread move among all high yield industry sectors.
- **The next largest year-to-date spread moves** were experienced by the Healthcare (-134 bps), Financials & REITs (-106 bps) and Core Industrial (-102 bps) sectors, while the TMT sector tightened the least (-21 bps) (Chart 10, Table 5).
- The year-to-date performance of the TMT sector has lagged all other sectors (Chart 9, Table 5).

Chart 9

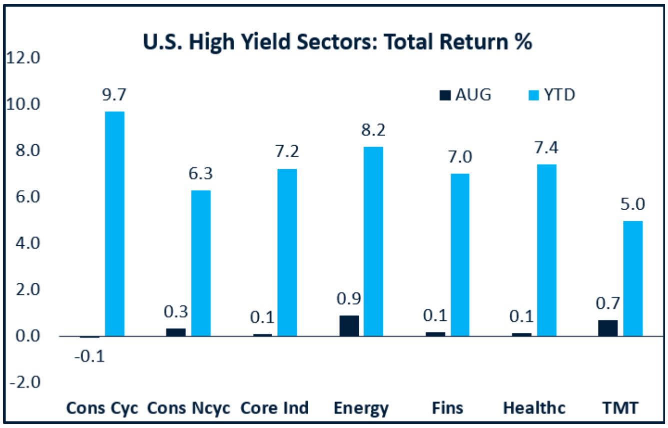

Chart 10

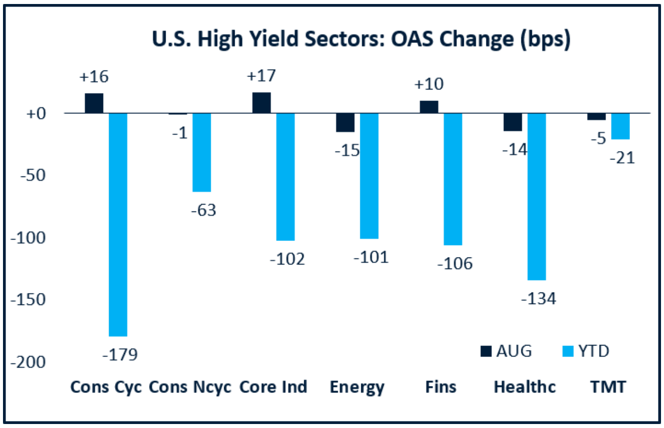

Table 5

Name	ICE Diversified U.S. Cash Pay High Yield Index Name	Total Return			OAS				Yield (%)	Duration
		Aug	3 Mo	YTD	Aug	Δ Aug	Δ 3 Mo	Δ YTD		
Cons Cyc	Consumer Cyclical Index	-0.1%	3.0%	9.7%	348	+16	-75	-179	8.13	3.5
Cons NCyc	Consumer Non-Cyclical Index	0.3%	2.0%	6.3%	309	-1	-47	-63	7.66	4.0
Core Ind	Core Industrial Index	0.1%	2.6%	7.2%	331	+17	-62	-102	7.97	3.4
Energy	Energy Index	0.9%	4.0%	8.2%	276	-15	-109	-101	7.55	3.3
Fins	Financial & REIT Index	0.1%	4.1%	7.0%	381	+10	-124	-106	8.49	3.4
Healthc	Healthcare Index	0.1%	3.5%	7.4%	478	-14	-114	-134	9.33	3.7
TMT	Telecom Media & Technology Index	0.7%	4.4%	5.0%	519	-5	-95	-21	9.69	3.9

Chart 9, 10 and Table 5 Sources: ICE Data Services | Data as of 8/31/2023.

Glossary and Index Definitions

- **Credit Spread:** the difference in yield between a debt security and its benchmark measured in basis points
- **OAS:** Option Adjusted Spread. For a bond, the option-adjusted spread is the measurement of the spread between the bond and the underlying government yield curve. For an Index, the average of its constituent security government option-adjusted spreads, weighted by full market value.

- The **Bloomberg U.S. Aggregate Index** is a broad-based flagship benchmark that measures the investment grade, US-dollar-denominated, fixed-rate taxable bond market.
- The **Bloomberg A Corporate Index** measures the A-rated, fixed-rate, taxable corporate bond market.
- The **Bloomberg BBB Corporate Index** measures the BBB-rated, fixed-rate, taxable corporate bond market.
- The **Bloomberg Municipal Bond Index** covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prefunded bonds.
- The **Bloomberg US Mortgage-Backed Securities Index** tracks fixed-rate agency mortgage-backed pass-through securities guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).
- The **Bloomberg U.S. Treasury Target Duration Indices** are a suite of 8 indices designed to target a specific duration using US Treasury securities. The 8 durations targeted are 6 Month, 1 Year, 2 Year, 3 Year, 5 Year, 7 Year, 10 Year and 20 Year.
- The **ICE BofA U.S. High Yield Index** tracks the performance of U.S. dollar-denominated, below investment grade-rated corporate debt publicly issued in the U.S. domestic market.
- The **ICE BofA Broad Market Index** measures the performance of U.S. dollar-denominated, investment grade debt securities, including U.S. Treasury notes and bonds, quasi-government securities, corporate securities, residential and commercial mortgage-backed securities and asset-backed securities.
- The **ICE BofA U.S. Corporate Index** tracks the performance of U.S. dollar-denominated investment grade rated corporate debt publicly issued in the U.S. domestic market.
- The **ICE BofA U.S. Treasury Index** tracks the performance of U.S. dollar denominated sovereign debt publicly issued by the U.S. government in its domestic market.
- The **ICE BofA Current 10-year U.S. Treasury Index** is a one-security index comprised of the most recently issued 10-year U.S. Treasury note.
- The **ICE Diversified U.S. Cash Pay High Yield Rating Category Indices** contain all securities in the ICE BofA U.S. Cash Pay High Yield Index, broken down by their rating categories: BB1-BB3, B1-B3, and CCC1-CCC3. Index constituents are capitalization-weighted, based on their current amount outstanding.
- The **ICE Diversified U.S. Cash Pay High Yield Sector Category Indices** contain all securities in the ICE BofA U.S. Cash Pay High Yield Index, broken down by industry including: Industrials; Telecom, Media & Technology; Healthcare; Financial & REIT; Energy; Consumer Cyclicals; Consumer Non-Cyclicals. Index constituents are capitalization-weighted, based on their current amount outstanding.
- The **JP Morgan EMBI Global Diversified Index** tracks total returns for traded external debt instruments in the emerging markets, including U.S. dollar-denominated Brady bonds, loans, and Eurobonds with an outstanding face value of at least $500 million.
- The **J.P. Morgan 1-10 Year Emerging Markets Sovereign Index** tracks liquid, U.S. dollar emerging market fixed and floating-rate debt instruments issued by sovereign and quasi sovereign entities. The EMBIGDL 1-10 Index is based on the long-established J.P. Morgan EMBI Global Diversified Index and follows it methodology closely, but only includes securities with at least $1 billion in face amount outstanding and average life below 10 years.
- The **NASDAQ Composite Index** measures all NASDAQ domestic and international based common type stocks listed on The NASDAQ Stock Market, including over 2,500 companies, An investment can not be made in an index.
- The **Russell 2000 Index** is a small-cap U.S. stock market index that makes up the smallest 2,000 stocks in the Russell 3000 Index, which is a capitalization-weighted stock market index that seeks to be a benchmark of the entire U.S. stock market.
- The **S&P 500 Index** tracks the performance of 500 leading large-cap U.S. equities and covers approximately 80% of available market capitalization.

DISCLOSURES

There are risks associated with investing, including possible loss of principal. Fixed income investments are subject to interest rate risk; their value will normally decline as interest rates rise. Fixed income investments are also subject to credit risk, the risk that the issuer of a bond will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that bond to decline. Securities that are rated below investment-grade (sometimes referred to as "junk bonds") be deemed speculative, may involve greater levels of risk than higher-rated securities of similar maturity and may be more likely to default. Investing in mortgage- and asset backed securities involves interest rate, credit, valuation, extension and liquidity risks and the risk that payments on the underlying assets are delayed, prepaid, subordinated or defaulted on.

Distributor: Foreside Fund Services, LLC.

BondBloxx Investment Management Corporation ("BondBloxx") is a registered investment adviser. The content of this presentation is intended for informational purposes only and is not intended to be investment advice. Not for distribution to the public.

Nothing contained in this presentation constitutes investment, legal, tax, accounting, regulatory, or other advice. Information contained in this presentation does not constitute an offer to sell or a solicitation of an offer to buy any shares of any BondBloxx ETFs. The investments and strategies discussed may not be suitable for all investors and are not obligations of BondBloxx.

Certain information contained herein constitutes "forward-looking statements," which can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "project," "estimate," "intend," "continue," or "believe," or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events, results or actual performance may differ materially from those reflected or contemplated in such forward-looking statements. Nothing contained herein may be relied upon as a guarantee, promise, assurance or a representation as to the future.

Decisions based on information contained in this presentation are the sole responsibility of the intended recipient. You should obtain relevant and specific professional advice before making any investment decision. This information is subject to change without notice.

BondBloxx makes no representations that the contents are appropriate for use in all locations, or that the transactions, securities, products, instruments, or services discussed are available or appropriate for sale or use in all jurisdictions or countries, or by all investors or counterparties. By making this information available, BondBloxx does not represent that any investment vehicle is available or suitable for any particular investor. All persons and entities accessing this information do so on their own initiative and are responsible for compliance with applicable local laws and regulations.

Bond ratings are grades given to bonds that indicate their credit quality as determined by private independent ratings services, such as Standard & Poor's, Moody's and Fitch. These firms evaluate a bond issuer's financial strength or it's ability to pay a bond's principal and interest in a timely fashion. Ratings are expressed as letters ranging from 'AAA', which are the highest grade, to 'D', which is the lowest grade.

Index performance is not illustrative of fund performance. One cannot invest directly in an index. Please visit bondbloxxetf.com for fund performance.