BondBloxx Fixed Income March 2024 Update

Overview

- **Fixed income assets rallied in March**, reporting positive results across most sectors with higher-yielding assets leading the pack. Economic data continued to confirm fundamental U.S. economic stability, as evidenced by employment and wage growth. Meanwhile, **inflation numbers continued their uneven path downward**, often confounding market desires for near-term rate cuts (U.S. Bureau of Labor Statistics, 3/31/2024).
- The March 20th Federal Reserve ("Fed") meeting did not generate any surprises, as the **Fed governors left the key policy rate unchanged for the fifth straight meeting** and did not adjust their 2024 year-end forecast, which includes about 75 basis points in cuts. Once again, they reiterated their need to feel confident that inflation is moving toward 2.0% (Federal Reserve, 3/31/2024).
- For March and the first quarter, **emerging markets debt and U.S. high yield were the performance leaders, benefitting from high income, tighter spreads, and lower duration,** while U.S. Treasuries and mortgages lagged for both time periods (Chart 1, Table 1).

Insights

- Given the fundamental strength of U.S. corporations, we continue to believe investors may benefit from increasing their allocation to **credit, particularly BBB, single-B or CCC-rated U.S. corporates**. We believe **intermediate-duration exposure** provides attractive potential returns in U.S. Treasuries and emerging markets.

Chart 1: U.S. Fixed Income – March Total Return %

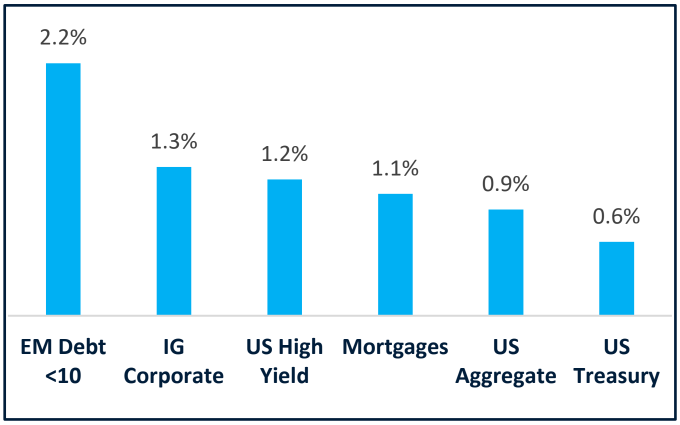

Chart 2: U.S. Fixed Income – YTD Total Return %

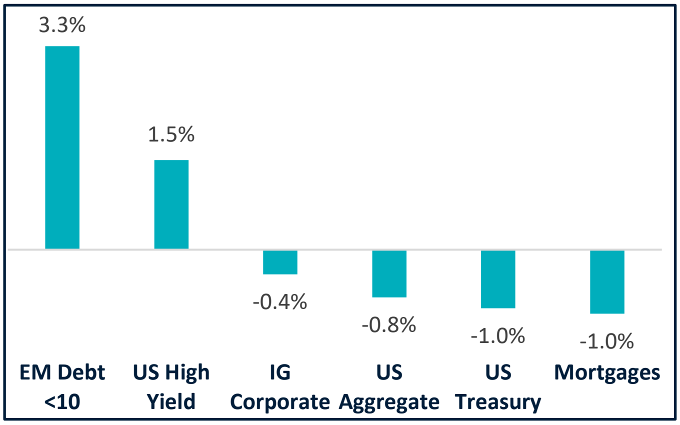

Table 1

Name	Index Name	Total Return			OAS				Yield (%)	Duration
		Mar	YTD	12 Mo	Mar	Δ Mar	Δ YTD	Δ 12 Mo		
US High Yield	ICE BofA US Cash Pay **High Yield** Constrained Index	1.2%	1.5%	11.0%	305	-16	-24	-146	7.60	3.2
IG Corporate	Bloomberg **US Corporate** Index	1.3%	-0.4%	4.4%	89	-6	-9	-49	5.30	6.9
EM Debt <10	JP Morgan **EMBI Global Diversified 1-10 Liquid** Index	2.2%	3.3%	12.7%	465	-41	-81	-143	8.92	4.1
US Aggregate	Bloomberg **US Aggregate** Index	0.9%	-0.8%	1.7%	39	-2	-3	-18	4.85	6.1
US Treasury	Bloomberg **US Treasury** Index	0.6%	-1.0%	0.1%	0	0	0	0	4.43	6.0
Mortgages	Bloomberg **US Mortgage-Backed** Securities Index	1.1%	-1.0%	1.4%	49	-2	2	-14	5.04	6.0
Munis	Bloomberg **Municipal** Bond Index	0.0%	-0.4%	3.1%	0	0	0	0	3.49	6.1

Sources for Charts 1 & 2, Table 1: ICE Data Services, JP Morgan, Bloomberg | Data as of 3/31/2024

U.S. Treasuries

Overview

- **U.S. Treasury yields mostly fell during the month of March**. This resulted in **positive total return performance across the yield curve,** ranging from a high of +1.1% for the 10-year duration index to +0.35% for the 2-year duration index. For Q1, performance was strongest for short duration U.S. Treasuries, as yields were more volatile in the long-end due to uncertainty regarding inflation and Fed policy (Chart 3, Table 2).

- **Inflation data was mixed**, with the Consumer Price Index coming in above expectations at +3.8% (year-over-year), while the Core Personal Consumption Expenditure Index, the Fed's preferred measure of inflation, declined in February from the previous month, to an annual level of +2.8%. U.S. financial markets were also impacted by an increase in the U.S. unemployment rate to 3.9% from 3.8% the previous month (US Bureau of Labor Statistics, as of 3/31/2024).

- At its March 20th meeting, **the Fed agreed to leave the federal funds rate unchanged** within the range of 5.25-5.50% for the fifth consecutive meeting. **Policymakers reiterated their intention to begin reducing rates this year, predicting three 25 basis point cuts in 2024** (Federal Reserve, 3/20/2024).

Insights

- **We prefer an overweight in intermediate-term U.S. Treasuries** to capture attractive yields, price returns from likely Fed actions in mid-2024, and a gradual normalization of the yield curve. This sector is less sensitive to the high volatility of long-term rates as well as the reinvestment risk of ultra-short maturities.

Chart 3: U.S. Treasury Target Duration: Mar Total Return %

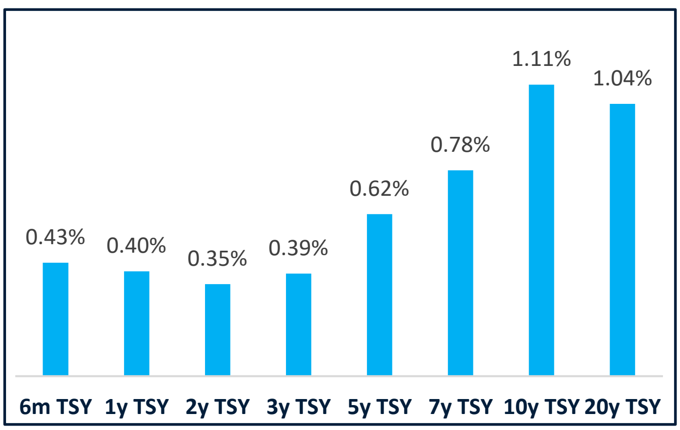

Chart 4: U.S. Treasury Yield Curve: YTD Change

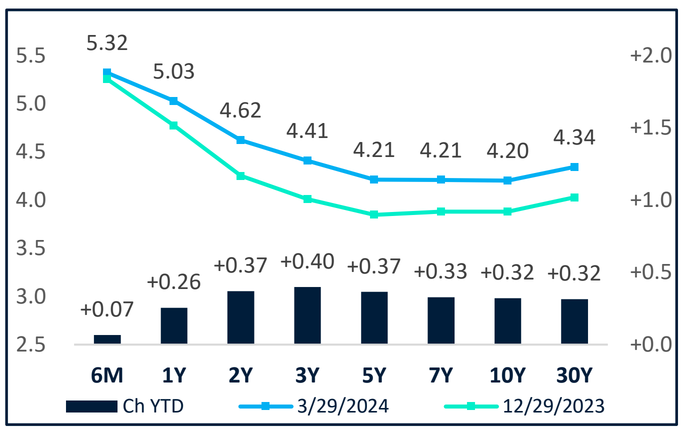

Table 2

Name	Bloomberg Index Name	Total Return			Yield (%)	Duration
		Mar	YTD	12 Mo		
6m TSY	US Treasury **Six Month Duration** Index	0.43%	1.12%	4.99%	5.20	0.5
1y TSY	US Treasury **One Year Duration** Index	0.40%	0.83%	4.30%	5.03	1.0
2y Tsy	US Treasury **Two Year Duration** Index	0.35%	0.21%	2.82%	4.64	2.0
3y Tsy	US Treasury **Three Year Duration** Index	0.39%	-0.25%	2.05%	4.40	3.0
5y TSY	US Treasury **Five Year Duration** Index	0.62%	-0.77%	0.85%	4.22	5.0
7y TSY	US Treasury **Seven Year Duration** Index	0.78%	-1.32%	-0.93%	4.20	7.0
10y TSY	US Treasury **Ten Year Duration** Index	1.11%	-1.84%	-2.30%	4.31	10.0
20y TSY	US Treasury **Twenty Year Duration** Index	1.04%	-4.72%	-8.89%	4.40	20.0

Sources for Charts 3 & 4, Table 2: ICE Data Services, Bloomberg | Data as of 3/31/2024

U.S. Investment Grade Corporates

Overview

- **The U.S. Corporate Index rebounded in March**, up 1.3% for the month, although its return remained negative year-to-date (-0.4%) driven by rising U.S. Treasury yields earlier in the first quarter.
- With help from its longer duration and tightening spreads, **the 10+ year maturity BBB index outperformed for the month (+2.1%)** versus the rest of investment grade corporates, followed by the 5-10 year maturity BBB index up by 1.4%.
- BBB-rated corporate spreads tightened 7 basis points on average in March, while BBB corporate yields were 12 basis points lower, to a month-end level of 5.6%.
- The high grade new issuance market remained active in March, with $141 billion in new issuance. The new bonds issued in March tightened on average 9 basis points between issuance and the last day of the month.

Insights

- **We like BBB corporates for the higher income** and total return potential they offer versus the broad U.S. Corporate Index and the other components of the U.S. Aggregate Index.
- Within the BBB rating category, we are **especially constructive on the 1-5 year and 5-10 year maturity ranges**, which we believe can help investors capture attractive yield and total return potential with less volatility than other investment grade alternatives.

Chart 5: U.S. Investment Grade – March Total Return %

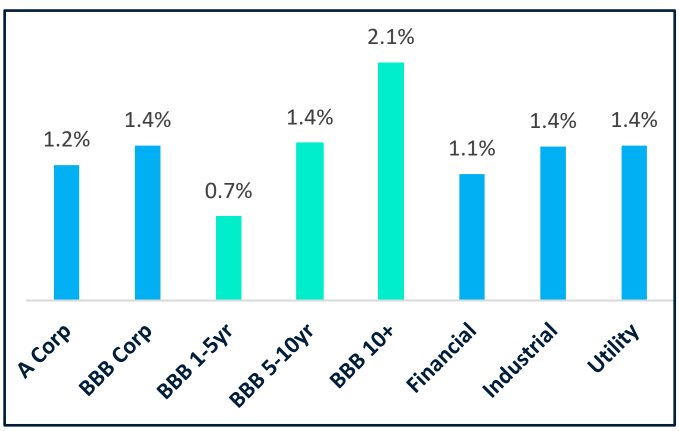

Chart 6: U.S. Investment Grade – YTD Total Return %

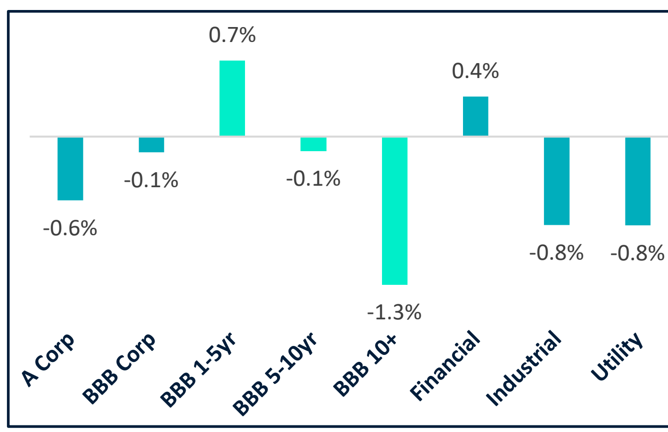

Table 3

Name	Bloomberg Index Name	Total Return			OAS				Yield (%)	Duration
		Mar	YTD	12 Mo	Mar	Δ Mar	Δ YTD	Δ 12 Mo		
BBB Corp	**BBB Rated Corporate** Index	1.4%	-0.1%	5.6%	110	-7	-11	-58	5.50	6.7
A Corp	**A Rated Corporate** Index	1.2%	-0.6%	3.7%	76	-5	-8	-41	5.17	6.9
BBB 1-5yr	**BBB 1-5 year Corporate** Index	0.7%	0.7%	5.6%	81	-7	-11	-53	5.37	2.5
BBB 5-10yr	**BBB 5-10 year Corporate** Index	1.4%	-0.1%	5.7%	115	-8	-8	-53	5.40	5.9
BBB 10+	**BBB 10+ year Corporate** Index	2.1%	-1.3%	5.4%	134	-7	-10	-57	5.72	12.3
Financial	**Financials Corporate** Index	1.1%	0.4%	5.9%	96	-6	-16	-68	5.38	5.2
Industrial	**Industrials Corporate** Index	1.4%	-0.8%	3.7%	85	-6	-6	-39	5.24	7.6
Utility	**Utilities Corporate** Index	1.4%	-0.8%	3.2%	97	-5	-8	-39	5.35	8.4

Sources for Charts 5 & 6, Table 3, and overview data: ICE Data Services, Bloomberg | Data as of 3/31/2024

U.S. High Yield Credit Ratings

Overview

- The performance of the U.S. high yield market was positive during the month of March, **led by BB's and CCC's,** which were up 1.26% and 1.23% respectively. The single-B category was not far behind for the month, up 1.04%.
- **The CCC rating category continues to significantly outperform** the rest of the U.S. high yield market over the past 3, 6 and 12-month time periods, including a return of 17.7% for the last twelve months versus 11.0% for the US High Yield Index. CCC's outperformed other broad market fixed income indices by an even larger margin over the past 12 months, including the US Corporate Index return of 4.4% and the US Aggregate Index return of 1.7%.
- **Credit spreads tightened in March**, with CCC's tightening the most (-66 bps) among the three credit rating categories, and single-B's tightening the least (-9 bps).
- U.S. high yield new issue volume remained robust in March for the third month in a row, totaling $28.3 billion for the month. Refinancing was once again the overwhelming use of proceeds (J.P. Morgan, 3/31/2024).

Insights

- **We suggest that investors consider increasing their allocations to single-B and CCC rated exposures**, to capture their higher income and total return potential in the context of a resilient economic environment, while benefiting from the cushion that higher coupon income provides from possible spread volatility.

Chart 7: U.S. High Yield Ratings – March Total Return %

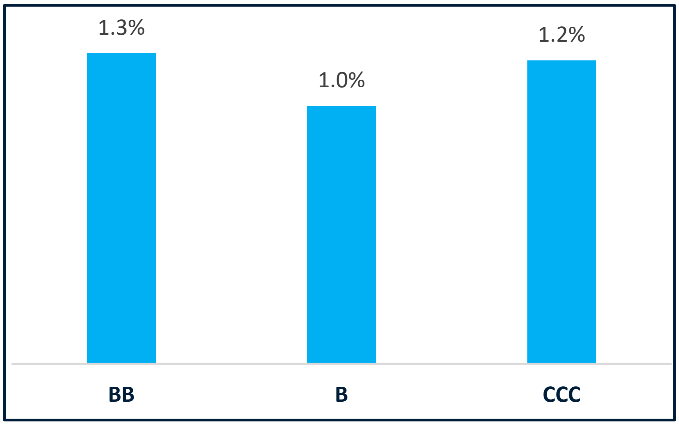

Chart 8: U.S. High Yield Ratings – YTD Total Return %

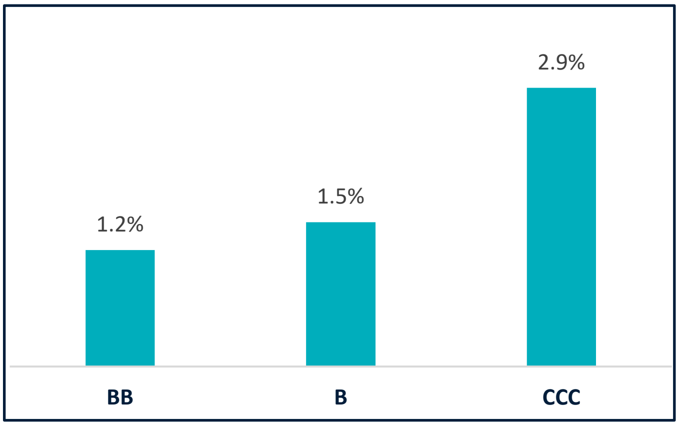

Table 4

Name	ICE BofA Index Name	Total Return			OAS				Yield (%)	Duration
		Mar	YTD	12 Mo	Mar	Δ Mar	Δ YTD	Δ 12 Mo		
BB	**BB** US Cash Pay **High Yield** Constrained Index	1.3%	1.2%	9.1%	185	-15	-19	-115	6.40	3.5
B	**Single-B** US Cash Pay **High Yield** Constrained Index	1.0%	1.5%	11.4%	314	-9	-31	-160	7.72	2.9
CCC	**CCC** US Cash Pay **High Yield** Constrained Index	1.2%	2.9%	17.7%	743	-66	-50	-277	11.95	2.8
US High Yield	ICE BofA US Cash Pay **High Yield** Constrained Index	1.2%	1.5%	11.0%	305	-16	-24	-146	7.60	3.2

Sources for Charts 7 & 8, Table 4, and overview data: ICE Data Services, Bloomberg | Data as of 3/31/2024

U.S. High Yield Industry Sectors

Overview

- **March total return performance was positive for all seven high yield industry sectors,** led by the Healthcare industry (+1.7%)
- **Five industry sectors returned a similar percentage (+1.4%)** for the month, including Consumer Cyclical, Consumer Non-Cyclical, Core Industrial, Energy, and Financials/REITs.
- The only laggard for the month was the Telecom, Media & Technology (TMT) industry, up only 0.2% for the month, as weakness continues to be experienced by its Cable/Satellite and Telecom sub-sectors.
- **Credit spreads tightened across all industry sectors in March**. The largest spread tightening occurred in the Healthcare (-33 bps) and Financials/REITs (-32 bps) industries.
- Default activity moderated in March after higher volume in February, with only two companies completing distressed exchanges for the month. Additionally, the 12-month default rate of 2.59% remains well below the long-term average of 4.00% (J.P. Morgan, 3/31/2024).

Insights

- Within U.S. high yield industry sectors, we remain constructive on high yield industries that demonstrate strong fundamentals and resilience in the current economic climate, including **Core Industrial, Consumer Cyclical, and Energy**.

Chart 9: U.S. High Yield Sectors – March Total Return %

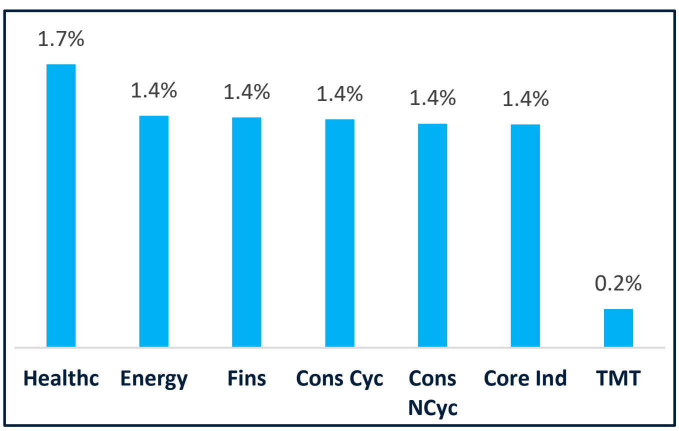

Chart 10: U.S. High Yield Sectors – YTD Total Returns %

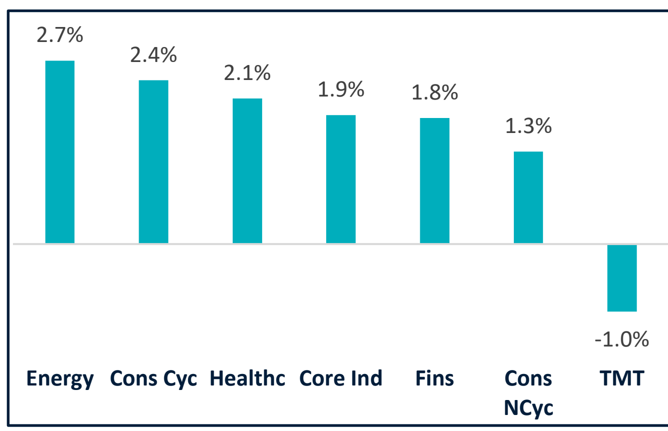

Table 5

Name	ICE Diversified US Cash Pay Index Name	Total Return			OAS				Yield (%)	Duration
		Mar	YTD	12 Mo	Mar	Δ Mar	Δ YTD	Δ 12 Mo		
Energy	High Yield **Energy** Index	1.4%	2.7%	11.4%	214	-16	-55	-139	6.86	2.9
Cons Cyc	High Yield **Consumer Cyclical** Index	1.4%	2.4%	13.2%	242	-5	-36	-216	6.95	3.1
Healthc	High Yield **Healthcare** Index	1.7%	2.1%	11.2%	316	-33	-51	-271	7.62	3.3
Cons NCyc	High Yield **Consumer Non-Cyclical** Index	1.4%	1.3%	9.4%	218	-18	-24	-122	6.70	3.7
Fins	High Yield **Financial & REIT** Index	1.4%	1.8%	13.4%	262	-32	-21	-227	7.22	3.2
Core Ind	High Yield **Core Industrial** Index	1.4%	1.9%	10.3%	246	-21	-43	-136	7.01	3.0
TMT	High Yield **Telecom Media & Technology** Index	0.2%	-1.0%	9.0%	487	-17	17	-71	9.33	3.5

Sources for Charts 9 & 10, Table 5, and overview data: ICE Data Services | Data as of 3/31/2024

Emerging Market Debt

Overview

- **Emerging markets debt reported positive returns in March**, benefitting from attractive starting yields, tightening credit spreads, and a boost from lower U.S. Treasury yields.
- **Emerging markets debt with maturities less than 10 years returned +2.2% in March,** bringing its first quarter return to +3.3%, outperforming the broader EMBI benchmark by over 100 basis points for the month. Year-to-date, the shorter maturity index returned +3.3% compared to +2.2% for the broader EMBI index.
- **High yield emerging market debt has outperformed this year** with a +4.9% total return compared to a negative return of -0.8% for investment grade emerging markets debt. The high yield exposure benefited from its higher income, tightening spreads, and lower interest rate sensitivity.

Insights

- **We recommend investing in emerging markets sovereign debt with 1-10 year maturities**, as this short-to-intermediate term duration serves to reduce volatility and interest rate sensitivity, while benefiting from attractive yields and total return potential.

Chart 11: USD EM Debt – March Total Return %

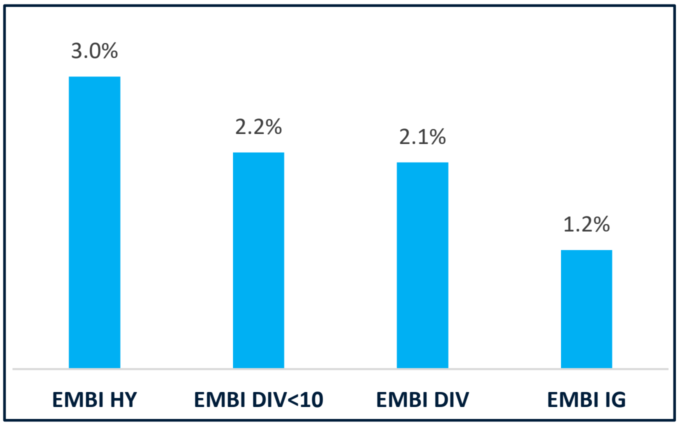

Chart 12: USD EM Debt – YTD Total Return %

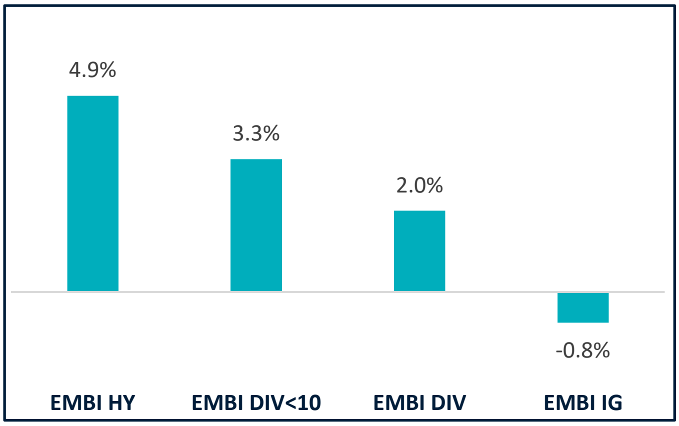

Table 6

Name	J.P. Morgan Index Name	Total Return			OAS				Yield (%)	Duration
		Mar	YTD	12 Mo	Mar	Δ Mar	Δ YTD	Δ 12 Mo		
EMBI DIV<10	**EMBI Global Diversified 1-10 Liquid** Index	2.2%	3.3%	12.7%	465	-41	-81	-143	8.92	4.1
EMBI HY	**EMBI Global Diversified High Yield** Index	3.0%	4.9%	20.0%	607	-47	-93	-277	10.39	5.5
EMBI DIV	**EMBI Global Diversified Composite** Index	2.1%	2.0%	11.3%	342	-27	-42	-142	7.75	6.6
EMBI IG	**EMBI Global Diversified Inv Grade** Index	1.2%	-0.8%	3.4%	120	-6	-1	-38	5.54	7.8

Sources for Charts 11 & 12, Table 6, and overview data: J.P. Morgan | Data as of 3/31/2024

Glossary & index definitions

- 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 BBB 1-5 year, 5-10 year and 10+ year Corporate indices** measure BBB-rated, fixed-rate, taxable corporate bonds of maturities between 1-5 years, 5-10 years, and 10+ years respectively. The indices include USD denominated securities publicly issued by US and non-US industrial, utility and financial issuers.
- The **Bloomberg Financials Corporate Index** measures the investment grade, fixed-rate, taxable corporate bond market from issuers in the industrial sector, including the banking, financial services, and insurance subsectors.
- The **Bloomberg Global Inflation-Linked Total Return Index** measures the performance of investment-grade, government inflation-linked debt from 12 different developed market countries.
- The **Bloomberg Industrials Corporate Index** measures the investment grade, fixed-rate, taxable corporate bond market from issuers in the industrial sector.
- 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 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 U.S. 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 Index** measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury. Treasury bills are excluded by the maturity constraint but are part of a separate Short Treasury Index. STRIPS are excluded from the index because their inclusion would result in double-counting.
- 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 **Bloomberg Utilities Corporate Index** measures the investment grade, fixed-rate, taxable corporate bond market from issuers in the utilities sector.
- The **Consumer Price Index (CPI)** is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. Indexes are available for the U.S. and various geographic areas. Average price data for select utility, automotive fuel, and food items are also available.
- **Credit Spread:** the difference in yield between a debt security and its benchmark measured in basis points.
- 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 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 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. 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 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 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.

Glossary & index definitions

- 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.
- 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 **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.
- **Option Adjusted Spread (OAS):** For a bond, OAS 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.
- **YTD:** Year-to-date
- **Yield** is the annual rate of return on a bond. It has a reverse relationship with price such that as bond prices rise, yields fall.

Disclosures

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

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.

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.

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.

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.

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 its 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.

Certain information contained herein has been obtained from third party sources and such information has not been independently verified by BondBloxx. No representation, warranty, or undertaking, expressed or implied, is given to the accuracy or completeness of such information by BondBloxx or any other person. While such sources are believed to be reliable, BondBloxx does not assume any responsibility for the accuracy or completeness of such information. BondBloxx does not undertake any obligation to update the information contained herein as of any future date.

Distributor: Foreside Fund Services, LLC.