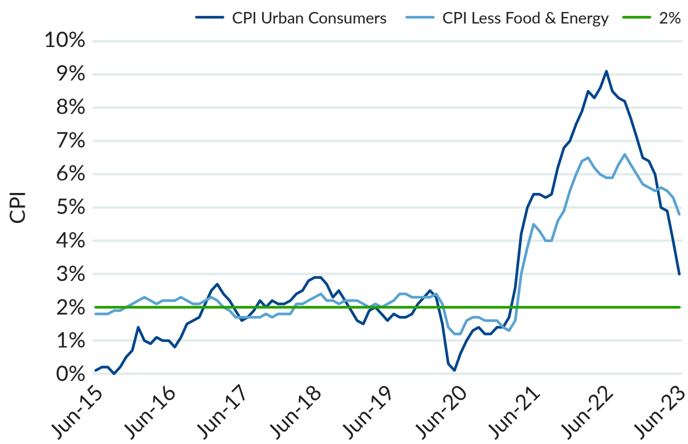
Fixed Income quarterly commentary

Market commentary

The Bloomberg Aggregate Index gave back some of its gains in the second quarter as rising interest rates took their toll. The Bloomberg Aggregate Bond Index earned a negative total return of -0.84% in 2Q23. This, however, was not enough to dampen the strong start to the year for the bond market as the Index generated a total return of +2.09% for the first half of 2023. The positive year-to-date performance celebrates a dramatic improvement in the opportunity set for the fixed income investor. The revival of positive convexity and attractive yields across both rate and spread product had the power to generate positive returns in a six month period in which interest rates were extremely volatile and with a yield curve that remains deeply inverted.

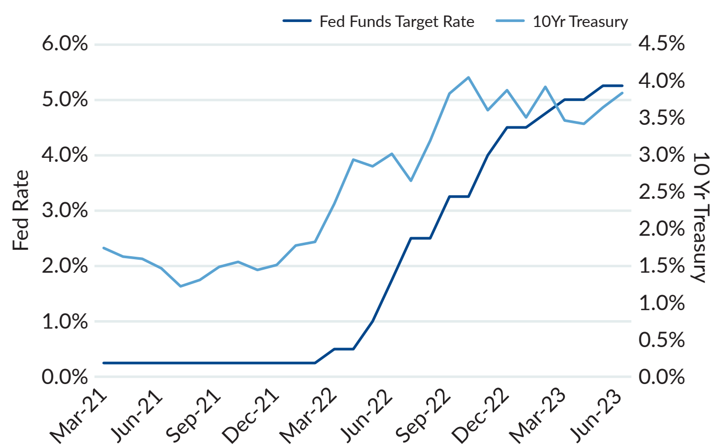
After delivering its 10th consecutive hike at the May 3 FOMC meeting, the Fed did not hike rates in June, adopting what has been termed a "hawkish pause." The "dot plot" of rate predictions was moved higher indicating two further rate rises in 2023 despite the pause in the tightening cycle. Throughout the quarter, inflation indicators continued to show stickiness and US inflation, by any measure, remains well above the Fed's stated inflation target of 2%. Headline CPI declined to an annualized rate of 4% in May, moving lower as energy costs returned to more normalized levels after spiking earlier this year. Core PCE, the Fed's preferred inflation metric, only moved 0.1% lower in June and remains well above target at 4.6% year-over-year (YoY).

CHART 1: **TRAILING 12 MONTH CORE CPI**



Source: Bloomberg, Mesirow SFI.

CHART 2: **FED FUNDS TARGET RATE VS. TEN-YEAR TREASURY**

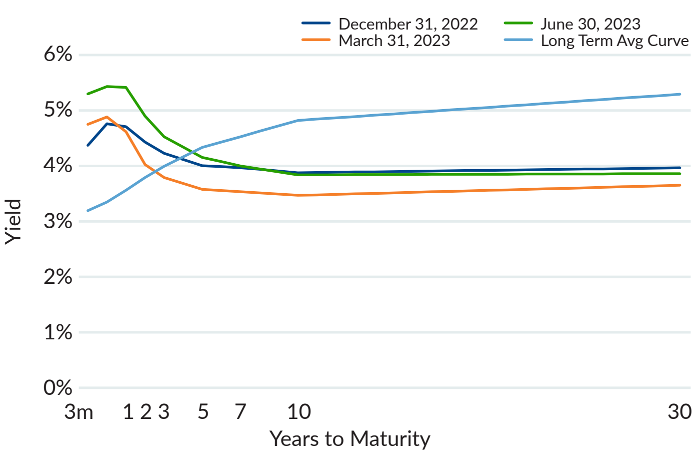


Source: Bloomberg, Mesirow SFI.

In its first miss versus consensus expectations in 14 months, June Nonfarm Payrolls rose +209k (consensus was +230k). This follows a strong May report in which Nonfarm Payrolls rose 339k versus consensus of 195k. The unemployment rate fell to 3.6% from 3.7% as the participation rate held steady at 62.6%, the highest level since February 2020. Wages remain strong, seeing an acceleration of 4.4% year-over-year, confirming the notion that the Fed likely has more work to do. While the labor market has shown resilience particularly with relatively strong wage growth at +4.4% year-over-year and a low unemployment rate at +3.6%, both have seen a lack of acceleration with wage growth lower and unemployment higher for the year. A lack of acceleration in the labor data is a positive read on the trajectory of the inflation fight, especially as a restrictive real rate emerges from a combination of higher nominal rates and headline inflation numbers. The latter is likely to continue being pulled lower by the gravity of base effects.

With the upward revision to dot plot keeping the pressure on for now, the Fed has effectively convinced the markets to defer rate cut speculation to mid-2024. Therefore, it came as little surprise that the yield curve has remained inverted with the 3-month US Treasury (UST) yield at 5.28%, 2-year yield at 4.90%, and the 10-year yield at 3.84%. At -106 basis points, the 2–10 yield curve was the most inverted since March 1980. Curve normalization can vary after aggressive tightening cycles. Even if the Fed were to pause after a July hike, the curve may take some time to truly normalize. The market will need to see a clear victory over inflation or potentially an exogenous, negative deflationary shock before returning to a more normal shape.

CHART 3: **U.S. TREASURY YIELD CURVES**



Source: Bloomberg, Mesirow SFI.

After trading in a 15-basis point range in April and May (between +115 and +137), the Bloomberg Credit Index spread closed the month of June at +114. Most notably, bank issuer spreads have recovered materially from the regional banking crisis-induced YTD wides on March 15th, which saw the index marked at +150. As the index sat at quarter end, just 6 basis points off February 2 tights of +108, credit looks less attractive relative to its annual range. However, a dichotomy has emerged between spread levels and yields that remain at attractive levels not seen since the Global Financial Crisis. A strong technical backdrop coupled with attractive yields should remain relatively supportive of credit performance in the near-term.

By sector, during 2Q23, the best-performing industries were Airlines (+1.16% total return), Finance Companies (+0.96%), Life Insurance (+0.93%) and Banking (+0.23%). The worst-performing were Utilities (-1.19%), Telecom/Wirelines (-1.02%), Integrated Energy (-0.84%) and Refining (-0.83%).

Credit fundamentals continued to soften as top-line revenue growth of +0.5% was not enough to offset rising operational and financing expenses. The result was earnings which were down for a second consecutive quarter to -2.1%. A difficulty across most sectors, stickier wages have been slow to adjust to tighter financial conditions. Leverage increased modestly while interest coverage moved lower. However, we note that generally investment grade (IG) issuers remain in a historically strong position, with healthy credit metrics, prudent debt maturity profiles, and lingering liquidity stockpiles. That said, credit fundamentals will become increasingly important as the market enters a lower growth/recessionary environment, whether as a driver of spread volatility in IG or a potentially large uptick in defaults in the high yield (HY) space. Credit performance will undoubtedly become more idiosyncratic, leaving selection ability a key driver of performance.

Mortgage-backed securities (MBS) Index spreads tightened in the second quarter, closing the month of June at +52 (from +63 on March 31). Index spreads widened initially in the beginning of April but compressed in both May and June. The Bloomberg MBS Index earned a 2Q23 total return of -0.64% and +1.87% for the first half of 2023 (excess returns of +0.76% and +0.29%, respectively). During the quarter, higher coupons outperformed lower coupons as interest rates rose. Year to date, lightly traded 6.0% and 6.5% coupons were the best-performers, earning total returns of +2.17% and +2.78%, (excess returns of +0.37% and +1.01%) respectively.

Most of the MBS Index (coupons below 5.5%) continue to trade at discount dollar prices. Conventional 30-year MBS outperformed 15-year, with 2Q23 total returns of -0.68% vs -0.92% and first-half 2023 total returns of +1.88% vs +1.19%.

Mortgage technicals continue to be mixed. On one hand, positive bond fund flows, low supply due to higher mortgage rates, and tightening lending standards are supportive of spreads. On the other hand, ongoing FDIC asset sales and the expected ramp up of the Treasury General Account (TGA) is likely to pressure reserve levels, potentially reducing bank demand for MBS.

Market outlook

At its June policy meeting, the FOMC paused its rate hiking campaign for the first time since January 2022 (10 consecutive hikes), leaving the Fed Funds target rate at 5.00%–5.25%. The market immediately started pricing in additional hikes starting in July, noting the June action as a "skip" rather than an extended pause. We maintain our belief that the Fed will not pivot in 2023. We think it unlikely that the FOMC will immediately cut rates after another hike (or two). In fact, we don't expect any rate cuts until mid-2024 at the earliest.

The Fed continues to be focused on returning inflation to 2%. The labor market continues to show strength. The minutes from the June FOMC meeting showed more divergence in thought than previous meetings, with at least a couple of voters against a pause/skip and in favor of continued rate hikes.

The US economy has remained in broadly good health, with 1Q23 GDP coming in at 2% and 2Q23 GDP tracking around 2.3%. However, we expect the economy to slow in the second half of 2023, due to generally tighter financial conditions following a prolonged rate hiking campaign combined with tighter lending standards following the regional bank crisis in March. The 2Q23 earnings season will show more idiosyncratic risk, with some companies/industries continuing to struggle with cost pressures and lower margins. Additionally, the recent Supreme Court decision overturning the Biden Administration's student loan forgiveness plan will likely impact consumer spending as loan payments resume in October.

With interest rates going higher during the second quarter, the 10-year UST yield is now near the high band of our target range. We continue to expect rates to trade between 3.50%–4.15% in the third quarter and a widening range as we get into the fourth quarter of 2023.

Strategy commentary

Within the Mesirow Strategic Fixed Income Core Total Return Composite, our portfolios earned a second-quarter total gross return of -0.67% and a net return of -0.72%, outperforming the Bloomberg Aggregate Index by 17 basis points (on the gross return and 12 basis points on the net return). While we reduced our exposure to corporates during the quarter, we continue to maintain an overweight relative to the Index. This overweight, combined with our underweight to U.S. Treasuries, were the largest contributors to our relative performance as corporates outperformed during the quarter. Additionally, while we maintained a near neutral duration, our portfolios had an underweight to 2- to 5-year maturities during the quarter. This benefited our relative performance as interest rates rose during the period with the 2- to 5-year yields rising the most. We maintained our underweight exposure to Treasuries while increasing our exposure to agency mortgage-backed securities. For the first half of 2023, our Core Total Return composite earned a gross return of +2.22% and a net return of 2.13%, compared with +2.09% for the Index.

Within the Intermediate Fixed Income Composite, our portfolios earned a -0.46% gross-of-fee return and -0.52% net of fees compared with -0.81% for the Bloomberg Intermediate Government/Corporate Index. While we maintained a near neutral duration during the quarter, our emphasis of 10-year maturities over 2- and 5-year maturities benefited performance as the curve inverted further from 2s to 10s. In addition to our curve strategy, our emphasis of corporate bonds over U.S. Treasuries proved favorable as corporates outperformed. Exposure to high quality (AAA rated) asset backed securities also benefited performance. For the year to-date, our Intermediate Fixed Income Composite earned a gross-of-fee return of +1.94% and a net return of 1.82%, outperforming the Index by 44 basis points (on the gross return and +32 basis points on the net return).

Our Short-Term Fixed Income Composite produced a second-quarter gross-of-fee total return of -0.15% and net of fee return of -0.20%, beating the Bloomberg 1–3-year Government/Credit Index by 22 basis points on the gross return and 17 basis points on the net return. Within the Short-Term Composite, we emphasized 6-month maturities and underweighted 2-year maturities. This proved beneficial as the 2-year yield increased by 87 basis points during the quarter and was the biggest mover, while the six month yield increased 55 basis points. Our overweight to corporate bonds and corresponding underweight to US Treasuries also benefited performance as corporates outperformed during the quarter. For the year to-date, the Short-Term Composite earned a gross-of-fee total return of 1.37% with a net return of 1.27% compared with 1.13% for the Index.

About Mesirow

Mesirow is an independent, employee-owned financial services firm founded in 1937. Headquartered in Chicago, with locations around the world, we serve clients through a personal, custom approach to reaching financial goals and acting as a force for social good. With capabilities spanning Global Investment Management, Capital Markets & Investment Banking, and Advisory Services, we invest in what matters: our clients, our communities and our culture. To learn more, visit mesirow.com and follow us on LinkedIn.

If you have questions or would like to receive additional materials, please contact contact portfoliospecialist@mesirow.com or 312.595.7300.

Past performance is not necessarily indicative of future results. Please refer to the disclosures at the end of this material and the GIPS Report for complete performance information and benchmark /index definitions.

The Bloomberg U.S. Aggregate Bond Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset backed securities. These major sectors are subdivided into more specific indexes that are calculated and reported on a regular basis.

The Bloomberg U.S. Mortgage Backed Securities (MBS) Index measures the performance of U.S. fixed-rate agency mortgage backed pass-through securities.

The Bloomberg Intermediate Government/Credit Index is the intermediate component of the U.S. Government/Credit index. The Government/Credit Index includes securities in the Government and Credit Indices. The Government Index includes treasuries (i.e., public obligations of the U.S. Treasury that have remaining maturities of more than one year) and agencies (i.e., publicly issued debt of U.S. Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. Government). The Credit Index includes publicly issued U.S. corporate and foreign debentures and secured notes that meet specified maturity, liquidity, and quality requirements.

GIPS REPORT – CORE TOTAL RETURN COMPOSITE

Gross and Net of Fees Total Returns from January 1, 2000 – June 30, 2023

Year	Year end			Annual performance results				3-year annualized dispersion[2]	
	No. of portfolios	Composite Asset at end of period ($MM)	Total Firm Assets ($MM)	MFIM (gross) Composite (%)	MFIM (net) Composite (%)	Bloomberg US Aggregate Index (%)	Composite Dispersion[1] (%)	MFIM (gross) Composite (%)	Bloomberg US Aggregate Index (%)
2000	5 or fewer	290	n/a	12.51	12.37	11.63	n/a	–	–
2001	5 or fewer	562	n/a	8.59	8.46	8.44	n/a	–	–
2002	5 or fewer	575	n/a	10.69	10.55	10.25	n/a	–	–
2003	5 or fewer	643	n/a	4.49	4.36	4.10	n/a	–	–
2004	5 or fewer	830	n/a	4.83	4.70	4.34	n/a	–	–
2005	5 or fewer	665	1,911	2.53	2.43	2.34	n/a	–	–
2006	9	997	2,258	4.64	4.47	4.33	0.15	–	–
2007	9	1,198	2,684	6.20	6.05	6.96	0.14	–	–
2008	10	1,313	2,971	3.39	3.25	5.24	0.41	–	–
2009	12	1,378	3,251	11.97	11.81	5.93	0.93	–	–
2010	16	1,386	3,241	7.34	7.19	6.54	0.28	–	–
2011	14	1,387	3,516	7.37	7.21	7.84	0.40	2.92	2.78
2012	12	658	4,106	6.00	5.78	4.22	0.33	2.32	2.38
2013	14	805	4,871	-1.90	-2.10	-2.02	0.09	2.73	2.71
2014	15	987	4,972	6.47	6.24	5.97	0.18	2.70	2.63
2015	14	858	4,532	0.04	-0.17	0.55	0.17	2.93	2.88
2016	14	863	4,410	3.27	3.05	2.65	0.26	2.97	2.98
2017	14	941	4,772	3.53	3.32	3.54	0.12	2.74	2.78
2018	13	719	4,161	-0.04	-0.21	0.01	0.15	2.72	2.84
2019	9	612	3,895	9.16	8.94	8.72	0.14	2.80	2.87
2020	10	789	6,706	8.84	8.62	7.51	0.16	3.57	3.36
2021	11	1,099	6,168	-1.65	-1.84	-1.54	0.10	3.67	3.35
2022	7	711	3,616	-12.27	-12.43	-13.01	0.16	5.90	5.77
Current Performance Results									
2023 YTD	10	865	3,585	2.22	2.13	2.09	n/a	6.05	6.09

Past performance is not necessarily indicative of future results

Mesirow Financial Investment Management Institutional Fixed Income claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Mesirow Financial Institutional Fixed Income has been independently verified for the periods 01.01.1996 - 12.31.2021. A firm that claims compliance with the GIPS standard must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with GIPS standards and have been implemented on a firm-wide basis. The Core Total Return Composite has had a performance examination for the periods 01.01.2006 -12.31.2021. The verification and performance examination reports are available upon request.

Mesirow Financial Investment Management, Inc. ("MFIM") is an investment advisor registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940. The "Entity" as shown represents Mesirow Financial Investment Management Equities and Fixed Income, which is comprised of the GIPS-compliant units of MFIM which specialize in managing portfolios for institutional clients adhering to an investment process geared towards institutional investors. The historical performance presented prior to the creation of the division was managed by MFIM or its predecessor firms prior to 01.01.2005. For purposes of claiming GIPS compliance, as of 01.01.2010, the "Firm" is further defined as the Fixed Income business unit, which manages portfolios primarily for institutional investors adhering to an investment process, incorporating fundamental analysis of security valuation factors and drivers. The composites within this business unit vary primarily by duration and the type of originator of the security. Please note that the 2018 percentage of firm assets have been restated to properly include the addition of assets obtained through the acquisition of the High Yield Team from a former and unaffiliated registered Investment Advisor, effective 10.23.2017. On 05.29.2020, MFIM Fixed Income completed the lift out of the Analytic Fixed Income Team from a former and unaffiliated registered Investment Advisor, Chicago Equity Partners (CEP) which its team, became an integral part of MFIM Fixed Institutional Fixed Income. On 05.29.2020, MFIM acquired the asset management rights for a portion of the managed portfolios from an independent investment advisory firm and retained all of the principals and employees related to such portfolios.

The above composite was created on 01.01.2000, the inception date is 01.01.2000.

Core Total Return Fixed Income Composite is defined as U.S. dollar dominated fixed income investment grade securities primarily rated BBB- or better and with a maturity range of one to thirty years at the time of purchase. The Core Total Return composite consists of fixed income fee-paying discretionary portfolios with a minimum of $7,500,000 under management. The benchmark is the Bloomberg Aggregate Index. In March of 2005, the Core Total Return fixed income portfolio management team of an independent investment advisor joined the MFIM Fixed Income portfolio management team. The performance results shown prior to 03.15.2005 reflect the team's performance prior to joining MFIM-Fixed Income. Such returns have been incorporated into the MFIM Core Total Return Fixed Income composite. Upon receipt of client consent, MFIM-Fixed Income obtained the required custody and holdings information from the independent custody firms, or other similar sources, for all clients that have been managed on a continuous basis and that information has been incorporated into the MFIM Core Total Return Fixed Income composite. The list of composite descriptions, the list of pooled fund descriptions for limited distribution pooled funds, and the firm's list of broad distribution pooled funds is available upon request. For the period, portfolios below $7,500,000 are considered nondiscretionary, as MFIM-Fixed Income may be unable to fully and efficiently implement the intended investment strategy of the composite. Effective 01.01.2019, accounts will be temporarily removed from the composite due to significant cash flows of 15% or more of market value. Prior to 01.01.2019, accounts had been temporarily removed from the composite due to significant cash flows of 10% or more of market value. Additional information regarding the significant cash flow policy is available upon request.

Calculation of Risk Measures: Annual / 3 Years Dispersion

(1) Composite dispersion presented is the equal-weighted standard deviation of the gross annual returns of portfolios in the composite for the entire year. Because it is not statistically meaningful, MFIM Fixed Income does not calculate the dispersion of annual returns for the years the composite held five or fewer accounts.

(2) The three-year annualized ex-post standard deviation measures the variability of the composite gross returns, and the benchmark returns over the preceding 36-month period. It is not required to be presented for annual periods prior to 2011 or when a full three years of composite performance is not yet available.

Performance / Net of Fee Disclosure

MFIM-Fixed Income's investment management fees vary based upon account size, with breakpoint deductions for larger accounts and a minimum annual fee of $20,000. The standard fee schedule for Core Total Return Portfolios is listed below:

0.350% on the first $10 million

0.250% on the next $40 million

0.200% on the next $100 million

0.150% on the next $150 million

0.125% on the next $200 million

0.100% over $500 million

Performance information that is provided gross of fees does not reflect the deduction of advisory fees. Client returns will be reduced by such fees and other expenses that may be incurred in the management of the account. Advisory fees are described in Form ADV Part 2 of Mesirow Financial Investment Management, Inc. Net of fee performance is presented utilizing actual client net of fee performance for all accounts included in the composite. We do, however, have clients that pay lower fees than the maximum. Any stated results include the reinvestment of dividend and other earnings. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. Benchmark returns are not covered by the report of independent verifiers.

Benchmark Definition

The Bloomberg U.S. Aggregate Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indexes that are calculated and reported on a regular basis.

GIPS REPORT – INTERMEDIATE GOVERNMENT/CREDIT FIXED INCOME COMPOSITE

Gross and Net of Fees Total Returns from January 1, 1995 – June 30, 2023

	Year end			Annual performance results				3-year annualized dispersion(2)	
Year	No. of portfolios	Composite Asset at end of period ($MM)	Total Firm Assets ($MM)	MFIM (gross) Composite (%)	MFIM (net) Composite (%)	Bloomberg Int. Gov/Credit Index) (%)	Composite Dispersion(1) (%)	MFIM (gross) Composite (%)	Bloomberg Int. Gov/Credit Index (%)
1995	5 or fewer	16	n/a	18.04	17.84	15.33	n/a	–	–
1996	5 or fewer	20	n/a	3.92	3.74	4.06	n/a	–	–
1997	5 or fewer	22	n/a	10.34	10.15	7.87	n/a	–	–
1998	5 or fewer	25	n/a	9.08	8.89	8.41	n/a	–	–
1999	5 or fewer	10	n/a	0.49	0.32	0.33	n/a	–	–
2000	5 or fewer	13	n/a	11.35	11.16	10.10	n/a	–	–
2001	5 or fewer	11	n/a	9.13	8.94	8.98	n/a	–	–
2002	5 or fewer	12	n/a	11.05	10.86	9.82	n/a	–	–
2003	5 or fewer	19	n/a	4.43	4.21	4.30	n/a	–	–
2004	5 or fewer	186	n/a	3.90	3.70	3.04	n/a	–	–
2005	5 or fewer	152	1,911	1.49	1.39	1.57	n/a	–	–
2006	5 or fewer	152	2,258	4.46	4.33	4.06	n/a	–	–
2007	5 or fewer	158	2,684	6.43	6.24	7.40	n/a	–	–
2008	5 or fewer	139	2,971	1.58	1.39	5.08	n/a	–	–
2009	5 or fewer	141	3,251	14.68	14.47	5.24	n/a	–	–
2010	7	223	3,241	7.40	7.20	5.89	n/a	–	–
2011	5 or fewer	206	3,516	5.48	5.28	5.80	n/a	3.20	2.55
2012	6	213	4,106	6.40	6.18	3.89	0.43	2.14	2.16
2013	7	200	4,871	-0.66	-0.87	-0.86	0.03	2.28	2.11
2014	7	210	4,972	3.80	3.54	3.12	0.08	2.10	1.94
2015	6	194	4,532	0.98	0.74	1.07	0.11	2.13	2.10
2016	6	195	4,410	2.30	2.05	2.08	0.09	2.13	2.22
2017	6	205	4,772	2.26	2.02	2.14	0.10	2.01	2.11
2018	7	189	4,161	0.95	0.72	0.88	0.13	1.95	2.09
2019	6	190	3,895	7.19	6.93	6.80	0.12	1.91	2.04
2020	8	228	6,706	7.32	7.05	6.43	0.28	2.45	2.31
2021	8	212	6,168	-1.24	-1.49	-1.44	0.17	2.54	2.34
2022	8	234	3,616	-8.01	-8.23	-8.23	n/a	3.93	3.82
Current Performance Results									
2023 YTD	12	288	3,585	1.94	1.82	1.50	n/a	4.00	4.04

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0.350% on the first $10 million
0.250% on the next $40 million
0.200% on the next $100 million
0.150% on the next $150 million
0.125% on the next $200 million
0.100% over $500 million

MFIM-Fixed Income's investment management fees vary based upon account size, with breakpoint deductions for larger accounts and a minimum annual fee of $20,000. The standard fee schedule for Intermediate Government/Credit Portfolios is listed below:

Benchmark Definitions

The Bloomberg Intermediate Government/Credit Index is the intermediate component of the U.S. Government/Credit index. The Government/Credit Index includes securities in the Government and Credit Indices. The Government Index includes treasuries (i.e., public obligations of the U.S. Treasury that have remaining maturities of more than one year) and agencies (i.e., publicly issued debt of U.S. Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. Government). The Credit Index includes publicly issued U.S. corporate and foreign debentures and secured notes that meet specified maturity, liquidity, and quality requirements.

GIPS REPORT – SHORT TERM FIXED INCOME COMPOSITE

Gross and Net of Fees Total Returns from April 1, 2005 – June 30, 2023

	Year end			Annual performance results				3-year annualized dispersion[2]	
Year	No. of portfolios	Composite Asset at end of period ($MM)	Total Firm Assets ($MM)	MFIM (gross) Composite (%)	MFIM (net) Composite (%)	Bloomberg 1-3 Yr Govt/Credit Index) (%)	Composite Dispersion[1] (%)	MFIM (gross) Composite (%)	Bloomberg 1-3 Yr Govt/Credit Index (%)
2005*	5 or fewer	48	1,911	2.09)	1.98	2.06	n/a	–	–
2006	5 or fewer	76	2,258	4.68	4.51	4.26	n/a	–	–
2007	5 or fewer	80	2,684	6.31	6.14	6.83	n/a	–	–
2008	5 or fewer	83	2,971	3.33	3.16	4.98	n/a	–	–
2009	5 or fewer	91	3,251	10.56	10.38	3.82	n/a	–	–
2010	5 or fewer	9	3,241	4.32	4.14	2.80	n/a	–	–
2011	5 or fewer	9	3,516	1.60	1.40	1.58	n/a	1.86	1.00
2012	5 or fewer	44	4,106	2.00	1.77	1.26	n/a	1.04	0.73
2013	5 or fewer	154	4,871	0.87	0.65	0.63	n/a	0.72	0.54
2014	5 or fewer	190	4,972	0.98	0.74	0.76	n/a	0.63	0.49
2015	5 or fewer	224	4,532	0.77	0.57	0.66	n/a	0.58	0.58
2016	5 or fewer	197	4,410	1.80	1.59	1.28	n/a	0.69	0.75
2017	5 or fewer	127	4,772	1.30	1.09	0.84	n/a	0.68	0.73
2018	5 or fewer	135	4,161	1.68	1.47	1.60	n/a	0.75	0.82
2019	5 or fewer	50	3,895	4.69	4.46	4.03	n/a	0.90	0.92
2020	5 or fewer	85	6,706	4.21	3.96	3.33	n/a	1.54	0.98
2021	5 or fewer	99	6,168	-0.50	-0.72	-0.47	n/a	1.60	0.98
2022	5 or fewer	20	3,616	-4.06	-4.27	-3.69	n/a	2.23	1.70
Current Performance Results									
2023 YTD	5 or fewer	63	3,585	1.37	1.27	1.13	n/a	1.99	1.88

Past performance is not necessarily indicative of future results.

Mesirow Financial Investment Management Institutional Fixed Income claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Mesirow Financial Institutional Fixed Income has been independently verified for the periods 01.01.1996 - 12.31.2021. A firm that claims compliance with the GIPS standard must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with GIPS standards and have been implemented on a firm-wide basis. The Short Term Composite has had a performance examination for the periods 01.01.2006 - 12.31.2021. The verification and performance examination reports are available upon request.

Mesirow Financial Investment Management, Inc. ("MFIM") is an investment advisor registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940. The "Entity" as shown represents Mesirow Financial Investment Management Equities and Fixed Income, which is comprised of the GIPS-compliant units of MFIM which specialize in managing portfolios for institutional clients adhering to an investment process geared towards institutional investors. The historical performance presented prior to the creation of the division was managed by MFIM or its predecessor firms prior to 01.01.2005. For purposes of claiming GIPS compliance, as of 01.01.2010, the "Firm" is further defined as the Fixed Income business unit, which manages portfolios primarily for institutional investors adhering to an investment process, incorporating fundamental analysis of security valuation factors and drivers. The composites within this business unit vary primarily by duration and the type of originator of the security. Please note that the 2018 percentage of firm assets have been restated to properly include the addition of assets obtained through the acquisition of the High Yield Team from a former and unaffiliated registered Investment Advisor, effective 10.23.2017. On 05.29.2020, MFIM Fixed Income completed the lift out of the Analytic Fixed Income Team from a former and unaffiliated registered Investment Advisor, Chicago Equity Partners (CEP) which its team, became an integral part of MFIM Fixed Institutional Fixed Income. On05.29.2020, MFIM acquired the asset management rights for a portion of the managed portfolios from an independent investment advisory firm and retained all of the principals and employees related to such portfolios.

**Composite was created on 04.01.2005, the inception date is 04.01.2005*

The composite name was changed from Short to Short Term effective 03.01.2012. Short Term Fixed Income Composite is defined as U.S. dollar dominated fixed income investment grade securities primarily rated BBB- or better and with a maturity range of one to five years at the time of purchase. The Short Term composite consists of fixed income fee-paying discretionary portfolios with a $2,500,000 minimum account size effective 04.01.2022. Prior to 04.01.2022 minimum was $7,500,000. The benchmark is the Bloomberg 1-3 Year Government/Credit Index. The list of composite descriptions, the list of pooled fund descriptions for limited distribution pooled funds, and the firm's list of broad distribution pooled funds is available upon request. Effective 01.01.2022 the composite no longer had a flow restriction, 01.01.2019 accounts were temporarily removed if significant cash flows were 15% or more of market value. Prior to 01.01.2019, significant cash flows were 10%. Additional information regarding the significant cash flow policy is available upon request.

Calculation of Risk Measures: Annual / 3 Years Dispersion

(1) Composite dispersion presented is the equal-weighted standard deviation of the gross annual returns of portfolios in the composite for the entire year. Because it is not statistically meaningful, MFIM Fixed Income does not calculate the dispersion of annual returns for the years the composite held five or fewer accounts.

(2) The three-year annualized ex-post standard deviation measures the variability of the composite gross returns and the benchmark returns over the preceding 36-month period. It is not required to be presented for annual periods prior to 2011 or when a full three years of composite performance is not yet available.

Performance / Net of Fee Disclosure

MFIM-Fixed Income's investment management fees vary based upon account size, with breakpoint deductions for larger accounts and a minimum annual fee of $20,000. The standard fee schedule for Short Term Portfolios is listed below:

- 0.300% on the first $10 million
- 0.200% on the next $40 million
- 0.150% on the next $100 million
- 0.100% on the next $150 million
- 0.075% on the next $200 million
- 0.050% over $500 million

Performance information that is provided gross of fees does not reflect the deduction of advisory fees. Client returns will be reduced by such fees and other expenses that may be incurred in the management of the account. Advisory fees are described in Form ADV Part 2 of Mesirow Financial Investment Management, Inc. Net of fee performance is presented utilizing actual client net of fee performance for all accounts included in the composite. We do, however, have clients that pay lower fees than the maximum. Any stated results include the reinvestment of dividend and other earnings. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. Benchmark returns are not covered by the report of independent verifiers.

Benchmark Definitions

The Bloomberg 1-3 Year Government/Credit Index includes securities in the U.S. Government/Credit Index with a maturity from 1 up to (but not including) 3 years. The Government Index includes treasuries (i.e., public obligations of the U.S. Treasury that have remaining maturities of more than one year) and agencies (i.e., publicly issued debt of U.S. Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. Government). The Credit Index includes publicly issued U.S. corporate and foreign debentures and secured notes that meet specified maturity, liquidity, and quality requirements.