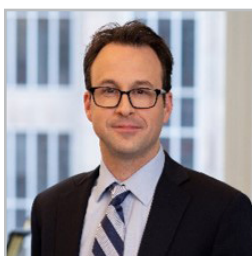


Mary F. Kane, CFA
Partner
Taxable Bond Portfolio Manager



Stephen J. Repoff, CFA
Principal
Taxable Bond Portfolio Manager

HIGHLIGHTS

- Massive unemployment, a struggling consumer, and an anemic manufacturing sector were not enough to stifle expectations of a strong post-crisis recovery
- Confidence in the efficacy of the Fed's essentially unlimited support continued to provide a backstop for rates and drive positive sentiment in risk markets
- Credit spreads tightened significantly despite record new issue supply as inflows into the space and a start to the Fed's corporate buying created a favorable technical backdrop

ECONOMY

Massive fiscal and monetary intervention remained firmly in place, with the Fed stepping into the fixed income market as an active buyer. Questions remain about how fast and to what extent businesses and the consumer will return to anything resembling normal, with the Fed assigning equal odds to a U- or a W-shaped recovery. Away from virus-related risks, the potential for a flare-up in tensions between the U.S. and China remains a potential threat to otherwise improving sentiment.

TREASURIES

Treasuries endured their first month of negative returns since December. Rate volatility remained subdued, with isolated pockets of volatility concentrated among longer maturities. The yield on the 10-year crept up 3 basis points to 0.67%, while the 30-year rose 15 basis points to 1.44%. The latter returned -2.58% in May, by far the worst performing segment in fixed income (though it is still up an impressive 25% YTD). Higher than expected supply at the long end helped to steepen the curve, given that the short end was anchored by the Fed. The first 20-year maturity auction since the mid-1980s enjoyed solid demand.

U.S. Treasury Market - May 31, 2020

Maturity	5/31/20	Yield Change (bps)			Performance		
	Yield	MTD	QTD	YTD	MTD	QTD	YTD
2-year	0.17%	-3	-8	-140	0.06%	0.14%	2.96%
5-year	0.31%	-5	-7	-138	0.21%	0.38%	7.18%
10-year	0.65%	+1	-2	-127	0.02%	0.71%	12.73%
30-year	1.41%	+12	+8	-98	-2.58%	-0.65%	24.98%

Source: Bloomberg, FactSet

Performance represents total returns of the Bloomberg Barclays U.S. Treasury Bellwethers Index for the maturities shown

MORTGAGE-BACKED SECURITIES (MBS)

The Fed remained a dominant player in the MBS market, purchasing \$101 billion in May and bringing their total purchases since March to \$688 billion. The spread between MBS yields in the secondary market and where homeowners are able to borrow remains wide, however, and the Fed's ongoing purchases are clearly intended to narrow this difference. Virus effects are otherwise surprisingly contained, as speeds have been faster than expected due to limited social-distancing effects and purchase mortgage applications have enjoyed a V-shaped recovery that puts them on a pace ahead of last year.

CREDIT

Corporate credit extended its strong April rally, as spreads moved even farther away from recessionary levels. Investment grade moved more decisively into positive territory for the year, while high yield has recovered 75% of its year-to-date drawdown. Increased confidence in the strength of the post-pandemic economy drove sectors most levered to that outcome, with energy in particular a standout as travel resumed around the world. The Fed also began its corporate bond purchasing program, adding ETF exposure but refraining so far from purchasing individual bonds. Investment grade issuance is running at a pace almost twice as fast as last year, with more than \$1 trillion of new paper having come to market already this year. This new supply was met with healthy flows, as investment grade narrowed its net outflows for the year and high yield moved into positive territory amid a record-setting pace of cash entering the space.

INDEX CHARACTERISTICS AND PERFORMANCE

May 31, 2020	CHARACTERISTICS			PERFORMANCE		
Index	Yield to Worst	OAD (Years)	OAS (bps)	MTD	QTD	YTD
Bloomberg Barclays U.S. Aggregate Bond	1.34%	6.01	76	0.47%	2.25%	5.47%
U.S. Treasury	0.51%	7.15	0	-0.25%	0.38%	8.61%
Bloomberg Barclays U.S. Government Related	1.33%	5.92	87	1.56%	2.50%	2.98%
Bloomberg Barclays U.S. Corporate Investment Grade	2.40%	8.43	174	1.56%	6.89%	3.00%
Bloomberg Barclays U.S. Mortgage-Backed Securities	1.40%	2.15	73	0.12%	0.76%	3.60%
Bloomberg Barclays U.S. Asset-Backed Securities	1.31%	2.12	111	1.09%	2.45%	2.23%
ICE BofAML Fixed Rate Preferred Securities	2.87%	4.03	188	1.00%	7.37%	-2.11%
Bloomberg Barclays High Yield	7.02%	3.76	637	4.41%	9.11%	-4.73%
Bloomberg Barclays High Yield - BB	5.11%	4.25	452	3.67%	10.40%	-0.81%
Bloomberg Barclays High Yield - B	6.89%	3.22	627	5.01%	8.37%	-5.69%
Bloomberg Barclays High Yield - CCC	12.86%	3.11	1191	6.11%	6.60%	-15.31%
Bloomberg Barclays High Yield BB 1-5 Year	5.09%	2.30	470	2.99%	8.13%	-1.78%

Source: FactSet

May 31, 2020		CHARACTERISTICS		
Strategy		Yield to Worst	Current Yield	OAD (Years)
GW&K Short-Term Focused High Income Strategy		4.79	5.01	2.34
<i>Bloomberg Barclays High Yield BB 1-5 Year</i>		5.09	5.44	2.30
GW&K Corporate Bond Opportunities Strategy		4.28	4.76	4.69
<i>60% Bloomberg Barclays High Yield / 40% Bloomberg Barclays U.S. Credit</i>		5.12	5.11	5.52
GW&K Total Return Bond Strategy		3.27	4.30	5.32
<i>60% Bloomberg Barclays Govt/Credit / 40% Bloomberg Barclays High Yield</i>		3.59	3.99	6.03
GW&K Enhanced Core Bond Strategy		2.44	3.75	5.97
GW&K Core Bond Strategy		1.76	3.29	5.99
<i>Bloomberg Barclays U.S. Aggregate Bond</i>		1.34	2.79	6.01
GW&K Intermediate Taxable Bond Strategy		1.41	3.14	3.51
<i>Bloomberg Barclays U.S. Intermediate Aggregate Bond</i>		1.07	2.68	3.45
GW&K Short-Term Taxable Bond Strategy		0.95	2.93	2.55
<i>Bloomberg Barclays 1-5 Year Govt/Credit</i>		0.58	2.21	2.75

Source: Bloomberg, FactSet

Disclosures

This represents the views and opinions of GW&K Investment Management. It does not constitute investment advice or an offer or solicitation to purchase or sell any security and is subject to change at any time due to changes in market or economic conditions. The comments should not be construed as a recommendation of individual holdings or market sectors, but as an illustration of broader themes.

Investing in securities or investment strategies, including GW&K's Investment Strategies presented in this document, involves risk of loss that clients should be prepared to bear. No investment process is free of risk; no strategy or risk management technique can guarantee returns or eliminate risk in any market environment. There is no guarantee that GW&K's investment processes will be profitable, and you therefore may lose money. Past performance is no guarantee of future results. The value of investments, as well as any investment income, is not guaranteed and can fluctuate based on market conditions. Diversification does not assure a profit or protect against loss. GW&K's active management styles include equity and fixed income strategies that are subject to various risks, including those described in GW&K's Form ADV Part 2A, Item 8. GW&K's Form ADV Part 2A may be found at <https://adviserinfo.sec.gov/Firm/121942> or is available from GW&K upon request.

Indexes are not subject to fees and expenses typically associated with managed accounts or investment funds. Investments cannot be made directly in an index. Index data has been obtained from third-party data providers that GW&K believes to be reliable, but GW&K does not guarantee its accuracy, completeness or timeliness. Third-party data providers make no warranties or representations relating to the accuracy, completeness or timeliness of the data they provide and are not liable for any damages relating to this data. The third-party data may not be further redistributed or used without the relevant third-party's consent. Sources for index data include: Bloomberg (www.bloomberg.com), FactSet (www.factset.com), ICE (www.theice.com), FTSE Russell (www.ftserussell.com), MSCI (www.msci.com) and Standard & Poor's (www.standardandpoors.com).