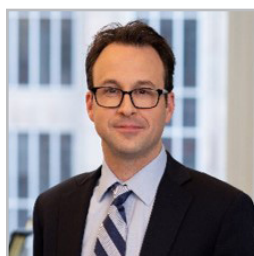




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Fixed income markets were firm in April, consolidating in a narrow range after their worst quarter in several decades. Enthusiasm surrounding the global recovery was constrained by the alarming rise in new infections worldwide, even as the vaccination campaign in America continues to show encouraging progress. Optimism around fiscal stimulus was similarly tempered by the introduction of tax proposals to fund the elevated spending.

The Federal Reserve emphasized data dependence and patience with respect to an eventual end to ultra-loose financial conditions. Chair Powell reiterated the need for evidence of substantial and sustained progress before any changes in policy. He also downplayed recent signs of inflation, highlighting his belief that they are transitory and will be resolved as supply chain stresses abate.

The Treasury market bounced slightly after several straight months of declines, as the yield curve bull flattened. Rates at the long end remain near recent highs, while the front end continues to be held close to zero by Fed policy. Notably, the slight decline in rates was driven entirely by real yields, which obscured the impact of higher inflation expectations that took breakevens to new post-pandemic highs.

Corporate credit enjoyed another quiet month, with spreads tightening only slightly despite an exceptionally strong start to earnings season. New issuance continued at a torrid pace but a majority of proceeds continue to be directed toward refinancing, helping to keep net supply low. Indications of financial distress across credit continued to be exceedingly scarce, and corporate defaults are forecast to remain well below historical averages.

Mortgage-backed securities outperformed Treasuries as spreads tightened amid slower than anticipated prepayment speeds and lower rate volatility. The yield curve's bull flattening propelled the outperformance of lower coupon pools, which typically have longer key rate exposure. Buying from the Fed and solid bank demand continued to provide a technical tailwind for the sector.

Uncertainty surrounding the outlook for inflation is likely to be a major driver of trading in the months ahead, as investors increasingly discount the reopening narrative and focus instead on Fed policy. The consumer remains healthy and optimistic, corporations are posting robust results, and fiscal authorities continue to demonstrate considerable largesse. As a result, the direction for rates and risk in the months ahead will hinge upon the debate as to whether price pressure is a transient phenomenon or a more significant structural concern.

U.S. Treasury Market - April 30, 2021

Maturity	4/30/21	Yield Change (bps)			Performance		
	Yield	MTD	QTD	YTD	MTD	QTD	YTD
2-year	0.16%	0	0	+4	0.01%	0.01%	-0.03%
5-year	0.85%	-9	-9	+49	0.56%	0.56%	-1.91%
10-year	1.63%	-11	-11	+71	1.16%	1.16%	-5.94%
30-year	2.30%	-12	-12	+65	2.68%	2.68%	-13.58%

Source: Bloomberg, FactSet

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

INDEX CHARACTERISTICS AND PERFORMANCE

April 30, 2021	CHARACTERISTICS			PERFORMANCE		
Index	Yield to Worst	OAD (Years)	OAS (bps)	MTD	QTD	YTD
Bloomberg Barclays U.S. Aggregate Bond	1.51%	6.39	29	0.79%	0.79%	-2.61%
U.S. Treasury	0.95%	6.86	0	0.75%	0.75%	-3.53%
Bloomberg Barclays U.S. Government Related	1.40%	6.03	44	0.70%	0.70%	-2.18%
Bloomberg Barclays U.S. Corporate Investment Grade	2.18%	8.54	88	1.11%	1.11%	-3.59%
Bloomberg Barclays U.S. Mortgage-Backed Securities	1.68%	3.90	7	0.55%	0.55%	-0.55%
Bloomberg Barclays U.S. Asset-Backed Securities	0.50%	2.05	31	0.14%	0.14%	-0.02%
ICE BofAML Fixed Rate Preferred Securities	1.93%	4.62	88	1.32%	1.32%	0.28%
Bloomberg Barclays High Yield	3.99%	3.85	291	1.09%	1.09%	1.95%
Bloomberg Barclays High Yield - BB	3.20%	4.67	214	1.10%	1.10%	0.95%
Bloomberg Barclays High Yield - B	4.31%	3.04	320	0.99%	0.99%	2.16%
Bloomberg Barclays High Yield - CCC	6.06%	2.55	501	1.25%	1.25%	4.87%
Bloomberg Barclays High Yield BB 1-5 Year	2.22%	2.30	178	0.79%	0.79%	1.80%

Source: FactSet

April 30, 2021	CHARACTERISTICS		
Strategy	Yield to Worst	Current Yield	OAD (Years)
GW&K Short-Term Focused High Income Strategy	2.94	5.00	2.99
<i>Bloomberg Barclays High Yield BB 1-5 Year</i>	2.22	5.22	2.30
GW&K Corporate Bond Opportunities Strategy	3.13	4.62	5.05
<i>60% Bloomberg Barclays High Yield / 40% Bloomberg Barclays U.S. Credit</i>	3.23	4.65	5.62
GW&K Total Return Bond Strategy	2.50	4.04	5.50
<i>60% Bloomberg Barclays Govt/Credit / 40% Bloomberg Barclays High Yield</i>	2.47	3.64	5.99
GW&K Enhanced Core Bond Strategy	2.10	3.56	6.01
GW&K Core Bond Strategy	1.81	3.19	5.97
<i>Bloomberg Barclays U.S. Aggregate Bond</i>	1.51	2.47	6.39
GW&K Intermediate Taxable Bond Strategy	1.44	3.24	3.74
<i>Bloomberg Barclays U.S. Intermediate Aggregate Bond</i>	1.19	2.27	4.09
GW&K Short-Term Taxable Bond Strategy	0.79	2.79	3.04
<i>Bloomberg Barclays 1-5 Year Govt/Credit</i>	0.52	1.81	2.79

Source: Bloomberg, FactSet



Disclosures

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