Fund Overview, Macroeconomic Strategy, & Duration Positioning

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ITHACA COLLEGE

Current Fund

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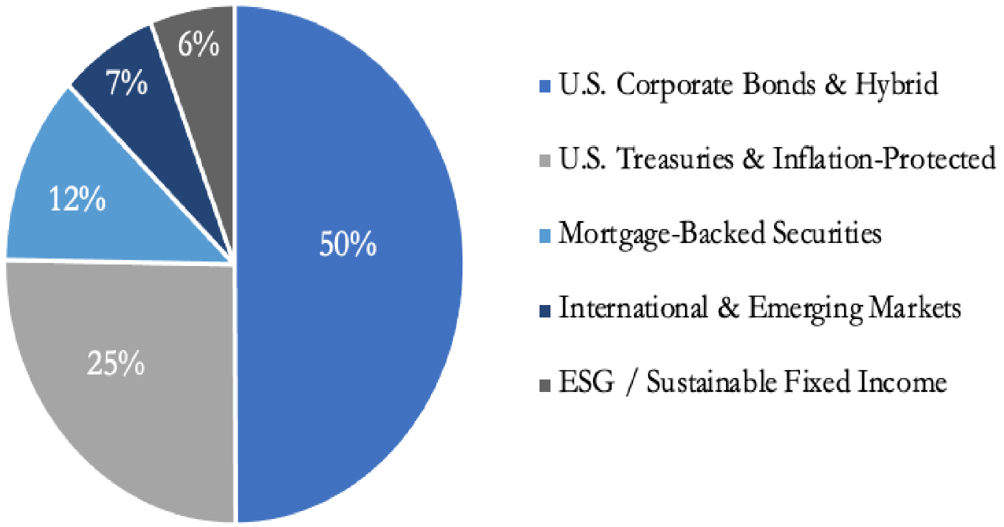
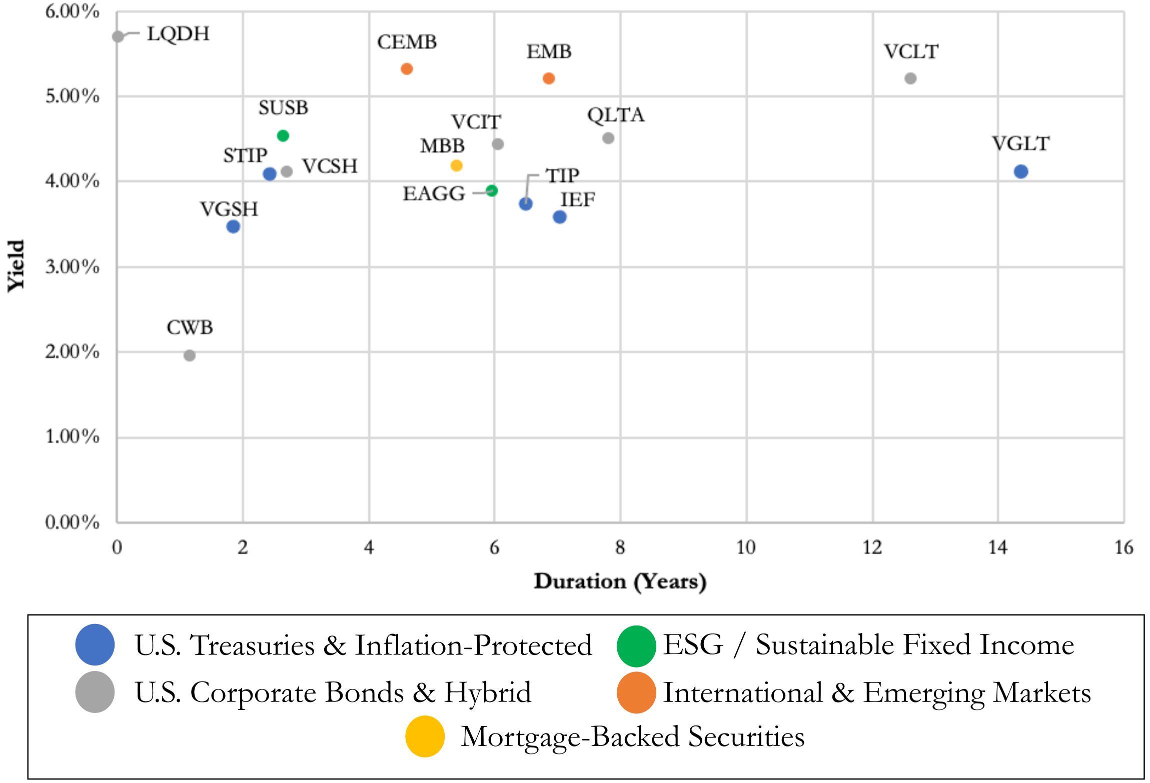
Current Allocations & Performance

Portfolio Allocation by Bond Type



Duration vs. Yield



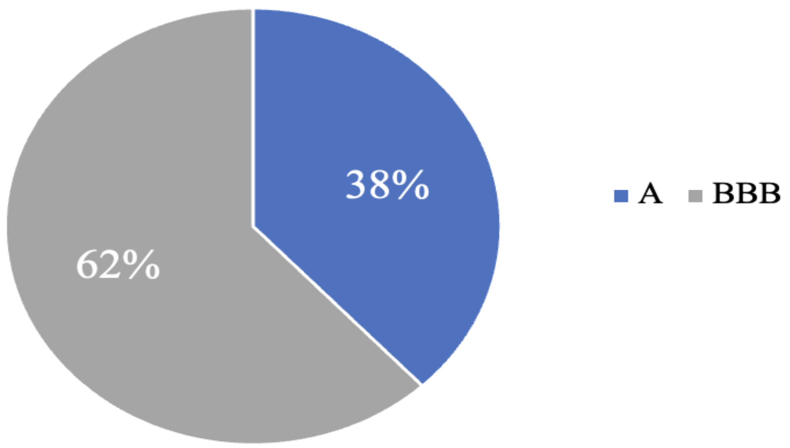
Portfolio vs. AGG

- 25% overweight in Corporate Bonds
- 19% underweight in Treasuries & Inflation-Protected Bonds
- 13% underweight in Mortgage-Backed Securities

# of ETFs	Largest Position	Avg. Duration	Avg. Yield
15	VCSH (12.4%)	3.28 yrs.	4.25%

Credit Comparison

Credit Exposure



- Focused portfolio in investment grade bonds
- Majority BBB-rated provides higher yields associated with higher risk
- More sensitive to economic downturns

Credit Spread A-Rated Bonds vs. BBB-Rated Bonds

- BBB-rated consistently have higher spreads reflecting greater default risk and higher required yields
- Spreads move together indicating shared exposure to market conditions
- BBB-rated spreads are slightly more volatile

Portfolio vs. Benchmark

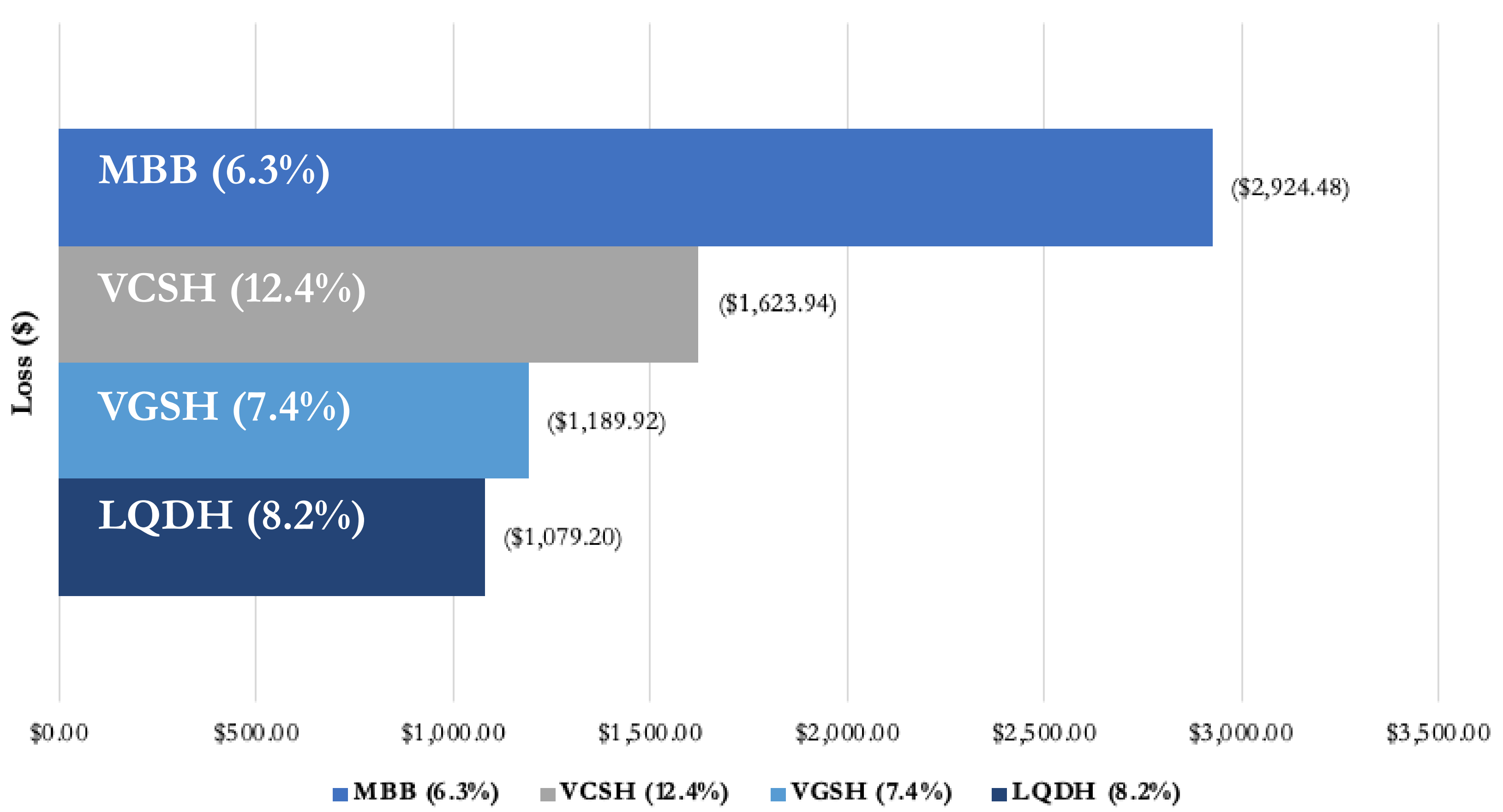
Metric	Portfolio	I-Shares AGG
12M Return	-0.7%	4.35%
Standard Deviation	4.60%	5.58%
Max Drawdown	-8.2%	-13.1%
Tracking Error	3.1%	0
Value at Risk (95%)	-0.92%	-0.58%

Takeaways:

- Underperforming AGG with high tracking error
- Portfolio shows slightly lower volatility than the AGG
- Built to survive rate uncertainty, more opportunity in extending duration

Positions Driving Losses

Loss Drivers



Portfolio Positioning & Risks

- ($6,935.79) aggregate unrealized loss
- Higher rates have contributed to short-duration losses
- Overweight interest rate exposure
- Concentration in rate-sensitive fixed income sectors
- Short-duration positioning does not provide downside protection

Macroeconomic Outlook & Duration Strategy

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Macroeconomic Summary

This section will provide key economic information to guide our portfolio decisions. We have included both historical data and projections regarding GDP & recession risk, the Labor Market, Inflation, Federal Reserve Policy, Fiscal Policy, and US Government Debt.

Uncertainty

The Fed

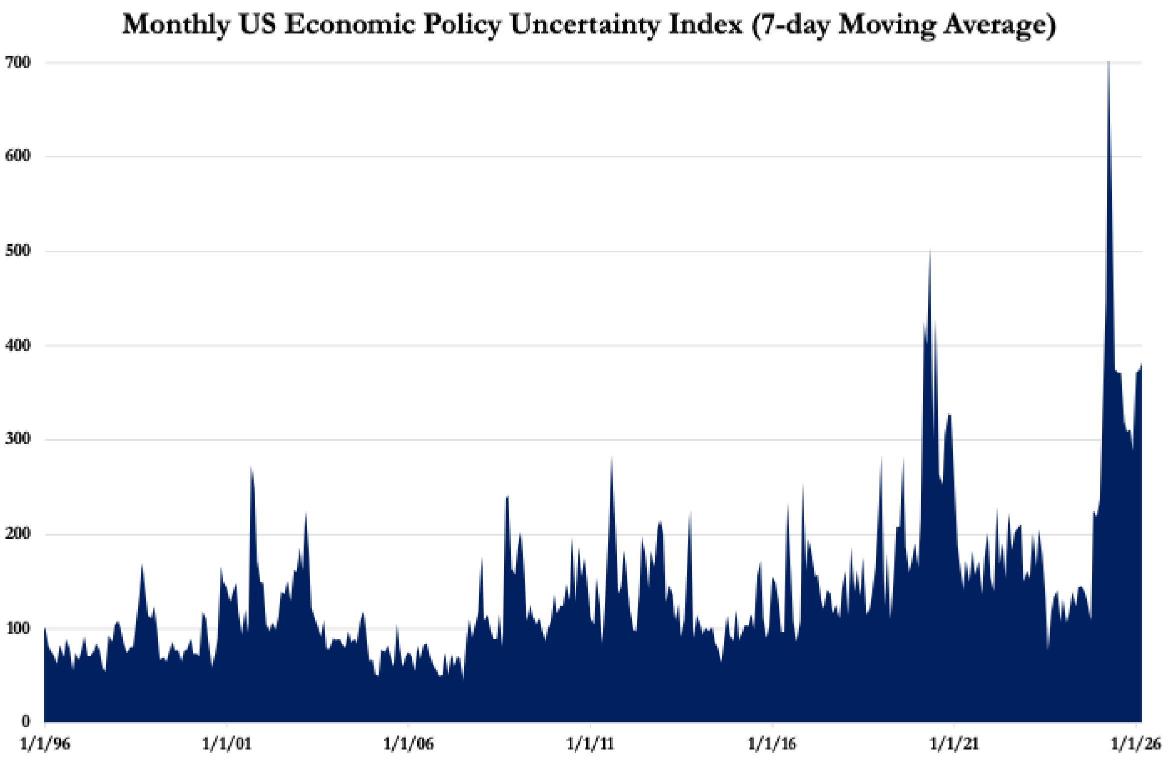
Fiscal Policy

Inflation

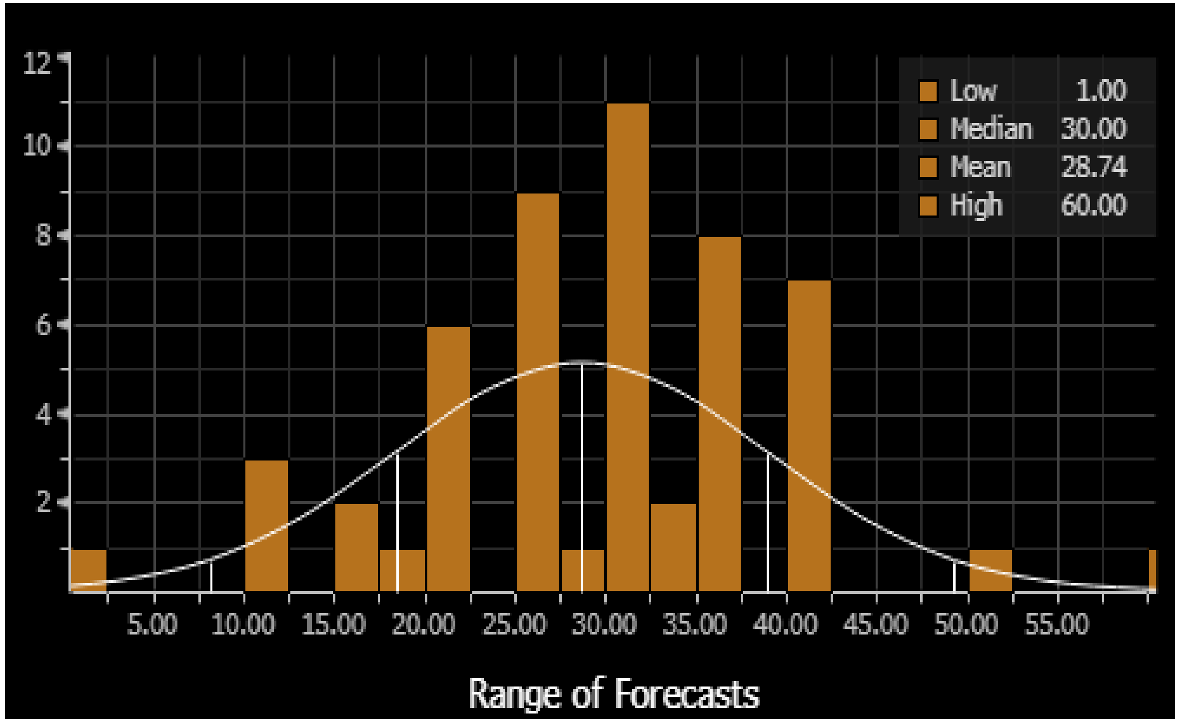
Labor Market

Economic Policy Uncertainty & Recession Risk

EPU Index (1996-Present)



Bloomberg Recession Risk



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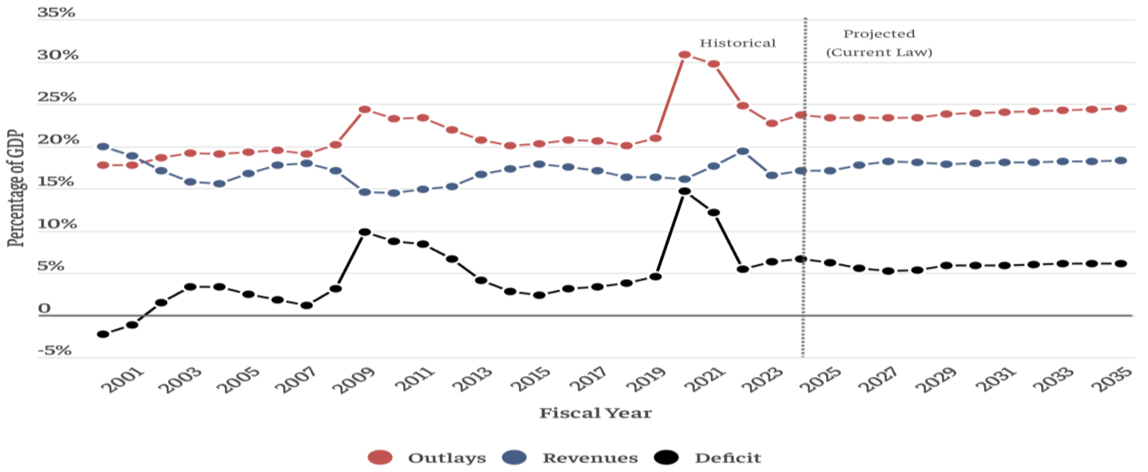
Government Debt & Fiscal Risk

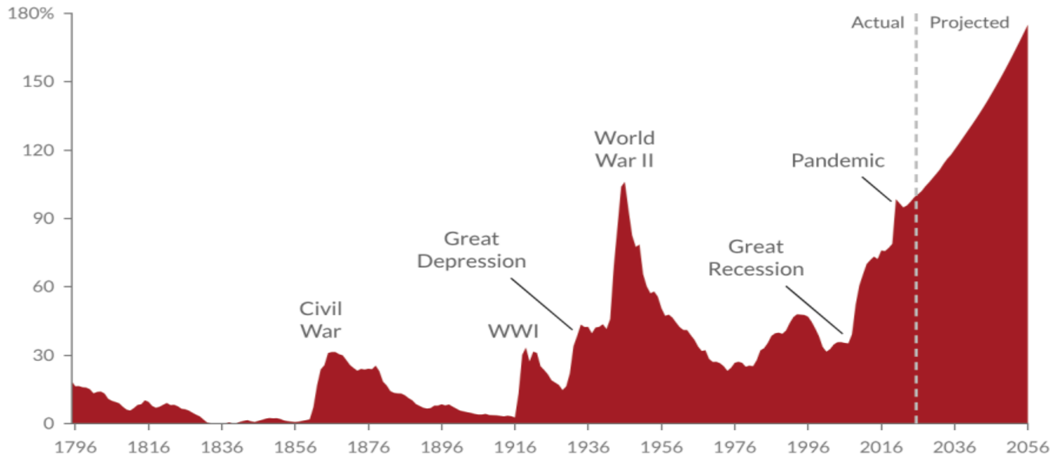
Record Debt Levels

- Federal debt held by the public hit 99.8% of GDP at the end of 2025, up from 97.4% a year earlier
- In dollar terms, publicly held debt is expected to grow from about $30 trillion today to $138 trillion by 2055
- The 2025 deficit was $1.8 trillion, or 5.9% of GDP, above the 50-year average of 3.8%
- Implication for fixed income: rising Treasury supply pressures term premia and steepens the curve, even as front-end rates are driven by the Fed

Federal Spending vs Revenues



Debt held by the Public (% of GDP)



Unsustainable Federal Spending

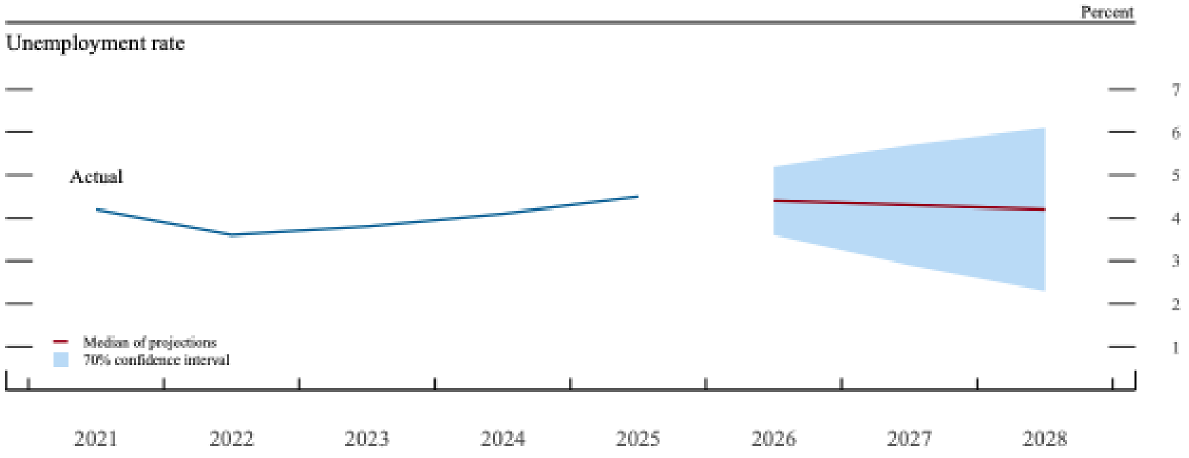
- Spending will average ~24% of GDP over the next decade, while revenue averages only ~18%, maintaining ~6% deficits
- Social Security, federal health programs, and net interest drive ~83% of spending growth through 2035
- Net interest topped $1 trillion for the first time in 2025 and is projected to nearly double to $1.8 trillion by 2035, the highest % of GDP on record
- Mandatory + interest spending now roughly equals total revenue, meaning every dollar of discretionary spending is effectively borrowed

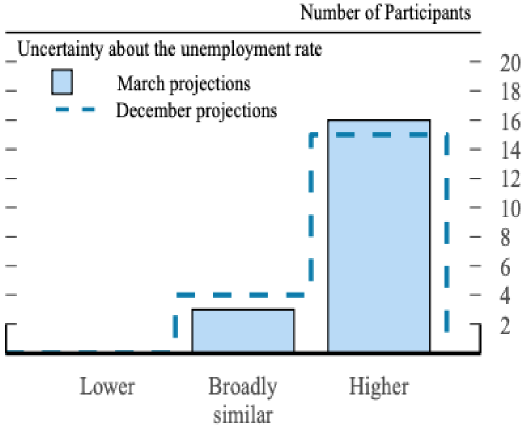
GDP & Labor Market

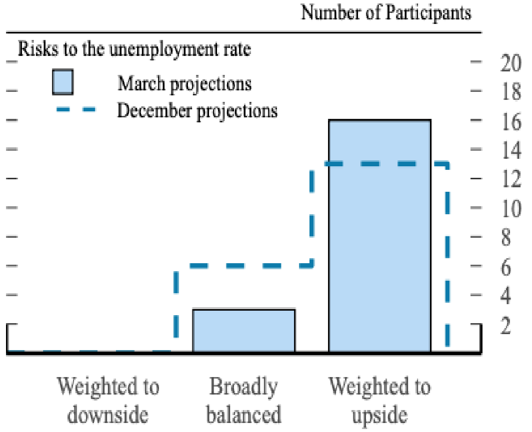
Bloomberg GDP Data & Projections

	Actual							Forecast		
Economic Activity	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Real GDP (YoY%)	2.5	-3.4	5.9	2.1	2.5	2.9	2.8	2.1	2.2	2.0
Consumer Spending	2.6	-3.8	8.3	2.5	2.2	2.8	2.6	2.0	2.1	2.0
Government Spending	3.9	3.4	-0.1	1.2	3.5	3.8	1.1	1.0	1.0	1.0
Gross Priv. Investment	1.2	-8.8	14.8	6.5	0.2	0.7	1.2	1.6	1.5	1.5
Exports (YoY%)	0.5	-12.6	6.5	7.6	2.8	3.6	1.6	1.8	2.1	2.5
Imports (YoY%)	1.2	-8.8	14.6	8.8	-0.5	2.9	1.6	1.8	2.1	2.5
Industrial Production (YoY%)	-0.7	-7.1	4.7	1.7	-0.2	-0.7	1.2	1.7	1.7	1.9
Price Indices										
CPI (YoY%)	1.8	1.2	4.7	8.0	4.1	3.0	2.7	3.1	2.5	2.4
PCE Price Index (YoY%)	1.5	1.2	3.9	6.3	3.8	2.6	2.6	2.9	2.2	2.2
Core PCE (YoY%)	1.7	1.3	3.6	5.3	4.2	2.8	2.6	2.8	2.1	2.2

FOMC Unemployment Forecasts





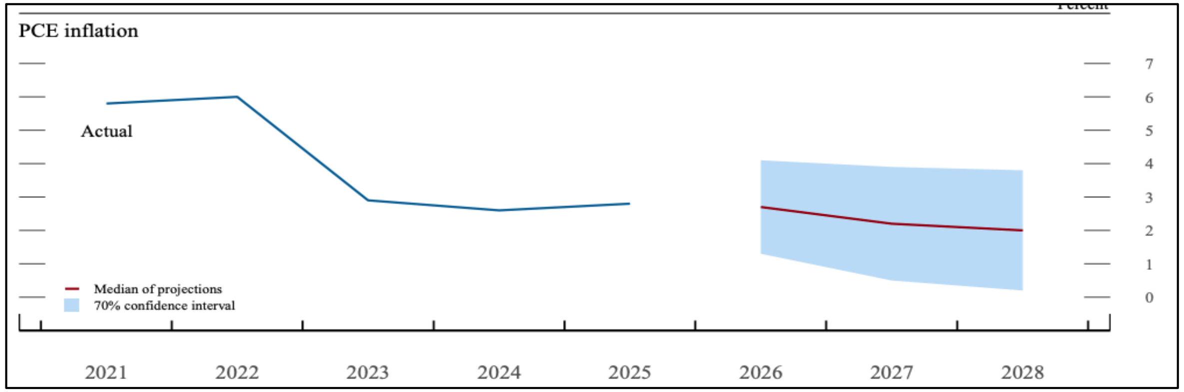


Key Takeaways

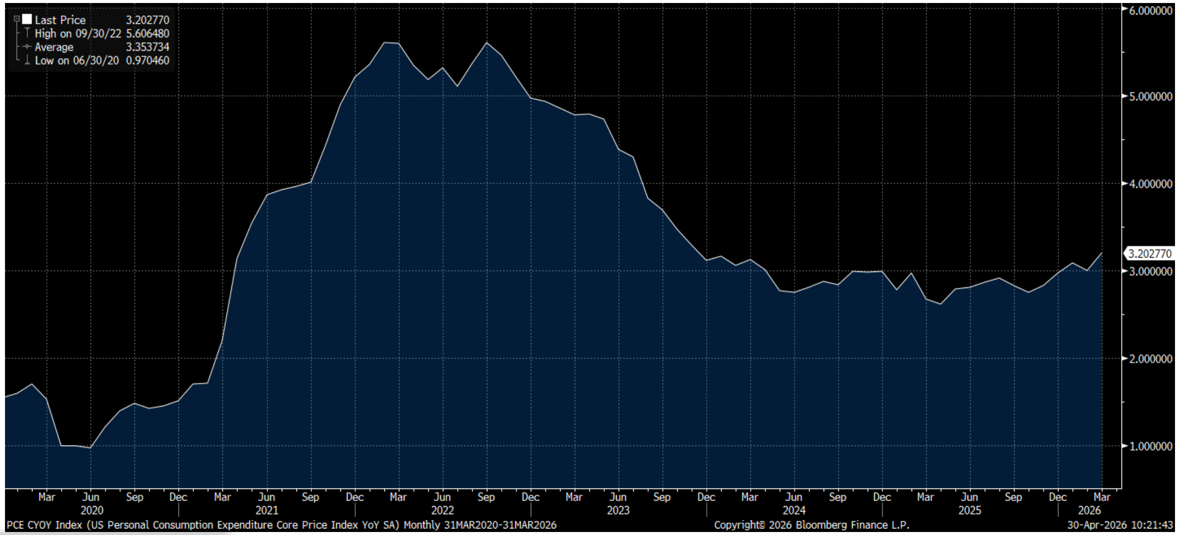
- Real GDP projected to slow through 2028
  - Driven by lower consumer spending
- Price Indices forecasted to tick up in 2026, before slowing thereafter
  - Likely driven by oil and current inflation fears
- The labor market has remained relatively strong over the past several years

Inflation

FOMC Inflation Projections



Core PCE (YoY%)



Kevin Warsh

- Served as a Fed governor from 2006-2011 and was instrumental in the management of the GFC
- Focused on Fed reform: critical of forward guidance and balance sheet size
- Historically hawkish – however there are concerns over politicization of the fed & his personal holdings

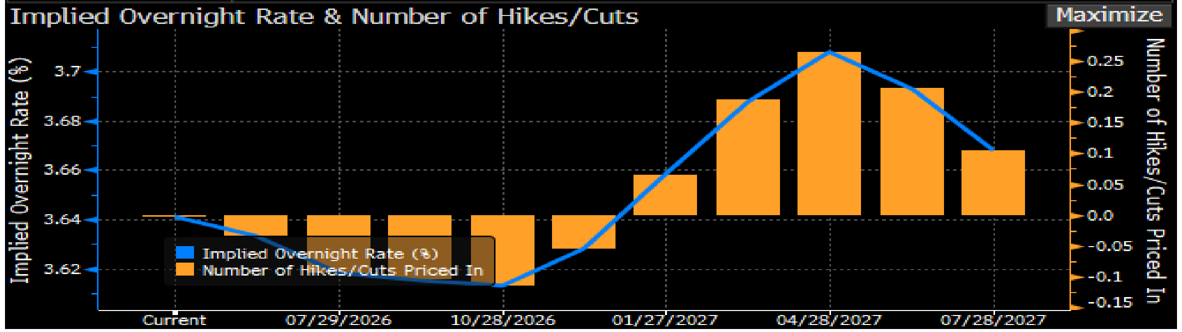
Fed Policy & Yield Curve

Bloomberg WIRP

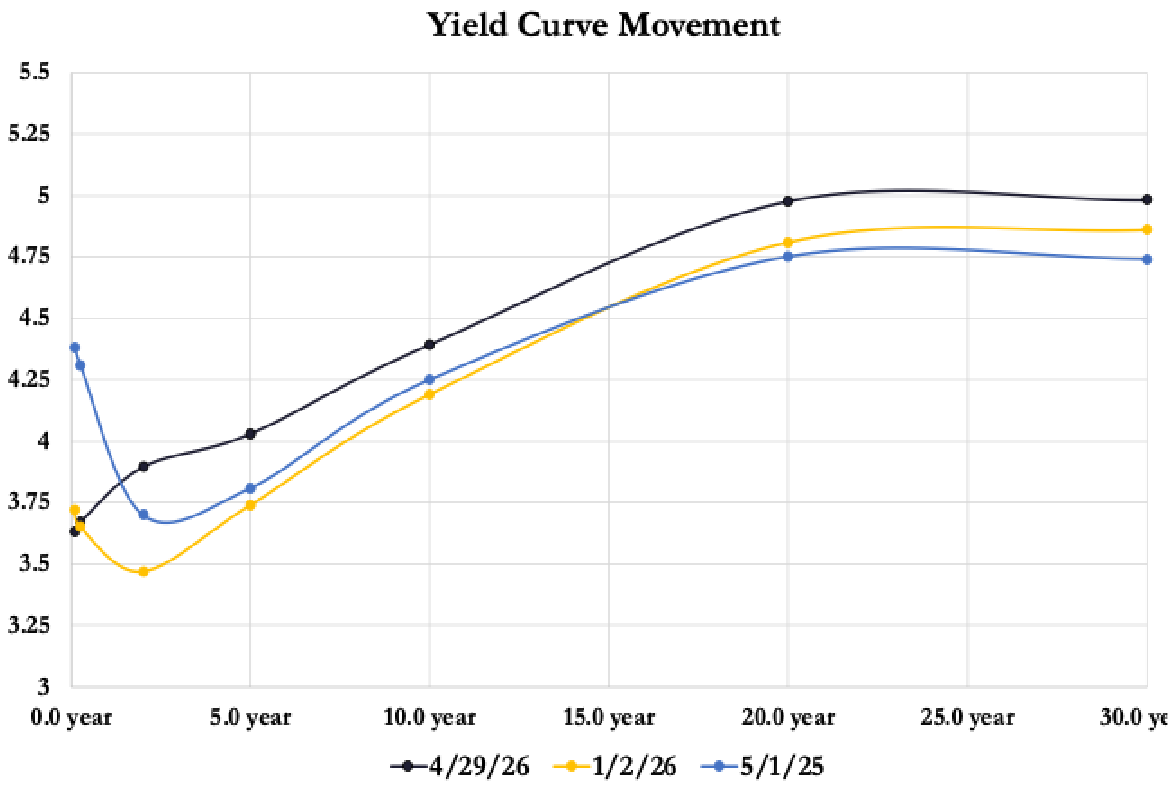
Region: United States »
Instrument: Fed Funds Futures »

Target Rate	3.75	Pricing Date	04/30/2026
Effective Rate	3.64	Cur. Imp. O/N Rate	3.641

Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate	A.R.M.
06/17/2026	-0.033	-3.3%	-0.008	3.633	0.250
07/29/2026	-0.095	-6.2%	-0.024	3.618	0.250
09/16/2026	-0.105	-1.0%	-0.026	3.615	0.250
10/28/2026	-0.115	-1.0%	-0.029	3.613	0.250
12/09/2026	-0.054	+6.1%	-0.014	3.628	0.250
01/27/2027	+0.065	+11.9%	+0.016	3.658	0.250
03/17/2027	+0.189	+12.4%	+0.047	3.688	0.250
04/28/2027	+0.265	+7.6%	+0.066	3.708	0.250
06/09/2027	+0.206	-5.9%	+0.052	3.693	0.250
07/28/2027	+0.105	-10.1%	+0.026	3.668	0.250



Current vs Historical Yield Curves



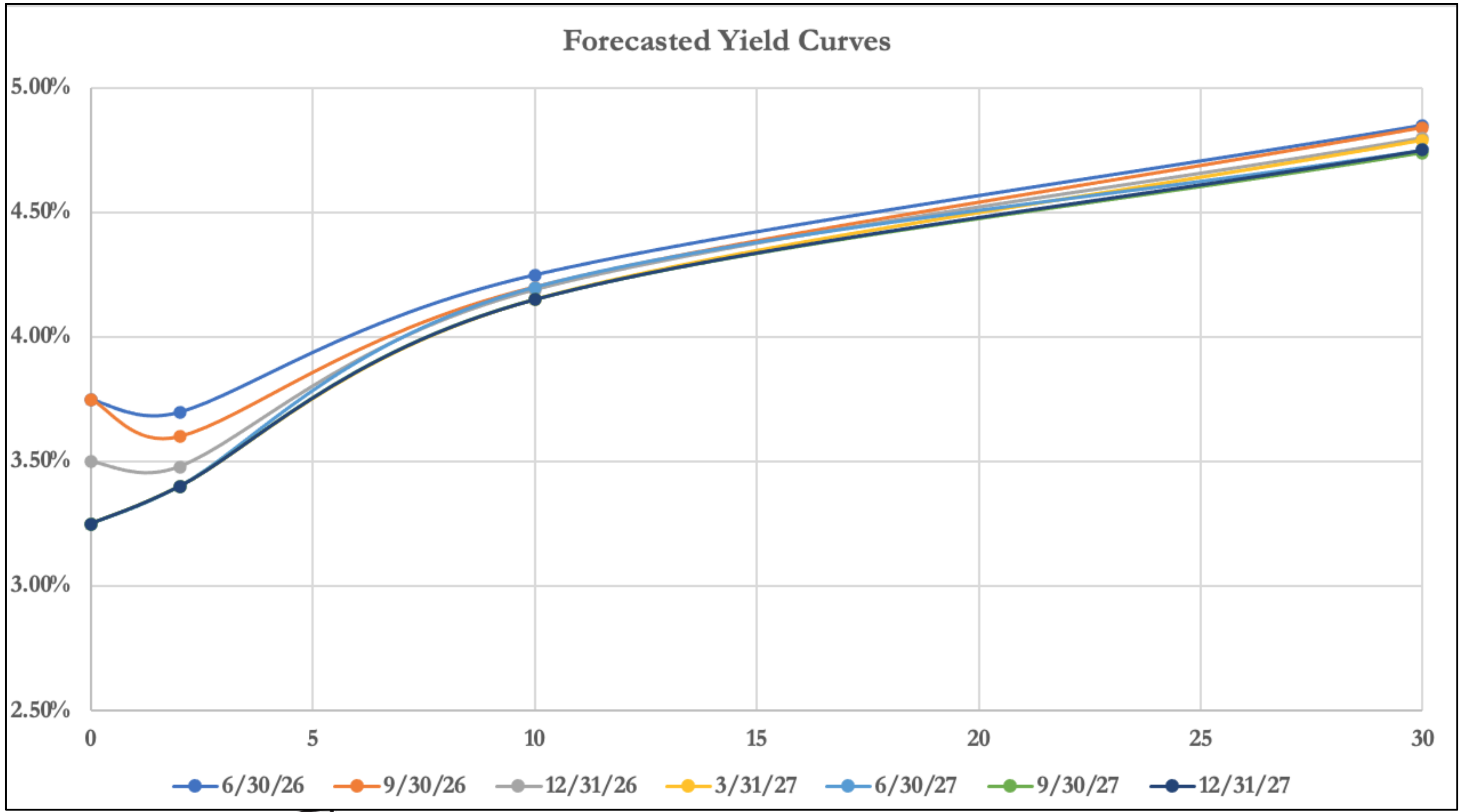
- Essentially no movement priced in through mid 2027
- Markets are now implying there is a small potential for a hike if inflation worsens

- Yield curve is steepening
- 2- and 5-year rates are up considerably from the beginning of the year

Rate Survey & Yield Curve Forecasts

Meeting Date:	April 29	June 17	July 29	Sept. 16	Oct. 28	Dec. 9	Jan. 27	March 17	April 28	June 9
	2026	2026	2026	2026	2026	2026	2027	2027	2027	2027
Fed funds target, higher bound	3.75%	3.75%	3.75%	3.75%	3.50%	3.50%	3.50%	3.25%	3.25%	3.25%
Previous survey	3.75%	3.75%	3.75%	3.50%	3.50%	3.25%	3.25%	3.25%	3.25%	3.25%
Difference	0.00	0.00	0.00	0.25	0.00	0.25	0.25	0.00	0.00	0.00

- Yield curve returning to normal, signal of expansion
- Long term rates remain high, changes in short term expectations and indicators will dictate Fed decisions



Duration Strategy

Sector	IC Fixed Income	Bloomberg AGG
Corporate Bonds	49.9%	25%
Mortgage-Backed	12.6%	26%
Government Bonds	19.4%	46%
Convertible Bonds	2.9%	0%
Emerging Markets	7%	0%
Inflation-Protected	8%	0%

Duration & Credit Quality	
AGG Effective Duration	5.76 yr.
South Hill Fund Effective Duration	3.28 yr.
AGG Average Credit Quality	AA+
South Hill Fund Average Credit Quality	AA-

Extend Duration

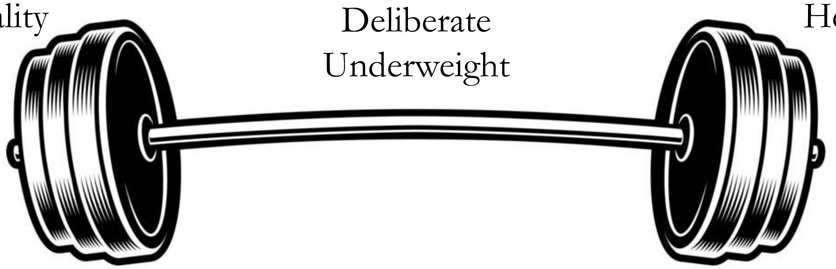
- Purchase 10+ year treasuries or other investment-grade bonds (MBS)
- Exit short-term holdings, sell short-term corporates + buy longer bonds
- Buy treasury futures or zero-coupon bonds

Barbell Strategy

Short End: Reinvestment Optionality

Middle: Deliberate Underweight

Long End: Recession Hedge



Recommendations

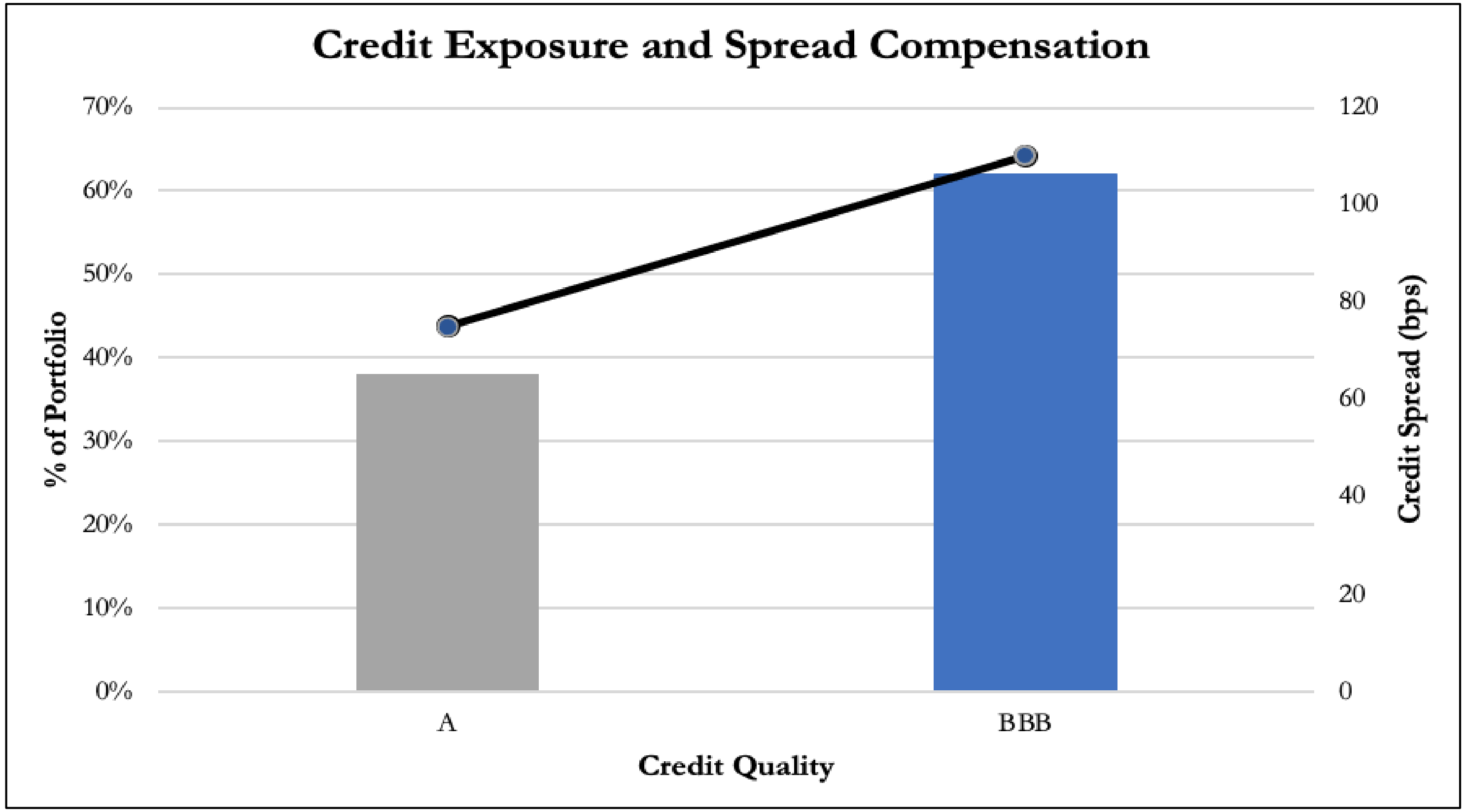
Reposition Duration (Barbell Approach)
Increase long-duration exposure and maintain short-end flexibility

Reduce Rate-Sensitive Concentration
Trim short-term corporates; monitor MBS

Position for Macro Uncertainty
Prepare for both persistent inflation and recession risk

Maintain High Credit Quality
Keep investment-grade focus; let duration drive returns

Thank You!



Credit Exposure and Spread Compensation
70%
60%
50%
40%
30%
20%
10%
0%
% of Portfolio
120
100
80
60
40
20
0
Credit Spread (bps)
A
BBB
Credit Quality