

OVERVIEW

Fixed income markets recorded moderate performance during the second quarter, with yields hitting year-to-date highs as inflation concerns were rekindled. However, yields ended the quarter near the middle of their recent trading range as Treasury yields closed the quarter modestly higher, with the 10 year benchmark yield at 4.40%. The 2s/10s Treasury curve remains inverted, having been so now for 2 full years.

We feel a range-bound market is thematic for the foreseeable future due to a highly data-dependent Federal Reserve, and somewhat mixed, but generally solid economic data. Inflation readings began the year higher, although they have moderated in the second quarter. The labor market continues to show strength, but has been slowly cooling from tight conditions over the last couple of years. Financial and credit conditions are now quite favorable, and liquidity still looks to be more than abundant, particularly considering some moves in more speculative areas of markets.

The Federal Reserve most recently projected they will cut their funds rate 1 or 2 times this year, based on the distribution of members' estimates. This falls in line with our expectations coming into the year that as economic data gradually cooled due to the lagged effects of prior policy tightening, the Fed would more likely have the flexibility to cut toward the end of this year. We continue to believe that the Fed does not want to maintain what they feel is a very restrictive policy for too long and risk a sharp economic slowdown. As the Fed wants to see more evidence of

inflation cooling to justify cuts, incoming readings will be highly influential to near-term monetary policy.

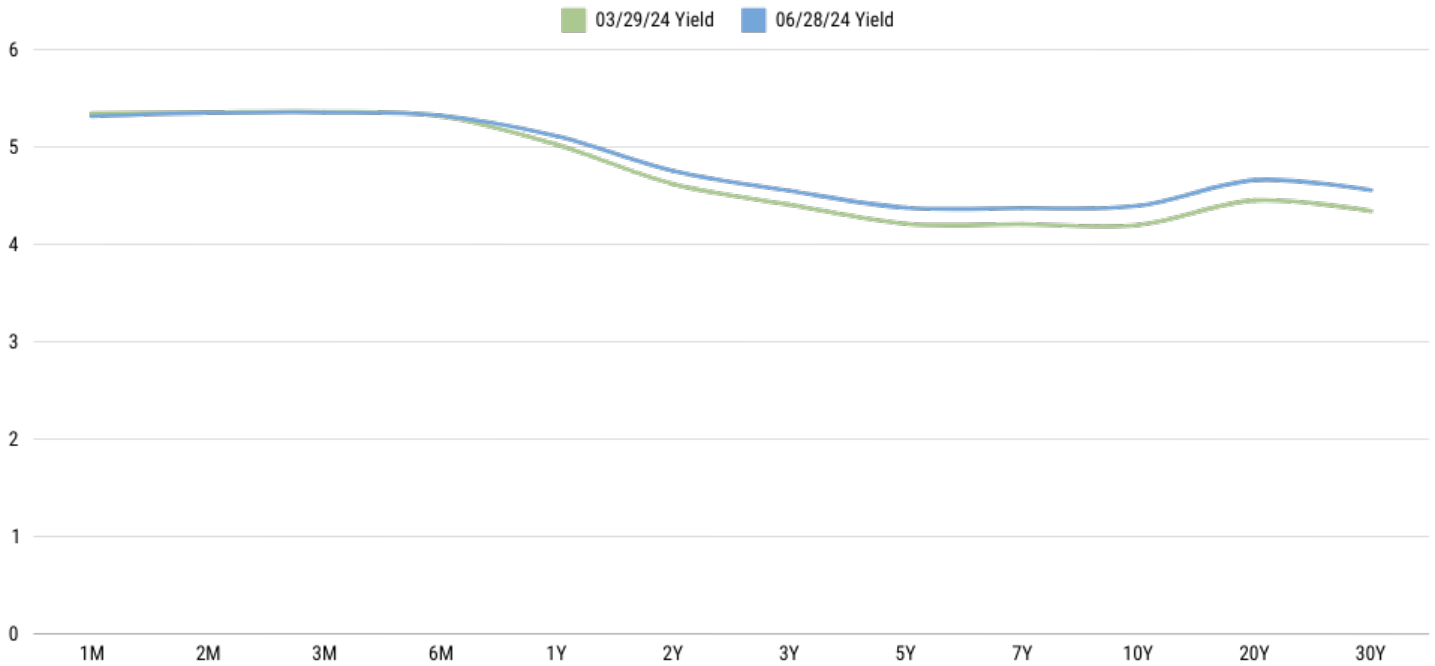
Investment grade corporate spreads were little changed during the quarter, amidst robust issuance, ending the quarter slightly wider at +94bps. The story was similar in high yield credit, with those spreads widening marginally to +309bps. Strong demand from investors, in addition to a solid fundamental backdrop, have supported the corporate market even as issuance is on its strongest pace since 2020.

We have maintained a corporate sector focus in our strategies, but corporate spreads at historically tight levels currently present a less favorable risk/reward profile. As a result, we have gradually increased our weighting in government bonds. We continue to position portfolios with an overweight to duration, and relatively balanced yield curve positioning.

SAMPLE FIXED INCOME PORTFOLIO - TOP CORPORATE BOND HOLDINGS BY SECTOR

Communications:	Verizon
Consumer Discretionary	DR Horton, Lowe's
Consumer Staples:	Church & Dwight, Kroger
Financials:	Bank of America Corp., Bank of New York Mellon Co., JPMorgan Chase & Co
Healthcare:	CVS Health Corp, Elevance, Quest Diagnostics
Industrials:	Eaton, Parker-Hannifin Co
Materials	PPG Industries
REIT:	Equinix
Technology:	Hewlett Packard Enterprise
Utilities:	American Water Works, Duke Energy

YIELD CURVE



MEET THE TEAM



Jeff Hibbeler, CFA Sr. Portfolio Manager

Jeff joined Exencial Wealth Advisors in 2018 as a Senior Portfolio Manager for Fixed Income. He brings an extensive fixed income background and over 20 years of experience in the investment management industry. Previous to joining Exencial, Jeff was a Portfolio Manager for 11 years on the Core Fixed Income Team for Columbia Threadneedle Investments, managing portfolios for high-net-worth and institutional clients. Prior to his fixed income role, Jeff was the Institutional Performance Measurement Manager for a predecessor organization of Columbia Threadneedle, where he was responsible for managing performance reporting and attribution analysis across all investment platforms. Jeff began his career as a Performance Measurement Service Manager at Infovisa, Inc.

Jeff received a B.S. in Business Administration from Nebraska Wesleyan University, where he graduated with high distinction. Jeff holds the Chartered Financial Analyst designation and is a member of the CFA North Carolina Society.

Jeff and his wife, April, have two daughters and are active in their community primarily through their church and support of the Ada Jenkins Center, a not-for-profit organization helping those in poverty gain economic independence. Jeff has also coached for several seasons in the Cornelius-Davidson girls basketball league.

MEET THE TEAM



Michael Conerly, CFA Sr. Portfolio Manager

Michael joined Exencial Wealth Advisors in 2021 as a Senior Portfolio Manager for Fixed Income and brings over 20 years of experience in the investment management industry. Previous to joining Exencial, Michael was the Southeast Tax -Exempt Fixed Income Team Lead for Columbia Threadneedle Investments. Michael was also a Portfolio Manager for 14 years on the Tax-Exempt Fixed Income Team, managing individually tailored portfolios for high-net-worth clients. Prior to his Portfolio Manager role, Michael was a tax-exempt credit analyst covering various sectors. Michael began his professional career as a Mutual Fund Accountant at BISYS.

Michael received a B.S. in Business Administration with a concentration in Finance from The Ohio State University. Michael holds the Chartered Financial Analyst designation and is a member of the CFA North Carolina Society.

Michael and his wife, Peggy, have two sons and daughter. The family is active in Scouts BSA (formerly Boy Scouts of America) and supports the Paula Takacs Foundation, a non-for-profit organization that raises awareness and funds for sarcoma cancer research and clinical trials.

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All performance returns reflect the reinvestment of dividends and other earnings and the deduction of Exencial's investment advisory fee. Exencial's investment advisory fees are described in Part 2A of its Form ADV. Clients may also incur other transactions costs such as brokerage commissions, custodial costs, and other expenses which are not reflected in the performance returns. Actual client accounts utilizing the Fixed Income Strategy may experience different weightings and allocation and as such, the performance of a specific individual client account may vary substantially from the Fixed Income Strategy results. Exencial may depart from its strategic asset class allocations for particular strategies and allocate more or less to any asset class, or to other asset classes, in an attempt to add to the portfolio's overall returns. Exencial makes no representations that the results presented herein reflect the typical experience of an Exencial client nor that current or prospective clients will experience similar results in comparable situations. The Fixed Income Strategy holdings listed herein do not represent all of the securities purchased, sold, or recommended for clients during the reflected time period. Information on the methodology used to calculate the performance and a list reflecting the contribution of each holding in the Fixed Income Strategy Composite's overall performance during the time period, is available upon request. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment or investment strategy will be profitable or equal the results portrayed herein. Information presented herein is subject to change without notice and should not be considered as a solicitation to buy or sell any security. Comparison of the Fixed Income Strategy to the various indexes set forth above is for illustrative purposes only and the benchmarks have not been selected to represent the most appropriate or comparable benchmark with which to compare the Fixed Income Strategy performance, but rather to allow for comparison of the Fixed Income Strategy's performance with well known and widely recognized benchmark indexes. It is not possible to directly invest in an index, as indices are unmanaged, hypothetical vehicles that serve as market indicators and do not account for the deduction of investment management fees or transaction costs generally associated with investable products, which otherwise have the effect of reducing the performance of an actual investment portfolio. The securities held in clients' accounts following a particular strategy and the Fixed Income Strategy may differ significantly from the securities included in a benchmark index, and the volatility of the securities may differ significantly from that of the benchmark index. A description of each index is available from us upon request. References to specific securities are presented principally to illustrate the firm's investment methodology or approach and are not being referenced to demonstrate Exencial's performance or investment results. Exencial is under no obligation to hold any equity position for any time period and Exencial's current recommendations are subject to change at any time without notice. A complete list of portfolio holdings and specific securities transactions for the preceding 12 months is available upon request. The information contained herein, while not guaranteed as to the accuracy or completeness, has been obtained from sources we believe to be reliable.

Treasury yields are yields on debt obligations issued by the U.S. government. U.S. treasuries can be purchased individually.

The Fed Funds Target Rate is the interest rate charged by one bank for an overnight loan of money stored at the Federal Reserve to another bank. A target range is sometimes designated by the FOMC along with the target rate during times of economic uncertainty. The target rate is often related to the risk-free rate of an economy.

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