

OVERVIEW

During the 3rd quarter 2023, the Fed's hiking cadence slowed from 10 sequential meeting hikes to a pause in June, hike of 25bps in July, and a pause in September bringing the upper bound of the Fed Funds Target Rate to 5.50%, a cumulative increase of 525 basis points since March 2022. The September quarterly Summary of Economic Projections (SEP) reduced future projected rate cuts by 50bps, conveying an expectation the Fed Funds rate will be "higher for longer". Where the Fed goes from here was best described by Chair Powell's September comment, that the Fed is 'guided by stars in a cloudy sky'.

On average, the lagged economic influence of rate hikes and tighter monetary policy takes approximately 2 years. The end of the 3rd quarter 2023 marks 18 months since the Federal Reserve began hiking interest rates, which means the 4th quarter will be a litmus test of the impact of higher rates on the real economy. Will unemployment be able to sustain historically low levels, or will companies begin reducing head count in order to protect margins and possibly tip the economy into recession? We believe that higher rates will result in future slower growth and could result in a recession.

Through August, the market's 'the recession is near' narrative kept rates in a trading range. However, enduring economic resilience changed that narrative to 'no recession' in early September, leading to higher rates as fixed income investors became 'tired' and lacked interest in buying dips. During September alone, the benchmark 10-year Treasury rate rose

46 bps out of the quarterly change of +73bps and ended the quarter at 4.57%. The oft cited 2's/10's curve began to reverse much of the inversion that began July 2022. The curve began the quarter at -105bps and ended at -47bps, a re-steepening of +58bps as longer rates demanded more compensation and rose more than shorter rates.

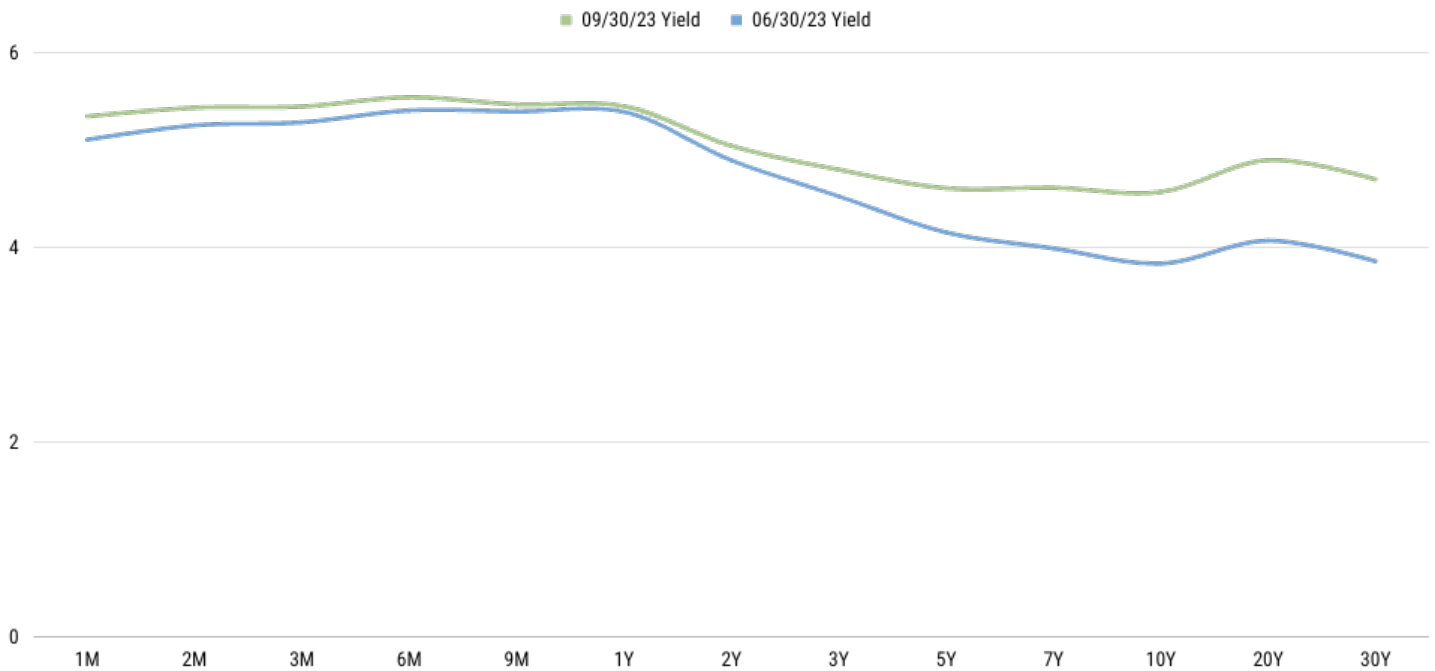
Investment grade corporate spreads remained behaved both quarterly and year-to-date as spreads barely moved, -2 basis points for the quarter and -6 year-to-date to +121 basis points. We consider this level as average to slightly tight and indicates the market is not yet concerned about corporate credit fundamentals in investment grade credits. High yield corporate spreads were also behaved and only widened 4bps in Q3 2023, totaling tighter spreads by 75bps year-to-date to 394 basis points.

We continue to strongly believe that an increase of 525bps in the Fed Funds Target Rate, and higher yields along the curve are tightening financial conditions, which will eventually lead to an increase in labor force slack and result in declining economic growth. Therefore, we are maintaining our increased government exposure in the form of Treasuries in anticipation of wider corporate spreads and have also moved to a balanced maturity stance along the curve, locking in higher yields out to 10 years. As yields reach highs not seen in 15+ years, we are wary of unanticipated consequences and believe US fixed income will retain flight to quality status in times of stress.

SAMPLE FIXED INCOME PORTFOLIO - TOP CORPORATE BOND HOLDINGS BY SECTOR

Communications:	Comcast, Verizon
Consumer Discretionary	Lowe's Co, Pepsico Inc
Energy:	Enbridge Inc
Financials:	Bank of America Corp., Bank of New York Mellon, Berkshire Hathaway Financial, CNA Financial, JPMorgan Chase & Co
Healthcare:	Amgen, Elevance Health
Industrials:	Raytheon, Trane Technologies
Materials	Nucor
REIT:	Healthpeak Properties, Prologis
Technology:	Hewlett Packard Enterprise
Utilities:	American Electric Power, Duke Energy, Xcel 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.

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