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INVESTMENT MANAGEMENT

INVESTMENT INSIGHTS MONTHLY COMMENTARY

Meeder Fixed Income Strategies

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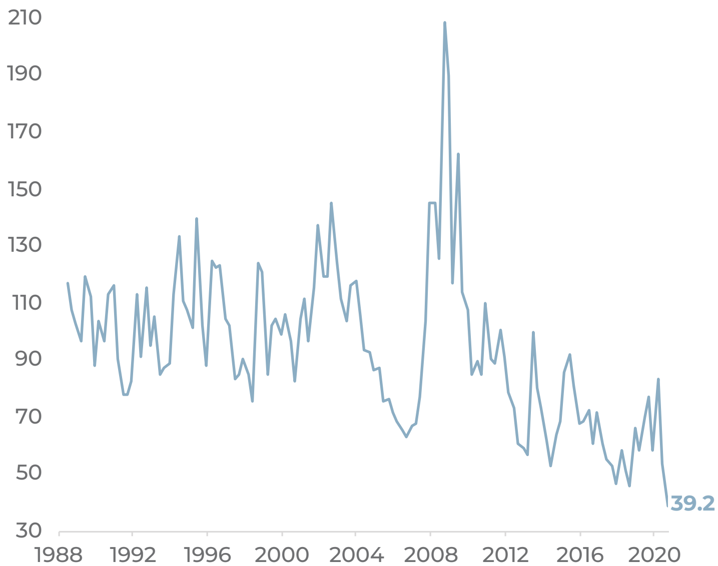
KEY TAKEAWAYS:

- U.S. Treasury rates hold steady as interest rate volatility gauge, MOVE Index, hits record low
- 30-year mortgage rates make new record lows and propel housing demand
- High-yield bonds lose momentum and high-quality bonds remain steady

INTEREST RATE VOLATILITY SUBSIDES AS U.S. TREASURY RATES REMAIN STABLE

U.S. Treasury rates remained largely steady during the month, as longer-maturity Treasuries saw a minimal rise in yields. The MOVE Index, which measures 30-day volatility for U.S. Treasury yields, reached an all-time low in September. In other words, Treasury rates experienced the lowest amount of movement since this volatility gauge was introduced in the 1980s. This index typically rises when the market is concerned that interest rates will shift significantly. The index has seen a steady decline since reaching its monthly high in early September. Interest rates have been supported by the Federal Reserve's commitment to keep rates low through at least 2023.

EXHIBIT A: MOVE INDEX: DECLINING INTEREST RATE VOLATILITY

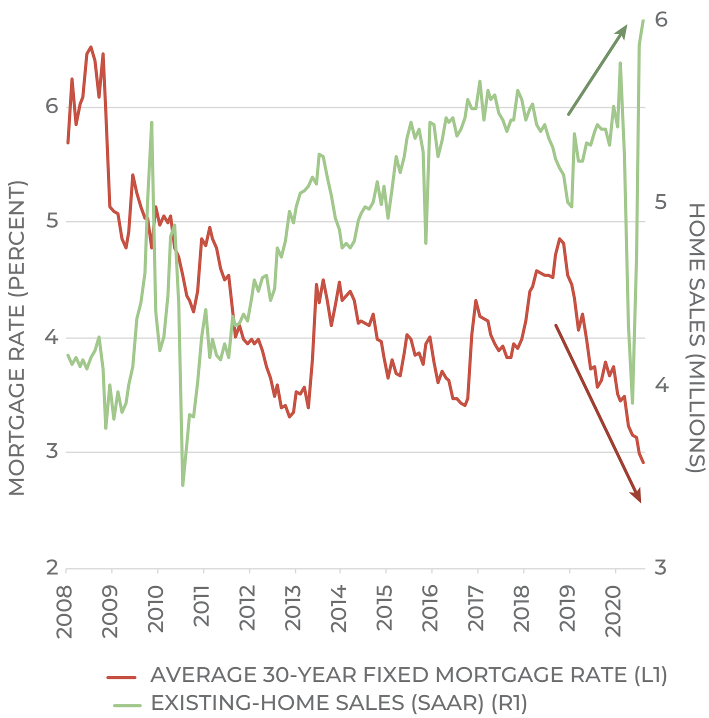


Source: Bloomberg

HOUSING MARKET GETS STRONGER AS MORTGAGE RATES DROP

The housing market has been one of the shining spots in the U.S. economy this year. Lower borrowing costs have continued to strengthen and propel U.S. sales of new and existing homes, both of which have continued to reach new highs since the global financial crisis. 30-year mortgage rates dropped to a record low of 2.86% in mid-September, marking its 9th record of lows since the coronavirus-related recession began this year.

EXHIBIT B: HOME SALES RISE AS MORTGAGE RATES MAKE NEW LOWS



Source: Bloomberg, National Association of Realtors, Freddie Mac

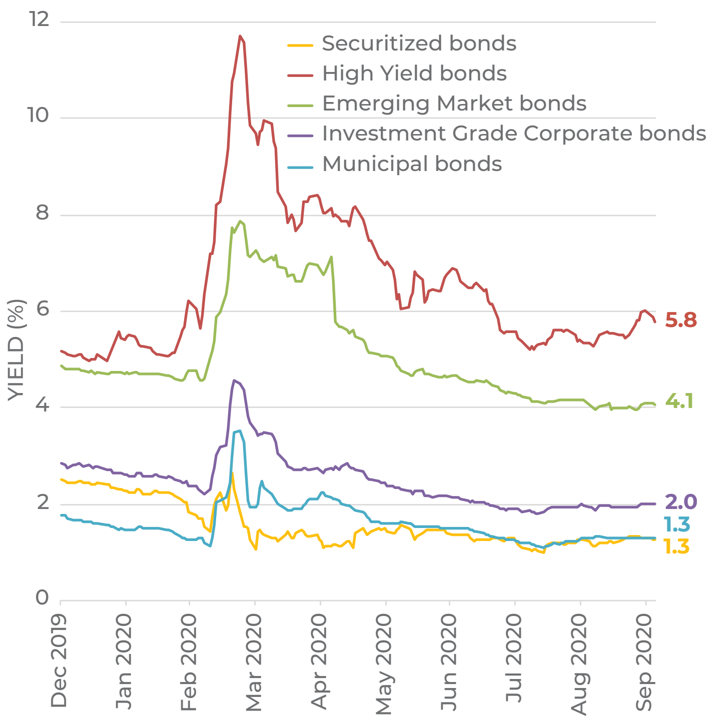
The Federal Reserve is in part to thank for the sector's resurgence and resilience. Fed Chairman Jerome Powell's remarks after their September meeting assured the markets that the benchmark lending rates will not rise until at least 2023, adding fuel to the already hot housing market.

HIGH-QUALITY PREVAILS AS HIGH-YIELD MOMENTUM FADES

Higher-quality and shorter-maturity bonds remained positive amid September's market decline, as shorter-maturity yields declined slightly. High-yield corporate bonds were one of the best performing fixed income asset classes in the third quarter, but they lost momentum last month as coronavirus-related concerns resurfaced, along with election uncertainty and the lack of any notable progress on the fiscal stimulus front. High-yield bonds recorded their first negative month since March, declining nearly 1% in September. Even though default rates are up this year, they remain contained to select segments of the market, namely energy and retail. We expect near-term volatility in high-yield bonds to persist until new fiscal stimulus bill is passed.

The spread of U.S. high-yield bonds, similar to U.S. Treasuries with the same maturity, increased in September. Yields on high-yield bonds have decreased significantly since March but are still higher than where they started the year, while yields across all other major fixed income asset classes have moved lower this year. U.S. high-yield bonds continue to be a source of higher income relative to other fixed income alternatives.

EXHIBIT C: YIELDS ACROSS ASSET CLASSES



Source: Bloomberg

PORTFOLIO POSITIONING AND PERFORMANCE

Our proprietary quantitative fixed income models recorded a decline in high-yield momentum, spread and currency factors, while the emerging market debt sector also exhibited weakness in momentum and currency factors. During the month of September, Meeder fixed income portfolios maintained the following positions:

OVERWEIGHT HIGH-YIELD CORPORATE BONDS

High-yield corporate bond positions were a detractor from performance in September as high-yield momentum slowed. These positions remain unchanged and have provided a higher level of income and positive attribution during the third quarter.

OVERWEIGHT USD-DENOMINATED EMERGING MARKET BONDS

This position was a detractor from performance as emerging market bonds recorded a decline last month. The U.S. dollar posted its first monthly gain in September since the coronavirus-related recession started in March.

U.S. TREASURIES AND INVESTMENT-GRADE BONDS

U.S. Treasury and Investment-grade bond positions were a positive contributor to performance relative to the Bloomberg Barclays Aggregate Bonds Index last month and during the third quarter.

DURATION POSITIONING

Meeder fixed income portfolios continued to maintain an intermediate-term duration of nearly 5.5 years during September, in line with their benchmark.

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Fixed Income asset classes are represented by the following indexes: Bloomberg Barclays US Corporate TR Value Index, Bloomberg Barclays US Corporate High-Yield TR Index, Bloomberg Barclays EM USD Aggregate TR Index, Bloomberg Barclays U.S. Securitized: MBS/ABS/CMBS and Covered TR Index, Bloomberg Barclays U.S. Municipal TR Index

MOVE Index: ICE BofA MOVE Index

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