MEEDER INVESTMENT MANAGEMENT

INVESTMENT INSIGHTS MONTHLY COMMENTARY

Meeder Fixed Income Strategies

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MARKET OVERVIEW AND OUTLOOK

The Federal Reserve's latest policy meeting last week reaffirmed the FOMC member's extensive support for a federal funds rate near-zero and it also extended seven of its nine emergency lending vehicles' deadlines from September 30th to the end of 2020. This deadline extension marks the Federal Reserve's continued assistance for market stability, thereby supporting the ongoing spread compression across all major fixed-income asset classes.

U.S. TREASURIES: LOWER AND FLATTER

The U.S. Treasury yield curve shifted lower and got flatter in July, as yields across all maturities continued to fall in July. The Fed's preferred inflation gauge, Core PCE, came in at just 0.9%, much lower than their perceived rate-increase threshold of 2%. This further helped longer-maturity Treasury yields decline more than the shorter-maturity yields.

U.S. INVESTMENT-GRADE CORPORATE BONDS: SPREAD NORMALIZATION AND LOWER ISSUANCE

Investment-grade credit spreads continued to decline in July and U.S. corporate bonds presented one of the best opportunities as investors continued their search for yield in high quality asset classes. However, average yield on investment-grade corporate bonds fell below 2% in July, for the first time ever. U.S. corporations pared back their borrowing spree in July, as the issuance dropped to $76 billion, after a record corporate bond issuance of $200 billion in each month from March through June this year.

OUTLOOK

Investment-grade corporate bonds will continue to benefit from further spread normalization as their demand remains strong, but issuance is expected to remain low for the remainder of 2020.

HIGH-YIELD CORPORATE BONDS: YIELD ADVANTAGE AND BACK TO POSITIVE

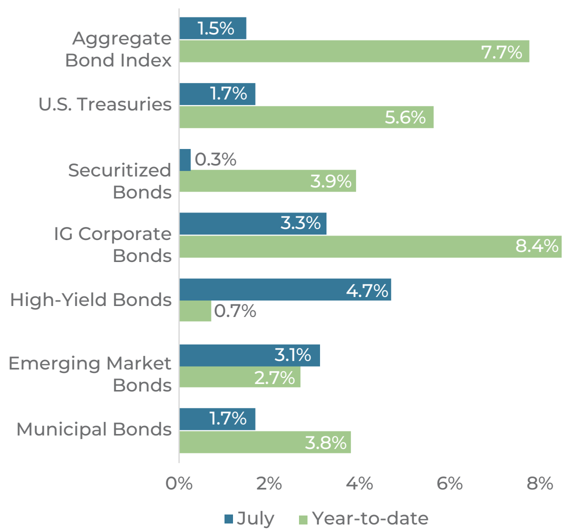
According to ICE Data Services, as much as 20% of global bond yields are below 0% today and nearly 85% are yielding below 2%. High-yield bonds have attracted yield-starved investors to the asset class with a yield near 5.5%, even as default rates have increased.

July marked the sector's best monthly return since 2011. High-yield bonds have seen an impressive 23% gain in the months following the Federal Reserve's March 20th actions to support lending in the markets, wiping a loss of 19.1% in the COVID-19 pandemic related market volatility period. July's strong performance has helped high-yield bonds turn positive for the year.

OUTLOOK

High-yield default rates are expected to increase in the following months as distressed companies continue to feel effects of the ongoing COVID-19 pandemic. Narrow sector spreads leave less room for appreciation. Higher credit quality companies in the asset class could fare better.

COVID-19 VOLATILITY RELATED LOSSES RECOVERED



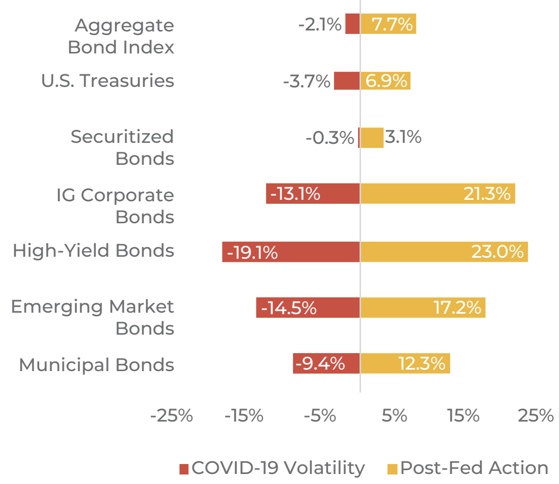
U.S. DOLLAR AND EMERGING MARKET DEBT: THE DOLLAR'S DECLINE

The U.S. dollar dropped to its 2-year low in July due to low economic growth expectations and extremely loose U.S. monetary policy. Debt issued by emerging market countries and corporations benefitted from a weaker dollar as their servicing costs were reduced.

OUTLOOK

Emerging market debt could continue to strengthen from an increase in capital flows, if the U.S. dollar stays weaker, as investors continue their search for income.

ASSET CLASS RETURNS



PORTFOLIO POSITIONING AND PERFORMANCE

Meeder Fixed Income portfolios maintained the following allocations during the month:

+ OVERWEIGHT INVESTMENT-GRADE CORPORATE BONDS RELATIVE TO U.S. TREASURIES

- This position was a contributor to performance.
- Spread narrowing across corporate bonds made them relatively more attractive over U.S. Treasuries.

+ OVERWEIGHT HIGH-YIELD CORPORATE BONDS AND U.S. DOLLAR-DENOMINATED EMERGING MARKET DEBT

- Core-plus sectors were a strong driver of our portfolios' performance during the month.
- High-yield spreads have dropped below their 20-year average of 5.5% helping sector performance.
- The U.S. dollar's decline has helped USD-denominated emerging market bond holdings.

– DURATION POSITIONING:

- Our portfolios maintained a duration of 5.5 years, in line with the market benchmark. U.S. Treasury positions detracted from portfolios' overall relative performance in July as longer maturities rallied during the month.

OUR TOP POSITIONS

+ Investment-Grade Corporate Bonds
+ High-Yield Corporate Bonds
+ Emerging Market Bonds (USD)

MEEDER FIXED INCOME ALLOCATIONS

- Meeder Total Return Bond Fund
- Meeder Conservative Allocation Fund
- Meeder Moderate Allocation Fund
- Meeder Balanced Fund
- Meeder Global Allocation Fund

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Data Sources: Bloomberg, Meeder Investment Management, Financial Times/ ICE Data Services

COVID-19 volatility period: 02/21/2020–03/20/2020

Post-Fed Action period: 03/23-2020–07/31-2020

Year-to-date data as of 07/31/2020

Fixed Income asset class data is represented by the following indexes: Bloomberg Barclays US Agg Total Return Value Unhedged USD, Bloomberg Barclays US Corporate Total Return Value Unhedged USD, Bloomberg Barclays U.S. Securitized: MBS/ABS/CMBS and Covered TR Index Value Unhedged USD, Bloomberg Barclays US Corporate High Yield Total Return Index Value Unhedged USD, Bloomberg Barclays EM USD Aggregate Total Return Index Value Unhedged USD, Bloomberg Barclays US Aggregate: Government-Related Total Return Unhedged USD, Bloomberg Barclays Municipal Bond Index Total Return Index Value Unhedged USD.

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