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BRAMSHILL INSIGHTS

Liquid Opportunities in Uncorrelated
Fixed Income Asset Classes

801 LAUREL OAK DRIVE STE 300 • NAPLES, FL 34108 • 239.920.7310

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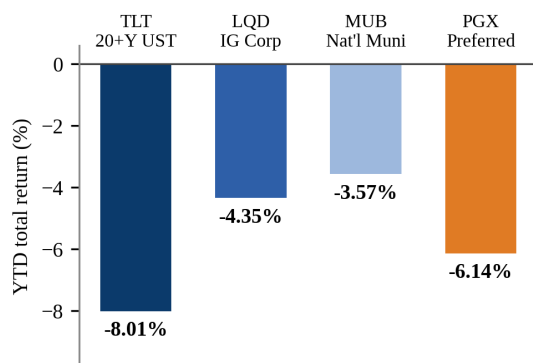
After one of the most difficult quarters for bond investors, yields have reset to levels that have not been available in well over a decade. Nominal and real yields are compelling, while credit spreads at the index level remain tight. This combination argues for selectivity: capturing today's higher rates without being paid too little for credit risk. In this edition of Bramshill Insights, we review the market backdrop and highlight four liquid, relatively uncorrelated pockets of fixed income where we believe yield, structure, and technicals offer the most attractive risk-adjusted opportunity.

A Difficult Year for Fixed Income

Through September 30, the 10-year U.S. Treasury yield has climbed more than 110 basis points year-to-date, from roughly 4.2% to 5.29%, while the 30-year Treasury now yields 5.64%. Long-duration assets have borne the brunt. The iShares 20+ Year Treasury Bond ETF (TLT) has returned -8.01% year-to-date, the iShares iBoxx \$ Investment Grade Corporate Bond ETF (LQD) -4.35%, the iShares National Muni Bond ETF (MUB) -3.57%, and the Invesco Preferred ETF (PGX), which tracks fixed-rate preferred securities, -6.14%.

The common driver has been a sharp repricing across the Treasury curve, as a perfect storm of commodity price increases, increased supply (AI CapEx spend), surprising US growth, and world bond yields have kept upward pressure on yields. Positive-carry income has been overwhelmed by price declines across nearly every duration-sensitive sector, and the usual diversification between bonds and other risk assets has been tested.

Benchmark Fixed Income ETFs: YTD Total Return



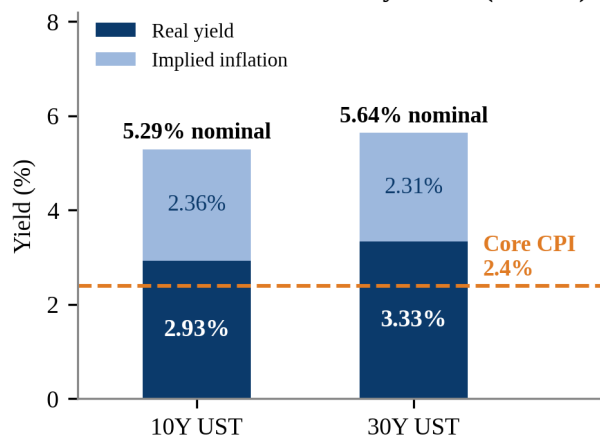
Source: Bloomberg. Total returns from 12/31/25 through 9/30/26. TLT = iShares 20+ Year Treasury Bond ETF; LQD = iShares iBoxx \$ Investment Grade Corporate Bond ETF; MUB = iShares National Muni Bond ETF; PGX = Invesco Preferred ETF (ICE BofA Core Plus Fixed Rate Preferred Securities Index).

From Pain to Opportunity

The same repricing that hurt returns has materially improved the forward-looking opportunity. The 10-year Treasury now offers a real yield of roughly 2.9%, and the 30-year roughly 3.3%, the highest real yields available since the 2008 financial crisis. Inflation, while the subject of much debate and measured many ways, has been moderating beneath the surface: core CPI rose 2.4% year-over-year in August, its smallest annual increase since 2021, while headline CPI (3.4%) has been inflated by energy prices.

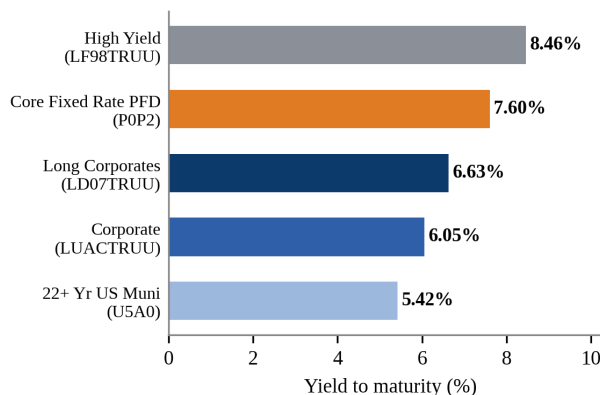
With core inflation near 2.4%, today's nominal yields translate into meaningfully positive real income across fixed income. Benchmark index yields now sit at approximately 8.5% for high yield, 7.6% for core fixed-rate preferreds, 6.6% for long-duration investment grade corporates (6.1% for the broader investment grade corporate index), and 5.4% for long-maturity (22+ year) municipals.

Nominal vs. Real Treasury Yields (9/30/26)



Source: Federal Reserve H.15 (nominal and real constant-maturity yields, 9/30/26); BLS (core CPI, August 2026). Implied inflation = nominal yield less real yield.

Index Yields Across Fixed Income Sectors



Source: Bloomberg, yield to maturity as of 9/30/26. LF98TRUU = Bloomberg U.S. Corporate High Yield; P0P2 = ICE BofA Core Fixed Rate Preferred Securities; LD07TRUU = Bloomberg U.S. Long Corporate; LUACTRUU = Bloomberg U.S. Corporate; U5A0 = 22+ Year U.S. Municipal.

Attractive Yields, Tight Spreads: Where We Focus

Our quantitative models confirm that nominal and real yields are attractive by historical standards. However, they also show that credit spreads remain tight at the index level (the LQD index option-adjusted spread, for example, is only about 86 basis points). We therefore are not reaching for yield through credit risk. Instead, we concentrate on sub-asset classes where the yield is attractive and spreads are not tight, even if the broader index appears fully valued. Where market structure, investor base, or security design cause mispricing, we find the most compelling opportunities. In practice, that means owning securities that are cheap relative to comparable risk elsewhere in the market, rather than owning the broad indices. The four areas below are each liquid, relatively uncorrelated to traditional fixed income benchmarks, and in our view offer attractive yield with a margin of safety.

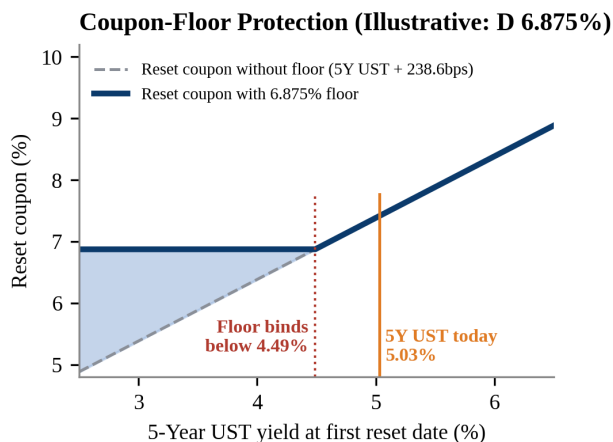
Attractive Opportunities

- **Junior subordinated utility hybrids with coupon floors**
- **\$25-par “baby bonds”** trading cheap to institutional equivalents
- **Municipal closed-end funds** at discounts to NAV
- **Low-dollar-price, low-coupon, long-duration investment grade**

1. Junior Subordinated Utility Hybrids with Coupon Floors

Most subordinated fixed-to-reset securities issued in today’s tight-spread environment carry low reset spreads, and in many cases we believe investors are not compensated for the extension risk that comes with them. If front-end yields fall and the curve normalizes, structures with low resets could trade to an extension price. Specific features can ameliorate that risk, and the most valuable of these is a **coupon floor**.

Dominion Energy’s 6.875% junior subordinated notes due 2055 (D 6.875%) are a useful example. They reset in February 2030 at only +238.6 basis points over the 5-year Treasury, a low spread by historical standards. However, the coupon cannot reset below 6.875%. The floor binds only if the 5-year Treasury yield falls below approximately 4.49% at reset; with the 5-year Treasury at 5.03% today, the implied reset coupon is 7.42%. In a lower-rate scenario, the security continues to deliver strong current income, while in a higher-rate scenario the coupon floats up to match. Our position is in a BBB-rated junior subordinated structure, and the main risks are extension, if the notes are not called despite the issuer’s incentive to call in order to preserve equity credit, and price pressure if prevailing market yields rise relative to the current coupon.



Source: Bramshill analysis; security terms per Bloomberg (reset spread +238.6bps over 5Y UST; 6.875% coupon floor; first reset 2030). Illustrative; not a forecast. 5Y UST 5.03% per Bloomberg (10/8/26).

We also like the underlying Dominion credit. Following its recent business review, Dominion is running a much leaner business, having sold non-core assets (its gas local distribution companies and LNG business), reduced the share of total debt carried at the holding company, and de-risked its commercial offshore wind project through a cost-sharing agreement with Stonepeak. The company is well positioned to benefit from data center demand, as its key service territory in Northern Virginia sits in “data center alley,” a market larger than the next five U.S. markets combined, and its utility subsidiary, Virginia Electric and Power Company (VEPCO), operates in a constructive regulatory environment. In May 2026, Dominion also

announced a merger with NextEra Energy (NEE), one of the largest utilities in the U.S. NEE is expected to guarantee Dominion’s debt, so assuming the deal closes in the second half of 2027, we expect Dominion’s credit rating to be raised one notch, in line with NEE.

At a price of 100.66, D 6.875% yields 6.63% to its 11/3/2029 workout date, a spread of approximately 171 basis points over Treasuries, as shown below.

D 6 % 02/01/55 (25746UD13)				Coupon Schedule			
Spread	171.36 bp	vs	14 % 09/15/29	Fix Coupon	6.8750	Pay Date	Frequency
Price	100.658	G.P.	101.937		6.8750	08/01/2024	2.0000
Yield	6.634	Call			6.8750	02/01/2030	2.0000
Wkout	11/03/2029	e	100.00	Contributed	4.920	S/A	
Settle	10/08/26				10/08/26		
Spread Quoted				Coupon Method			
11 G-Spr				Default Swap curve is used for projecting future...			
12 I-Spr				Benchmark			
13 Basis				Float Frequency			
14 Z-Spr				Assumed Cpn			
19 ASW				First Floater Fix Date			
Calculate OAS				Maturity Date			
				Floor			

Source: Bloomberg YAS, D 6 7/8 02/01/55, settle 10/8/26.

We view these structures, issued by solid investment grade utilities, as an attractive use of capital. Utilities benefit from regulated, defensive cash flows, and agency equity credit (typically 50% for hybrids with long final maturities) gives issuers an incentive to call at the first reset date, when equity treatment is lost.

2. Baby Bonds: Corporate Debt Trading Alongside Preferreds

“Baby bonds” are corporate bonds issued in \$25 par increments and listed on an exchange. Unlike traditional preferred stock, they span the capital structure: some are senior secured, some senior unsecured, and others junior subordinated. Because they share a \$25 par denomination and are included in many of the \$25-par preferred indices and ETFs, they are frequently traded, and priced, alongside preferreds by a largely retail buyer base.

This creates a persistent inefficiency. A senior unsecured baby bond can dislocate and trade cheap relative to a *pari passu* senior unsecured bond of the same issuer, in the same capital structure, that trades in the institutional market. The credit risk is identical, but the yield is not. Index-driven flows and retail ownership, rather than fundamentals, often set the price. The effect is often most pronounced around month-end: when ETFs and mutual funds experience large outflows, the resulting selling frequently shows up as VWAP selling pressure throughout the day and market-on-close sell orders, which put further pressure on many of these securities regardless of fundamentals.

Ford Motor Company offers a clear example. Its 6.00% baby bond due 12/1/2059 (F 6 12/01/59) trades at \$18.32 and yields 8.50%, a spread of +281 basis points over Treasuries. By comparison, two *pari passu* senior unsecured Ford bonds trading in the institutional market, the 7.70% due 5/15/2097 and the 5.291% due 12/8/2046, yield 7.59% and 7.65%, at spreads of +191 and +193 basis points. The baby bond offers roughly 85–90 basis points of additional yield and spread for the same issuer and the same claim in the capital structure, with a duration (11.3) between that of the two institutional bonds (12.7 and 10.8).

	F 6% 2059 (Baby Bond)	F 7.70% 2097	F 5.291% 2046
CUSIP	345370837	345370BS8	345370CS7
Format	\$25 par, exchange-listed	Institutional	Institutional
Ranking	Senior unsecured	Senior unsecured	Senior unsecured
Maturity	12/01/2059	05/15/2097	12/08/2046
Price	18.32	101.45	75.93
Yield to worst	8.50%	7.59%	7.65%
Spread to UST (bps)	281	191	193
Mod. duration	11.27	12.73	10.77
Convexity	2.26	3.26	1.72

Source: Bloomberg, 10/8/26 settle. Yield shown is yield to worst. Spread is G-spread to interpolated Treasury.

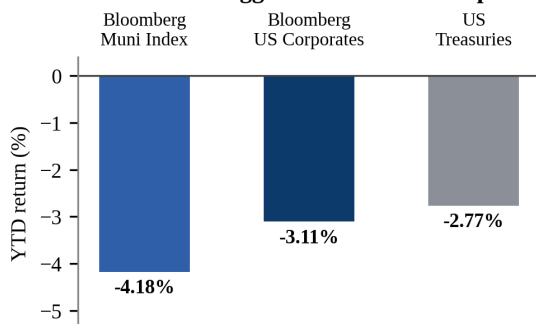
3. Municipal Closed-End Funds

Municipals have been among the hardest-hit sectors. The Bloomberg Municipal Index fell 4.36% in September alone and is down roughly 4.2% year-to-date, lagging both Treasuries and corporates, as technical pressure and a volatile Treasury market weighed on prices. The result is a market that screens attractive: yields on the long end exceed 5%, and municipal-to-Treasury yield ratios are above 93%, close to two standard deviations cheap relative to history. For an investor in a high-tax state and the maximum tax bracket, a 5.5% municipal yield translates to a taxable-equivalent yield of approximately 10%.

High Grade Muni Yields (%)										
	3-Year Yield Range			Z-Scores			Historical Averages			
	Current	3Y Min	3Y Max	1Yr	3Yr	1Yr	3Yr	5Yr	10Yr	
2yr	3.38	2.00	3.70	4.07	2.27	2.42	2.64	2.41	1.70	
5yr	3.56	2.10	3.84	3.42	3.20	2.57	2.64	2.43	1.82	
10yr	3.97	2.28	4.23	3.19	3.26	2.98	2.94	2.69	2.19	
20yr	4.76	3.08	4.97	3.85	2.61	4.00	3.81	3.42	2.81	
30yr	5.07	3.40	5.20	3.67	2.70	4.35	4.10	3.67	3.02	

Source: J.P. Morgan, as of 9/30/26. Z-scores measure current yield relative to trailing 1-year and 3-year history; 3-year range shows minimum to maximum, with dot = current yield.

Munis Have Lagged Treasuries & Corporates YTD



Source: Bloomberg Municipal Index, U.S. Treasury and U.S. Corporate indices, year-to-date through 9/30/26, as reported by The Bond Buyer.

Within the muni universe, we find **closed-end funds** (CEFs) especially interesting. Many are trading at 7–10% discounts to net asset value, so investors acquire the underlying bonds at a discount and with a higher distribution rate. We focus on funds with strong earnings power and a

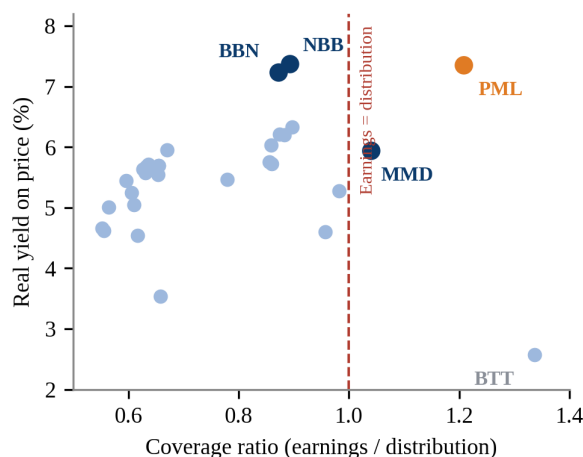
healthy undistributed net investment income (UNII) cushion, indicating that the distribution is well covered and protected.

To separate the best opportunities from the pack, we run a quantitative model across 31 municipal CEFs. Rather than rank funds on headline distribution rates, which can include return of capital, the model measures the yield each fund actually earns on the price paid, and then layers in distribution coverage, UNII cushion, discount to NAV (both absolute and relative to the fund's own history), and duration and leverage risk.

The model identifies the PIMCO Municipal Income Fund II (PML) as a favorable security, and it currently ranks #1 in our universe. Among the factors that screen attractive:

- **Earned yield:** PML's real yield on price is 7.4%, one of only three funds in the universe above 7% (the median is 5.7%).
- **Distribution coverage:** Earnings cover the distribution 1.21x. Only three funds cover their payout at 1.0x or better; the median is 0.66x.
- **UNII cushion:** PML is earning roughly \$0.10 per share per year more than it distributes. Its UNII balance is modestly negative (-\$0.04 per share), but at the current pace the over-earning would rebuild that cushion in about five months.
- **Valuation:** PML trades at an 8.8% discount to NAV, about 4.7 points wider than its own two-year average discount of 4.2%.

Muni CEF Universe: Earned Yield vs. Coverage



Source: Bramshill CEF model; Bloomberg. Real yield = lesser of distribution yield and earnings yield on price. EPS as of 8/31/26; price and NAV as of 10/6/26.

PML is not without risk. Its duration (13.9 years) is near the group median, but its leverage, roughly 43%, is at the high end of the universe, which magnifies NAV volatility if rates rise. We believe the earned yield, coverage, and discount more than compensate.

4. Low-Dollar-Price, Low-Coupon, Long-Duration Investment Grade

Long-dated investment grade bonds issued in the low-rate Covid era now trade well below par, often between \$45 and \$60. These bonds offer yields in the mid 6's, from AA rated issuers at deep discounts to par.

We favor these bonds for several reasons. First, they exhibit **positive convexity in practice**: as yields rise, the bond's price falls further from par and its duration shortens, which dampens subsequent losses. As yields fall and the price moves back toward par, duration lengthens,

Price (\$)

Yield to maturity (%)

Avg. recovery of defaulted bonds ~\$64 (25 yrs)

Par

Yield to maturity (%)	Price (\$)	Duration (yrs)
5.7	\$59	15.3
6.7	\$51	14.5
7.7	\$44	13.7

AMZN 2 06/03/50 (02135BT2)				Risk			
Spread	103.00 bp	vs	T 5 05/15/56			Workout	OAS
Price	50.600		90-19+ 10:05:39	☒ M.Dur	☐ Dur	14.447	14.660
Yield	6.687	Wst -	5.657	☐ S/A	☐ Risk	7.436	7.546
Wkout	06/03/2050	100.00	Contributed	☒ Yld	☐ Convexity	2.887	2.967
Settle	10/09/26		10/09/26			DV - 01 on 1MM	744 755
						Benchmark Risk	13.270 13.346
						Risk Hedge	560M 565M
						Proceeds Hedge	556M
Spreeds				Invoice			
10 G-Sprd	100.0	Street Convention	6.687	Face		1,000	M
10 L-Sprd	171.0	Equiv 1+ /Yr	6.798	Principal		506,000.00	
13 Basis	-55.8	Mkt (Act/360 +)		Accrued (126 Days)		8,750.00	
14 Z-Sprd	163.4	True Yield	6.686	Total (USD)		514,750.00	
19 ASW	103.9	Current Yield	4.941				
19 OAS	38.4						
TED	N.A.						
After Tax (Inc	40,800	% CG 23.800 %	4.678				
Issue Price =	98.977						

	Spread (bps) 8/24/26	3-Year Percentile	5-Year Percentile
Generic IG	79	37%	23%
Long Duration IG	100	44%	27%
AMZN	104	99%	84%

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ADDITIONAL DISCLOSURES

The securities identified herein are provided solely as examples of investments that Bramshill believes illustrate the characteristics discussed in this commentary. They do not represent all securities purchased, sold, or recommended for clients and should not be assumed to be profitable. The securities discussed may or may not be held in accounts managed by Bramshill and should not be viewed as representative of any portfolio or strategy managed by Bramshill.

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