

INNOVIEWS

Innovest's Quarterly Newsletter

Innovest's Latest Updates and Articles from Thought Leaders in the Firm

Innovest Turns 30 in 2026



Richard Todd
CEO, Principal, and Co-Founder

The summer of '96 marked the beginning of the journey of a lifetime for Wendy Dominguez and me as we left the Wall Street world and founded Innovest as an independent, fee-only fiduciary investment consulting firm. Five of us loaded a Ryder truck with used office furniture – Wendy drove the truck – and started Innovest with a mix of confidence and trepidation. The truck might as well have been a covered wagon, since independent, fee-only investment firms were extremely rare back then.

Wall Street conflicts of interest were the catalyst for our entrepreneurial venture. To this day, bank solutions are still mixed with conflicts of interest: undisclosed compensation, proprietary products, misaligned incentives, and questionable lending practices. The culture is not client-centered; it is sales-oriented. Some may call themselves “fiduciaries” because the fiduciary rule has been watered down, but it’s absurd to claim that title while taking responsibility for only part of an investor’s portfolio.

Fast forward 30 years, and our five employees have grown to more than 60. Wendy, Bill Fender, and Steve Karsh are still putting up with me, thank goodness! Our approximately 25 original clients have grown to over 400, with many of our initial clients still with us today.

Growth remains important to us, but we promise our clients that they will benefit from it. We get stronger every year as both our life and market experience make us better and yet humbler about our success. Our team and resources are better than ever, and we challenge ourselves to add even more value to our clients. Growth is also especially important for our

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It is not known whether the listed clients approve or disapprove of the services provided. The new clients on page one are listed with their approval and permission.

young partners who buy into our firm.

We are proud of our team, and many of them progressed this year! Abigail Thomas, Anna Behrdahl, Austin Cleveland, Brian Curran, Christine Fuhrman, Ian Gilbert, Luke Hollister, Marisa Joseph, Matt Foster, Natalie Miller, and Taylor Smith all advanced. Frank Cornett became a partner! Awards are also given annually to the top team members. Brian Curran and Taylor Smith received our 212° Award; Marisa Joseph and Christine Fuhrman received the Service to Others Award; Abigail Thomas received the Bill Fender Mentorship Award; and our top award, the Founders Award, was given to Sarah Newman. We are privileged to work with such outstanding professionals.

Our due diligence group, led by Sloan Smith, had a very strong year. We believe that on-site due diligence is a crucial element of our research process and that we are one of the only firms in the country that continues to hold on-site due diligence meetings. Values alignment remains a key theme for our clients, and we have done remarkable work in this area.

We continue to be thought leaders in our industry. Our professionals gave more than 30 speeches at a variety of conferences, covering topics ranging from our thinking on the capital markets to values alignment. In addition, our thoughts were published over 30 times in magazines, journals, and blogs.

Philanthropy is an important component in maintaining our culture of stewardship. Innovest is not just an investment firm. We are stewards to our clients as legal fiduciaries, to our employees and their families, and to the community. We encourage our team to attend formal monthly volunteer events during working hours, and in 2025, we collectively volunteered 3,000 hours in the community.

Our professionals averaged over 50 hours of community service, supporting charitable organizations such as Christ in the City, Denver Public Schools, Florence Crittenton Services, and Cherry Creek Schools. We are also honored to have a special relationship with Arrupe Jesuit High School as corporate work-study partners. Innovest employs four interns from Arrupe, and their pay goes directly to offset tuition. The success of students at Arrupe is unprecedented: every student attends college, which is unheard of outside this incredible school.

For the 11th time in 12 years, Innovest was awarded the “Best Places to Work in Money Management” by *Pensions & Investments*. Each year, our professionals provide *Pensions & Investments* with very detailed survey responses to our process, practices, and culture. We are compared to hundreds of other firms, with a select few chosen to win the award. We are humbled by the recognition and are always seeking ways to improve.

Our annual client survey reflected the best scores we have ever received. Overall, our clients gave us a 4.8 out of 5.0 for their overall satisfaction. We received a Net Promoter Score of 91, which is extremely pleasing to us.

Above any accolades, accomplishments, or advances, we owe a tremendous amount of gratitude to our clients. For 30 years, the primary source of our growth has been client referrals, and the result has been a fulfilling journey. Our clients have prospered, and our young employees have grown to be wise and trusted colleagues. I owe a debt of gratitude to my co-founder, Wendy, who leads with an unflagging work ethic, undivided loyalty and dedication, and a steady hand that has made Innovest successful.

I wish you all a peaceful and prosperous 2026!

2025 Employee and Client Survey Results

As we begin 2026, we are deeply grateful for the clients who make our work possible. Their trust and partnership have shaped who we are today. With that spirit of appreciation, we recently surveyed our clients to better understand how we can continue strengthening our relationships in the years ahead.

Each year, we ask clients to share candid feedback on how we are doing and where we can improve. This year, our Overall Satisfaction score averaged 4.8 out of 5.0. Our team earned a 4.9 in both Knowledge & Experience of Consultants and Treatment From Our Team. Clients also highlighted opportunities for us to continue enhancing our services, including a strong interest in receiving more timely insights on issues affecting their investments and the value we provide. We are actively working to expand communication in both areas.

We also measure our Net Promoter Score (NPS) annually, a key indicator of client loyalty based on the question, “How likely are you

to recommend Innovest to a friend or colleague?” NPS scores range from -100 to +100, with anything above 70 considered exceptional. For context, the financial services industry* averages a score of 44. We are proud to report that Innovest’s NPS for 2025 is 91, placing us well above industry benchmarks and among top tier companies nationwide.

This feedback humbles us. We remain committed to the individuals and organizations who place their personal and financial trust in our work. Our success depends on honoring that trust every day. The real reward is the opportunity to partner with such exceptional people.

Looking ahead, 2026 holds tremendous promise. We look forward to building on this foundation and continuing to serve our clients with excellence.

*Source: CustomerGauge, Net Promoter Score benchmarks for financial services.



A Fiduciary's Guide to CITs: Common Misconceptions



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CITs are pooled investment vehicles, available exclusively to qualified retirement plans. They have become attractive alternatives to mutual funds due to their cost-effective access to institutional-grade investments. CITs make up 30% of defined contribution plan assets, double from a decade ago. As their popularity continues to grow, plan sponsors must understand the nuances that accompany these vehicles. Plan fiduciaries should be aware of several misconceptions surrounding CITs to evaluate and monitor their inclusion in employer-sponsored retirement plans properly.

Misconception 1: All Mutual Funds and CITs are Created Equal

Just because a CIT and a mutual fund have the same name and employ the same strategy does not mean they are identical. Mutual funds and CITs have distinct legal and regulatory structures. The Securities and Exchange Commission (SEC), under the Investment Company Act of 1940, regulates mutual funds, while banking authorities, such as Office of the Comptroller of the Currency (OCC) or a state banking authority, regulate CITs, as they are bank-maintained trusts. This means CITs do not have a public ticker symbol or a standardized prospectus.

Misconception 2: Lower Fees Always Lead to Better Net of Fee Returns

CITs are typically offered at a lower cost than their mutual fund counterpart. This is for a few reasons, including avoiding SEC registration, disclosure, and marketing costs. CITs can come with tax advantages, especially in international investments, leading to savings. Therefore, switching to an “identical” investment vehicle with lower fees than its mutual fund counterpart sounds like a no-brainer. One would expect that with lower fees, the CIT would have better net-of-fees performance. However, CITs do not always

outperform mutual funds, and their success depends on a multitude of factors. The differences in allowable investments, cash flows, and legal involvement from the plan sponsor between mutual funds and CITs can lead to negative tracking error (performance differences between the CIT and the mutual fund). Depending on the specific CIT’s trust structure, it can be restricted from investing in certain investments. Examples that could be restricted from investment include commodities, direct real estate, pre-IPO securities, and below-investment-grade, non-agency residential mortgage-backed securities.

Additionally, since CITs tend to have fewer investors given their institutional nature, when plans enter or exit the CIT, it can impact the manager’s effectiveness in deploying and trading that cash. Given the recent increase in CIT adoption, managers must deploy many inflows appropriately, which can be tricky. It is also important to note that there are typically legal fees to review the additional contracts and paperwork that come with CITs. Overall, CITs may have lower fees, but the differences between the vehicles could lead to worse performance. Fiduciaries should evaluate CIT’s performance in a variety of time periods against its mutual fund counterpart as well as applicable peer groups and benchmarks. When negative deviations exist, it is important to understand why and whether they are short-term.

Misconception 3: Information Available to Participants is Identical Between CITs and Mutual Funds

It can become particularly tricky for plan participants to find information on CITs in their investment menu, as they do not have a familiar ticker symbol or the same public disclosure requirements as mutual funds. Under the Employee Retirement Income Security Act (ERISA), fiduciaries must provide participants with sufficient

information to enable them to make informed decisions about their retirement plan investments. Proactive communication strategies surrounding CITs are important. Lean on your advisor and recordkeeper to help communicate what a CIT is and how it may differ from the mutual fund they currently hold. CIT-specific fact sheets can be posted to your recordkeeper's website, which can be helpful for participants.

Misconception 4: CITs are Available to all Retirement Plans

CITs are strictly eligible in tax-qualified retirement plans like 401(k)'s and 401(a)'s and cannot be used in IRAs or non-qualified plans. It is

also important to note that 403(b) plans cannot utilize CITs at this time. These nuances are important for fiduciaries to know when determining the best fit for the specific types of plans offered to their participants.

Conclusion: The Importance of Diligent Review

CITs can add value to a retirement plan investment lineup, but plan sponsors should exercise caution. Their unique regulatory and structural characteristics demand thorough due diligence and detailed diligence documentation. Plan fiduciaries must look beyond a CIT's fund name to understand all facets of a CIT and evaluate its appropriateness for their plan(s) and participants.

Nonprofit Spotlight: Womenfirst International Fund

Across East Africa and South Asia, women are rewriting their futures, and WomenFirst International Fund is helping them turn bold ideas into lasting impact. By investing directly in women-led grassroots organizations, WomenFirst provides flexible funding, hands-on training, and mentorship that help women build income, start businesses, and lead local change.

One inspiring example is Lydia Charles Moyo. With flexible support and guidance from WomenFirst International Fund, she turned her vision into action, founding Panda Digital, Tanzania's first online platform that now equips thousands of young women entrepreneurs with the skills, confidence, and tools to build lasting livelihoods. Today, thousands of women access training, business skills, and financial tools that help them grow their enterprises and lift others along the way.

WomenFirst reaches women who are too often left out of traditional funding, including refugees, domestic workers, and rural entrepreneurs, giving them the tools they need to achieve financial independence and long-term security. In the past year alone, WomenFirst partners supported more than 14,000 women and girls, launched over 500 new women-led businesses, and increased average incomes by 58%.

WomenFirst is planting the seeds of lasting change, one woman, one idea, and one thriving community at a time.



Upcoming Educational Retirement Conferences

EVENT

ROCKY MOUNTAIN BENEFITS CONFERENCE

In-Person Conference | Thursday, February 5th, 2026

Cherry Hills Country Club in Greenwood Village, CO

Register for a full-day conference designed to improve the management of your benefit plans and help strengthen your participants' retirement savings. This event is tailored to provide actionable takeaways that will empower you to make a lasting impact on your organization's benefits program. Gain perspective from leading industry professionals in investment, accounting, law, and more.

CPE credits will be offered! More details coming soon on CPE and additional session information.



Learn More

EVENT

COLORADO PUBLIC PLAN COALITION

In-Person Conference | August 18th-21st, 2026

Park Hyatt Beaver Creek Resort & Spa in Beaver Creek, CO

Save the date for The Colorado Public Plan Coalition (CPPC). CPPC holds an annual three-day educational conference at one of Colorado's finest resorts.

The multi-day format allows for general sessions, and workshops/educational programs that explore various industry specific topics in great detail. The conference also allows members opportunities for formal and informal networking with colleagues, money managers, consultants, and various industry leaders. More details coming soon.

An Anatomy of the U.S. Fixed Income Market



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Fixed Income Powers the Economy

Fixed income may not grab headlines like equities, but it's the bedrock of the U.S. financial system. With over \$73 trillion in outstanding debt, on par with U.S. equities by market cap, the fixed income market fuels everything from local infrastructure to corporate expansion and the federal government's operations. In today's environment, with 10-year Treasury yields around 4.0%, fixed income offers compelling risk-adjusted returns.

Fixed income serves multiple roles: it's the risk-free benchmark (Treasuries), a stable funding source (municipals and agencies), a driver of credit creation (corporates and structured products), and increasingly a private alternative to traditional banking (direct lending).

As part of this article, we have supplied an overview, in table format, of the various segments of the fixed income markets with associated outstanding balances, annual issuance, and various valuation metrics such as yield, spread, duration, convexity, etc., to give the reader a sense of the relative sizes and valuation aspects of fixed income sectors.

A couple of observations, for instance, would be:

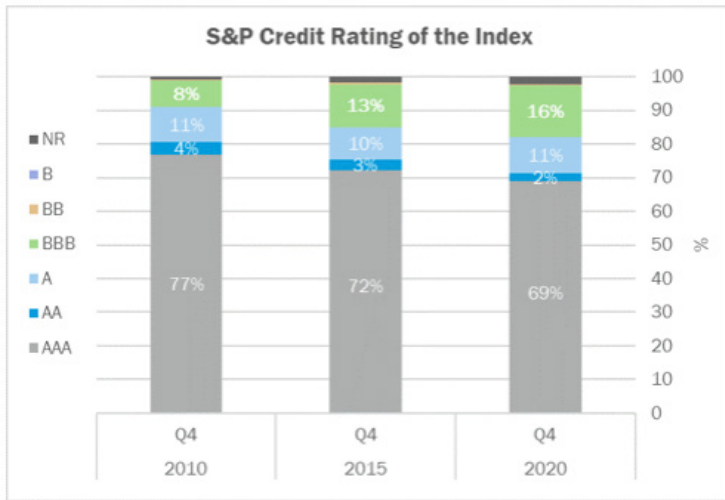
1. The overall tradable fixed income market is roughly equal to the tradable equity market at \$73 trillion, with over half of that being federal government debt.
2. Despite the diversity in credit rating categories, the corporate bond market is dominated in size by bonds in the "A" or "BBB" rating categories, as these two rating categories make up about 70% of the entire corporate bond market.
3. Despite the damage caused to the structured finance sector by the GFC, it is still about the same size as the corporate bond market, at around \$15 trillion.
4. Private credit is becoming a substantial market as it approached \$2 trillion in outstanding balance.

U.S. Fixed Income Market Anatomy (\$s in billions) - As of Q3 2025									
Sector	Outstanding	Annual Issuance	Spread Bases	Avg Spread	YTM	OAS	Duration	Convexity	
Total US Securitized Debt	\$70,964	\$29,137							
Federal Government Debt	\$39,900	\$23,950							
Treasuries Held by Public **	\$30,000	\$22,500	N/A	N/A	4.10%	N/A	8.40	0.90	
Inter-governmental Debt	\$7,000	\$200	N/A	N/A	N/A	N/A	N/A	N/A	
U.S. Agency Debt	\$2,000	\$1,250	Equivalent Duration Treasury	66	4.70%	N/A	7.75	0.60	
Municipal Credit **	\$4,300	\$480							
Investment Grade (AAA)	\$4,100	\$450	Treasury Rate	66%	3.40%	N/A	6.50	0.75	
High Yield	\$200	\$30	Spread to AAA Munis	175	5.50%	N/A	7.00	0.55	
Public Corporate Credit	\$13,110	\$2,145							
Public Corporate Bonds	\$13,380	\$1,565							
Investment Grade	\$9,350	\$1,299							
AAA	\$150	\$13	10-Year Treasury	N/A	4.20%	10	7.80	0.70	
AA	\$1,500	\$165	10-Year Treasury	N/A	4.50%	40	7.50	0.65	
A	\$2,650	\$389	10-Year Treasury	N/A	4.80%	70	7.00	0.60	
BBB	\$5,250	\$731	10-Year Treasury	N/A	5.40%	130	6.80	0.55	
High Yield	\$1,950	\$266							
BB	\$1,035	\$140	10-Year Treasury	N/A	6.60%	250	4.50	0.35	
B	\$680	\$93	10-Year Treasury	N/A	8.10%	400	3.80	0.25	
Distress	\$235	\$33							
CCC	\$200	\$31	10-Year Treasury	N/A	12.50%	840	3.00	0.10	
NR, D, other	\$35	\$0	Nuanced	N/A	20%+	>1500	N/A	N/A	
Syndicated Whole Leveraged Loans (non-secured)	\$1,810	\$880							
A/BBB Revolvers/Term	\$300	\$100	SOFR	150	5.40%	N/A	5.00	0.08	
BB/B Senior-Secured	\$1,510	\$480	SOFR	500	8.75%	N/A	4.50	0.05	
(See CLO's below for syndicated loans in CLOs)									
Structured Credit	\$14,554	\$2,562							
Agency RMBS	\$9,200	\$1,800							
GN	\$2,500	\$400	10-Year Treasury	N/A	5.30%	110	4.8	-1.50	
FN	\$3,700	\$750	10-Year Treasury	N/A	5.40%	110	4.6	-1.70	
FH	\$3,000	\$650	10-Year Treasury	N/A	5.40%	110	4.6	-1.70	
ABS - Consumer Debt	\$2,763	\$345							
Nonagency RMBS	\$1,850	\$135							
Prime (includes non-QM)	\$1,200	\$100	10-Year Treasury	N/A	6.10%	170	4.2	-1.40	
Non-Prime (Home Equity + HELOC)	\$650	\$10	10-Year Treasury	N/A	7.10%	260	4.2	-1.70	
Credit Risk Transfer (CRT)	\$50	\$25	10-Year Treasury	N/A	5.90%	140	4.0	-1.30	
Securitized Auto Debt	\$600	\$165							
Prime (FICO score > 680)	\$300	\$100							
Subprime	\$175	\$35	5-Year Treasury	N/A	4.70%	87	2.7	-0.17	
Auto Lease	\$125	\$30	5-Year Treasury	N/A	5.70%	110	1.8	-0.15	
Securitized Credit Card Debt	\$83	\$26							
Prime (FICO score > 660)	\$80	\$25	SOFR	75	4.57%	64	0.5	0.04	
Subprime	\$3	\$1	SOFR	170	2.43%	150	0.7	0.05	
Student Loan	\$180	\$8	SOFR	25	4.35%	25	4.0	0.30	
FFELP-Backed	\$180	\$8							
Private Prime	\$45	\$10	SOFR	60	4.70%	55	2.2	0.15	
Private Subprime	\$5	\$1	SOFR	225	6.35%	190	2.5	0.20	
CLOs (includes Securitized Leveraged Loans)	\$1,190	\$247							
AAA	\$680	\$140	SOFR	110	6.20%	110	2.7	0.60	
AA	\$200	\$45	SOFR	180	6.00%	180	3.3	-0.10	
BBB	\$100	\$20	SOFR	250	5.60%	225	3.7	-0.10	
BB	\$70	\$12	HR	350	7.60%	330	4.2	-0.15	
Equity	\$100	\$20	IFR	N/A	17.00%	N/A	N/A	N/A	
CMBS	\$1,441	\$180							
Agency CMBS (largely multifamily)	\$850	\$150							
FN	\$360	\$98	Interpolated Swaps	-2	4.18%	0	6.5	0.35	
FH	\$350	\$55	Interpolated Swaps	2	4.22%	0	6.5	0.35	
Private-Label CMBS (conduit = 67%; Single Asset = 33%)	\$591	\$90							
AAA	\$40	\$22.0	Interpolated Swaps	89	4.99%	70	5.5	0.25	
AA	\$54	\$2.7	Interpolated Swaps	160	5.70%	140	5	0.22	
A	\$30	\$1.5	Interpolated Swaps	210	6.20%	185	4.5	0.20	
BBB	\$50	\$1.5	Interpolated Swaps	475	6.85%	420	3.5	0.15	
BB/B	\$54	\$2.7	Interpolated Swaps	800	12.10%	750	2.75	0.10	
NR	\$3	\$0.2	Interpolated Swaps	TROR	20%	N/A	<2	Negative	
U.S. Direct Lending / Private Credit Market	\$1,700	\$220							
Senior Direct Lending	\$1,275	\$165.0	SOFR	500	9.90%	--	4.5	-0.05	
Mezzanine Debt	\$204	\$26.0	SOFR	900	12.20%	--	5.0	0.03	
Distressed / Special Situations	\$180	\$22.0	SOFR	1300	15.00%	--	4.6	-0.05	
Other (Asset-Based Lending, Venture Debt)	\$51	\$7.0	SOFR	700	10.80%	--	3.0	0.04	
US Equities	\$75,000	\$185							

* - The vast majority of Treasury issuance is for refinancing purposes. Net new U.S. Treasury debt issuance is about \$2.5 trillion.
 ** - YTM, Duration, and Convexity are for 10-Year Treasury Bonds.
 *** - Spread, YTM, Duration, and Convexity figures are estimated and intended for informational purposes only.

What about the Agg?

Most fixed income investors are familiar with the Bloomberg U.S. Aggregate Index, or 'the Agg.' The Agg is the most widely used U.S. fixed income market benchmark. However, it does not provide a comprehensive view of the U.S. fixed income markets. In fact, it represents less than half of the fixed-income universe by market value. Additionally, a large portion of the Agg is highly rated and government guaranteed.



Source: Canterbury Consulting

To fully understand U.S. fixed income markets, we need to look outside the Agg.

The Anatomy of the U.S. Fixed Income Market

1. U.S. Federal Government Debt: The Risk-Free Foundation

U.S. Federal Government Debt sets the foundation for fixed income markets globally. The market is comprised of public Treasuries, agency debt, and intergovernmental holdings.

- **Public Treasuries (\$30 trillion outstanding, \$22.5 trillion annual issuance):** The Public Treasury market is the most liquid fixed income market worldwide, with daily trading volumes often exceeding \$1 trillion. The 10-year Treasury note sets the tone for pricing across financial markets, as it is often used as a proxy for the “risk-free rate.” Foreign holders account for about 25% of issuance outstanding, and the Fed accounts for about 22%.
- **Agency Debt (\$2 trillion outstanding, \$1.25 trillion annual issuance):** Agency debt is issued by governmental agencies, such as Fannie Mae, Freddie Mac, and Farm Credit. Agency debt is considered nearly risk-free.
- **Intergovernmental Holdings (\$7 trillion):** Intergovernmental holdings are non-tradable, for example, Social Security trusts. This sector is largely irrelevant for investors.

Valuation: Valuation of the U.S. Federal Government Debt is fairly straightforward and takes into account yield curve dynamics and auction (issuance) results.

2. Municipal Credit: Funding America’s Infrastructure

Municipal credit, also known as “munis,” are issued by state and local governments. Default rates are low in this asset class, often below 0.1%. Additionally, munis offer federal and sometimes state tax exemptions, which makes them particularly valuable for taxable investors. This segment of the fixed income market finances schools, roads, and utilities.

- **Investment Grade (\$4.1 trillion outstanding, \$450 billion annual issuance):** Investment-grade munis are primarily AAA-rated. At first glance, yields may appear low for this asset class. However, on a tax-adjust basis, muni yields can offer investors strong returns.
- **High Yield (\$200 billion outstanding, \$30 billion issuance):** High yield munis can include issuances such as tobacco bonds, Puerto Rico restructurings, and hospital debt.

Valuation: Valuation of municipal credit focuses on muni-to-Treasury ratios, after-tax yields, and call features.

3. Public Corporate Credit: Fueling Business Growth

Companies issue public corporate credit. This sector helps fuel business growth and investment spending. While this segment of the market can be more volatile than government or municipal debt, it remains a crucial financing tool for corporations.

- **Investment Grade Bonds (\$9.4 trillion outstanding, \$1.3 trillion annual issuance):** Bonds with a rating of BBB or higher are considered “investment grade”. BBB issuances make up over 50% of the investment grade corporate credit market.
- **High Yield Bonds (\$2.0 trillion outstanding, \$233 billion annual issuance):** Bonds with a rating of BB or lower are considered “high yield” or “below investment grade.” BB issuances account for nearly 50% of the high yield corporate credit market.
- **Syndicated Loans (\$1.8 trillion outstanding, \$580 billion annual issuance):** Syndicated loans are loans made by a collection of lenders to a single borrower. These types of loans are often levered and floating rate.

Valuation: Valuing corporate credits typically require using option-adjusted spreads (OAS) and discounted cash flows.

4. Structured Credit: The Securitization Engine

Structured credit relies on a process known as securitization, in which non-tradable assets, such as individual mortgages, auto debt, or student loans, are repackaged to create a tradable asset whose returns depend on the cash flows of the underlying loans. This segment of the fixed income market plays a crucial role in providing liquidity and allowing investors to access differentiated sources of return.

- **Agency Residential Mortgage-Backed Securities (RMBS) (\$9.2 trillion outstanding, \$1.8 trillion annual issuance):** Agency RMBS are guaranteed by Ginnie Mae, Fannie Mae, or Freddie Mac and are backed by a pool of residential mortgages guaranteed by these agencies. They are often considered to be backed by the full faith and credit of the U.S. government, making them less risky.
- **Non-Agency RMBS (\$1.85 trillion outstanding, \$135 billion annual issuance):** Non-agency RMBS are backed by privately issued residential mortgages but not backed by a U.S. Government agency. They are typically considered riskier than Agency RMBS.
- **Asset-Backed Securities (ABS) – Consumer Debt (\$2.8 trillion outstanding, \$345 billion annual issuance):** Asset-backed securities are backed by a variety of loan types. These can include auto debt, credit card debt, or student loan debt.
- **Collateralized Loan Obligations (CLOs) (\$1.15 trillion outstanding, \$237 billion annual issuance):** CLOs, also known as bank loans or leveraged loans, are pools of bank loans. These loans typically hold first-lien positions in the company’s capital structure.
- **Commercial Mortgage-Backed Securities (CMBS) (\$1.44 trillion outstanding, \$180 billion annual issuance):** CMBSs are backed by pools of commercial mortgages. These mortgages often finance large properties such as malls, office buildings, or large multi-family developments.

Valuation: Valuations for structured credit rely on OAS, prepay models, and tranche-specific risks.

5. Direct Lending: The Private Credit Surge

Direct lending has grown in popularity over the past decade, as post-Great Financial Crisis regulations made it more difficult for traditional banks to lend to corporate entities. Lenders in this space often negotiate directly with companies. The majority of issuances are floating rate. This segment of the fixed income market is generally very illiquid.

- **Senior Direct Lending (\$1.3 trillion outstanding, \$165 billion annual issuance)**
- **Mezzanine (\$204 billion outstanding, \$26 billion annual issuance)**
- **Distressed (\$136 billion outstanding, \$22 billion annual issuance)**

Valuation: Valuations within direct lending rely on company financials, discounted cash flows, and comparative analysis

Active Management in Fixed Income

Fixed income is far more than a conservative corner of the market. It is the structural backbone of the U.S. economy. While the Bloomberg U.S. Aggregate Index remains a useful reference point, it only scratches the surface of a \$73 trillion market that spans diverse sectors and risk profiles. For investors, understanding the full anatomy of fixed income is critical, not only to capture attractive risk-adjusted returns in today's environment but also to appreciate its indispensable role in powering economic growth and financial stability. As fixed income markets continue to evolve and grow in complexity, it is increasingly important to partner with strong active managers who have expertise in navigating the various sectors of the fixed income market. By employing an active, top-tier manager, investors can position themselves to benefit from the many opportunities within fixed income markets.

Glossary:

Spread: Spread is the difference in yield (or interest rate) between two bonds. It is typically calculated as the difference between the yield of a corporate bond and the yield of a U.S. Treasury bond with a similar maturity or floating rate index such as SOFR.

Duration: Duration is the most common measure of a bond's price sensitivity to changes in interest rates. Higher durations have higher volatility with respect to market rate changes.

Convexity: Convexity is a measure of the curvature in the relationship between a bond's price and its yield. It refines the duration calculation. Higher convexity numbers are better, and negative convexity numbers are an undesirable feature for investors; therefore, they need to be compensated by a higher YTM.

Yield: Yield is the return an investor earns on a bond, expressed as an annual percentage rate. While there are different types of yield (like current yield or yield to call), the most common is Yield to Maturity (YTM).

Yield to Maturity (YTM): Yield to maturity is the total anticipated return an investor will receive if the bond is held until its maturity date, assuming all coupon payments are reinvested at the same rate.

Basis Point: A basis point is a unit of measure equal to one-hundredth of a percentage point (0.01% or 0.0001).

Call Features: Call features (or a call option) give the issuer of a bond the right, but not the obligation, to repurchase (or "call back") the bond from the bondholders before its scheduled maturity date. Call features create negative convexity for bonds, and investors demand higher yields to be compensated for accepting this negative convexity.

Option-Adjusted Spread (OAS): The option-adjusted spread is the measure of a bond's yield spread that excludes the cost/value of any embedded options, such as a call feature. OAS represents the spread of a bond after eliminating call features, helping create a more apples-to-apples comparison between positively and negatively convex bonds.

Swap: A swap is a derivative contract in which two parties agree to exchange the cash flows from two different financial instruments over a specified period. The most common type is an Interest Rate Swap.

SOFR (Secured Overnight Financing Rate): SOFR is the primary benchmark interest rate used for pricing U.S. dollar-denominated financial products, including loans, bonds, and derivatives, having replaced the controversial LIBOR.

Credit Rating: A credit rating is an assessment of the creditworthiness of a bond issuer (like a corporation or government) by a credit rating agency (such as S&P, Moody's, or Fitch). The rating evaluates the issuer's financial strength and its ability and willingness to repay the principal and interest on its debt. Ratings are usually expressed as letter grades (e.g., AAA, AA, Bbb, C).

Sources: www.pgpf.org, www.pewresearch.org, Urban Institute, Ginnie Mae, SIFMA, SFA, S&P, Fitch, Moody's, FRED, NAIC, Russel Investments, wolfstreet.com, ycharts.com, vanek.com, Wikipedia, Reuters, Investopedia, scribd.com, home.treasury.gov, Capital Advisors, Pinebridge, Geggenheim, libguides.princeton.edu, etftrends, allianzgi.com, en.macromicro.me, corporatefinanceinstitute.com, raymondjames.com, statista.com, credible.com, educationdata.org, nces.ed.gov, American Banker, bestcolleges.com, cnbc.com, experian.com, kansascityfed.org, softi.com, occ.treas.gov, Trepp.com, Philadelphiafed.org, dbrs.morningstar.com, dspace.mit.org, creanalyst.com, kbra.com, bbb.com, Preqin, Cliffwater, Hamilton Lane, & PGIM

Employee Spotlight: Sarah Newman

Where is your hometown?

Omaha, NE

Tell us something unique about you.

This is tough. Not much unique about me. People find it crazy I have so many food allergies, but I was diagnosed with Celiac when I was 26. I guess this is unique....

What do you like best about working at Innovest?

The purpose we have to help nonprofits succeed in their mission. Also, the people who work here are top notch.

How do you give back to the community?

Before I came to Innovest, I worked at many different nonprofit organizations in Denver. I understand how vital they are to help those in need. Now, I sit on various national and local boards to give back. I also love the volunteer days that Innovest hosts once a month. With my travel schedule it is tough to make them often, but my favorite include when we volunteer for Christ in the City and when we plant flowers for Central City.

What are your hobbies and interests?

I have 4 kids, so their interests are my interests. I go to a lot of volleyball and basketball games. When we have time, my husband and I like to cycle through the backroads of Colorado.

Tell us about your family.

I have been married to my husband for 21 years. Our oldest is a freshman in college and our youngest is 8. My daughter will begin to look at colleges soon and wants to attend college on the East Coast. My rising freshman in high school thinks basketball is life and that he will play professional basketball someday. He doesn't believe me when I tell him he needs to focus on school more so than basketball.

What is your favorite dessert?

I have a lot of food allergies, so it is hard to find a dessert I can eat. But if someone can make a good dairy free/gluten free/soy free chocolate mousse I will devour it!



Around the Firm

Progressions & Team Updates

As we close the final quarter of 2025 and celebrate our best year ever, Innovest is proud to share several team highlights that reflect our continued commitment to excellence and stewardship.

Congratulations to our newly promoted colleagues:

Joe Lemming – Vice President, Consultant

Christine Hudek – Vice President

Cheryl Wilks – Associate Consultant

Sydney Aeschlimann – Associate Consultant

Natalie Miller – Associate Consultant

Abigail Thomas – Senior Manager

Christine Fuhrman – Manager

John Brock – Manager of IT

Taylor Smith – Lead Senior Analyst

Denise Rice – Senior Analyst

Parker Cadieux – Analyst

Sydney Armstrong – Analyst

We also celebrate Joe Lemming on earning his CFP® designation and Ian Gilbert successfully completing level III of the CFA Program. Denise Rice, Taylor Lupica, and Parker Cadieux were recognized with Innovest's Monthly Service to Others Award for their outstanding dedication to their colleagues.

Annual Awards

Each year, Innovest recognizes employees who exemplify our values and make a meaningful impact on our firm. We are grateful for the dedication, growth, and leadership our team brings to Innovest and are proud to recognize this year's award recipients.

- **212 Degree Award** – Awarded to the person who best exemplifies giving the extra effort to push something forward: **Brian Curran** and **Taylor Smith**
- **Yearly Service to Others** – Awarded for consistently demonstrating outstanding service to others within the firm: **Marisa Joseph** and **Christine Fuhrman**
- **William Fender Mentorship Award** – Awarded to the person who demonstrates outstanding mentorship: **Abigail Thomas**
- **Founders Award** – Awarded to the person who best exemplifies our founding values: **Sarah Newman**

Awards & Publications

Innovest was named a "Best Place to Work" by Pensions & Investments for the 11th time in 12 years, highlighting our team's dedication and commitment to a supportive and collaborative work environment. We were also ranked among the top 25 Corporate Philanthropists in the Denver area by the Denver Business Journal for 2024.

Principal Sloan Smith, was highlighted in Advisor Perspective with this article, "Is the Growth of Evergreen Funds Good or Bad for Private Markets?" Principal and COO, Peter Mustian offered timely insights into today's credit environment in Financial Advisor Magazine with his article, "Why Credit Markets Warrant Caution."

Service To Others

Innovest was proud to participate in Colorado Gives Day, reinforcing our ongoing commitment to service and community engagement. Team members volunteered with Christ in the City, serving lunch to individuals experiencing homelessness, and supported the Little Flower Assistance Center through the annual Joy Drive by collecting supplies and gifts for families in Aurora, Montbello, and Green Valley Ranch. Employees also volunteered at the Denver Santa Claus Shop, helping provide "A Toy for Every Girl & Boy."

In addition to these service efforts, Innovest invested in the next generation by hosting a Shadow Day for five Regis Jesuit High School students, offering insight into careers in finance. Team members also volunteered with Junior Achievement USA to support W.C. Hinkley High School students participating in the Dream Accelerator program.

Conferences, Speaking Engagements, Webinars, and Sponsorships

In November, we attended and sponsored the Colorado Government Finance Officers Association (CGFOA) Conference. Innovest co-hosted the Navigating Markets, Policy, and Nonprofit Priorities Virtual Nonprofit Conference, where Principal Christian O'Dwyer, CFA, presented an Economic Update. Principal Sarah Newman and CEO Richard Todd attended the Givers, Thinkers, and Doers conference in Phoenix.

This quarter, Innovest participated in various wellness, career, and city fairs, where we provided financial wellness advice. Innovest also proudly sponsored and attended the Junior League of Denver Mile High Holiday Mart as well as the State Financial Officers Foundation's Fall Meeting. We also sponsored the 2025 Weld Legacy Foundation Gala, supporting the foundation's work to increase the capacity of health and education-focused nonprofits in Weld County.

Continuing our commitment to financial education, Innovest hosted several webinars. Jared Martin and Rick Rodgers partnered with Dimensional Fund Advisors for an engaging discussion about Investment Management Rooted in Financial Science. In another session, Rick Rodgers and Tomas Jansson shared practical insights in "7 Common Mistakes Employers Make with 401(k) Plans."



At Innovest Portfolio Solutions, we are more than an investment firm. We are thoughtful stewards responsible for our clients, professionals, and community.

A house divided cannot stand. Nevertheless, most financial investment houses try to do exactly that. They serve more than one master. We serve only our clients. Our interests and the interests of our clients are one. Serving clients in this undivided way is at the heart of our founding.

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Principals

Richard Todd, CEO

Wendy Dominguez, President

Bill Fender

Peter Mustian, COO

Garry Beaulieu

Gordon Tewell

Nancy Swanson

Kristy LeGrande

Jared Martin

Sloan Smith, Director

Rick Rodgers

Pam Cruz

Troy Jensen

Christian O'Dwyer

Kathy Lalone

Kyli M. Soto

Sarah Newman

Dustin Roberts

Frank Cornett