

INNOVIEWS

Innovest's Quarterly Newsletter

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

Fixed Income Access Vehicles



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Vice President

In our previous fixed income article, "An Anatomy of the U.S. Fixed Income Market," we laid out the anatomy of the \$73 trillion U.S. fixed income market by starting with the basic building blocks of fixed income investments: bonds and loans backing the various associated sectors such as Treasuries, Munis, Corporates, MBS, and ABS. In this article, we strive to illustrate the relative size and other characteristics of the various access vehicles investors use to gain fixed-income exposure in their portfolios.

The vast majority of investors, including institutional, high-net-worth, and retail investors access their fixed-income exposure through investment funds that aggregate bonds and loans in a diversified fashion within a particular strategy. Common fixed-income strategies target one or more of the sectors listed above and can also zero in on desired credit risk, duration, coupon yield, capital appreciation, total return, etc. Common fund structures used to achieve this exposure are mutual funds, ETFs, interval funds, CITs, SMAs, private partnerships (including fixed-income hedge funds and private credit), etc

1. Money Market Funds (MMFs)

MMFs serve as the backbone of short term liquidity across the financial system. MMFs are used largely as "cash sweep vehicles" in brokerage accounts and as a way to store cash for corporate treasurers.

- **Typical Sector Investments:** US Treasuries and Federal Debt
- **Estimated AUM:** \$7.7 T
- **Estimated Number of Funds:** 290
- **Typical Liquidity Structure:** Daily liquidity, T+1 settlement
- **Typical Fee Structure:** % of AUM

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Archdiocese of Mobile

Archdiocese of Phoenix

Colorado Mountain College

Diversus Health

Hoonigan/Wheel Pros

Impact on Education

Notre Dame Federal Credit Union

The Becket Fund for Religious Liberty

Thomas Aquinas College

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.

2. Mutual Funds

Mutual Funds are one of the most common ways investors access fixed-income markets. Mutual Fund strategies can vary widely. Investors can find access to passive fixed income investments, sector-specific mandates, and opportunistic strategies, among others. Additionally, Mutual Funds may target a variety of duration and credit quality exposures.

- **Typical Sector Investments:** US Treasuries and Federal Debt, Municipal Credit, Public Corporate Credit, Structured Credit
- **Estimated AUM:** \$8.7 T
- **Estimated Number of Funds:** 2,150
- **Typical Liquidity Structure:** Daily liquidity, T+1 settlement
- **Typical Fee Structure:** % of AUM

3. Exchange-Traded Funds (ETFs)

ETFs have grown in popularity over the past few decades. ETFs are similar to mutual funds in many ways and can provide investors with access to both broad and specific mandates. The main difference is that ETFs can trade intra-day, rather than just on closing NAV.

- **Typical Sector Investments:** US Treasuries and Federal Debt, Municipal Credit, Public Corporate Credit, Structured Credit
- **Estimated AUM:** \$2.3 T
- **Estimated Number of Funds:** 719
- **Typical Liquidity Structure:** Daily liquidity, T+1 settlement
- **Typical Fee Structure:** % of AUM

4. Interval Funds

Interval Funds are semi-liquid investment funds that enable them to hold fewer liquid assets than mutual funds or ETFs. Interval Funds typically allow investors to access more unique strategies and/or direct lending exposure.

- **Typical Sector Investments:** Public Corporate Credit, Structured Credit, Direct Lending/Private Credit
- **Estimated AUM:** \$222 B
- **Estimated Number of Funds:** 65
- **Typical Liquidity Structure:** Quarterly subscriptions and redemptions
- **Typical Fee Structure:** % of AUM and Performance-Based Incentive Fee

5. Collective Investment Trusts (CITs)

CITs have emerged as one of the fastest growing fixed-income vehicles, especially in retirement plans. These vehicles sit mostly inside 401(k) and pension platforms. CITs often mirror mutual fund strategies but with lower fees, no tickers, and bank trust regulation rather than SEC oversight.

- **Typical Sector Investments:** US Treasuries and Federal Debt, Public Corporate Credit, Structured Credit
- **Estimated AUM:** \$1.3 T
- **Estimated Number of Funds:** 1,450
- **Typical Liquidity Structure:** Daily liquidity, T+1 settlement
- **Typical Fee Structure:** % of AUM

6. Separately Managed Accounts (SMAs)

SMAs differ from other investment vehicles in that an investor in an SMA has direct ownership of the underlying bonds and loans. Because

of this feature, they are particularly popular among high-net-worth and institutional investors due to their ability for customization and tax management.

- **Typical Sector Investments:** US Treasuries and Federal Debt, Municipal Credit, Public Corporate Credit, Structured Credit, Direct Lending/Private Credit
- **Estimated AUM:** \$7.4 T
- **Estimated Number of Funds:** N/A
- **Typical Liquidity Structure:** Daily liquidity, T+1/T+2 settlement (depending on the underlying asset)
- **Typical Fee Structure:** % of AUM

7. Business Development Companies (BDCs)

BDCs are specialized fixed-income vehicles that offer direct lending to middle-market companies. While BDCs typically invest high in a company's capital structure, the nature of the businesses they invest in can expose investors to higher levels of credit risk than may be found in public markets.

- **Typical Sector Investments:** Direct Lending/Private Credit, Syndicated Leveraged Loans
- **Estimated AUM:** \$609 B
- **Estimated Number of Funds:** 145
- **Typical Liquidity Structure:**
 - Publicly Traded BDCs: Daily Liquidity
 - Non-Traded/Private BDCs: Quarterly Liquidity
- **Typical Fee Structure:** % of AUM and Performance-Based Incentive Fee

8. Hedge Funds and Private Credit

Hedge Funds offer investors exposure to distressed corporate credit, relative-value trades, and arbitrage opportunities, among other strategies. Private Credit provides exposure to direct lending across various industries and risk profiles.

- **Typical Sector Investments:** US Treasuries and Federal Debt, Municipal Credit, Public Corporate Credit, Structured Credit, Direct Lending/Private Credit
- **Estimated AUM:** \$4.8 T
- **Estimated Number of Funds:** 3,600
- **Typical Liquidity Structure:** Varies; Quarterly to Drawdown
- **Typical Fee Structure:** % of AUM and Performance-Based Incentive Fee

Choosing the Right Investment Vehicle

The wide range of fixed-income access vehicles available today gives investors more choice, and more complexity, than ever before. By understanding how each vehicle differs in liquidity, cost, structure, transparency, and underlying sector exposure, investors can more effectively align their fixed income allocations with their broader objectives. Ultimately, selecting the appropriate vehicle is not just about accessing bonds or loans, but about ensuring the structure itself supports the desired balance of income, risk, flexibility, and long-term portfolio resilience.



Artificial Intelligence: Perspectives from Across the Market



Peter Mustian, MBA
COO, Principal



Brooklyn Seymour
Analyst Assistant

Artificial intelligence (AI) has quickly become one of the most influential themes shaping global markets. Investment dollars are flowing rapidly, expectations are high, and claims about productivity and growth are widespread. For investors, this creates a familiar challenge: distinguishing a durable opportunity from near-term enthusiasm. To better understand how AI is being evaluated today, Innovest's research team engaged in discussions with a group of best-in-class asset managers across strategies and asset classes. Through these discussions and ongoing conversations, we explored how managers are assessing AI's impact on fundamentals, valuation, adoption, and risk. What follows is a summary of their perspectives and where views tend to converge or diverge. The overarching takeaway is clear: AI represents a meaningful structural force, but outcomes are likely to vary widely across companies, sectors, and market cycles.

From Infrastructure Spending to Economic Results

Across investment styles, managers consistently described the current phase of the AI cycle as one defined by heavy infrastructure investment. This includes substantial spending on semiconductors, data centers, cloud capacity, and supporting energy and networking assets. The scale of this build-out is real and unprecedented in many respects.

Where opinions begin to diverge is around the durability of returns

on that investment. Several managers cautioned that capital intensity alone does not create value. If capacity grows faster than profitable demand, pricing pressure can emerge, and returns on capital may decline. As a result, enthusiasm around spending is being increasingly balanced by scrutiny of outcomes.

Managers emphasized a shift from "projects to process." Early pilots, demonstrations, and announcements are no longer sufficient. Instead, they are looking for evidence that AI is being embedded into core business operations. The most important signals include sustained margin improvement, operating leverage, and improving returns on invested capital across multiple reporting periods. When AI adoption appears shallow or disconnected from economics, particularly if spending continues without measurable results, managers grow more cautious. As one noted, "markets are now demanding outcomes rather than announcements".

Valuation Discipline Comes to the Forefront

Valuation discipline was one of the most consistent themes across our conversations. While nearly all managers view AI as a long-term growth driver, many believe parts of the market already reflect optimistic adoption assumptions. In those cases, the margin for error is thin. Any slowdown in execution or guidance can lead to multiple compressions.

In contrast, managers expressed greater confidence in companies where AI supports existing competitive advantages rather than serving as the sole investment thesis. These businesses often trade at more reasonable valuations and show clearer paths from technology investment to cash flow. Managers generally prefer this combination of innovation and valuation support to companies priced for near-perfect execution.

Looking ahead, managers expect greater dispersion across markets. Early enthusiasm lifted a broad group of AI-related companies, but the next phase is likely to separate exposure from execution. Clear winners should emerge among firms that translate AI spending into sustainable cash flow. At the same time, laggards may struggle as complexity, cost, and competition increase faster than returns.

This dispersion is expected to extend beyond equities. Managers see implications for credit markets through funding needs and spreads, for convertible securities as flexible capital for AI investment, for mergers and acquisitions as firms acquire capabilities rather than build them internally, and for volatility as correlations shift when expectations meet financial reality.

Risk Management and Patience

Despite differences in style, managers shared a common emphasis on risk control and patience. Most are avoiding binary positioning and instead taking a measured approach to participation. Rather than betting on narratives, they are monitoring clear, testable indicators such as AI-related returns on capital, margin and cash flow trends, and evidence

that adoption is moving from pilot programs into core operations. Diversification also remains central. Managers cautioned against allowing a single theme, no matter how compelling, to dominate portfolio risk. The prevailing mindset is not “all-in” or “all-out,” but thoughtful engagement guided by evidence and continuous reassessment.

A Balanced View of the Opportunity

Taken together, the perspectives we gathered suggest that AI is neither a speculative sideshow nor a guaranteed windfall. It is a structural force whose benefits will accrue unevenly and overtime. The key differentiator will not be who talks most convincingly about AI, but who converts investment into durable earnings at reasonable prices.

This reframes the core investor question. The issue is no longer whether AI will influence markets (it already has) but how those changes will be monetized, financed, and valued through the cycle. Markets will ultimately reconcile ambition with outcomes and narrative with numbers.

Consistent with the views shared by the managers we met with, the most effective approach favors evidence over slogans, patience over speed, and balance over concentration. In past technological shifts, the enduring winners were not those who resisted change nor those who embraced it blindly, but those who approached the shift with discipline. AI appears set to follow a similar path, rewarding investors who respect both its promise and its limits.

Upcoming Educational Retirement Conferences

EVENT

AZ FOCUS

In-Person Conference | June 9th, 2026 | The Silverleaf Country Club in Scottsdale, AZ

Save the date for an upcoming Innovest event at the Silverleaf Club in Scottsdale, Arizona, designed for benefit plans! This complimentary half-day event features a keynote, a panel on fiduciary duty and litigation updates, and an economic outlook.



[Register Here](#)

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’s (CPPC) annual conference. This three-day conference for public plan sponsors is held at one of Colorado’s finest resorts.

The multi-day format features multiple sessions that explore various industry specific topics. There are many opportunities throughout the conference, for formal and informal networking with colleagues, industry vendors, and asset managers. We hope you will consider joining us.



[Register Here](#)



International Equity Markets: Will This Performance Trend Continue?



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Mark Elliot
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After years of strong U.S. equity market performance, international stocks staged a meaningful comeback in 2025. Performance outside the U.S. was among the strongest in decades, raising the possibility that this shift could extend beyond just a single year. Today, many investors face a common challenge: U.S. equity markets are increasingly dominated by a small group of large-cap technology stocks called the Magnificent Seven (i.e., Apple, Microsoft, Alphabet, Amazon, Nvidia, Meta, and Tesla), and portfolio returns have become tied to a narrow set of themes. At the same time, the global economy is evolving. Interest rates are beginning to ease, governments outside the U.S. are increasing spending to support growth, and innovation from Artificial Intelligence (AI) to energy infrastructure is expanding well beyond U.S. borders. Furthermore, international equities are gaining attention due to their ability to diversify risk, broaden exposure, and reduce reliance on any single market or currency.

International equities provide exposure to different earnings cycles, sector mixes, policy frameworks, and currencies than those dominant in the U.S. They also address a core portfolio problem: concentrated risk in a handful of mega-cap names and a single currency. Non-U.S. markets can offer access to diverse policy environments and long-term investment in technology and infrastructure, particularly across emerging markets.

There were three broad developments that defined 2025:

- Valuations adjusted upward. International markets entered 2025 priced at a discount relative to U.S. stocks. As economic conditions stabilized, investor confidence improved and prices more accurately reflected earnings potential.
- Currency trends supported returns. A softer dollar increases the value of overseas holdings when converted back into U.S. currency and can also help foreign companies compete more effectively on the global stage, supporting returns for U.S.-based investors.
- Earnings expectations improved. Companies outside the U.S. generally exceeded lowered expectations, allowing returns to be supported by fundamentals rather than optimism alone.

Importantly, sentiment improved across global markets, with gains spreading beyond the narrow group of U.S. companies that had driven returns in prior years. These dynamics helped create real momentum heading into 2026. However, it is unknown whether this trend will continue, and it is important to weigh the advantages and potential risks of allocating to this asset class.

Advantages of Allocating to International Equities

- 1. Balanced Path to Returns.** Investors can capture both earnings

growth and valuation normalization in regions that still trade at discounts versus the U.S. market. Performance is likely to depend more on the ability of companies to consistently grow their earnings than on investors assigning higher valuation multiples.

- 2. Currency diversification.** A less dominant U.S. dollar can support international returns and help spread currency risk across long-term portfolios.
- 3. Portfolio balance.** Reduces reliance on a small set of U.S. mega-cap companies and introduces different sector and policy mixes, potentially mitigating drawdowns tied to U.S.-specific stocks.
- 4. Broader innovation.** AI supply chains, data center and power capacity build-outs, and energy transition projects are increasingly opening leadership beyond U.S. technology.

Risk of Allocating to International Equities

- 1. Currency risk.** A stronger U.S. dollar could dilute returns and could tighten EM financial conditions.
- 2. Policy and geopolitical instability.** Tariffs, regional conflicts, and shifting coalitions can disrupt trade, earnings visibility, and valuations.
- 3. Growth divergence risk.** U.S. structural advantages could sustain U.S. outperformance versus parts of Europe and the Emerging Markets space.

- 4. Manager and market selection.** Market dispersion, governance standards, and sector quality vary widely in the international space. Execution matters in security and country selection.

Looking ahead, multiple factors may shape international equity performance, and the strength of corporate earnings is likely to be a primary driver as markets place greater emphasis on fundamental results rather than additional valuation gains. At the same time, the lagged effects of global monetary easing may support investment and consumption as lower rates filter through economies. These fundamentals are reinforced by ongoing capital allocation shifts, as investors reassess U.S. market concentration and valuation trade-offs.

In response, many investors are positioning international exposure using developed international equities as a foundation and complementing them with selective emerging-market allocations to enhance cyclicity and valuation diversification. With U.S. market concentration elevated, policy support improving across regions, and innovation becoming increasingly global, international equities offer a structural response to today's diversification and valuation challenges.

As the transition from 2025 to 2026 shifts market sentiment toward returns supported by earnings growth, investment spending, and broader participation, the case for a more balanced global equity allocation appears stronger than it has in years. Therefore, international equities seem positioned as a potential robust option for long-horizon portfolios.

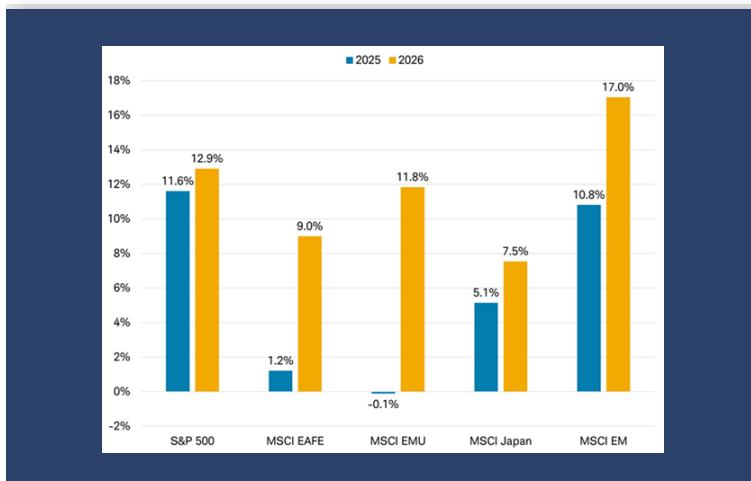


Figure 1: Estimates suggest international earnings growth could catch up with S&P 500 earnings growth

Source: Charles Schwab, MSCI, Macrobond data retrieved 12/2/2025

Figure 2: International equities are less expensive across every sector relative to the United States

Source: Charles Schwab, MSCI, Macrobond data retrieved 12/2/2025

	MSCI EAFE less S&P 500 sector performance January through November 2025 total return % in USD	MSCI EAFE forward P/E ratio	S&P 500 forward P/E ratio
Financials	~30	11.4	17.2
Utilities	~25	14.6	20.2
Energy	~18	10.7	17.2
Consumer Staples	~15	16.2	22.7
Industrials	~14	19.4	26.7
Materials	~12	15.3	23.4
Consumer Discretionary	~10	16.4	28.7
Health Care	~5	16.3	20.4
Information Technology	~2	26.6	36.6
Communication Services	~1	18.9	23.5

Nonprofit Spotlight: CableLabs

CableLabs is the global broadband industry's leading hub for research, development and collaboration on next-generation technology. Founded in 1988, it serves as the catalyst for driving advancements in network connectivity and experiences around the world. Unlike traditional technology firms driven by shareholder returns, CableLabs reinvests its resources directly into collaborative innovation, standards development, and industry-wide solutions that strengthen the broader connectivity ecosystem.

As a mission-focused organization, CableLabs serves its cable operator members by pooling expertise, funding, and research to solve complex technical challenges collectively. This nonprofit structure fosters neutrality and trust, enabling competitors to work together on shared infrastructure priorities such as interoperability, cybersecurity, and network reliability. This collaboration results in industry standards like DOCSIS® (an international telecommunications specification that enables high-bandwidth data transmission over existing cable TV systems), benefiting millions of consumers worldwide.

CableLabs and its subsidiary, SCTE, support workforce development and community engagement through partnerships, internships, and STEM-focused initiatives in Colorado and beyond. By investing in research talent and educational outreach, the organization fosters long-term innovation and promotes equitable access to broadband technology.

Through its nonprofit model, CableLabs prioritizes industry progress and public benefit over profit, helping build faster, more secure, and more accessible broadband networks that connect people, businesses, and communities around the world. To learn more about CableLabs, please visit their website: <https://www.cablelabs.com/>



Employee Spotlight: Tomas Jansson

Where is your hometown?

My hometown is San Francisco, California.

Tell us something unique about you.

I was born and raised in Stockholm, Sweden. I moved to the U.S. for college in my early 20s.

What do you like best about working at Innovest?

The thing I like best about working at Innovest is the people. The company has a great culture, amazing employees, and a diverse set of clients across the U.S. It's a privilege to collaborate with such a wide range of smart, interesting colleagues and clients, and I'm constantly learning something new.

How do you give back to the community?

My wife, Michelle, and I support a number of local and national charities. We also make it a priority to support the next generation of Americans and Swedes by giving lots of love and encouragement to our nieces and nephews who range in age from 7 to 26.

What are your hobbies and interests?

I'm a big soccer fan and closely follow my home team in Stockholm, Hammarby IF. Needless to say, I'm very excited about the World Cup being hosted in North America this summer. Michelle and I love to travel and explore different cultures and cuisines. I also enjoy golf—although I don't always feel the game loves me back. I like to play chess as well; the chess app is probably the most-used app on my phone.

Tell us about your family.

I live in San Francisco with my wife, Michelle. Most of my family lives in Stockholm, while Michelle's family resides in Kentucky, California, and Arizona. We love taking trips to visit everyone regularly.

What is your favorite dessert?

I have a sweet tooth, so it's hard to pick just one favorite dessert. Anything with chocolate usually wins me over, but I'd never turn down a slice of Key Lime Pie or Swedish Princess Cake.



Around the Firm

Innovest is pleased to highlight the accomplishments, service efforts, and thought leadership demonstrated by our team in the first quarter. Our commitment to stewardship, excellence, and community involvement continues to drive meaningful impact across the firm and beyond.

New Team Members

We were excited to welcome several new colleagues who bring fresh expertise, energy, and dedication to our mission. Amy Hanophy, Josh Arendt, Trevor Kirking, Eric Koeplin, John Truschel, Nathan Manahan, and Lauren Cadle joined Innovest across multiple departments, strengthening our capabilities and enhancing client service.

Service to Others

We proudly recognized Luke Hollister and Brooklyn Seymour with the Service to Others Monthly Award for their outstanding dedication to helping colleagues and the broader community.

Our team also remained actively engaged through several impactful service efforts this quarter, including:

- Visiting residents of the Cambridge Care Center Nursing Home, bringing supplies, and spending meaningful time with them.
- Creating handmade friendship bracelets for the Make-A-Wish Foundation to brighten the experience of children facing critical illnesses.
- Organizing a Mardi Gras Food Drive in support of local food banks.
- Conducting mock interviews for students at Arrupe Jesuit High School.

Awards and Publications

Innovest was recognized by the National Association of Plan Advisors (NAPA) as one of the 2025 Top DC Advisor Teams.

Our team continues to contribute thought leadership across the financial, nonprofit, and mission driven sectors through several key publications, including:

- Sloan Smith's article, "Private Debt: Are We Seeing Cracks or Is There Still Opportunity?" was published in Advisor Perspectives.
- Sydney Aeschlimann, Ian Gilbert, and Taylor Truitt's article, "A Fiduciary's Guide to CITs: Four Common Misconceptions," was published in 401(k) Specialist Magazine.

Firm Thought Leadership, Events, and Industry Engagement

The firm hosted several key events, including the 2026: An Economic Outlook Luncheon with economist Dr. Richard Wobbekind, and the Denver Nonprofit Networking Happy Hour. Innovest also hosted the Rocky Mountain Benefits

Conference (RMBC), where Rick Rodgers, Principal, presented on protecting plan participants. We also supported the nonprofit sector by hosting the Rocky Mountain Nonprofit Conference (RMNPC), where Christian O'Dwyer, Principal, delivered insights to nonprofit leaders. His presentation summarized the current economic and market landscape and outlined long term, diversified investment strategies tailored for nonprofits.

Our professionals were active across webinar platforms as well. Wendy Dominguez and Sarah Newman led a session on best practices for defined benefit plans; Rick Rodgers and Tomas Jansson presented "7 Common Mistakes Employers Make with 401(k) Plans"; and Sloan Smith shared perspectives on navigating private markets during a conversation with Gregory Cashman, Co-Head of Direct Lending at Golub Capital.

Innovest also continued its longstanding commitment to supporting community partners by sponsoring the Benedictine Scholarship Ball and Magis Night at Arrupe Jesuit High School.

Read the latest posts from the Innovest blog covering market updates, economic news, and Innovest insights.

Explore timely perspectives designed to keep investors informed. Identify the key highlights most relevant to today's investment decisions.



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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Disclosure

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