

## STRATEGY DESCRIPTION

The Riverbridge Enhanced Income strategies are designed with the objective of providing high and stable income over various interest rate and business cycles. We seek to achieve income stability through diversification of credit sectors (municipal, corporate, and real estate), a mix of fixed and floating interest rate securities, and a judicious balance of credit quality.

The strategies invest in alternative income sectors like Closed-End Funds (CEFs) and Business Development Companies (BDCs) which provide additional yield and opportunities not available in traditional fixed-income sectors.

## HIGHLIGHTS

- The third quarter marked a seminal pivot point for the financial markets, as the Federal Reserve officially concluded its tightening cycle that began in 2022 by cutting interest rates.
- Falling long-term interest rates boosted fixed-rate bonds and stock prices, with the Bloomberg Aggregate Bond Index rising 5.2% and the S&P 500 index up 5.9%.
- The Enhanced Income strategies had another strong quarter of relative performance, with the Tax Aware and Enhanced Income strategies outperforming their respective benchmarks by 2.1% and 1.5%, respectively on a net return basis.

## MARKET COMMENTARY

Surprising some observers, the Fed opted to begin this new cycle by cutting rates 50 basis points as opposed to the more conventional 25 basis points, and signaled its intention to reduce rates another 50 basis points in the fourth quarter.

The action by the Fed indicated they are seeing signs the economy is cooling and believe inflation has been sufficiently subdued. Employment data over the quarter moderated, with the unemployment rate rising from 4% to 4.2%. Inflation is settling near the Fed's target range of about 2%. The Fed's favored inflation measure, the personal consumption expenditures index (PCE), eased to 2.1% over the last three months. While both prongs of the Fed's dual mandate - employment and inflation - are moderating, consumer spending and forecasted growth have been in line with or better than expectations. Thus far, the economy and markets are signaling a soft landing-type scenario with moderating activity, higher stock and bond returns, and easing Fed policy.

Falling long-term interest rates boosted fixed-rate bonds and stock prices, with the Bloomberg Aggregate Bond Index rising 5.2% and the S&P 500 index up 5.9%. The 10-year US Treasury yield made a decisive move lower, from 4.4% to 3.8%, as long-term interest rates began to price in additional Fed cuts. Longer duration bonds did the best this quarter. The Morningstar LSTA US Levered Loan index was up 2.1% while the Bloomberg High Yield Bond Index (its fixed rate longer duration complement) was up 5.3%.

In the alternative income space, Business Development Company stocks hit a speed bump as peak earnings driven by peak interest rates and peak credit conditions appeared to be priced in. Returns in the Van Eck BDC Income ETF were down -0.6%. This move is unsurprising given the headwinds of a declining Fed Funds Rate and rising nonaccrual loans. If anything, this speed bump happened a couple quarters later than we expected. Benefiting from falling interest rates, meanwhile, REITs were up substantially for the quarter, with the FTSE NAREIT Equity REIT index up 16.1%.

## PERFORMANCE COMMENTARY

Current yields remain attractive. The Tax Aware Enhanced Income is yielding 7.5%, while Enhanced Income rests at a 7.8% yield. Each of these exceeds benchmark current yields by about 2 to 3% on a taxable equivalent basis.

The Enhanced Income strategies had another strong quarter of relative performance, with the Tax Aware and Enhanced Income strategies outperforming their respective benchmarks by 2.3% and 2.6% respectively on a gross return basis. The narrowing of closed-end fund discounts played a large part in this quarter's better-than-benchmark returns while BDC returns were lower. There were opportunities to capture capital gains as discounts narrowed on most of the funds we own in the strategy. Also, much like the overall market, our real estate and fixed-rate positions outperformed this quarter as lower long-term interest rates were positive for commercial and residential real estate debt.

*Continued on next page...*

## PERFORMANCE (AS OF 09/30/2024)

	Current Yield	3Q 2024			YTD			1 Year			3 Year			Inception		
		Income	Price	Total Return	Income	Price	Total Return	Income	Price	Total Return	Income	Price	Total Return	Income	Price	Total Return
Tax Aware Enhanced Income (Gross)	7.5%	1.9%	4.4%	6.3%	5.8%	9.6%	15.4%	8.0%	20.1%	28.1%	7.7%	-5.3%	2.4%	7.7%	-4.6%	3.1%
Tax Aware Enhanced Income (Net)	6.5%	1.8%	4.3%	6.1%	5.5%	9.2%	14.7%	7.6%	19.4%	27.0%	7.3%	-5.7%	1.6%	7.3%	-5.0%	2.3%
Benchmark	5.4%	1.4%	2.6%	4.0%	4.1%	1.0%	5.1%	5.5%	7.5%	13.0%	5.3%	-3.7%	1.6%	5.3%	-3.5%	1.8%
+/- versus net	1.1%	0.4%	1.7%	2.1%	1.4%	8.2%	9.6%	2.1%	11.9%	14.0%	2.0%	-2.0%	0.0%	2.0%	-1.5%	0.4%
Enhanced Income (Gross)	7.8%	2.0%	4.8%	6.8%	6.5%	9.0%	15.5%	9.2%	16.8%	26.0%	9.0%	-5.6%	3.4%	8.8%	-4.9%	3.9%
Enhanced Income (Net)	6.8%	2.0%	4.7%	6.7%	6.2%	8.7%	14.9%	8.8%	16.3%	25.1%	8.6%	-5.9%	2.7%	8.5%	-5.3%	3.2%
Benchmark	5.1%	1.2%	4.0%	5.2%	3.6%	2.6%	6.2%	4.8%	8.9%	13.7%	4.4%	-3.5%	0.9%	4.4%	-3.1%	1.3%
+/- versus net	1.7%	0.8%	0.7%	1.5%	2.6%	6.1%	8.7%	4.0%	7.4%	11.4%	4.2%	-2.4%	1.8%	4.0%	-2.1%	1.9%

Periods over one year are annualized. Inception Date: 04/30/2021

### Benchmarks:

Tax Aware Enhanced Income: 50% Bloomberg Municipal Bond Index / 50% Bloomberg Corporate High Yield Index

Enhanced Income: 50% Bloomberg Aggregate Bond Index / 50% Bloomberg Corporate High Yield Index

Gross and net current yields, income, and price are presented as supplemental information to the GIPS® composite report found in the disclosure section.

The price and income attribution section included is based on actual dividend income paid to accounts in the composite. Fees are allocated equally between the price and income displayed.

Attribution analysis is not intended to be interpreted as return information for the portfolio. Contact us to obtain further information pertaining to the calculation methodology.

Commentary Continued...

## OUTLOOK

The US economy is considered late-cycle, more likely to be slowing after the strong growth and inflation experienced in the wake of the pandemic and a historic amount of stimulus. Austin Goolsbee, Chicago Fed President, agrees with the market that Fed policy is restrictive and should be coming down. In a recent speech, he said, "If we want a soft landing, we can't be behind the curve...Yet rates are the highest they've been in decades. It makes sense to hold rates like this when you want to cool the economy, not when you want things to stay where they are...Rates need to come down significantly going forward if we want the conditions (unemployment and inflation) to stay that way."

While the Fed is certainly expected to lower rates, there is no shortage of uncertainty in other parts of the world, economy, and markets. Few quarters feature as many potentially market moving scenarios as the one ahead. Earnings reports will be closely scrutinized for clues about corporate America's growth and capital spending plans for 2025. Jobs data will be analyzed for any hint of potential recession. Overseas problems feature a weak Chinese economy and Mideast tensions that could lead to a full-scale war. Domestically, a prolonged dockworkers strike could imperil economic growth. Last, but certainly not least, the November presidential election will be of keen interest to all market participants.

Economic expansions tend to be fragile in the late cycle, especially when they coincide with turning points in monetary policy and the credit cycle. Investors and market forecasters always want to identify such turning points, but attempting to do so can steer investors to the wrong conclusion that they should be in or out of the market. We believe it is more important to understand that a slower economy, lower inflation, weaker jobs, less steady earnings, and a lower level of interest rates are natural parts of the economic cycle, and a properly allocated portfolio need not change when the economic environment inevitably does.

We believe the portfolios are positioned to continue providing an attractive yield due to their portfolio construction (dynamic interest rate and credit positioning) and broad diversification. As the interest rate and credit cycles advance, we continue to look for income investment opportunities that will further enhance and stabilize the portfolios' high levels of income and yield.

## DEFINITIONS

- **Closed-End Fund:** A type of mutual fund that issues a fixed number of shares through a single initial public offering (IPO) to raise capital for its initial investments. Its shares can then be bought and sold on a stock exchange.
- **Business Development Company:** A type of closed-end fund that invests in small- and medium-sized American companies typically in their growth stage.

## IMPORTANT DISCLOSURE INFORMATION

- Where presented, gross-of-fee performance figures presented do not reflect the deduction of investment advisory fees. A client's returns will be reduced by the advisory fee and other expenses incurred in the management of its account. For example, the deduction of a 1% advisory fee over a 10-year period would reduce a 10% gross return to a 8.9% net return. A description of Riverbridge's advisory fees are disclosed on Part 2 of form ADV, A copy of which is available upon request or at [www.riverbridge.com](http://www.riverbridge.com).
- Riverbridge's annual investment management fee ranges from 0.6% to 1%, depending upon the amount of assets placed under Riverbridge's management; the greater the amount of assets the lesser the percentage fee.
- Past performance does not guarantee future results. Different types of investments and/or investment strategies involve varying degrees of risk and volatility, and at any specific point in time, or over any specific time-period, any investment or investment strategy can and will suffer losses, at times substantial losses.
- Performance results do not reflect the impact of taxes.
- It should not be assumed that account holdings will correspond directly to any such comparative benchmark index.
- Comparative indices may be more or less volatile than Riverbridge portfolios.
- Riverbridge performance results reflect the reinvestment of dividend income and other account earnings and are net of applicable account transaction charges.
- Information in this document is not intended to be used as investment advice.
- There may be Riverbridge client accounts invested in the strategy that perform better or worse during the corresponding time period for various reasons, including investment management fee differentials, account additions/withdrawals, tax considerations (including tax-loss harvesting), the date on which a client became invested in the strategy, and whether a transaction order was completed on the same day.
- Mention of companies/stocks herein is for illustrative purposes only and should not be interpreted as investment advice.
- The holdings included in this document are for illustrative purposes only and should not be considered a recommendation to purchase or sell any particular security. There is no guarantee that the same or similar holdings will be purchased or held in accounts in the future.
- The information herein has not been based on a consideration of any individual investor circumstances and is not investment advice, nor should it be construed in any way as tax, accounting, legal or regulatory advice. To that end, investors should seek independent legal and financial advice, including advice as to tax consequences, before making any investment decision.

## ENHANCED INCOME COMPOSITE

Year	Gross-of-Fee Return (%)	Net-of-Fee Return (%)	Bloomberg 50 % US Aggregate / 50% Corp High Yield Return (%)	Portfolios	Dispersion (%)	Composite 3-Year Ex-Post Std. Dev.	Bloomberg 50% US Aggregate / 50% Corp High Yield 3-Year Ex-Post Std. Dev.	Composite Assets (\$ Millions)	Ttl Firm Assets (\$ Millions)	Advisory Only (\$Millions)	Ttl Firm Assets & Advisory Only (\$Millions)
2023	12.02	11.19	9.43	9	0.01	N/A	N/A	11.5	7,429.2	4,432.2	11,861.5
2022	-16.88	-17.44	-12.04	9	0.07	N/A	N/A	8.9	6,279.5	3,892.8	10,172.3
2021*	6.06	5.63	2.19	7	N/A	N/A	N/A	9.6	9,408.0	6,149.6	15,557.6

\*Returns are for the from 04/30/2021 through 12/31/2021.

**Firm Information:** Riverbridge Partners, LLC is a Minnesota based investment advisor registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940. The firm provides investment management services to institutional and individual investors. The company offers growth and income oriented investment services which it believes will provide high returns over the long term. The firm's standard fee schedule is an annual 1%.

**Composite Characteristics:** The Enhanced Income Composite was created in April 2021 and its inception date was 04/30/2021. The composite contains all discretionary portfolios managed to the Enhanced Income strategy that do not have bundled fee arrangements. It is a debt-focused portfolio invested in corporate, municipal, and real estate debt-related securities, including close-end funds and other income-oriented securities where bonds, loans and mortgages are the primary source of return. The benchmark for the Enhanced Income Composite was changed retroactively as of 1/1/2023. Previous to this date the Bloomberg Barclays US Treasury Index +4.5% was used as the benchmark. The new benchmark provides a better fit with the strategy and contains indices that may be more easily recognizable. The composite name for the Enhanced Income Composite was changed as of 1/1/2023. Previous to this date the composite name was "Non Taxable Enhanced Income Composite". There was no change to the investment strategy with the composite name change. The composite minimum value is \$100,000.

Material risks of the strategy include interest rate, credit spread, credit default, stock market, business and economic development, and liquidity risk. Derivatives and short positions are not used in the strategy. As with any investment, an investor may lose money, and the strategy can underperform its benchmark. Investment in strategies is not insured by the FDIC or any other government agency.

**Calculation Methodology:** Individual portfolios are revalued daily. Gross-of-fee returns are calculated net of transaction costs and gross of management fees. Net-of-fee returns are calculated net of actual investment management fees. Both gross-of-fee and net-of-fee returns are calculated gross of all withholding taxes on foreign dividends. Accruals are included in calculations. The dispersion measure is the equal-weighted standard deviation of accounts in the composite for the entire year. The dispersion measure is the equal-weighted standard deviation of accounts in the composite for the entire year. Dispersion and Ex-Post standard deviation is calculated using gross-of-fees returns. The three-year ex-post standard deviation is not yet presented because the 36 monthly returns are not yet available. Policies for valuing investments, calculating performance, and preparing GIPS® Reports are available upon request.

**Compliance Statement:** Riverbridge claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. Riverbridge has been independently verified for the period 12/31/1989 – 12/31/2023. A firm that claims compliance with the GIPS® standards must establish policies and procedures for complying with all the applicable requirements of the GIPS® standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS® standards and have been implemented on a firm-wide basis. The Enhanced Income Composite has had a performance examination for the periods 04/30/2021 – 12/31/2023. The verification and performance examination reports are available upon request.

**Composite Benchmark:** The benchmark returns are not covered by the report of the independent verifiers. Any indices and other financial benchmarks shown are provided for illustrative purposes only. Information about indices is provided to allow for comparison of the performance of the Adviser to that of certain well-known and widely recognized indices. There is no representation that such index is an appropriate benchmark for such comparison. You cannot invest directly in an index, which also does not take into account trading commissions and costs. The volatility of indices may be materially different from the performance of the Adviser. In addition, the Adviser's recommendations may differ significantly from the securities that comprise the indices.

Past performance does not guarantee future results. This performance report should not be construed as a recommendation to purchase or sell any particular securities held in composite accounts. Market conditions can vary widely over time and can result in a loss of portfolio value.

GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

## TAX AWARE ENHANCED INCOME COMPOSITE

Year	Gross-of-Fee Return (%)	Net-of-Fee Return (%)	Bloomberg 50% Muni Bond / 50% US Corp High Yield Return (%)	Portfolios	Dispersion (%)	Composite 3-Year Ex-Post Std. Dev.	Bloomberg 50% Muni Bond / 50% US Corp High Yield 3-Year Ex-Post Std. Dev.	Composite Assets (\$ Millions)	Ttl Firm Assets (\$ Millions)	Advisory Only (\$Millions)	Ttl Firm Assets & Advisory Only (\$Millions)
2023	10.63	9.67	9.89	17	0.07	N/A	N/A	16.7	7,429.2	4,432.2	11,861.5
2022	-18.56	-19.23	-9.80	18	0.09	N/A	N/A	15.9	6,279.5	3,892.8	10,172.3
2021*	6.63	6.26	2.15	8	N/A	N/A	N/A	13.0	9,408.0	6,149.6	15,557.6

\*Returns are for the period from 04/30/2021 through 12/31/2021.

**Firm Information:** Riverbridge Partners, LLC is a Minnesota based investment advisor registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940. The firm provides investment management services to institutional and individual investors. The company offers growth and income investment services which it believes will provide high returns over the long term. The firm's standard fee schedule is an annual 1%.

**Composite Characteristics:** The Tax Aware Enhanced Income Composite was created in April 2021 and its inception date was 04/30/2021. The composite contains all discretionary portfolios managed to the Tax Aware Enhanced Income strategy that do not have bundled fee arrangements. It is a debt-focused portfolio invested in municipal, corporate, and real estate debt-related securities, including close-end funds and other income-oriented securities where bonds, loans and mortgages are the primary source of return. The benchmark for the Tax Aware Enhanced Income Composite was changed retroactively as of 1/1/2023. Previous to this date the Bloomberg Barclays US Treasury Index +4% was used as the benchmark. The new benchmark provides a better fit with the strategy and contains indices that may be more easily recognizable. The composite minimum value is \$100,000.

Material risks of the strategy include interest rate, credit spread, credit default, stock market, business and economic development, and liquidity risk. Derivatives and short positions are not used in the strategy. As with any investment, an investor may lose money, and the strategy can underperform its benchmark. Investment in strategies is not insured by the FDIC or any other government agency.

**Calculation Methodology:** Individual portfolios are revalued daily. Gross-of-fee returns are calculated net of transaction costs and gross of management fees. Net-of-fee returns are calculated net of actual investment management fees. Both gross-of-fee and net-of-fee returns are calculated gross of all withholding taxes on foreign dividends. Accruals are included in calculations. The dispersion measure is the equal-weighted standard deviation of accounts in the composite for the entire year. The dispersion measure is the equal-weighted standard deviation of accounts in the composite for the entire year. Dispersion and Ex-Post standard deviation is calculated using gross-of-fees returns. The three-year ex-post standard deviation is not yet presented because the 36 monthly returns are not yet available. Policies for valuing investments, calculating performance, and preparing GIPS® Reports are available upon request.

**Compliance Statement:** Riverbridge claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. Riverbridge has been independently verified for the period 12/31/1989 – 12/31/2023. A firm that claims compliance with the GIPS® standards must establish policies and procedures for complying with all the applicable requirements of the GIPS® standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS® standards and have been implemented on a firm-wide basis. The Tax Aware Enhanced Income Composite has had a performance examination for the periods 04/30/2021 – 12/31/2023. The verification and performance examination reports are available upon request.

**Composite Benchmark:** The benchmark returns are not covered by the report of the independent verifiers. Any indices and other financial benchmarks shown are provided for illustrative purposes only. Information about indices is provided to allow for comparison of the performance of the Adviser to that of certain well-known and widely recognized indices. There is no representation that such index is an appropriate benchmark for such comparison. You cannot invest directly in an index, which also does not take into account trading commissions and costs. The volatility of indices may be materially different from the performance of the Adviser. In addition, the Adviser's recommendations may differ significantly from the securities that comprise the indices.

Past performance does not guarantee future results. This performance report should not be construed as a recommendation to purchase or sell any particular securities held in composite accounts. Market conditions can vary widely over time and can result in a loss of portfolio value.

GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.