Monthly Market Review

Fixed Income | October 2026

Information provided by MILAF+'s Program Administrator PFM Asset Management, a division of U.S. Bancorp Asset Management, Inc.

MILAF+

A spooky strong economy, haunted by inflation.

Economic Highlights

- The Federal Open Market Committee's (FOMC) voted unanimously to increase the federal funds target rate by 25 basis points (bps) to a range of 3.75% to 4.00%, the first rate hike since July 2023.
- Federal Reserve (Fed) Chair Kevin Warsh described the labor market as "running at levels consistent with full employment" and the economy as strengthening, allowing the Fed to focus on the inflation side of its dual mandate. He also emphasized inflation had not moved toward the Fed's 2% inflation target "clearly and at sufficient speed" with the hike removing "a dose of accommodation," signaling the potential for additional rate hikes.
- The Fed's latest "dot-plot" reinforced this hawkish stance with 16 of 18 participants projecting at least one additional hike in 2026. The median estimate of the longer-run federal funds rate also rose to 3.2%, suggesting officials view the long-run neutral rate as modestly higher than previously estimated, continuing a trend observed in recent years.
- August inflation data continued to show limited progress towards the Fed's target. Year-over-year CPI inflation remained elevated, and the month-over-month measure accelerated from prior releases. Higher energy prices lifted headline inflation while rising business costs increase the risk those pressures spread into core goods and services in the months ahead.
- Consumer activity remained a key source of economic strength. August retail sales rose 1.2%, the largest monthly gain in five months. The control group, which feeds into the GDP calculation, rose 1.4%, its strongest monthly advance since September 2024.
- The final estimate of Q2 GDP growth was revised higher to 2.2%. Personal consumption contributed 2.5% while research and development and software investment associated with the AI buildout added an additional 0.5%. Together, these sources of domestic demand remain the primary drivers of growth, more than offsetting drags from larger trade deficits and inventory drawdowns following last year's tariff-related buildup.
- While the September employment report was weaker than expected, the data suggest the labor market remains broadly stable. The unemployment rate ticked up to 4.2% as labor force participation edged higher, and the three-month average rate of job creation at 51,000 remains generally consistent with estimates of the breakeven rate necessary to keep the unemployment rate steady.

Interest Rates

- Interest rates rose sharply across the yield curve in September. The 10-year U.S. Treasury yield hit its highest level since 2007 while the 30-year reached its highest level since 2002.
- Bond market volatility increased, reaching its highest level since the onset of the conflict in the Middle East.
- Yields on 3-month, 2-, 10-, and 30-year U.S. Treasuries ended the month at 4.12%, 4.89%, 5.29%, and 5.63%, representing changes of +28 bps, +55 bps, +54 bps, and +39 bps, respectively.
- As a result, longer-duration fixed income indices posted negative returns for September while shorter-duration indices produced modest gains. The ICE BofA 3-month, 2-, and 10-year U.S. Treasury indices returned +0.26%, -0.59%, and -3.65%, respectively.

Equity Markets

- September equity returns reflected a notable divergence in market leadership. The Nasdaq gained +1.9% amid continued strength in large-cap technology stocks, while the S&P 500 slipped -0.4% and the Dow fell -4.1%.
- International equities faced pressure as the MSCI ACWI ex U.S. Net Index declined -2.4%. The U.S. Dollar increased +2.0%, while the August gold rally unwound and declined -6.3% in September.

PFMAM Strategy Recap & Outlook

- Our outlook for Fed rate policy shifted meaningfully following the September rate hike and ensuing hawkish comments from Fed members. The Fed's commitment to battling inflation has moved our base case to at least one more hike in 2026, with risks skewed towards additional hikes.
- Market pricing appears to reflect more aggressive Fed tightening than our base case, which we believe continues to present attractive buying opportunities for shorter-duration securities. We remain neutral on the long end of the curve as expanding fiscal deficits, heavy issuance, and rising term premia present increased risks.
- Investment-grade (IG) corporate bonds underperformed in September as spreads widened during the broader sell-off in bonds. Despite this widening, valuations remain rich relative to recent history. Fundamentals and profitability remain tailwinds. We will likely use the sell-off as an opportunity to increase allocations but remain cautious and selective in the sector.
- Asset-backed securities (ABS) posted positive excess returns in September, primarily on continued strength from the consumer and economy. While fundamentals appear favorable, valuations are still stretched. We will likely allow allocations to drift lower through the natural paydown of ABS securities held.
- Mortgage-backed securities (MBS) underperformed meaningfully in September across the board due to the spike in volatility and increase in mortgage rates. Despite the improvement in valuations, the near-term risks remain skewed to the downside. As a result, we will remain defensive in MBS but are prepared to take advantage of buying opportunities as markets find better footing.
- Money market investors continue to benefit from volatility-driven opportunities. Treasury bills continue to present opportunities as the market appears overly aggressive on Fed tightening expectations.

This information is for institutional investor use only, not for further distribution to retail investors, and does not represent an offer to sell or a solicitation of an offer to buy or sell any fund or other security. Investors should consider the investment objectives, risks, charges and expenses before investing in any of the Michigan Liquid Asset Fund Plus' ("MILAF+" or the "Trust") series. This and other information about the Trust's series is available in the Trust's current Information Statement, which should be read carefully before investing. A copy of the Trust's Information Statement may be obtained by calling 1-877-GO-MILAF or is available on the Trust's website at www.milaf.org. While the Cash Management Class, MAX Class and GovMIC Class seek to maintain a stable net asset value of $1.00 per share and the Michigan Term series seeks to achieve a net asset value of $1.00 per share at its stated maturity, it is possible to lose money investing in the Trust. An investment in the Trust is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Shares of the Trust are distributed by U.S. Bancorp Investments, Inc., member FINRA (www.finra.org) and SIPC (www.sipc.org). PFM Asset Management is a division of U.S. Bancorp Asset Management, Inc., which serves as administrator and investment adviser to the Trust. U.S. Bancorp Asset Management, Inc. is a direct subsidiary of U.S. Bank N.A. and an indirect subsidiary of U.S. Bancorp. U.S. Bancorp Investments, Inc. is a subsidiary of U.S. Bancorp and affiliate of U.S. Bank N.A.

U.S. Treasury Yields

Maturity	Sep 30, 2025	Aug 31, 2026	Sep 30, 2026	Monthly Change
3-Month	3.94%	3.83%	4.12%	0.29%
6-Month	3.84%	3.99%	4.33%	0.34%
2-Year	3.61%	4.34%	4.89%	0.55%
5-Year	3.74%	4.50%	5.09%	0.59%
10-Year	4.15%	4.75%	5.29%	0.54%
30-Year	4.73%	5.24%	5.63%	0.39%

Yields by Sector and Maturity

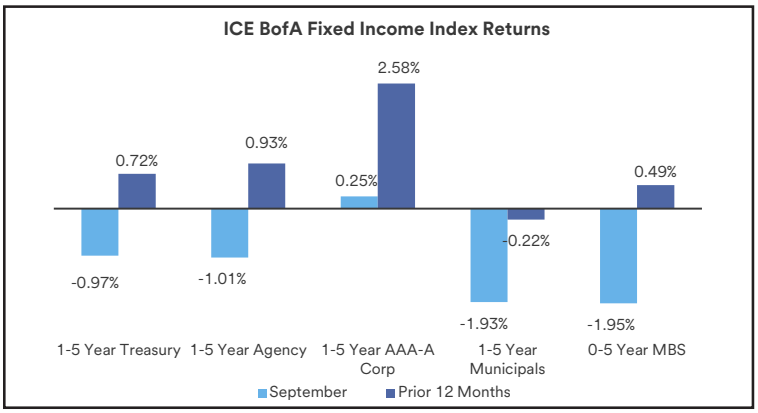
Maturity	U.S. Treasury	Federal Agency	Corporates-AA-A Industrials	AAA Municipals
3-Month	4.12%	4.13%	4.64%	-
6-Month	4.33%	4.33%	4.72%	-
2-Year	4.89%	4.90%	5.16%	3.58%
5-Year	5.09%	5.10%	5.64%	3.75%
10-Year	5.29%	5.35%	6.01%	4.09%
30-Year	5.63%	-	6.46%	4.69%

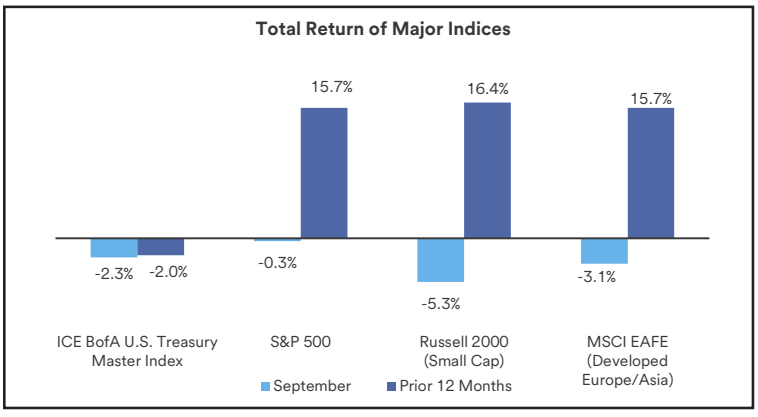
Spot Prices and Benchmark Rates

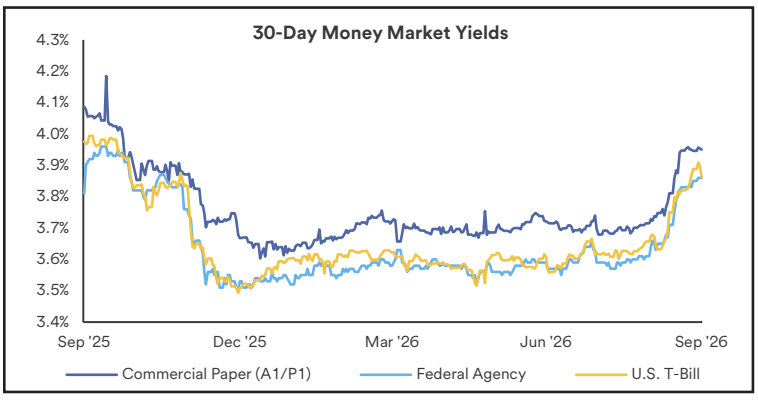
Index	Sep 30, 2025	Aug 31, 2026	Sep 30, 2026	Monthly Change
1-Month SOFR	4.13%	3.71%	3.91%	0.20%
3-Month SOFR	3.98%	3.80%	4.08%	0.28%
Effective Fed Funds Rate	4.09%	3.63%	3.88%	0.25%
Fed Funds Target Rate	4.25%	3.75%	4.00%	0.25%
Gold ($/oz)	$3,841	$4,447	$4,156	-$291
Crude Oil ($/Barrel)	$62.37	$85.76	$90.42	$4.66
U.S. Dollars per Euro	$1.17	$1.16	$1.13	-$0.03

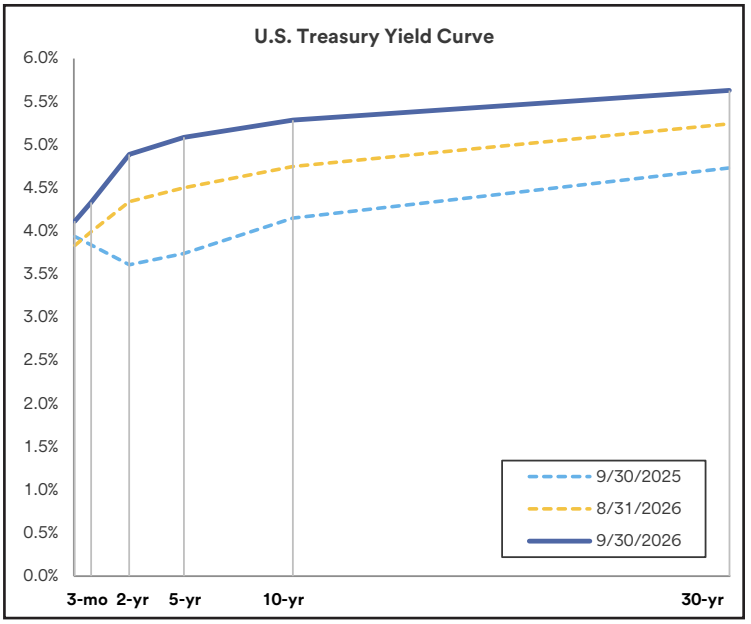
Economic Indicators

Indicator	Release Date	Period	Actual	Survey (Median)
Existing Home Sales MoM	10-Sep	Aug	-2.00%	-1.70%
CPI YoY	11-Sep	Aug	3.40%	3.40%
Retail Sales Advance MoM	16-Sep	Aug	1.20%	0.80%
FOMC Rate Decision	16-Sep	Sept	4.00%	4.00%
GDP Annualized QoQ	30-Sep	2Q T	2.20%	1.50%
PCE YoY	30-Sep	Aug	3.40%	3.70%
Change in Nonfarm Payrolls	2-Oct	Sept	29K	90K









Source: Bloomberg. Data as of September 30, 2026, unless otherwise noted.

Indices shown are not available for investment. The index data reference herein is the property of the index provider and/or its licensors. The index provider assumes no liability in connections with its use and does not sponsor, endorse or recommend the products or services contained herein. Index returns do not reflect payment of any sales charges or fees an investor would pay to purchase the securities they represent. The imposition of these fees and charges would cause investment performance to be lower than the performance shown.

The views expressed within this material constitute the perspective and judgment of U.S. Bancorp Asset Management, Inc. at the time of distribution and are subject to change. Any forecast, projection, or prediction of the market, the economy, economic trends, and equity or fixed-income markets are based upon current opinion as of the date of issue and are also subject to change. Opinions and data presented are not necessarily indicative of future events or expected performance. Information contained herein is based on data obtained from recognized statistical services, issuer reports or communications, or other sources, believed to be reliable. No representation is made as to its accuracy or completeness.

NOT FDIC INSURED : NO BANK GUARANTEE : MAY LOSE VALUE