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Caldwell Trust Company

Quarterly



Fixed Income Explained

Building Balance Through Bonds, Interest Rates & Long-Term Strategy

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Fixed Income Explained

Debt securities, or fixed income securities, are loans made by investors to governments, companies, or other organizations in exchange for regular interest payments and the return of principal at a set maturity date. Most bonds have a maturity date set at issuance. Bonds are generally classified as short-, intermediate-, or long-term based on that maturity, and some may be called (redeemed early) before then. Fixed income can play an important role in a diversified portfolio by helping generate income, support capital preservation, and potentially reduce overall portfolio volatility, though all bonds still carry risk.

Main Bond Types

Bonds are issued by a wide range of entities, including the U.S. government, state and local governments, corporations, and certain international organizations. In some cases, financial institutions also issue bonds such as mortgage-backed securities. Although thousands of bonds are issued each year, even bonds from the same issuer can differ in structure and features.

Some of the most common types of bonds include:

- **Corporate Bonds** – Issued by companies to help finance business needs such as expansion, operations, and acquisitions. Investors are lending to the issuer rather than acquiring an ownership interest, as they would with common stock. Most corporate bonds trade in the over-the-counter (OTC) market.
- **Agency Securities** – Issued by U.S. federal agencies and government-sponsored enterprises. They typically pay fixed interest on a semiannual basis and are often sold in relatively large denominations. Unlike Ginnie Mae securities, most agency bonds are not fully backed by the U.S. government, so the strength of the credit support depends on the issuing agency and should be reviewed before investing.
- **Municipal Bonds** – Can offer investors tax advantages, steady income, and relatively low risk, making them an attractive option for those seeking regular income, especially those in higher tax brackets. Municipal bonds generally fall into two main categories, depending on the source of their payments: general obligation bonds and revenue bonds. General obligation bonds are backed by the taxing power of a state or local government, while revenue bonds are supported by the cash flow from a specific project or source, such as a toll road or utility.
- **U.S. Treasury Securities** – Issued by the federal government and generally regarded as among the safest and most liquid investments because they are backed by the "full faith and credit" of the United States. They include Treasury bills (T-bills), which are short-term, zero-coupon securities; Treasury notes (T-notes), which have intermediate maturities; Treasury bonds, which are longer-term securities; and Treasury Inflation-Protected Securities (TIPS), which are designed to help protect against inflation by adjusting principal over time based on changes in the Consumer Price Index (CPI). When the CPI rises, the bond's principal increases. When the CPI falls, the principal decreases, but the bond will never mature for less than the original investment.
- **U.S. Savings Bonds** – Also issued by the federal government and backed by the "full faith and credit" guarantee. The two most common savings bonds are Series I and Series EE bonds. Interest builds over time and is compounded twice a year, then paid when the bond is redeemed.

Buying and Selling

Bonds may be purchased when first issued in the primary market and held until maturity, or bought and sold later in the secondary market through a brokerage firm or investment professional. While a bond's face value and stated interest rate typically remain fixed, its market price can fluctuate after issuance, often trading above or below par depending on market conditions.

If you buy a Treasury bond directly from the U.S. government and later want to sell it before maturity, you'll typically need to sell it through a brokerage firm or bank. Bond funds can usually be bought and sold through an advisor, a brokerage platform, or directly from the fund company, though the selection available through an advisor may be limited to that firm's offerings.

If a bond is sold before maturity, the investor may receive more or less than the original principal and will not receive any future interest payments. The sale price will depend on current market conditions, including interest rates, supply and demand, and changes in the issuer's credit quality. If the bond is sold between coupon payment dates, the seller

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is also entitled to accrued interest, which is added to the transaction price and reflects the interest earned since the last payment date.

Bond Pricing and Interest Rates

Bond prices are usually quoted as a percentage of par value, with 100 representing par. A bond quoted at 105 is trading at a premium, or 105 percent of face value. A bond quoted at 95 is trading at a discount, or 95 percent of face value. Bond prices and interest rates generally move in opposite directions. When market rates fall, bonds in the secondary market with higher coupons often become more valuable, as investors will be willing to pay a premium for that higher coupon payment. The key thing to remember is that bond prices and interest rates are inversely related. Because of this, every bond carries some degree of interest rate risk.

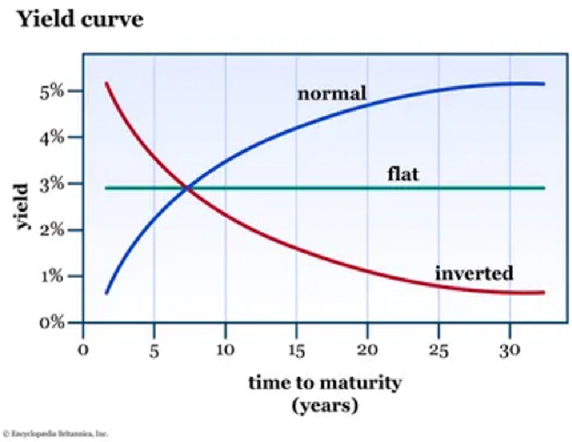
Key Risks

Like other investments, bonds and bond funds involve risk and may result in a loss of principal. The following are some of the most common risks investors should understand:

- **Interest Rate Risk:** Bond prices can rise or fall when interest rates change, and longer-maturity bonds are generally more sensitive to those moves.
- **Duration Risk:** Duration measures how much a bond's price may change when interest rates move; the higher the duration, the greater the price sensitivity.
- **Call Risk:** Some bonds can be redeemed early by the issuer when rates fall, which can force investors to reinvest at lower yields.
- **Reinvestment Risk:** The possibility that an investor will reinvest cash flows at a lower rate of return than the original investment.
- **Credit (Default) Risk:** A bond issuer may not make scheduled interest payments or repay principal at maturity. Bonds with greater credit risk typically offer higher yields to compensate investors, while stronger issuers generally pay less. Investors often manage this risk by reviewing credit ratings and diversifying across different issuers.
- **Inflation Risk:** Inflation can reduce the real value of a bond's income over time if the bond's return does not keep pace with rising prices.

Understanding the Yield Curve

The yield curve is one of the most useful tools for understanding how the bond market prices interest rates across different maturities. It gives investors a simple picture of whether shorter-term or longer-term securities are offering more attractive yields at a given point in time. A normal yield curve is upward sloping, meaning that securities with longer maturities carry higher yields. An inverted yield curve means shorter-term securities are yielding more than longer-term ones. This is unusual and often signals that investors expect slower growth or lower interest rates ahead. A flat yield curve means yields across short- and long-term maturities are very similar. This can suggest the market sees little to no difference between near-term and longer-term interest rate expectations.



Investors often turn to fixed income because it can provide a combination of income, diversification, and relative stability. In a well-constructed portfolio, bonds may help offset equity volatility and support long-term financial goals. Although fixed income carries its own risks, it remains an important tool for investors seeking balance and resilience across changing market environments.

From Markets to Meaningful Milestones

Fixed income markets are built on structure, consistency, and long-term commitments. In many ways, those same principles extend beyond portfolios and into the people, partnerships, and community relationships that define Caldwell Trust Company.

As we move from market insights into firm updates, we are pleased to share several milestones that reflect the same values that guide our investment philosophy: discipline, trust, and a long-term perspective.

In this edition, we celebrate leadership and industry recognition, highlight professional achievement and growth within our team, recognize a decade of dedicated service from several employees, and mark an important anniversary for our Vero Beach office as it continues to grow within the Treasure Coast community.

Caldwell Trust Company Celebrates
Rita Lowman's Lifetime Achievement Award

There are few honors that recognize an entire career of leadership, service, and lasting impact. This year, Caldwell Trust Company is proud to celebrate our Chairman and CEO, Rita Lowman, who received the Florida Bankers Association's highest honor, the Lifetime Achievement Award.

Presented to individuals whose careers have made an extraordinary contribution to Florida's banking industry, the award recognizes a lifetime of leadership, innovation, and service. For those who have worked alongside Rita over the years, this recognition comes as no surprise.

Throughout more than four decades in banking, Rita has built an extraordinary legacy as a trusted leader, passionate advocate for community banking, and mentor to generations of banking professionals. Her vision, integrity, and unwavering commitment to clients have helped shape not only Caldwell Trust Company, but the banking profession throughout Florida.

Florida Bankers Association President and CEO Kathy Kraninger shared this tribute:



> *"Throughout her more than 40-year career, Rita Lowman has been a respected leader, a tireless advocate for community banking and a mentor to countless bankers across our state and nation."*
>
> — **Kathy Kraninger**
> *President & CEO,*
> *Florida Bankers Association*

R.G. "Kelly" Caldwell, Jr., President, CEO and Chairman of Caldwell Trust Company, added:



> *"Rita's Lifetime Achievement Award is a well-deserved recognition of a career defined by leadership, service, and lasting impact across the Florida banking industry. We are honored to celebrate this milestone with her and to benefit from her continued perspective and experience as a member of our Board of Directors."*
>
> — **R.G. "Kelly" Caldwell, Jr.**
> President, CEO, and Chairman
> of Caldwell Trust Company

While Rita's accomplishments are significant, those who know her understand that she measures success by the relationships she has built and the people she has helped along the way. Her response upon receiving the award reflects the humility that has defined her career:

"When your peers end up nominating and putting you forth for such an incredible award, it means the world. I've worked so closely with all of these bankers in the state of Florida. To know that they love and respect me as much as I love and respect them, it's quite an honor."

Everyone at Caldwell Trust Company joins in congratulating Rita on this extraordinary and well-deserved recognition. We are honored to celebrate this milestone and grateful for the leadership, wisdom, and heart she brings to our company every day. Her legacy continues to inspire our team, our clients, and the future of banking in Florida.



Congratulations to Ali Orme

On Earning Her CTFA® Designation

Caldwell Trust Company is proud to congratulate Ali Orme on earning the Certified Trust and Fiduciary Advisor (CTFA®) designation, an important professional milestone that reflects her commitment to professional excellence and exceptional client service.

Although Ali is a recent addition to the Caldwell Trust Company team, she brings a strong background in the financial services industry and has embraced every opportunity to continue expanding her expertise. Shortly after joining the firm, she was encouraged to pursue the CTFA® designation, and her dedication and determination have culminated in this significant achievement.

Awarded by the American Bankers Association, the CTFA® designation recognizes experienced professionals who have demonstrated advanced knowledge in trust administration, fiduciary responsibilities, estate planning, investment management, tax planning, and financial planning. Earning the credential requires substantial industry experience, rigorous study, and a commitment to ongoing professional education.

Ali's accomplishment reflects the values that define Caldwell Trust Company: expertise, integrity, and personalized service. Her commitment to lifelong learning ensures that our clients continue to benefit from knowledgeable guidance and thoughtful fiduciary care.

Please join us in congratulating Ali on earning her CTFA® designation. We are proud to have her as part of the Caldwell Trust Company team and look forward to the many ways she will continue to serve our clients and strengthen our organization.

Celebrating 10 Years of Dedication

at Caldwell Trust Company



At Caldwell Trust Company, some of the most important work happens quietly in the background, where consistency, precision, and teamwork make everything else possible. This year, we are proud to recognize five employees celebrating 10 years of service: **Mary, Stacey, Tim, Elaine,** and **Dennis.**

A decade is more than a milestone. It represents thousands of daily contributions that clients never see but always feel. It is the careful handling of details, steady support of colleagues, and commitment to ensuring complex processes run smoothly and securely.

Together, these team members have helped strengthen the foundation of our firm. While their roles are primarily behind the scenes in IT and Operations, their impact reaches every corner of the organization, supporting every client relationship, every transaction, and every moment of service that defines the Caldwell experience.

What makes this milestone especially meaningful is not only the length of their service, but the trust and dependability they have built over time. They have grown alongside the firm, helped us adapt to change, and contributed to the systems and processes that allow us to serve clients with confidence and care.

As Jan Miller, Senior Executive Vice President and Trust Officer, shared, "Ten years of service like this reflects something deeper than tenure. It reflects consistency, care, and pride in the work we do together. It is something you feel across the firm every day, even when most of the work happens behind the scenes."

Please join us in congratulating them on 10 years with Caldwell Trust Company. Their commitment continues to play an essential role in the strength and stability of our organization. We are deeply grateful for their dedication and proud to recognize this milestone.

Why Families Choose a Corporate Trustee

When families create a trust, they are doing more than transferring assets. They are making decisions intended to carry out their wishes long into the future. One of the most important choices in that process is selecting the trustee who will be responsible for administering those instructions over time.

Some families name an individual trustee. Others choose a corporate trustee to provide continuity, structure, and professional fiduciary oversight that is designed to endure across generations.

A corporate trustee operates within a defined fiduciary framework that emphasizes consistency, accountability, and adherence to the governing document. This structure helps ensure that decisions are made with discipline and care, even as circumstances evolve over time.

At Caldwell Trust Company, serving as trustee means carrying a responsibility that extends beyond administration. It requires judgment, attention to detail, and a commitment to acting in the best interests of clients and beneficiaries at all times.

One of the most valued aspects of a corporate trustee is continuity. Trusts are often designed to last for many years, and life rarely remains static over that time. Family circumstances change, beneficiaries move, and financial needs evolve. A corporate trustee provides stability through those changes, helping ensure that administration remains consistent and uninterrupted.

Objectivity is another important consideration. In situations where multiple beneficiaries are involved, or where decisions require impartial judgment, a corporate trustee helps ensure that administration remains guided by the terms of the trust rather than individual preference or circumstance.

Families and their advisors also appreciate the coordination a corporate trustee provides. Investment oversight, trust administration, and fiduciary responsibilities are managed within a unified structure, supporting clarity and accountability across the entire relationship.

Ultimately, many families and professional advisors choose a corporate trustee because it provides something deeply important in long-term planning: confidence that the intent of the trust will be carried out with consistency, professionalism, and care.

For Caldwell Trust Company, that responsibility is foundational. It reflects a commitment to thoughtful stewardship, disciplined decision-making, and a long-term perspective focused on preserving and honoring each client's legacy.

> *"A corporate trustee helps ensure that a client's intent is carried out with consistency, discipline, and care across generations."*

CLOSING PERSPECTIVE

As this quarter's newsletter reflects, meaningful outcomes are rarely the result of a single moment. They are built over time through discipline, thoughtful decision-making, and relationships that endure.

We are honored to work with clients, families, and professional partners who value that same long-term perspective. Thank you for your continued trust in Caldwell Trust Company.

Caldwell Trust Company

Personal • Traditional • Independent

BUILDING WEALTH | PRESERVING LEGACY – THE WAY IT'S MEANT TO BE

Why Caldwell Trust?

INDEPENDENT Your interests, first and only.

FLORIDA-FOCUSED Deep roots. Local insight.

FIDUCIARY Guided by the highest standards.

RELATIONSHIP-DRIVEN Measured in generations.

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