

2026 Midyear Report:

Fixed Income Trends in Core, Plus, & Opportunistic Sectors

July 30, 2026

Overview

Income-producing strategies in the first half of 2026 were shaped by **elevated yields**, modestly volatile rates, and a broadly constructive risk backdrop for spread products and listed real assets.

Core bond exposure **lagged higher-income sectors**, while Plus and Opportunistic allocations benefited from attractive current yields, tighter credit conditions, and a strong rebound in REITs.

Grayrock Global's allocation framework for liquid public-market income portfolios is to group strategies into Core, Plus, and Opportunistic buckets based on expected yield, drawdown risk, and sensitivity to credit spreads or equity markets.

In that framework, the Bloomberg U.S. Aggregate Bond Index serves as a useful Core benchmark because it represents a broad array of U.S. investment-grade fixed income securities such as U.S. Treasuries, U.S. Government Agencies, Agency MBS, and investment-grade ("IG") corporate bonds.

For the 6-month period ended June 30, 2026, the Bloomberg U.S. Aggregate Bond Index ("Agg" or "Benchmark") showed a **total return of 0.3%** comprised of attractive current yield and negative capital gains due to higher interest rates.

Performance Rankings through Mid-2026

The first half of 2026 broadly favored risk-bearing income assets over pure core duration, with listed REITs leading among the sectors discussed and the Benchmark trailing materially.

Category	Typical sectors	Mid-2026 performance	Current yield	Reference points
Core	Aggregate bonds, Treasuries, agency MBS, IG corporates	Flat to low-single-digit total returns; income offset by rate pressure.	Roughly 4% for the broad Agg; slightly above 5% for IG corporates.	Broad aggregate-bond indices showed flat first-half returns

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Plus	IG credit, securitized credit, quality high yield, mainstream REITs, preferreds	Positive mid-single-digit to low-double-digit returns, led by REITs and spread carry.	About 5% to 7% depending on sector mix.	REITs were up 14.9% at mid-year; high yield benefited from carry with yields around 7.2%.
Opportunistic	mREITs, aggressive high yield, covered-call equity income, higher-beta hybrids	Highest income potential, but with equity-like and spread-driven volatility	Often 8% to 12%+ depending on strategy.	Return dispersion was wide; income remained high, but downside sensitivity stayed elevated

“Core” Allocations

Core allocations were the stability sleeve in the first 6 months of 2026, but they did not lead on total return. Broad aggregate exposure through the Bloomberg U.S. Aggregate Bond Index remained **constrained** by rate sensitivity, with major index-tracking fund proxies showing roughly flat first-half returns even after coupon income.

Within Core, **investment-grade corporates** were more attractive than pure aggregate bonds because yields remained above 5% in key A and BBB parts of the market, giving investors stronger carry than Treasuries or broad Agg alone. **Agency MBS** and related securitized sectors also remained relevant Core or near-Core exposures, though their performance was moderated by prepayment and convexity effects rather than a strong duration rally.

“Core” Trends

The main trend in Core was the **dominance of coupon income** over price appreciation. Investors were paid to hold duration, but not generously enough to produce strong total returns when compared with spread sectors or listed real estate.

“Plus” Allocations

Plus allocations were the **most balanced part** of the income spectrum in the first half of 2026, combining stronger yields than Core with lower fragility than Opportunistic sleeves. The sectors that fit best here were investment-grade corporates, quality securitized credit, quality or short-duration high yield, mainstream equity REITs, and some preferred stock or hybrid income funds.

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The strongest performer in the Plus bucket was **listed REITs**. We estimate that REIT total returns reached 14.9% at mid-year 2026, while Janus Henderson cited U.S. REIT gains of 18% year-to-date through June 12, showing broad-based sector strength and strong recovery from depressed starting valuations.

High yield also contributed meaningfully to Plus performance, especially in higher-quality segments. The ICE BofA U.S. High Yield Index Effective Yield stood around 7.19% in late July 2026, supporting carry-heavy return expectations even as spreads remained relatively tight.

“Plus” Trends

The key trend in Plus was that investors were rewarded for **taking measured spread risk**. REITs benefited from healthier fundamentals, access to capital, and lower correlation with technology-heavy equity leadership, while quality high yield and IG spread products benefited from a benign default backdrop and elevated starting income.

“Opportunistic” Allocations

Opportunistic allocations remained the **yield-maximizing sleeve**, but they also carried the highest sensitivity to market stress, leverage, and valuation resets. In a liquid ETF and fund portfolio, this bucket generally includes mortgage REITs, aggressive below-investment-grade credit, covered-call equity income strategies, and some higher-beta hybrids or convertible-like exposures.

The central trend in Opportunistic strategies during the 1H2026 was that **income remained compelling**, but total returns were much more path-dependent than in Plus sectors. **Mortgage REITs** continued to offer double-digit distribution yields, but their risk remained closely tied to leverage, repo funding, mortgage spread volatility, and curve behavior rather than just headline income.

Covered-call equity income strategies also remained attractive for investors targeting 7% to 8% portfolio cash yields because option premium could supplement dividends in a market that still had enough volatility to make overwriting worthwhile. The trade-off was reduced upside participation during equity rallies, which mattered in a year where broad U.S. equities posted strong first-half gains.

“Opportunistic” Trends

The defining feature of Opportunistic allocations was not just higher yield, but greater dependence on market conditions. These sectors worked best as a minority sleeve that boosted portfolio income, not as a substitute for Core or Plus stability.



Allocation Implications versus the Benchmark

Relative to the Bloomberg U.S. Aggregate Bond Index, Core allocations offered similar or moderately higher yield with limited incremental risk, but only modest return improvement in the first half of 2026.

Plus allocations produced the **best combination of income and performance**, with REITs and quality spread products materially outpacing the Bloomberg U.S. Aggregate Bond Index on total return while still fitting within a liquid, institutionally presentable framework.

Opportunistic allocations were necessary for investors targeting a 7% to 8% portfolio yield through public ETFs and funds, but they should have been sized as satellites because their volatility profile was much closer to high-beta equity or leveraged credit than to bond benchmarks.

For a midyear 2026 liquid income portfolio, the evidence favored a structure with Core as ballast, Plus as the main return engine, and Opportunistic as the controlled yield booster.

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