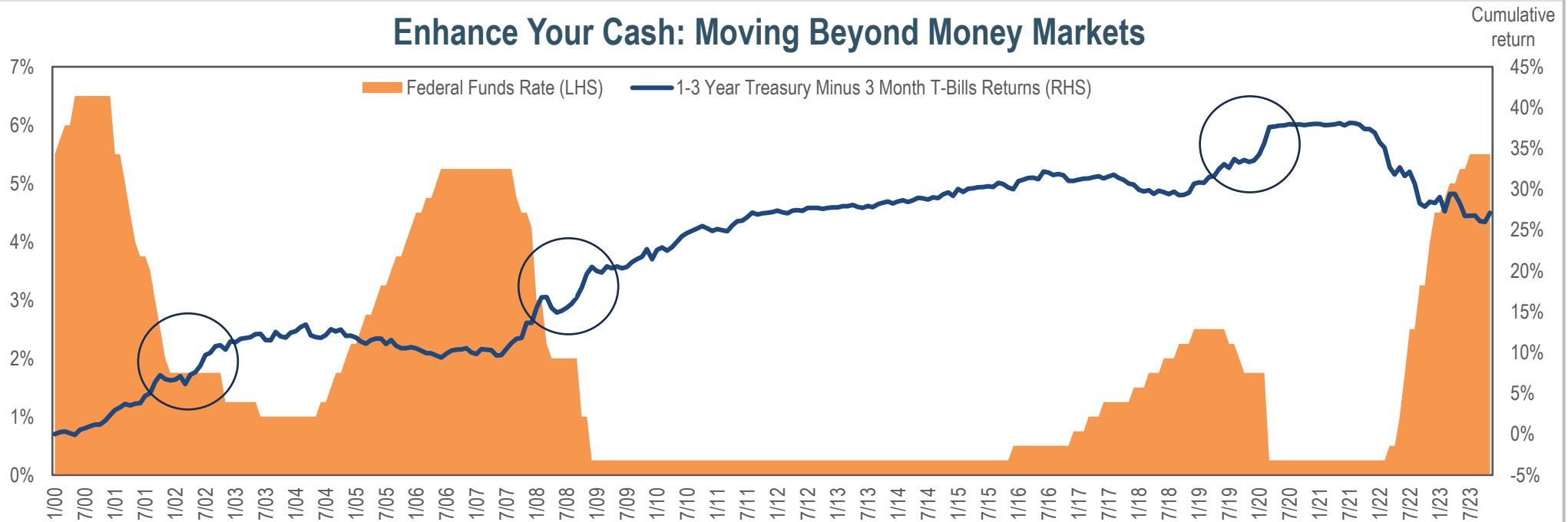


Enhance Your Cash: Moving Beyond Money Markets



- **Record Highs.** Money market funds have hit record levels with inflows continuing to climb, as investors look to take advantage of higher front-end yields.
- **Return Differentials.** Historically, the return difference of 1-3 Year Treasuries versus 3 Month T-bills has been amplified as the Federal Funds Rate declines. The market is currently pricing in rate cuts beginning in 2024.
- **Sector Diversification.** Money market funds are typically dominated by Financials and Treasuries; expanding to include different corporate bond sectors along with high quality, liquid securitized assets helps diversify the portfolio and can increase overall portfolio yield.
- **Yield Cushion.** Front-end rates would need to rise significantly before experiencing negative returns; currently, rates would need to increase by another 250bps for the 1-3 Year Treasury Index to return 0% over a one-year period.
- At IR+M, we believe that today's market environment is providing a unique opportunity to enhance the approach to cash. Strategically extending duration and adding sector diversification beyond a money market fund can provide upside potential while still protecting principal and providing liquidity.

Sources: Bloomberg as of 11/30/23. 3-Month T-Bill based on the ICE BofA US 3-Month Treasury Bill Index at each month end since 1/31/2000. 1-3 Year Treasury is based on the ICE BofA 1-3 Year US Treasury Index at each month end since 1/31/2000. Federal Funds Rate represents the upper bound at each month end since 1/31/2000. The circles denote time periods where the Federal Reserve cut rates, coinciding with an increase in cumulative returns for 1-3 Year Treasury minus 3-Month T-Bills. The views contained in this report are those of Income Research & Management ("IR+M") and are based on information obtained by IR+M from sources that are believed to be reliable but IR+M makes no guarantee as to the accuracy or completeness of the underlying third-party data used to form IR+M's views and opinions. This report is for informational purposes only and is not intended to provide specific advice, recommendations, or projected returns for any particular IR+M product. Investing in securities involves risk of loss that clients should be prepared to bear. More specifically, investing in the bond market is subject to certain risks including but not limited to market, interest rate, credit, call or prepayment, extension, issuer, and inflation risk. It should not be assumed that the yields or any other data presented exist today or will in the future. It should not be assumed that recommendations made will be profitable in the future. Actual results may vary. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission from Income Research & Management. "Bloomberg®" and Bloomberg Indices are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited ("BISL"), the administrator of the index (collectively, "Bloomberg") and have been licensed for use for certain purposes by IR+M. Bloomberg is not affiliated with IR+M, and Bloomberg does not approve, endorse, review, or recommend the products described herein. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to any IR+M product.