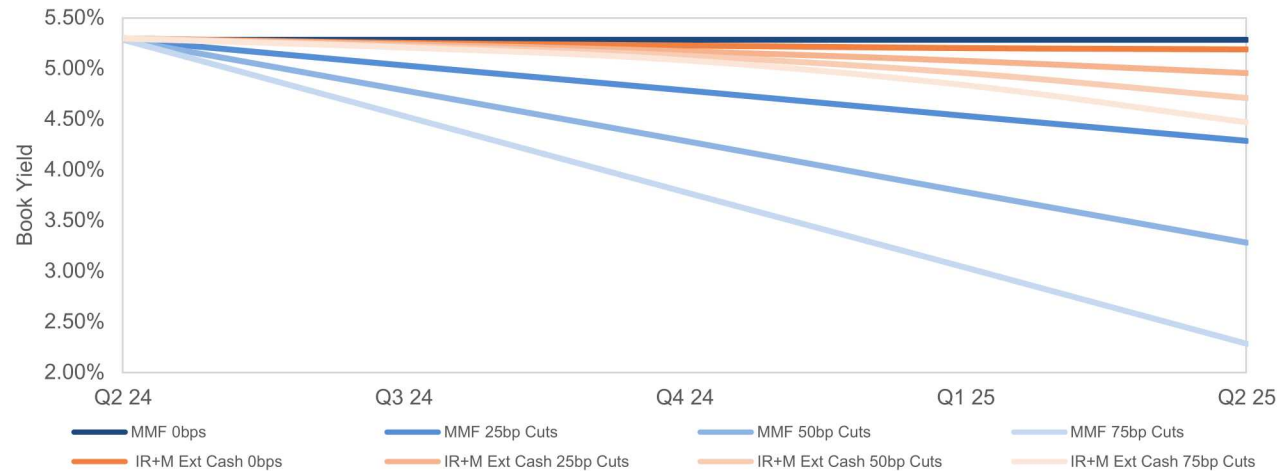


Is Now the Time to Extend? Moderately Adding Duration Can Help Cushion the Impact of Rate Cuts.



- **Yields remain elevated but rate cuts loom.** The market continues to contemplate the timing and extent of rate cuts. While the yield curve remains inverted, yields and spreads in short strategies and money market funds offer comparable opportunities. In today's environment, by modestly extending cash duration, an investor can maintain the current cash yield while protecting against the impact of future rate cuts.
- **Lock in yields and take advantage of total return.** Slightly extending duration ahead of rate cuts can help lock in higher yields for longer. Historically, extending duration and/or adding spread sectors following the final fed rate hike has led to outperformance when compared to investing in money market or 3-month T-bill strategies, alone.
- **Sector Diversification.** Money market funds are typically dominated by Financials and Treasuries; expanding the investible universe to include different corporate bond sectors, along with high quality securitized assets, can help to diversify the portfolio without meaningfully sacrificing liquidity.
- **Yield Cushion.** Should we be surprised with rate increases, front-end rates would need to rise significantly before experiencing negative returns; rates would need to increase by another 500bps for the 1-Year Treasury Index to return 0% over a one-year period.
- At IR+M, we believe that strategically extending duration and adding sector diversification can provide upside potential while still preserving principal and providing liquidity. By getting ahead of expected interest rate cuts investors can enjoy the benefits of today's higher yields for longer.

*IR+M's Short Extended Cash Representative portfolio is benched against the Bloomberg 1-Year US Treasury Bellwether Index and had a duration of 0.94 years as of 3/31/24.
Source: Bloomberg as of 3/29/24 unless stated otherwise. "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. Chart: The largest prime money market fund is based on a Bloomberg Fund Screen, which compiles all funds that are open-end funds, money markets, primary share class, and a geographic focus on the United States. The prime money market fund uses a fund strategy of Taxable First Tier. The yield shown for money market funds is the 7-day SEC yield. The yield of the money market fund is sourced from Fidelity. First rate cut occurs 7/1/24 after both the IR+M Short Extended Cash (IR+M Ext Cash) Representative portfolio and money market fund (MMF) have reinvested at 6/30/24. Subsequent rate cuts occur quarterly and instantaneously at the respective shocks of 25bps, 50bps and 75bps. This is a forward-looking analysis. Yields can vary from these scenarios. The above forward-looking analysis does not take into account the effects that market conditions and trading may have on the portfolio. 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.