

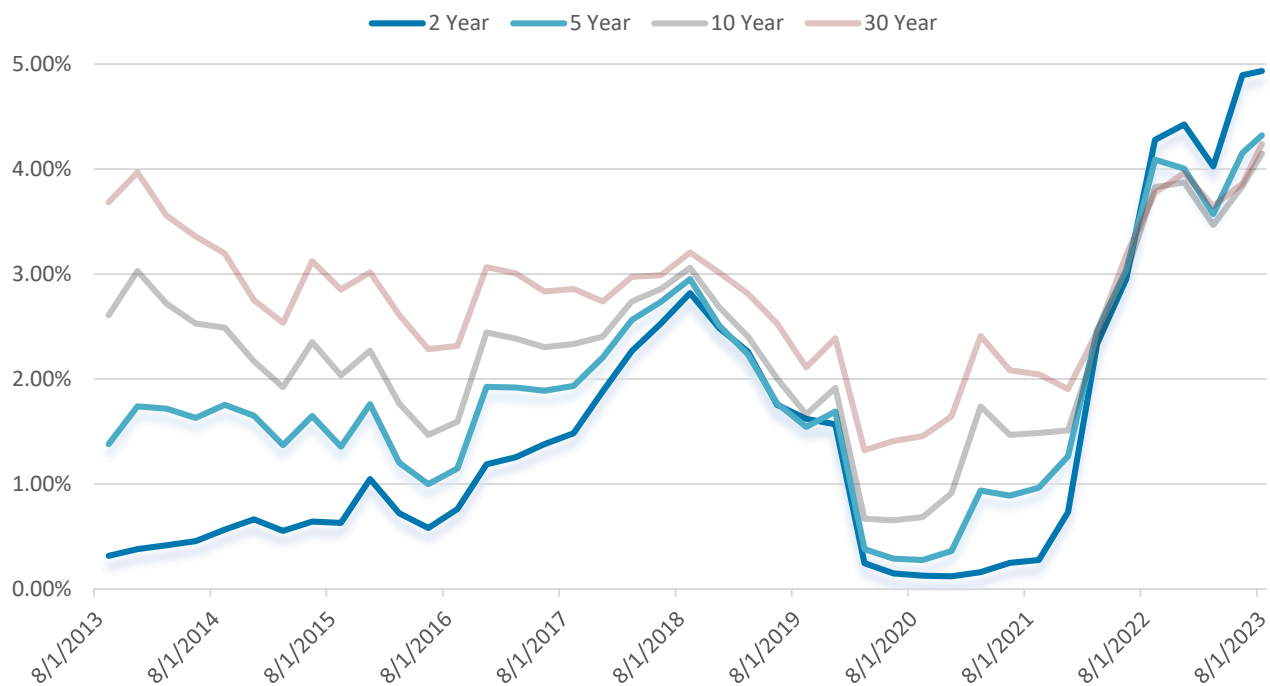
NEW PERSPECTIVES

Commentary from New Century Advisors – August, 2023

Historic Opportunity Created by Short-Dated Bond Yields

Institutional investors could earn attractive yields and potentially benefit with capital gains should yields decline in the future. The level of yields could also provide a yield cushion should rates continue to rise.

US Treasury Yields Highest in Over 10 Years



Source: Bloomberg

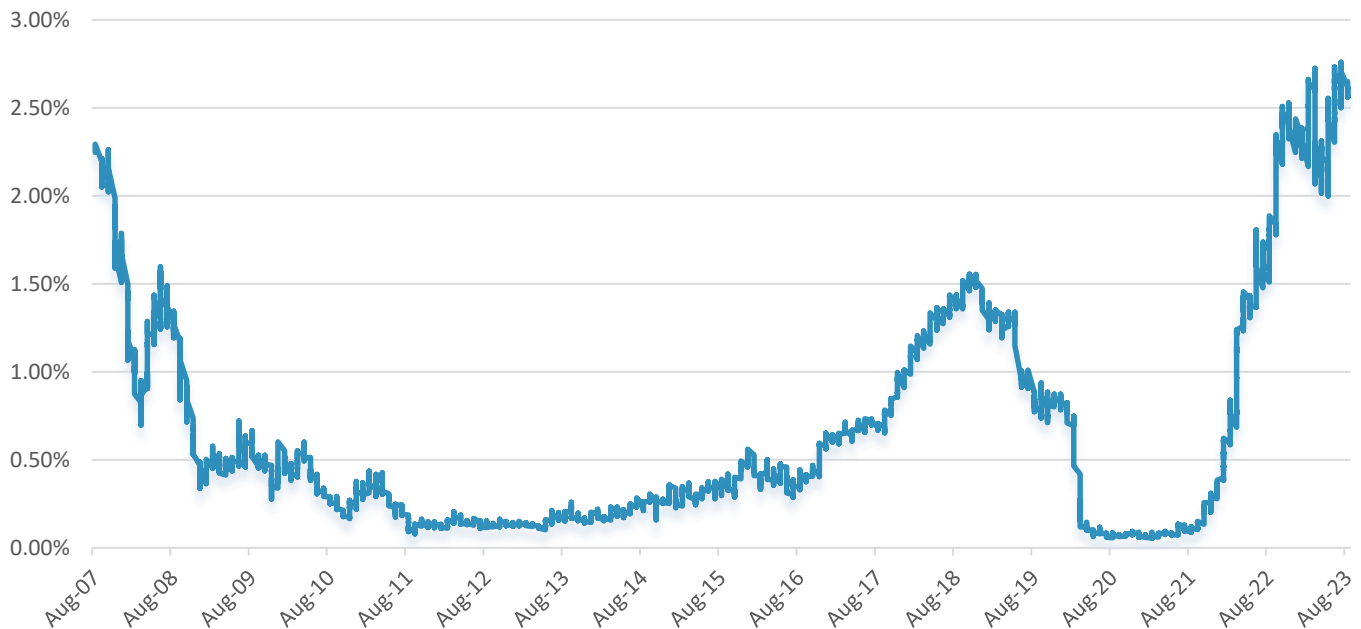
Our Short Duration Plus strategy is capitalizing on the relative value in short duration fixed income, particularly since we believe we are near, or approaching, peak Fed Fund rates. Not only have yields risen to the most attractive levels in over 10 years, we've seen the largest moves in 2-year and 5-year Treasury yields.

For investors seeking income and/or total return, active strategies can capitalize on this opportunity. Short-dated bonds now have a higher probability of positive returns despite interest rate volatility, given the yield cushion. The following chart showing the breakeven yield change for a 2-year Treasury over a one-year holding period demonstrates the value of this yield cushion.

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2 Year Treasury Breakeven Yield Change



Source: Bloomberg

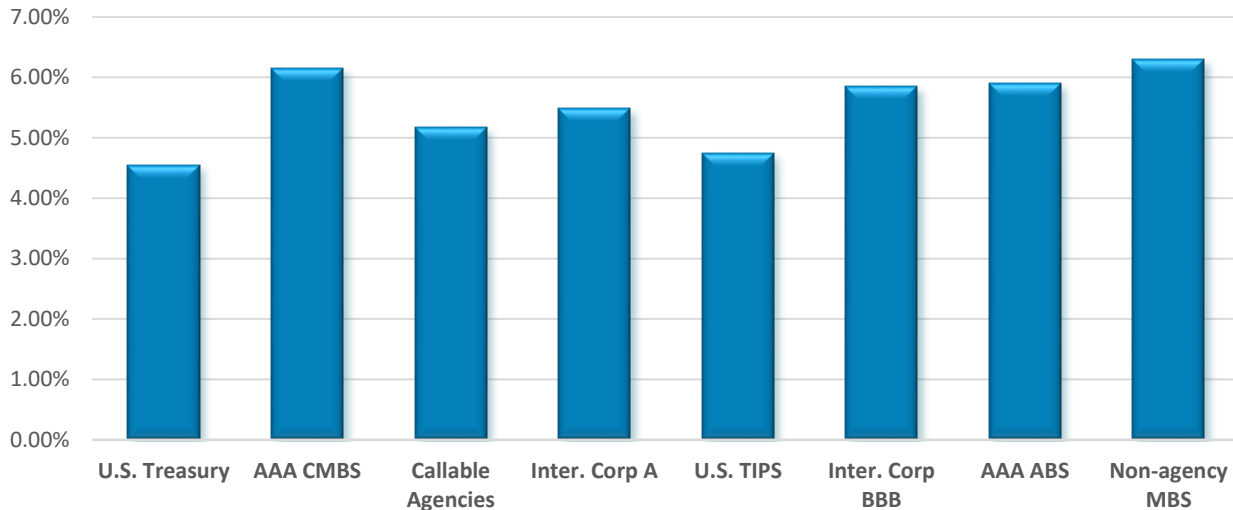
As the chart shows, for a one year holding period, a 2 year yield would have to rise another 265 basis points from the current yield for the holding period return to be negative. We think this scenario is unlikely given current market pricing and what the Fed is signaling.

What this means for spread sectors is compelling, in our view. We see active management opportunities in structured products, corporate bonds, and callable agencies. In particular, we believe select AAA-rated structured products such as non-agency mortgages, CMBS and ABS generally offer attractive risk-adjusted returns versus corporate credit; the potential for deterioration in credit conditions clearly is a risk that we wish to avoid.

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Relative Value in Spread Sectors



Source: Bloomberg

In the NCA Short Duration Plus strategy, sector exposures are tactically managed based on such assessments of risk-adjusted relative value. Further, consistent with our investment philosophy, we seek to generate consistent excess returns over time by constructing portfolios with multiple, active diversifying exposures. We focus on a broad opportunity set, as opposed to making a few big bets, in order to limit downside risk.

NCA Short Duration Plus Stats and eVestment Ranking
For 5 year period ending June 30, 2023.

Universe: eVestment US Short Duration Fixed Income	Return	Rank	Standard Deviation	Rank	Sharpe Ratio **	Rank	Information Ratio *	Rank	Upside Mkt Capture *	Rank	Downside Mkt Capture *	Rank
NCA Short Duration Plus	2.11%	12	2.64%	72	0.22	9	0.53	9	141.72	21	73.99	32
Bof A Merrill Lynch 1-3 year Treasury Index	0.95%	95	1.77%	27	-0.28	96	--	--	100.00	92	100.0000	64

* B of A ML 1-3 Year Treasury Index ** FTSE 3-Month T-Bill

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This investment approach has contributed to the strategy's strong rankings for performance, including risk-adjusted metrics, and favorable upside and downside market capture.

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For more information on any of the data, trends, or strategies in this piece, or to discuss how New Century Advisors might help your fixed income allocation, please contact Leigh Talbot, CFA, Director of Client Relations at 240-395-0012 and ltalbot@ncallc.com

Important Investment Information

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