LIMITED

DURATION

Q2 2024

## Performance

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | MTD | QTD | YTD | Trailing 1 Year | Trailing 3 Year | Trailing 5 Year | Since Inception |
| Limited Duration (Gross) | 1.05% | 2.50% | -0.45% | 2.58% | 5.87% | 3.74% | 4.47% |
| Limited Duration (Net) | 1.03% | 2.47% | -0.52% | 2.45% | 5.73% | 3.59% | 4.29% |
| Barclays 1-3 G/C | 0.70% | 1.83% | -1.60% | -0.33% | 5.34% | 3.03% | 4.11% |

## Performance Commentary and Attribution

## Our Limited Duration strategy finished the second quarter with solidly positive total and excess returns as weakness in rates markets supported portfolio positioning while portfolio construction provided protection against weaker credit markets. Despite mixed economic data and the Federal Open Market Committee (FOMC) becoming more vocally supportive of a September rate cut, front end yields drifted a bit higher as market participants continue to re-evaluate what the impending easing cycle will look like. Credit spreads began the quarter riding a sanguine wave that lead Investment Grade (IG) credit spreads to within two basis points of post-GFC tights. This optimism faded into June as summer official began and market participants began to adjust portfolio exposures as we appear to be at an inflection point in many financial markets.

## The primary contributor to total return was an underweight duration position while income was also a meaningful contributor to performance. While we believe that we are at the end of the current Federal Reserve (Fed) hiking cycle, we believe that the beginning of the easing cycle will be gradual and cautiously implemented. With that being said, we have been underweight duration, in part due to continuing to own floating rate notes in the portfolio. As these notes mature, the portfolio duration positioning will return closer to neutral over the course of 2024. Last year we made an effort to put higher coupon bonds within the portfolio as we saw more value in carry as opposed to future price appreciation and that positioning as continued to bear fruit via higher income.

The primary detractor to total return this quarter was adverse interest rate curve positioning. The historically long yield curve inversion has created both volatility and performance anomalies that are difficult to eliminate in a buy-and-hold portfolio approach. We anticipate curve exposure becoming less of a detractor as the yield curve normalizes once the Fed’s easing cycle begins.