



RGB Perspectives

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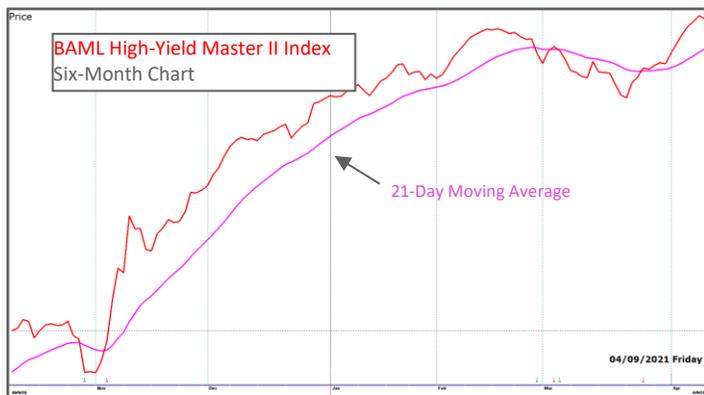
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The interest rate environment appears to be stabilizing. The **US 10-Year Treasury Yield** surged from 0.79% six months ago to a peak of 1.74%, a 120% increase in less than six months! The yield has pulled back to 1.67% over the last few weeks and is now in a short-term trading range.



Rising rates have caused prices of US Treasuries and other interest rate sensitive bonds to decline. The **BAML Long-Term Treasury Bond Index** fell consistently over the last six months but recently bounced up to its 21-day moving average as rates stabilized.



Economic sensitive bonds, such as junk bonds are influenced by rising interest rates but are also affected by overall economic conditions. The **BAML High-Yield Master II Index** trended up for most of this six-month period before pulling back slightly between mid-February and mid-March. Once rates stabilized, the index quickly recovered its 21-day moving average and reached a new all-time high last week.

The environment remains positive for the economic sensitive bond and income funds that make up the majority of our Core and Balanced strategies. If interest rates stabilize, or even trend back down, and the overall economic environment remains strong, these funds will likely benefit. While I don't expect the returns of these funds to continue at the rate we experienced last year, it does appear that they can continue to provide excellent risk-adjusted returns as the economic recovery continues. At some point these trends will change and I will strive to identify those changes and make adjustments as necessary to protect our capital.

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