April 17, 2023

Q1 2023 INVESTOR UPDATE

FIXED INCOME

Fixed income investing should be a relatively uneventful investment strategy; investors lend money and collect a series of scheduled interest payments until loans come due and payable on a defined date. The fact that we purchase these investments in the open market – rather than initiating the loans directly to the borrower – changes little of this fundamental concept. We're happy to report that Q1 was remarkably boring and predictable.

While we report *past* performance to our clients, we believe investors can gain more insight into the *future* through several current data points upon which we generally focus:

Income+ as of 3/31/23:

Cash Yield:	6.9%
Avg. maturity/float:	5 years
% Discount to par:	19%

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US Treasury 10 Year Yield: 3.47%

Muni+ as of 3/31/23:

Cash Yield:	4.86%
Avg. maturity/float:	8.8 years
Discount to par:	13%

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Bloomberg AAA 5yr Muni Yield: 2.23%

Taken in their entirety, these data points, along with some quick math, will give you a sense of our *potential* returns as well as how they are likely to compare to a more passive approach. (For a more complete discussion please refer to our Q4 2022 Investor Update.)

EQUITIES

Despite the noticeable volatility in Q1, we didn't see a lot of fat pitches down the middle of the plate. Nor did we see any particular need to panic.

Our view of current events in the financial industry is uncomplicated; a handful of operators have conducted their business upon the fantasy that either interest rates would never rise, or that in the event they do, their depositors would not demand a competitive rate. Either fantasy is equally foolish.

Unsurprised, our focus remained unchanged, and in the absence of easy targets, an inactive quarter suits us fine.

Most notable though, was our initiation of a position in SS&C Technologies, a developer and marketer of software for the financial services industry. We are a long-time *customer* of theirs and understand the attractive nature of their "sticky" business model.

You will hear our mantra often; an ever-rising market provides few opportunities to accumulate valuable assets at attractive prices. During periods of volatility, however, investors demand higher returns to compensate them for their inconvenience, and readily demand less for that they already own – a quirk of human nature which has proven timeless. You will not often find us complaining about market volatility.

-Arch Peregoff
-Joseph Di Scala