

# FORTITUDE FOCUS

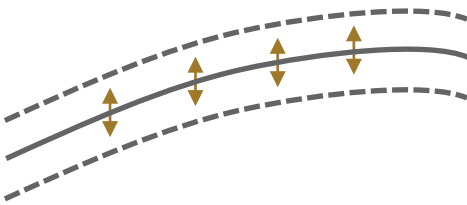


Investment Department

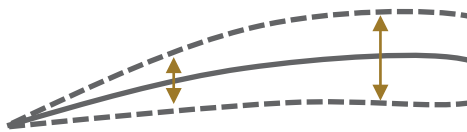
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## THE STORY

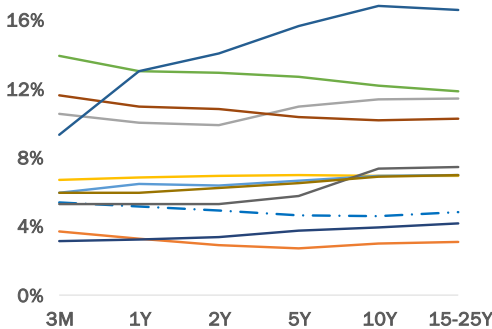
### Yield Curve - Level



### Yield Curve - Slope



### Global Yield Curves



## LEARNING FROM THE YIELD CURVE:

Though their signals can be distorted by central bank interventions, interest rate structures (yield curves) offer valuable information to investors.

For example, these structures can be decomposed into a few key underlying drivers to help guide the construction of total return bond portfolios. The two most important factors here are the level and the slope of the yield curve.

Firstly, level refers to the ‘baseline’ value of interest rates which changes via parallel shifts up or down the curve (as shown). This reflects the sum of two components: expected inflation and the risk-free, real rate of return.

The level of rates is influenced by the central bank and can be a proxy for the relative attractiveness of lending capital (i.e., the value of duration risk).

Secondly, the slope of the yield curve reflects the relative return demanded by the market to lend capital over varying time horizons (as shown).

Positive slopes suggest we can earn a return premium for lending longer term. Negative slopes (i.e., inverted curves) imply a cost for doing so.

In evaluating yield curves, we must remember that they are dynamic, not static. Evolving variables such as the balance among savers vs borrowers and the level of inflation in the economy can cause yield curves to vary significantly both within and between countries over time.

As their shapes transform, yield curves offer both fresh insights into market expectations and new ways for investors to unlock value. By diversifying across yield curves worldwide we can take advantage of these opportunities as they arise.



## UPCOMING EVENTS

JOLTS Job Openings – 6/4

FOMC Meeting – 6/12

Juneteenth Holiday – 6/19

**“Interest Rates Seek To Balance The Cost Of Borrowing With The Reward For Saving”**

- Unknown





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Reference Above	Benchmark Index	Reference Above	Benchmark Index
US Large	S&P 500 Index	Hedge Funds	Eurekahedge Hedge Fund NR Index
US Mid	S&P 400 Index	Managed Futures	Credit Suisse Mgd Futures Liquid TR
US Small	S&P 600 Index	Ultra-Short	Bloomberg US Treasury Flt Rate Index
Global ex-USA	MSCI World ex-USA All Cap NR Index	Short	ICE US Treasury 1-3Y Bond Index
Intl Dev	MSCI EAFE NR USD Index	Core	Bloomberg Aggregate Bond Index
Emerging	MSCI EM NR US Index	Long-Term	ICE US Treasury +20Y Bond Index
Gold	S&P GSCI Gold TR	High Yield	Bloomberg US Corporate HY Index
Merger Arbitrage	IQ Hedge Merger Arb TR USD Index	US TIPS	ICE US Treasury Inflation Linked Index
Infrastr (Infrastructure)	MSCI ACWI Infrastructure NR Index	Intl Bonds	Bloomberg Global Agg ex-USD Index
Direct Lending	Cliffwater Corporate Lending I	EM Bonds	Morningstar EM BD GR Index