

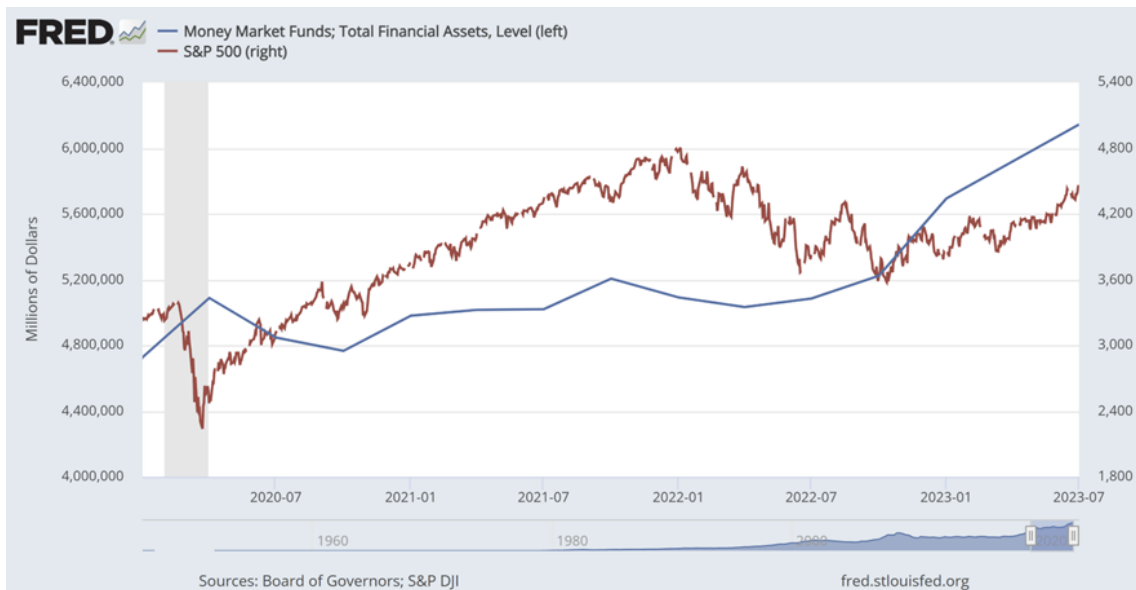
RISK ALERT – SPIKE IN THE WEALTH RISK OF CASH

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You might be tempted to credit investors—institutional and retail—with intelligent resilience for holding the same amount of cash (nearly a combined \$5 Trillion) throughout the CoVID Crash and the subsequent doubling of the market by Jan. 2022.

Investors even resisted raising their cash positions throughout the 2022 correction despite interest rates rising from near zero to 3%.

But all of this changed, as interest on near-cash climbed to 5%+ from Oct. 2022 to recently. This tempted investors to raise their cash to \$6+ Trillion. The problem with that? Over the same time, the market rebounded dramatically (S&P 500 +32% low-to-high), delivering five times the returns of cash!



Investors must be mindful that such dissonant behavior undermines wealth creation and spikes the long-term risk of shortfall. Shortfall, the cardinal risk of investors, has two sources—sustained losses and inadequate returns. By missing a 5X higher return on increased cash reserves, investors have taken a setback and assumed the non-trivial risk of likely having to reinvest that cash in a higher market when the cash rates eventually decline following disinflation and Fed rate cuts.

If you want to brainstorm about your allocation to cash, talk to us.

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¹ Source: YCharts, St. Louis FRED: <https://fred.stlouisfed.org/graph/?q=1cvFS>

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Index returns are not fund returns. An index is unmanaged and not available for direct investment. S&P 500 Index: The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted index with each stock's weight in the Index proportionate to its market value.

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