ACADEMY ASSET MANAGEMENT

Last Weekend's Events

Seth D. Rosenthal, CFA
John Gilmore

As a result of the recent bank failures and general liquidity concerns, we received several inbound calls over the weekend from various firms who are reassessing their liquidity strategy and evaluation of bank deposits. The events served as a wakeup call to those holding uninsured deposits at banks.

What happened?

Concerns around Silicon Valley Bank's (SVB) large unrealized loss positions in their Held-to-Maturity portfolio and Signature Bank's (SBNY) crypto lending affiliation forced a run on deposits at both entities, creating the second and third largest bank failures in U.S. history. Through a joint statement by Secretary of the Treasury Janet Yellen, Federal Reserve Board Chair Jerome Powell, and FDIC Chairman Martin Gruenberg a systemic risk exception was established for SVB and SBNY ensuring depositors of these institutions will be made whole.

Will this happen again?

We are not declaring the end. The plan put in place over the weekend has stemmed immediate concerns. However, there are still cracks in the broader economy (see our piece from earlier this month) and sometimes these events take time to play out. Current bank regulatory liquidity requirements do not contemplate the speed at while large deposits can be moved out of the system.

What is our message to clients?

Ensure you are diversified with multiple providers as outlets. While there is a view all bank deposits are now "guaranteed," we do not believe this is practically possible. US deposits total $18 trillion, approximately 75% of GDP. While a modest increase in the FDIC insurance threshold is likely, any official change in the deposit insurance level will require congressional approval.

How can Academy help?

Academy Asset Management is able to provide a solution for clients by putting their excess cash reserves in a separately managed account (SMA). This is a fully transparent solution and allows clients to control their own destinies and have direct ownership of fixed income securities. Key tenets to our solution include:

- Portfolio constructed to meet your liquidity requirements
- Invested in short duration high quality liquid assets greatly reducing risk (U.S. Treasuries and/or US. Agencies)
- You own the assets in your name through a third party custodian
- Higher yield than most bank deposits and money market funds
- Daily transparency and control of assets held in the portfolio

While there is minimal additional involvement from clients to initially set up their account, it far outweighs the sleepless nights some of our clients and friends had this past weekend.

If you are interested in learning more, please contact your relationship manager.

The following risks could cause the Strategy's portfolio to lose money or perform more poorly than other investments.

Investments in bonds and other debt securities will change in value based on changes in interest rates. If rates rise, the value of these investments generally drops. Some investors may be subject to the Federal Alternative Minimum Tax and to certain state and local taxes.

Investing in fixed income products is subject to certain risks, including interest rate, credit, inflation, call, prepayment, and reinvestment risk. Any fixed-income security sold or redeemed prior to maturity may be subject to substantial gain or loss.

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