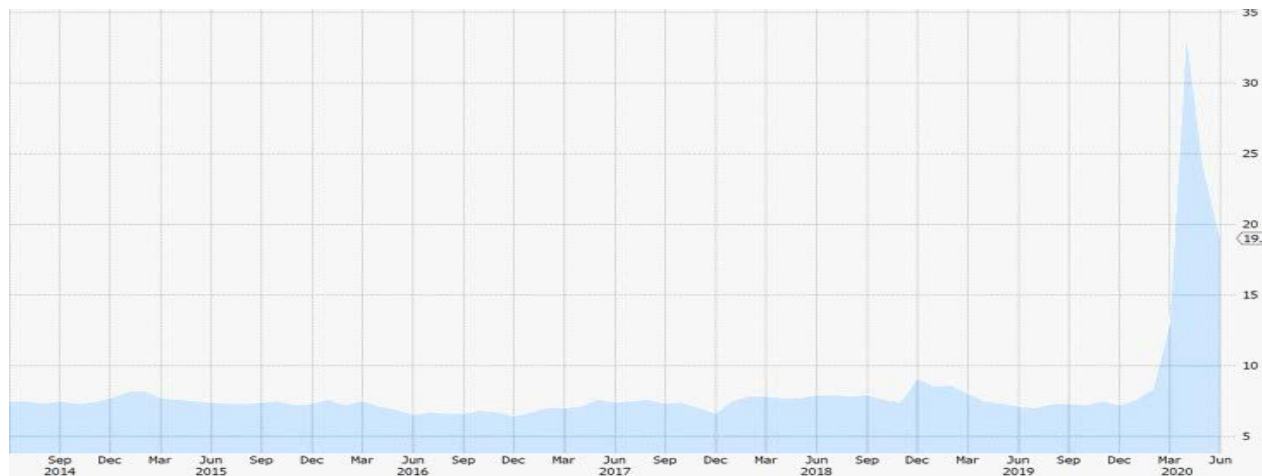


Fixed Income Portfolio Strategy: Historic U.S. Stimulus

The United States has implemented historic monetary and fiscal policy during the COVID-19 pandemic. The Federal Reserve has increased their balance sheet holdings from \$4 trillion to over \$7 trillion and Congress has passed trillions of dollars in stimulus funding. Corporations, businesses, and individuals have benefited from this influx of cash, but the majority of the flow in capital has been to improve balance sheets and support saving rates. The chart below highlights the spike in U.S. savings rate during the pandemic.

U.S. Savings rate as % of Disposable Income*



Source: Bloomberg

It seems logical that the substantial increase in the money supply will eventually lead to inflation, but that is not a foregone conclusion. The next phase of the recovery is critical to that outcome. If the economic recovery is strong, and demand improves to near pre-pandemic levels, then the effects would likely lead toward inflation. If individuals and businesses continue to hoard cash, then inflation may continue to remain tepid. The idea that the rise in money will equate to excessive inflation is not a certainty, but rather dependent upon if that supply leads to excessive demand.

Due to this level of uncertainty in inflation, AHB believes structuring fixed income portfolios in a laddered manner with maturities ranging from 1 or 2 years to 12 years is the appropriate investment strategy. Since short-term interest rates are near zero, it is not beneficial to only hold short-term investments. In addition, the potential for inflation makes concentrating positions in higher yielding yet long-term securities too risky. AHB's intermediate term laddered fixed income portfolios are positioned to protect the downside risk from an economic environment which could potentially stoke inflation and interest rates. Furthermore, AHB will be able to reinvest interest payments and maturities at potentially higher rates in the coming years.

AHB fixed income portfolios seek to preserve capital and generate income. Therefore, we believe maintaining the portfolio's credit quality and intermediate duration at this time is the right strategy to achieve our client's goals.

For additional information please visit or contact:

www.ahbi.com

Matthew Flood, Senior Relationship Manager | 201-484-2050, mflood@ahbi.com
Alexander DiGregorio, Relationship Manager | 201-484-2032, adigregorio@ahbi.com