Portfolio Shift Commentary: June 13, 2013

With yields on 10-year U.S. Treasury notes uncomfortably high for some, we have seen net outflows from high-yield bond markets in search of bonds with lower duration. Many investors are on the edge of their seats, anticipating the next move within the bond market.

High yield markets have been popular among investors willing taking on more risk to boost yield with the Federal Reserve keeping short-term rates near zero. However, junk bonds have recently taken a hit on rising Treasury yields and hints the Fed may scale back its bond purchases.

Credit spreads on high yield bonds are starting to widen along with the impact of rising interest rates, which is putting downward pressure on the high yield markets. As a result, we have exited our high yield position and moved the proceeds into a floating rate note position.

Floating rate notes have a variable interest rate that adjusts to the prevailing interest rate. These securities will help hedge against interest rate hikes.

As always, we thank you all for your continued support and look forward to discussing any or all of our thoughts at your convenience.

Sincerely,

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