



Academy Financial Rebalance July 2023

This year has been defined by central banks working to cool inflation while attempting to minimize economic disruption. Fortunately, the US economy has been resilient through higher inflation and most asset classes have generated positive returns after a difficult 2022. The Federal Reserve started one of its most aggressive rate-tightening cycles in March 2022 but recently opted to pause as inflation has trended down. However, there is still uncertainty ahead and many analysts expect growth to slow in the second half of the year. While there are many positive data points for the economy, we have decided to make some adjustments to portfolios to better position them for a lower growth and lower inflation environment.

Academy manages multiple portfolios with multiple strategies for all our clients. Depending on your specific strategy, you may not see some or all the changes listed below.

Equity

- Reduce US Small Cap allocation
- Increase US Large Cap allocation

Fixed income

- Reduce High Yield Bond allocation
- Increase Short-Term Bond allocation
- Increase Floating Rate Bond allocation

In addition to the updates in your portfolio that we are making on your behalf, there are potentially other investment opportunities to take advantage depending on your financial situation. The Fed's increase of the federal funds rate has led to an interest rate environment unlike anything we have seen in decades. Investors still holding excess cash may want to consider purchasing high quality fixed income products to generate more income. The below table shows interest rates across different types of investments and maturities.

	0-1 Year	1-3 Year	3-5 Year	5-7 Year	7-10 Year	10-20 Year	20+ Year
CDs	5.45%	5.55%	5.35%	5.35%		3.90%	
US Treasuries	4.78%	4.85%	4.26%	3.96%	3.83%	3.99%	4.00%
Corporates (AAA)	4.19%	4.75%	4.4%	4.19%	4.76%	5.02%	5.09%
Corporates (AA)	4.78%	5.63%	5.95%	5.50%	5.14%	5.79%	5.63%
Municipals (AAA)	2.53%	3.87%	3.96%	3.92%	4.10%	4.47%	4.68%
Municipals (AA)	2.54%	3.87%	4.01%	4.00%	4.15%	4.86%	5.09%

Source: Advisors Asset Management Yield Grid as of 6/30/2023

If you have any questions about the upcoming changes to the holdings in our investment models, please don't hesitate to reach out to your Academy Financial Planner.



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Chief Investment Officer

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