

Why money market liquidity might be a 2025 story

January 2024

Why Invest

Global Select Dividend (“GSD”) is a concentrated, low-turnover, high active share equity strategy. GSD seeks to offer current income and income growth, as well as capital appreciation with less risk than the broader equity market by investing in companies with the following characteristics:

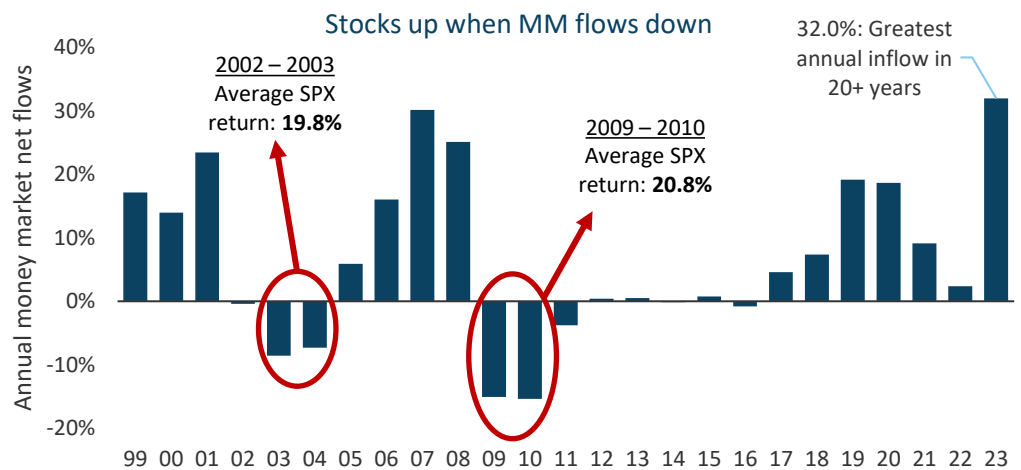
Blue Chip: Focus on high-quality, defensive companies with ample cash flows and consistent above-average levels of return on investment

Capital Discipline: Target capital disciplined companies with ability to sustain and grow dividends

Attractive Valuations: Seek capital appreciation potential by investing in companies trading at a discount to intrinsic value

Equities benefit when rates fall, and liquidity exits the money market

On a calendar year basis, the S&P 500 performed well during years after the end of a Federal Reserve tightening cycle when money market (“MM”) flows were negative by at least 7%. Considering 2023 saw the greatest % increase in MM assets since ’99, If the current cycle is over, potential MM outflows could support equity performance.

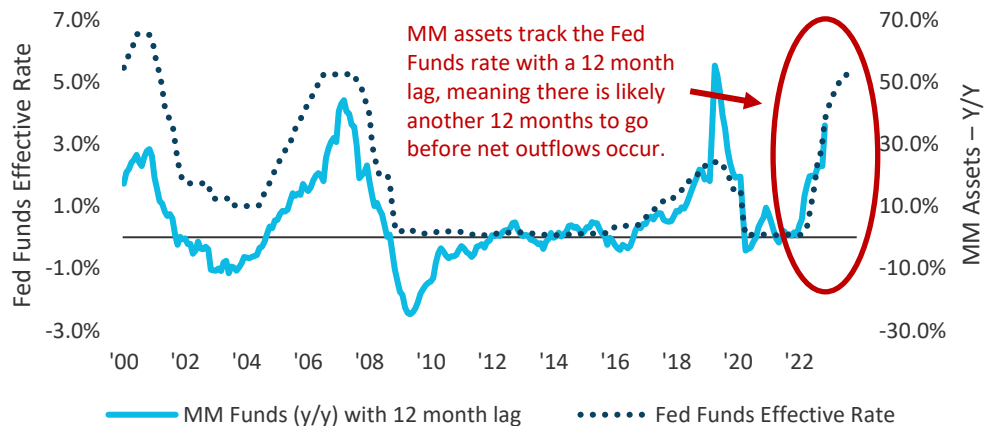


The money market doesn't appear ready to release its liquidity

Historically, year-over-year change in total MM assets have followed the lead of the Fed Funds Effective Rate. Investors (looking for yield) typically move assets into MM accounts at a slower pace than the Fed changes rates (12-months) and don't exit until after the Fed begins easing conditions.

With the still increasing growth in MM assets, and because of the lagging relationship highlighted below, it seems premature to expect imminent MM outflows in 2024. Maybe 2025...

Imminent MM Outflows Seem Unrealistic in 2024



Past performance is no guarantee of future results. An index is unmanaged and unavailable for direct investment. Source: Bloomberg, Federal Reserve of St. Louis “FRED” as of 12/31/23.

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