

## Bank Deposits and Cash Management

April 4<sup>th</sup>, 2023

The investment management team at Hollencrest has been closely monitoring the issues that have emerged with both regional and major global banks and one thing has become exceedingly clear – many depository institutions have not been providing the combination of interest accrual and surety of access to capital that we see as appropriate relative to the return and security provided by investing in Treasury Bills (or “T-Bills” – short term obligations of the United States Government). For example, many of the large money center banks are offering only 0.01%-0.04% interest rates on their savings accounts that offer FDIC protection up to \$250,000. This compares to T-Bills that have recently been yielding just under 5% per annum and are fully guaranteed by the US Government. Note that, as an additional advantage, interest on Treasuries is exempt from state and local income taxes.

We are strongly urging our clients to evaluate their deposit account holdings and banking relationships. Unnecessarily holding cash balances in excess of insured levels within deposit accounts must provide some benefit beyond short-term liquidity as similar access to capital is available for funds invested in T-Bills and other short-term instruments. Additionally, the return that can be made investing in these assets relative to deposit accounts that generate a low level of interest cannot be ignored.

In an effort to assist our client base in this regard, Hollencrest has created a cash management service for our clients’ excess liquidity as an alternative to holding that liquidity in a traditional checking or savings account. This service involves the creation of segregated brokerage accounts that have a specific mandate to invest in only short-term, high quality securities that function as a cash alternative while generating meaningful yield. These segregated accounts will be subject to a discounted fee structure relative to accounts that are actively managed. We urge our clients to discuss this service with their advisor.

Disclosures: The views and opinions expressed are those of Hollencrest Capital Management and are subject to change without notice. This material is provided for informational purposes only and does not constitute an offer or solicitation to purchase or sell any security or commodity or invest in any specific strategy. It is not intended as investment advice and does not take into account each investor’s unique circumstances. The reference to Treasury Bill yields was supported by the yield information associated with purchases made by Hollencrest 3/14/23 through 3/30/23 – however, yields available on T-Bills can vary with each purchase. Hollencrest has provided this information based on sources we believe to be reliable. However, neither Hollencrest nor any of its employees bear any liability in connection with the accuracy or interpretation of this information. No representation or guarantee is made or implied as to the performance experienced by any investor or portfolio or investment strategy or asset, or any action or decision made in connection with any information presented herein. There is risk of loss of value with any investment – as with all investment portfolios, an investor may lose all or part of their original investment. Past or index performance does not represent a guarantee of actual or future performance.