

# INTERMEDIATE GOVERNMENT/CREDIT QUARTERLY COMMENTARY

## HIGHLIGHTS

- Intermediate bonds sold off in the first quarter of 2024 as investors reassessed the Federal Reserve's projections for possible rate cuts throughout the year.
- The Glenmede Intermediate Government/Credit strategy ("strategy") performed in line for the quarter versus the Bloomberg Intermediate Govt/Credit Index primarily due to our sector weights tilted towards high quality securities and our overall exposure higher to corporate securities.
- As we enter the second quarter, markets will be anxiously awaiting economic data to help predict the Federal Reserve's timing on rate cuts.

Intermediate bonds sold off in the first quarter of 2024 as investors reassessed the Federal Reserve's projections for possible rate cuts throughout the year. It seems the anticipated recession from aggressive rate hikes failed to materialize, and inflation, while still elevated, has finally started to abate. Despite inflation remaining higher than Chairman Powell's two percent target, debates are now advancing on when rate cuts should take place this year. At the conclusion of the Fed's March 20th meeting, the consensus from the Committee seems to point to two to three rate cuts taking place in 2024. The debate continues. The intermediate yield curve in the quarter flattened slightly and remained inverted.

For the quarter, intermediate corporates, with their higher yielding profile, were the best performing asset class returning -0.3%. Intermediate US treasuries returned -0.4%, agencies returned -0.4%, and mortgages returned -1.0%. The intermediate yield curve flattened in the first quarter with the two-year treasury rising 37 basis points to yield 4.6%, and the ten-year treasury higher by 32 basis points to yield 4.2%. The yield spread between the two-year treasury and ten-year treasury closed the quarter at -42 basis points. With our sector weights tilted towards high quality securities and our overall exposure higher to corporate securities, the Intermediate Fixed Income Composite performed in line for the quarter returning -0.2% (net), versus the benchmark, the Bloomberg Intermediate Government Credit Index, return of -0.2%.

As we enter the second quarter, markets will be anxiously awaiting economic data to help predict the Federal Reserve's timing on rate cuts. The probability of multiple rate cuts in 2024 seems to have decelerated. Volatility appears elevated, economic activity and spending seems tired, and market uncertainty persists. We remain defensive to neutral in the portfolios. Adhering to our investment process, our emphasis will remain on high-quality while continuing to focus on the more liquid securities.

## INTERMEDIATE GOVERNMENT/CREDIT Composite Performance (%)

As of 3/31/2024	QTD	YTD	1 YEAR	3 YEAR*	5 YEAR*	10 YEAR*	SINCE INCEPTION* (12/31/99)
Glenmede (Gross)	-0.1	-0.1	2.5	-0.9	1.0	1.6	3.8
Glenmede (Net)	-0.2	-0.2	2.2	-1.2	0.7	1.2	3.4
Bloomberg Int Gov Credit	-0.2	-0.2	2.7	-1.1	1.1	1.6	3.7

\*Annualized

Glenmede Investment Management, LP claims compliance with the Global Investment Performance Standards (GIPS®).

Glenmede Investment Management, LP, a registered Investment Advisor, is an affiliate of The Glenmede Trust Company, NA (GTC). The "Firm" is defined as all investment advisory accounts managed by Glenmede Investment Management LP. Effective January 1, 2007, the Investment Product Management Group of GTC became Glenmede Investment Management, LP. All performance prior to January 1, 2007, shown here as the performance of GIM, was previously reported as the performance of the Investment Product Management Group of the Glenmede Trust Company.

Past performance is not indicative of future performance and may be lower or higher than the performance quoted. All of the composites' valuations and returns are computed and stated in U.S. Dollars. Net numbers are net of max allowable management fee for this strategy. Additional information regarding the Firm's policies for valuing portfolios, calculating performance and preparing compliant presentations, is available upon request. A GIPS® compliant presentation, as well as a complete list of firm composites and performance, can be requested from GIM Client Service at 215.419.6662. Please see the GIPS® presentation for further explanation.

The Intermediate Fixed Income Composite objective is to deliver attractive risk-adjusted returns by constructing portfolios that have the potential to provide price stability during periods of interest rate volatility. Our active approach to fixed income management adheres to a core strategy that seeks superior investment returns while minimizing risk, resulting in an intermediate duration diversified portfolio. The Bloomberg Intermediate Govt/Credit Index is the intermediate component of the Bloomberg US Government/Corporate Bond Index. Total return comprises price appreciation/depreciation and income as a percentage of the original investment. One cannot invest directly in an index.

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### Sources: Glenmede Investment Management, LP, Bloomberg

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1650 Market Street, Suite 1200 Philadelphia, PA 19103-7391  
215-419-6662 | gimclientsupport@glenmede.com

[glenmedeim.com](http://glenmedeim.com)

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