Investment Insights | Fixed Income

# Get the most out of your excess cash allocation

**Key takeaways**

- **Lock in higher rates**
  Consider locking in higher yields before the Federal Reserve cuts interest rates.
- **Competitive yields**
  GSY outperformed money market returns in 2023 and so far in 2024.
- **Enhanced return potential**
  GSY has a more diverse opportunity set than other narrowly defined ultrashort strategies.

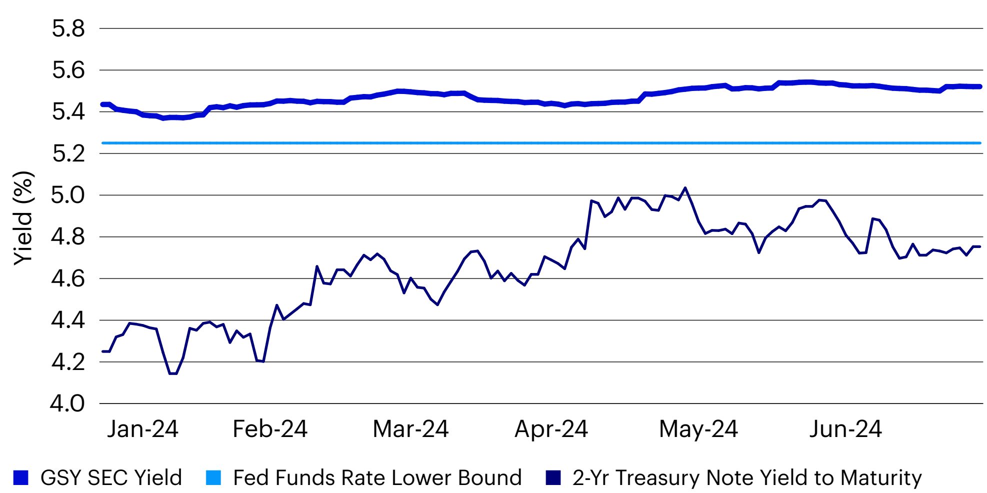
### Three reasons to consider the Invesco Ultra Short Duration ETF (GSY)

Optimizing the yield potential of cash allocations is crucial in today's market environment. Actively managed ultrashort ETFs like Invesco Ultra Short Duration ETF (GSY), present a compelling opportunity, in our view. GSY seeks to provide a higher yield and total return compared to money market funds and other cash alternatives. With the flexibility to utilize a duration of up to one year, GSY may be especially useful for investors who can extend the duration of their cash investments slightly.

### 1. Lock in higher rates

GSY aims to capture higher yields by slightly extending duration beyond typical cash investments. Its SEC 30-day yield was 5.51% compared to the 5.27% for the Treasury Bill Index yield, as of June 30, 2024 Historically, investors have been hesitant to extend duration ahead of and during Federal Reserve (Fed) easing regimes, often missing out on excess total return opportunities. With a potential for two rate cuts this year and more in 2025, consider locking in higher yields before the Fed reverses course. By strategically locking in higher yields over a longer period, GSY seeks to optimize returns while maintaining liquidity.

**Higher yield than the 2-Year US Treasury Note**



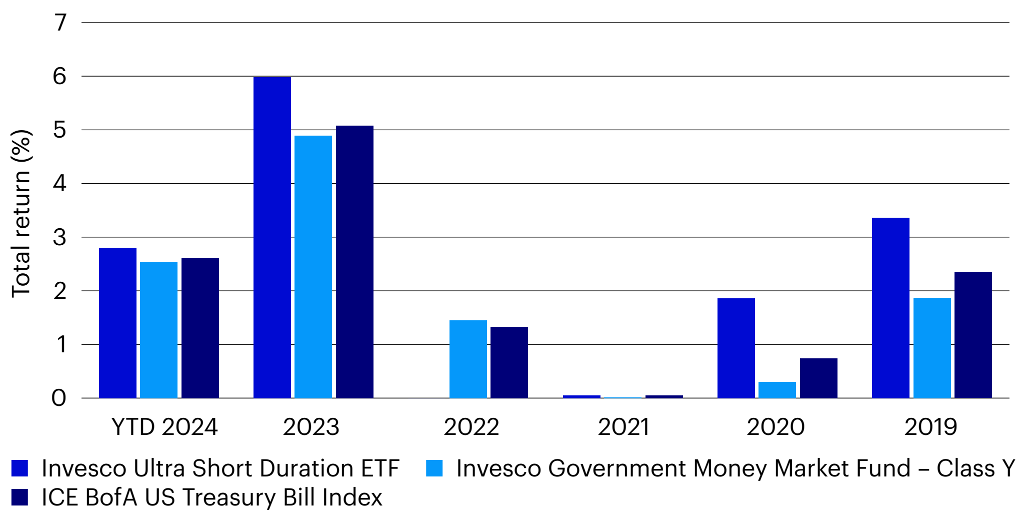

Source: Invesco, Bloomberg LP, as of 6/30/24.

### 2. Competitive returns amidst rate hikes

Despite multiple Fed rate hikes in 2022, ultrashort ETFs like GSY have demonstrated resilience. They've managed to match or exceed the returns of money market funds and Treasury bills. (See chart below.) In 2023, GSY returned 5.98% at market price, compared to 4.89% for money market funds and 5.08% for US Treasury bills. So far in 2024, it has continued to outperform both.

**GSY demonstrated resilience during rate hikes**

Total return (%) vs. money markets and Treasury Bill Index




GSY total expense ratio: 0.23%.

Source: Invesco, Bloomberg LP, as of 6/30/24. **Past performance is not a guarantee of future results.**

### 3. Diversified investment approach

GSY offers a diversified portfolio of money market securities, corporate bonds, and structured securities. It also has flexibility to utilize duration of up to one year. By strategically managing duration, it enhances yield potential but also aims to mitigate risk through exposure to a broader range of higher-yielding assets. By including corporate bonds and structured securities alongside traditional cash equivalents, GSY may provide investors with a comprehensive solution for managing cash allocations in varying market conditions.

### Optimizing excess cash

GSY is a compelling choice for investors looking to optimize their excess cash. Through strategic duration management, competitive yield, and a diversified investment approach, it aims to deliver enhanced returns relative to conventional cash alternatives.

## Important information

Obligations issued by US Government agencies and instrumentalities may receive varying levels of support from the government, which could affect the fund's ability to recover should they default.

The Fund's yield will vary as the short-term securities in its portfolio mature or are sold and the proceeds are reinvested in other securities. Additionally, inflation may outpace and diminish investment returns over time.

The Funds are subject to certain other risks. Please see the current prospectus for more information regarding the risks associated with an investment in the Fund.

ETF Shares are not individually redeemable and owners of the Shares may acquire those Shares from the fund and tender those Shares for redemption to the fund in Creation Unit aggregations only, typically consisting of 10,000, 50,000 and 100,000 Shares.

Note: Not all products, materials or services available at all firms. Financial professionals, please contact your home office.

The Portfolio may become "non-diversified," as defined under the Investment Company Act of 1940, as amended, solely as a result of a change in relative market capitalization or index weighting of one or more constituents of the Index. Shareholder approval will not be sought when the Portfolio crosses from diversified to non-diversified status under such circumstances.

There is no assurance that any investment or strategy will achieve its investment objective.

All investing involves risk, including the risk of loss.

Duration measures a bond's or fixed income portfolio's price sensitivity to interest rate changes.

This does not constitute a recommendation of any investment strategy or product for a particular investor. Investors should consult a financial professional before making any investment decisions.

The opinions referenced above are those of the author as of July 26, 2024. These comments should not be construed as recommendations, but as an illustration of broader themes. Forward-looking statements are not guarantees of future results. They involve risks, uncertainties and assumptions; there can be no assurance that actual results will not differ materially from expectations.

Per the prospectus, the Fund expects, under normal circumstances, to hold a diversified portfolio of fixed income instruments of varying maturities, but that have an average duration of less than one year.

Per the prospectus, the Fund primarily invests in U.S. dollar-denominated investment grade debt securities, including U.S. Treasury securities and corporate bonds, rated Baa3 or higher. The Fund may invest no more than 10% of its assets in high yield securities (which also may be known as "junk bonds").

**Before investing, investors should carefully read the prospectus and/or summary prospectus and carefully consider the investment objectives, risks, charges and expenses. For this and more complete information about the fund(s), investors should ask their financial professional for a prospectus/summary prospectus or visit invesco.com/fundprospectus.**

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A credit rating is an assessment provided by a nationally recognized statistical rating organization (NRSRO) of the creditworthiness of an issuer with respect to debt obligations, including specific securities, money market instruments or other debts. Ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest); ratings are subject to change without notice. NR indicates the debtor was not rated and should not be interpreted as indicating low quality. For more information on rating methodologies, please visit the following NRSRO websites: **www.standardandpoors.com** and select 'Understanding Credit Ratings' under Rating Resources 'About Ratings' on the homepage; **www.ratings.moodys.com** and select 'Rating Methodologies' under Research and Ratings on the homepage; **www.fitchratings.com** and select 'Ratings Definitions Criteria' under 'Resources' on the homepage. Then select 'Rating Definitions' under 'Resources' on the 'Contents' menu.