

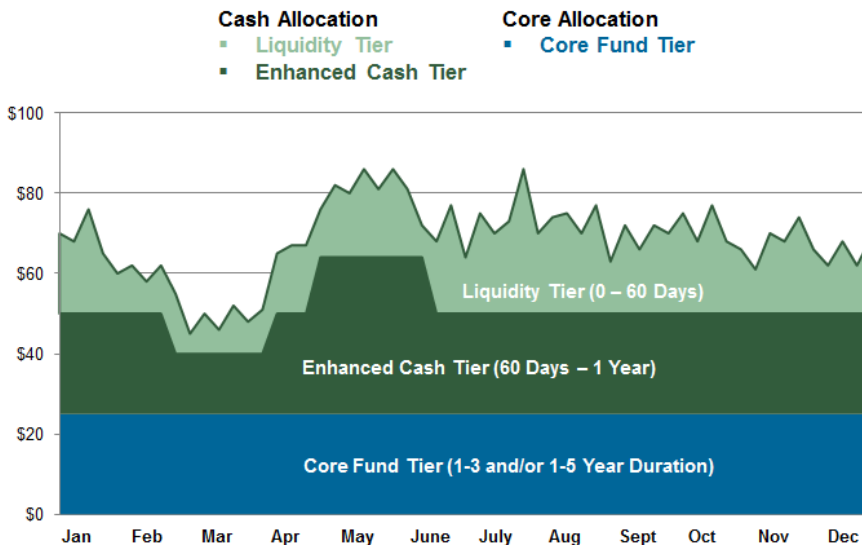
Enhanced Cash Investing

An Attractive Strategy for your Portfolio's Cash Allocation

In the shadow of the recent Brexit vote, the high cost of cash might be in place much longer than many had planned. Even before the vote, historically low yields were persistent six months after the Fed raised rates for the first time in almost ten years. As such, those responsible for investing cash are under continued pressure to effectively manage operating funds in a more strategic manner. Too often, investors don't take advantage of a limited risk strategy to increase the returns of their cash positions. Enhanced cash strategies can provide an effective alternative for a portion currently invested in money market funds (or their equivalent), what many investors consider their cash or liquidity allocation. For the purposes of this discussion, we are defining a portfolio's "cash allocation" as a strategy or investment fund that has a duration or average maturity target of one year or less.

Many times investors segment their operating portfolios into just two components: funds needed for daily cash (represented by balances in money market funds or "2a-7 like" investment pools) and core funds which can be invested for longer term liability matching or short-term strategies, such as a 1-3 or 1-5 year strategy. As depicted by the two green tiers in the chart below, taking this process one step further by segregating your cash allocation allows you to tailor for specific cash needs throughout the year. This portfolio segmentation supported by your cash flow forecast allows for a more effective yet conservative way to enhance the return on your cash balances.

Each tier is distinct and can be benchmarked



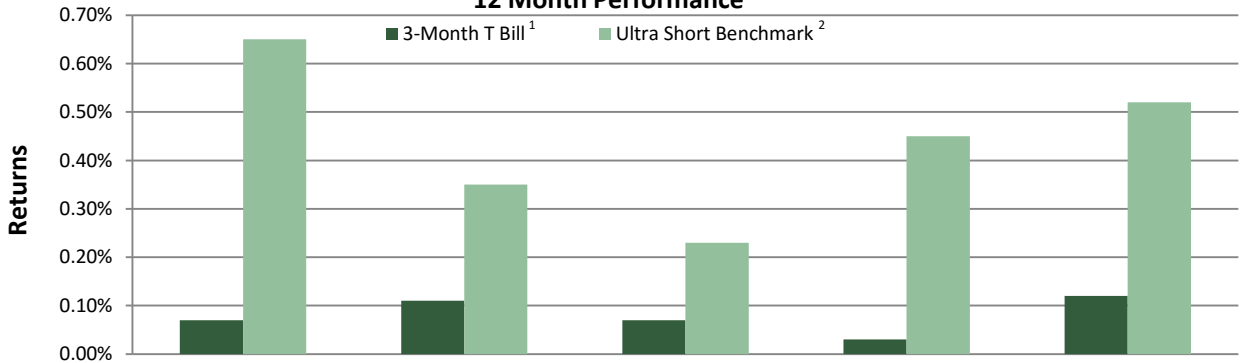
Source: Chandler Asset Management

Identifying cash that doesn't need to be immediately liquid can potentially provide higher yields. Even when accounting for unforeseen cash flow needs, many operating portfolios maintain a significantly larger cash balance than is necessary. Although safety and liquidity should never be compromised, there can be a significant opportunity cost of keeping large amounts in "near-perfect" liquidity vehicles such as money market funds or "2a-7 like" investment pools.

Those of us lucky enough to live close to work, typically don't "top off" our gas tank every day on our way home, yet some liquidity balances are maintained in a similar fashion. In this case, the opportunity cost is the time required to stop every day when it could be spent in more productive ways. Similarly, utilizing enhanced cash strategies allows your cash to be more productive while keeping the additional risk at a minimum. Although enhanced cash strategies can vary by investment manager, the goal is fairly consistent for this category: outperform money market funds by taking on limited duration risk and perhaps additional credit risk.

Two representative proxies in the chart on the following page are used showing annualized total returns for the 3-Month T Bill¹ and Chandler's Ultra Short Benchmark². The 3-Month T Bill approximates money funds while the Ultra Short Benchmark captures the added return of an enhanced cash strategy.

Alternative Investments with a Floating Rate NAV 12 Month Performance



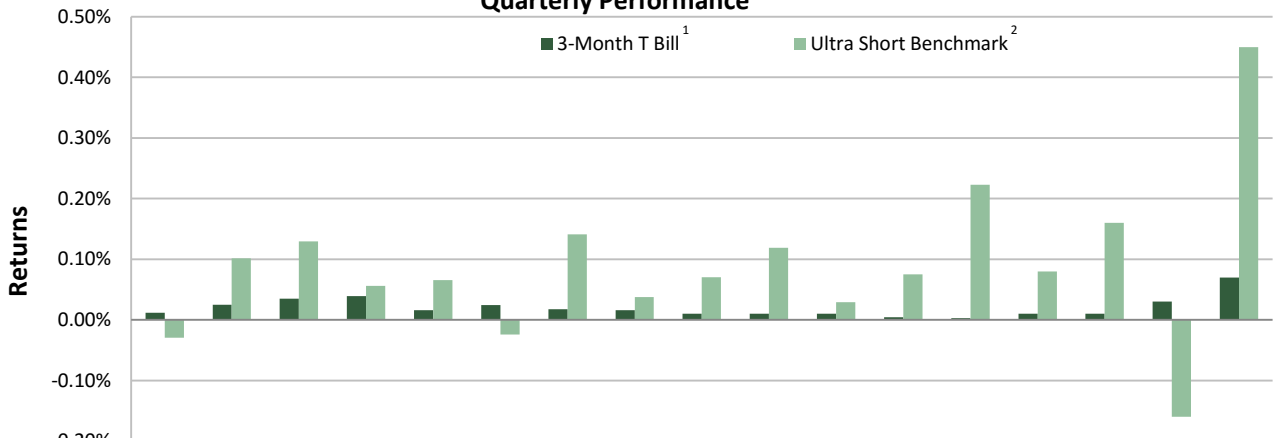
	3/31/2012	3/31/2013	3/31/2014	3/31/2015	3/31/2016
3-Month T Bill ¹	0.07%	0.11%	0.07%	0.03%	0.12%
Ultra Short Benchmark ²	0.65%	0.35%	0.23%	0.45%	0.52%

Source: BofA Merrill Lynch Index, Bloomberg and Chandler Asset Management. Past performance is not indicative of future results. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly in an index.

The average additional return per year in the chart above is 36 basis points. It should be noted that the Ultra Short Benchmark representing enhanced cash only has the added benefit of a longer duration and maturity, approximately one year. Additional returns can be realized by actively managing a diversified portfolio with exposure to high quality corporates and asset backed securities. If credit is utilized, in addition to extending duration, a broad mix of securities should be used across eligible sectors with a well-defined term structure. Even using today's flat yield curve environment, moving liquidity from 90 days to 360 days can deliver approximately 25 basis points in yield by extending duration alone.

Taking the analysis one step further as illustrated in the chart below, breaking the investment horizons down into quarterly periods shows negative returns occurred only three times in the past 20 quarters ending March 30, 2016. In fact, looking back 10 years using 12 month time periods reveals not one period of negative returns.

A comparison of market proxies – Money Fund versus Short Duration Strategy Quarterly Performance



	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1
3-Month T Bill ¹	0.01%	0.02%	0.03%	0.04%	0.02%	0.02%	0.02%	0.02%	0.01%	0.01%	0.01%	0.00%	0.00%	0.01%	0.01%	0.03%	0.07%
Ultra Short Benchmark ²	-0.03%	0.10%	0.13%	0.06%	0.07%	-0.02%	0.14%	0.04%	0.07%	0.12%	0.03%	0.08%	0.22%	0.08%	0.16%	-0.16%	0.45%

Source: BofA Merrill Lynch Index, Bloomberg and Chandler Asset Management. Past performance is not indicative of future results. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly in an index.

Enhanced cash funds are less homogeneous than money market funds (or "2a-7 like" pools) which must conform to strict criteria; as such, enhanced cash strategies have the added benefit of customization for your specific liquidity needs and can be matched with specific risk profiles.

Enhanced Cash strategies including Chandler's Enhanced Cash and Ultra Short Bond Strategy are designed to provide liquidity and principal preservation while seeking returns superior to traditional money market vehicles. It should be emphasized that enhanced cash strategies are not designed to fully replace the balances in money funds needed for daily liquidity; however, they can be used as an effective tool in providing higher returns with only slightly less liquidity.



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¹3-Month T Bill

The 91-day T-Bill Index is a single security index comprised of the current 91-day T-Bill.

²Bank of America Merrill Lynch Blended 0-3 Treasury Index

The Bank of America Merrill Lynch Blended Treasury 0-3 Year Index is a static, internally-maintained blended benchmark comprised of US Treasury securities issued by the US Government. Prior to 1/1/2001, it consisted of 1 Year T-Bills. Effective 1/1/2001, it consists of the following indices: 30% B of A/ML 3-Month U.S. T-Bill, 30% B of A/ML 6-Month U.S. T-Bill and 40% B of A/ML 1-3 Year U.S. Treasuries. Securities in this benchmark include current 3- and 6-month T-Bills and 1-3 year treasuries that have fixed coupon rates and a maturity not greater than three years regardless of any call features.

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