



Imperial Fund would like to wish all our investors and friends a wonderful start to the spring season! In this month's newsletter, we will discuss the events that occurred at Silicon Valley Bank and focus on the Federal Government's response to the insolvency of SVB and other moderately sized depositories whose poor risk management was revealed to the public during and after the March 9th market rout.

For those who did not have a chance to review the [market volatility update](#) Imperial released on the 14th of March, please review that for a detailed account of what precipitated the bank runs we saw at SVB, Signature and Silvergate banks as this update will focus mainly on the Federal government's response to this entirely preventable crisis.

The Federal Deposit Insurance Corporation, at the direction of the treasury department, stepped in to guarantee all SVB's deposits (even those exceeding the FDIC's \$250k limit), ensuring that all depositors at the bank would be made whole, the market's response was immediately positive. The reliability of the U.S. banking system had been (for the most part) restored.

In an effort not to put undue stress on the banking system, Federal Reserve Chair Jerome Powell reduced the interest rate hike from a previously expected 50 basis points down to 25 basis points. While the Fed did leave enough ambiguity for additional rate hikes should they be necessary to curb inflation, recent data indicates that we are nearing the end of the rate hike cycle. The Fed's 2023-year-end interest rate target remained unchanged at 5.13% and the projections for 2024 were increased slightly.

Treasury yields have declined significantly due to the recent market instability which has also caused mortgage rates to decrease about half a percent since the bank crisis began two weeks ago. This reduction in mortgage rates caused a spike in new and existing home sales which have been relatively muted in the highrate environment. More loan originations and a lower rate environment which is expected in provide strong tailwinds for Imperial's portfolio as the value of our loan and RMBS portfolio increases relative to lower coupon assets. We continue to look for market interest rates to head lower in 2024 and 2025.

Imperial Fund will be hosting our first in-person investor event of 2023 on February 8th, we encourage prospective investors to attend so they may ask questions and learn more about Imperial's current strategy.

We are always available and can be reached at info@imperialfund.com for any questions.

We are also including links to the third-party rating agency presale reports that were generated ahead of the pricing of our last transaction.

- Click [HERE](#) for Fitch presale
- Click [HERE](#) for DBRS presale



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Thank you.
Best regards,
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