

Cash was king – But only for a while

How Corporate Treasurers Maximized Yields
in a Shifting Interest Rate Landscape

Corporate treasurers must rethink their strategies, with the Federal Reserve holding rates steady in early 2025 and signaling potential cuts. Over the past two years, cash-heavy treasuries delivered strong returns, but those who adjusted their portfolios at the right time outperformed their peers. Data from the Clearwater Corporate Treasury Index (CCTI)—which tracks the performance of over 400 corporate treasury portfolios—reveals that treasurers who proactively reallocated secured yields up to 50 basis points (bps) higher than those who remained passive.

Treasurers must carefully balance liquidity, risk, and yield to meet obligations while maximizing returns. When the Federal Reserve began signaling rate cuts in Q3 2023, treasurers faced a crucial decision: maintain cash positions or pivot to higher-yielding assets. Many portfolios were still heavily weighted toward cash after a prolonged period of rate hikes, making the timing of adjustments critical.

The Limits of a Cash-Heavy Strategy

Cash-heavy portfolios thrived in 2024, but a closer look at the data reveals a different story for those who took a more active approach. Treasurers who rebalanced ahead of the first-rate cuts—moving into longer-dated instruments—achieved a yield advantage of up to 50bps.

Treasurers who diversified into Commercial Paper and Treasury Bills saw stronger returns than those concentrated in money market funds, highlighting the importance of active cash management. With rate cuts on the horizon, cash-heavy portfolios—especially those in money market funds—will face increasing pressure. The data is clear: passive strategies left returns on the table. While cash may be king in high-rate environments, agility determines who wins when rates shift.

Methodology

The Clearwater Corporate Treasury Index (CCTI) tracks the annualized total return and book yields of 400 corporate treasury portfolios, each managing at least \$100 million in assets, with a collective total exceeding \$1 trillion. Approximately 70% of the index comprises publicly traded companies from the S&P 500, NASDAQ, and NYSE, including many Fortune 500 firms.

This report analyzes how corporate treasurers adjusted their portfolios between 2023 and Q1 2025, capturing key shifts in response to evolving rate expectations. The data provides a benchmark for treasury strategies during a volatile rate period.

An Active Approach to Asset Allocation and Portfolio Rebalancing

Investing in cash and cash equivalent products in a high-interest environment is a well-established and proven strategy for corporate treasurers seeking low-risk, short-term, highly liquid investments to meet their cash management needs. Timing, however, is crucial when considering portfolio rebalancing as rate cuts start to emerge, as it can significantly impact returns.

The performance differential between firms with different asset allocations becomes evident when comparing full-year yields versus key market periods:

For the full year 2024, firms that maintained the highest average allocation to cash underperformed slightly compared to those that shifted their portfolios to bonds and other instruments earlier, locking in higher interest rates. These proactive adjustments resulted in a slightly lower average cash allocation but higher returns.

Portfolio Book Yield by Cash Equivalent Strategy	
Cash Equivalent Strategy	2024 Book Yield
<25%	4.48%
25-50%	4.94%
50-75%	5.00%
>75%	4.99%

When we break this data down by specific periods in the rate environment over the last two years, the importance of rebalancing at the right time becomes even clearer:

Portfolio Book Yield by Cash Equivalent Strategy			
Cash Equivalent Strategy	Q3'23 - Q4'24	2024	Q1'25 (Jan)
<25%	4.16%	4.48%	4.45%
25-50%	4.79%	4.94%	4.61%
50-75%	4.96%	5.00%	4.48%
>75%	5.04%	4.99%	4.26%
	<i>Period of consistent high interest rates</i>	<i>Full year with rate cut signals and an overall reduction of 100bps over the year</i>	<i>New, slightly lower interest rate environment</i>

Corporate treasurers who took a proactive approach to asset allocation consistently outperformed their peers by adapting to market conditions. Within CCTI, constituents can be categorized into two main groups based on their response to shifting market conditions in 2024:

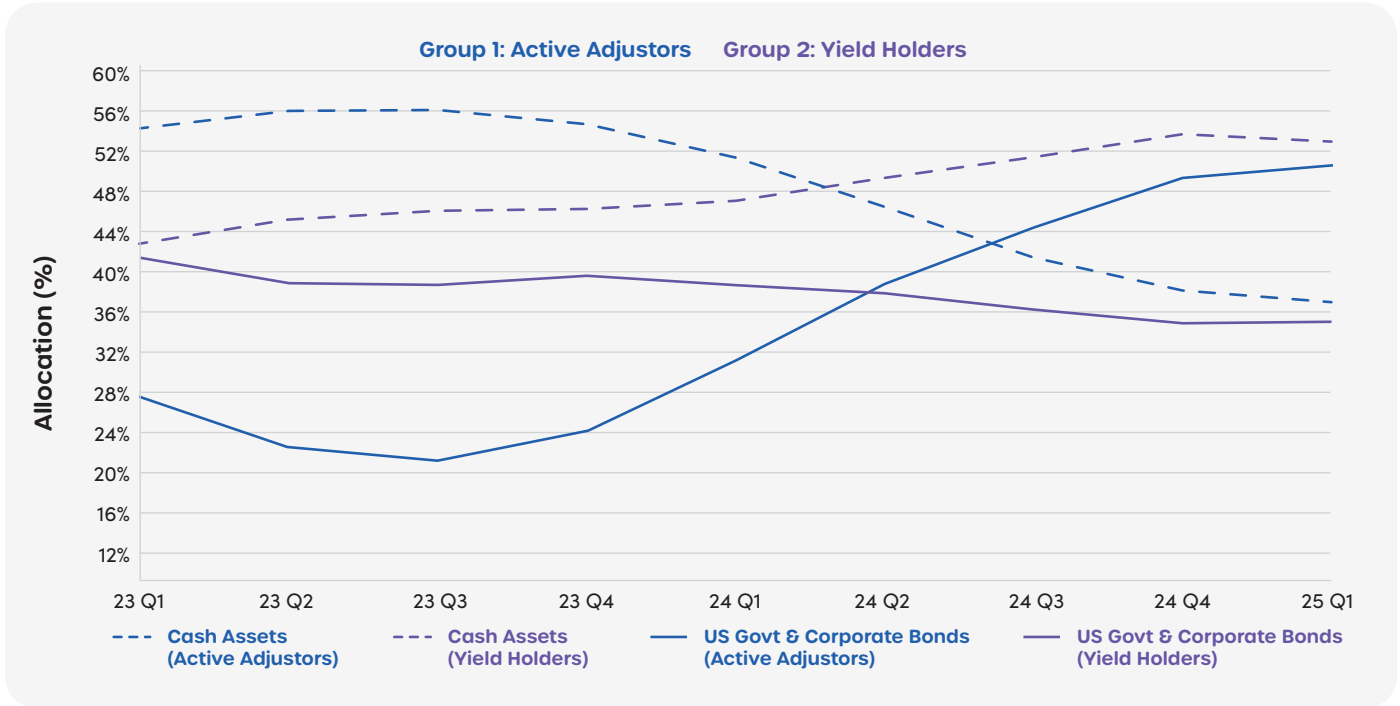
Group 1: "Active Adjustors"

Treasurers who shifted at least 25% of their portfolios out of cash and into corporate and government bonds in response to changing market conditions.

Group 2: "Yield Holders"

Treasurers who maintained their portfolio allocations with minimal or no rebalancing.

Active Adjustors vs. Yield Holders' Portfolio Changes Over Time Adjustors increase bond assets while yield holders increase cash assets



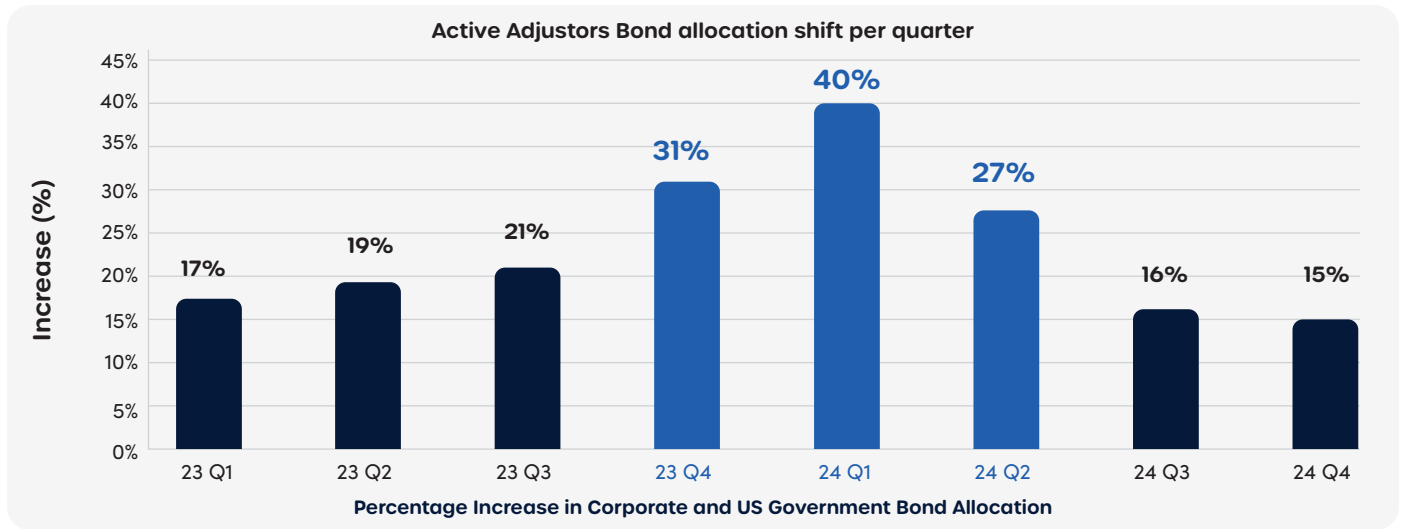
Active Adjustors consistently achieved higher returns compared to Yield Holders, with notable spikes during periods when portfolios were rebalanced to reflect rate cut expectations.

Book Yield Comparison Active Adjustors vs Yield Holders

Time Period	Active Adjustors	Yield Holders	Difference (bps)
2023Q3	4.88%	4.36%	52
2023Q4	5.10%	4.56%	54
2024Q1	5.14%	4.67%	46
2024Q2	5.14%	4.76%	38
2024Q3	5.10%	4.79%	31
2024Q4	4.80%	4.50%	30
2025Q1	4.62%	4.31%	31
Full Period	5.01%	4.59%	42

Active Adjustors capitalized on higher interest rates by locking in higher returns on corporate and government bonds. Conversely, corporate treasuries that were slower to react to rate changes may face lower returns moving into 2025, despite similar allocations to bonds.

Active Adjustors captured these increased yields by almost doubling their allocations to corporate and US government bonds when rate cut expectations solidified in Q3 24. This increase in bond allocations continued after the September 2024 rate cut and through subsequent cuts in Q4 2024.



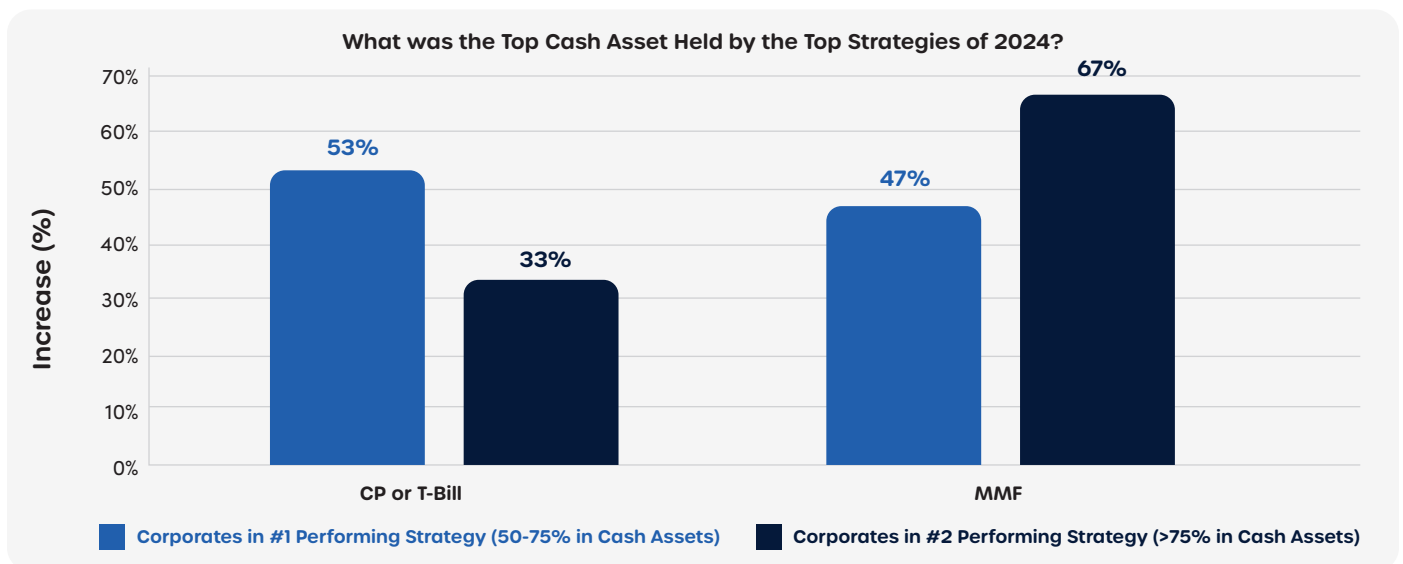
Beyond Allocation: Instrument Choices Driving Performance

As with any investment strategy, tactical decisions within a broader cash management approach can significantly impact performance. Even within the Yield Holders group – corporate treasurers who maintain a relatively stable allocation between cash, cash equivalents, and longer-dated instruments like bonds – performance can still be enhanced.

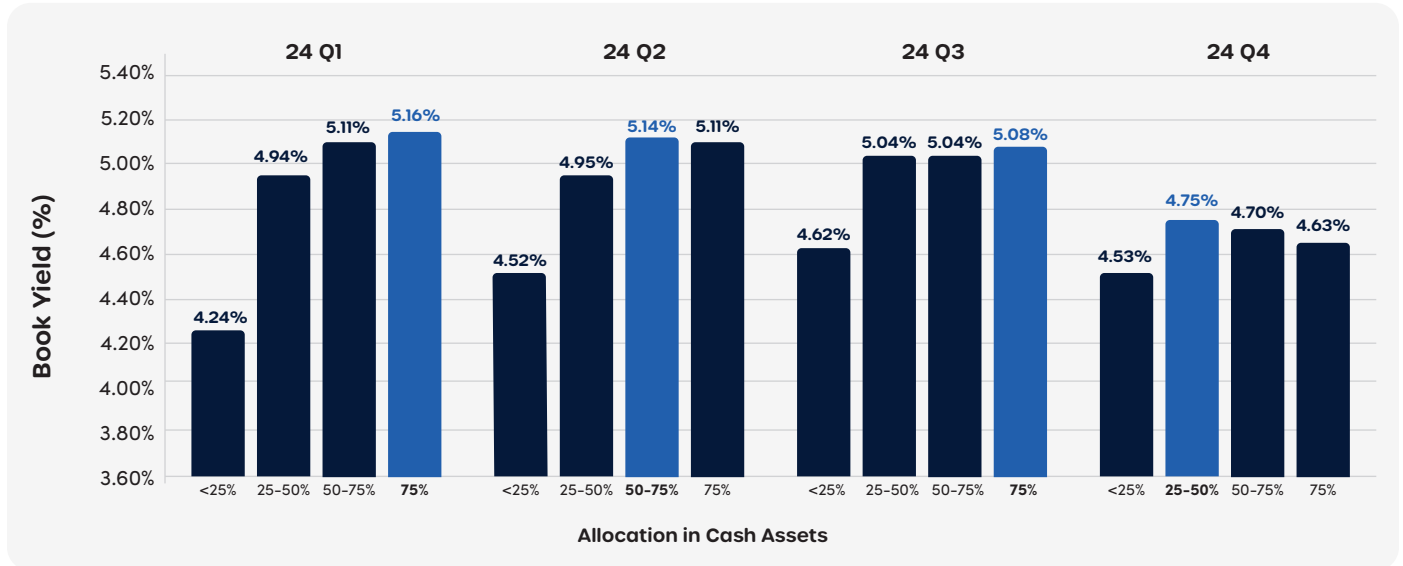
In 2024, firms with the strongest performance in the 50-75% cash allocation range also saw notable differences based on the specific cash products they held.

Not All Cash Instruments are Equal

Treasurers who allocated more heavily to Commercial Paper (CP) and Treasury Bills (T-Bills) saw significantly higher returns than those who relied on other cash products. These instruments provided superior yield performance, contributing to an overall improvement in portfolio returns.



Which Allocation Strategy to Cash Assets was the Top Performer per Quarter in 2024?



This trend may reflect a key nuance in corporate treasury management – treasurers are not traditionally rewarded for investment outperformance. Their primary mandate is to preserve liquidity and mitigate risk. Instruments like CP and T-Bills provide higher returns but require additional effort and active risk management, making them a more resource-intensive choice than passive cash holdings like bank deposits or money market funds.

For firms with the resources and capacity to optimize cash holdings, the yield premium offered by CP and T-Bills presented a clear advantage in 2024. As treasurers continue to navigate shifting rate environments, the ability to select and manage the right instruments—not just the right allocation—will remain a key performance differentiator.

Looking Ahead: Economic Indicators and the Impact of Future Allocations

As Q1 2025 comes to a close, economic indicators signal a slowdown. Inflation remains sticky, unemployment is edging higher, and trade uncertainties—such as potential tariff negotiations—add further volatility. With interest rates still high and the Federal Reserve signaling fewer cuts than expected, treasurers may consider higher cash allocations in the near term.

However, data from the past 18 months confirms that timing is the single most important driver of treasury performance. Whether shifting into cash or rebalancing into bonds, when treasurers act matters just as much as what they invest in.

As the second quarter of 2025 begins, those who proactively monitor rate expectations and adjust accordingly will be best positioned for continued success.

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