



## Fixed Income Investment Style

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The U.S. bond market is larger than the stock market, and bonds are an important component of most investment portfolios. However, for many investors, bonds are an afterthought in portfolio structuring and active management. We consider fixed income to be an essential element of wealth management and financial planning.

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### What We Do.

We actively manage fixed income portfolios to help preserve client assets and generate reliable cash flow for client spending needs and/or reinvestment.

Our aim is to produce sensible risk-adjusted returns through portfolios customized to meet the unique liquidity needs, income requirements, and time horizon of each client. Comprehensive fixed income and equity portfolio management requires thoughtful analysis of individual client situations. We believe this is essential to achieving the right blend of performance and protection.

We seek to add incremental value by carefully managing the various components of total fixed income return: sector rotation, yield curve positioning, duration management, credit rating, foreign currency exposure, and issue selection. Also, we pay special attention to our clients' tax status, including the effects of the Alternative Minimum Tax and state tax brackets.

Our approach to fixed income management focuses first on yield curve structure and inflation analysis followed by detailed credit analysis. We have a disciplined approach that considers macroeconomic factors, fundamental research, and quantitative screening in constructing fixed income portfolios. In doing this, we evaluate:

- U.S. and global fiscal policies;
- U.S. and global monetary policies;
- Interest rate trends in the U.S. and abroad;
- Emerging trends that could impact interest rates;

- Outside research and market reports;
- Issuers;
- Offering statements;
- Bond credit quality;
- Coupon rates and maturities;
- Sector, industry, and quality spreads; and
- Special bond features (such as calls, sinking funds, floating versus fixed rates, general obligation versus project specific).

We are a privately owned investment management firm with no connection to underwriting or inventory. This independence allows us to benefit from access to an extensive network of national, regional, and boutique bond broker dealers and to achieve best trade execution and price transparency in the primary and secondary bond markets.

### What We Own.

We own high-quality municipal and taxable fixed income instruments, purchased in both the primary and secondary markets.

Risk management is an important consideration. We focus on short and intermediate maturity fixed income securities (2 to 12 years, depending on a client's circumstances and our market outlook). Historically, fixed income instruments with intermediate maturities have had nearly the same return as longer maturity issues, but with significantly less risk. Long term bonds may be purchased at those times when a positive yield curve and high interest rates favor

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these issues. We also consider asset classes, industry sectors, bond types and geographic locations (including international bonds when they provide good opportunities) to diversify portfolios.

The majority of our holdings are investment grade (most are rated A to AAA). For municipal bonds, many are pre-refunded, escrowed to maturity with U.S. Government obligations, general obligation bonds or essential revenue bonds. For taxable bonds, the average quality rating is A1/A+ for our blended corporate/U.S. Government bond portfolios. When foreign bonds are purchased, they carry similar high-grade ratings and tend to be sovereign issues from stable governments. To ensure proper diversification, no more than 5% of a client's fixed income portfolio typically is held in a single fixed income issue, with exceptions for money market instruments.

**Putting It All Together.**

- Fixed income can be an essential element of comprehensive investment management, and we offer strong active bond management experience and expertise.
- Our goal is to deliver sensible risk-adjusted returns and reliable income through portfolios customized to meet the unique needs of each client.
- For balanced accounts, bonds are integrated with equities.
- Our disciplined investment approach includes fundamental research, quantitative issue screening, and consideration of the macroeconomic environment.
- We own high-quality, short/intermediate municipal and taxable fixed income instruments.
- Our national, regional, and boutique bond broker network allows us to achieve best trade execution and fair pricing.