

Since 1982, Smith Affiliated Capital has been providing individuals and institutions with a unique level of expertise and service that has made us a valued and trusted independent investment advisor among our clients and peers. We specialize in addressing the complex financial planning needs of corporations, endowments, healthcare institutions, insurance companies, public and private pension funds, and wealthy individuals and their families. Our goals are clear: to fully understand the needs of each client; to construct a strategy that best addresses each client's unique financial situation under the current market conditions; and to deliver and execute a high quality, separately managed portfolio that will provide tailored solutions to match each client's liquidity and income needs, risk constraints and, most importantly, an understanding of their marginal tax rate to maximize total return.

As an independently owned investment advisor for almost 30 years, SAC has provided clients with four distinct boutique-style benefits:

**GREATER INDEPENDENCE:** Private ownership offers organizational continuity and stability for our clients. We are neither owned by nor part of any Wall Street broker-dealer or investment bank that sells 'off-the-shelf' in-house products and services to clients. A thorough assessment of client liabilities, taxes, risk tolerance, liquidity, and income requirements allows us to construct and tailor each separate-account portfolio, for which we employ numerous investment strategies.

**INTERESTS ALIGNED WITH YOURS:** Engaged exclusively in the asset management business, our firm's only form of compensation is based solely on the growth and success of our client's managed assets. There is no 'star system' at SAC. Professional staff are rewarded through bonuses and competitive salaries for the combined efforts of a team approach to investing client assets.

**ACCOUNTABILITY & INTEGRITY:** In the entrepreneurial spirit of America, our mission is to provide old-fashioned quality. SAC is registered with the SEC and regulated by the Investment Advisers Act of 1940. We have the fiduciary responsibility to always act in the best interests of our clients. The acid test of any firm's integrity is its Form ADV, and SAC's is spotless. We are an all-cash buyer and employ no soft dollars, leveraging techniques, or derivatives. SAC claims compliance with the Global Investment Performance Standards (GIPS®).

**EXPERIENCE:** SAC's senior investment professionals bring over 155 years of combined proven experience and the support of highly skilled analysts and information technology specialists to every client relationship.

## A CLIENT-CENTERED APPROACH BUILT ON EXPERIENCE & PROCESS

Before we recommend or construct any financial strategy, we first take the time to understand our individual client's objectives and goals. Whether it is a healthcare institution funding a construction project, a high-net-worth individual protecting the transfer of wealth, or an endowment looking to financially maximize its cause, our full understanding of each client's unique situation will help us construct an investment solution tailored to the client's needs.

To better understand each client's objectives, we employ the **SAC Client Model**, an organized planning process that takes a holistic approach and considers not just the task at hand but all of our clients' assets and liabilities. Based on this model, we can fully understand and build an appropriate financial plan that can change over time as each individual client's needs and market assumptions change.

When you work alongside Smith Affiliated Capital, your portfolio manager and service team are on call at any given time to provide instant access to the markets and your portfolio.

### SAC SNAPSHOT\*

- Founded in 1982
- 100% Management-Owned
- Insured Investment Advisor
- \$2.0 Billion AUM
- Separate Taxable/  
Tax-Exempt Accounts Only
- Servicing 207 Separately  
Managed Accounts
- Average Length of Client  
Relationship: 9 Years
- Average Institutional  
Account Size: \$14.6 Million

\*As of 12/31/10

## A PROVEN PHILOSOPHY TO INVESTMENT MANAGEMENT

Since every client's objectives and goals are as unique as a snowflake, we believe a full understanding of the client is first and foremost in building an investment plan. SAC is distinguished in its ability to customize portfolios by understanding your specific requirements. Whether your goals include growing your assets or preserving capital, we take a full liability/risk assessment and create specialized strategies for your financial needs. SAC has combined top-flight talent, innovative technology, and a long-term investment approach to provide you with consistently superior returns and client service that is second to none.

### DISCOVERY

Our in-depth discovery process takes a holistic approach to your investments. We believe in taking all of your assets into consideration so we can better define your objectives. Our six-member investment committee of seasoned portfolio managers and analysts meet weekly to transform your expectations from a static set of strategic ideas into a cohesive investment policy. This process ensures that your portfolio will benefit from a consensus shaped by the expertise of all the team members.

### STRATEGY

From discovery to investment policy, we then begin the process of constructing your portfolio. We employ a two-tiered approach during the construction phase. First, we offer a top-down view of both the equity and fixed income markets. Our 12- to 24-month macroeconomic view allows us to find value across sectors and maturities that best fit your investment policy rather than an indiscriminate benchmark index. Second, a dedicated senior portfolio manager utilizes a bottom-up approach based on market analysis, which includes relative value, industry and yield curve positioning, OAS swap analysis, and total return analysis. With these considerations, specific securities and maturities are selected for your portfolio based on your individual objectives and not commingled with other clients of similar objectives or goals.

### REVIEW

Since we are active managers of both high quality equity and fixed income portfolios, we have a dedicated team of assistant portfolio managers focusing only on investment-grade issues for our clients. In our bottom-up approach, our assistant portfolio managers review all rating agency reports on issues owned as just one indicator of their creditworthiness. We employ both quantitative and qualitative analysis when reviewing each new and existing issuer to determine their financial strength within the marketplace. Our assistant portfolio managers are responsible for overseeing and maintaining all portfolio credit analysis, portfolio accounting, trade documentation, and reconciliation, and are on call at any given time of the day for all clients.

### EVALUATION

On a bi-weekly, monthly, and quarterly basis, we evaluate your portfolio performance against the stated goals in your individual investment policy and relative industry benchmarks. Our belief is that popular all-cash bond and equity industry benchmarks hardly address the needs of any investor but are used as a gauge against relative financial market performance. During our evaluation process, we break down your portfolio into contribution and attribution performance. Our contribution phase drills down and analyzes which securities add value within the portfolio. The attribution phase looks at which maturities, sectors, and industries add value against the relative benchmark of the portfolio.



### SAC CLIENT MODEL

## Give Smith Affiliated Capital a call:

We invite you to schedule a meeting with us. We believe our proven approach can help address your goals. For more information on our products and services, please visit our website at [www.smithcapital.com](http://www.smithcapital.com). To speak with Robert Peters, Director of Business Development, please call (646) 825-2112 or e-mail [rpeters@smithcapital.com](mailto:rpeters@smithcapital.com).