

## PORTFOLIO MANAGERS

John A. Jenney  
BS, State University of New York  
Joined the firm in 1993  
34 years of industry experience

Jiang Peng, CFA  
MA, City University of New York  
Joined the firm in 2002  
15 years of industry experience

## ABOUT SMITH AFFILIATED CAPITAL

- Founded in 1982
- 100% management-owned
- Registered and insured investment advisor
- \$2.1 billion AUM
- Primary focus on separate account management
- No mutual funds or commingling of funds
- Seven investment professionals
- Product focus: fixed income domestic total return, short-term/intermediate and global total return, structured portfolios, municipals, total return balanced, taxable/tax-sensitive
- Servicing 210 separately managed clients in: corporate accounts, public and Taft-Hartley pension plans, insurance companies, endowments and foundations, healthcare institutions, non-US companies and high net worth individuals and family trusts



## OBJECTIVES

- The strategy seeks to provide a stable income stream, principal protection, and to out-perform market-weighted inflation on a risk-adjusted total return basis vs. the relevant benchmark
- Separately managed to a client's specific cash-flow needs, combined with an allowance to take moderate credit and maturity risk for yield enhancement purposes
- Provides high degree of liquidity with an asset allocation heavily weighted in high quality fixed income securities
- SAC does not use derivatives, leverage, or other esoteric products to enhance performance

## INVESTMENT PHILOSOPHY

- Utilizes a disciplined Investment Selection Committee comprised of senior portfolio managers and research analysts
- Asset allocation is driven by a two-tier approach: a 'top-down' view of global markets followed by SAC's qualitative and quantitative 'bottom-up' approach
- Top-down duration management is maintained within a band relative to the benchmark. Decision-making points that determine band optimization are based on key macroeconomic data/sociopolitical issues, fundamental research reviewing credit rating sector reports, supply and demand analysis combined with the client's guidelines, diversification requirements, and portfolio benchmarks.
- Bottom-up yield curve exposure is actively managed by senior portfolio managers utilizing quantitative swap models based on historical yield spread relations, relative value, credit worthiness, and potential price and income appreciation of a particular sector and index in the context of our top-down view.

## INVESTMENT PROCESS

- The strategy first reviews Federal Reserve monetary policy, which is used to predict inflation 12 to 24 months in advance
- By adding analysis on the US Treasury Inflation-Protected 2-Year Note yield into the equation, SAC has been able to find a high correlation between inflation and parallels in interest-rate moves
- Proprietary research is utilized to determine the diversification across sectors and industries as well as credit quality and yield curve positioning
- We customize and separately manage each portfolio so we can meet a client's individual goals, risk tolerance, and liquidity and tax requirements
- Portfolio duration is maintained within a +/-15% band around the corresponding benchmark to minimize market volatility within a client's portfolio

## PRODUCT FACTS

Allowable Securities	U.S. Treasuries & Agencies, corporates, collateralized mortgages, commercial mortgages, asset-backed commercial paper, commercial paper, cash and equivalents
Portfolio Benchmark	Merrill Lynch 1-5 Year Govt/Corp Index A+
Minimum Credit Rating	AA
Individual Security Rating	AAA to A
Average Number Of Securities	20-30
Account Size Minimum	\$5 million
Low Duration 1-5 Year Gov/Corp Assets	\$28 million
Product Inception Date	May 1990