

PORTFOLIO MANAGERS

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MA, Case Western Reserve University
Joined the firm in 1994
14 years of industry experience

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MA, City University of New York
Joined the firm in 2002
14 years of industry experience

ABOUT SMITH AFFILIATED CAPITAL

- Founded in 1982
- 100% management-owned
- Registered and insured investment advisor
- \$2.0 billion AUM
- Primary focus on separate account management
- No mutual funds or commingling of funds
- Six 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 192 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 principal protection and an opportunity for long-term capital appreciation
- The strategy allows investors to diversify their portfolios into high-quality fixed income and in a 'fund of funds' strategy that invests solely in exchange-traded funds (ETFs)
- By opening up the equity universe to ETFs globally, it allows clients to diversify their portfolios by gaining exposure to global equities, forex, and commodities not represented in the US markets
- Provides a high degree of liquidity with an asset allocation heavily weighted with large, capitalized exchange-traded funds

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 macroeconomic and quantitative analysis is applied along with a client's objectives in 'globally' pinpointing those sectors and indices that provide the best investment opportunities
- Bottom-up individual security selection is utilized by senior portfolio managers based on relative value, credit-worthiness, and potential price and income appreciation of a particular sector and index in the context of our top-down view.
- Portfolios are then adjusted accordingly within the constraints of individual client's requirements

INVESTMENT PROCESS

- The strategy will employ active management that is designed chiefly to manage duration and maturity according to a client's liabilities and commitments
- We then employ a crossover strategy that actively measures the dividend/growth yield value of a company's common stock versus comparable corporate debt instruments
- We will invest in corporate debt instruments when they offer superior returns over a common stock
- We diversify across sector, style, country, commodity, fixed income, and forex to systematically identify and provide market segments that exhibit positive strength, and to underweight ETFs that represent negative strength in the marketplace
- 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
- Bottom-up individual ETF selection is utilized by portfolio managers based on relative value, credit-worthiness, and the potential price and income appreciation of a particular fund

PRODUCT FACTS

Allowable Securities	US Treasuries and Agencies; US corporate credit; securitized floating rate instruments, including CMOs and non-corporate credit; sovereigns; supranationals; foreign Agencies; foreign local governments; ETFs
Portfolio Benchmark	80% Lehman Brothers Government Intermediate Index / 20% S&P 500 Index
Minimum Credit Rating	BB+
Individual Security Rating	AAA to B
Average Number Of Securities	20-60
Account Size Minimum	\$5 million
Enhanced Fixed Income. Assets	\$8 million
Product Inception Date	December 2005