

PORTFOLIO MANAGERS

Matthew J. Smith
MA, Case Western Reserve University
Joined the firm in 1994
15 years of industry experience

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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 stable income, principal protection, and an opportunity for long-term capital appreciation
- The strategy allows investors to diversify their portfolios into high-quality fixed income, international equities, commodities, and forex of investment opportunities all over the world
- By opening up the equity universe of stocks globally, clients may diversify their portfolios by gaining exposure to companies and industries not represented in the US markets
- Provides a high degree of liquidity with an asset allocation heavily weighted in investment-grade 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 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 invest in medium- to large-sized companies globally that have a high potential for growth, and in quality fixed income that seeks to preserve our client's principal while producing a stable income stream
- 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 security 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; forex; ADRs; listed global equities.
Portfolio Benchmark	80% Barclays Capital 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	\$64 million
Product Inception Date	January 1983