

## PORTFOLIO MANAGERS

**Paul J. Matus**  
MBA, New York University  
Joined the firm in 1999  
23 years of industry experience

**Erwin Tonogbanua**  
BA, New York University  
Joined the firm in 1997  
12 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 provides after-tax stable income and principal protection on a risk-adjusted total return basis vs. the relevant composite benchmark
- Separately managed to a client's tax requirements and specific cash-flow needs combined with an allowance to take moderate credit and maturity risk for yield enhancement purposes
- Provides the highest degree of liquidity with an asset allocation heavily weighted in short-term, 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 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 looks at each client's tax rate as an integral starting point, which is monitored on a continual basis
- We also have the ability to employ a crossover strategy that actively measures the tax-adjusted yield value of municipals versus comparable Treasuries or other taxable instruments. Per a client's request, we will invest in taxable issues when they offer superior returns over municipal investments.
- 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 +/-25% band around the corresponding benchmark to minimize market volatility within a client's portfolio

## PRODUCT FACTS

Allowable Securities	Municipal bonds and notes, floating-rate notes, Treasury bills, notes, and bonds, Agencies, mortgage-backed securities, cash and equivalents.
Portfolio Benchmark	Barclays Capital 7-Yr. Municipal Bond Index
Minimum Credit Rating	A
Individual Security Rating	AA
Average Number Of Securities	10-30
Account Size Minimum	\$2 million
Intermediate Municipal Assets	\$162 million
Product Inception Date	January 1989