



Objective

The strategy draws on the credit analysis and trading strengths of the NIS Fixed Income team. The strategy's objective is to generate consistent returns with minimal duration risk. Our goal is to have positive returns more than 85% of the time on a monthly basis. We expect to have volatility that is equal to or less than a traditional bond strategy. Excess returns are sought after by taking credit and convexity risk in corporate and municipal bonds as well as mortgages, CMBS and ABS debt securities. Short term trading profits and carry are the primary sources of return. Since interest carry is a primary contributor to return over time, it is anticipated that the long/short ratio will average 3 to 1 or less. Duration will average 1-2 years, with a typical range of 0-3 years. Short positions will be predominantly used to manage duration risk, vary yield curve risk and lock in short term relative value trading opportunities. The strategy will normally be long spread duration and will utilize U.S. Treasury futures to hedge rate risk and cash to hedge spread risk.

Components of Return

Sector Rotation	↑	Sector rotation is focused on relative value analysis, short and long term supply trends and annual calendar trading opportunities. Our goal is to take advantage of overall spread tightening and widening by actively investing in a broad array of fixed income investments.
Security Selection	↕	Security selection emphasizes credit analysis with a relative value overlay and is the primary driver of returns.
Yield Curve Arbitrage	↓	Yield curve arbitrage is dominated by analysis of Federal Reserve activity and intermediate term economic trends.

Sector Distribution ⁽¹⁾

	Absolute Return	Bloomberg Aggregate Index
Treasury	0%	41%
Agency	1%	2%
Mortgages	20%	28%
Agency CMBS	0%	0%
CMBS	5%	2%
Asset-Backed	22%	0%
Credit	35%	26%
Municipal	3%	1%
Cash	14%	0%

Quality Distribution ⁽²⁾

	Absolute Return	Bloomberg Aggregate Index
AAA	2%	74%
AA	10%	3%
A	7%	11%
BBB	20%	12%
BB	20%	0%
B	11%	0%
CCC	7%	0%
Below CCC	1%	0%
NR	7%	0%
Cash	14%	0%

Strategy Statistics

Strategy Assets	\$722 Million
Long/Cash/Short Positions *	86% / 14% / 0%
Yield to Maturity (%)	6.20
Duration (in Years)	2.45
Average Quality	BBB-
Minimum Investment	\$1,000,000
Liquidity	Redemptions permitted quarterly with 30 days written notice
Management Fee: Annual Rate of 1.00%, calculated monthly and paid to the manager as of the last day of each quarter end	

* Short Treasury Futures Position is \$0

Portfolio Management Team

	Focus	Years at NIS	Years of Experience
Jason Berrie, CFA	CIO, Credit	19	29
Mark Anderson, CFA	Strategist/Preferred	22	29
Kent White	Senior Adviser	28	36
James Kaplan, CFA	Lead PM - Structured	13	40
Barbara Schalla, CFA	Credit	31	37
Vincent Russo, CFA	Credit	8	24
Lesly Barnes	ABS	15	20
Stefan Marfin	CMBS	5	23
Stephen Smitley	Municipal/Structured	1	23
Michael Fohr, CFA, CPA, JD	Co-PM High Yield	6	10
Thomas Price, CFA	Co-PM High Yield	2	33
John Vaternick	Credit Analyst	7	7
Richard Tauber, CFA, CPA	Credit Analyst	2	32

(1) Treasury short positions are not included in the sector distribution.

(2) Portfolio quality breakdown uses Index Rules. NR is rated by Morningstar or Kroll Bond Rating Agency. Distributions may not equal 100% due to rounding. The Bloomberg Aggregate Index is comprised of all outstanding U.S. Treasury and Agency issues, investment grade credit bond issues, asset-backed securities and agency-sponsored, mortgage-backed securities greater than one year in maturity. Comparative data was provided by or compiled based on information gathered from Bloomberg which is a third party source. Although we believe this source is reliable, we have not independently verified any such information and make no representations or warranties as to the accuracy, timeliness or completeness of such information. All investments are subject to a risk of loss.