



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 will be generated 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	1%	42%
Agency	1%	2%
Mortgages	34%	26%
Agency CMBS	0%	0%
CMBS	5%	2%
Asset-Backed	28%	1%
Credit	28%	27%
Municipal	1%	1%
Cash	3%	0%

Quality Distribution ⁽²⁾

	Absolute Return	Bloomberg Aggregate Index
AAA	11%	4%
AA	13%	72%
A	9%	12%
BBB	18%	13%
BB	15%	0%
B	12%	0%
CCC	7%	0%
Below CCC	2%	0%
NR	11%	0%
Cash	3%	0%

Strategy Statistics

Strategy Assets	\$577.5 Million
Long/Cash/Short Positions *	97% / 3% / 0%
Yield to Maturity (%)	6.54
Duration (in Years)	2.18
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	20	31
Mark Anderson, CFA	Strategist/Preferred	23	30
James Kaplan, CFA	Lead PM - Structured	15	42
Barbara Schalla, CFA	Credit	32	39
Vincent Russo, CFA	Credit	9	25
Lesly Barnes	ABS	16	21
Stefan Martin	CMBS	6	24
Stephen Smitley	Municipal/Structured	3	25
Michael Fohr, CFA, CPA, JD	Co-PM High Yield	7	11
Thomas Price, CFA	Co-PM High Yield	3	34
John Veternick	Credit Analyst	9	9
Richard Tauber, CFA, CPA	Credit Analyst	4	34

(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.