

FIXED INCOME MANAGEMENT PROCESS

Yield Curve Analysis

- Historical intra-curve spread relationships

Sector Analysis

- Historical yield spread
- Credit risks
- Market volatility
- Supply-demand variables

Duration Decision

- Interest rate analysis
 - Current economic indicators
 - Inflation trends
 - Monetary policy
 - Consumer retail activity
 - Technical factors

Security Analysis

- Quality screens
- Relative yield comparisons
- Credit trends
- Liquidity
- Optionality

Portfolio Construction

- Average maturity between 4-12 years
- Normal duration strategy \pm 20% of benchmark index
- Typically diversified among 20-30 issues
- Normal maximum exposure: 3-5%
- Minimum average quality: A
- Quality range: Treasury - Baa