

# The Miles Capital Fixed-Income Investment Management Process

At Miles Capital, we're driven by a single-minded focus on our clients. This focus requires us to develop investment solutions that seek to consistently meet our clients' unique needs and generate competitive risk-adjusted performance over a market cycle.

We believe that to empower the success of our clients, the investment portfolio must exhibit:

- A deep-rooted understanding of client objectives, needs and constraints to achieve optimal investment solutions.
- Strategic asset allocation across a diverse set of offsetting asset classes and vehicles to enhance portfolio customization and performance.
- Active management within a risk framework, focusing on asset classes with recognized experience.
- Comprehensive service that ensures the client's complete satisfaction.

## Our Fixed-Income Philosophy

We believe that fixed-income investments should preserve capital, provide liquidity and deliver a yield advantage over the relevant benchmark, whether that's income-oriented or total return.

We seek to achieve these objectives through a fundamentals-driven security selection process across high-quality and liquid issuers, deliberate allocation across key sectors and structural diversification to mitigate risk.

*We believe that fixed-income investments should preserve capital, provide liquidity and deliver a yield advantage*

## Our Team

Every Miles Capital portfolio is managed by a team of highly experienced investment professionals. This team-oriented culture provides a forum that stimulates vigorous intellectual debate and the broad exploration of the ramifications of any investment decision. This approach takes advantage of the collective experience of the portfolio managers. The team has an average of nearly one and half decades of investment experience.

The fixed-income team is structured around the major investment-grade sectors of the fixed-income market: governments, securitized, credit and municipals. Each sector team is led by a portfolio manager who, in conjunction with the sector analysts, is responsible for the performance of that sector in portfolios.

*Our team-based investment process is built around simultaneous top-down and bottom-up assessments.*

## Our Investment Process

Our analysts provide the bottom-up detailed assessments of an industry, subsector or individual issuer to help drive informed decisions. "Top-down" refers to our more high-level research into strategic, macroeconomic, and sector factors affecting the fixed-income market. These discussions are supported by our equity team.

Finally, we can't manage fixed-income portfolios in a vacuum, so we must be aware of each client's objectives and needs, what types of risks they'd like to take or avoid, their appetite for different sectors and their unique financial considerations.

# Empowering the Success of Our Clients

We strive to look across the entire fixed-income market and assess the best opportunities for our clients. Here's a closer look at our approach (as graphically demonstrated in Figure 2).

## MACRO ANALYSIS

Our entire investment team performs a macroeconomic analysis quarterly to establish the foundation for all of our research across all fixed-income sectors. It integrates economic, market and risk factors to establish a firm-wide outlook.

While we believe that asset allocation should be a strategic decision, not to be superseded by temporary market forces, there are occasionally significant market dynamics that need to be factored into our decisions. An example would be a rising rate environment and the potential effects on the types of fixed-income assets we recommend.

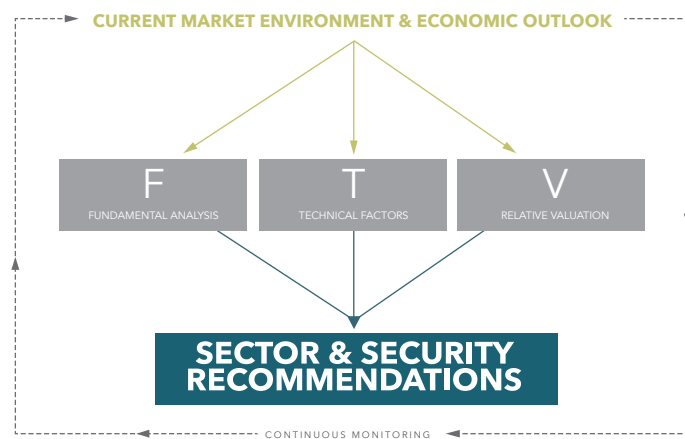
## SECTOR AND SECURITY ANALYSIS (FTV)

Within the fixed-income sector, there are numerous decisions that must be made involving various issues, including interest rate risk, quality and duration. Our sector and security analysis underpins our ability to make the most effective decisions and represents a substantial amount of the value we add to a client's portfolio.

Central to this step is our FTV process (fundamentals, technical and valuation). This methodology helps us identify what we believe are the best opportunity sets that will provide the best performance going forward based on the current environment. This can help us identify what specific industries, sectors and credits we want to invest in.

This step is by far the most important part of our process and adds the most value.

FIGURE 1

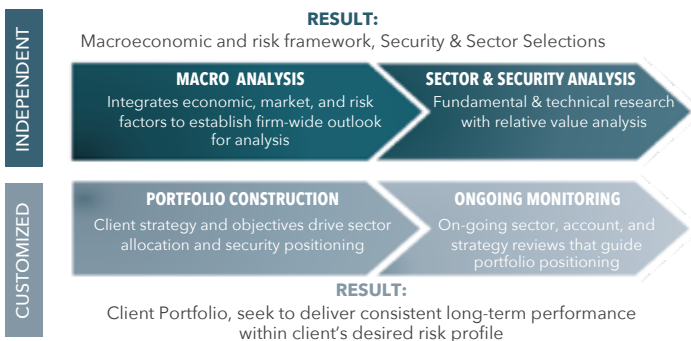


## PORTFOLIO CONSTRUCTION

All steps to this point are conducted globally for all clients. Portfolio construction is the first step in our process which incorporates the specific constraints and needs of the client, such as their yield objectives and risk parameters, target duration or cash flow needs,

acceptable asset classes and broader investment strategies. Once we understand these client factors we can leverage our opportunity set and develop a portfolio that is optimized for each client's unique needs, objectives and constraints across sectors, maturities, qualities and yield needs.

FIGURE 2



## ONGOING MONITORING AND PERFORMANCE

Markets and portfolio investments are changing daily, which is why we have ongoing sector, account and strategy reviews that guide portfolio positioning. In addition to continuous updates of our sector and security analysis, we perform daily monitoring of positions. This helps ensure the portfolio is continuing to perform as expected, and clearly identify what factors are driving that performance. This continuously updated data is used to drive modifications to the portfolio as needed.

## RISK MANAGEMENT

Part of ongoing monitoring and performance is paying close attention to risk over time. We manage risk via three aspects: identification, calibration and management. First, investment risks must be proactively pursued and identified using a robust structure supported by efficient tools. Once identified, investment risks must be measured and comprehensively calibrated for magnitude and severity relative to achieving the investment objective. Finally, any unintentional investment risks must be mitigated.

On a strategy level, we seek to minimize risk by diversifying across sectors, the credit quality spectrum and bond structures. On an individual security level, we monitor the risk/reward relationship of each bond by factoring in duration, quality, structure or liquidity, and we monitor for changes in these and other characteristics. We also perform pre- and post-investment compliance checks, while continuing to check daily to ensure investments remain in compliance according to client guidelines.

## Conclusion

These steps are a high-level look at our fixed-income investment process that underpins our mission to preserve capital, provide liquidity and deliver a yield advantage over the appropriate benchmark.

Fixed-income is a complex and diverse market, which is why it's important to clearly understand what's in your portfolio and why. Having the right investment partner to help you construct a portfolio to help meet your organization's unique needs is critically important.

## Disclosures

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to learn more about our investment strategies**

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