

# Strategy Overview - Fourth Quarter 2024

## Tax-Advantaged Fixed Income

### Strategy Overview

With the Tax-Advantaged Fixed Income strategy, we strive to structure customized portfolios to fit each client's investment objective: maximize after-tax income consistent with a defined level of risk and volatility. While it is important to apply the same disciplined approach and process that is well defined in traditional core fixed income strategies, specific tax-related consequences must be applied to each separate portfolio, including state income tax rates, annual net realized gain/loss position, and alternative minimum tax application. Our commitment to understanding the client's needs, united with the extensive experience of our fixed income management team, provides the basis that seek to deliver portfolio solutions that meet our clients' objectives.

### Investment Process

Our investment process is driven by evaluating and managing key quantitative risk attributes embedded in the portfolio and in the benchmark.

### Investment Philosophy

The science and art behind our investment philosophy is defined by our quantitative research process combined with active portfolio management.

### Representative Portfolio Characteristics as of December 31, 2024

	Limited	Intermediate	Broad
<b>Effective Duration* (years)</b>	2.28	3.83	5.15
<b>Maturity* (years)</b>	2.86	5.84	9.66
<b>Credit Quality*</b>	Aa1	Aa1	Aa2
<b>Yield to Worst*</b>	3.70%	3.57%	3.56%

Sources: Bloomberg and CMS BondEdge®  
\*Weighted Average

#### Identify and Assess Risk Attributes

- Interest Rate (Duration)
- Credit (Quality)
- Structure (Convexity)

#### Establish Relative Value

- By Sector
- By Quality
- By Issuer

#### Construct Core Portfolio

- U.S. Treasury and Agency
- Investment-grade Corporate
- General Obligation Municipal (state, local, school district)
- Essential Service Revenue Municipal (water & sewer, electric)

#### Manage for Risk-Adjusted Return

Combine market-driven inputs with effective quantitative models and analytical techniques to produce risk-adjusted fixed income performance results

#### Tax Considerations

Marginal Tax Rate

Capital Gains/Losses

AMT Exposure

#### Portfolio Considerations

Relative Yield Spreads

Credit Profile

Cash Flow Requirements

#### Client Considerations

State of Domicile

Risk Tolerance

Wealth Profile

### Tax-Advantaged Fixed Income Products

Our approach combines what we believe to be the optimal combination of municipal bond income (Federal tax-free) with Treasury bond income (State tax-free) and investment-grade corporate bond income (Federal and State taxable) based on your individual tax bracket to maximize after-tax income.

The investment objective is to maintain and grow the income stream while remaining consistent with client risk/volatility standards. We manage short, intermediate and longer duration portfolios.

### Investment Approach

Successful fixed income management requires a thorough evaluation and clear understanding of the goals to include bonds within an asset allocation framework or portfolio strategy.

- Focused on client investment goals and objectives
- Core investment-grade fixed income strategies
- Proven quantitative investment style with analytic approach
- Unite portfolio analytics with benchmark attributes
- Effective risk management assessment and control
- Simulated portfolio and benchmark horizon-based results

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### Tax-Equivalent Bond Yields - Married Filing Jointly (2025)

Municipal Bond Yield	10% Marginal to \$23,850	12% Marginal to \$96,950	22% Marginal to \$206,700	24% Marginal to \$394,600	32% Marginal to \$501,050	35% Marginal to \$751,600	37% Marginal over \$751,600
2.00%	2.22%	2.27%	2.56%	2.63%	2.94%	3.08%	3.17%
2.50%	2.78%	2.84%	3.21%	3.29%	3.68%	3.85%	3.97%
3.00%	3.33%	3.41%	3.85%	3.95%	4.41%	4.62%	4.76%
3.50%	3.89%	3.98%	4.49%	4.61%	5.15%	5.38%	5.56%
4.00%	4.44%	4.55%	5.13%	5.26%	5.88%	6.15%	6.35%
4.50%	5.00%	5.11%	5.77%	5.92%	6.62%	6.92%	7.14%

Source: Internal Revenue Service Tax Rates

### Effective Decision-Making

- The collective experience of the portfolio management team paired with advanced analytical modeling software allows us to create optimal portfolios
- Portfolios designed and developed using current, real-time, market-based inputs

### Portfolio Construction

- Security and sector allocations varies by risk/return attributes along with market opportunities and inefficiencies
- Focus on individual bond selections and related impact on total portfolio results
- Portfolios generally contain a minimum of 25 securities and could expand depending on size, objective, and chosen benchmark
- Active security selection process and opportunistic re-allocation of sector exposures
- Market-based simulation of portfolio expected returns relative to benchmark returns
- Sector and security exposures are consistent across portfolio strategies

### Innovative Portfolio Management System

- Detailed risk attribute valuations for all major domestic benchmark indices or customized benchmarks
- Option-adjusted risk measures to effectively evaluate the risk/return profiles of securities and portfolios
- Proprietary modeling techniques which calculate risk measures and valuations for complex securities
- Scenario simulation technology that provide "what if" performance results relating to interest rate, yield curve, sector spread, or quality spread changes
- Expose and evaluate sources of potential tracking error
- Measure and confirm the impact of potential trades prior to inclusion in the portfolio

*Our objective is to blend the most efficient combination of fixed income assets together to maximize after-tax income consistent with the client's income requirements and their risk and volatility guidelines.*

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