

# Bailard Fixed Income Strategies

Customized portfolios that seek to provide accounts with an attractive level of income while focusing on capital preservation.

## The Opportunity

- **Customized Portfolios:** Tailored for income and capital preservation based on your risk tolerance and tax situation.
- **Generate Income Streams:** Option to transfer income directly to your bank account.
- **Direct Client Engagement:** Quarterly meetings with Senior Portfolio Manager Linda M. Beck, CFA.
- **Experienced Management:** A seasoned portfolio team adept at navigating complex fixed income markets.
- **Taxable and Tax-Exempt Accounts:** Managed across various durations, credit qualities, and liquidity spectrums.
- **Institutional Market Access:** Primary markets and Wall Street inventory.
- **Sustainable Investing:** Optional integration of environmental and social values into portfolios.

## Bailard's Fixed Income Philosophy and Process

We integrate top-down analysis of interest rate cycles with sector valuations and trends. We evaluate tax reforms and supply-demand dynamics. Our active risk management covers interest rate exposure, sector allocation, credit quality, issuer selection, maturity profiles, and embedded options. We identify relative value opportunities, adapting to changing macroeconomic and market conditions.

## Portfolio Construction

- **Block Trading:** Transact in large blocks to secure favorable prices and reduce transaction costs.
- **Optimal Allocation:** Seek to distribute securities across portfolios for the best fit.
- **Focus on Liquidity:** Prioritize easily traded bond issuers.
- **Continuous Monitoring:** Maintain credit quality to meet our standards.
- **Use of ETFs:** Include low-fee ETFs for liquidity management, interest rate risk, and specific bond sectors, and to invest initial capital until suitable bonds are available.
- **Transparency:** All transactions and holdings are available via custodian websites.



## About The Portfolio Manager

Linda M. Beck, CFA, Director of Fixed Income

- 10+ years as Bailard's Director of Fixed Income
- Dedicated Relationship Manager for Fixed Income only clients
- Chartered Financial Analyst
- Prior experience:
  - RCM's Private Client and Institutional Fixed Income Groups: Senior Fixed Income Portfolio Manager and Director responsible for \$2+ billion
  - Prudential Insurance: Portfolio Manager responsible for \$4+ billion in Fixed Income
  - Pacific Mutual Life Insurance Company (parent of PIMCO): Equity and Asset Allocation Analyst
- BS, Mathematical Economics, Pomona College
- MBA, International Finance, University of Chicago

## Taxable Accounts and Trust Strategies

### AFTER-TAX TOTAL RETURN

- **Tax Efficiency:** Focus on tax-exempt municipal bonds, considering taxable bonds for better after-tax returns.
- **Strategic Flexibility:** Investing across sectors provides a potential competitive edge over single-sector funds.
- **Actively Managed:** Benchmarked to the Bloomberg 1–15 Year Municipal Index.<sup>1</sup>
- **Suitability:** We believe the strategy is suitable for individual and taxable trust accounts.

### MUNICIPAL LADDER

- **Staggered Maturities:** 1–15 year<sup>3</sup> bond portfolios.
- **Reinvestment Benefits:** Dollar-cost averaging and systematic reinvestment.
- **Long-Term Focus:** Low turnover with reinvestment of maturing bonds into longer maturities.

## Tax-Exempt Account Strategies

### MULTI-SECTOR BOND TOTAL RETURN

- **Diverse Holdings:** Taxable bonds including US Treasuries, agencies, corporate, asset-backed and Mortgage-Backed Securities.
- **Active Management:** Benchmarked to the Bloomberg US Aggregate Index.
- **IRA Suitability:** Suitable for retirement accounts.

### CONSERVATIVE APPROACH BOND TOTAL RETURN

- **High-Quality Securities:** Including Government-related and U.S. corporate securities.
- **Lower Risk Approach:** Benchmarked to the Bloomberg Intermediate US Government Credit Index.
- **Suitable for Foundations:** Preferred by many foundations for conservative approach.

### CORPORATE LADDER

- **Evenly Spread Maturities:** 1–10 year<sup>4</sup> bond portfolios.
- **Systematic Reinvestment:** Dollar-cost averaging and systematic reinvestment.
- **Higher Yields:** Investment-grade corporate bonds and taxable municipal bonds for higher yields over Treasuries and agency securities.

Source: Bailard. Numbers may not total due to rounding. <sup>1</sup> Using the Bloomberg 1-15 Year Municipal Index as representative of the market. <sup>2</sup> Examples are actual client portfolios. <sup>3</sup> Can construct portfolios to 18 years. <sup>4</sup> At time of purchase, bonds through 11 years to maturity are considered part of the 1-10 year bond ladder.

### RISKS AND DISCLOSURES

Investing in bonds is subject to risk, including market, interest rate, issuer, inflation, credit and liquidity risk. Liquidity risk and price validity will be heightened when market makers hold less inventory and are less willing to transact. Investments in fixed income can lose value due to sudden or unexpected changes in interest rates. The value of fixed income investments is inversely proportional to interest rates, meaning they will lose value in a rising interest rate environment. Longer duration bonds tend to be more volatile than lower duration bonds. If an issuer defaults, investors could lose both interest and principal. Bond investments may be worth less or more than original cost when sold. There is no assurance that Bailard can achieve its investment objectives. Investors in ETFs will incur fund management fees and expenses that are in addition to the management fees paid to Bailard. Bailard does not provide tax advice.

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### SAMPLE AFTER-TAX TOTAL RETURN ACCOUNT<sup>2</sup> as of 3/31/24

<b>General Obligation</b>	<b>42.9%</b>
Local	32.5%
State	10.4%
<b>Revenue</b>	<b>32.4%</b>
Education	11.4%
Transportation	8.2%
Electric	5.0%
Water & Sewer	4.1%
Health	3.7%
<b>Municipal ETFs</b>	<b>10.9%</b>
Special Tax	6.3%
Taxable Municipals	4.7%
PreRefund/ Escrow	2.5%
Cash	0.3%

### SAMPLE MULTI-SECTOR BOND ACCOUNT<sup>2</sup> as of 3/31/24

<b>Corporate</b>	<b>34.9%</b>
Corporate ETFs	13.7%
Banking	9.1%
Technology	3.2%
Electric Utility	3.1%
Brokerage, Asset Managers & Exchanges	3.0%
Industrial Other	2.8%
<b>Mortgages</b>	<b>32.1%</b>
<b>Government</b>	<b>23.2%</b>
Treasury ETFs	21.3%
Treasury Bonds	1.9%
<b>Taxable Municipals</b>	<b>9.9%</b>

### GOOD TO KNOW

#### INVESTMENT MINIMUM

\$1 million

#### FEE SCHEDULE\*

0.50% on the first \$5 million  
0.40% on the next \$5 million  
0.30% on amounts above \$10 million

\*\$5,000 minimum annual fee

### OTHER DISCLOSURES

This publication is not a recommendation of, or an offer to sell or solicitation of an offer to buy any particular security or investment product. It does not take into consideration the particular investment objectives, financial situations or needs of individual clients. Bailard cannot provide investment advice in any jurisdiction where it is prohibited from doing so. The information in this publication is based primarily on data available as of March 31, 2024, has been obtained from sources believed to be reliable, but its accuracy, completeness and interpretation are not guaranteed. Bailard undertakes no duty to update any of the information contained herein. We do not think this publication should be relied upon as a sole source of information and opinion.

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