

CORE FIXED INCOME

Strategy Profile

Strategy Objective:

Seeks current income with reduced credit risk by investing in high quality government and corporate securities

Strategy Snapshot:

Product Inception 01/02/1998
Category Intermediate Core Bond

Crossmark's Core Fixed Income Strategy seeks to outperform the bond market over a market cycle while providing diversification, the ability to match liabilities and assets, and a steady income stream to the investor. The Strategy focuses on high quality, intermediate-maturity securities, active duration management, selective sector rotation, and selective security rotation.

The sectors invested in for this strategy include U.S. investment-grade corporate issues, U.S. Government agency notes, and U.S. Treasury notes and bonds.

Key Benefits

CURRENT INCOME



- Direct ownership of the underlying bonds provides income in the form of known, consistent, and defined coupon payments
- Investing in investment-grade corporate bonds helps to provide current income for the strategy without having to add riskier, lower credit quality bonds (such as junk bonds) to the portfolio

ACTIVE MANAGEMENT



- Provides duration management/targeting
- Practices sector rotation based on economic outlook discussed and determined by our Investment Policy Committee
- Practices security rotation based on fundamental analysis from our in-house research team, consisting of our Head of Research, Senior Responsible Investing Specialist, and Research Associate

CONSERVATIVE APPROACH



- Executes a core fixed income strategy by investing in U.S. investment-grade corporate issues, U.S. Government agency notes, and U.S. Treasury notes and bonds. This provides a portfolio of quality holdings without taking on additional risks of other fixed income sectors such as high-yield corporate bonds
- Provides diversification, cash flow, and the opportunity to match assets and liabilities, with a focus on reducing credit and interest rate risk

Investment Process

The strategy employs a four-step process that seeks to outperform the bond market over a market cycle while providing positive returns on an annual basis.

Duration Selection	<ul style="list-style-type: none"> • The in-house research team analyzes current economic and market conditions to create an interest rate outlook • Target portfolio duration is selected based on the interest rate projections • Duration targets may be adjusted due to changing market conditions in order to potentially take advantage of interest rate movements
Yield Curve Selection	<ul style="list-style-type: none"> • Current shape of the yield curve is reviewed and expected changes are plotted • Target issue maturities are selected based on yield curve expectations with a goal of providing the best performance while maintaining duration targets
Sector Selection	<ul style="list-style-type: none"> • Current and historical sector spreads are reviewed and a sector outlook is created • Sector outlook, combined with in-house research, is used to make two sector decisions - primary and secondary • The primary sector allocations include fixed income sectors like government agencies, corporates, etc. • The secondary sector allocations within the corporate sleeve of the strategy are then selected, such as financials, utilities, etc.
Issue Selection	<ul style="list-style-type: none"> • Potential issuers are vetted by the research team to determine if they are appropriate for the strategy • An issuer must pass specific screens (such as liquidity and rating) to be included on the recommended issuers list • Issues may be selected for inclusion in the strategy if they are on the research team's recommended issuers list and meet the criteria defined by the first three steps of the investment process

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