CROSSMARK
GLOBAL INVESTMENTS

CURRENT INCOME PORTFOLIO

Strategy Profile

Strategy Objective:

Seeks to provide above-average income flows in an investment-grade strategy

Strategy Snapshot:

Product Inception	01/01/2003
Category	Intermediate Bond

Crossmark's Current Income Portfolio is a separately managed account strategy designed for investors who seek above-average income flows within an investment grade, intermediate-maturity strategy.

The Strategy focuses on investment-grade corporate bonds and U.S. Government agency securities with a maximum maturity of ten years. In addition, an allocation to fixed-rate preferred stocks is utilized for income generation purposes, while maintaining an overall intermediate-term duration for the strategy.

Key Benefits

CURRENT INCOME

1

- Direct ownership of the underlying bonds provides income in the form of known, consistent, and defined coupon payments
- Provide current income without reaching down the credit curve into the junk bond sector

DIVERSIFICATION

2

- Provides an actively-managed portfolio that implements diversification across market sectors
- Practices sector rotation based on economic outlook discussed and determined by our Investment Policy Committee and based on fundamental analysis from our in-house research team

CONSERVATIVE APPROACH

3

- The portfolio adheres to a maximum maturity guideline of 10 years for the corporate bond and government agency allocations while focusing on the overall duration target set forth in the strategy
- Utilizes investment-grade securities at time of purchase in order to help manage credit risk

Investment Process

The Strategy takes a conservative approach to fixed income investing by employing a four-step process that seeks to outperform the bond market over a full market cycle, as well as provide positive annual returns.

Duration Selection	• 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	• 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	• 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	• 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

All Investments are subject to risks, including the possible loss of principal. Past performance does not guarantee future results. The Current Income Portfolio strategy may not achieve its objective if the managers' expectations regarding particular securities or markets are not met. Fixed income investments generally involve three principal risks—interest rate risk, credit risk, and liquidity risk. Prices of fixed-income securities rise and fall in response to interest rate changes (interest rate risk). Generally, when interest rates rise, prices of fixed-income securities fall. The longer the duration of the security, the more sensitive the security is to this risk. There is also a risk that the issuer of a note or bond will be unable to pay agreed interest payments and may be unable to repay the principal upon maturity (credit risk). Lower-rated bonds, and bonds with longer final maturities, generally have higher credit risks. As interest rates rise and/or the credit risk associated with a particular issuer changes, bonds held within a portfolio may become difficult to liquidate without realizing a loss (liquidity risk).

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