



## RSW Market Duration vs The Index (9/26/16) Different Risk = Different Return

RSW's Market Duration Composite returns can and will differ from the Barclays Capital Municipal Bond Index (The Index). While RSW invests in only a "slice" of the overall marketplace, the Index is comprised of securities covering all maturities, sectors, states, and investment grade credit qualities. These differences are intentional, as RSW strives to maintain a lower level of interest rate and credit risk. For this reason, over shorter time periods (less than 18 months) it is likely that RSW Market Duration's total rate of returns are more similar to that of the Barclays Capital 5-year Index.

### Bond Characteristics: RSW Market Duration Strategy vs. The Index

#### Issue Size:

- The Index is comprised of roughly 45,000 securities.
- The average portfolio in RSW's Market Duration Composite is only comprised of 14 issues.

#### Maturity:

- The Index is comprised of securities with maturities ranging from 1 to 30 years.
- RSW's Market Duration strategy targets high quality bonds that predominantly mature between 10 to 15 years.

#### Credit Quality:

- The Index holds roughly a 6% position in "BBB" rated bonds.
- RSW's Market Duration strategy targets high quality municipal bonds (Minimum credit rating: "A") with a portfolio average credit rating of "AA" or higher.

#### States:

- The Index is comprised of issuers in all states and territories. For instance, the index currently allocates over 4.5% to the state of Illinois.
- RSW has not lent money to the state of Illinois in years and has never purchased the debt of The Commonwealth of Puerto Rico or any related authorities. We only invest in those states that we deem to be among the most creditworthy.

#### Sectors:

- The Index includes hospital and housing (Single & Multi-family) revenue bonds that total roughly 10% of The Index. Over the past 40+ years (1970-2014), these two sectors have made up over 70% of all municipal defaults.
- RSW avoids these weak sectors.

Our strategy is to maximize total after-tax returns using methodical and disciplined, actively managed investment strategies. This implies investing in a relatively small percentage of available bonds as compared to the 45,000 issuers that comprise the overall Index. To achieve this objective, RSW utilizes a diversified set of disciplines including independent credit research, yield curve positioning, relative value analysis and active duration management.



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