

*Investment*  
**PHILOSOPHY**

The philosophy behind FCI’s fixed income investment strategy is based on the belief that a bond portfolio usually represents the more stable portion of an overall investment allocation and is primarily utilized to earn income while offsetting the volatility of riskier assets such as equities. It is not our approach, therefore, to squeeze out the last bit of return from some of the less liquid or riskier corners of the bond market. Instead, our philosophy is to employ a time-tested, disciplined investment process to construct a high-quality portfolio which is suitable for current and future market conditions.

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**OBJECTIVE**

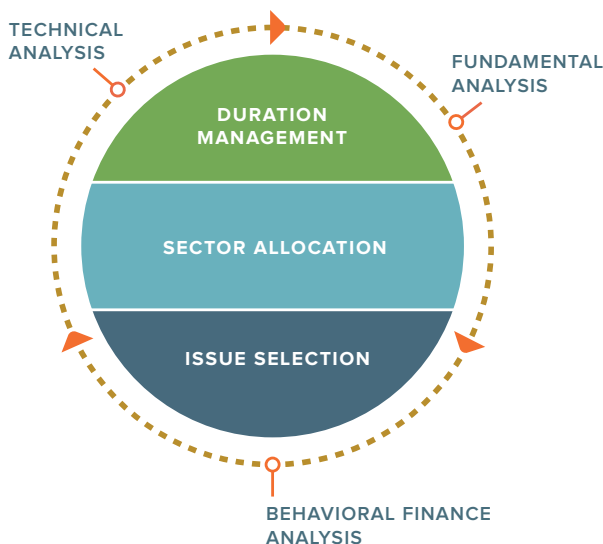
FCI’s fixed income investment strategy seeks to deliver superior returns relative to the Merrill Lynch Corporate Intermediate A+ Index over a market cycle, while limiting the risk incurred by maintaining a high credit profile. We strive to consistently move the portfolio in the direction of best opportunities while reducing the potential of a significantly negative credit event.

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**STRATEGY**

The FCI All Corporate strategy is designed to efficiently provide investors exposure to an actively managed, broadly diversified portfolio of investment-grade corporate bonds with maturities ranging from one to ten years. There are typically 30 to 35 individual bonds issued by large capitalization companies with deal sizes that are generally \$500 million or greater. The large issue size provides liquidity and transparent pricing for all security holders. These positions are distributed across the maturity spectrum to maintain a steady cash flow from coupon income as well as bonds nearing maturity.

Sectors within the investment-grade corporate bond universe are incrementally emphasized or reduced based on an assessment of their risk and return potential as determined by the firm’s Fixed Income Investment Committee. Macroeconomic factors and industry trends often lead to changing outlooks for various sectors. Relative value analysis compares the opportunity of one sector or industry versus another and will drive changes in the allocations. Risks are managed by continuously monitoring and limiting the strategy’s concentration in any one industry group.

Individual company credit analysis is performed through a logical step-down process. The larger macroeconomic environment is first considered along with a company’s specific competitive position within its industry. Financial statements are dissected and research reports reviewed in order to understand the company’s generation and usage of earnings and cashflow. Financial metrics such as leverage and coverage ratios are evaluated relative to industry standards and rating thresholds. Analysis of a company’s unique operating ability is considered along with execution challenges such as legal, regulatory, and political risks. Once a favorable company’s credit analysis is performed and it is added to the firm’s approved list, a relative value analysis is performed to identify the best opportunities for inclusion within the portfolio.





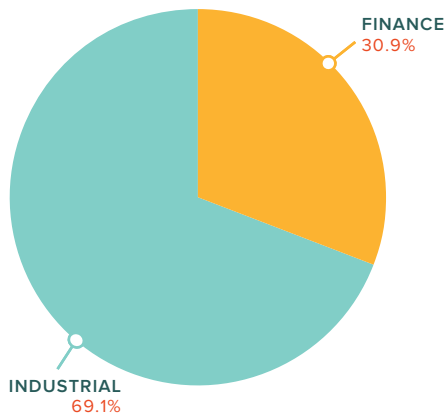
As of December 31, 2018

## TOP TEN CREDIT POSITIONS\*

<i>Blackrock, Inc.</i>	3.500%	03/18/2024
<i>McDonald's Corporation</i>	3.700%	01/30/2026
<i>AT&amp;T, Inc.</i>	3.600%	02/17/2023
<i>Microsoft Corporation</i>	3.625%	12/15/2023
<i>Biogen, Inc.</i>	2.900%	09/15/2020
<i>Target Corporation</i>	2.500%	04/15/2026
<i>Citigroup, Inc.</i>	2.650%	10/26/2020
<i>Wells Fargo Bank</i>	3.550%	09/29/2025
<i>Apple, Inc.</i>	2.400%	05/03/2023
<i>AstraZeneca plc</i>	1.950%	09/18/2019

\*Investments listed in descending order based on market value.

## SECTOR ALLOCATIONS



## ABOUT FCI ADVISORS

FCI Advisors (FCI) strives to be recognized as a premier provider of investment management, risk management and advisory services. FCI was founded in 1966 and is a SEC Registered Investment Advisory (RIA) firm. The firm manages portfolios and provides investment solutions for a broad array of investors that include corporate, public and union pension plans, bank trust departments, insurance companies, mutual funds, endowments, foundations, charities and individuals nationwide. FCI is owned by MTC Holding Corporation. Our Midwestern fiduciary culture means that caring about clients' interests is at the heart of every decision we make. Our experienced professionals average over 20 years of experience.

## PORTFOLIO MANAGERS

*Gary Cloud, CFA Co-CIO*  
*Peter Greig, CFA Co-CIO*  
*Bryant Barnes*  
*Stuart Berkley, CFA*  
*James Fields, CFA*

## STRATEGY CHARACTERISTICS

Characteristic	FCI All Corporate Fixed Income	Merrill Lynch Corp. Intern A+ Index
<i>Yield To Maturity</i>	3.64%	3.62%
<i>Average Coupon</i>	3.37%	3.25%
<i>Current Yield</i>	3.44%	3.31%
<i>Average Maturity (years)</i>	4.51	4.49
<i>Effective Duration (years)</i>	3.97	3.97

## STRATEGY ASSETS UNDER MANAGEMENT

FCI manages **\$250.9 million** in the All Corporate Fixed Income Strategy.

For further information, please contact us at:  
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