

## Signature Perspectives – US Multi-Sector Fixed Income



# Signature Securities Portfolios

## US Multi-Sector Fixed Income – As of 31 March 2012

Standard Chartered Private Bank

### Performance Review

#### Investment Objective

Seeks growth through capital appreciation and income accumulation over a mid to long term investment horizon. The portfolio invests predominantly in US dollar-denominated investment grade corporate bonds, US government and agency bonds and mortgage-backed securities.

#### Investment Process

The strategy employs a bottom-up fundamental investment approach, utilising Investment Sub-Advisor's proprietary credit analysis focusing on the quality and sustainability of corporate cash flows and balance sheet strength to identify attractively valued corporate bonds. The portfolio is typically duration neutral to mitigate losses from interest rate differentials relative to benchmark.

#### Features & Benefits

- Diversified portfolio of US corporate bonds with sound credit quality and attractive valuation.
- US Treasuries and mortgage-backed securities may be included to manage credit risk exposure
- Experienced Investment Sub-Advisor management team with a proven track record of long-term outperformance
- No non-USD currency risk
- Portfolio delivered as a segregated managed account

#### Risks

- Investing in non-government bonds can increase the risk of potential default / loss. The portfolio can hold all its assets in the non-government sector
- The portfolio may invest up to 25% of assets in sub-investment grade bonds. The risk of default / loss rises substantially in this sub-sector
- Returns are not guaranteed and the value of investments can fall as well as rise. You may get back significantly less than you invested, and all your capital is at risk

#### General Information

Inception Date	28/02/2007
Investment Sub-Advisor	Dolan McEniry Capital Management, LLC
Investment Time Horizon	Medium to Long Term
Base Currency	US Dollar
Benchmark	65% Barclays US Intermediate Credit Bond Index, 25% Barclays MBS Fixed Rate Index and 10% Barclays Ba/B Index
Minimum Investment	US\$ 750,000
Number of Securities	33

#### Portfolio Statistics

Yield to Maturity	3.9%
Portfolio Duration	3.9
Average Rating	BBB

#### Top 10 Portfolio Holdings

GAP INC	4.3%
MASCO CORP	4.0%
BRINKER INTL INC	4.0%
SUPERVALU INC	4.0%
TYCO ELCTRO GRP SA	3.9%
FISERV INC	3.9%
VALMONT IND INC	3.8%
AVNET INC	3.8%
WILLIS NORTH AMERICA INC	3.7%
CONSTELLATION BRANDS INC	3.7%



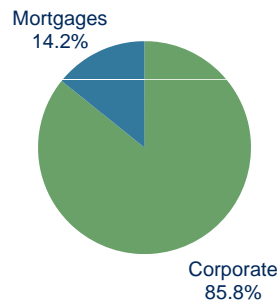
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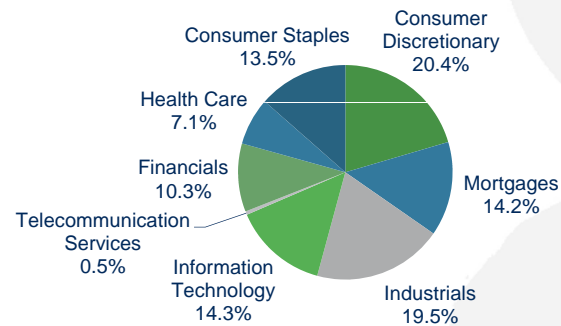
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### Asset Allocation Overview

Category Breakdown



Sector Breakdown



### Performance<sup>1</sup>

	Cumulative	1 month	3 months	6 months	YTD	1 Year
Portfolio		0.4%	2.8%	5.1%	2.8%	7.8%
Benchmark		-0.1%	2.2%	3.8%	2.2%	6.8%

	Annualised	3yr	5yr	10yr	Inception
Portfolio		12.7%	7.7%	-	7.6%
Benchmark		10.1%	6.6%	-	6.5%

Statistics (3y annualised data)	Portfolio	Benchmark
Risk (Standard Deviation)	3.5%	3.3%
Sharpe Ratio	3.5	2.9

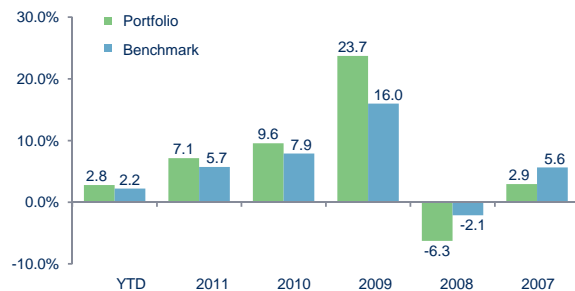
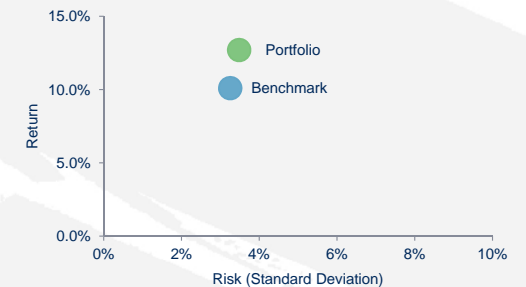
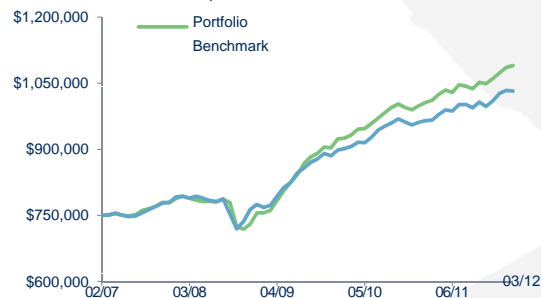


Chart shows the growth of a 750,000 USD investment made at the mandate's inception



<sup>1</sup> Performance is rounded to one decimal point. The portfolio performance is shown against the relevant benchmark performance. For further details on the relevant benchmarks and the composite return calculation methodology, please refer to the Important Information section. Past performance is not an indication of future performance.



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#### Performance Review

- For the month of March, the mandate had a gross return of +0.4% versus the Barclays custom benchmark return of -0.1%. The main reason for the positive absolute and relative performance was a continued corporate spread tightening in the portfolio holdings during the month. During the month, the accounts over-performed the benchmark by 58 basis points. Corporate IG was the best performing sector followed by corporate HY. The main reason for the monthly relative over-performance versus the benchmark was over-performance in corporate-IG, corporate-HY and MBS sectors versus the corresponding benchmark components.

#### Outlook & Positioning

- During March, U.S. treasury rates increased significantly across the curve. The 10 year treasury yield increased from 1.97% on 02/29/12 to 2.21% on 03/31/12 and the 5 year treasury increased from 0.86% to 1.02% during this same period. Despite this monthly rise, treasury rates continue to remain at historically low levels.
- SCB believes that our clients' portfolios are well positioned to continue to provide reasonable absolute and relative returns going forward. The manager's core competence is credit analysis and they focus on a company's ability to generate generous amounts of free cash flow over time. Currently, the average free cash flow coverage of interest expense is approximately eight to one. This is an indication of strong credit quality and a wide margin of safety.
- As indicated in the account statistics below, our clients' portfolios enjoy an attractive yield premium versus the benchmark. As of month end 03/31/12, the accounts had a 61 basis point yield premium (this includes a 6% cash position due to new deposits during the month) and similar duration, which should allow the portfolio to continue to outperform the benchmark over time.
- The best performing securities during the month were: Avnet 6.00% 2015 and FNR 2011-106 VM. Avnet was up 1.91% and FNR 2011-106 VM was up 1.88%. The worst performing security during the month was FNR 2011-9 LH with a return of -1.87%.

#### Portfolio Changes

- During the month, we continued to add to our core positions.

## Signature Balanced Portfolios

- The benchmark for the Balanced Defensive Portfolio is 80% Citigroup World Government Bond Index<sup>^</sup> and 20% MSCI Daily TR Net World USD Index\*.
- The benchmark for the Balanced Conservative Portfolio is 60% Citigroup World Government Bond Index<sup>^</sup> and 40% MSCI Daily TR Net World USD Index\*.
- The benchmark for the Balanced Moderate Portfolio is 40% Citigroup World Government Bond Index<sup>^</sup> and 60% MSCI Daily TR Net World USD Index\*.
- The benchmark for the Balanced Aggressive Portfolio is 20% Citigroup World Government Bond Index<sup>^</sup> and 80% MSCI Daily TR Net World USD Index\*.

## Signature Securities Portfolios

- The benchmark for the US Conservative Fixed Income Portfolio (Inception Date: 03/31/94) is the Citigroup Treasury Bond Index (1-5 yrs.)<sup>^</sup>, which tracks U.S. government debt obligations maturing in less than 5 years.
- The benchmark for the US Moderate Fixed Income Portfolio (Inception Date: 03/31/94) is the Citigroup Treasury Bond Index (1-10 yrs.)<sup>^</sup>, which tracks U.S. government debt obligations maturing in less than 10 years.
- The benchmark for the US Multi-Sector Fixed Income Portfolio (Inception Date: 10/31/06) is 65% Barclays US Intermediate Credit Bond Index, 25% Barclays MBS Fixed Rate Index and 10% Barclays Ba/B Index (From 1 September 2009 to date). Prior to this the benchmark was Barclays Intermediate Government/Credit Index from inception through 31 August 2009.
- The benchmark for the Global Fixed Income Portfolio (Inception Date: 03/31/94) is the Citigroup World Government Bond Index<sup>^</sup> (From 1st January 2011 to date). Prior to this the benchmark was the Citigroup World Government Bond Index (1-10 yrs) from inception through to 31 December 2010.
- The benchmark for the Global Equities Portfolio (Inception Date: 04/30/94) is the MSCI Daily TR Net World USD Index\*.
- The benchmark for the US Equities Portfolio (Inception Date: 11/30/01) is the Standard and Poor's 500 Net Total Return Index<sup>^^</sup>.
- The benchmark for the Asia Pacific ex-Japan Equities Portfolio (Inception Date: 10/29/2010) is the MSCI Daily TR Net AC Asia Pacific ex-Japan USD Index\*.

## Signature Funds Portfolios

- The benchmark for the Global Defensive Portfolio (Inception Date: 03/31/03) is 80% Citigroup World Government Bond Index<sup>^</sup> and 20% MSCI Daily TR Net World USD Index\*.
- The benchmark for the Global Conservative Portfolio (Inception Date: 03/31/03) is 60% Citigroup World Government Bond Index<sup>^</sup> and 40% MSCI Daily TR Net World USD Index\*.
- The benchmark for the Global Moderate Portfolio (Inception Date: 03/31/03) is 40% Citigroup World Government Bond Index<sup>^</sup> and 60% MSCI Daily TR Net World USD Index\*.

- The benchmark for the Global Moderate (Asia focused) Portfolio (Inception Date: 09/30/08) is a blend of the following indices: Citigroup World Government Bond Index<sup>^</sup> (25%), HSBC Asian Local Bond Overall (15%), MSCI Daily TR Net World USD Index \* (30%), MSCI Daily TR Net AC Asia Pacific ex-Japan Equities Index (15%), MSCI Daily TR Net Emerging Markets Index\* (15%) (From 1st April 2011 to date). Prior to this, the benchmark was a blend of: Citigroup World Government Bond Index<sup>^</sup> (25%), HSBC Asian Local Bond Overall (15%), MSCI Daily AC TR Net Pacific ex Japan USD\* (25%), MSCI Daily TR Net Japan USD\* (12%), S&P 500<sup>@^^</sup> (11%), MSCI Daily TR Net Europe USD\* (6%), MSCI Daily TR Net Emerging Europe USD\* (3%) and MSCI Daily TR Net Emerging Latin America USD\* (3%) indices.
- The benchmark for the Global Aggressive Portfolio (Inception Date: 03/31/03) is 20% Citigroup World Government Bond Index<sup>^</sup> and 80% MSCI Daily TR Net World USD Index\*.
- The benchmark for the Asia Pacific Ex-Japan Equities Portfolio (Inception Date: 05/31/05) is the MSCI Daily TR Net AC Asia Pacific ex-Japan Equities Index\* (From 1st April 2011 to date). Prior to this the benchmark was the MSCI AC Daily TR Net Pacific Ex Japan Index\*.
- The benchmark for the Emerging Markets Equities (Inception Date: 11/30/05) is the MSCI Daily TR Net Emerging Markets Index\*.
- The benchmark for the Dynamic Global Asset Allocation USD Portfolio (Inception Date: 03/30/07) is the MSCI Daily TR Net World USD Index\*.

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Net composite performance for each month is the weighted-average return of USD denominated accounts that have a continuous performance history for the month. That is, all accounts that have cash-flow activity during the month (in the form of inflow or outflow of cash) are stripped out from the composite return calculation shown in this document. To derive the composite return for a given period, the relevant historical monthly composite returns are chain-linked.

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The U.S. Dollar is the currency used to express performance. Returns include the effect of foreign currency exchange rates. Returns are presented net of management fees and include the reinvestment of all income.



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