

# Total Return Taxable Fixed Income

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# Company Profile

- ✓ Managing client portfolios since 1973
- ✓ Over \$2.9 billion total assets under management
  - Individuals
  - Institutions
  - Retirement plans
  - Government entities
  - Cash management portfolios
  - Foundations and Charitable Accounts
- ✓ Team-based approach with average investment experience of over 25 years
- ✓ Clients located throughout the US and abroad
- ✓ Offices
  - Headquartered in Sarasota, Florida
  - Branch office in Vineland, New Jersey

# Fixed Income Team



**David R. Kotok** cofounded Cumberland Advisors in 1973 and has been its Chief Investment Officer since inception. He holds a B.S. in economics from The Wharton School of the University of Pennsylvania, an M.S. in organizational dynamics from The School of Arts and Sciences at the University of Pennsylvania, and an M.A. in philosophy from the University of Pennsylvania. Mr. Kotok's articles and financial market commentaries have appeared in The New York Times, The Wall Street Journal, Barron's, and other publications. He is a frequent contributor to Bloomberg TV and Bloomberg Radio, Fox Business, and other media. Mr. Kotok has served as Program Chairman and currently serves as a Director of the Global Interdependence Center (GIC), [www.interdependence.org](http://www.interdependence.org), whose mission is to encourage the expansion of global dialogue and free trade in order to improve cooperation and understanding among nation states, with the goal of reducing international conflicts and improving worldwide living standards. Mr. Kotok chaired its Central Banking Series and organized a five-continent dialogue held in Cape Town, Hong Kong, Hanoi, Milan, Paris, Philadelphia, Prague, Rome, Santiago, Shanghai, Singapore, Tallinn, and Zambia (Livingstone). He has received the Global Citizen Award from GIC for his efforts. Mr. Kotok is a member of the National Business Economics Issues Council (NBEIC), the National Association for Business Economics (NABE) and served on the Research Advisory Board of BCA Research. Mr. Kotok has served as a Commissioner of the Delaware River Port Authority (DRPA) and on the Treasury Transition Teams for New Jersey Governors Kean and Whitman. He has also served as a board member of the New Jersey Economic Development Authority and as Chairman of the New Jersey Casino Reinvestment Development Authority. He has authored or co-authored four books, including the second edition of *From Bear to Bull with ETFs* and *Adventures in Muniland*.



**John Mousseau, CFA** joined Cumberland Advisors in September 2000. He is currently the President, Chief Executive Officer and the Director of Fixed Income, as well as a portfolio manager for municipal bond investments. In this capacity, Mr. Mousseau and his team manage portfolio construction, management, analysis, trading, and research for both tax-free and taxable bond accounts. Mr. Mousseau has over 30 years of investment management experience. Prior to Cumberland, he was the Director of Municipal Bond Investments for Lord Abbett & Company. He also worked previously for Shearson Lehman Brothers and its predecessor firm, E.F. Hutton. His comments and analyses have appeared in The Bond Buyer, Barron's, the Wall Street Journal, Bloomberg, Forbes, the New York Times, the San Francisco Chronicle, and the Newark Star-Ledger. In addition, he has appeared on Bloomberg Radio and Television, Reuters, and CNBC for commentary on fixed-income markets. He has also been a speaker at various industry conferences, and a guest lecturer at Florida International University. Mr. Mousseau holds an A.B. degree in economics from Georgetown University and a M.A. degree in economics from Brown University; and he is a holder of the Chartered Financial Analyst® designation. He is a member of the Philadelphia Council for Business Economists (PCBE), the National Federation of Municipal Analysts (NFMA), the National Association of Business Economics (NABE), the Washington Area Money Managers (WAMM), and the National Economists Club (NEC). He is also a member of the New York Society of Securities Analysts, where he served on the Society's High Net Worth Investors Committee. He is a past chair of the Municipal Bond Buyers Conference and is still a current active member. In addition, he has served as an instructor at the New York Institute of Finance and Bond Market Association. Mr. Mousseau resides in Sarasota, FL, and is active in alumni affairs at Georgetown University. Prior to moving to Sarasota, he was involved with the Rotary and YMCA in Maplewood, New Jersey and still has ties to those associations. He is currently involved in the Rotary Club in Sarasota, FL. He co-authored the book *Adventures in Muniland*.

# Fixed Income Team



**Daniel Himmelberger** joined Cumberland Advisors in July 2013 after graduating Cum Laude from the University of South Florida with a B.A. in Finance. He is a Portfolio Manager and Analyst for Cumberland Advisors' Fixed Income Department. Mr. Himmelberger acts as the lead trader for the firm's Total Return Taxable Fixed Income strategy. In this role, he performs regular analyses of the strategy including research for the Fixed Income Desk and provides sample portfolio analyses for prospective clients. He also assists in credit research that relates to current and prospective taxable holdings. Mr. Himmelberger was born and raised in Lakeland, Florida. While attending the University of South Florida, he worked with a local construction company.



**Patricia Healy**, CFA, joined the firm in the summer of 2016 as a Senior Vice President of Research and Portfolio Manager. She is a member of the team managing portfolio construction, management, analysis, trading, and research for both tax-free and taxable bond accounts. Ms. Healy was most recently Senior Director for Bayern LB, where she oversaw the public finance portfolio as well as the firm's tender option bond liquidity program. Previously, Ms. Healy served as a credit analyst at TD Securities and at Offitbank. She has experience at the credit rating agencies: at Standard & Poor's where she focused on utilities and at Fitch where she focused on infrastructure and later on financial guaranty analysis. She has experience in all sectors, with a keen interest and expertise in water and wastewater financing issues.

Patricia contributes to water industry discussions and is active in the public finance community, participating in conferences and in committee positions. Her comments have appeared in the New York Times, the Philadelphia Inquirer, and WalletHub. She is currently co-chair of the National Federation of Municipal Analysts committee to update recommended best practices in disclosure for the water and sewer sector. She is also a member of the Municipal Analysts Group of New York, the CFA Institute, and the New York Society of Securities Analysts.

Ms. Healy holds a B.S. in finance from the State University of New York at New Paltz. In addition, she is a holder of the Chartered Financial Analyst (CFA) designation.

# Portfolio Style

## Investment Objective

- Actively manage customized taxable fixed income portfolios by strategically taking advantage of undervalued opportunities in high quality bonds.

## Investment Philosophy

- Maintain our disciplined investment philosophy and process that aims to match or beat stated benchmarks while also mitigating risk of loss to portfolios.
  - Use indices as guides, not absolutes to our overall portfolio expectations
  - Bloomberg Barclay's Gov/Credit and Bloomberg Barclay's Intermediate Indices
- Actively manage client portfolios by strategically taking advantage of undervalued opportunities and purchasing high quality bonds in portfolios.
- Tactically extend or reduce durations when compelling opportunities are presented in the market; enter markets in periods of hysteria and look to exit markets in periods of euphoria.
- Identify opportunities to outperform guided benchmarks over a full market cycle
- We emphasize long-lasting relationships and continued dialogue among clients, tax advisors, accountants, and estate planners.

## Investment Approach

- Use top-down management analysis of macroeconomic data, events, and geopolitical environments.
- Construct taxable bond portfolios for individuals and institutions
- Emphasize high quality bonds (A or better) coupled with active management through a full interest rate cycle
- Actively manage bonds by constantly monitoring both bond and equity markets
- Tactically rebalance client portfolios as needed in times of fluctuation

# 5-Stage Model Process

1. Evaluate Markets, Economic Data, and Outlook

2. Design Taxable Fixed Income Strategy

3. Strategic Bond Selection

4. Survey & Monitor Bonds

5. Tactically Adjust Strategy to Market Environment

# 1. Evaluate Markets, Data, and Outlook

- Continuous monitoring of the dynamic macroeconomic data environment
- Regular reviews of the forecasted interest rate environment, global geopolitical events, and macro economic data
- Translate how variables will impact existing strategy and asset selection



Cumberland Advisors' top-down analysis of macroeconomic data and geopolitical events provide the foundations for our overall approach. It also supports our abilities to offer a strong portfolio design that can be catered to each individual client's needs.



## 2. Design TFI Strategy

Cumberland Advisors' currently utilizes an investment strategy emphasizing a barbell style in its investing approach:

- Barbell strategies generally focus asset selection in specific maturities on the short and long end of the fixed income yield curve while eliminating exposure to other maturities.
- Short and long weights of Cumberland Advisors' barbell strategy are adjusted as market conditions fluctuate.
  - This generally implies a heavier weight toward longer maturities during periods of higher interest rates and shorter maturities during periods of lower interest rates.
- Asset type and selection is dependent on weight guidelines and placement in either the short or long weights of the overall strategy.
  - Favored Assets Short Barbell: Treasury Inflation Protection Securities (TIPS), Agency GSE, Treasuring Floating Rate Notes, Corporates, Taxable Municipals & Build America Bonds (BABs)
  - Favored Assets Long Barbell: Taxable Municipals & Build America Bonds (BABs)

# 3. Strategic Bond Selection

## Long-Standing Professional Partnerships

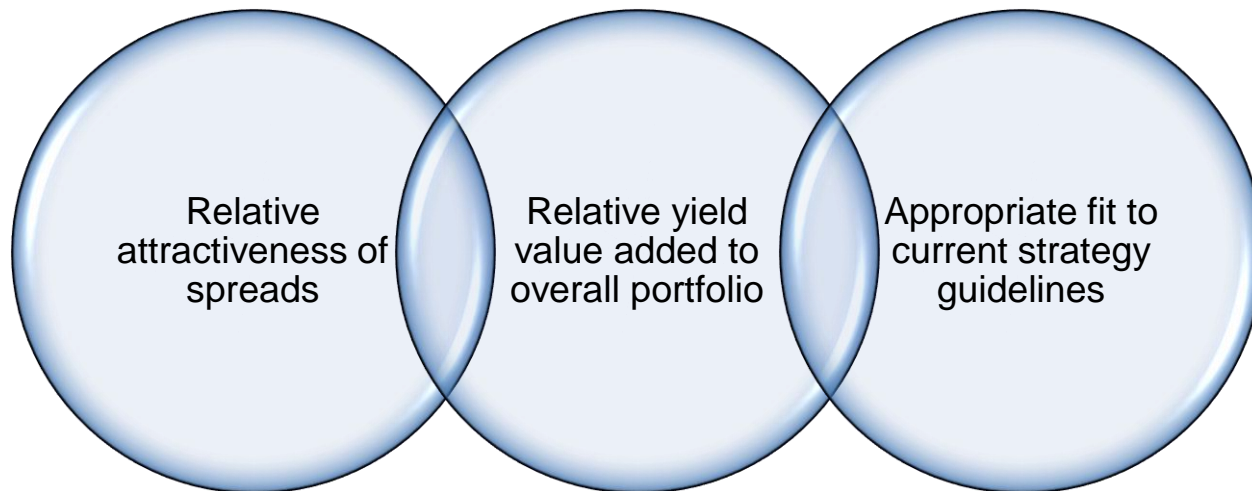
- Utilize long-standing professional partnerships with bond market brokers/dealers to assist in the selection of asset purchases

## Inefficient Pricing Opportunities

- Attempt to take advantage of inefficient pricing opportunities while maintaining credit qualities

## Purchase Assets

- Make decisions to purchase assets based on several factors



## 4. Survey & Monitor Bonds

- ✓ Actively monitor areas in the market that might detect risk to portfolios.

### Credit Risk

Credit worthiness of issuers impacting ability to pay

### Default Risk

Due to poor revenue, management failure or fraud

### Interest Rate Risk

Rising inflation erodes the real value of bonds

### Liquidity Risk

Impacts the ability to move out of a security while actively rebalancing portfolio durations to meet strategy adjustments

- ✓ Cumberland Advisors' research professionals maintain an in-house credit scoring system to evaluate municipal credits beyond the guidelines of the rating agencies.
- ✓ Regularly review asset holdings and decide to exit positions if they are believed to increase risk to portfolio strategies.

# 5. Tactically Adjust Strategy

- Trading philosophy supports adjusting the duration of the portfolio relative to the specific interest rate environment
  - Shorten duration in expected rising rate environment
  - Extend duration in expected lower rate environment
- Philosophies aim to manage portfolios throughout the complete interest rate cycle always considering credits, relative yields, and duration.
- Monitoring portfolios and making appropriate changes focused on rebalancing portfolio to strategic barbell strategy weights, enhancing overall portfolio credit quality and duration guidelines.

# Portfolio Summary

## Type of Investment Structure

- ✓ Individual Account (not a pooled instrument)

## Portfolio Objective

- ✓ Use the benchmark as a guide (to match or beat) while mitigating risk over full interest rate cycle

## Rebalancing Frequency

- ✓ As interest rate environment dictates

# Disclosure

**Benchmark:** The benchmark for the Total Return Taxable Fixed Income style is the Bloomberg Barclays Intermediate Government/Credit Index. This Bloomberg Barclays Intermediate Government/Credit Index tracks the performance of intermediate term U.S. government and corporate bonds.

**Calculation Methodology:** Returns consider interest income on an accrual basis. All calculations are based on trade date. Securities traded on a national exchange are valued based on closing prices on the exchange; data is provided by major pricing services. Stocks traded on the over the counter market are valued based upon prices provided by major pricing services. Fixed income securities that do not trade on a national exchange are valued based upon estimates provided by a variety of services including major pricing services. The above figures do not represent any single or model portfolio. Accounts may at times include cash equivalents.

**Selected Definitions:** Composite dispersion (standard deviation) measures the consistency of a firm's gross composite performance results with respect to the individual portfolio returns within a composite. 3-Year Ex- Post Standard Deviation of Composite: this calculation uses monthly returns to calculate the three-year annualized standard deviation.

**Composites:** Cumberland Advisors reserves the right to waive the minimum account size or impose a higher account size. Additional information regarding policies for calculating and reporting returns and/or a complete list and description of Cumberland Advisors' composites, is available by contacting your account executive at (800) 257-7013, or write to Cumberland Advisors, One Sarasota Tower, 2 N. Tamiami Trail, Suite 303, Sarasota, FL 34236.

**Past Performance:** Past performance is not an indication or guarantee of future performance.