

# Core Private Wealth Strategy

1st quarter 2017



**Tortoise Credit Strategies, LLC, a registered investment adviser focused on fixed income strategies, acquired Bradford & Marzec, LLC along with key Bradford & Marzec employees through a Tortoise-supported management buy-out. Bradford & Marzec, a specialized fixed income boutique, was founded in 1984 and has a 32-year track record in fixed income investing. Tortoise Credit Strategies had approximately \$4.1 billion in assets under management as of March 31, 2017.**

## Highlights

### People

**The highly experienced senior investment team averages more than 30 years of investment experience**

- Supported by seasoned sector specialists and in-house credit analysts
- Fixed income investing since 1984
- Team members have managed fixed income assets through multiple economic and financial cycles

### Philosophy

**Our philosophy has remained consistent since inception**

- The same investment philosophy has produced sound results since the company was founded
- Our emphasis on liquidity enables us to position portfolios in anticipation of market cycles
- Our conservative philosophy has shown resiliency in times of market stress

### Process

**Our top-down, repeatable investment process has been refined over decades of market and economic cycles**

- Top-down, team-based process sets portfolio parameters and targets relative value and market inefficiencies
- Portfolio managers develop industry strategy based on top-down economic and business cycle trends and credit analyst assessments
- Excess return targeted by actively managing the drivers of performance, primarily duration/yield curve, sector/industry rotation and credit selection, against the benchmark

### Performance

**Long-term performance goal**

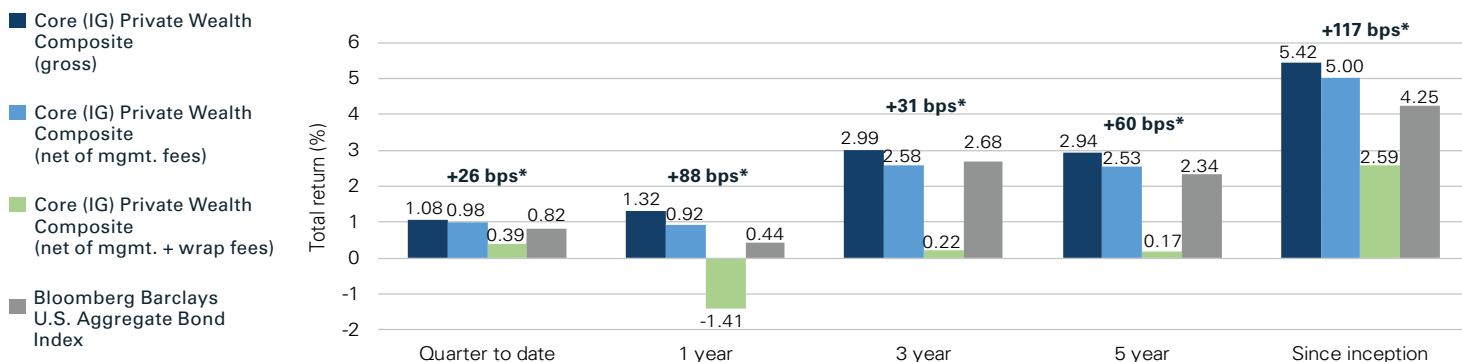
- To produce competitive risk-adjusted returns exceeding the benchmark over multiple market cycles, primarily through security selection and sector/industry rotation
- Successfully navigated the 2008 financial crisis as well as the 2014 and 2016 inflection years

## Investment philosophy

We believe that the global, macroeconomic environment is the primary driver of returns within the fixed income marketplace, and that understanding the trends within this environment provides us with the best opportunities to add value. Our disciplined approach utilizes a top-down, sector and industry rotation investment style that is integrated with independent, bottom-up fundamental, technical and valuation analysis for issuer and security selection.

We focus on diversification and risk management over all aspects of the investment process, with an emphasis on liquid securities. Portfolios are actively managed with a 6 to 12 month time horizon, and our size and focus on liquid securities allows us to rotate sector weightings in a timely manner with minimal transaction costs.

## Performance (%) as of 3/31/2017



	2008	2009	2010	2011	2012	2013	2014	2015	2016
Core (IG) Private Wealth Composite (gross)	10.49	7.32	7.10	6.94	7.16	-1.68	5.87	0.79	3.23
Core (IG) Private Wealth Composite (net of mgmt. fees)	10.05	6.89	6.68	6.52	6.74	-2.07	5.45	0.39	2.82
Core (IG) Private Wealth Composite (net of mgmt. + wrap fees)	7.53	4.44	4.23	4.08	4.29	-4.33	3.03	-1.93	0.45
Bloomberg Barclays U.S. Aggregate Bond Index	5.24	5.93	6.54	7.84	4.21	-2.02	5.97	0.55	2.65

Inception: 10/1/2007. Returns less than one year are not annualized. Performance numbers labeled as "gross" do not reflect the deduction of management or wrap fees. Net of fee returns are calculated using a model fee, which represents a fee at least as large as the highest separately managed account fee rate and highest sponsor wrap fee rate, respectively, applicable to any individual composite constituent for the period shown. Model fee rates represent a fee at least as large as the highest fee rate in effect for the period shown, not taking into account minimum fee amounts expressed as a dollar amount. Accounts that fall below minimum account requirements or are otherwise subject to a minimum dollar-based fee may be subject to a higher fee when expressed as a percentage of the portfolio. For returns shown net of management fees, gross returns have been reduced by a fee at an annual rate of 0.40% of average net assets, assessed and compounded monthly. For returns shown net of management and wrap fees, gross returns have been reduced by a fee at an annual rate of 2.73%, assessed and compounded monthly. Actual fees may vary depending upon, among other factors, the applicable fee schedule for the wrap program in which a composite constituent is enrolled. In June 2016, accounts previously managed by Bradford & Marzec transitioned to Tortoise Credit Strategies and are linked to the performance of Tortoise Credit Strategies. The historical composite performance records of these accounts meet the portability requirements set forth by GIPS®. Index returns do not reflect the effect of management or wrap fees. Returns are presented in U.S. dollars. It is not possible to invest directly in an index. Please review the disclosure statements located on the back of this fact sheet. \*Data above chart is composite (gross of fees) vs. benchmark. **Past performance is no guarantee of future results.**

**Leadership & portfolio team****CEO & CIO**

Brad Beman, CFA

**Investment Policy & Strategy Committee**

N. Graham Allen, FCMA®, CGMA®

Brad Beman, CFA

Edward T. Bradford

Jeffrey Brothers, CFA

Gregory Haendel, CFA

Zelda Marzec

**Private Wealth**

Chris Bleszinski, CFA

Gordon Drobny

**Investment Grade**

Gregory Haendel, CFA

Jason Sharpe, CFA

**High Yield & Leveraged Loans**

John Heitkemper, CFA

Beth Digati

**International**

N. Graham Allen, FCMA®, CGMA®

Adam Patros, CFA

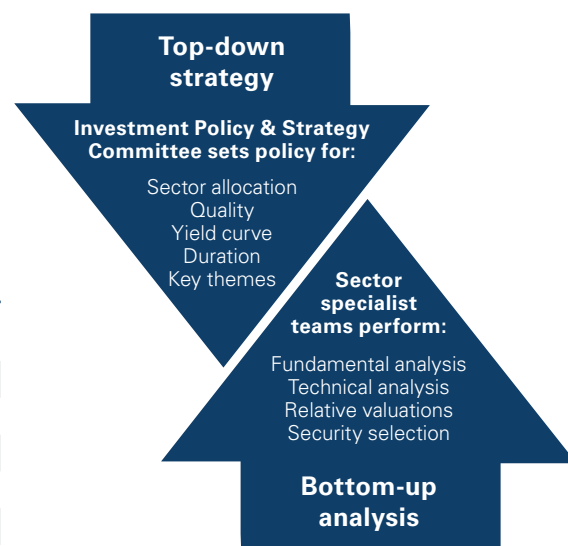
**Structured Products**

Jeffrey Brothers, CFA

Mike Sanchez

**Portfolio construction & investment process**

The strategy's portfolio construction process leverages the top-down approach set by the Investment Policy & Strategy Committee and the bottom-up analysis of sector specialist teams. The private wealth portfolio manager reviews, constructs, monitors and adjusts the private wealth strategy based on private wealth considerations.

**Sector allocation** as of 3/31/2017

	Core (IG) Private Wealth Strategy*	Bloomberg Barclays U.S. Aggregate Bond Index
Treasury	35.3%	36.6%
Agency	0.0%	2.0%
Mortgage-Backed Securities	14.9%	28.6%
Commercial Mortgage-Backed Securities	3.0%	1.8%
Asset-Backed Securities	8.8%	0.5%
Credit	34.1%	30.5%
Cash/equivalent	3.8%	0.0%

**Rating allocation** as of 3/31/2017

	Core (IG) Private Wealth Strategy*	Bloomberg Barclays U.S. Aggregate Bond Index
AAA	62.0%	71.7%
AA	1.3%	4.6%
A	4.8%	10.2%
BBB	28.1%	13.5%
Not rated	0.0%	0.0%
Cash/equivalent	3.8%	0.0%

Bond quality ratings reflect the higher rating issued by either Moody's or S&P. In instances where Moody's and S&P do not rate a security, the Fitch rating is used. Should this process result in the selection of a rating issued by an agency other than S&P, the rating is converted to the S&P equivalent.

**Characteristics** as of 3/31/2017

	Core (IG) Private Wealth Strategy*	Bloomberg Barclays U.S. Aggregate Bond Index
Average quality	Aa2	Aa1/Aa2
Average coupon	2.77%	3.06%
Duration	5.41	6.00
Average maturity (yrs)	6.94	8.22
Yield to maturity	2.79%	2.61%
Current yield	2.72%	2.98%

**Up/down market capture** as of 3/31/2017

Up market capture	112.61%
Down market capture	89.15%

Source: Morningstar Direct since inception (10/1/2007)

**Additional disclosures:**

\*Strategy characteristics reflect a representative portfolio. The portfolio selected is the largest account currently invested in the specified private wealth strategy denoted that has been under management for at least 30 days, adheres to the standard guideline set for the strategy and has not had significant cash flows during the period. Due to rounding, totals may not equal 100%. The Core (Investment Grade) Private Wealth Composite includes all discretionary private wealth and wrap fee accounts that do not have a High Yield mandate, do not have maturity restrictions, are invested in investment grade fixed income securities and use as a benchmark a broad market index such as the Bloomberg Barclays U.S. Aggregate or Government/Corporate. Some accounts may include non-dollar securities. All accounts in the Core (IG) Private Wealth Composite are managed to a model portfolio. All accounts meeting these criteria, regardless of size, are included in the composite. The Core (IG) Private Wealth Composite has an inception and creation date of 10/1/2007. On 6/20/2016, the composite name changed from SMA Core (IG) Composite to Core (IG) Private Wealth Composite. The applicable benchmark for this composite is the Bloomberg Barclays U.S. Aggregate Bond Index, a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes treasuries, government-related and corporate securities, mortgage-backed securities (agency fixed-rate and hybrid adjustable rate mortgage pass-through securities), commercial mortgage-backed securities (agency and non-agency) and asset-backed securities. Tortoise Credit Strategies, LLC ("Tortoise Credit") is a registered investment adviser focused on fixed income related strategies that manages investments for institutional and individual clients. Tortoise Credit claims compliance with the Global Investment Performance Standards (GIPS®). A complete list of composite descriptions and GIPS® compliant presentations is available upon request by emailing [clientservice@tortoisecredit.com](mailto:clientservice@tortoisecredit.com).