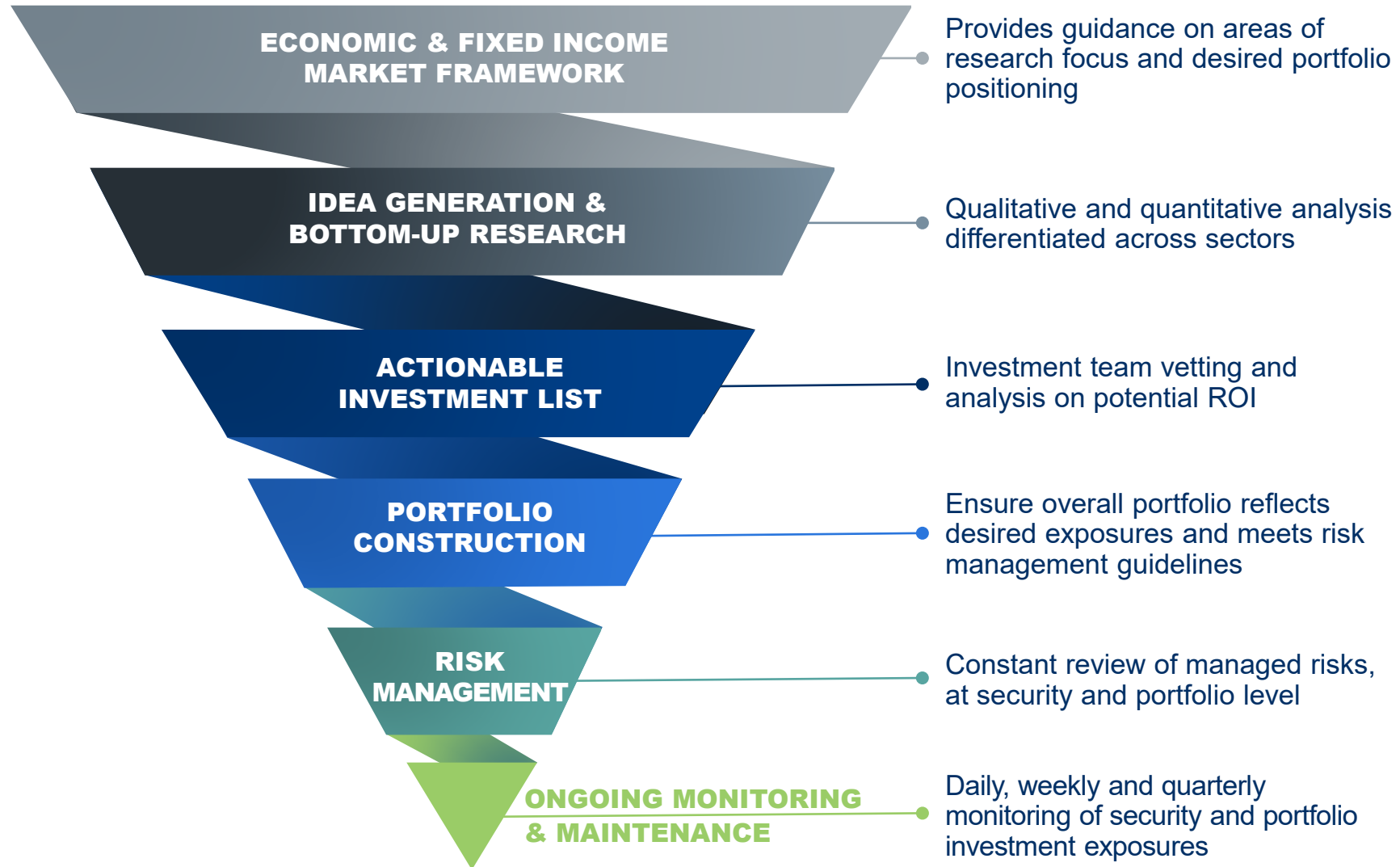


INVESTMENT PROCESS









ECONOMIC & FIXED INCOME MARKET FRAMEWORK

MACRO/ECONOMIC

INFORMATIVE FACTORS	DESCRIPTION	CURRENT VIEW
Fiscal & Regulatory Policies	Outlook for deficit spending and regulatory changes	
Monetary Policies	Current Fed policy and forward commentary	
Inflation Expectations	Current and near-term inflation expectations	
Global Interest Rates	Current rates and near-term outlook primarily for the developed world	
Consumer Debt Load	Current trend and outlook	
Corporate Debt Health	General coverage ratios, trends and outlook	
Investor Sentiment	Investor mood on the markets and economy	

FUNDAMENTALS

ACTIONABLE FACTORS	DESCRIPTION	CURRENT VIEW
Credit Spreads vs Long-Term Trend	Wide or narrow credit spreads vs a 5-yr avg	
Yield Spread vs Base Rate	Yield on a given BBB credit vs a 5-yr Treasury	
Relative Value Opportunities	What is the opportunity set among sectors	
Structured Products Spreads and Quality vs Corporates	What is the opportunity set across the sectors and issuer quality	



IDEA GENERATION & BOTTOM UP RESEARCH CORPORATE CREDIT



Idea Generation	Proprietary screens Industry and non-industry resources – publications, conferences, street research Primary and secondary market offerings
Industry/ Issuer Analysis	Competitive dynamics of the industry/issuer Seasonality and/or cyclicalities Opportunities and threats Collaborate with the Weitz equity team for potential additional insight
Credit Underwriting	Analyze issuers ability to service current and expected debt Assess current leverage profile versus stated leverage targets Analyze historical balance sheet impact of capital allocation decisions and industry factors
Capital Structure & Funding Analysis	Determine an annual cash flow cushion Determine reasonableness of maturity profile and potential need for divestitures, equity or debt issuance
Covenants	Analyze the indentures, credit agreements and other contracts to determine event risks as it pertains to the capital structure and investor's rights.
Issuer Considerations	Perform due diligence of issuers through discussions with company Review management statements versus actions Focus on demonstrated issuer/bondholders alignment
Risk-Adjusted Return Framework	Determine if investment provides a favorable risk/reward opportunity relative to peers and/or ratings



IDEA GENERATION & BOTTOM UP RESEARCH STRUCTURED PRODUCTS



Sector Idea Generation	<p>Develop investment thesis and outlook for each sector under coverage</p> <p>Monitor industry and regulatory trends</p> <p>Relationships with issuers and banking/securitization channels.</p>
Credit and Collateral Analysis	<p>Assess borrower credit quality and ability to repay</p> <p>Determine loan-to-value</p> <p>Assess performance history and concentration limits</p> <p>Analyze frequency/severity of default.</p>
Structural Analysis	<p>Comprehensive review of key structural features:</p> <ul style="list-style-type: none">Trust StructureForms of Credit EnhancementPriority of Payments, Performance Triggers and Amortization EventsBack-up Servicing Considerations
Sponsor/Service Considerations	<p>Perform due diligence of sponsor</p> <p>Evaluate sponsor quality based on operational and servicing capabilities, performance history, financial profile and liquidity analysis</p> <p>Focus on sponsors with adequate “skin in the game” and alignment with bondholders.</p>
Risk-Adjusted Return Framework	<p>Focus on security selection across the capital structure incorporating three primary variables:</p> <ul style="list-style-type: none">Credit RiskExtension RiskLiquidity Risk



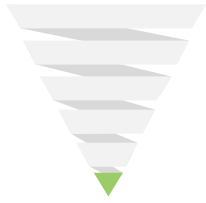
PORTFOLIO CONSTRUCTION AND RISK MANAGEMENT



- Maximum return for risk assumed and downside risk management are keys to strategy
- Risk is permanent loss of capital not price volatility
- Bloomberg Analytics used for security stress test analysis of interest rate and/or spread shock

MANAGED	
RISK	DESCRIPTION
Duration	Actively managed within each portfolio. Scenario analysis conducted.
Yield Curve	Relative value amongst multiple maturity opportunities
Sector	Diversified across multiple sectors
Credit	Managed at security level, sector and portfolio level with a non-investment grade limit specified by prospectus
Issuer Size	5% maximum
Liquidity	Internal and 3rd party assessment

NOT MANAGED	
RISK	DESCRIPTION
Non-U.S. Currency	No Exposure
Derivative	No Exposure
Ex-Ante Tracking Error	Not Targeted



ONGOING MONITORING AND MAINTENANCE

MACRO, PORTFOLIO AND CREDIT MONITORING

- Ongoing, open dialogue about any potential credit issues
- Daily review of company news/events
- Daily review of overall credit fundamentals
- Monthly assessment of economic and fixed income framework
- Monthly internal structured products review
- Quarterly corporate internal credit review

SECURITY DRIVEN SELL DECISION*

- Security trading above fair value estimates
- Better risk-adjusted opportunities available elsewhere
- Fundamentals of the business have changed and/or company is becoming less credit worthy

PORTFOLIO DRIVEN SELL DECISION

- Ensure portfolio reflects desired overall exposures

*We generally hold securities to maturity