FIXED INCOME STRATEGY HIGHLIGHTS

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Written By: Peter J. Altman, President
Jeffrey S. Baumann, Managing Director
Karen Troiano, Senior Portfolio Manager

33 Witherspoon Street - 2nd Floor
Princeton, New Jersey 08542
Tel: 609-252-0048
www.AltmanInvest.com

THE U. S. FIXED INCOME MARKETS

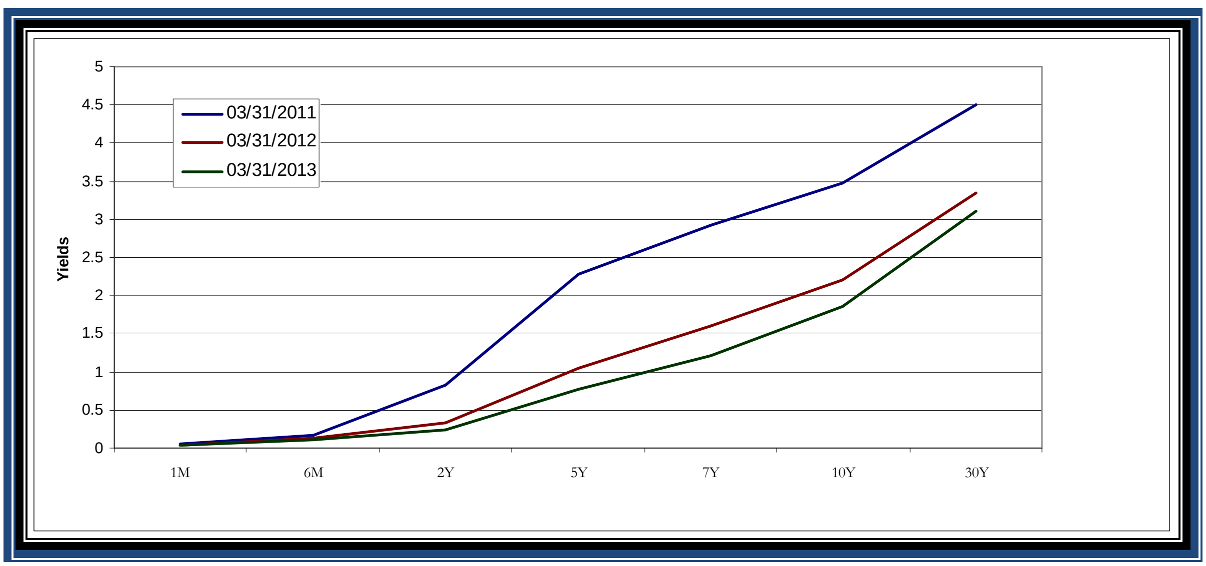
Brief Overview

As we entered 2013, the market appeared primed for a change; many investors around the globe were convinced that the change into the New Year was ready to bring back stronger global growth, better employment data here in the U.S, and most importantly higher interest rates. In fact, a review of major media sources early this year revealed countless stories on fund managers' plans to sell Treasuries into the summer with many even intending to sell the securities short. As a reminder, a short seller intends to profit on the decline in the value of a security.

It turns out that the first quarter of 2013 hasn't really been all that special, and it could be argued that in some ways it has simply copied 2011 and 2012. Relatively speaking, interest rates generally rose or stayed elevated for the first three months in each year, but began trend lower as soon as the month of March concluded. Overall, intermediate bond returns for the quarter were up *only* .17%. The best performing sector was corporate up .62%, while intermediate mortgage securities were down .07%. This year, the catalysts for the market appears to be a broken record of seemingly endless bad news out of Europe mixed with stagnant job creation here at home. Europe continues to struggle with existing (Spain, Italy, Greece) and even new (Cyprus) financial crises amidst startlingly high levels of unemployment. Here in the U.S., March's employment figure was weaker than expected as only 88k jobs were created last month, the lowest reported level in nine months. This pushed the yield on the 10-year Treasury to a 4-month low of 1.69%, the lowest level year-to-date for 2013.

EXHIBIT I

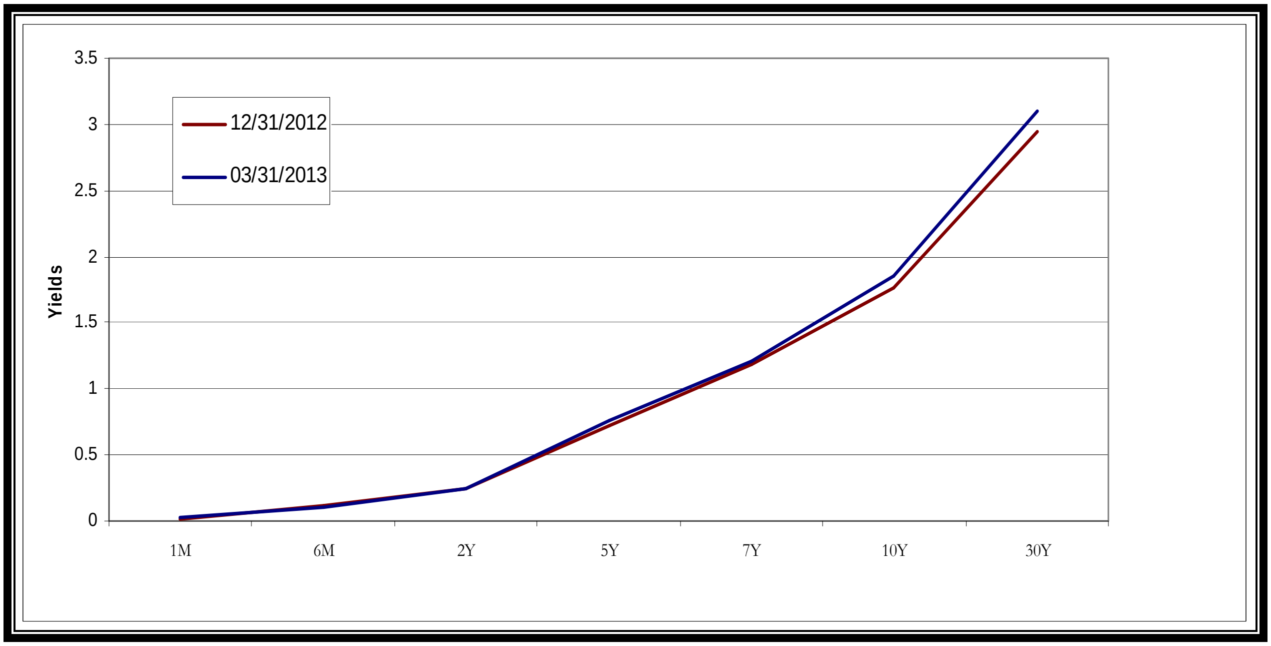
Active U.S. Treasury Yield Curve



Source: Altman Investment Management Research and Bloomberg

EXHIBIT II

Quarter over Quarter



Source: Altman Investment Management Research and Bloomberg

EXHIBIT III

Ten Year Generic Treasury Yield

Source: Altman Investment Management Research and Bloomberg

Focus on Sector Selection

With the macro-driven correlation declining, sector differentiation should be an increasingly important source of outperformance in 2013. The potential benefit from effective sector selection is significant, as ~60% of sectors have historically out/underperformed over a six month period to a degree that we believe is material to investors.

Most sector out/underperformance is idiosyncratic, as opposed to being driven by the sector's underlying quality portfolio or valuation. Beta and relative OAS (Option Adjusted Spread analysis)* combine to explain roughly 1/3 of historical cases, but the influence of these factors varies considerably across time and is greatest when macro-driven volatility drives correlations higher. In environments where correlations are lower, as we expect this year, beta and valuation are less important than industry fundamentals and the issuer-specific situation in driving overall sector performance.

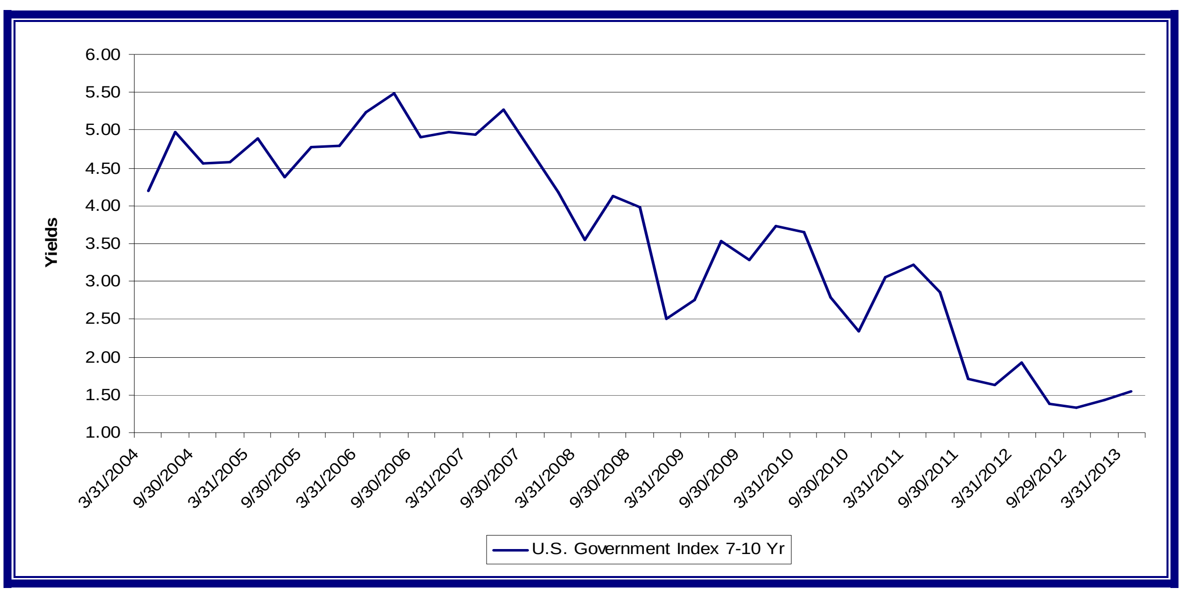
In the U.S., spreads have reached late-2007 levels in aggregate, but many industries remain wide of this mark while others are tighter. Our over-weighted ratings are concentrated in industries that have room to tighten relative to pre-crisis spreads, but have not experienced significant changes in structure and competitive dynamics in the interim. Underweights are driven by valuation plus an assortment of cyclical and secular challenges. For investment grade we are looking for credits in industries like super markets, oil field services, life insurers, cables, autos and health insurers.

Government Securities

Given our expectation of higher interest rates throughout this year, we are maintaining shorter than market maturities with higher than market coupons. The risk of falling prices in this sector remains historically high. So therefore, we continue to under-weight the taxable government sector.

EXHIBIT IV

U.S. Government Index 7-10 year



Source: Altman Investment Management Research and Bloomberg

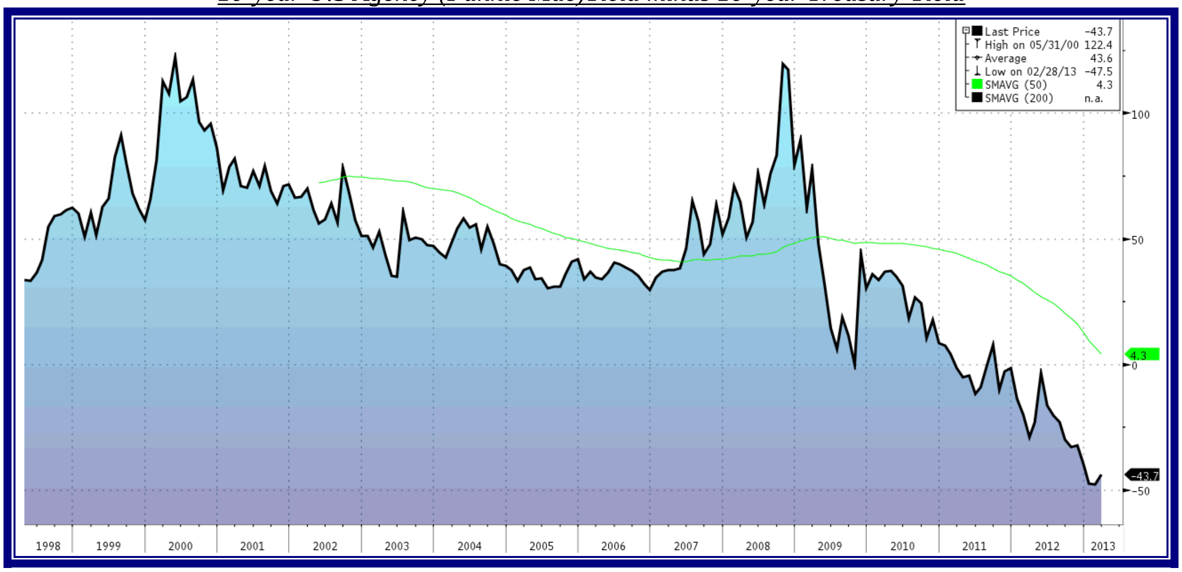
*OAS- is the conditional option that is embedded in a callable security or the yield pickup calculated on the expected value of a security's cash flows base on the duration of the bond.

Corporate Securities

Investment-grade corporate bonds have returned 1.22% so far in 2013, while high yield bonds returned 2.99%. For the trailing 12-month time frame, investment-grade total return has been 8.88% with high yield at 14.51%. Investment-grade spread levels have widened from 134 basis points (bps) over comparable Treasury yields at the beginning of the year to 140 bps at the end of last week. However, the yield level has fallen from 2.76% to 2.66% this year. High yield spreads have fallen seven bps to 473 bps since the beginning of the year with yields dropping 25 bps to 5.44%.

EXHIBIT V

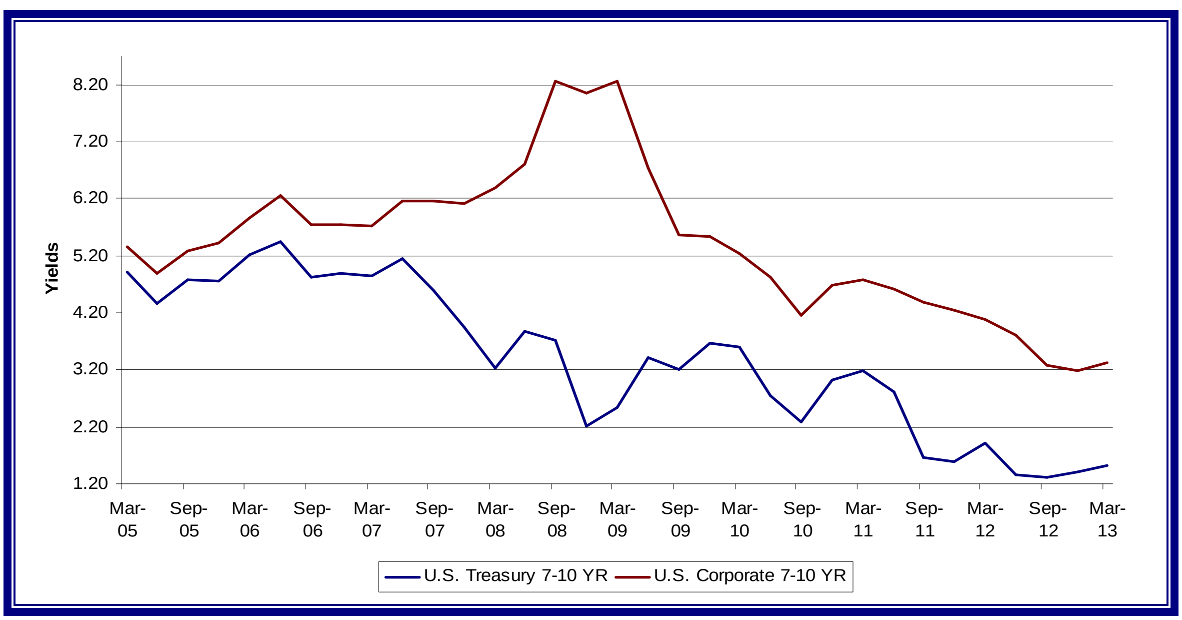
10-year U.S Agency (Fannie Mae)Yield minus 10-year Treasury Yield



Source: Altman Investment Management Research and Bloomberg

EXHIBIT VI

U.S Corporate 7-10 year versus U.S. Treasury 7-10 year



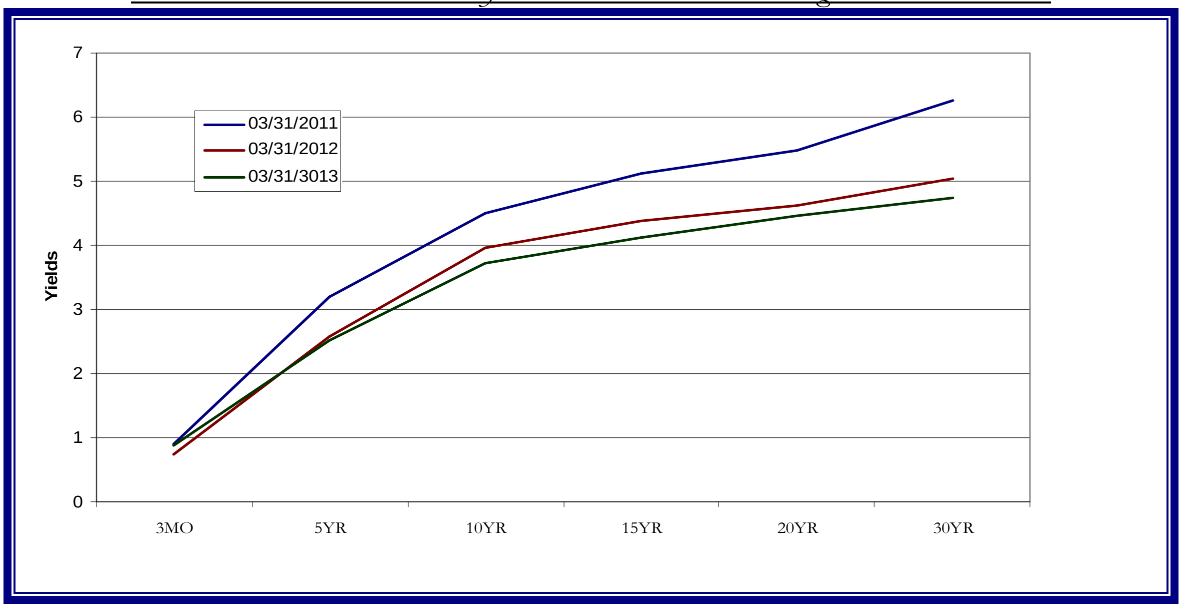
Source: Altman Investment Management Research and Bloomberg

Municipal Securities

The S&P Municipal Bond Index returned -0.45% in March (and 0.58% ytd). Long maturities were most strained. High yield held up, outpacing the broader market by 90 bps. Among sectors, the general obligation index led the main index by 56 bps, while utilities lagged by 23 bps. Regionally, states such as Pennsylvania and Florida have been slightly outperforming this year. Our overall view remains constructive as the reality `of higher taxes highlights the benefits of tax exemption. We believe the primary market remains the place to source incremental yield and should continue to be priced at a concession to the secondary market. As we've said before, credit selection continues to be a key drivers of performance in 2013.

EXHIBIT VII

Fair Market Yield Curve History: Generic Muni- General Obligation Insured Curves



Source: Altman Investment Management Research and Bloomberg

EXHIBIT VIII

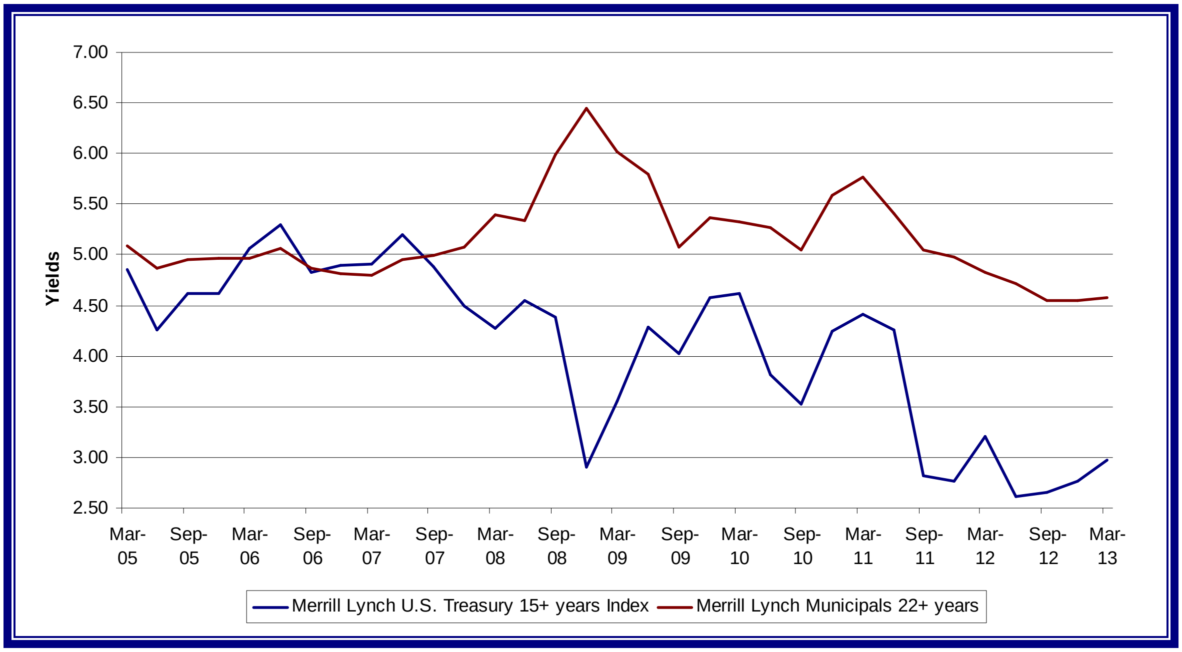
Fixed Income Sector Performance – Q1-2013

Fixed Income Sector Performance – 2013 Q1- Sector	**Rating**	**Maturity**	**Duration Mod Adj**	**Yield**	**Spread**	**Price Spread Avg**	**Trailing1 12Month Total Return**
Treasury	Aaa/AAA	6.57	5.43	0.83%	N/A	$106.89	2.97%
Agency	Aaa/AA+	5.33	3.93	1.06%	28	$106.56	2.82%
MBS	Aaa/AAA	5.65	3.80	2.40%	60	$107.57	1.86%
Municipal	Aa3/A+	13.54	6.86	2.11%	N/A	$108.69	5.36%
Corporate	A2/A-	10.55	7.22	2.64%	137	$113.37	8.47%
High Yield	B1/B	6.76	3.98	5.47%	451	$105.88	14.31%

Source: Altman Investment Management Research and Bloomberg

EXHIBIT IX

Long Term Municipal to Treasury Spreads



Source: Altman Investment Management Research and Bloomberg