

# WASHINGTON CROSSING ADVISORS

## LADDERED BOND PORTFOLIO

### Corporate Fixed Income

[www.washingtoncrossingadvisors.com](http://www.washingtoncrossingadvisors.com)

#### PORTFOLIO PROFILE SHEET

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**About Washington Crossing Advisors**

Washington Crossing Advisors (WCA) is a wholly owned subsidiary and affiliated SEC Registered Investment Adviser of Stifel Financial Corp. WCA strategies are primarily offered through the Stifel Opportunity Program.

The senior management team has worked together for over 25 years as market strategists and portfolio managers.

We believe a portfolio of high quality, carefully selected, corporate bonds with a stable overall duration should provide superior after-tax, risk-adjusted returns versus other approaches that frequently adjust duration in anticipation of changing interest rates.

#### INVESTMENT PROCESS

The financial advisor establishes a client's time horizon, risk preferences, tax position, and income needs. Next, bonds are selected based on issuer rating, liquidity, and Washington Crossing Advisors views of the industry sector and creditworthiness of the issuer. Washington Crossing Advisors continues to monitor the credit rating of each issue and will make substitutions as bonds mature or are called and as warranted by changes in credit rating. On occasion, Washington Crossing Advisors may also make substitutions in anticipation of expected credit rating changes or to exploit better opportunities. Portfolio performance is reviewed regularly, relative to an appropriate investment-grade, intermediate, domestic corporate bond index.

#### SHORT-TERM LADDER (1-7 YEARS)

**PORTFOLIO CHARACTERISTICS**

Account Minimum ..... \$150,000  
Investment Vehicle ..... 21 Investment-Grade Bonds  
Bonds Per Year ..... 3  
Targeted Average Maturity ..... 4 years  
Longest Maturity ..... 7 years

INVESTMENTS INCLUDE ..... Investment-Grade Corporate Bonds

#### INTERMEDIATE-TERM LADDER (1-10 YEARS)

**PORTFOLIO CHARACTERISTICS**

Account Minimum ..... \$150,000  
Investment Vehicle ..... 30 Investment-Grade Bonds  
Bonds Per Year ..... 3  
Targeted Average Maturity ..... 5.5 years  
Longest Maturity ..... 10 years

INVESTMENTS INCLUDE ..... Investment-Grade Corporate Bonds

## HYPOTHETICAL EXAMPLE OF AN INTERMEDIATE-TERM BOND LADDER (\$150,000 PORTFOLIO)

### AT INCEPTION

Bond Matures In	Percent Maturing	HYPOTHETICAL		
		Amount Maturing	Current Yield	Annual Income
Year 10 (New)	10%	\$15,000	5.0%	\$750
Year 9	10%	\$15,000	4.9%	\$735
Year 8	10%	\$15,000	4.8%	\$720
Year 7	10%	\$15,000	4.6%	\$690
Year 6	10%	\$15,000	4.5%	\$675
Year 5	10%	\$15,000	3.7%	\$555
Year 4	10%	\$15,000	3.3%	\$495
Year 3	10%	\$15,000	2.7%	\$405
Year 2	10%	\$15,000	2.2%	\$330
Year 1	10%	\$15,000	1.7%	\$255
<b>TOTAL</b>	<b>100%</b>	<b>\$150,000</b>	<b>3.7%</b>	<b>\$5,610</b>

### THE FOLLOWING YEAR

Bond Matures In	Percent Maturing	HYPOTHETICAL		
		Amount Maturing	Current Yield	Annual Income
Year 10 (New)	10%	\$15,000	MARKET RATE	MARKET RATE
Year 9	10%	\$15,000	5.0%	\$750
Year 8	10%	\$15,000	4.9%	\$735
Year 7	10%	\$15,000	4.8%	\$720
Year 6	10%	\$15,000	4.6%	\$690
Year 5	10%	\$15,000	4.5%	\$675
Year 4	10%	\$15,000	3.7%	\$555
Year 3	10%	\$15,000	3.3%	\$495
Year 2	10%	\$15,000	2.7%	\$405
Year 1	10%	\$15,000	2.2%	\$330
Matured	0%			
<b>TOTAL</b>	<b>100%</b>	<b>\$150,000</b>		

\$15,000 REINVESTED IN NEW 10-YEAR BOND

The information presented herein is a hypothetical example which has been compiled by WCA and is for illustrative purposes only. Hypothetical results shown may have inherent limitations, some of which are described below. No representation is being made that any account will or is likely to achieve results similar to those shown. This hypothetical example does not involve financial risk or numerous other factors related to the markets in general. This hypothetical example should not be considered as indicative of the skills of the investment adviser.

### AT INCEPTION

10% of the portfolio's value is invested in each year going out 10 years. Each year represents a "rung" of the ladder. Interest rates are typically higher, with longer maturities on the higher "rungs," in exchange for greater volatility. Shorter maturities on the lower "rungs" typically carry relatively lower rates along with less volatility in price. **The average maturity of this example portfolio is 5-6 years. No bond has a maturity greater than 10 years.**

*Laddering strategies do not assure or guarantee out-performance versus a benchmark or other, non-laddered strategies. In addition, the strategy does not assure or guarantee against loss of principal. Assumptions shown here are for illustration purposes only. Actual interest rates will vary from hypothetical examples. Yields and market values will fluctuate, and if sold prior to maturity, bonds may be worth more or less than original investment.*

### WHEN BONDS COME DUE

Proceeds are invested at the long-end of the ladder in a NEW 10-year bond. The interest rate on that new bond is based on the market rate of interest at the time of purchase. This means that the portfolio's overall yield and average income will not be locked in. Instead, it will gradually adjust as interest rates change over time.

For example, if rates rose over the past year, bond prices may have declined, but newly purchased bonds may take advantage of this higher yield. The opposite would be the case if rates fell. Importantly, this is largely an "automatic" process which cuts out the guesswork regarding the future direction of interest rates. Instead of engaging in guesswork, this process is an unemotional way to:

1. Generate a stream of income.
2. Allow interest rate flexibility should rates rise.
3. Maintain an average maturity of 5-6 years.

## MODEL PORTFOLIO STATISTICS (AS OF DECEMBER 31, 2018)

### SHORT-TERM LADDER (1-7 YEARS)

Maturity.....	4 Years
Modified Duration.....	2.7 Years
Current Yield.....	3.7%
Yield to Worst.....	3.6%
Expected Turnover.....	15-20%
Number of Holdings.....	21

#### HOLDINGS

ABBVIE INC.	DU PONT (EI) AND COMPANY	OCCIDENTAL PETROLEUM CORP.
ALTRIA GROUP INC.	FEDEX CORP.	QUALCOMM INC.
AMAZON.COM INC.	GILEAD SCIENCES INC.	QUEST DIAGNOSTICS INC.
BERKSHIRE HATHAWAY INC.	INTEL CORP.	REPUBLIC SERVICES INC.
BLACKROCK INC.	KRAFT HEINZ CO.	STRYKER CORPORATION
CATERPILLAR INC.	MCKESSON CORP.	THERMO FISHER SCIENTIFIC INC.
CISCO SYSTEMS INC.	NORFOLK SOUTHERN CORP.	WAL-MART STORES INC.

### INTERMEDIATE-TERM LADDER (1-10 YEARS)

Maturity.....	5.5 Years
Modified Duration.....	4.1 Years
Current Yield.....	3.5%
Yield to Worst.....	3.7%
Expected Turnover.....	10%
Number of Holdings.....	30

#### HOLDINGS

ABBVIE INC.	FEDEX CORP.	OCCIDENTAL PETROLEUM CORP.
ALTRIA GROUP INC.	GILEAD SCIENCES INC.	PPG INDUSTRIES INC.
AMAZON.COM INC.	HOME DEPOT	QUALCOMM INC.
APPLE INC.	INTEL CORP.	QUEST DIAGNOSTICS INC.
BERKSHIRE HATHAWAY INC.	KRAFT HEINZ CO.	REPUBLIC SERVICES INC.
BLACKROCK INC.	LOCKHEED MARTIN CORP.	SALESFORCE.COM INC.
CATERPILLAR INC.	LOWES	STRYKER CORPORATION
CISCO SYSTEMS INC.	MCKESSON CORP.	THERMO FISHER SCIENTIFIC INC.
COMCAST CORPORATION	NORFOLK SOUTHERN CORP.	WAL-MART STORES INC.
DU PONT (EI) AND COMPANY	NORTHROP GRUMMAN	WALT DISNEY CO.

The holdings are as of the date indicated and are subject to change, at any time, without notice. The above is for illustrative purposes only and not intended as personalized recommendations. The securities identified and described do not represent all of the securities purchased, sold, or recommended for client accounts. You should not assume that an investment in the securities identified was or will be profitable. A complete list of all recommendations made by the firm is available upon request.

## DISCLOSURES

When investing in bonds, it is important to note that as interest rates rise, bond prices will fall. Other risks include the risk of principal loss should the issuer default on either principal or interest payments. This portfolio invests in bonds which are obligations of corporations, and not the U.S. government, and therefore, carry a higher degree of risk relating to default. Although the portfolio strategy seeks to maintain an average portfolio rating of investment grade, individual bonds ratings are subject to change from time of purchase. Investment grade means bonds which carry a rating of Baa3 or higher by Moody's or BBB- or higher by Standard & Poor's. Model portfolio average statistics and model holdings are subject to change without notice. You should therefore carefully consider whether interest rate and default risk are suitable for you in light of your financial condition.

Any projections, targets, or estimates in this report are forward looking statements and are based on WCA's research, analysis, and assumptions made by the Adviser. Due to rapidly changing market conditions and the complexity of investment decisions, supplemental information and other sources may be required to make informed investment decisions based on your individual investment objectives and suitability specifications. All expressions of opinions are subject to change without notice. Clients should seek financial advice regarding the appropriateness of investing in any security or investment strategy discussed in this presentation.