

## Exencial Fixed Income Strategy

### Overview:

Our focus in selecting fixed income securities is primarily based on credit quality and cash flow, while also providing yield generation. We believe that fixed income provides a strong foundation to a balanced portfolio; therefore, we reduce risk by investing in companies with low default risk. Taxable bond portfolios are constructed using US Treasury, US Agency or investment grade corporate bonds. We currently favor Agencies and corporate bonds due to the low returns offered by US Treasuries. Tax free bond portfolios are constructed using high quality municipal bonds from the state in which the client resides. While the economy has partially rebounded from its sharp drop due to Covid lockdowns, further gains are likely to be more gradual as activity is constrained by the virus. The Federal Reserve forecasts its funds rate at near 0% for the next few years to help the economy return to full employment, and to allow inflation to rise modestly above its 2% target due to past undershoots. The future path of rates will be determined by the pace of the economy's progress toward the Fed's goals. This economic uncertainty favors EWA's strategy of using individual bonds. Interest rates rise and fall; however, high quality bonds mature at par. Our preference is to defensively position portfolios in high quality bonds with average duration of 5 years and shorter or structured bonds that have coupons that will step up if rates rise.

### Sample Fixed Income Portfolio Top Corporate Bond Holdings by Sector

Consumer Discretionary:	Best Buy, Comcast Corp.
Consumer Staples:	Anheuser Busch Inbev, Archer Daniels Midland Co., Dignity Health, Mead Johnson Nutrition Co.
Energy:	Canadian Natural, FMC Technologies, Magellan Midstream
Financials:	Aon, Assured Guaranty, Brookfield Financial, CNA Financial Corp., Goldman Sachs, JPMorgan Chase & Co., Suntrust Banks, Unum Group
Healthcare:	AbbVie Inc., Quest Diagnostics
Materials:	Potash Corp. of Saskatchewan, Inc.
REIT:	Ventas Rlty Ltd.
Utilities:	Duke Energy, Entergy Tx

*This Investment Strategy is not a recommendation to buy or sell any of the securities mentioned. The comments made are opinions of Exencial Wealth Advisors. No representation is made as to the accuracy or completeness of this information.*