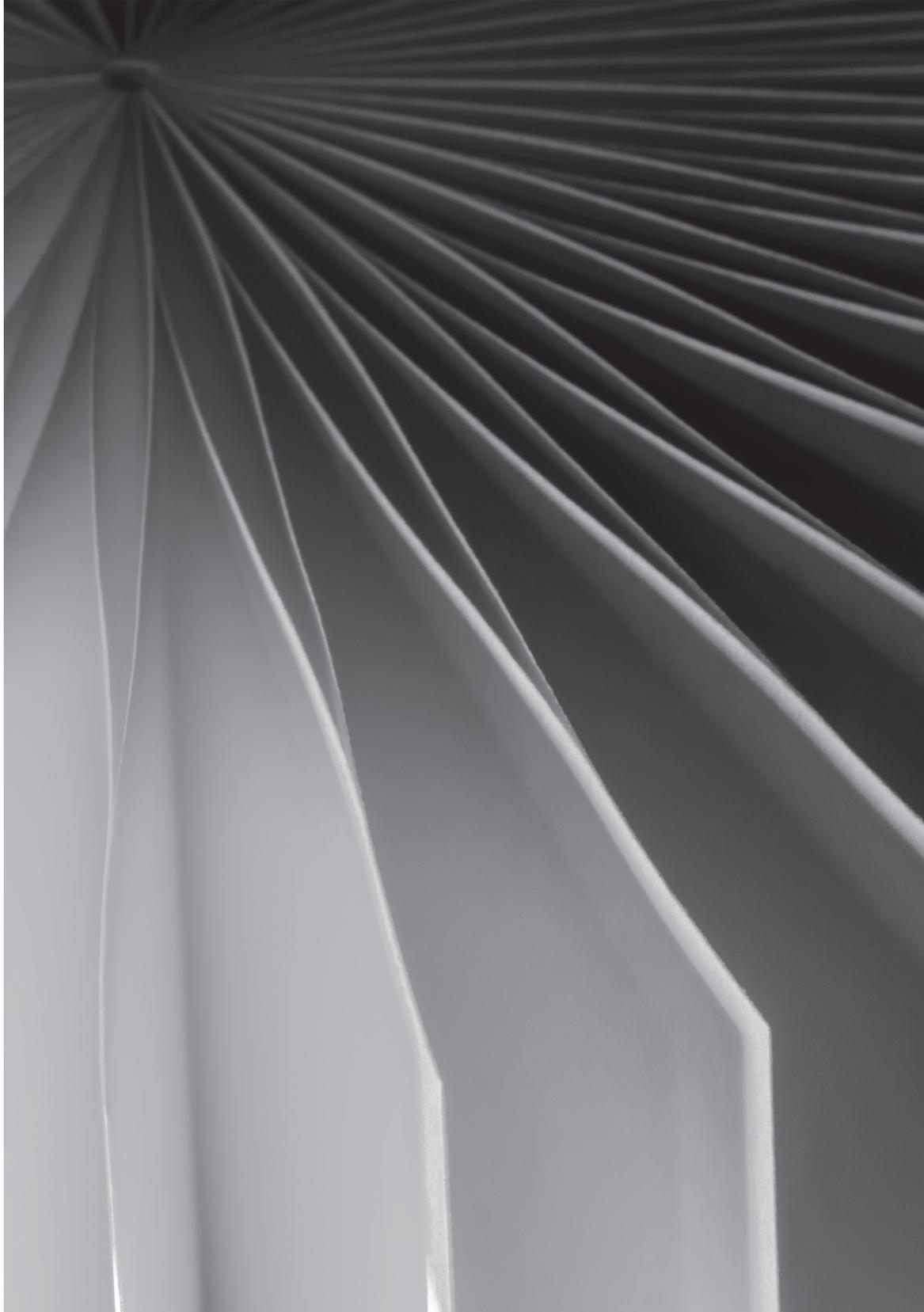




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# The SNW Advantage



**At SNW, we focus exclusively on building and managing high-quality fixed income portfolios in a customized, low-cost and tax-efficient way.**

## SNW History

SNW Asset Management (SNW), which was acquired by OFI Global<sup>1</sup> in 2017, began in 2002 as a subsidiary of Seattle-Northwest Securities Corporation (founded in 1970), specializing in U.S. dollar-denominated taxable and tax-exempt fixed income investment management. We have grown to approximately \$2.5 billion in assets under management and serve more than 1,600 clients on a separate account, actively managed basis. Our clients include registered investment advisors, high-net-worth individual investors, corporations, trusts, government entities, financial institutions and nonprofit organizations.

## Why SNW?

### **1. Research Driven Fixed Income Specialists**

Our investment approach is based on a collaborative team environment, which is rooted in fundamental and quantitative research and is focused on performing at the highest level.

### **2. Customized Portfolios**

We customize our portfolios to best achieve the investment goals of each client. Customization options consider each client's state of residence, tax bracket and overall investment objectives.

### **3. Value: Low-Cost Provider**

Research has shown that fees play a significant role in long-term total returns. We believe that offering low-cost, actively managed strategies will help to achieve our clients' investment-grade fixed income goals.

### **4. Exceptional Client Service**

Our clients' needs are at the center of it all. We have a dedicated team in place to ensure that we exceed all expectations.

### **5. Impact Focus**

We offer our clients the opportunity to align their mission with their investments and to balance risk with an impact return.

# The Advantage of Individual Bonds

We believe that the properties of individual bonds make separately managed accounts a superior option to pooled products such as mutual funds.

## Individual Maturity Dates

Each security within the portfolio has an individual maturity date, allowing our investment team to hold bonds during periods of market volatility or rising interest rates. Pooled products may experience “NAV Risk,” where a fund manager is forced to sell bonds in down or volatile markets to meet cash redemptions from other investors in the fund. We purchase each bond with the intent to hold that bond until its maturity date and only trade if a superior market opportunity arises.

## Cash Flow Planning

We are able to tailor our portfolios for the cash flow needs of our clients, whether it be monthly, quarterly or annual interest payments, or maturities that correspond to a major cash flow event.

## Tailored Portfolio Characteristics

We offer a variety of portfolio strategies that allow our clients to choose an investment approach that meets their unique needs and objectives. Customization options include: various duration profiles, the types of bonds we purchase, state of residence, income needs and more.

## Complete Transparency

Our clients can view the bonds held in their SNW portfolio on an ongoing, real-time basis. Because our client’s assets are always held at a third party custodian, the transactions and holdings within their portfolios are always visible.

We exist because investors deserve a firm devoted to achieving their unique objectives and exceeding their expectations.

# Portfolio Customization Structure

We offer five core strategies: **Blend**, **Municipal**, **Taxable**, **Credit**, and **Cash Management**. Each of these is further customized based on risk tolerance, tax bracket, cash flow requirements, duration, ratings, or sector. (See our strategy-specific documents for more details on each core strategy.)



We adapt your investment to suit your personal needs.

# Process for Portfolio Construction



## Step 1 Designate Core Investment Strategy

**SNW Municipal:** Investment-grade, tax-exempt municipal bonds; state-specific where applicable.

**SNW Blend:** Investment-grade blend of tax-exempt municipal bonds and taxable bonds which may include corporate, Treasury/agency, government MBS, TIPS and taxable municipal bonds. Sector mix is based on after-tax relative value.

**SNW Taxable:** Investment-grade taxable bonds which may include corporate, Treasury/agency, government MBS, TIPS and taxable municipal bonds. Tax-exempt municipal bonds may also be held.

**SNW Credit:** Investment-grade corporate and taxable municipal bonds. Tax-exempt municipal bonds may also be held.



## Step 2 Identify Portfolio Duration

**Ultra Short:** Weighted average portfolio duration of 0.5–1.5 years with individual bond maturities no greater than 3 years. The Ultra Short Duration Strategy exhibits minimal sensitivity to changes in interest rates.

**Short:** Weighted average portfolio duration of 2–3 years with individual bond maturities no greater than 7 years. The Short Duration Strategy exhibits limited sensitivity to changes in interest rates.

**Intermediate:** Weighted average portfolio duration of 3.5–4.5 years with individual bond maturities no greater than 12 years. The Intermediate Duration Strategy exhibits moderate sensitivity to changes in interest rates.

**Long:** Weighted average portfolio duration of 5–8 years with no limitation on individual bond maturities. The Long Duration Strategy exhibits extensive sensitivity to changes in interest rates.



## Step 3 Tailor Investing Technique to Your Situation

- Proximity to Retirement
- Tax Situation and State of Residence
- Custom Reports
- Cash Needs



## Step 4 Allocate Intentionally to Make an Impact

**General Impact Overlay:** An undifferentiated approach to impact investing with assets being allocated to any available investment opportunity with impact potential. This includes impact opportunities related to the environment, education, housing, healthcare, social improvement, energy efficiency and infrastructure improvements, among other options.

### Impact Strategy Focuses

- **Environmental Issues Focus:** This approach leverages capital to address the key environmental challenges of today and tomorrow.
- **Educational Focus:** This approach leverages capital to support better educational outcomes for the next generation.
- **Gender Equity Focus:** This approach leverages capital to help empower women in the workplace and in society.

# SNW's Investment Philosophy

Our only business is managing investment-grade fixed income portfolios. Our portfolio management team ensures that each client's portfolio is actively managed in the most efficient and effective manner possible.

## Return

Research has shown that a bond portfolio's multi-year total return is heavily influenced by the level of income. Our portfolios typically carry a yield above the benchmark by at least our average fee through active sector and security selection. We continuously monitor the relative value relationships among sectors and base our sector positioning on total return potential.

## Volatility/Risk

We target portfolio volatility similar to that of our benchmarks. Risk is managed through limits on sector allocation, individual credit weightings and the allocation to various ratings buckets. We use the DTS (duration times spread) metric to monitor total portfolio risk.

## Credit

We conduct ongoing, bottom-up fundamental credit analysis on each holding. Our holdings are focused on credits with stable to improving fundamental credit profiles. We identify securities that maximize income while managing risk. Our holdings are ranked quantitatively based on their fundamental credit and market risk levels to determine relative value.

## Trading

Our trading capabilities allow us to execute on our ideas in a cost-effective manner. Tax-efficiency is at the heart of our investing process.

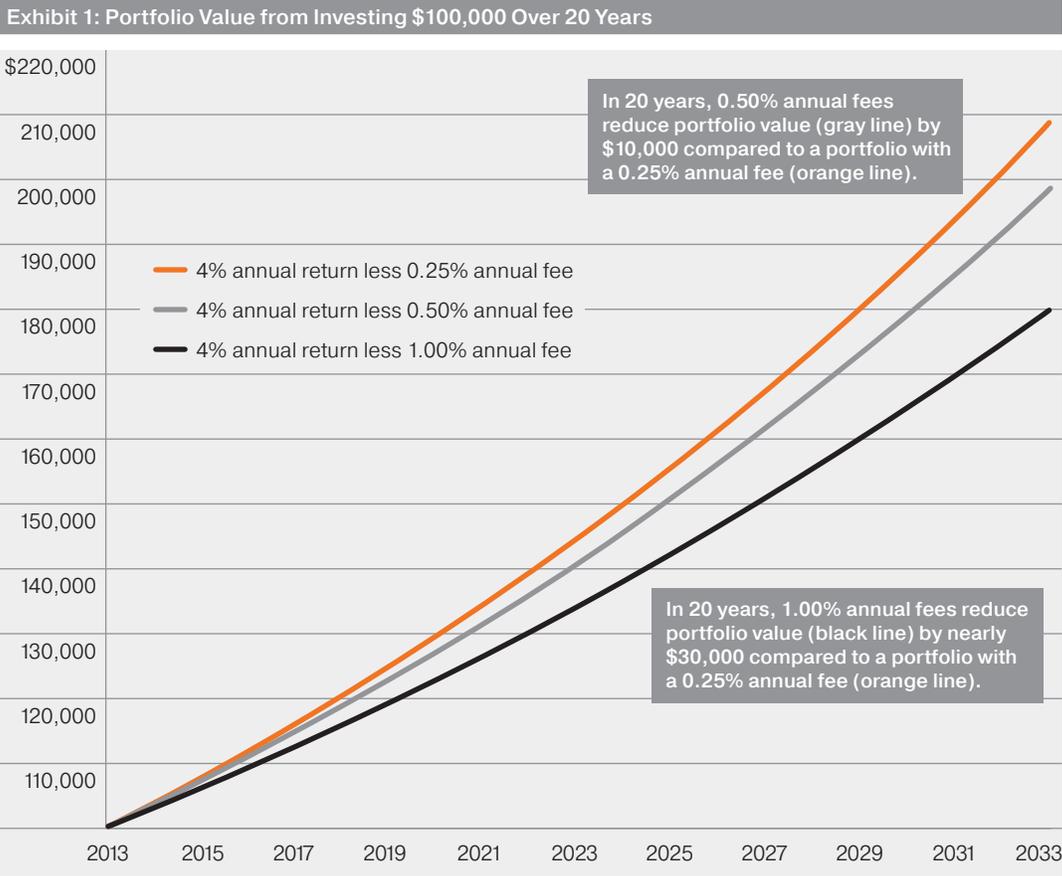
## Duration

Our portfolios are managed within a tight duration band around the stated benchmark in a range that is dictated by the shape of the yield curve. Research has shown that the direction and level of interest rates are difficult to predict due to the efficient nature of the Treasury market. Each client's chosen strategy should be based on their overall portfolio objectives.

# Low Fees Matter

Research has consistently shown that fees are a major factor in determining long-term portfolio returns.

We strive to keep our fees low and competitive with many passively managed products so that our client's experience the best possible portfolio performance. Of the numerous studies and papers published on the topic of fees and investment performance, the most succinct takeaway may have come from Morningstar, who wrote in 2015 that on average, firms with high fees have below average performance and firms with low fees have a higher likelihood of above average performance.



Sources: Morningstar, SEC, 2/14.

Fees impact long-term returns.

# A Team Approach with Exceptional Client Support

Each relationship has a dedicated client service team, always ready to provide assistance. We tailor our services to meet the needs of each client. Clients benefit from the following features of SNW's service:

- Interact with your portfolio manager for thoughtful insights on your portfolio holdings.
- Speak directly with your client service team over the phone and through email to receive friendly and knowledgeable assistance in a timely manner.
- Receive quarterly reports to stay up-to-date on your portfolio.
- Listen to SNW's Quarterly Market Updates.

## Impact Investing

Impact investing is the intentional allocation of capital to investment opportunities that generate measurable positive social or environmental impacts as well as financial returns. Asset classes vary in the degree to which they have impact, with more direct (and typically riskier) investment opportunities often yielding the highest level of impact. Investment-grade fixed income impact investments allow investors the opportunity to align their mission with their investments, and to balance risk with an impact return.

### Standards for Inclusion

All holdings in the SNW credit universe, including municipal, corporate, gov't MBS, sovereign and supranational bonds, are awarded an Impact Rating on a 5-star scale. The ratings are derived both from publicly available data and subscription data sets, then analyzed and generated using SNW's proprietary methodology. The SNW Impact Strategy portfolios hold only bonds that are rated 3-stars and above.

In order for an entity to be included in an SNW Impact Strategy, the issuer or issue must:

- Be on the current SNW approved credit list.
- Have at least a 3-star impact rating.
- Qualify to be included in the selected Focus if applicable.



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1. OFI Global Institutional, Inc. is a subsidiary of OppenheimerFunds, Inc.

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On April 28, 2017, OFI Global Institutional, Inc., a registered investment adviser subsidiary within OFI Global Asset Management ("OFI Global") acquired SNW Asset Management, LLC ("SNW").

OFI Global Asset Management ("OFI Global") consists of OppenheimerFunds, Inc. and certain of its advisory subsidiaries, including OFI Global Asset Management, Inc., OFI Global Institutional, Inc., OFI SteelPath, Inc., OFI Global Trust Company, SNW Asset Management, LLC and VTL Associates, LLC. The firm offers a full range of investment solutions across equity, fixed income and alternative asset classes. The views herein represent the opinions of OFI Global and are subject to change based on subsequent developments. They are not intended as investment advice or to predict or depict the performance of any investment. The material contained herein is not intended to provide, and should not be relied on for, investment, accounting, legal or tax advice. Further, this material does not constitute a recommendation to buy, sell, or hold any security. No offer or solicitation for the sale of any security or financial instrument is made hereby.

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2001 Sixth Avenue, Suite 2310, Seattle, WA 98121

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