

## MTMS Fixed Income

The MTMS Fixed Income Department focuses on delivering client-customized solutions for those problems associated with fixed income transitions. The team is composed of dedicated fixed income professionals who are committed to enhancing trade execution levels in comparison to those execution levels received by legacy and designated managers, on either a hedged or un-hedged basis.

MTMS adds value because:

- MTMS assigns a dedicated portfolio manager and transition team whose sole responsibility is to manage the transition from the client's legacy to its target portfolio.
- The members of the transition team have expertise in trading securities. Most investment managers are primarily expert in managing a portfolio of investments, not trading securities.
- The transition team is focused on getting the best execution possible on each trade. This means that they may manage trades over a longer period of time than a typical investment manager, and may use futures or treasuries to hedge the exposure to the legacy portfolio during the trading period.

MTMS can work with any custodian and any combination of target managers, including those managing different asset classes. Clients who have used both MTMS and target managers to liquidate legacy portfolios have found that the increased attention to executions, communication on the status of the transition, and post transition offered by MTMS reporting clearly makes MTMS the better choice for portfolio liquidations. For a typical fixed income transition, the process can be divided into three phases: pre-trade, execution, and post trade. In each of these phases, MTMS is able to utilize their fixed income hedging and liquidation expertise to add value for the client.

In the pre-trade phase, the Fixed Income team conducts a thorough credit and liquidity analysis, as well as price discovery from multiple sources, in order to determine the appropriate actions to be undertaken for the liquidation. MTMS performs an expected execution drift analysis that is based on the unique characteristics of the client portfolio. This helps MTMS determine the expected price impact of each individual security and on a portfolio level during the transition. After compiling this data, and in conjunction with the client-specified goals, MTMS will establish a logical execution; hedging strategy to take place over a specified time horizon. The end result of this process involves grouping securities with similar characteristics (i.e. type, maturity, credit rating) into segregated bid lists for execution. In the execution phase of a transition, MTMS will send out the bid lists to investors/brokers for competitive bids. The use of a competitive bid strategy enhances execution levels through the auction process. For each list of like-securities, investors/brokers will be selected upon the criterion of their merit in those specific markets. By leveraging MTMS's investor/broker relationships and utilizing the group's own fixed income analysis expertise, MTMS will establish appropriate levels of execution for all types of fixed income securities. In addition, MTMS maintains open channels of communication with the client during the trading process and provides pertinent information on any market, industry, or individual security movements that are affecting execution levels.



Our goal of maximizing the value realized for each fixed income security is realized by integrating both sound risk management practices and by applying proprietary technology. MTMS takes advantage of a proprietary fixed income database designed to increase the level of price transparency for fixed income securities. The use of the database, which contains the offering levels of major broker dealers on their bond inventories allows for rule based execution vs. rejection parameters to ensure that bids received reflect the fair value of bond after considering bid/offer spreads, duration, sector, credit quality and size constraints. Bids that lie outside our indication drift tolerances are not accepted and the bonds are worked for longer periods of time until their fair value can be realized. We monitor credit during the transition in order to mitigate credit event risk by quickly liquidating those securities that have a high probability of experiencing significant credit events in the near future.

Each portfolio is carefully monitored using a state of the art trade order management system. With this system we are able to perform duration and credit based hedging in real time. Also, instantaneous pricing updates are available as well as the ability to monitor real time proceeds changes.

In the post trade phase, MTMS will provide the client with a detailed written and graphical presentation summarizing the fixed income transition. Included in the post trade report are the actual execution drift levels compared to the pre-trade execution drift analysis estimates. The pre-trade estimates are then used as a proxy to help determine the performance of transition executions. Also included are details that display execution drift by security type and credit rating. Performance measures are also analyzed by reviewing ending market value snapshots compared to the initial value, as well as transaction reports encapsulating all actions taken by MTMS. MTMS will provide any customized reporting, as necessitated by the client, including various performance measures and links to appropriate benchmarks.

MTMS provides a team of professionals whose primary responsibility it to monitor the liquidation of the portfolio and track the liquidations performance daily. MTMS also offers risk mitigation techniques such as hedging a portfolio through the use of futures and/or treasury securities. By utilizing hedging techniques, a portfolio will be able to capture strategy-specific market movements with its constantly changing cash position. A team of settlement professionals who have practical hands on experience in all global markets will monitor and process all transactions. Their involvement greater enhances the mitigating of risks associated with trade settlements, ultimately enhancing transition performance.