Buckingham

Fixed Income Solution

A customized approach to designing and managing bond portfolios

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Buckingham at a Glance

As practitioners of a fiduciary, research-driven approach, we were founded on the belief that there's a better way for people to invest. Since 1994, we have worked to create a better experience for wealth advisors and their clients. Each advisor, portfolio manager and broader team is committed to serving you with the personalized care you both need and deserve. People helping people—that is the power of the Buckingham community.

Experienced professionals designing personalized bond portfolios

Buckingham's In-House Bond Desk

In line with Buckingham's Evidence-Driven Investing™ philosophy, the in-house bond desk, established in 2001, works on behalf of clients to design personalized fixed income portfolios. Leveraging carefully selected key relationships—while relying on the findings of academic and practitioner financial market research—you benefit from institutional-level pricing, reduced bond mark-ups and unbiased advice.

Key Statistics*

20+
Years Since the Desk's Founding

$15.3B
Assets Under Advisement

$6.1B
Annual Trading Volume in 2023

20K+
Number of Fixed Income Clients

8
Number of Fixed Income Professionals

15
Average Years of Industry Experience

*Buckingham's fixed income AUA comprises $9.9 billion in individual bonds and $6 billion in funds. Industry experience includes the fixed income desk associates' experience in financial services and not only at Buckingham. Data as of Dec. 31, 2023.

Not Your Traditional Model

When it comes to optimizing the bonds in your portfolio, Buckingham's bond desk's tailored strategies are driven by your needs—not company financial objectives. This keeps interests aligned and offers more flexibility and personalization than most traditional models.

How Buckingham's Fixed Income Team Works for You

Provide Pricing Advantages
Obtain pricing advantages from a competitive market by leveraging our trading volume.

Target a Steady Income Source
Determine whether you are best served by bond funds or a customized bond ladder to provide a steady source of income while reducing reinvestment and interest rate risks.

Boost After-Tax Income
Identify ways to maximize after-tax yield when selecting the right mix of fixed income for an individual's investment needs.

Manage Risk While Pursuing Returns
Reduce risk and increase the diversification of your portfolio by purchasing high-quality bonds and monitoring those bonds daily to ensure quality is maintained.

Providing Pricing Advantages

Partnering with Buckingham's fixed income team provides clients with the purchasing power of a $15 billion institutional fixed income manager. Our trading volume gives us the power to negotiate significantly lower trading costs for our clients.

For example, a Wall Street Journal article noted that municipal bond mark-ups in excess of 1% netted Wall Street firms over $1.83 billion.[1] A mark-up happens when a broker purchases bonds at a low price and then resells the bonds to their clients at a higher price, leading to higher fees.

In comparison, Buckingham is able to negotiate fees down to roughly 0.1%-0.2%, saving clients thousands of dollars on trading costs. A third-party analysis has also verified that our fixed income desk achieves a similar level of trade execution compared with larger institutional competitors.[2]

"Traditional" Broker Model	Buckingham Model
Bonds sold from inventory	Zero inventory
Bonds may have significant mark-ups	No ability to mark up bonds
Transactional services	Put dealers into competition
Suitability standard	Fiduciary standard
Conflicts of interest	Unbiased advice

[1]Wall Street Journal. Muni Market Transaction Costs Remain High, Despite Customer Protection Rules, Study Says. Aug. 4, 2022.

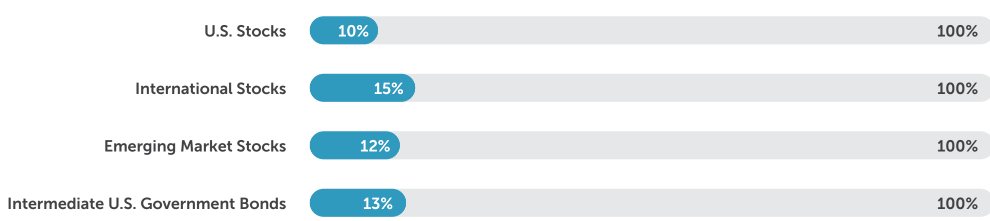
[2]A third-party data provider measured the yield earned from Buckingham's municipal bond trades versus the yield on a comparable institutional trade. Using a set of rules to select comparable trades, the third-party data provider looked at all of Buckingham's municipal bond purchases from 2013–2022. It was able to obtain institutional comparison trades on 56% of those trades. From 2013-2022, Buckingham averaged roughly three basis points, or 0.03%, of additional yield compared with institutional-size trades.

An Evidence-Driven Investing™ Approach

Buckingham's investment philosophy is centered on the belief that chasing the biggest returns in financial markets—whether stocks, bonds or alternatives—is a futile strategy. In fact, it's rare for actively managed mutual funds to consistently outperform the major market indexes. Over the last 10 years, just 13% of active bond fund managers beat their benchmark.[3]

Do Active Mutual Fund Managers Beat Indexes?

Percentage of Active Funds Outperforming the Benchmark Index
10-year period ending June 30, 2023



Beating the market is hard, even for active managers of fixed income funds.

Source: S&P Dow Jones Indices LLC, S&P Indices Versus Active Funds (SPIVA®) U.S. Scorecard. Mid-Year 2023. Data is percentages of outperformance over last 10 years ending June 30, 2023. U.S. Stocks represents the All Domestic Funds category. International Stocks represents the International Funds category. Emerging Markets Stocks represents the Emerging Markets funds category. U.S. Intermediate Government Bonds represents the Government Intermediate Funds category. Average underperformance is a simple arithmetic average of the four fund categories listed.

For fixed income investing, Buckingham believes the better strategy is to avoid the temptation to stretch for yield and consequently take on equity-like risks. Purchasing low-credit-quality bonds—also known as high-yield bonds—or those in risky market sectors are strategies that fall into the yield-seeking category.

[3] S&P Dow Jones Indices LLC, S&P Indices Versus Active Funds (SPIVA®) U.S. Scorecard. Mid-Year 2023.

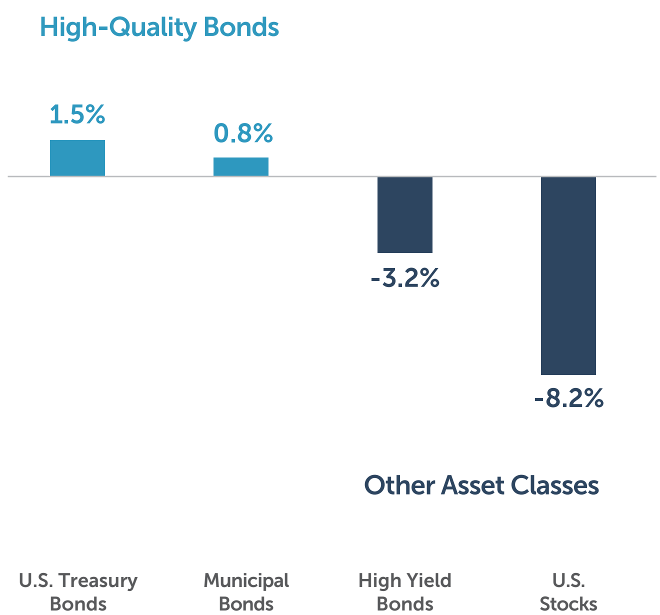
Maximizing the Benefits of Bonds

To maximize the power of bonds—the time-proven portfolio stabilizer—Buckingham builds portfolios with the following intentions in mind:

- **Bonds serve as the portfolio bedrock.** A well-balanced portfolio owns both stocks and bonds. Both have important, yet different, roles. Stocks help grow the portfolio, while fixed income stabilizes the portfolio and diversifies risks.
- **High-quality bonds reduce credit risk.** A research-driven approach to fixed income focuses on principal preservation. Carefully selecting the highest-quality individual bonds—primarily government-backed and municipal bonds—provides protection from market downturns.
- **Fixed income portfolios should not be built in isolation.** Bond portfolios should be designed not only for total return but also to improve diversification within a client's broader portfolio. Both are essential for growth over time and protecting an individual's wealth.

High-Quality Bonds Diversify Equity Risk

Median Monthly Asset Class Returns During 30 Worst U.S. Equity Months Over the Last 30 Years



High-quality bonds have provided the most reliable protection when stocks suffered big declines.

Source: Refinitiv Lipper. Information from sources deemed reliable, but its accuracy cannot be guaranteed. Past performance does not guarantee future results. Indices are not available for direct investment. U.S. Treasury bonds represented by the Bloomberg U.S. Treasury Bond Index. Municipal Bonds represented by the Bloomberg Municipal Bond Index. High Yield Bonds represented by the Bloomberg U.S. High Yield Corporate Bond Index. U.S. Stocks represented by the Russell 3000 Index. Their performance does not reflect the expenses associated with the management of an actual portfolio nor do indices represent results of actual trading. Total return includes reinvestment of dividends and capital gains. Reflects the monthly returns from January 1994 through December 2023, and the worst U.S. equity months as measured by the Russell 3000 Index monthly returns.

Targeting a Steady Source of Return

At Buckingham, we target a steady source of return with our customized bond ladders. We believe a high-quality, short- to intermediate-term ladder is the optimal way to balance the three main risks involved with fixed income investing. This protects investors in both rising and falling rate environments.

Strategy highlights:

Buckingham's ladder lengths range from 1-5 years through 1-10 years.

We shorten the ladders when yield curves are flat, lengthen them when yield curves are steeper.

Benefits of Buckingham's strategy:

- **Greater Personalization.** Investors control which bonds they own, which is not possible with a bond fund. For example, investors have the flexibility to purchase both taxable and tax-exempt bonds to provide the best after-tax yield based on their unique circumstances.
- **Match Maturities to Your Needs.** Investors match maturities to their known or desired cash flow needs while avoiding the expense of a mutual fund or an active separate account manager.
- **Opportunity to Harvest Losses.** Tax-loss harvesting can be performed at the individual security level as opposed to the fund level, providing more flexibility.
- **Focus on Quality.** Investments are focused exclusively on high-quality issuers in historically safe sectors.
- **Stability in Returns.** Laddered bond strategies help to balance both interest rate and reinvestment risk, providing a smoother and more consistent return.

Hypothetical scenario:

Joe has $500,000 to invest in his bond portfolio. With Buckingham's laddered bond strategy, Joe would invest his money in equal amounts of bonds with varying maturity dates over the next five years.

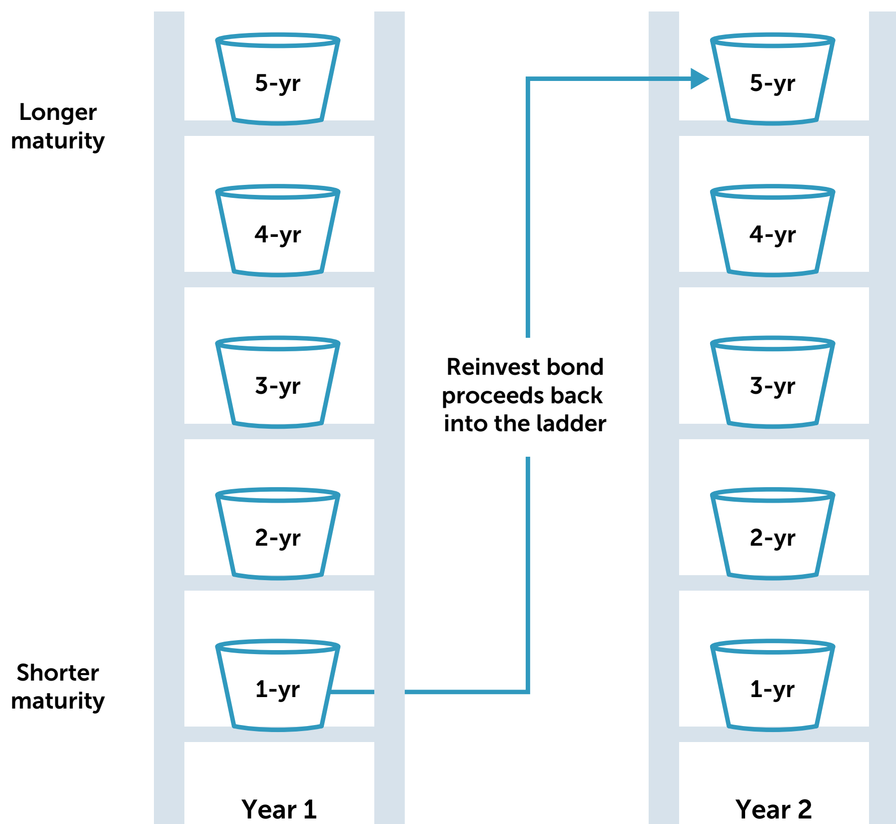
This way, Joe can reduce his interest rate risk by investing a portion of his portfolio in short-term bonds while simultaneously reducing his reinvestment risk by incorporating some intermediate-term issues.

This means Joe's portfolio will be protected if rates move in either direction. For example, if rates go up over the next year, the intermediate-term bonds will lose some of their value, but the short-term bonds will cushion the blow because they can be reinvested into new bonds in the ladder at those higher rates.

On the flip side, if rates decline, the intermediate-term bonds should go up in value, helping to counteract the short-term bonds that will have to be reinvested at lower rates.

This balancing act helps to stabilize the portfolio over time and provides a more consistent stream of returns.

Bond ladders protect portfolios and deliver steady returns as interest rates fluctuate.



For illustrative purposes only.

Boosting After-Tax Income

Building portfolios begins with a thorough discovery process to uncover clients' total needs and objectives. For the initial portfolio, Buckingham holds a consultation on the client's existing positions and then guides them through changes they could make to maximize their after-tax income within their risk tolerances.

A discovery process will unlock strategies to maximize after-tax income.

To build a truly tax-efficient bond portfolio, Buckingham focuses on the best after-tax income using a blend of taxable, tax-exempt and inflation-protected bonds. Figuring out the right mix will depend on the individual's tax situation and market conditions.

This approach to investing differs from most fixed income managers, which tend to focus on providing strategies that target only taxable or tax-exempt income, not both. This binary strategy ignores the fact that markets are ever evolving, and the best after-tax yield for a client doesn't always lie solely in one or the other.

What You Think When You Hear "Fixed Income"	What We're Actually Using
Bonds	Agencies
	Treasuries
	Brokered CDs
	TIPS
	Municipal Bonds

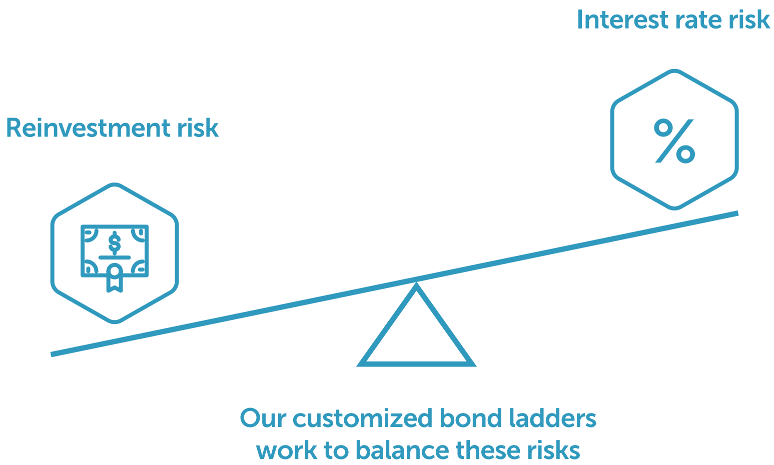
Managing Risk While Pursuing Returns

Compared to stocks, bonds are known as the portfolio stabilizer, but like any investment, they are not free from risk. When it comes to investing in bonds, there are three main risks that investors need to manage—each with unique tradeoffs. And as market conditions constantly evolve, Buckingham's fixed income team reassesses client portfolios' exposure to these risks daily.

	Moody's	Standard & Poor's	
Highest quality	Aaa	AAA	Where we focus; Investment grade
High quality	Aa	AA	Where we focus; Investment grade
Upper medium	A-1, A	A	Investment grade
Medium	Baa-1, Baa	BBB	Investment grade
Speculative	Ba	BB	Not investment grade
Highly speculative	B, Caa	B, CCC, CC	Not investment grade
Default	Ca, C	D	Not investment grade

Credit risk, or default risk, is the risk that the bond issuer will not pay all principal and interest to the investor. When building custom portfolios, Buckingham guides clients to select only the highest-quality bonds, generally those rated 'AA' or higher by the leading bond rating agencies. Although the riskier bonds tend to have a higher yield, focusing on safer bonds provides a steadier return over the long term. If you need a higher return, you're better off seeking those returns on the equity side.

Interest rate risk is the risk that a bond's value will drop as interest rates rise. Buckingham believes that keeping maturities on fixed income investments relatively short tends to be the best approach. This helps reduce the portfolio's volatility by dampening any price movements from changing interest rates.



Reinvestment risk is the risk that future interest and principal payments will be reinvested at a lower interest rate when they come due. Because predicting the future path of interest rates is difficult, balancing reinvestment risk and interest rate risk can be a challenge for investors. Making changes to your bond portfolio to lower interest rate risk will raise your reinvestment risk and vice versa. When building portfolios, Buckingham uses a laddering strategy to spread out the maturity risk—ensuring clients are not putting all their eggs in one basket—and helping provide a steady source of return.

Monitoring the Portfolio for Changes

As the bond markets fluctuate daily, Buckingham is constantly monitoring to ensure the bonds in clients' portfolios stay in line with our investment philosophy. The advantages clients receive by working with us include:

1. **Timely notification of maturities and calls.** Clients benefit from prompt, account-specific monitoring and reporting of fixed income positions. They also gain access to a specialized, dedicated team of advisors for guidance when positions mature or are called.

2. **Ongoing credit surveillance.** Clients can count on daily reporting on changes in bond ratings. Buckingham's in-house analysis by its fixed income advisors is bolstered by independent, third-party research. Clients also receive prompt notification of events that may warrant a change to the portfolio including:

    - Issuer has not provided annual financial information
    - Events that affect a security's tax-exempt status
    - Defaults that are not related to nonpayment
    - Action that is related to litigation enforcement

3. **Continual portfolio analysis.** Clients can expect regular monitoring of fixed income holdings to ensure proper diversification is maintained. Buckingham also provides ongoing analysis of FDIC insurance coverage for CDs to keep their investments protected from the risk of financial institution failure.

Meet the Team

Buckingham's investment strategy department and in-house bond desk are led by a team of professionals with 15 years of experience on average. The investment philosophy that guides our fixed income strategy is overseen by Buckingham's Investment Policy Committee (IPC).

Kevin Grogan, Chief Investment Officer

Kevin is a member of Buckingham's IPC and leads the firm's investment strategy and fixed income teams. He has co-authored three books on investment topics and enjoys educating others on concepts that will have a tangible effect on their financial lives.

Blerina Hysi, Director, Fixed Income

Blerina works with Buckingham's fixed income and advisory teams to construct and maintain customized client bond portfolios, all with an eye toward finding the best way to implement the client's comprehensive financial plan. Her duties include fixed income analysis, bond trading and building tailored, client-focused portfolio solutions.

Brian Haywood, Investment Strategy Advisor

Brian takes pride that in an industry where decisions are often driven by commissions and not conscience, he and his team spend their time customizing portfolios on behalf of clients, upholding their fiduciary responsibility by doing what's in their best interest. Brian is also a member of the firm's IPC.

Fixed Income Advisors

Buckingham's fixed income advisors are responsible for developing and implementing complex, individualized strategies for clients within Buckingham's stringent fixed income buying parameters. They also serve as subject matter resources representing the department in client and advisor interactions.

Dan Rush
Fixed Income Advisor

Mark Pitcher
Fixed Income Advisor

About the Investment Policy Committee

Buckingham's IPC was established as the primary authority charged with developing and setting investment policies for Buckingham Strategic Wealth and Buckingham Strategic Partners, collectively Buckingham Wealth Partners. The IPC determines, approves, reviews and documents all investment policy activities undertaken by Buckingham in an effort to meet both the current and future needs of our clients and deliver a better wealth experience to investors and their advisors.