

# AMI HIGH YIELD FIXED INCOME PRODUCT

AMI Asset Management

September 2017

## Firm Summary

Founded in 1994, AMI has a 23+ year track record of success in serving both Institutions and High Net Worth Individuals. AMI manages separate accounts within the Fixed Income (Municipal, Core and High Yield) and Equities (Large Cap Growth, Small Cap Growth, SMID Cap Growth and Domestic Large Cap Equity Income) asset classes. The investment team has 156+ years of investment experience and the firm has approximately \$1.8 billion in assets under management as of September 30, 2017.

## High Yield Fixed Income Investment Objectives

AMI's High Yield Fixed Income objective is to provide current income consistent with preservation of capital and growth of capital as a secondary objective. It is suitable for most taxable and tax-exempt investors looking for diversification from their equity and investment grade fixed income exposure as well as those desiring a high degree of current income.

## Strategy

- ◆ Portfolios may be invested in corporate bonds and other debt, and debt-like instruments rated below investment grade.
- ◆ AMI's disciplined, research driven approach starts with a top-down analysis of the economy to determine which sectors are likely to perform best under our 12-18 month outlook. The firm also considers the relative valuation of each sector as compared to its historical mean as well as to that of other sectors. This provides sector weightings and industry allocations.
- ◆ Issue selection is determined by a bottom-up fundamental external sources as well as internal proprietary research.
- ◆ Corporate bonds are examined for their ability to deleverage their balance sheets, increase interest coverage and achieve fundamental financial improvement so as to achieve ratings upgrades resulting in bond price appreciation (spread tightening).
- ◆ Portfolios are separately managed and no derivatives, hedging or leveraged strategies are used. Additionally, portfolios can be easily customized to meet client requests including cash flow needs, yield requirements, sector exposure and maturity limitations.

## Performance

Period Returns (Since Inception 7-1-13)	AMI Returns (Gross)	AMI Returns (Net)	B of A 1-10 BB-B High Yield Index
Q3 2017	1.28%	1.03%	1.75%
YTD	4.71%	3.94%	6.11%
1 Year	5.18%	4.15%	7.49%
3 Year	5.18%	4.14%	5.34%
Inception	4.84%	3.80%	5.43%

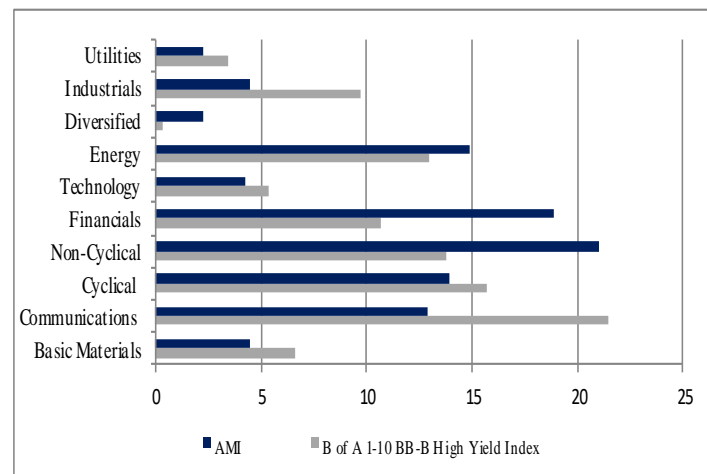
As of 9-30-17. Net returns are based on an annual fee of 1.00%. Past performance is not an indication of future returns. The above reflects the performance of the AMI High Yield Capital Appreciation Composite and includes the reinvestment of income.

## General Portfolio

	AMI	BofA 1-10 BB-B High Yield Index
Credit Quality	BB	BB-
Effective Maturity	3.01 Years	3.85 Years
Modified Duration	2.62 Years	3.25 Years
Yield to Maturity	4.43%	5.17%
Yield To Worst	3.38%	4.64%
Coupon	5.56%	6.12%

As of 9-30-17. Source – AMI and Bloomberg. The portfolio characteristics information is being presented as supplemental information to the AMI High Yield Capital Appreciation Composite.

## Portfolio Composition



As of 9-30-17. Source – AMI and Bloomberg. The portfolio composition information is being presented as supplemental information to the AMI High Yield Capital Appreciation Composite.

### Annual Performance

Year	AMI Returns (Gross)	AMI Returns (Net)	Merrill 1-10 Year BB-B High Yield Index
2013	4.44%	3.41%	6.47%
2014	3.42%	2.40%	2.75%
2015	1.75%	0.74%	-2.82%
2016	8.75%	7.69%	13.96%

Above: As of 12/31/16. Net returns are based on an annual fee of 1.00%. Past performance is not an indication of future returns. The above reflects the performance of the High Yield Capital Appreciation Composite and includes the reinvestment of earned income. Please refer to important disclosures at the bottom of the page. Source – AMI

Right: The Top Ten Holdings information is being presented as supplemental information to the High Yield Capital Appreciation Composite. \*Data provided by Bloomberg Professional. As of 9-30-17. Holdings are subject to change. The reader should not assume that an investment in the securities identified was or will be profitable. A complete list of all buy and sell recommendations for this strategy within the last 12 months is available upon request. AMI Asset and/or one or more of its employee may have a position in these securities and may purchase and sell such securities from time to time.

### Top 10 Holdings

1.	Lennar Corp. 4.750% Due 11-15-22	2.20%
2.	Toll Brothers Finance Corp. 5.625% Due 01-15-24	2.18%
3.	E Trade Financial Corp. 5.875% Due 12-31-99	2.16%
4.	Oshkosh Corp 5.375% Due 03-01-22	2.12%
5.	Aramark Services Inc. 5.125% Due 01-15-24	2.11%
6.	CCO Holdings LLC/CCO Holdings CAP 5.750% Due 01-15-24	2.11%
7.	Western Digital Corp. 10.500% Due 04-01-24	2.01%
8.	Matador Res Co. 6.875% Due 04-15-23	2.01%
9.	Energizer Holdings Inc. 4.700% Due 05-24-22	2.00%
10.	Leucadia Natl Corp 5.500% Due 10-18-23	2.00%
	Total Top 10 Holdings	20.9%

#### AMI Asset Management High Yield Capital Appreciation Composite January 1, 2013 through December 31, 2016

Year	Total Firm Assets (\$)	Total Composite Assets (\$)	Composite Composed of Carve-Outs (%)	Composite Accounts at Year-End	Composite Non-Fee-Paying Accounts (%)	Total Return % (Gross)	Total Return % (Net)	ML U.S. Corporate & Government Master Index Return (%)	Internal Dispersion (%)	Composite 3-Yr St Dev (%)	Benchmark 3-Yr St Dev (%)
2013	1,202,046,130	7,439,119	0	3	0	4.44	3.41	6.47	n/a†	n/a††	n/a††
2014	1,476,318,603	8,351,478	0	4	0	3.42	2.40	2.75	n/a†	n/a††	n/a††
2015	1,756,380,341	7,456,865	0	3	0	1.75	0.74	-2.82	n/a†	3.73	5.03
2016	1,683,058,163	7,336,284	0	3	0	8.75	7.69	13.96	n/a†	3.20	5.30

† The composite contains five or fewer households and therefore no internal dispersion is calculated

†† Not applicable due to less than 36 months of data.

1. AMI Asset Management Corporation ("AMI") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. AMI Asset Management has been independently verified for the periods January 1, 1998 through December 31, 2016. The verification reports are available upon request.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

2. AMI is an independent investment management firm registered with the Securities and Exchange Commission. AMI was established in 1994; however, we did not start investing on clients' behalf until 1998. AMI manages equity and fixed income accounts for our clients. We offer seven investment options: Domestic Large Cap Growth Strategy, Domestic Small Cap Growth Strategy, Domestic Small-Mid Cap Growth Strategy, Domestic Large Cap Equity Income Strategy, Government/Corporate Fixed Income Strategy, Intermediate Quality Tax Exempt Strategy and a High Yield Capital Appreciation Strategy.

3. The High Yield Appreciation Composite includes all fully discretionary, fee-paying and non-fee paying, taxable and nontaxable accounts with at least \$750,000 in high yield bonds on the last day of each previous quarter. AMI manages the High Yield Appreciation Composite for our clients with the goal of achieving long term returns in excess of the BofA Merrill Lynch U.S. High Yield BB-B Rated 1-10 Year Index. The composite was created on January 1, 2013. Policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.

4. Returns are presented gross and net of management fees and include the reinvestment of all income. Gross returns are presented before management fees but after all trading expenses. Net returns are calculated by deducting an annual fee of 1.00% from the quarterly gross composite. The annual fee schedule is as follows: 1.00% for all asset amounts. The minimum annual management fee is \$10,000 which may be waived by AMI.

5. The benchmark we use is the BofA Merrill Lynch U.S. High Yield BB-B Rated 1-10 Year Index which is a subset of the Merrill Lynch U.S. High Yield including all securities with a remaining term to final maturity less than 10 years and rated BB1 through B3, inclusive.

6. The actual cash and cash equivalents are used in the performance.

7. High Yield investments can be significantly affected by interest rate risk (as interest rates rise, bond prices fall), the risk of issuer default, issuer credit risk, and inflation risk. Past performance is not indicative of future results. The performance information is supplied for reference. Results will vary among accounts.

8. Valuations and returns are computed and stated in U.S. dollars. The internal dispersion of annual return is measured by the standard deviation of equal-weighted household returns presented within the composite for the full year. The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. Accounts managed by AMI Asset Management Corporation do not make use of leverage, derivatives or short positions.

9. A significant cash flow is defined as a cash flow greater than 20% of the high yield bond portfolio.

10. To receive a complete list of composite descriptions, contact Katharine Kim at (424) 320-4003, or write to us at AMI Asset Management Corporation, 10866 Wilshire Boulevard Suite 770, Los Angeles, California 90024, or Katharine@amiassetmanagement.com.