

# Meritage

## Taxable Fixed Income Short Duration Strategy

The Meritage Taxable Fixed Income Short Duration strategy seeks to avoid interest rate risk while taking advantage of the recent rise in rates through active management. Short duration fixed income portfolios target a duration of 2 years or less. Yield is enhanced with high quality corporate bonds, however a majority of the portfolio will always be allocated to short-dated US Treasuries, T Bills, and diversified money market funds. Safety and liquidity are paramount in the composition of short duration portfolios. Meritage's strong dealer relationships and access to market leading electronic trading platforms provide clients with institutional price execution.

### Core Beliefs and Focus Points

- Fixed income serves an important role in a client's overall asset allocation, but not all market environments are the same, and active management is vital.
- Capital preservation and strong liquidity anchor our process of portfolio construction under the Short Duration strategy.
- Yield can be enhanced without sacrificing substantial liquidity through careful security selection. Blind diversification is to be avoided.
- Given the precarious state of developed market Government debt, we currently steer clients away from long duration fixed income portfolios.

### Key Facts

Inception	July 1, 2023
Benchmark	Bloomberg 1-3 Yr Govt/Credit Bond Index
Firm AUM	\$2.4 billion as of 6/30/2024
Total Strategy Assets	\$138.4 million
Firm Associates	18

# Meritage Short Duration Fixed Income Performance

Strategy Characteristics	6/30/2024	Benchmark Characteristics	6/30/2024
Duration	2.0 yrs	Duration	1.9 yrs
Yield-to-Worst	5.09%	Yield-to-Worst	4.94%
Government Bonds	60%	Government Bonds	70%
Corporate Bonds	40%	Corporate Bonds	30%
BBB rated or <	29%	BBB rated or <	12%

Annualized Returns (%)	Periods Ending 6/30/2024				
	QTR <sup>+</sup>	1 Year	3 Years	5 Years	Inception <sup>+</sup>
<b>Meritage Short Duration Gross</b>	1.1	4.8			4.8
<b>Meritage Short Duration Net</b>	0.9	3.9			3.9
Bloomberg 1-3 Yr Govt/Credit Bond Index	1.0	4.9			4.9

\*Unannualized results.

Inception date 7/1/2023

Calendar Year Returns (%)	2023
<b>Meritage Short Duration Gross</b>	N/A
<b>Meritage Short Duration Net</b>	N/A
Bloomberg 1-3 Yr Govt/Credit Bond Index	4.6

Inception date 7/1/2023

Please see GIPS Report for the Meritage Short Duration Fixed Income Strategy on pages 4-5.

# Meritage Short Duration Fixed Income Strategy Manager



**Christopher E. Hayes**  
Senior Fixed Income Portfolio Manager

Chris is the lead manager and primary trader for Meritage's fixed income strategies. He has over 15 years of institutional trading experience primarily in the fixed income space with over ten years spent on the buy side at established firms including Federated Investors and Neuberger Berman. He was also Head of Credit Trading at multi-billion dollar hedge fund Highland Capital Management in Dallas, and Head of Trading at startup credit hedge fund Antora Peak Capital here in Kansas City. Chris received his B.A. from Georgetown University in Washington, D.C. and his MBA from INSEAD in Fontainebleau, France.



Meritage Portfolio Management is an institutionally based investment management firm, providing asset management and wealth management services for individuals, families, foundations, corporations and qualified retirement plans. The firm manages \$2.4 billion in assets for local, regional, and national clients from its base in Overland Park, Kansas.

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# Short Duration Fixed Income

## GIPS Report



Meritage Short Duration Fixed Income Returns				Annualized Ex-Post		Composite Assets			
Year Ending	Total Gross Asset-Wtd.	Total Net Asset-Wtd.	BB 1-3 Yr G/C* Benchmark	Gross Composite 3-Yr St Dev	Benchmark 3-Yr St Dev	Number of Portfolios	Asset-Wtd. Internal Dispersion	End of Period (Mln)	Firm Assets (Mln)
12/31/23*	2.9%	2.5%	3.4%	<3 Years	<3 Years	84	N/A <sup>1</sup>	126.0	2,367.5

\*Represents data from 7/1/2023 through 12/31/2023

N/A<sup>1</sup> - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for a full year.

### Composite Description:

The Meritage Short Duration Fixed Income composite is an actively managed fixed income strategy. The strategy invests in Government, Agency, Corporate, Mortgage-backed and Asset-backed fixed income securities, as well as municipal bonds when appropriate. The strategy will have a high overall average rating while allowing a minimum BB rating at purchase, and is structured around a short maturity target. The benchmark is the Bloomberg 1-3 Year Govt/Credit Bond Index.

### Benchmark Description:

The Bloomberg 1-3 Year Government/Credit Bond Index is a broad-based bond index and measures the performance of short term U.S. dollar-denominated investment grade, fixed rate corporate and government public debt issues with 1 to 3 years to maturity.

### Definition of the Firm:

Meritage Portfolio Management is an independent investment management firm that is not affiliated with any parent organization.

### Basis for Composites:

Meritage Portfolio Management's Short-Duration Fixed Income Composite, created on August 9, 2023, is composed of managed, fully discretionary, fee paying accounts

managed in the Meritage Short Duration Fixed Income strategy. The composite inception date is 07/01/2023.

### Definition of Significant Cash Flows:

Meritage temporarily excludes portfolios from the composite for periods experiencing a significant cash flow defined as an aggregate of flows exceeding 10% of the portfolios beginning market value for the month of the flow.

### Fees:

Returns are presented gross and net of management fees. Gross-of-Fees performance returns are presented before management fees. Net-of-Fees performance returns are calculated by deducting Meritage Portfolio Management's standard fee rates from the gross composite return on a monthly frequency. This produces a compounding effect on the total rate of net return. Other fees reflected in both gross and net returns include withholding taxes. Withholding taxes on foreign-based investments have been deducted from both gross and net performance, contingent on how the withholding information is received from the firm's independent third party pricing source. Once withholding tax information is received from the custodian, performance is trued up to be consistent with what the custodian withheld.

## Short Duration Fixed Income

### GIPS Report

The composite consists of a subset of accounts subject to commission free trading brokerage arrangements.

**Meritage Portfolio Management's standard fee schedules are as follows:**

For the Short Duration Fixed Income Composite the standard fees are: 1.00% on the first \$2,500,000; 0.85% on the next \$2,500,000; 0.80% on the next \$5,000,000; 0.70% on the next \$15,000,000; 0.60% on the next \$25,000,000; 0.50% on the next \$50,000,000; and 0.40% on assets over \$100,000,000.

Actual investment management fees incurred by clients may vary.

**Calculation Methodology:**

Returns from cash and cash equivalents held in portfolios are included in total return calculations. Total return includes realized and unrealized gains and losses, plus reinvestment of income. Gross-of-Fees returns are calculated before the deduction of investment management fees and after the deduction of direct trading expenses. Net-of-Fees returns are calculated after the deduction of Meritage Portfolio Management's standard investment management fee rates and direct trading expenses. Both gross-of-fees and net-of-fees returns are calculated after or before the deduction of withholding taxes on foreign dividends, contingent on how the withholding tax information is received from our independent third party pricing source. Accounts may be subject to customized commission schedules.

Policies for valuing investments, calculating performance, and preparing GIPS reports are available upon request.

Past performance is no guarantee of future results.

**Minimum Account Size:**

The established minimum portfolio market value is \$200,000. A portfolio is included in the composite the month after it reaches the minimum size inclusion level. A portfolio is excluded from composite if the portfolio market value drops below \$200,000.

**Currency:**

Returns are calculated and presented in U.S. dollars.

Investment universe returns, benchmark indices and related statistics are presented gross-of-fee.

A list of composite descriptions and a list of limited distribution pooled fund descriptions are available upon request.

Internal dispersion is calculated using the asset-weighted standard deviation of annual gross returns of those portfolios that were included in the composite for the entire year.

Meritage Portfolio Management claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS

standards. Meritage Portfolio Management has been independently verified for the periods December 31, 2000 through December 31, 2023. The verification report(s) is/are available upon request.

A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.

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\*Bloomberg 1-3 Year Government/Credit Index.

Annualized Returns	Periods Ending 12/31/2023			
	1 Yr	3 Yrs	5 Yrs	Incept**
<b>Meritage Short Dur Fixed Income Gross</b>				2.9
<b>Meritage Short Dur Fixed Income Net</b>				2.5
<b>Bloomberg 1-3 Yr Govt/Credit Index</b>				3.4

\*\*Inception date of 7/1/2023