



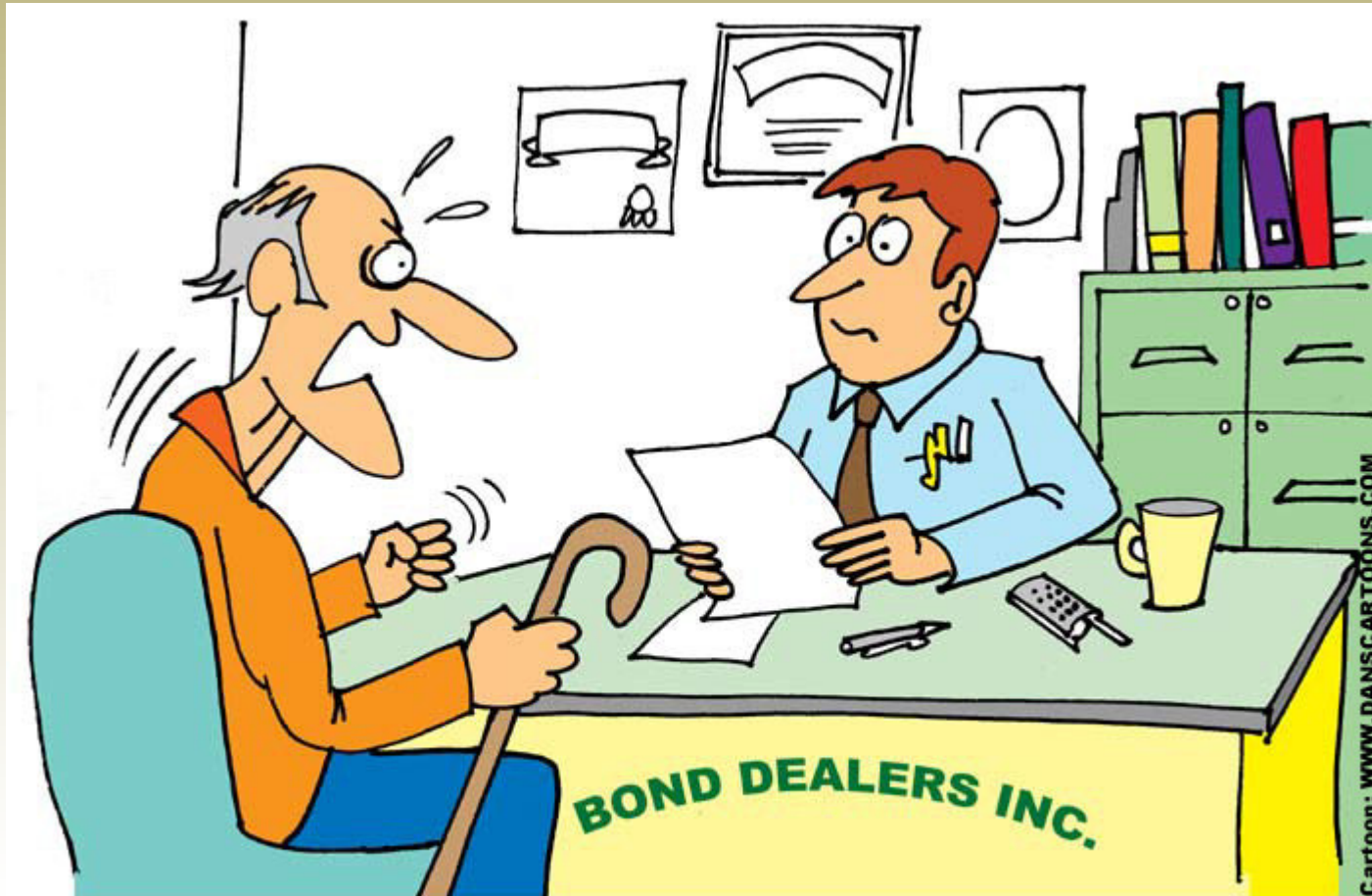
# Global Fixed Income

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# Fixed Income Gets No Respect!



"How dare you suggest 'Long Term Bonds' young man!"



## Do You Remember 2000, 2001, 2002?

Equities Return (S&P 500)	Year	Fixed Income Return (LB Aggregate Index)
-9.13%	2000	11.63%
-11.83%	2001	8.44%
-22.10%	2002	10.26%



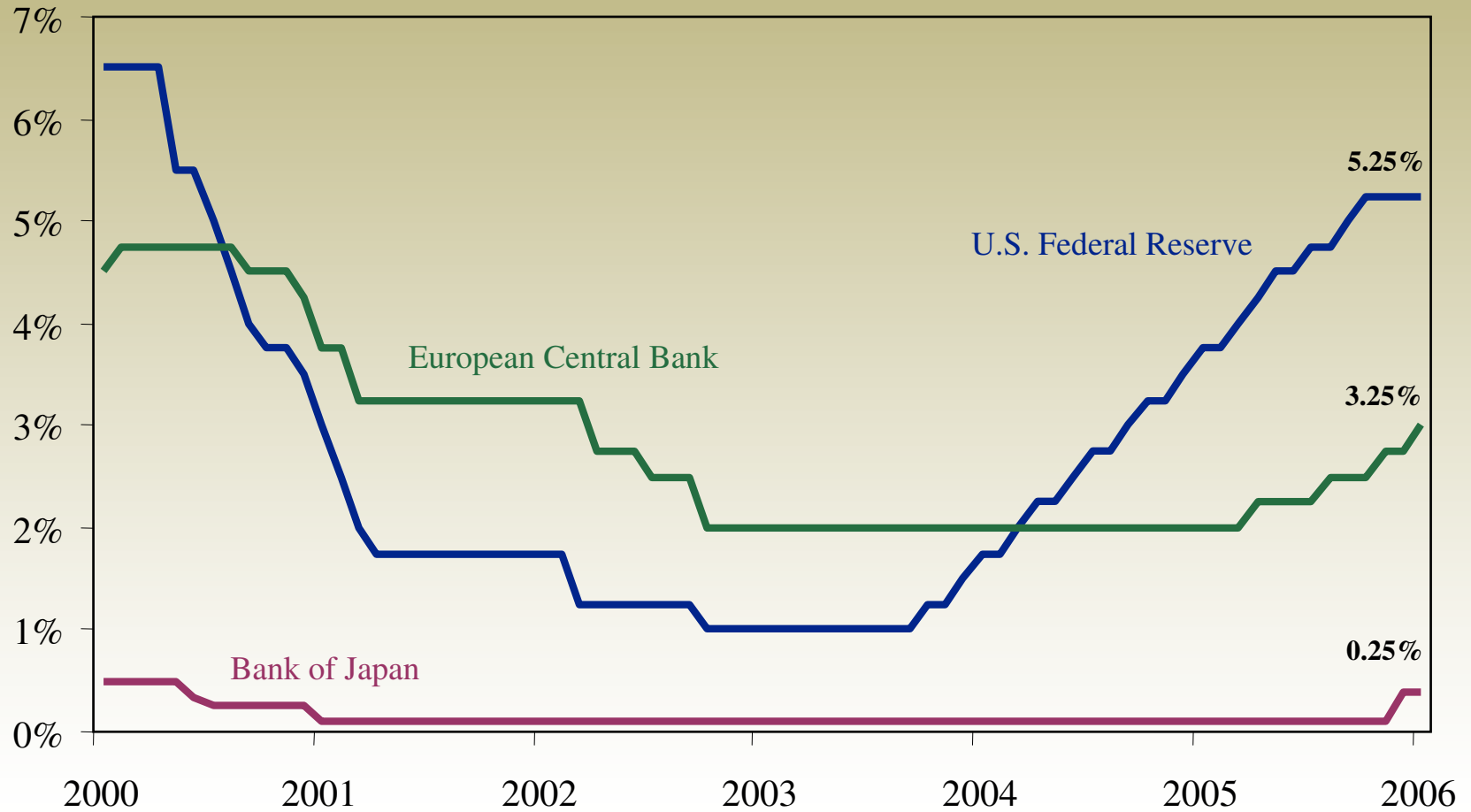
## Correlations Between Asset Classes – 10 Years

	Aggregate Bonds	High Yield Bonds	Emerging Mkts Bonds	S&P 500	MSCI EAFE
Aggregate Bonds	1.00	.13	.16	<b>-.07</b>	<b>-.13</b>
High Yield Bonds		1.00	.54	.50	.47
Emerging Mkts Bonds			1.00	.57	.54
S&P 500				1.00	.79
MSCI EAFE					1.00

*Source: Lehman Brothers, Morgan Stanley & Bloomberg*

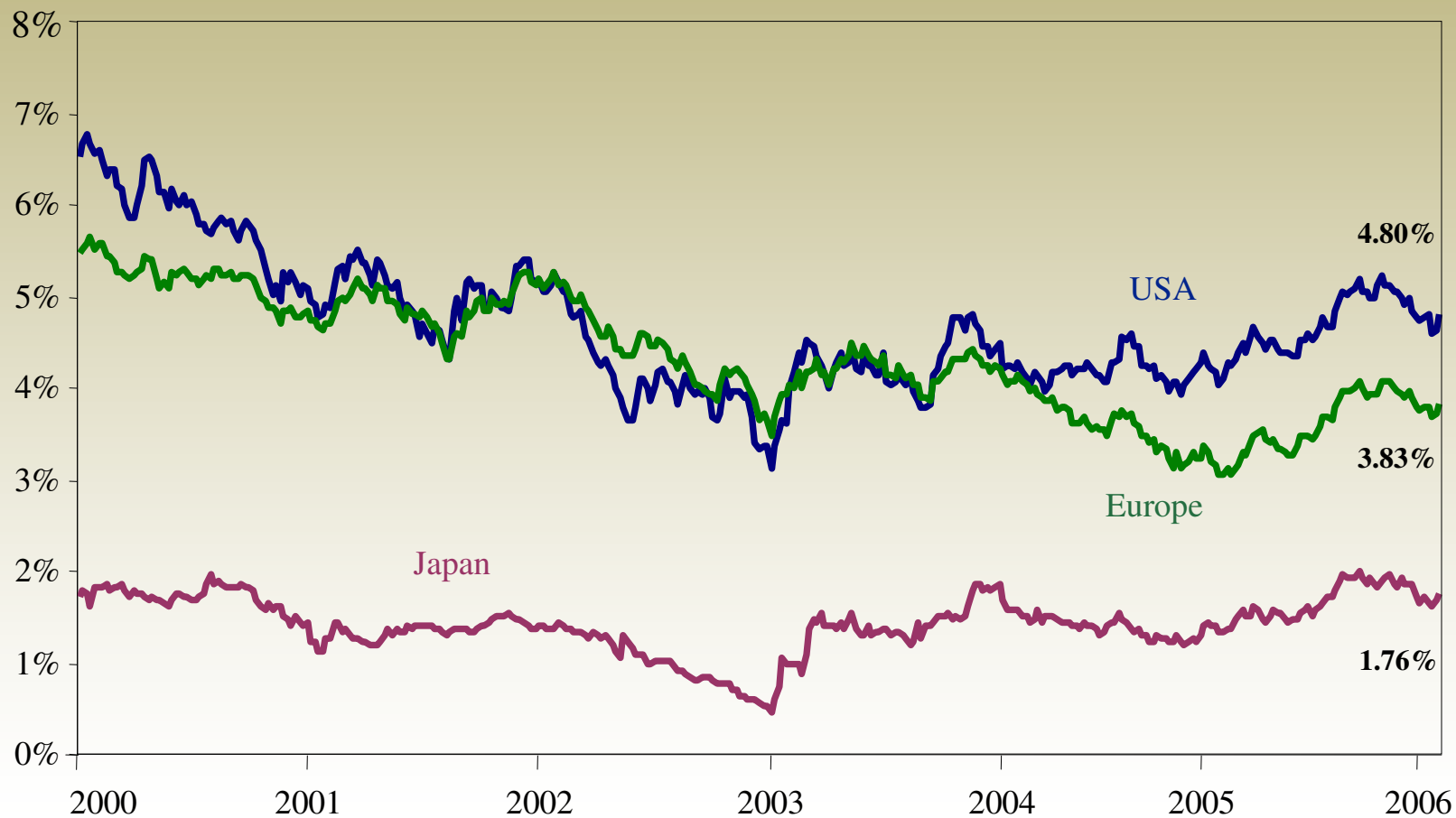


# Global Central Banks





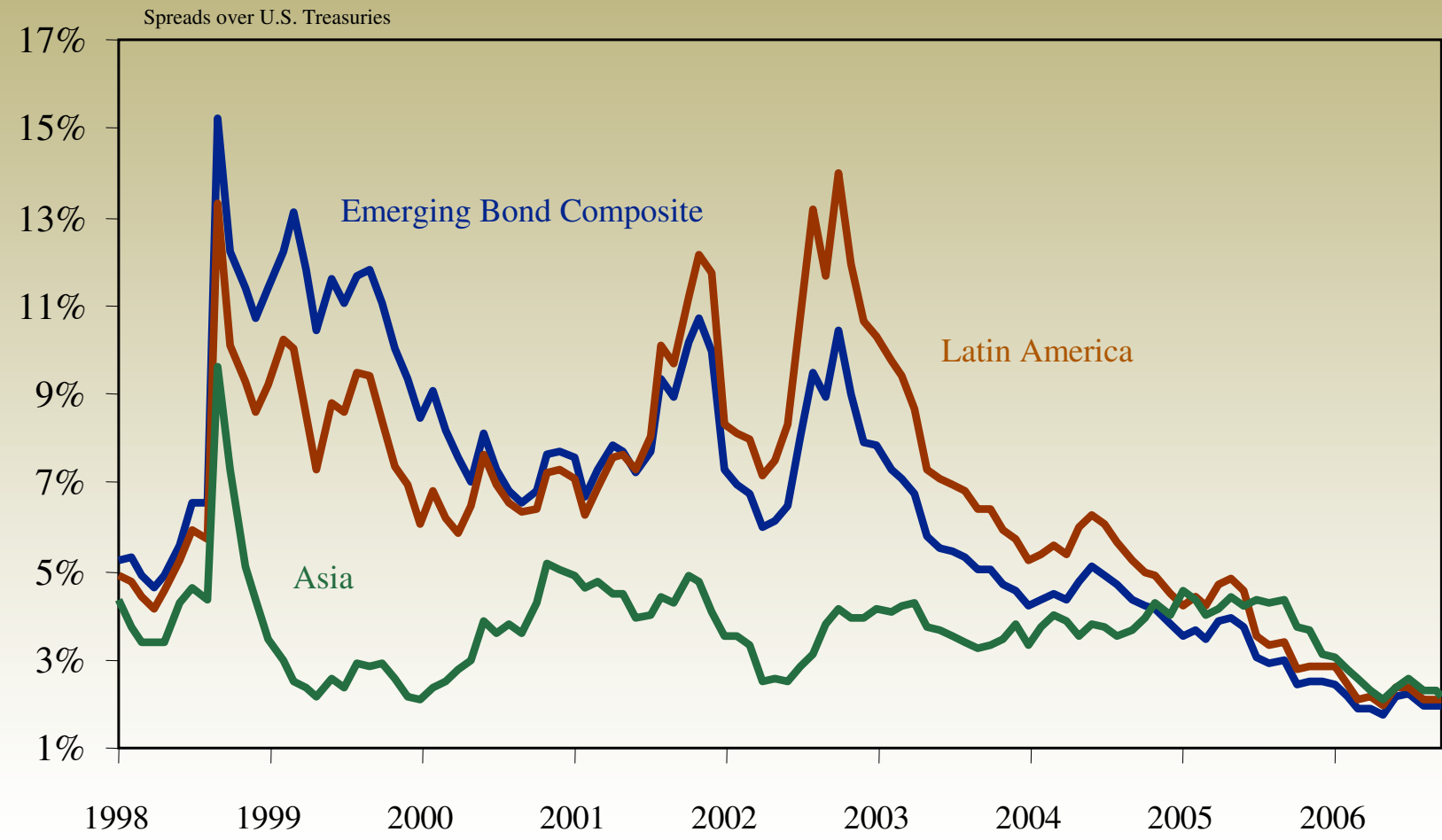
# Global Long Term Interest Rates



\* 10 Year Government Maturities



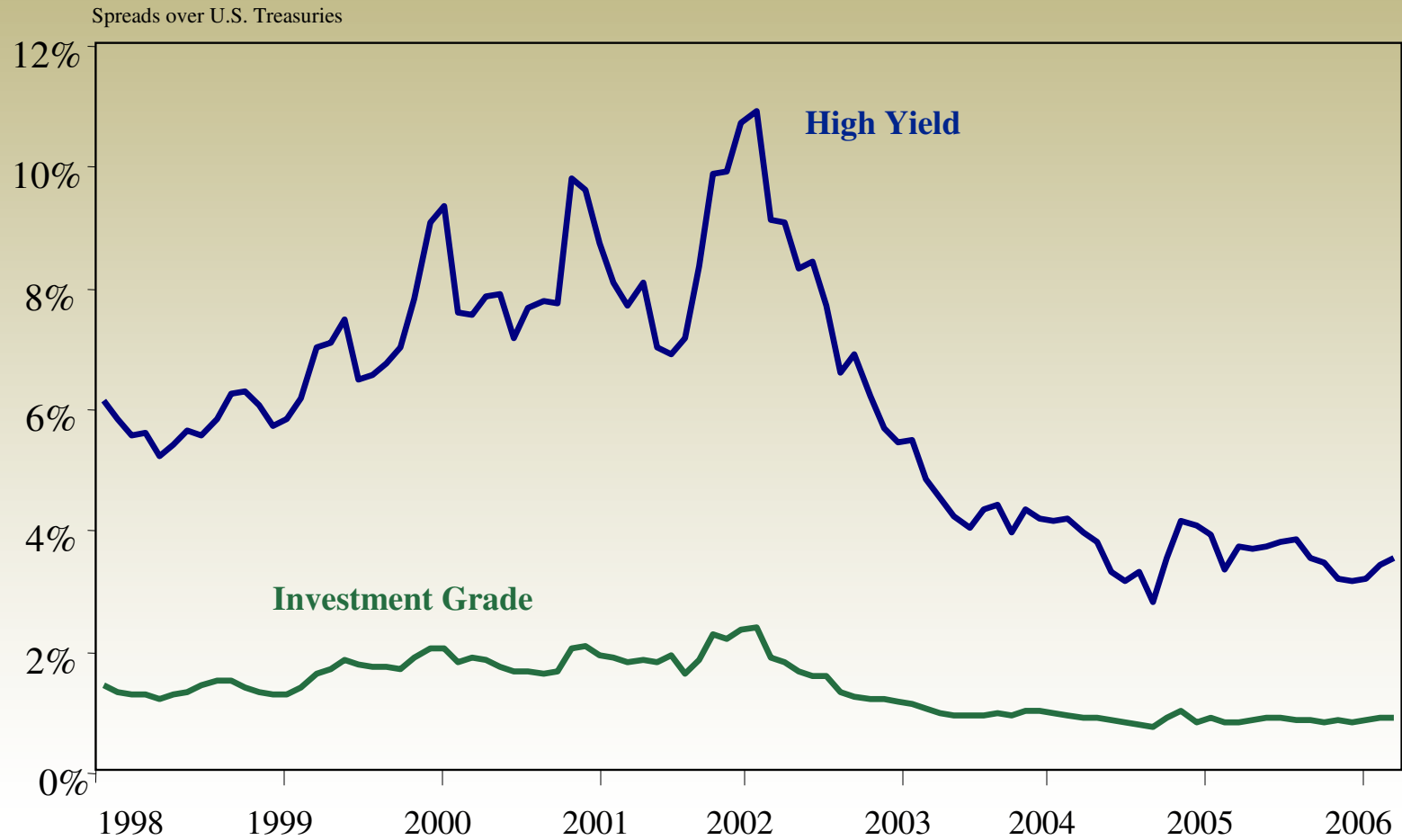
# Emerging Market Bonds



Source: JP Morgan Indices



# Corporate Bonds



Source: Lehman Brothers Indices



# Global Bond Returns

Bond Indices	Yield to Maturity	YTD Return	5 Year Return	10 Year Return
USA – Gov't	4.71%	2.35%	4.48%	6.32%
Europe – Gov't	3.71%	.29%	5.26%	5.61%
Japan – Gov't	1.52%	.11%	1.01%	2.51%
USA - Aggregate	5.32%	3.06%	4.81%	6.42%

*\* As of September 30, 2006*



## Outlook & Recommendations for Global Fixed Income

- » Fixed Income Markets Are More Attractive
- » Overweight U.S. Fixed Income Markets
- » Maintain Full Exposure to Interest Rate Risk  
(i.e. Neutral to Benchmarks)
- » Upgrade Credit Quality & Diversify Issuer Exposure
- » Total Returns Will Revert Towards Historical Averages