FIXED INCOME INVESTING

Chevy Chase Trust's actively managed fixed income portfolios have three primary objectives: to protect principal, to generate predictable cash flows and to produce a positive real rate of return over relevant time horizons. We believe fixed income is an essential asset class for wealth planning and balanced investment management.

What We Do

Chevy Chase Trust manages customized portfolios of individual bonds and other fixed income instruments. For our typical client portfolio, we do not use third party managers or mutual funds which can add layers of fees and negate an essential element of a bond's return of principal at maturity. Our active fixed income management strives to generate sensible risk-adjusted returns appropriate to each client's objectives.

We invest in a broad range of fixed income securities based on our view of global macroeconomics and specific market segment valuations. Currently, we believe that the majority of our clients are best served by owning taxable and tax-exempt short- and intermediate-maturity investment-grade bonds. We adapt our view and strategy as markets evolve and economic conditions change. We seek to construct portfolios that outperform benchmark indexes over time with significantly less volatility.

How We Do It

Chevy Chase Trust's fixed income team employs a systematic process that starts with macroeconomic analysis and is followed by deep fundamental sector and security research. We manage risks associated with fixed income securities – including credit, interest rate, duration and event risks – by diversifying across geographies, sectors, industries and maturities. We often seek value in unique bonds with special features such as call options, sinking funds and project-specific linkages. We believe these features are often undervalued and overlooked by investment firms too big to spend time researching relatively smaller but attractive issues.

Why We Do It

Chevy Chase Trust takes this fixed income approach because:

- Each fixed income portfolio at Chevy Chase Trust is constructed using a balanced and diversified approach customized to the needs of the individual client.
- Extensive macroeconomic and security specific research enables us to invest in a range of instruments that can provide better risk-adjusted returns than relevant benchmark indexes.
- Independent ownership and a fiduciary structure give us access to a broad fixed income universe, unrestricted by inventory and unconflicted by proprietary products or commissions.
- Our trading strategists and portfolio managers enable us to stay close to the markets and capitalize on subtle differences and shifts in value.

The End Result

Our actively managed fixed income portfolios are an essential part of a comprehensive investment approach. We seek to deliver sensible risk-adjusted returns and reliable income through customized portfolios of individual bonds.