



**ATLANTIC TRUST**

PRIVATE WEALTH MANAGEMENT

## Q4 2011 Fixed Income Review

Presented by

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# Market Index Returns Q4 2011

Barclays Capital Index	Q4 2011 Total Return (%)	12/31/11 Yield to Worst (%)
<b>Taxable</b>		
Intermediate US Government/Credit	0.84	1.50
Intermediate Corporate	1.39	3.24
U.S. Treasury: Intermediate	0.72	0.72
U.S. Agency Intermediate	0.51	0.79
U.S. Aggregate Intermediate Total	0.91	1.98
U.S. Intermediate Credit	1.13	2.97
U.S. High Yield 2% Issuer Constrained	6.48	8.39
<b>Municipal</b>		
Muni 1-10 Year Blend	1.83	1.66
Muni Prerefunded	0.72	0.93
Municipal AAA Index Total	1.77	1.87
Municipal AA Index Total	1.99	2.54
Municipal A Index Total	2.39	3.37
Municipal BAA Index Total	2.73	4.49
Muni High Yield	0.79	6.81
Municipal Bond 1 Year (1-2)	0.21	0.64
Municipal Bond 3 Year (2-4)	0.31	1.09
Municipal Bond 5 Year (4-6)	1.45	1.46
Municipal Bond 7 Year (6-8)	2.75	1.81
Municipal Bond 10 Year (8-12)	3.23	2.45
Municipal Bond 15 Year (12-17)	2.75	3.34
Municipal Bond 20 Year (17-22)	2.65	3.98
Municipal Long Bond Index (22+)	2.01	4.47

Source: Barclays Capital as of 12/31/11 Past performance should not be construed as a guarantee of future results.

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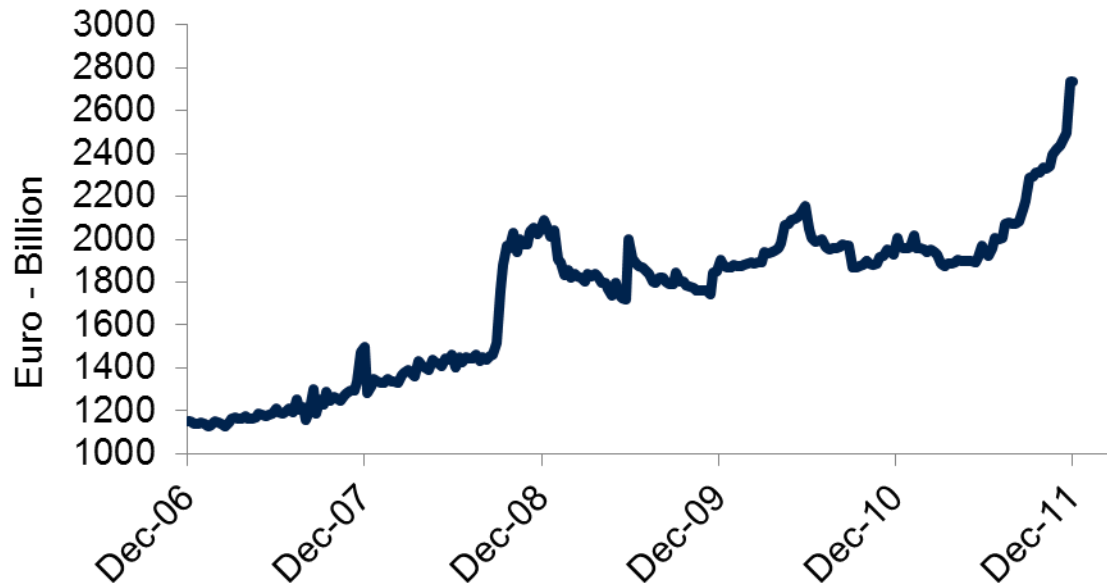
# Macro Rate Environment

- Global central banks have taken steps to support liquidity in the European banking sector.
  - Longer-term fiscal reform remains to be addressed.
- Evidence of domestic growth has been building but mostly overlooked as the market focused on Europe.
  - Slow and steady growth should support non-Treasury assets without threatening inflation.

# European Central Bank

The European Central Bank (ECB) has finally undertaken another round of balance sheet expansion. The ECB's actions are material as a percentage of the European economy but are not as aggressive as the Fed's quantitative easing.

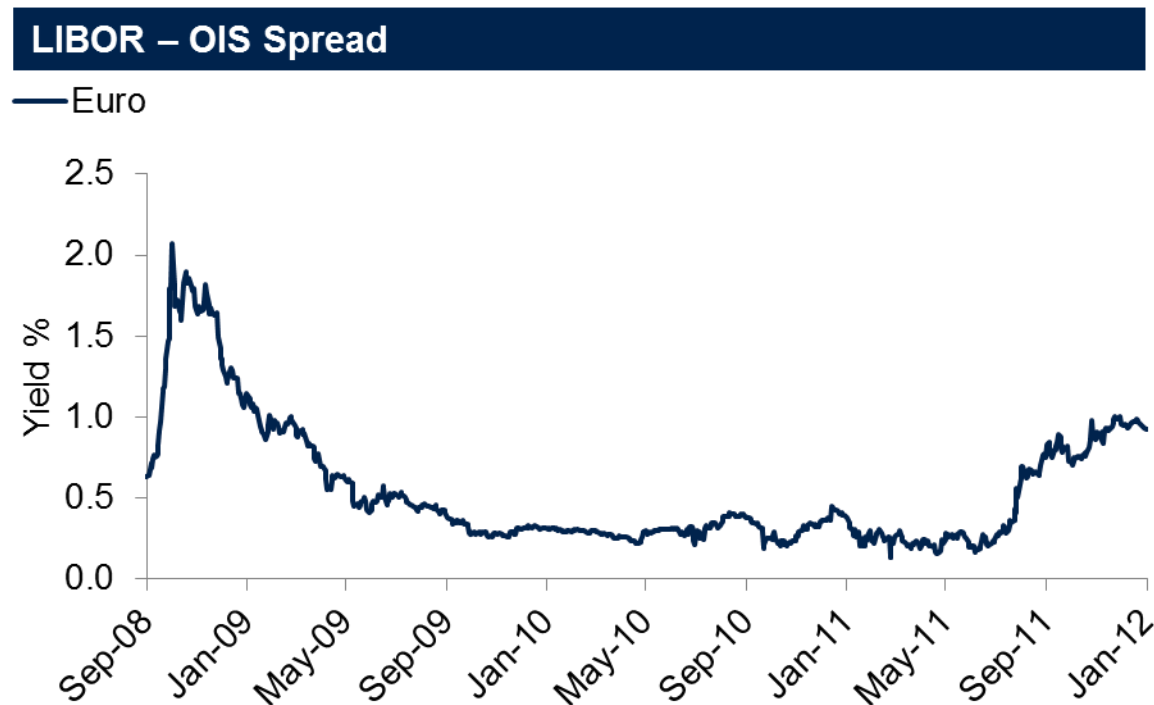
## ECB Total Assets



Source: European Central Bank as of December 31, 2011

# Euro Banks

Greater access to liquid funds for European banks may have helped to stabilize the borrowing costs as measured by the difference between lending to each other and lending to the ECB.



Source: Bloomberg L.P., as of January 10, 2012

# Treasuries

U.S. Treasuries have been the main beneficiary in the last three flights from risk assets despite the downgrade by S&P and considerable debt and deficit issues.

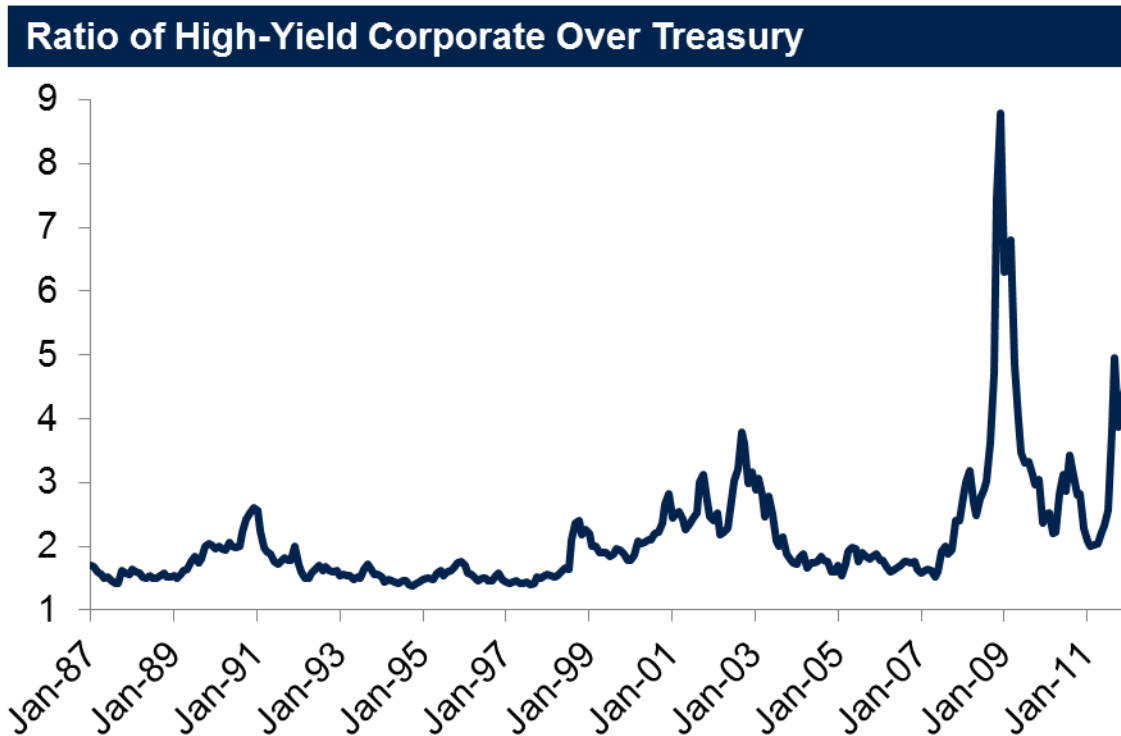
## 10-Year Yield



Source: Bloomberg L.P., as of January 10, 2012

# Domestic Strength

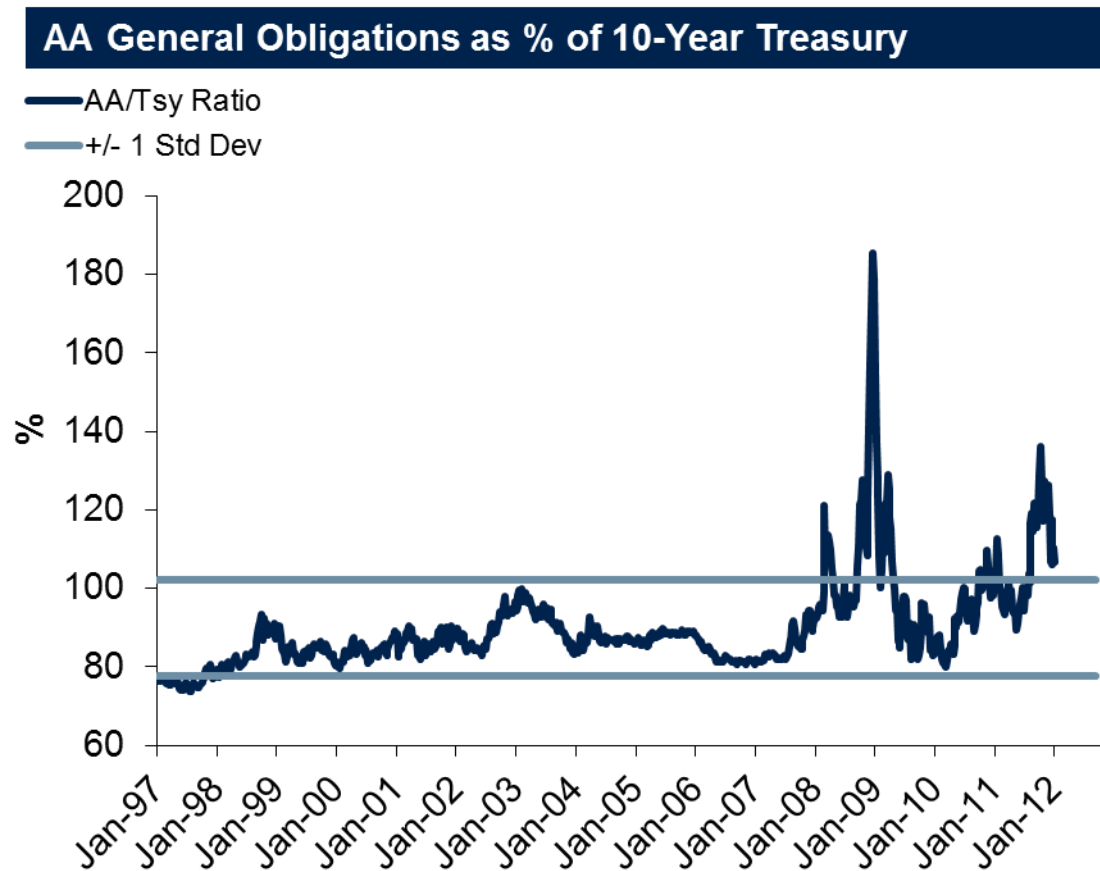
Unemployment stood at 8.5% in December after hovering for several months around 9.0%. Recent improvement in the labor market coincided with stronger data from a number of different economic series. Domestic growth is encouraging and supports cash flows across the fixed income universe. Domestic growth and euro-area liquidity could lead to outperformance for recently neglected non-Treasury securities.



Source: Barclays Capital, Bloomberg L.P., as of January 10, 2012

# Municipal Ratio

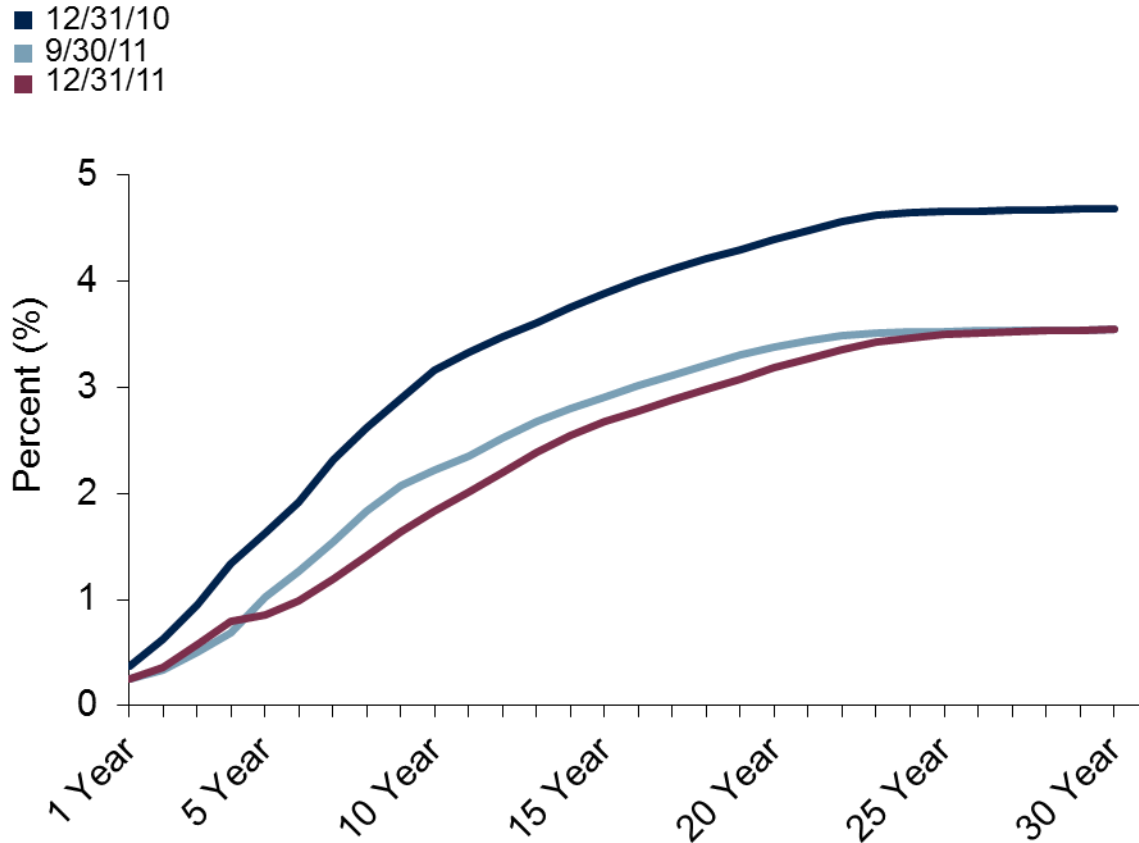
The ratio of AA rated muni yield over Treasury yield is also relatively high despite recent outperformance thanks to greater revenue generation and light supply.



Source: Bloomberg L.P., Muni Market Data, January 10, 2012

# Municipal Yield Curve

The most recent quarter saw lower yields in the middle of the curve.

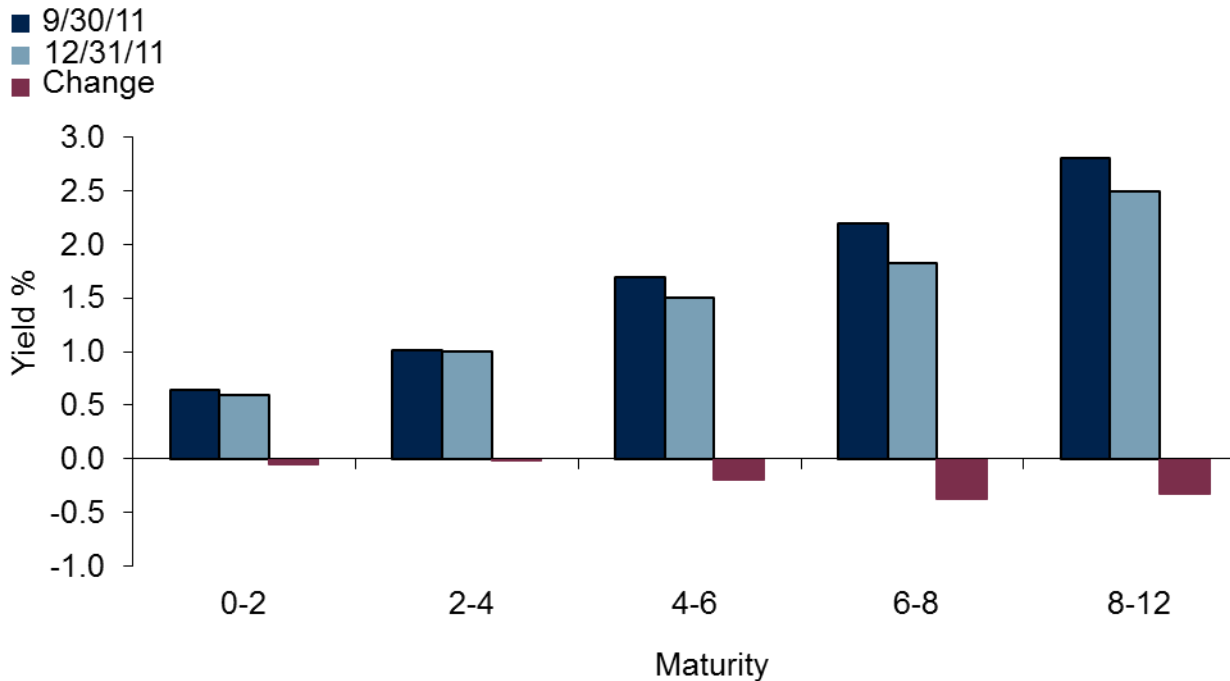


Source: Muni Market Data as of 12/31/2011

# Maturity Comparison

The greatest risk adjusted performance was in bonds with 6 to 8 years remaining until maturity.

	0-2	2-4	4-6	6-8	8-12
<b>4Q11 Return by Maturity</b>	0.28%	0.38%	1.42%	2.83%	3.16%
<b>4Q11 Yield Change</b>	-0.05%	-0.01%	-0.19%	-0.37%	-0.32%



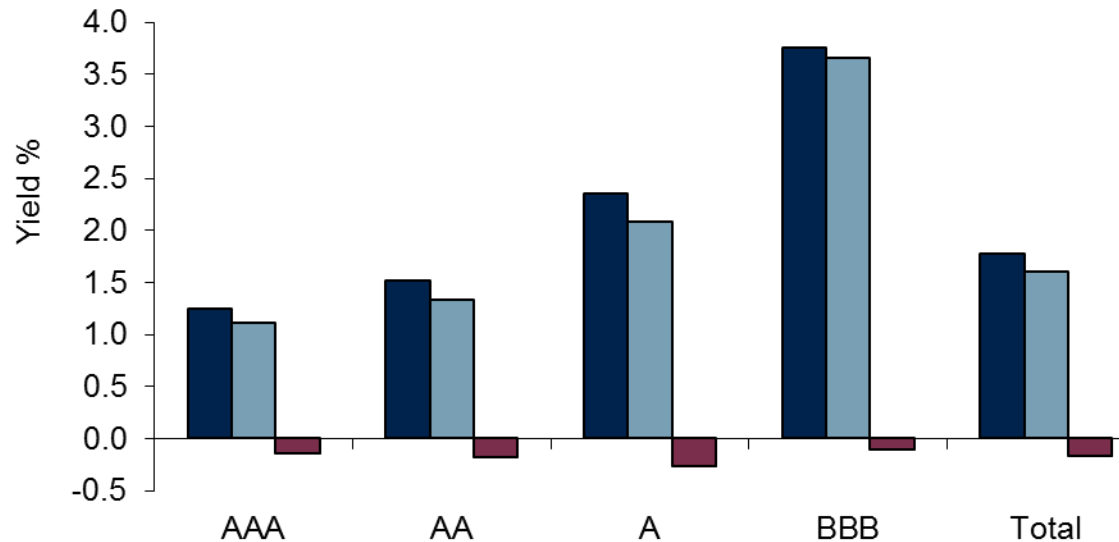
Source: Merrill Lynch Municipals, 1-12 Year Index, as of 12/31/11

# Quality Comparison

Mid-tier credits saw the largest yield reduction.

	AAA	AA	A	BBB
<b>4Q11 Yield Change</b>	-0.14%	-0.18%	-0.27%	-0.10%

■ 9/30/11  
■ 12/31/11  
■ Change



Source: Merrill Lynch Municipals, 1-12 Year Index, as of 12/31/11

# General Obligation Performance

Fourth quarter performance for 5-year General Obligations by state.

Top 5 States		Bottom 5 States	
	Q4 2011 Return		Q4 2011 Return
<b>New Jersey</b>	2.06%	<b>Connecticut</b>	0.81%
<b>Ohio</b>	1.84%	<b>Massachusetts</b>	0.87%
<b>Puerto Rico</b>	1.77%	<b>West Virginia</b>	0.88%
<b>Tennessee</b>	1.71%	<b>Louisiana</b>	1.00%
<b>Minnesota</b>	1.71%	<b>Georgia</b>	1.00%

Source: Merrill Lynch General Obligations, 4-6 Year Index, as of 12/31/2011. Past performance does not guarantee future comparable results.

# Revenue Sector Performance

Transportation categories led the revenue sector.

Top 3		Bottom 3	
	Q4 2011 Return		Q4 2011 Return
<b>Airports</b>	2.67%	<b>Multi-Family Housing</b>	0.43%
<b>Transportation</b>	2.37%	<b>Hospitals</b>	1.47%
<b>Toll Roads</b>	2.34%	<b>Pollution Control</b>	1.70%

Source: Merrill Lynch Municipals, 1-12 Year Index, as of 12/31/2011. Past performance does not guarantee future comparable results.