



ATLANTIC TRUST

PRIVATE WEALTH MANAGEMENT

3Q 2011 Fixed Income Review

Presented by

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Market Index Returns 3Q11

Barclays Capital Index	Q3 2011 Total Return (%)	09/30/11 Yield to Worst (%)
Taxable		
Intermediate US Government/Credit	2.39	1.58
Intermediate Corporate	0.79	3.32
U.S. Treasury: Intermediate	3.54	0.79
U.S. Agency Intermediate	1.50	0.85
U.S. Aggregate Intermediate Total	2.30	2.10
U.S. Intermediate Credit	0.94	3.03
U.S. High Yield 2% Issuer Constrained	-6.10	9.54
Global Emerging Markets Local Currency	-8.14	6.11
Municipal		
Muni 1-10 Year Blend	1.15	1.86
Muni Prerefunded	2.38	0.93
Municipal AAA Index Total	3.07	2.06
Municipal AA Index Total	3.70	2.73
Municipal A Index Total	4.44	3.61
Municipal BAA Index Total	4.10	4.70
Muni High Yield	3.25	6.96
Municipal Bond 1 Year (1-2)	0.34	0.64
Municipal Bond 3 Year (2-4)	0.95	1.03
Municipal Bond 5 Year (4-6)	1.97	1.68
Municipal Bond 7 Year (6-8)	3.13	2.19
Municipal Bond 10 Year (8-12)	4.06	2.84
Municipal Bond 15 Year (12-17)	4.34	3.62
Municipal Bond 20 Year (17-22)	4.72	4.27
Municipal Long Bond Index (22+)	6.37	4.57

Source: Barclays Capital as of 9/30/11 Past performance should not be construed as a guarantee of future results.

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Macro Rate Environment

- Volatility surrounding the European sovereign and banking sectors has overwhelmed other factors in the fixed income markets.
- The Federal Reserve's introduction of "Operation Twist" changes the dynamics of the Treasury yield curve.
- Supply comes back to the muni market after a long dry spell.

European Financials

The cost of borrowing for investment grade European financial firms is as high as it has been since the failure of Lehman Brothers.

Yield to Worst: Investment Grade Euro Finance



Source: Bloomberg L.P., as of 10/11/2011

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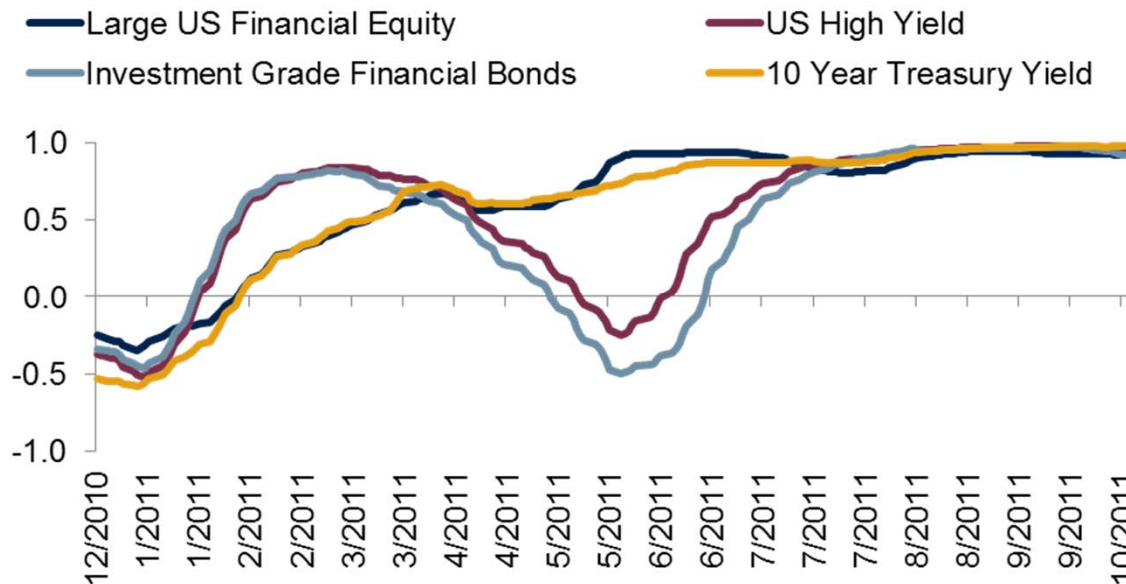
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High Correlations

The correlation between European bank stocks and a variety of assets rose throughout the Spring and Summer and have remained near 1.0 during the recent stretch of volatility.

Rolling 90-day Correlation versus Euro Bank Equity



Source: Bloomberg L.P., as of 10/11/2011

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Operation Twist

In response to deteriorating economic and financial conditions, the Federal Reserve plans to sell \$400 billion of short-term Treasuries and purchase an equal amount of longer bonds.

The program is expected to be in place through June 2012 with the following amounts and areas of the yield curve targeted for reinvestment:

	6 – 8 Years	8 – 10 Years	10 – 20 Years	20 – 30 Years	6 – 30 Year TIPs
Percentage	32%	32%	4%	29%	3%
\$ Billions	128	128	16	116	12

Source: Federal Reserve, as of 9/30/2011

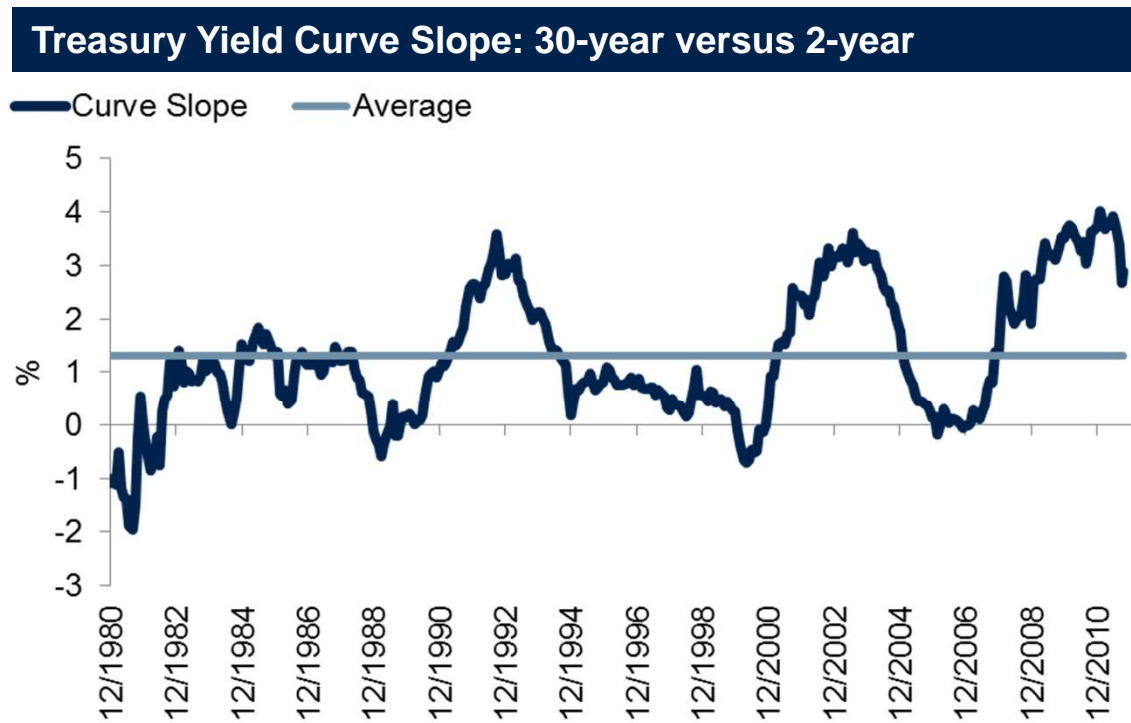
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Treasury Yield Curve

The market anticipated “Operation Twist” by flattening the slope of the Treasury yield curve by over 100 basis points leading up to the announcement. Planned purchases of longer Treasuries by the Fed would represent over 90% of 30-year Treasuries issued in the current year-to-date.



Source: Bloomberg L.P., as of 10/11/2011

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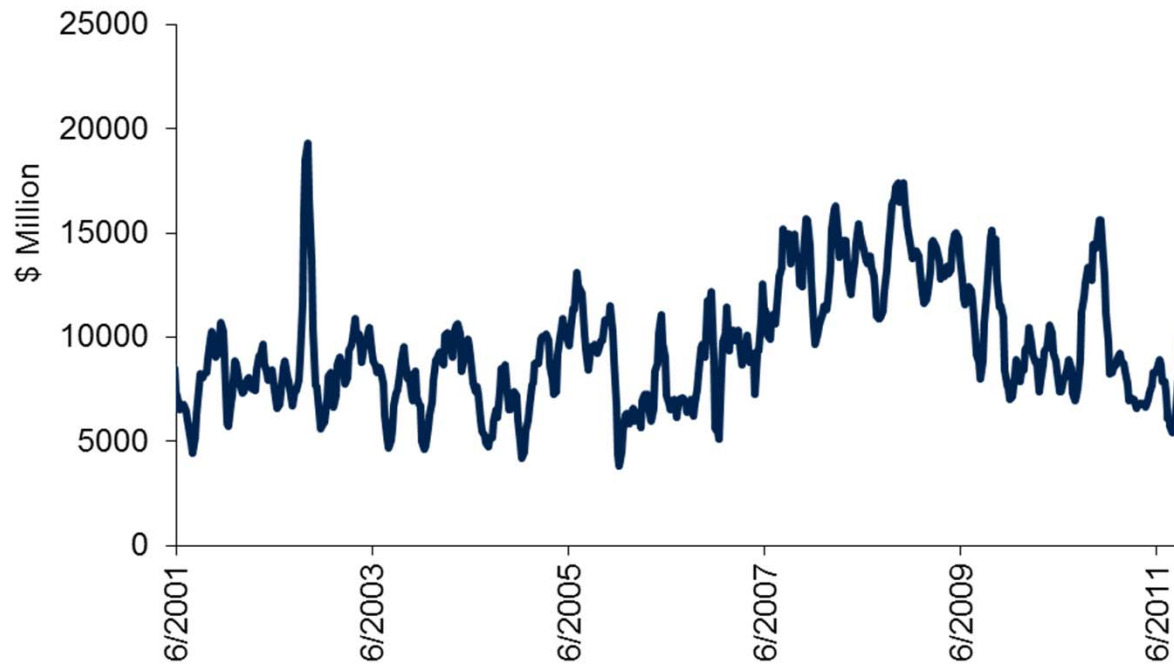
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Municipal Supply

The 4 week average of visible supply is approaching \$10 billion following several months at depressed levels.

■ Visible Supply – 4-week Average



Source: Muni Market Data, as of 10/11/2011

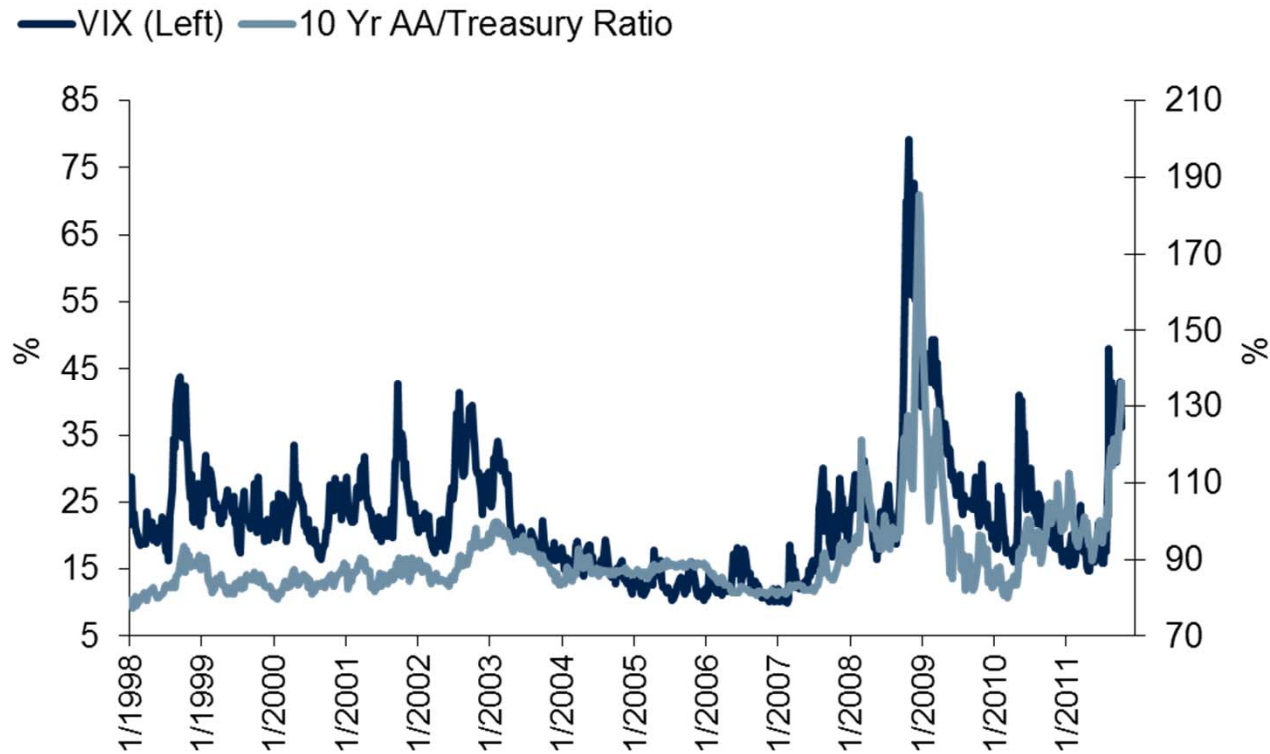
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Municipal Ratio

The ratio of AA rated muni yield over Treasury yield is higher and the primary driver appears to be volatility rather than supply.



Source: Bloomberg L.P., Muni Market Data, 10/11/2011

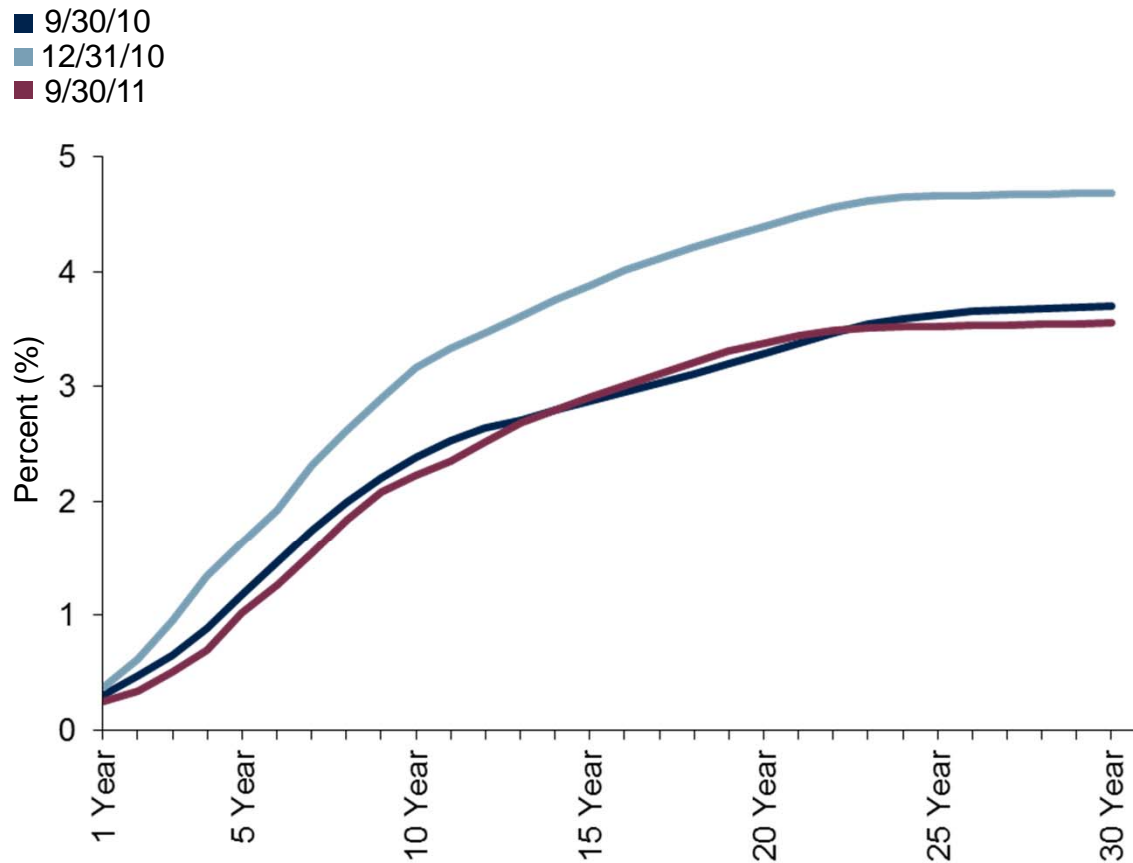
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Municipal Yield Curve

The rally in high-quality debt has returned the AAA municipal yield curve to where it was one year earlier.



Source: Muni Market Data, 10/11/2011

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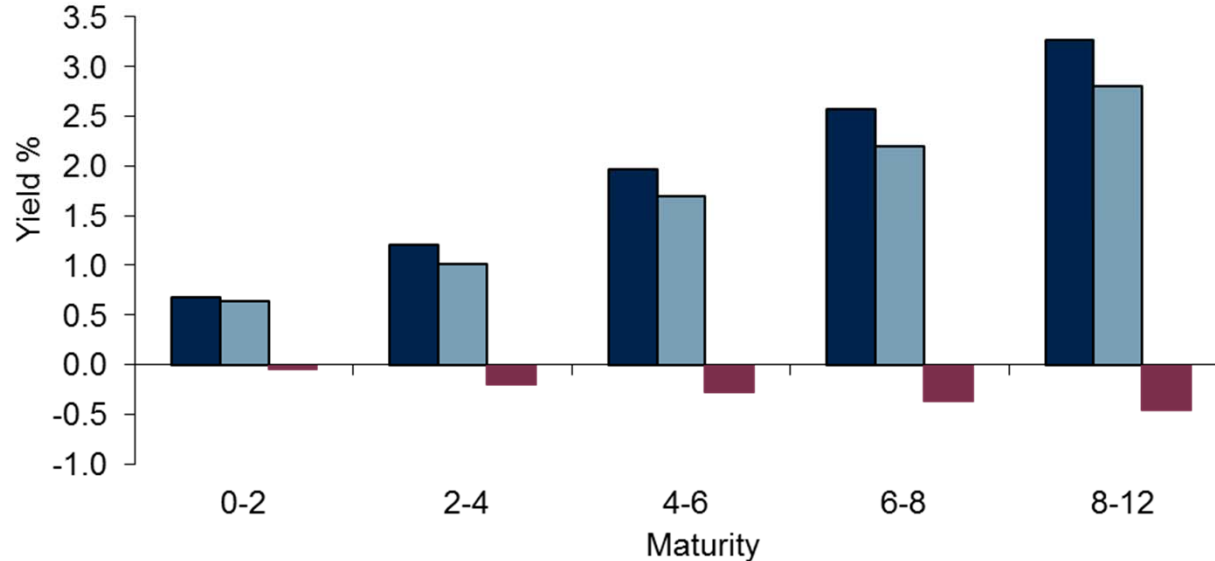
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Maturity Comparison

Maturity drove return in the quarter with progressively lower yields along the curve.

	0-2	2-4	4-6	6-8	8-12
3Q11 Return by Maturity	0.30%	1.07%	1.94%	2.82%	3.86%
3Q11 Yield Change	-0.04%	-0.20%	-0.27%	-0.37%	-0.46%

■ 6/30/11
■ 9/30/11
■ Change



Source: Merrill Lynch Municipals, 1-12 Year Index, as of 9/30/2011

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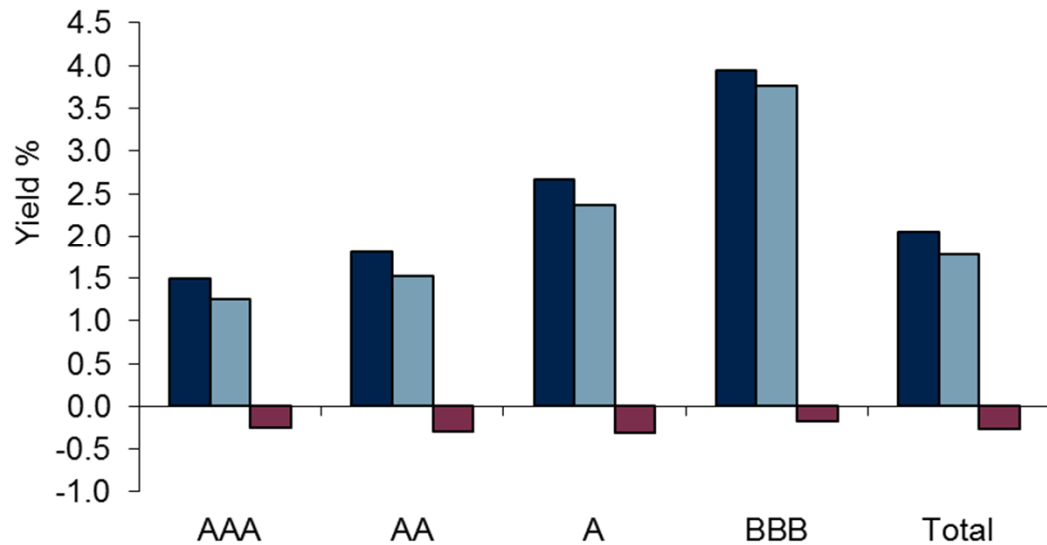
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Quality Comparison

A rated bonds led other rating categories. BBB rated bonds lagged due to the financial counterparty risk in some pre-paid gas bonds.

	AAA	AA	A	BBB
3Q11 Yield Change	-0.25%	-0.29%	-0.31%	-0.18%

■ 6/30/11
■ 9/30/11
■ Change



Source: Merrill Lynch Municipals, 1-12 Year Index, as of 9/30/2011

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State Performance

Lower-quality states tended to lead the market.

Top 5 States		Bottom 5 States	
	3Q11 Return		3Q11 Return
Colorado	4.29%	South Dakota	0.49%
Kansas	3.06%	Montana	0.78%
Illinois	2.90%	Arkansas	0.84%
Louisiana	2.86%	Delaware	1.23%
Kentucky	2.77%	Tennessee	1.29%

Source: Merrill Lynch Municipals, 1-12 Year Index, as of 9/30/2011. Past performance is not a guarantee of future results.

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Revenue Sector Performance

The quarter saw mixed performance by sector based on quality differential. Low duration weighed on the multi-family housing sector in a bull market.

Top 3		Bottom 3	
	3Q11 Return		3Q11 Return
Industrial Revenue	3.24%	Multi-Family Housing	1.08%
Airports	3.12%	Utility	2.09%
Water	2.86%	Hospitals	2.12%

Source: Merrill Lynch Municipals, 1-12 Year Index, as of 9/30/2011. Past performance is not a guarantee of future results.

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