

## Flexible Bond Strategy

### INTRODUCTION

SKBA Capital Management, LLC is an independent employee owned investment advisory firm founded in 1989. We specialize in managing equity, fixed income, and balanced portfolios for institutions and private clients. The cornerstone of our success lies in the consistency of our people, process and perspective. Our firm brings together an experienced group of investment professionals committed to a proven value-based investment approach pioneered by our founding principals.

Our investment disciplines have been built and refined by integrating the best practices of fundamental stock selection, sector allocation, and our economic views. For over 25 years our disciplined, time-tested and value-based approach has focused on preserving and growing our client's assets.

### OUR PHILOSOPHY

- Challenge conventional thinking to discover real value.
- Develop unique economic perspectives by looking beyond single-point forecasts.
- Purchase inexpensive sectors and lock-in high yields or maintain short-duration portfolios when yields are low to reduce downside risk.
- In the long run, we believe undervalued securities will outperform the market.

### RESEARCH

SKBA employs a team approach to investing. Our research effort is centralized to ensure that investment ideas translate to each investment discipline.



### DISCOVERING VALUE

SKBA brings the investor a strategic array of value-based investment solutions, backed by perspective, process and performance. Our objective is to outperform our benchmarks while maintaining appropriate risk exposure.

The Flexible Bond strategy is a portfolio of U.S. dollar-denominated fixed income securities which seeks to produce interest income, to preserve capital, to offset the erosion in purchasing power due to price inflation, and to exceed the total return of the Barclays Capital Government/Credit Bond Index. Only investment-grade government, agency, and corporate issues as rated by Duff & Phelps, Moody's, and Standard & Poor's at the time of purchase are eligible for inclusion in the portfolio. The strategy team uses active interest rate anticipation and the analysis of quality spreads to determine the composition of issues held in a portfolio. The portfolio duration is set within a range of 3 to 8 years. Flexible Bond has been an active fixed-income strategy for SKBA since January 1, 1990.

### COMPOSITE TOTAL RETURNS

As of 3/31/18

	1Q 2018	YTD	One Year	Three Years	Five Years	Seven Years	Ten Years
Gross of Fees	-1.5%	-1.5%	0.9%	0.9%	1.7%	2.9%	3.5%
Net of Fees	-1.6%	-1.6%	0.6%	0.7%	1.4%	2.6%	3.1%
Barclays Capital Gov't Credit Bond	-1.6%	-1.6%	1.4%	1.2%	1.8%	3.2%	3.7%

*Performance for periods greater than one year is annualized and include the reinvestment of income. Past performance is not indicative of future results. Please refer to the Annual Disclosure Presentation for additional details on the Flexible Bond composite.*

### MULTI-SCENARIO APPROACH

SKBA employs a multi-scenario, conditional-probability framework that forecasts future states of the economy and financial markets over two-year and five-year horizons. We utilize five scenarios, which ranked from highest to lowest rate of inflation are called: Return of Inflation, Stagflation, Historic Norm, Perfection, and Deflation. The real GDP growth associated with each scenario follows a different pattern. For example, "Perfection" combines the highest real growth environment with low inflation (but not deflation), whereas "Stagflation" describes the nearly opposite environment consisting of low real GDP growth (albeit positive) and the second highest inflation environment. The growth rate of nominal GDP may be similar between these two scenarios, but the consequences for financial markets are dramatically different. **This process is a unique analytical tool developed by SKBA** and is a key part of the process that enables us to estimate what the interest rate changes, yield curve changes, expected returns for bonds, and the risk of loss in bond portfolios might be.

### SELL DISCIPLINE

We will sell a security or shorten duration when:

- No scenarios forecast acceptable two-year or five-year annual returns.
- Quality spreads are too narrow.
- Inflation rates are expected to rise and this is not anticipated by the market.
- Yield levels are too low to provide downside protection.

## Flexible Bond Strategy

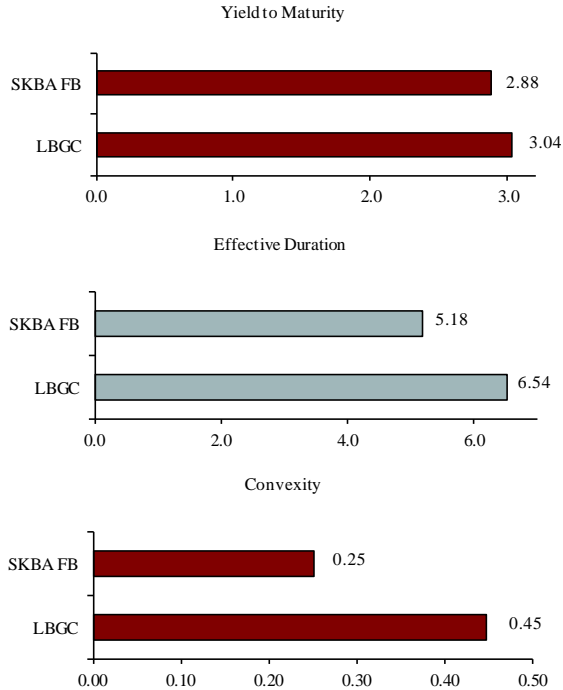
### DISCLOSURE

- SKBA Capital Management, LLC ("SKBA") claims compliance with the Global Investment Performance Standards (GIPS®).
- SKBA, an investment advisory firm registered with the Securities & Exchange Commission, was founded in 1989 as an independent investment advisory firm. In 1999, SKBA became an affiliate of Convergent Capital Management, LLC, which is known today as CCM Holdings III, LLC. Effective May 2011 SKBA employee shareholders bought back a majority controlling share of the business from CCM Holdings, a subsidiary of Royal Bank of Canada ("RBC"), with CCM Holdings maintaining a minority stake.
- SKBA manages a variety of equity, fixed-income and balanced assets for U.S. institutional and high net worth clients. Firm assets under management are defined as all actual, institutional and private client, accounts managed by SKBA.
- This composite contains all fee-paying institutional and tax-exempt discretionary accounts, both fixed-only and the fixed portion of balanced accounts, that employ SKBA's Flexible Bond strategy. The Flexible Bond strategy is a portfolio of U.S. dollar-denominated fixed income securities that seeks to produce interest income, to preserve capital, to offset the erosion in purchasing power due to price inflation, and to exceed the total return of the Barclays Capital Government/Credit Bond Index. At the time of purchase, only investment-grade government, agency, and corporate issues rated "BBB-" or better by Duff & Phelps, Moody's, or Standard & Poor's are eligible for purchase. The strategy team uses interest rate anticipation and the analysis of quality spreads to determine the duration (which is set between 3 and 8 years) and composition of the portfolio.
- The U.S. Dollar is the currency used to express performance.
- Attached is a full disclosure presentation which complies with the requirement of the GIPS® standards.

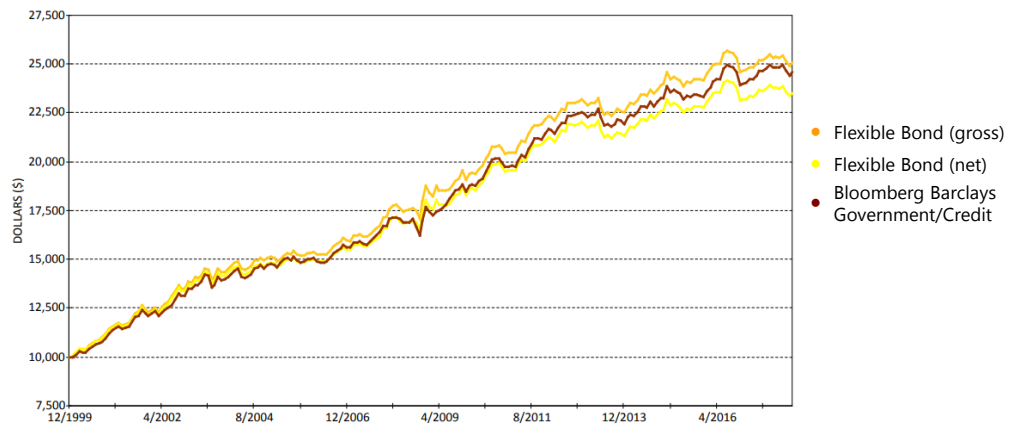
### FIXED INCOME CHARACTERISTICS

As of 3/31/18

SKBA FB = SKBA's Flexible Bond Strategy / LBGC = Barclays Capital Government Credit Bond Index



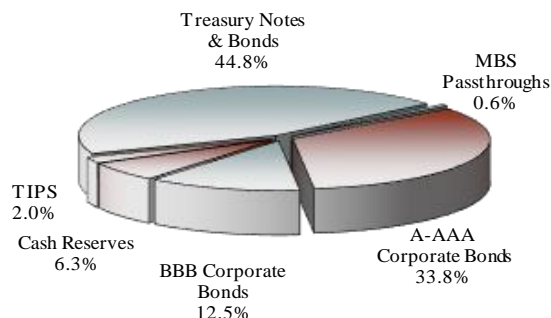
### GROWTH OF AN INVESTMENT (\$)^^ - VALUE OF \$10,000 INVESTED



^^Past performance is not indicative of future results. Returns are cumulative and include the reinvestment of income. Please refer to the Annual Disclosure Presentation for additional details on the Flexible Bond composite. The Flexible Bond strategy has an inception date of 12/1999.

### SECTOR DIVERSIFICATION \*

As of 3/31/18



\* Percent of total fixed income holdings. Due to rounding, figures shown may or may not sum exactly to 100%.

The Fixed Income Characteristics and Sector Diversification are included as supplemental information to the Flexible Bond Fund composite and complements a full disclosure presentation as provided on page three. The Annual Disclosure Presentation also includes important disclosures related to the returns portrayed above. Standard & Poor's rating agency is used for corporate bonds.

**SKBA CAPITAL MANAGEMENT, LLC**  
**FLEXIBLE BOND COMPOSITE**  
**ANNUAL DISCLOSURE PRESENTATION**

Year End	Total Firm	Composite Assets		Annual Performance Results					3-Yr Standard Deviation	
	Assets (millions)	USD (millions)	Number of Accounts	Composite Gross	Composite Net	Barclays Gov/Credit	Composite Dispersion	Percentage Carve-out	Composite	Barclays Gov/Credit
2017	854	54	8	3.2%	2.9%	4.0%	0.2%	5.9%	3.2%	3.3%
2016	949	55	9	2.1%	1.9%	3.1%	0.2%	5.5%	3.4%	3.5%
2015	1,093	56	9	0.7%	0.5%	0.2%	0.2%	5.0%	3.2%	3.2%
2014	1,413	64	10	6.5%	6.2%	6.0%	0.2%	5.6%	2.9%	3.0%
2013	958	65	11	(2.4%)	(2.7%)	(2.3%)	0.1%	5.2%	3.1%	3.2%
2012	765	80	11	4.1%	3.9%	4.9%	0.3%	5.4%	3.0%	3.0%
2011	546	84	11	8.6%	7.9%	8.7%	N.A.	4.9%	4.0%	3.4%
2010	645	4	Five or fewer	6.8%	5.9%	6.6%	N.A.			
2009	546	4	Five or fewer	1.8%	1.4%	4.5%	N.A.			
2008	395	4	Five or fewer	9.1%	8.7%	5.7%	N.A.			

N.A. - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

***Flexible Bond Composite** contains all fee-paying institutional and tax-exempt discretionary accounts, both fixed-only and the fixed portion of balanced accounts, that employ SKBA's Flexible Bond strategy. The Flexible Bond strategy is a portfolio of U.S. Dollar-denominated fixed income securities that seeks to produce interest income, to preserve capital, to offset the erosion in purchasing power due to price inflation, and to exceed the total return of the Barclays Capital Government/Credit Bond Index. At the time of purchase, only investment-grade government, agency, and corporate issues rated "BBB-" or better by Duff & Phelps, Moody's, or Standard & Poor's are eligible for purchase. The strategy team uses interest rate anticipation and the analysis of quality spreads to determine the duration (which is set between 3 and 8 years) and composition of the portfolio. For comparison purposes the composite is measured against the Barclays Capital Government/Credit Bond Index. Prior to November 1, 2008 the Barclays Capital Government/Credit Bond Index was published by Lehman Brothers. Index Data Source: Informa Investment Solutions. As of January 1, 2000, institutional or tax-exempt accounts (including the fixed portion of balanced accounts) with \$500,000 minimum market values at inception are included in this composite. The Flexible Bond Composite was created January 1, 1990.*

SKBA Capital Management, LLC ("SKBA") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. SKBA has been independently verified for the periods January 1, 1996 through December 31, 2017.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Flexible Bond composite has been examined for the periods January 1, 1990 through December 31, 2017. The verification and performance examination reports are available upon request.

SKBA, an investment advisory firm registered with the Securities & Exchange Commission, was founded in 1989 as an independent investment advisory firm. In 1999, SKBA became an affiliate of Convergent Capital Management LLC ("CCM"). In 2003 CCM was acquired by City National Corporation ("CNC"). Effective May 2011 SKBA employee shareholders bought back a majority controlling share of the business from CCM, with CCM Holdings III, LLC maintaining a minority stake. In November 2015, CNC was merged into RBC USA Holdco Corporation, which is a wholly-owned subsidiary of Royal Bank of Canada. SKBA operates independently from CCM Holdings III, LLC, RBC USA Holdco Corporation and Royal Bank of Canada. SKBA manages a variety of equity, fixed-income & balanced assets for U.S. institutional and high net worth clients. Firm assets under management are defined as all institutional & private client accounts managed by SKBA. A complete list of composite descriptions is available upon request.

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Past performance is not indicative of future results.

Effective January 1, 2010, a significant cash flow (SCF) is defined as any inflow or outflow occurring during the calendar month which is equal to or greater than 35% of an account's beginning month value.

The U.S. Dollar is the currency used to express performance. Returns are presented gross and net of management fees and include the reinvestment of all income. Net of fee performance was calculated using actual management fees. The annual composite dispersion is an asset-weighted standard deviation calculated for the accounts in the composite the entire year. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

Standard Fee Schedule: For accounts up to \$25 million: 0.30% on the first \$3 million, 0.25% on the next \$12 million, 0.20% on the next \$10 million. For accounts over \$25 million: 0.20% on the first \$25 million, 0.15% on the next \$75 million. Actual investment advisory fees incurred by clients may vary.

Composite returns shown represent fixed income carve-outs from balanced portfolios. Cash has not been allocated to these segments, as the buy-and-hold fixed income strategy would remain fully invested through the use of liquid cash equivalent vehicles, which are already included in performance. Prior to 10/1/11, 100% of composite assets were comprised of carve-out segments. Prior to 10/1/13, the net returns for the period 1Q10 - 3Q13 were incorrectly stated due to an incorrect posting of management fees to carve-out accounts.