

Untethered Bond Investing

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AAII

Phoenix

There are 3 Types of Investors

Those that see...

Those that don't see...

Those that foresee...

Indebted Governments

More Dumping of Bonds

Bond Yields Rise

Yields Go Higher

Vicious Cycle → Debt Crisis

Interest Expense Increases

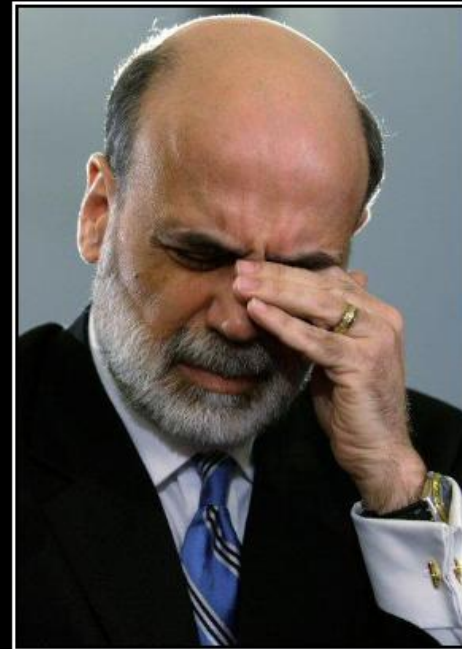
Produces more Dumping of Bonds

Budget Deficit Widen

How Do You Dig Yourself Out of a Hole?



**The Global
Credit Crisis
Has Created
an
Excedrin
Headache for
Bernanke and
...
All of Us.**



**EXCEDRIN HEADACHE
NUMBER 350,000,000,000**

Rules of This Unpaved Road

**Don't Fight the Fed
Don't Fight Reflation
Don't Speculate for a Systematic
Breakdown in the Global Financial
System**

*Europe will print, buy, nationalize and bailout
until their eyes bleed.*

That said...there will be casualties.

How to Make Money in Bonds



- **Buy High Yield Paper**
- **Stop Detesting Premium Bonds**
- **Stay Nimble**

Be Untethered With Your Bond Investments

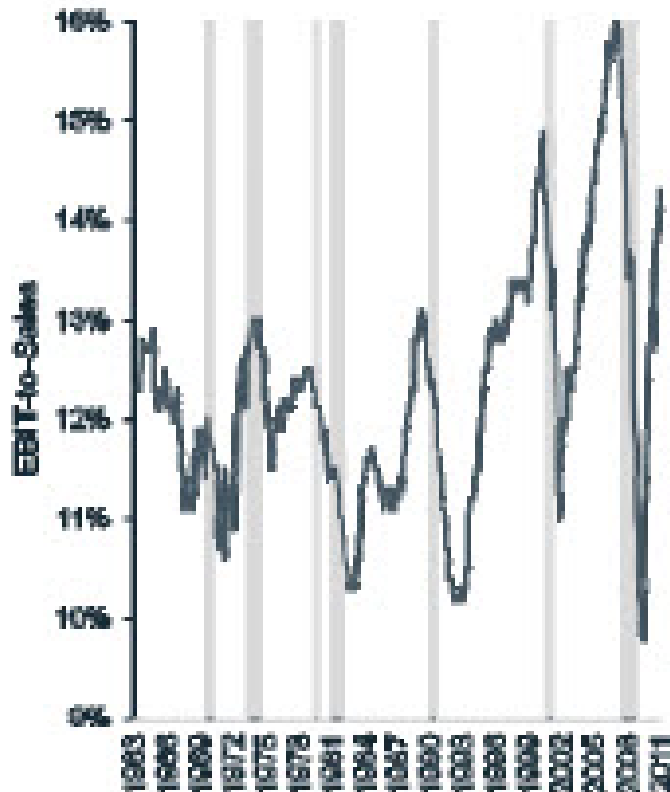
Who Are the Top 5 High Yield Issuers?

	Amount of Outstanding in Billions
Banking and Finance	\$137.1
Energy	\$127.9
Telecom	\$102.7
Healthcare & Pharms	\$65.1
Utilities	\$62.4

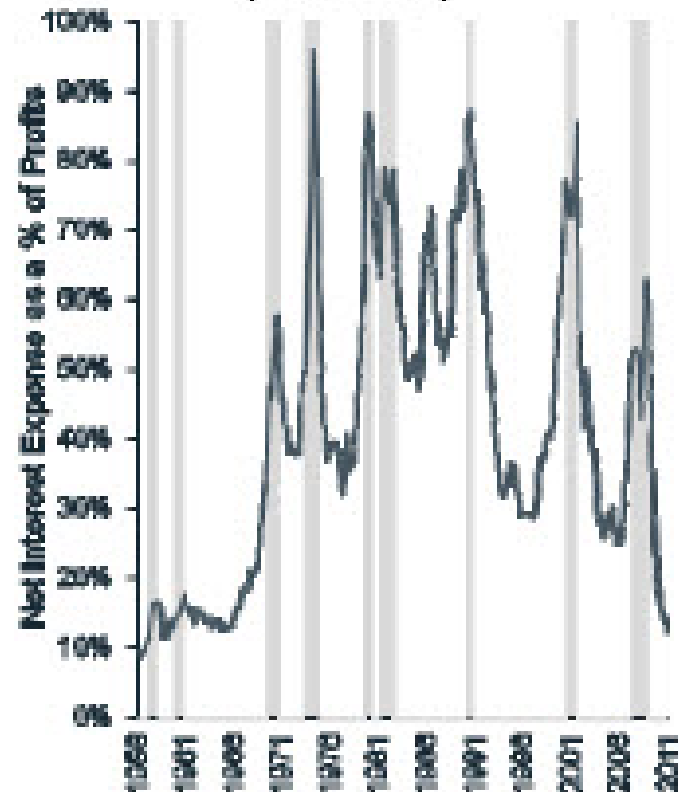
The Back Story Continues

Corporate Sector Remained Strong

CORPORATE PROFIT MARGINS
(1963–2011)



INTEREST EXPENSE AS % OF PROFITS
(1956–2011)



High Grade Credit Fundamentals Are Good But...There's NO Yield Unless:



- **Headline News**
 - **Turn Around Is In Motion**
 - **A Run at the Company Was Called Off**
 - **Share Repurchases are Huge and/or
Funded by Issuing More Debt**

For Bond Fund Investors

Buy: JNK Barclays High Yield ETF
Fee: 40 basis points
Dividend: 7.80%

Top Holdings

HCA Inc.
CIT Group
First Data
Energy Future (TXU)
Harrahs

Jump to Default Risk:

When borrowers miss payments that were NOT considered immediate default failures: AMR, PMI Group, Dynegy Inc.



**To diversify that “jump” risk
JNK delivers the diversification**

High Yield Recommendations...

American Axle & Mfg 7.875% due March 1, 2017

Callable March 1, 2012 @ 103.94

Issue size: \$300 million

Rated: B2 and B

CUSIP: 02406PAF7

Price: 99

Yield to Worst Call: 8.10%

Yield to Maturity: 8.10%

Poison Put @ 101%



Recommendations...

Ford Motor Credit 6.625% due August 15, 2017

Non-Callable

Original issue: \$1.250 billion

Rated: Ba₁ and BB+

CUSIP: 345397VP5

Price: 107.60

Yield to Maturity: 5.06%



FordCredit

Recommendations...

Icahn Enterprises 7.75% due January 15, 2016

Callable: January 15, 2013 @ 103.88

Issue size: \$1.048 billion

Rated: Ba3 and BBB-

CUSIP: 451102AD9

Price: 104.25

Yield to Worst Call: 6.12%

Yield to First Call: 7.10%

Yield to Maturity: 6.55%

Poison Put @ 101%



Recommendations...

American Tower Corp 4.50%
due January 15, 2018

Non-Callable

Original issue: \$1 billion

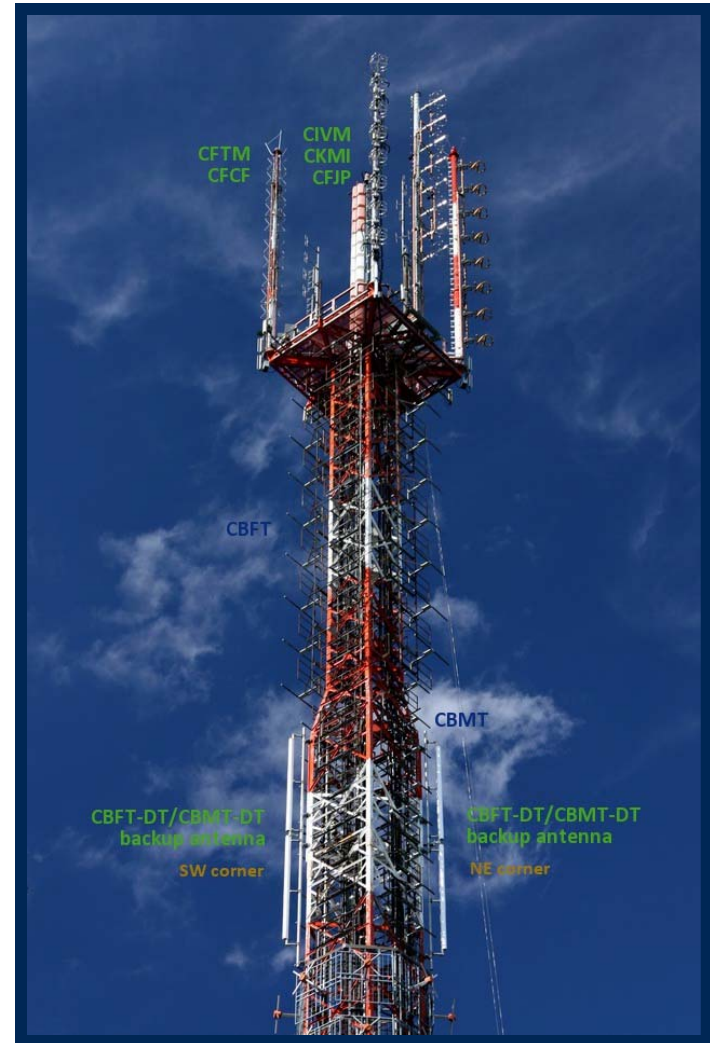
Rated: Baa3 and BB+

CUSIP: 029912BD3

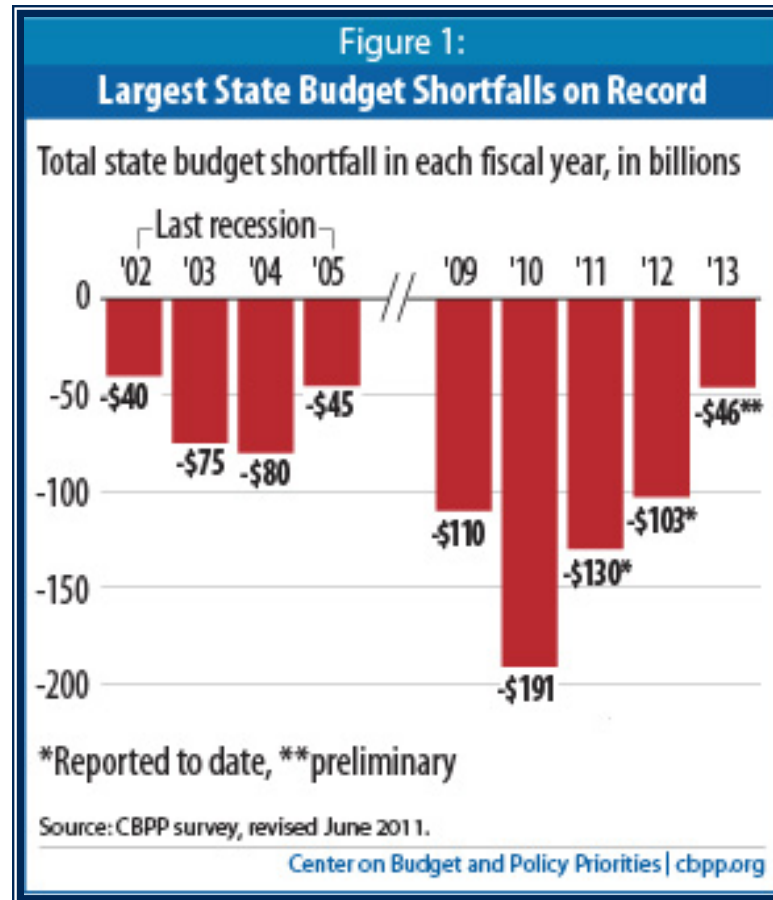
Price: 101.5

Yield to Maturity: 4.20%

Poison Put @ 101%



What you can see...



Set it and forget it in Muniland worked in the past 30 years— but not anymore.

What you need to know:

- **Municipal bond credit metrics**
- **Days of cash on hand**
- **Interest rate swaps**
- **Sources of your coupon income**
- **Property tax rolls**
- **Top 10-20 tax or rate payers**
- **Material events: Interest reserves**
- **Financials**



GRAB

EquityDES

At 14:16 Vol 45,765 Op 14.82 N Hi 14.84 P Lo 14.7992 D ValTrd 677898

MNP US

DESCRIPTION

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WESTERN ASSET MUNICIPAL PART

Objective - Municipal

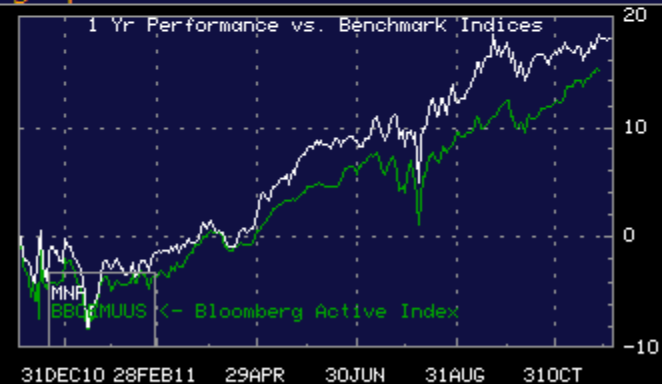
Western Asset Municipal Partners Fund Inc is a diversified, closed-end management investment company incorporated in the USA. The Fund's objective is a high level of current income exempt from federal income taxes consistent with preservation of capital. Enhancement of portfolio value is a secondary objective. The Fund invests in tax exempt municipal securities.

Bloomberg Classification Data

Asset Class	Debt	Style	Current Income
Sector Focus	Municipals	Rating Class Focus	N.A.
Maturity Band Focus	N.A.	Geographic Focus	U.S.

Current Data

1)GP Price		\$	14.84
52Wk Hi	09/22	\$	14.99
52Wk Lo	01/18	\$	12.16
2)NAV NAV	12/02	\$	15.31
Percent Premium			-3.20
Shares out(mil)	1/28/11		9.72
Market cap(mil)		\$	144.23
Inception Date	1/29/93		



For NAV returns {XMNPX <equity> DES}

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EquityDES

MNP US

WESTERN ASSET MUNICIPAL PART

DESCRIPTION

Objective - Municipal

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Current as of	Fund 12/ 2/11	Return n.a.	Difference	Percentile Ranking
3)TRA 1 Week	.20	n.a.	n.a.	69
1 Month	.75	n.a.	n.a.	52
3 Month	4.64	n.a.	n.a.	65
4)COMPYTD	18.16	n.a.	n.a.	80
1 Year	16.59	n.a.	n.a.	86
3 Year	23.47	n.a.	n.a.	76
9)HRH 5 Year	6.37	n.a.	n.a.	84
Historical	Fund	n.a.	Difference	Ranking
2010	5.46	n.a.	n.a.	75
2009	45.67	n.a.	n.a.	66
2008	-22.67	n.a.	n.a.	41
2007	-2.19	n.a.	n.a.	46
2006	10.29	n.a.	n.a.	69
2005	7.71	n.a.	n.a.	66
2004	2.78	n.a.	n.a.	21
2003	11.15	n.a.	n.a.	77
2002	12.95	n.a.	n.a.	79
2001	10.55	n.a.	n.a.	72

Envision Capital Management, Inc.

Fixed Income Money Managers

Minimum account size \$500,000

Fees:

- **Municipals .43%**
- **Investment Grade Corporates .60%**
- **Split-Rated Corporates .75%**
- **High yield 1%**

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