

## What is Red Cedar's Investment Process?

### **David Withrow:**

A big component of what we do is across the capital structure. So you think of the capital structure in the simplest form as a company issues debt and a company issues equity. And there are many firms that just say, "Okay, we're debt managers. All we're going to do is that part of the capital structure." Other managers say, we're just going to manage equity portfolios, so they manage that piece.

And we do both those components. We have products which range from strictly fixed income to strictly equity. But what we think is kind of an exciting piece is, there's lots of play between those asset classes. When I'm looking at a, a large corporation, an IBM or an Exxon, they'll have equity issued ones, they'll have senior debt issue ones, but there's also piece in the middle. There's subordinated debt and there's junior subordinated debt.

So, in the strategic income strategy, we're able to take and say, "Where is the cheapest way to own this company? Is it owning the equity, is it owning the debt?" And really, an expertise that falls within this, the firm is what we call preferred securities kind of generically, but it's really junior subordinated debt. And without getting really technical about it, we call it the preferred space.

So the preferred space offers a lot of opportunities. It's an inefficient sector, and it's a sector that is not as large as say the high yield market or traditional investment grade or certainly the equity market, but it offers a lot of opportunity. So, we specialize in that, we have products which just deal with preferred securities, but again, our strategic income product, it's an important component of that.

So when our capital structure team analyzes a company, we look at it as analyzing a company across a capital structure as just one piece of that capital structure. And again, that allows us to take advantage of opportunities, have a macro view and say, "Okay, what's happening with the economy, what's happening geopolitically?" along with what's happening fundamentally in these companies. And marrying that altogether and saying, "Okay, here's the cheapest way to own this company, here's the right risk parameters we should be taking in this current macroenvironment, in this current geopolitical environment," (in order) to create a product that produces a high income stream and does it in a really positive, risk-adjusted way, to provide total return to the end investor.

And we found a lot of investors find that very attractive, because they may not have the flexibility in their asset allocation policy to quickly move between “cheap” asset classes. But within our team, we’re looking and monitoring our day-to-day basis, we can go up and down the capital structure and be very nimble in exploiting the opportunities available in the capital markets.

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