

Rochdale

Investment Insight

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Opportunities in Fixed Income



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Highlights:

- There are attractive investment opportunities in fixed income securities, especially in corporate bonds and high yield fixed income securities
- Our view is that the worst of the economic crisis is just behind us and we foresee a benign inflation environment through 2010
- By providing a value-added credit and company analysis, we feel that we can take advantage of the wide credit spreads that still exist in corporate bonds
- Our approach is flexible given the economic environment and we will be proactive in making portfolio changes in response to changing economic conditions, such as inflation or a double-dip recession
- High yield fixed income securities and syndicated bank debt could provide a solid investment opportunity for some investors especially as economic conditions improve and credit spreads narrow over time

The following discussion is an exposition of the recorded transcript from Rochdale Investment Management's May 6, 2009, Advisor Forum conference call.

Good afternoon everyone, David Abella and I are the Portfolio Managers for the Rochdale Fixed Income Fund and we are going to share some of our observations and thoughts on the outlook for the fixed income sector.

This past March we issued an "all clear" sign for the economic recession, looking down the road with our high beams, three to six months out. In March we concluded that more likely than not, the economic recession will be ending in the third or fourth quarter of 2009.

With the worst of that news probably occurring now, we're still expecting choppy, up-and-down news over the next several months.

We are of the view that the equity market is starting to rally and whether it has gotten ahead of itself or not, we don't exactly know. However, we do expect an above-average level of volatility over the next several months and during this time we will be scaling in to the equity market.

Now this conference call is about the opportunities in the fixed income sector, so once we determine that the worst of the economic/great global recession is likely to be ending, that will present positive opportunities for corporate fixed income and high yield fixed income.

Currently, we are of the view that corporate bond rates and high yield fixed income rates are attractive and we would be buyers of both of these asset classes. We would also be taking money out of government-type, secured fixed income investments, as we scale into corporate or high yield.

Concerning inflation, we see no evidence that it will occur at any rate in 2009, a different forecast than the inflation expectations of investors. And in that sense, as we move through 2009 we are not as pessimistic as the consensus which thinks rampant inflation will be barreling down the road sometime in 2010. We do not agree with that given our outlook on global growth and capacity and its undue utilization.

In regards to return expectations, we anticipate figures in the single digits for all asset classes with the exception being high yield. With that said, if you were buying quality corporate bonds with a maturity of five to seven years, you can expect returns in the mid-single digits. If you were willing to take on a little more risk in corporate bonds, there are opportunities to invest in a high yield fund which has had every indication of potential double digit returns with an ultimate goal being in the mid-teen figures. Currently, we favor a mixture of these asset classes as historical evidence continues to persist that an economic recovery is within sight. High yield bonds not only have the potential to outperform corporate bonds and government bonds, but they also tend to outperform equities.

The credit analysis that is done both internally and in conjunction with our research partners on Wall Street, leads us to look at a variety of factors. I believe now, more than at any other point in my career, that the quality factors associated with a company's ability to generate free cash flow to repay debt are under a magnified microscope. We continue to do the same type of thorough review of credit before we buy and add a company to our portfolio. In terms of duration, we are in the three, five, and seven year periods. We do not favor the options that are much longer than that because of potential concerns regarding the fiscal government deficit going forward.

One of the ramifications of the difficulties that fixed income investors have experienced over the last year was the importance of diversification. While we would normally hold a certain number of bonds in a client portfolio, given the idiosyncrasies or the specific risks associated with any one company, we are broadening out the number of bonds that we feel comfortable to adequately represent bond diversification.

Depending upon the state that you are in, municipal bonds are very attractive relative to most corporate bonds. When we refer to corporate bonds, in our thinking, we are really including municipal bonds for most of our clients. The ability to obtain that level of quality, or as high a quality on municipal bonds, requires a little more thought and research than we used to go on. In the past, you would simply identify a guaranteed municipal bond and you would not have to do any credit analysis.

As everyone has come to realize, including us, you cannot have a municipality with a credit rating higher than the insurer, and with many of the insurers no longer having a worthwhile credit rating, you need to look at the underlying municipality. We have made adjustments and focused attention on specific types of municipal bonds at this time. Looking forward, as compared to our procedure in the past, we relied not only on the municipality but on the guarantee, so we modified our willingness to hold some types of municipal bonds.

We have discussed high yield and the very attractive opportunities these investments may provide. The dislocation in the



high yield market was unprecedented. It was certainly two to three standard deviations of downside volatility and that market's illiquidity. This, combined with the excessive leverage that went on in that market, has created an opportunity that does not come along very often. When it does come along, it represents a bona fide addition to virtually any clients' portfolio. With 10% being our average high yield weight, the question then becomes do you take an allocation of 10% from your fixed income portion or do you take that from the equity allotment? This truly is an intelligently personalized implementation decision regarding the clients' risk tolerance level.

Additionally, the high yield sector brings us into other sources of credit exposure, company exposure, and company size that the corporate investment grade does not.

One of the things that we use when we compare the attractiveness of corporate bonds versus government bonds is something called an option adjusted spread. When we look at that in a seven-year maturity range, that spread is typically 100 to 150 points. Currently, it's 300 or 400 points and this is why that excess return or excess spread over Treasuries is leading us to emphasize corporate bonds and deemphasize government bonds.

One of the things that we want to mention to everybody is that Rochdale, in building fixed income portfolios for clients, acts as an agent. In that role, we buy bonds and price those bonds to our clients at our cost, while most firms mark those bonds up and earn some type of capital spread which can often be significant. The reason we bring that up is because we shop the market and on any given day we will go out to a couple different bond dealers and size and price up different offerings. We then select the dealer who has the best price quality offer for that particular day. We purchase bonds in bulk, which generally results in a better price than if the bond was purchased individually. This means our clients get an equal or better price than if they were to individually go to the respective brokerage firm and buy the bond themselves.

Let me now turn this over to David Abella who is going to talk a little bit more about some of the fixed income issues we are facing.



I would like to go over the intermediate fixed income investment grade vehicle. There is opportunity in high yield as Garrett mentioned, and I'll return to that, but let's begin with our investment grade strategy.

Similar to our approach with our dividend and income portfolio, we focus on a solid yield in the fixed income sector that is at the top of the credit senior debt. In the case of government securities, we look for the highest yielding vehicle so that we can be very assured that we have a solid yield in aggregate. Overall, that yield will be lower than riskier debt securities but it has safety characteristics that make this a very favorable asset class given the volatility in the equity markets and in the broader markets, in general.

Focusing on the solid yield is why we would be favoring corporate bonds right now because the spread over Treasuries is so attractive. We might see something yielding 2% - 2.5%, but a corporate yield might be 5.5% - 6.5%. If you feel that the credit risks are appropriate and you know the company well, this can really add value to an investor's fixed income allotment by obtaining that additional yield while taking advantage of some of the fear in the market without taking undue credit risks. There was worry last year with corporate bonds and we saw some trading down in that area. That is where we feel there could be opportunity for us to be buyers now, especially since it looks like the worst of the economic situation is behind us.

The credit system, although still wounded, does seem to be getting more and more stable each day. I believe the LIBOR spread was below 1% the other day. It had peaked to 4.82% around the time that Lehman Brothers went bankrupt, so that is an overall indication of how the credit markets have stabilized to a degree.

With that in mind, there are challenges. The slowing economy does create defaults that are high and potentially still rising, and that is something that we have to keep in mind. That is where credit risk, knowing the companies, and knowing the cash flow will be very important because it is still a bit of a choppy environment in terms of the cash flow of various companies.

Additionally, rates are low from the Treasury point of view, so to obtain higher rates you have to go into the corporate sector again and look at the credit and all the issues associated with it.

As Garrett mentioned earlier, we are not concerned with inflation in 2009 and while our views may be a little less of the market in years going forward, we do have to keep attuned to the fact that inflation could reach the high end of our expectations or even above that. We need to be poised to take advantage of that and, primarily, we would do that by having a shorter duration and having fixed income investments that mature sooner, rather than later. If interest rates rise as a result of increased inflation, then the value of the underlying bonds will go down. That way we can roll over into higher yielding fixed income securities rather than being stuck in the lower yielding securities.

So we are keeping an eye to potential inflation as we buy various securities. In looking for overall capital preservation you want to have a very diversified fixed income portfolio including investment grade credit. In looking for low volatility but adding value, it makes sense to increase yield through the buying of corporate bonds where appropriate, and certainly not taking on too much duration or too much maturity in those bonds.

One area that we are underweighted firm wide and remain underweighted versus the index, is financial service bonds. Financial service bonds that have a short maturity may be okay as long as they go through the TARP lifespan. Beyond that, we really have to think about financial service companies that may or may not make it through the stress test.

In terms of financial services, we are being cautious in the fixed income area as well, and not necessarily getting into financial service names despite the attractive yields. We seek top quality corporate companies that seem to be able to weather the storm better than most of these financial firms.

This is the general theme and accompanying challenges that we have, but overall we do feel that given the fact that investors are concerned about a volatile equity market, we are all hoping that March 5th was the low. However, we have up days where we are 6% in the black and we have down days where we are 7% in the red. That is still considered excessive volatility so we feel that investment grade fixed income is a good market in terms of the investment strategy and allocation among the different sectors of our segments of strategy.

For someone who might normally be a 60/40 investor, 60% equity - 40% debt, might be 50/50 or even 60% fixed income - 40% equity. The portfolio may be over-weighted in this asset class while we get through the tough economy.



I'd like to just offer a few summary points which David introduced. We like to think to make investments in fixed income and, provided those corporate quality credits remain good credits and are paying, as well as generating cash flow, we are not typically an active trader or seller of corporate securities. That is and has been our investment approach to fixed income. However, we are currently in a once in a 50-70 year credit experience and if the Federal Reserve Chairman doesn't know what inflation will be, we are not going to be pinned to an investment philosophy that was appropriate in normal times.

If in the future, inflation or inflation expectations ramp differently than our expectations, we will not be sitting there getting mold in our bond portfolio. We will be reducing that bond exposure or lowering the duration and ridding ourselves volatility by getting rid of the corporate bonds. So for those individuals on the call and clients in the fund, be aware that we have a buy and sell action plan if evidence warrants that, as compared to buy and hold through rising, inflation, or a double dip recession.

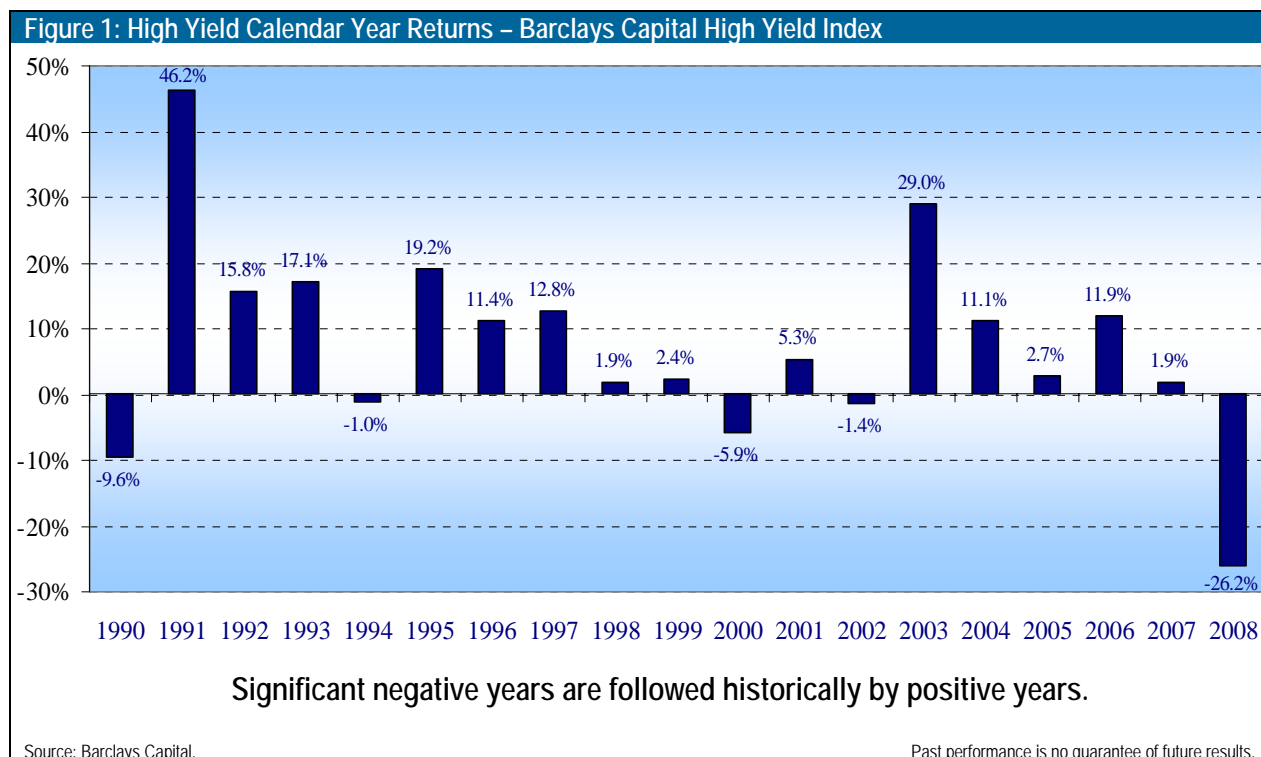
The other thing I'd like to touch on is the opportunity in the higher yield class. It is very attractive and we have partnered with two high yield credit managers who have decades of expertise, manage tens of billions of dollars in that space, and for all of our clients, its subject to the suitability criteria that's required to make that decision. We are going to be establishing a 10% allocation as the norm and then investors will be less than or more than that depending on the circumstances and factors that are relevant.

We see that as a way to compliment the fixed income and equity parts of the portfolio because it has a lower correlation

with equities and a lower correlation with traditional fixed income than either of those two by themselves. By adding a 10% allocation to this high yield category, you actually broaden the diversification of the client's overall portfolio.

Let me share some important reference numbers. For a high yield composite compared to the corporate bond aggregate, it has a 0.25% correlation and for that same high yield aggregate compared to the S&P, it has a 0.58% correlation. Those are good numbers for those that are interested in broadening out diversification.

The second reason we're adding that allocation is we are all used to seeing the "they call it the quilt chart on the equity side". It's customary or very normal for high yield to have a bad year or two followed by a subsequent two or three year period where it's one of the best performing asset classes. The data in Figure 1 below shows that very nicely.



The other thing that I'd like to highlight is unlike almost any other high yield strategy or fund out there, we have a dual mandate where we can buy either high yield bonds or senior secured bank loans. For those that have heard or listened to these Chrysler bankruptcy talks, what they have said is the senior secured bond holders were not willing to settle and that was the group that helped put the company into bankruptcy.

That senior secured position is the highest claim on all of the assets that are available to debt holders. They are above equity holders, above preferred stock holders, and above unsecured debt holders. In our strategy, we have the ability to put senior secured loans, which is not something you can buy on the stock exchange or buy on the bond market.

That is an off-market opportunity that requires a great degree of research and credit analysis. It gives us confidence as defaults and delinquencies rise. Being partially invested in these senior secured positions to compliment the high yield, our portfolio will better weather the volatility that we expect in terms of defaults and foreclosures persisting all the way through 2010.

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Important Disclosures

	Period Ended 3/31/09		Period Ended 3/31/09			
	Cumulative Return		Average Annual Total Return			
	One Month	YTD	One Year	Three Year	Five Year	Since Inception
Rochdale Intermediate Fixed Income Portfolio (RIMCX)	0.69%	-0.50%	-2.89%	2.25%	1.95%	4.67%
Barclays Capital Intermediate Government/Credit Bond Index	0.95%	-0.05%	1.96%	5.62%	3.70%	5.81%
Lipper Intermediate Investment Grade Index	1.89%	0.60%	-4.25%	2.01%	1.90%	5.46%

The unsubsidized total annual fund operating expense ratios for the Intermediate Fixed Income Portfolios is 1.19%, based on the 04/27/09 Rochdale Investment Trust Prospectus Report. Inception date 12/31/1999.

Performance quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate, so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance quoted. The most recent month-end performance can be found on our Web site at www.rochdale.com.

An investor should consider carefully the fund's investment objectives, risks, charges, and expenses. The prospectus contains this and other important information about the investment company, and it may be obtained by calling 800-245-9888, or visiting www.rochdale.com. Please read it carefully before investing. RIM Securities LLC is the affiliated broker dealer for Rochdale Investment Management LLC, 570 Lexington Avenue, New York, NY 10022.

High yield securities offer a higher yield but also carry a greater degree of risk. The utilization of leverage and short sale transactions may increase these risks. Investing in small and medium-size companies and REITs may carry additional risks such as limited liquidity and increased volatility. Investing in international companies carries risks such as currency fluctuation, interest rate fluctuation, and economic and political instability.

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