

## Fixed Income Commentary—3rd Quarter 2015

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[Click here.](#) for standardized performance. *Performance data quoted represent past performance, which 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 higher or lower than quoted. Performance data current to the most recent month-end can be obtained by calling 800.280.6111.*

The Barclays Capital U.S Intermediate Government/Credit Index posted a positive return of 0.95% for the third quarter, which was a significant improvement from last quarter's negative 0.62% return. The Rainier Intermediate Fixed Income fund returned 1.01% during the quarter, outperforming the benchmark by 0.06%.

Yields on 10-year Treasuries decreased 31 basis points, ending the quarter at a yield of 2.04%. Treasuries rallied following the release of the Federal Reserve policy statement and comments made by Chair Yellen in September. While inflation is still tracking below the Fed's 2% target, Chair Yellen seemed less concerned, and felt that it is a result of transitory factors such as low energy and import prices.

There were a number of positives for the economy, as the U.S. continues to show improvement. The employment picture remains encouraging, with unemployment at 5.1%. Nonfarm payrolls posted positive results, and while August's

measure of 173,000 was lower than expected, the payroll results for the year have been consistently above 200,000.

The rest of the world continues to be weak and conditions overseas are starting to concern Federal Reserve Chair Yellen as slowing demand, weakening currencies, and market volatility have the potential to restrain economic activity in the United States. China has yet to reverse its slowing growth and now it also has to contend with weak equity markets. During the quarter, the Chinese equity markets fell approximately 40% from their peak in June.

Returning to the U.S., corporate bonds gained 0.71%, trailing the Index by 24 basis points in the quarter. Within corporates, the major subsectors varied in performance as the more regulated financial and utility sectors returned 1.13% and 1.10%, respectively, outperforming industrials, which returned 0.39% for the quarter. Reasons for industrials underperformance include low commodity prices

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and the stronger dollar pressuring companies with exposure to international markets.

The lack of improvement in the rest of the world, combined with uncertainty about the robustness of the economic recovery domestically, continues to create doubt as to the timing for the Federal Reserve to raise interest rates. Accordingly, we will continue to gradually reduce our overweight to corporates, while maintaining our preference for sectors less exposed to international markets and commodity prices.

Opinions expressed are subject to change, are not guaranteed and should not be considered investment advice.

For a list of holdings current to the most recent quarter end, please [click here](#). Fund Holdings and sector weightings are subject to change at any time due to ongoing portfolio management. References to specific investments or other funds should not be construed as a recommendation of the fund or the Adviser to buy or sell securities. **Current and future portfolio holdings are subject to risk.**

**Mutual fund investing involves risk. Principal loss is possible. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investments in asset-backed and mortgage-backed and asset-backed securities may involve additional risks such as credit risk, prepayment risk, possible illiquidity and default, as well as increased susceptibility to adverse economic developments. Investments in foreign securities involve greater volatility and political, economic and currency risks and differences in accounting methods.**

The Barclays Capital U.S. Intermediate Government/Credit Bond Index that includes all bonds covered by the Barclays Capital U.S. Government/Credit Index with maturities between one and 9.99 years. The Citigroup 3-month Treasury Bill Index (91-day U.S. Treasury Bill Index) is an unmanaged index of equal dollar amounts of three-month Treasury bills purchased at the beginning of each of three consecutive months. The principal and interest payments of government securities are guaranteed, while the Fund offers no such guarantee. Index vendor sources may vary, resulting in slight variations in the index returns that are displayed in performance reporting for the Rainier Funds. The Indices are not available for investment and do not incur charges or expenses.

Basis Point: One-hundredth of one percent, or 0.01%. For example, 20 basis points equal 0.20%. Yield is the income return on an investment. This refers to the interest or dividends received from a security and is usually expressed annually as a percentage based on the investment's cost, its current market value or its face value.

*Must be preceded or accompanied by a prospectus.*

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