# High Falls Meeting on Fixed Income Fund

A Kodak retiree attended a seminar led by Jim Englert, High Falls Advisors, which addressed the changes to the fixed income fund. Here is an informal and unofficial set of notes from that meeting. Use them at your own risk.

Kodak Retiree Friends,

I attended a brief seminar this afternoon led by Jim Englert, High Falls Advisors that addressed the changes to the fixed income fund. Here are a few points that I heard, in case you weren't aware:

The Short-Term Bond Fund (replacement for fixed Income Fund) will consist of:

  - 50% U.S. Gov. Bonds
  - 40% U.S. Investment Grade Corporate Bonds
  - 10% AAA-rated U.S. Asset-Backed Securities

- All 1-5 year maturities (eventually), and each intended to track a Barclay's index. Expense ratio will be a mere 0.12%
- Not wise to speculate in Kodak stock, even at $0.35.
- SIP annual admin fee to increase to $65.
- With the wrappers, the Fixed Income Fund was generally priced at face value. But as the wrappers come off, with interest rates being low, there's a possibility that the fund value could tick up slightly when Fixed Income Fund converts to Short-Term Bond Fund February 1. So if you were in Fixed Income Fund now, I'd suggest hanging in there through February 1 and hope for a bit of upside. That shouldn't be any downside to that.
- Initially, the bonds/securities in the STBF will be essentially the same as those in the FIF, just without the wrappers. But since the FIF had bonds up to 30 years maturity, they'll need to sold off over time to get down to the targeted 1-5 year maturities for the STBF, and perhaps there would need to be an adjustment to the weighted mix among Gov., Corp, and Asset Backed Securities (I don't know what the current mix is within the FIF).
- As the Fixed Income Fund goes away (FIF was unique to SIP and generally not available in the open market), SIP will no longer have any unique offerings (and SIP does have a limited investment options, and a couple of other minor limitations), although it will still have very low expense ratios.
- While "taking the wrappers off" of the Fixed Income Fund does not in itself change the underlying bonds/securities in the fund, fund values will then be more variable day-to-day (as interest rates bounce around), but over time the Short-Term Bond Fund should deliver the same returns as the Fixed Income Fund would have. The only other difference I can see over the long term is that the corporate bond maturities in the FIF that currently exceed 5 years (some go to 30 years), will need to be sold since the STBF target is for maturities to not exceed 5 years ... thus I would expect the yield on the STBF to be slightly less, eventually, due to the shorter maturities.
- Particularly with the unwrapping of the FIF securities, there is unlikely to be any disruption to the accessibility of SIP funds during the bankruptcy proceedings. (Or if so, it should be very brief.)

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- There really is no need to take any action unless you would want your Fixed Income Fund amounts to move into something other than the Short-Term Bond Fund. If for any reason you think you may want to make any changes within SIP or rollover to another IRA account, should take your time to do your research and make sure you're comfortable with any changes you may elect to make.
- My bottom line thoughts: If you're in the Fixed Income Fund, hang onto it through Feb 1st. No strong reason to leave SIP, but no strong reason to stay either. So since SIP investment options are a bit limiting, I'm probably going to look into what's available through Fidelity, Vanguard, and T Rowe Price funds (which I'm already pretty heavily into, for me), particularly looking at ETF's, and see if I find more fund/ETF options that I like, with low expense ratios. If I do find better options at low expense ratios, then I' droll over SIP.