

## Investment Strategy Overview: High Grade Core Intermediate

### Strategy Concept and Review

Small to medium sized foundations and not-for-profits have been under increasing pressure to generate strong investment returns to ensure they can achieve their missions. Some of that pressure is caused by inflation in program costs, but it is also due to unusually low domestic interest rates over the past five years, and weak stock performance. The total return of the S&P 500 over this decade through the end of March 2008, including dividends, has essentially been flat. While the largest foundations and not-for-profits have chosen to diversify away from traditional asset classes both to enhance returns in this environment, and to better diversify their portfolios, smaller not-for-profits often do not have access to these choices. Some have chosen not to pursue this path due to a variety of reasons including the liquidity and safety needs of the smaller foundation. As a result, these smaller institutions have frequently emphasized fixed income to a greater extent than their larger brethren.

With regard to fixed income investments, smaller foundations and not-for-profits have responded to this low yield, low return situation in a variety of ways, yet the character of those choices falls into two broad categories: some have reached for yield by investing in lower quality instruments. As events have shown, this path can be fraught with extreme difficulties and surprises of a most unkind nature. Other institutions limited investments to highly rated instruments, but allowed their managers to pursue opportunities in structured securities such as asset backed securities, or commercial mortgages. Recent events in the fixed income markets have served as a reminder that these high quality strategies, or formerly high quality strategies, can hold considerable credit and structural risks as well.

Our conclusion, and the way we have managed portfolios for these institutions since the start of our firm, is that a conservative mandate can only be achieved with time tested conservative investments. Furthermore, it is our experience that the leadership of small to medium sized entities value quality, transparency, dependability of cash flows, and the ability to customize a portfolio to meet specific operating and liquidity needs. If some degree of inflation protection can be built into the strategy when it is appropriate, so much the better. Over the past three years, we have managed Samson's High Grade Core Intermediate portfolios using an investment process developed specifically to serve the needs of these smaller institutions. Our track record, shown above, reflects that investment process.

The conservative bond portfolios we manage are benchmarked against the Lehman Brothers Intermediate Aggregate Index (a reflection of the investment grade bond universe with effective maturities from 1-10 years). In contrast to larger institutions which often use the Lehman

### Performance Summary

	HGCI Comp (Gross)	HGCI Comp (Net)**	LB Int. Agg.
2005	1.95%	1.59%	2.01%
2006	4.33%	3.97%	4.58%
2007	8.10%	7.73%	7.02%
YTD 2008*	2.74%	2.65%	1.96%

### Annualized Since Inception\*

	<b>5.26%</b>	<b>4.89%</b>	<b>4.91%</b>
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\* As of 3/31/2008

\*\* Performance calculated net of investment management fees of 0.35% annually.

### Strategy Concept

- **Quality, transparency, dependability and the ability to customize portfolio to meet specific operating and liquidity needs**
- **Conservative approach targeting small to mid-size institutions**

### Active Management

- **Fundamentally derived outlook**
- **Quantitative portfolio structure modeling and oversight**
- **Relative outperformance**

Aggregate (which includes bonds with effective maturities greater than 10 years), we focus on more conservative intermediate duration securities, and as a result, an intermediate benchmark. While our approach is careful, our active management strategy adds value beyond the benchmark. As the table to the right shows, our process, which we will describe in greater detail, has generated a healthy compounded return.

The pillars of our conservative approach rest on solid quantitative and fundamental foundations:

### 1. Investment planning process

Our fundamentally based market outlook is constructed during our Investment Committee (IC) quarterly planning process and reviewed at our weekly meetings. This process informs our duration, yield curve, and sector outlook. We view duration movement as a blunter instrument, and so we more tightly constrain our duration relative to the benchmark.

### 2. Duration and Yield Curve Management

Our Treasury and Agency positions are the main tools we use to manage duration and yield curve strategy. These instruments are highly liquid and in using them, portfolios can be repositioned easily with low transaction costs. This facilitates the active curve strategy we employ. The key rate duration chart to the right compares the barbell yield curve strategy we had in place on March 31, 2005 when we believed the curve would flatten, with the bullet yield curve strategy we had in place at the end of 2007 when we were still largely positioned for a steeper curve environment. In recent weeks we have begun to reduce our pronounced, bulleted posture.

### 3. Corporate and Mortgage Sector Management

Our quantitative approach to managing corporate and mortgages seeks to provide our clients with the overall returns of those sectors over complete market cycles, while maintaining individual positions large and liquid enough to meet their specific operating needs. Consistent with our goals of providing transparency and liquidity to our clients, we generally invest in the deeper, more liquid issues in the corporate market. Furthermore, as part of our conservative approach, we do not purchase BBB securities for these portfolios.

While we concentrate our Mortgage (MBS) positions in a limited number of mortgage pools, all pools are selected and monitored for favorable prepayment rates and geographic diversification. Using these building blocks, we then use key rate duration analysis to ensure that our corporate and mortgage exposures are consistent with the benchmarks and that we have no unintended curve bets in these positions. The chart to the right shows our MBS key rate durations and how it compares to the benchmark.

### 4. Sector Allocation Strategy

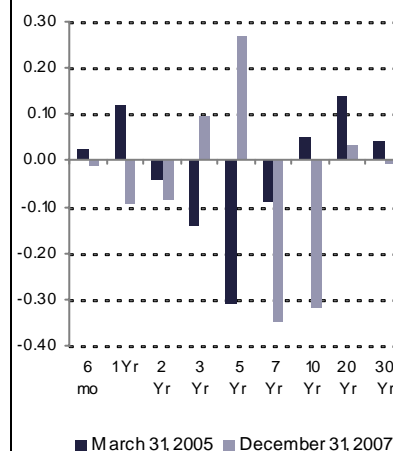
Active sector rotation is an important way that we add value. We employ a contribution to duration analysis as another quality control check to

### Characteristics Overview (12/31/2004-3/31/2008)

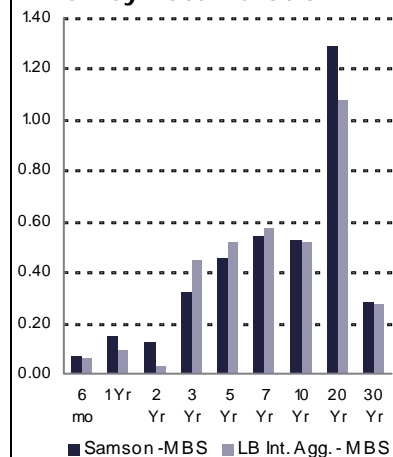
	HGCI Comp (Gross)	HGCI Comp (Net)	LB Int. Agg.
<b>Annual Total Return</b>	5.26	4.89	4.91
<b>Standard Deviation</b>	2.37	2.37	2.35
<b>Sharpe Ratio</b>	0.51	0.36	0.37

Performance calculated net of investment management fees of 0.35% annually.

### Key Rate Duration Model Portfolio-LB Int. Agg.



### MBS Key Rate Duration



ensure that each portfolio we manage is built according to the overall rate and spread sensitivity of our model portfolio strategy. For example, the chart to the right shows how our contribution to duration allocation evolved throughout 2007 and into 2008.

At the start of 2007, we were concerned that credit spreads were too tight and were likely to widen. As a result, we were underweighted in corporates (and corporate contribution to duration) and overweighted in Treasuries. Much of our Treasury allocation was composed of Treasury Inflation Protected Securities. This was consistent with our view that inflation protection was cheap.

By the middle of 2007, it became increasingly clear that our concerns about credit spreads were correct and that the Federal Reserve's tightening policy had begun to take a bite out of the economy. We prepared our portfolios for the possibility that the Fed would ease, and that spreads would widen considerably. As the contribution to duration analysis chart shows, by June 30<sup>th</sup> we had significantly increased our Treasury allocation. As the tug of war between an economic slowdown in the US and strong growth overseas unfolded, our portfolios were positioned to perform with underweights to credit and overweights to nominal and inflation protected Treasuries.

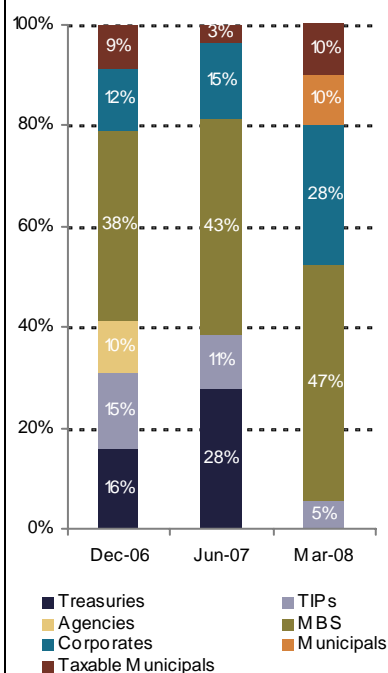
While these strategies remained largely in place through year-end, in the last weeks of the year we acknowledged that Treasuries were becoming overvalued and we began an important strategic shift to tax-exempt municipal bonds. While it is rare to purchase tax-exempt municipals for institutional clients, this segment had become so cheaply valued, that we believed they had become a more appropriate defensive measure than Treasuries in this environment. As the chart to the right shows, we made a strategic allocation to municipals at yield levels well above treasuries.

As a result, by March 31<sup>st</sup>, we had increased tax-exempt municipals significantly and reduced Treasuries further. Importantly, with corporate spreads at their widest levels of the decade, and with the Fed in the midst of an aggressive easing campaign and fiscal stimulus on the way, during the first weeks of the year we finally increased corporates to an overweight for the first time since the founding of our firm in 2004.

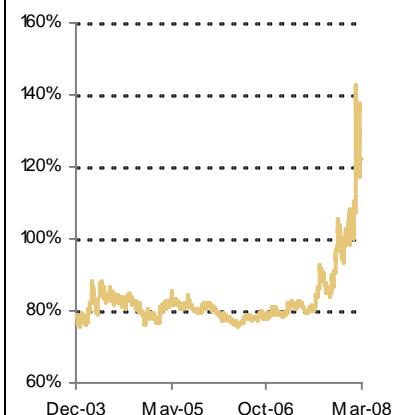
## 5. Judgment and experience

Finally, we add value by having the judgment to exclude sectors in our approach: Just because the benchmark includes asset backed securities and commercial mortgages (CMBS), does not mean that they are appropriate investments for small to medium sized institutional clients. As the saying goes, "If someone told you to jump off the Brooklyn Bridge would you do it?". Independent thought is an important part of our investment process, and while it is essential we explain why our performance is better or worse than a benchmark, we should not buy securities just because they are in the benchmark. As the chart on the next page shows, avoiding CMBS was an important part of our relative outperformance in the first months of 2008.

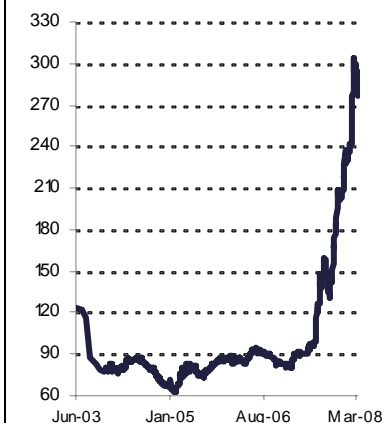
**Contribution to Duration**



**Municipal/Treasury Ratio (12/31/2003 – 3/31/2008)**



**Corporate Spreads to Treasuries (6/30/2003 – 3/31/2008)**



While we employ many institutional techniques in the management of small to medium sized institutional portfolios, the investment process we have designed remained flexible enough so that each client can be confident that the portfolio is sufficiently liquid to meet their own operating needs, and that guidelines can be customized to meet their own risk/return preferences. In a world where taxable fixed income strategies are increasingly offered by a decreasing number of ever larger firms, we are pleased to offer this boutique strategy to our clients.

Jonathan E. Lewis, Principal

Data Source: Lehman Brothers®, Bondedge®

*No representation or assurance is made that Samson High Grade Core Intermediate Strategy will or is likely to achieve its objectives, or will make a profit or will not sustain losses. Any statements regarding future events constitute only subjective views or beliefs, are not guarantees or projections of performance, should not be relied on, are subject to change due to a variety of factors, including fluctuating market conditions, and involve inherent risks and uncertainties, both general and specific, many of which cannot be predicted or quantified and are beyond our control. Future results could differ materially and no assurance is given that these statements are now or will prove to be accurate or complete in any way. Samson does not provide tax, accounting or regulatory advice. ANY TAX STATEMENT CONTAINED HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY PERSON, FOR THE PURPOSE OF AVOIDING TAX PENALTIES.*

*Past performance is not indicative of future results. Any benchmarks or indices shown are for illustrative purposes only, are unmanaged, assume reinvestment of income, and have limitations when used for comparison or other purposes because they may have volatility, credit or other material characteristics (such as number and types of securities) that are different from (HGCI). Certain information is based on third-party sources and, although believed to be reliable, it has not been independently verified and its accuracy or completeness cannot be guaranteed. This information is confidential, is intended only for intended recipients and their authorized agents and may not be distributed to any other person without our prior written consent.*

#### High Grade Core Intermediate Composite

Schedule of Investment Performance for the Period 1/01/05–12/31/07

Primary Benchmark: Barclays Capital Intermediate Aggregate

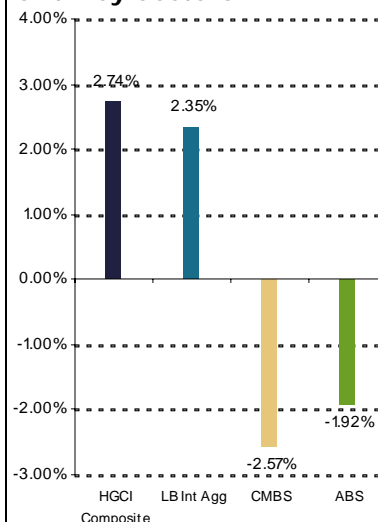
Year End	Total Firm	Composite Assets		Annual Performance Results Barclays		
	Assets (millions)	USD (millions)	Number of Accounts	Composite Gross	Capital Int. Aggregate	Composite Dispersion
2007	3,653	33	5 or Fewer	8.10%	7.02%	N.A.
2006	3,105	45	5 or Fewer	4.33%	4.58%	N.A.
2005	2,588	52	6	1.95%	2.01%	N.A.

N.A. - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

#### 1) Basis of Presentation

Samson Capital Advisors LLC (the "Firm") is an SEC registered investment adviser. The firm has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®). This presentation of investment performance sets forth the time-weighted rates of returns for the High Grade Core Intermediate Composite (the "Composite") for the period shown. Past performance is no guarantee of future results and may differ in future time periods. Additional information regarding the Firm's policies and procedures for calculating and reporting performance results is available upon request.

#### Samson High Grade Core Int. Composite vs. LB Int. Agg. and Key Sectors



## 2) Selection Criteria and Valuation Procedures

The Composite consists of all fully discretionary, fee paying separately managed accounts in the High Grade Core Intermediate style. The High Grade Core Intermediate strategy is a relative return focused mandate appropriate for investors with an indefinite investment horizon, seeking to maximize return with a lower degree of principal volatility than typical aggregate market strategies. For comparison purposes, the composite is measured against the Barclays Capital Intermediate Aggregate Index. The minimum account size for this composite is \$2.5 million.

Eligible new portfolios are added to the Composite at the start of the first performance measurement period following the date that the portfolio is fully invested as defined by the Composite strategy. Securities listed on any national exchange are valued at their last trade price. Securities that are not listed are valued at the most recent publicly quoted bid price. Securities transactions are recorded on a trade date basis. If applicable, dividend income is recorded as of the ex-dividend date. Returns reflect investment of dividends and other earnings. The High Grade Core Intermediate Composite was created September 30, 2005. Samson Capital Advisors LLC's compliance with the GIPS standards has been verified for the period June 1, 2004 through September 30, 2008 by Ashland Partners & Company LLP. In addition, a performance examination was conducted on the High Grade Core Intermediate Composite beginning October 1, 2004. A copy of the verification report is available upon request.

## 3) Calculation of Rates of Return

Composite returns are expressed in U.S. dollars. For each portfolio within the Composite, the total rate of return for the time period is equal to the change in market value of the portfolio, including capital appreciation, depreciation and income, as a percentage of the beginning market value of the portfolio, adjusted for the net of all contributions and withdrawals (the "cash flows"). Each cash flow is weighted from the actual date of contribution or withdrawal in the month that it occurred. The results for the Composite for all periods are shown net of withholding taxes, where applicable, on dividends, interest, and capital gains.

The composite policy requires the temporary removal of any portfolio incurring a client initiated significant cash inflow or outflow of at least 15% of portfolio assets. The temporary removal of such an account occurs at the beginning of the month in which the significant cash flow occurs and the account re-enters the composite at the beginning of the month, after full investment. Additional information regarding the treatment of significant cash flows is available upon request.

Actual returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. The collection of fees produces a compounding effect on the total rate of return net of management fees. As an example, the effect of investment management fees on the total value of a client's portfolio assuming (a) quarterly fee assessment, (b) \$1,000,000 investment, (c) portfolio return of 8% a year, and (d) 1.00% annual investment advisory fee would be \$10,416 in the first year, and cumulative effects of \$59,816 over five years and \$143,430 over ten years. Additional information regarding the policies for calculating and reporting returns is available upon request. The management fee schedule is as follows: 0.40% on the first \$10 million, 0.30% on the next \$10 million, and 0.25% thereafter. Actual investment advisory fees incurred by clients may vary.

Rates of return are calculated on a "time-weighted" basis for all portfolios which comprise the Composite. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Time-weighted rates of return minimize the effect of cash flows on the investment performance of the portfolio. Monthly Composite rates of return are computed by taking an asset-weighted average of each portfolio's monthly rate of return within the Composite, utilizing their respective beginning market values for the period. Annual Composite rates of return are derived by geometrically linking monthly Composite rates of return.

The standard deviation of comparable performance over time is a measure of dispersion. This calculation measures the fluctuation of the rates of return of portfolios with the Composite in relation to the average return. Dispersion is not shown for composites with less than 5 portfolios for a full year.

## 4) Composite Benchmark

Composite returns are benchmarked against the Barclays Capital Intermediate Aggregate Index.

The Barclays Capital U.S. Intermediate Aggregate Index is an unmanaged index that represents the U.S. domestic investment-grade bond market. It is comprised of the Barclays Capital Government/Corporate Bond Index, Mortgage-Backed Securities Index, and Asset-Backed Securities Index, including securities that are of investment-grade quality or better, have at least one year to maturity, and have an outstanding par value of at least \$100 million. Please note that indices do not take into account any fees and expenses of investing in the individual securities that they track, and that individuals cannot invest directly in any index. Data about the performance of these indices are prepared or obtained by NBM and include reinvestment of all dividends and capital gain distributions. The Fund may invest in many securities not included in the above-described indices. Effective November 3, 2008 Barclays Capital announced the combination of the existing Lehman Brothers indices with the Barclays Capital indices into a single platform under the "Barclays Capital Indices" name. The renamed Lehman Brothers indices will continue to operate under their existing methodology. The index name changes will be reflected in all updates going forward.

## 5) List of the Firm's Composites

In addition to the Composite, the Firm provides investment management services utilizing different strategies. A complete list and descriptions of the Firm's composites are available upon request within a reasonable time frame.