

## High Grade Core Intermediate Strategy

In many ways, the U.S. economy remains on life support. Though the worst moments of the financial and economic crisis appear to be behind us, our banking system remains dependent on lifelines to the Federal Reserve and the Department of Treasury. Unemployment is at the highest levels in decades. Consumer spending remains tepid at best and those lucky enough to still have jobs are working to rebuild their battered balance sheets. The Federal Reserve has remained steadfast in its historic policy of quantitative easing, maintaining the Federal Fund rate near zero. The U.S. Dollar has resumed its fall as investors around the world worry about the uncertain role of the greenback in the world currency reserve system of the future.

Though inflation as measured by CPI remains very low, investor concerns about inflation are growing and commodities have been rallying sharply. As our past research report, The Dollar In Historic Perspective, highlighted, periods of protracted dollar weakness are generally associated with rising inflation, buoyant commodity markets, and challenges to the world currency system. In certain key ways, this Dollar slump appears to be playing out in a manner consistent with the broad outlines of history. It is among the reasons we maintain a TIPS allocation as a core portion of our strategy at this time.

During this period of continued uncertainty, we have implemented an active sector rotation strategy to manage risk and generate returns comparable to our benchmark, but with less volatility, credit risk and security structure risk. As the table to the right shows, while our return for the period fell short of our benchmark, we generated a return well in excess of the benchmark minus the kinds of bonds we do not purchase: BBB corporates, asset backed securities, and commercial mortgages.

In the last commentary for our High Grade Core Intermediate Strategy, we explained that conservative investors should rethink how they view their safe haven fixed income allocations. Traditionally, U.S. Treasury securities were viewed as the flight to quality, or safe haven security of choice. As we noted in the past, we believe investors need to develop a more diversified safe haven strategy. At a time when the U.S. remains in the midst of the greatest crisis in generations, when the U.S. Dollar is increasingly challenged as the world's reserve currency, and when even the nation's AAA credit rating is under question, we think it is appropriate to reconsider safe haven investing. As the pie charts on the next page show, we have increased our allocation to safe havens (identified as Sovereigns) significantly over the past several months. On September 30<sup>th</sup>, we had no U.S. Treasury allocation, but we did hold a very large allocation to U.S. Dollar denominated sovereigns issued directly, or supported by the major OECD nations. In addition to bonds issued by sovereign nations, we also invested in bonds issued by the World Bank, which benefits from the credit support of several major nations. Importantly, we purchased these bonds at

### Performance Summary

		YTD 2009*
HGCI Comp	Gross	5.11%
	Net**	4.83%
Barclays Int. Agg		5.90%
Int. Agg Ex BBB		4.88%
Int. Agg Ex BBB/CMBS/ABS		4.05%

### Fixed Income Performance

	YTD		
	2008	2009*	Cum.***
U.S. TSY			
30 Year	+41.25%	-19.04%	+14.36%
10 Year	+20.06%	-6.40%	+12.38%
5 Year	+13.97%	-0.72%	+13.15%
Agy. MBS	+8.34%	+5.29%	+14.07%
Muni 5 Yr	+5.78%	+6.81%	+12.99%
<b>Int. Agg</b>	<b>+4.86%</b>	<b>+5.90%</b>	<b>+11.05%</b>
Int. Corp.			
Aaa	+5.34%	+1.37%	+6.79%
Aa	+0.70%	+8.43%	+9.20%
A	-5.55%	+13.81%	+7.50%
Baa	-9.25%	+24.91%	+13.36%
ABS	-12.72%	+23.07%	+7.42%
CMBS	-20.52%	+24.38%	-1.14%
High Yield	-26.16%	+48.98%	+10.01%
S&P 500	-36.99%	+19.27%	-24.85%

\* As of 9/30/2009

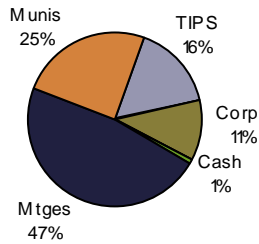
\*\* Performance calculated net of investment management fees of 0.35% annually.

\*\*\* 1/1/2008-9/30/2009

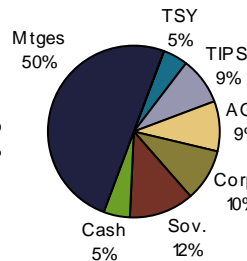
attractive spreads to U.S. Treasuries and even agencies. Our large allocation to this sector was at the expense not only of Treasuries but also U.S. agency securities, a sector whose valuation in our view has been increasingly affected by Federal Reserve intervention in the markets in our view.

### High Grade Core Intermediate Sector Rotation

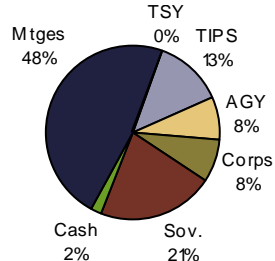
December 31, 2008



July 2, 2009



September 30, 2009



While we believe our decision to allocate a substantial portion of our portfolios to this new safe haven basket is grounded in a strong fundamental viewpoint, the table to the above right highlights interesting market confirmation of our concept as embodied in the pricing of credit default swaps for sovereign issuers as of September 30<sup>th</sup>. In essence, credit default swap spreads reflect the market pricing for buying insurance on a sovereign issuer. The higher the spread as measured in basis points, the greater the risk. As the table shows, the market pricing for sovereign default risk is fairly comparable for the U.S., Germany, France, and Norway. While Australia, Japan, Italy and Spain are wider, the probability of default implied by these spreads remains in the single digits. In all of these cases, it has been possible to purchase bonds issued by some of these issuers in recent months, at spreads wider than the cost of credit default insurance. In other words, investors have been more than compensated for any additional risk of default.

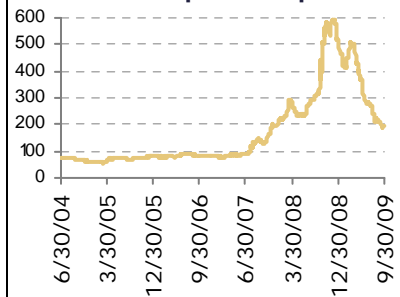
Though we have maintained a very defensive credit posture in our portfolios, we are in the minority. As the spread charts to the right show, credit spreads continued to narrow throughout the quarter in sympathy with the rebound in equity prices that has occurred. While we may question whether or not the current state of the economy justified spreads returning to levels that existed before the start of this crisis, we can not question the waves of liquidity that have driven them to this point. As the chart on the lower right highlights, flows into taxable bond funds reached historic levels this year as many investors aggressively rebalanced their portfolios toward fixed income. Only time will tell if the fundamentals catch-up with the liquidity driven spread rally that has unfolded. As conservative, fundamentally oriented investors, we would prefer to stay at the sidelines and let our rich/cheap disciplines guide us away from trouble.

And where might trouble come from? Simply put – more supply. Issuance for a variety of fixed income sectors is likely to remain at very high levels in 2010. When we consider the historic waves of liquidity that have driven

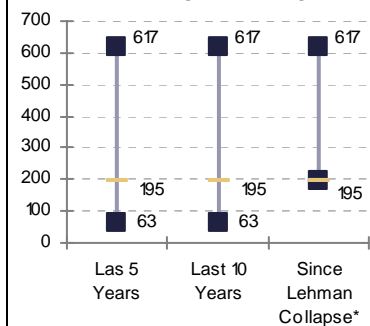
### Sovereign Issuers

Country	5 Year CDS Spread	Probability of Default In Next 5 Years
Norway	17.1	1.48%
United States	19.2	1.67%
Germany	20.6	1.78%
France	23.2	2.00%
Australia	31.7	2.73%
Japan	48.2	4.12%
Spain	67.7	5.74%
Italy	68.0	5.77%

### A-Rated Corporate Spread

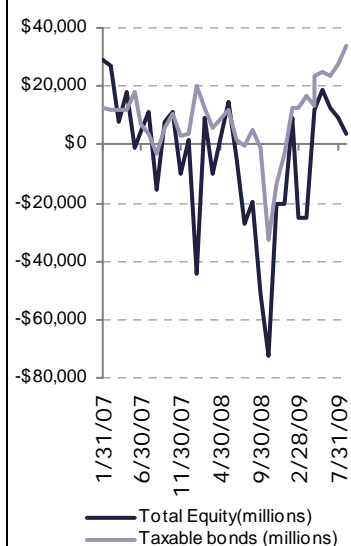


### A-Rated Corporate Spread



\*9/12/08-10/21/09

### Flows into Taxable Bonds



spreads tighter, we need to also consider the possibility that renewed supply could come at a time when investors are less supportive of fixed income. While asset reallocation towards equities may seem unlikely given the continued severity of our crisis, it may only take a modest reduction in capital allocated to fixed income to drive spreads wider in a higher supply environment.

Jonathan E. Lewis  
Principal

October 29, 2009

Data Source: Barclays Capital®, 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.*

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#### High Grade Core Intermediate Composite

Schedule of Investment Performance for the Period 1/01/05–12/31/08

Primary Benchmark: Barclays Capital Intermediate Aggregate

Year End	Assets (millions)	USD (millions)	Number of Accounts	Composite Gross	Barclays Capital Int. Aggregate	Composite Dispersion
2008	4,525	94	9	3.66%	4.86%	0.15%
2007	3,653	33	Five or Fewer	8.10%	7.02%	N.A.
2006	3,105	45	Five 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.

#### 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.

Benchmarks are shown for illustrative purposes only, may not be available for direct investment, 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 the Strategy. Information is as of the date hereof unless otherwise indicated. Certain information is based on data provided by 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 the Manager's prior written consent. Notwithstanding and foregoing, the recipient and their authorized agents may disclose to any and all persons, without limitation of any kind, the structure and tax aspects of the transactions described herein and all materials of any kind that are provided by Samson to the recipient related to such structure and tax aspects.

### 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.