2nd Quarter 2010 Review and Outlook

SAMSON
CAPITAL ADVISORS

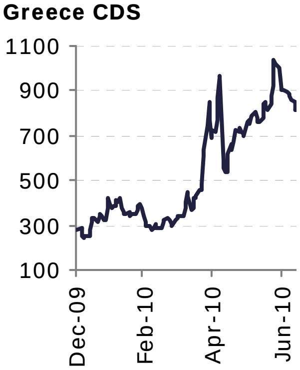
High Grade Core Intermediate Strategy

Greece and stocks – did anything else matter in the second quarter of 2010? As the charts below highlight, fears of a default by Greece surged, stocks fell sharply, and Treasury yields fell to their lowest levels since the first weeks of 2009.

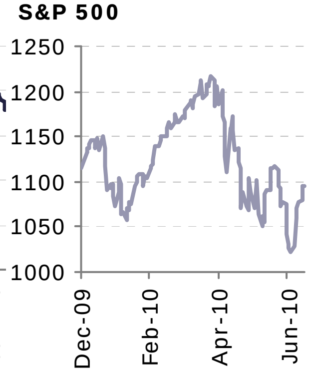
As the data to the right shows, this was a favorable environment for our value oriented conservative style as we outperformed the benchmark by a modest amount for the period by generating a gross return for the quarter of 3.03%, as compared to the 2.92% return for the Barclays Capital Intermediate Aggregate Index. While the year to date numbers show that we are still lagging a benchmark that includes the riskier sectors that we avoid (BBB corporates, ABS, and CMBS), we have generated a return comparable to the index excluding those sectors. As we will discuss further below, this was an environment of spread widening and we added to spread positions opportunistically, but, given the concerns that gripped the market, we decided to refrain from moving aggressively into corporates and found more conservative opportunities to add value.

Risk aversion was indeed warranted: Market psychology became so grim that investors began to discount not only a collapse of Greece, but the Euro as a currency. As readers of our currency commentary know, the collapse of the Euro is in our view an unlikely event, but fast money investors (such as hedge funds) seized the opportunity and drove the currency down to its lowest levels in years. The worst oil spill in U.S. history not only devastated the Gulf coast and the price of British Petroleum bonds, but added a dark exclamation point to a series of grim events. The turnaround in investor psychology was particularly evident in the sharp drop in the yield of the 2-Year Treasury note, a security particularly sensitive to expectations of economic growth and policy action by the Federal Reserve. As the chart below shows, 2-year yields fell from a peak of nearly 1.2% to about 0.6% by the end of the quarter. Though the Treasury market began the quarter discounting a recovery and Fed tightening, it ended the quarter with a recession outlook.

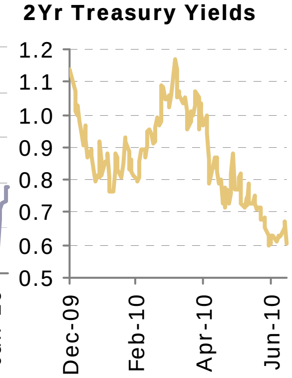
Greece CDS



S&P 500



2Yr Treasury Yields



Performance Summary

		2Q 2010	YTD 2010
HGCI Comp	*Gross*	3.03%	4.10%
	*Net**	2.95%	3.92%
Barclays Int. Agg		2.92%	4.78%
Ex BBB		2.94%	4.69%
Ex BBB/CMBS/ABS		2.96%	4.44%

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

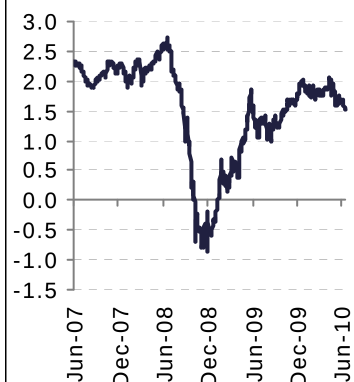
Fixed Income Performance

	2008	2009	YTD 2010
U.S. TSY			
30 Year	+41.25%	-25.88%	15.19%
10 Year	+20.06%	-9.76%	9.43%
5 Year	+13.97%	-1.35%	6.46%
Agy. MBS	+8.34%	+5.89%	4.46%
Muni 5 Yr	+5.78%	+7.4%	2.46%
Int. Agg	**+4.86%**	**6.46%**	**4.78%**
Int. Corp.			
Aaa	+5.34%	1.00%	6.08%
Aa	+0.70%	9.54%	3.90%
A	-5.55%	15.67%	4.99%
Baa	-9.25%	28.26%	5.71%
ABS	-12.72%	+24.72%	4.81%
CMBS	-20.52%	+28.45%	12.14%
High Yield	-26.16%	58.21%	4.51%
S&P 500	-36.99%	+26.47%	-6.64%

From a value perspective, we noted in our May commentary that we entered the 2nd quarter with our largest allocation to Treasury securities in some time. We explained that we initiated this allocation due to our evaluation that at a time when spread sectors are richly priced to Treasuries, an allocation to the sector becomes warranted despite the low rate environment. This value discipline led us to 24% exposure to Treasuries at an appropriate time.

The plunge in Treasury yields and the widening of spreads that occurred changed our view toward the sector: Though we maintained a comparable allocation to Treasuries by the end of the quarter, we had reduced the interest rate sensitivity of our position considerably. Though the duration of our Treasury allocation began the quarter at nearly four years (comparable to the Intermediate Treasury Index duration), by the end of the quarter we had reduced our Treasury sector duration by nearly half to two years. We believe the economy may have decelerated, but a recession is not beginning. As a result, treasury yields at safe haven levels are not consistent with our internal valuations of the market.

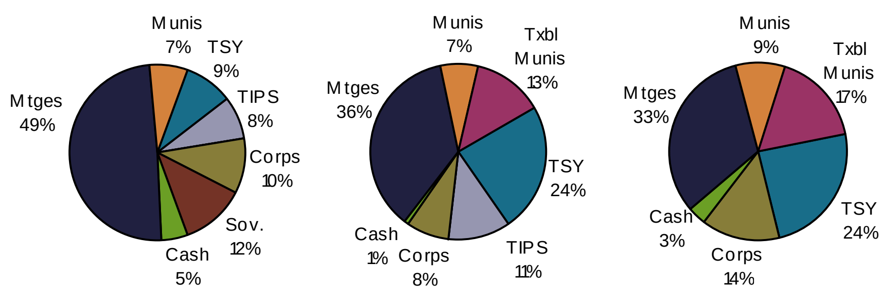
5 Year TIPS Breakevens



As the charts below on sector rotation demonstrate, we used the spread widening that occurred as an opportunity to increase our allocations to securities that will enhance the yield and income stream of the portfolios we manage. In large measure we funded these purchases through the elimination of our exposure to Treasury Inflation Protected Securities (TIPS). Though TIPS have been an important part of our tool kit, we eliminated exposure to the sector in part due to our concerns that in the short term CPI would trend lower, which it did, and as a result TIPS would underperform nominal Treasuries, which also occurred.

High Grade Core Intermediate Sector Rotation

December 31, 2009 **March 31, 2010** **June 30, 2010**



Risk management and relative value concerns played the determining role in the decision to increase our allocation to spread sectors through Build America Bonds and high quality corporates, rather than through mortgage backed securities (MBS). MBS spreads remain at their tightest historical levels, yet at some point the Federal Reserve will begin to reduce its exposure to the sector and sell into an overvalued market. As readers will recall from our last commentary, the Fed has purchased well over $1 trillion in MBS in order to stabilize the market. For perspective, the size of the MBS market as measured by the Barclays U.S. MBS Index is about $5 trillion. We would rather not be overweight this sector when the largest MBS owner begins to liquidate a position equivalent to about 20% of the market. The purchase program ended on March 31st, the selling has yet to begin.

With regards to our corporate allocation, we increased exposure to neutral to the benchmark for the first time since the 2008 crisis. As a risk averse manager with a focus on principal preservation, we felt it prudent to wait for a reasonable valuation in conjunction with stable, if lukewarm, economic data. We brought our allocation to neutral as spreads widened and valuations on a 12 month trailing basis moved from rich to fairly valued. The chart to the right showing A-rated corporate spreads within a rich/cheap basis highlights this aspect of our decision making process.

We have refrained from moving to a material overweight position in the corporate sector in part due to our rich/cheap framework, but also due to growing concerns about liquidity in the sector. Data released recently by the Federal Reserve shows that the 18 primary U.S. government bond dealers have sharply reduced the size of the corporate bond inventories they are willing to hold. In October 2007 these dealers held peak inventory positions of $235 billion. As of June 30th, the same group of dealers held just $80 billion in corporate bonds. When dealers are less willing to hold positions, liquidity in the market worsens. We are concerned that any material shift away from the sector could lead to material underperformance, or even worse, an inability to rebalance positions. Our defensive investment process places a great premium on liquidity and as a result we will be very cautious about building larger corporate positions.

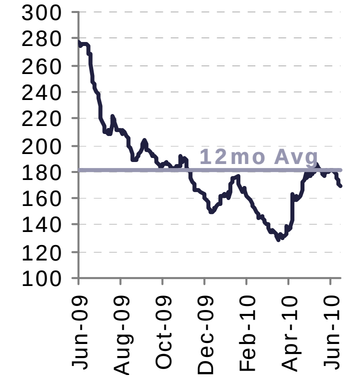
The most important component of our spread allocation is our Build America Bond position. We do not believe high quality municipals are the next Greece, and we are confident that taxable municipal bonds with valuations cheaper than higher risk corporate bonds are a very good opportunity for conservative investors. We were even able to add to our tax-exempt municipal positions at yields above Treasuries during the quarter. Given the likelihood that taxes will go up, rather than down, we think there will be ample demand for tax exempt municipals and these bonds will perform well. As a result of these allocations, our strategy is less sensitive to Treasury duration and more sensitive to spread sector duration relative to the benchmark. This will help us to preserve value if Treasury yields normalize, while generating a yield consistent with the benchmark with much less credit risk and security structure risk.

Jonathan E. Lewis
Principal

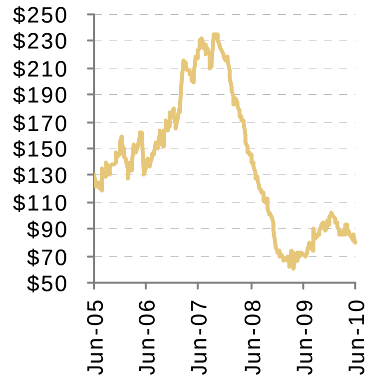
July 20, 2010

Data Sources: Barclays Capital®, Bloomberg®

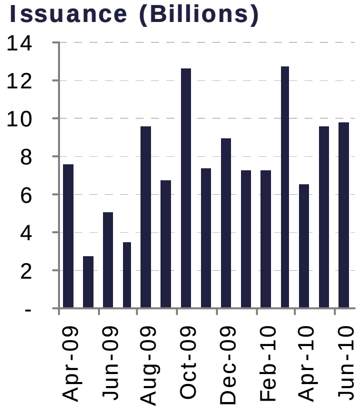
A-Rated Corporate Spreads



Primary Fed Dealer Corp Inventory ($000)



Build America Bond Issuance (Billions)



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 1/01/05–12/31/09
Primary Benchmark: Barclays Capital Intermediate Aggregate

	Total Firm	Composite Assets		Annual Performance Results			
				Composite			
Year End	Assets (millions)	USD (millions)	Number of Accounts	Gross	Net	Barclays Capital Int. Aggregate	Composite Dispersion
2009	6,516	125	15	5.97%	5.60%	6.46%	0.13%
2008	4,525	94	9	3.66%	3.30%	4.86%	0.15%
2007	3,653	33	Five or Fewer	8.10%	7.73%	7.02%	N.A.
2006	3,105	45	Five or Fewer	4.33%	3.97%	4.58%	N.A.
2005	2,588	52	6	1.95%	1.59%	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 or lack of a full year of performance.

1) Definition of Firm

Samson Capital Advisors LLC (the “Firm”), founded in June 2004, is an SEC registered investment adviser as of May 2004. Samson provides investment management services.

2) Compliance Statement

Samson Capital Advisors has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®). Samson Capital Advisors has been verified for the period June 1, 2004 through December 31, 2008 by Ashland Partners & Company LLP and from January 1, 2009 through December 31, 2009 by The Spaulding Group. The High Grade Core Intermediate Composite has been examined for the period December 31, 2004 through December 31, 2008. The verification and performance examination reports are available upon request.

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.

3) Policies

Additional information regarding the Firm’s policies and procedures for calculating performance, valuing portfolios, and preparing compliant presentations is available upon request.

4) Composite Description

The High Grade Core Intermediate Composite was created September 30, 2005. 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. The minimum account size for this composite is $2.5 million.

5) Benchmark

For comparison purposes, the composite is measured 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.

6) Reporting Currency

Composite returns are expressed in U.S. dollars.

7) Fees

Gross-of-fees returns are presented before management fees, but net of all trading expenses, custodial fees, and withholding taxes. 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.

Net-of-fee performance is show net of model management fees (the highest charged to an account in the composite), all trading expenses, custodial fees, and withholding taxes

8) Significant Flows

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.

9) Internal Dispersion

The measure of dispersion used in this presentation is the asset-weighted standard deviation of annual gross-of-fees returns of those portfolios that were included in the composite for the entire year. 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 5 or fewer portfolios for a full year.

10) List of the Firm's Composites

In addition to the Composite, the Firm provides investment management services utilizing different strategies. A complete list of composite descriptions is available upon request.

11) Additional Disclosures

As of 7/1/09 portfolios are revalued for cash flows of 10% or more. Prior to 7/1/09 portfolios were not revalued for large cash flows.

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.

Beginning January 1, 2008, the composite definition was expanded to include accounts with mandates that allow for investment in securities which do not fall within the High Grade Core Intermediate style. For example, the mandate may allow for allocations to alternative sectors or an extension in duration outside the acceptable boundaries of the High Grade Core Intermediate style. At their time of inclusion, these portfolios had no allocation to these securities. Should these portfolios become invested in these securities, they will be removed from the composite.