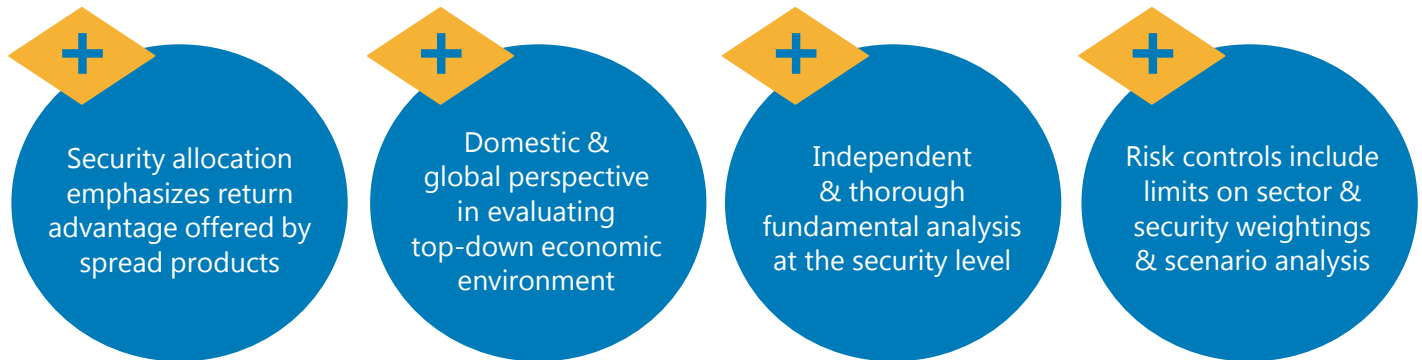


CORE FIXED INCOME

INVESTMENT PHILOSOPHY

Washington Capital (WaCap) believes that spread products offer investors the opportunity to add incremental returns versus government securities over interest rate cycles. As such, our fixed income investment process seeks to add value by overweighting spread product securities.

PROCESS HIGHLIGHTS



INVESTMENT PROCESS

WaCap's client portfolios are invested across the entire spectrum of investment grade securities with an emphasis on corporate credits. Portfolio duration is limited to +/- 20% of a client's benchmark, and sector exposure limits are actively maintained to provide the opportunity to add value while controlling risk. All portfolios are managed relative to a client's specific investment guidelines, objectives and benchmark.

Our fixed income investment process combines top-down macro research with rigorous, bottom-up fundamental analysis in constructing client portfolios. At the macro-level, we evaluate interest rate volatility, identify sectors that are likely to outperform and determine appropriate portfolio duration. Our bottom-up analysis includes performing independent, exhaustive fundamental research and identifying those corporate sectors and issuers which we believe have the potential to offer excellent relative value opportunities. For securitized issues, we seek to identify bonds offering predictable and stable cash flows to minimize duration shift in the portfolio.

CREDIT SECTOR ANALYSIS OVERVIEW

WaCap's fixed income portfolios are typically overweight in corporate credits. We believe the yield advantage offered by these securities adds incremental returns over interest rate cycles. Our universe of eligible securities begins with those securities that are rated as investment grade by at least one credit rating agency at the time of purchase. WCM's corporate security review process is made efficient by the use of proprietary screening models to filter the corporate universe on a number of factors. At the security level, our research process focuses on fundamental research with the goal of identifying superior performers across the maturity and quality spectrum.

MORTGAGE/SECURITIZED SECTOR ANALYSIS OVERVIEW

WaCap actively manages its mortgage sector allocations relative to the index. We recognize the diversification advantage and income benefits mortgages may offer relative to government securities. Our sector research begins with an analysis of interest rate volatility to identify which part of the curve we believe offers the best return potential. We employ a relative value analysis at the security level, by comparing portfolio candidates with existing securitized bonds and credits on a risk/return basis.