



REAMS ASSET MANAGEMENT COMPANY

2009 Fourth Quarter Fixed Income Review

| | Quarter Ending 12/31/09 | Annualized | | | | | |
|--|-------------------------------|-------------|--------------|----------------|---------------|--------------|--------------------|
| | | One Year | Two Years | Three Years | Five Years | Ten Years | Since Inception |
| Composite Performance | | | | | | | |
| Core Plus (6/81) - Gross | 1.2% | 31.5% | 8.8% | 8.4% | 6.8% | 7.3% | 11.6% |
| Core Plus (6/81) - Net | 1.2% | 31.3% | 8.6% | 8.2% | 6.7% | 7.1% | NA* |
| <i>Barclays Aggregate</i> | 0.2% | 5.9% | 5.6% | 6.0% | 5.0% | 6.3% | 9.1% |
| Core Plus Full Discretion (1/97) - Gross | 1.5% | 36.4% | 11.1% | 10.2% | 7.9% | 8.2% | 7.7% |
| Core Plus Full Discretion (1/97) - Net | 1.4% | 35.9% | 10.7% | 9.9% | 7.6% | 7.9% | 7.4% |
| <i>Barclays Aggregate</i> | 0.2% | 5.9% | 5.6% | 6.0% | 5.0% | 6.3% | 6.2% |
| Core (9/92) - Gross | 0.7% | 25.1% | 8.7% | 8.5% | 6.7% | 7.2% | 7.1% |
| Core (9/92) - Net | 0.7% | 24.8% | 8.5% | 8.2% | 6.4% | 6.9% | NA* |
| <i>Barclays Aggregate</i> | 0.2% | 5.9% | 5.6% | 6.0% | 5.0% | 6.3% | 6.3% |
| Intermediate (11/89) - Gross | 0.9% | 16.6% | 8.3% | 8.2% | 6.2% | 6.6% | 7.4% |
| Intermediate (11/89) - Net | 0.8% | 16.3% | 8.0% | 7.9% | 6.0% | 6.4% | NA* |
| <i>Barclays Intermediate G/C</i> | 0.3% | 5.2% | 5.2% | 5.9% | 4.7% | 5.9% | 6.6% |
| Long Duration (7/02) - Gross | (3.1)% | 30.6% | 15.0% | 12.9% | 9.4% | | 9.8% |
| Long Duration (7/02) - Net | (3.1)% | 30.3% | 14.8% | 12.6% | 9.1% | | 9.5% |
| <i>Barclays Long G/C</i> | (2.6)% | 1.9% | 5.1% | 5.6% | 5.0% | | 6.8% |
| Low Duration (7/02) - Gross | 1.0% | 14.1% | 7.7% | 7.5% | 5.9% | | 5.3% |
| Low Duration (7/02) - Net | 1.0% | 13.9% | 7.5% | 7.4% | 5.7% | | 5.2% |
| <i>Merrill Lynch 1-3 Yr. Treasury</i> | 0.0% | 0.8% | 3.7% | 4.9% | 4.0% | | 3.5% |
| Real Return (8/04) - Gross | 1.8% | 11.8% | 8.1% | 9.4% | 7.0% | | 7.5% |
| Real Return (8/04) - Net | 1.8% | 11.6% | 7.6% | 9.0% | 6.8% | | 7.2% |
| <i>Barclays U.S. TIPS</i> | 1.8% | 11.4% | 4.3% | 6.7% | 4.6% | | 5.3% |
| Absolute Return (8/98) - Gross | 7.4% | 76.6% | 16.4% | 13.9% | 11.9% | 10.2% | 10.7% |
| Absolute Return (8/98) - Net | 7.3% | 76.2% | 16.2% | 13.7% | 11.6% | 9.9% | 10.4% |
| <i>LIBOR 3-Month Constant Maturity</i> | 0.1% | 1.0% | 2.4% | 3.5% | 3.7% | 3.5% | 3.7% |
| <i>ML HY Master II Constrained</i> | 6.0% | 58.1% | 8.1% | 6.2% | 6.4% | 6.7% | 5.8% |

* Fees not entered into accounting system prior to 1994.

Past performance is not indicative of future performance. Please see important disclosure information in appendix.



Core Plus Fixed Income Review: Fourth Quarter 2009

- The Core Plus Composite performance outperformed the benchmark during the fourth quarter of 2009. The most positive factor was the overweight in high yield holdings.
- Maintaining a lower risk profile was a focus throughout the fourth quarter. As a result of this risk reduction focus, our Treasury position increased during the quarter, but it also rose as we positioned the portfolio to take advantage of a historically steep yield curve. If the curve flattens as we expect it to, the portfolio should outperform. We anticipate maintaining an overweight position in Treasury securities until better investment opportunities become available in other sectors of the fixed income markets. Our underweight position in the mortgage-backed sector is, in part, to make room for our curve positioning, but also due to our view that this sector may underperform as the government begins to wind down and eventually conclude its purchases in this sector. We do not believe the current spreads in MBS pass-through securities adequately compensate the investor for the risks in this sector. Asset-backed holdings remain overweight as we continue to find value, particularly in the auto finance portion of this sector. Our corporate weighting continued to decline as we became increasingly cautious of this sector throughout the quarter. The corporate holdings in the portfolio are focused on specific themes that we expect to outperform, but broadly we have harvested gains in this sector as it has outperformed. If the corporate market experiences a pullback, as we anticipate it might, we will be poised to return to a more overweight position.

■ Core Plus Composite Characteristics: 12/31/09

| | Core Plus | Barclays Aggregate | Sector Structure | Core Plus | Barclays Aggregate |
|--------------------------|------------------|---------------------------|------------------|-----------|--------------------|
| Avg. Duration | 5.1 Yrs. | 4.6 Yrs. | Treasury | 51.7% | 27.6% |
| Avg. Maturity | 6.9 Yrs. | 6.8 Yrs. | Govt Related | 0.0% | 13.2% |
| Avg. Quality | AA+ | AA+ | Mortgage-Backed | 23.7% | 40.0% |
| Convexity | 0.85 | -0.23 | Asset-Backed | 5.3% | 0.4% |
| Yield to Maturity | 4.2% | 3.8% | Credit | 17.8% | 18.8% |
| | | | Foreign | 0.0% | 0.0% |
| Quality Structure | Core Plus | Barclays Aggregate | Money Market | 1.5% | 0.0% |
| AAA | 76.7% | 78.0% | TOTAL | 100.0% | 100.0% |
| AA | 1.1% | 4.1% | | | |
| A | 6.1% | 9.7% | | | |
| BBB | 6.5% | 8.2% | | | |
| Below Inv. Grade | 9.6% | 0.0% | | | |
| TOTAL | 100.0% | 100.0% | | | |



Core Fixed Income Review: Fourth Quarter 2009

- The Core Composite performance was significantly above the benchmark during the fourth quarter of 2009. The most positive factor was the overweight in investment grade credit.
- Maintaining a lower risk profile was a focus throughout the fourth quarter. As a result of this risk reduction focus, our Treasury position increased during the quarter, but it also rose as we positioned the portfolio to take advantage of a historically steep yield curve. If the curve flattens as we expect it to, the portfolio should outperform. We anticipate maintaining an overweight position in Treasury securities until better investment opportunities become available in other sectors of the fixed income markets. Our underweight position in the mortgage-backed sector is, in part, to make room for our curve positioning, but also due to our view that this sector may underperform as the government begins to wind down and eventually conclude its purchases in this sector. We do not believe the current spreads in MBS pass-through securities adequately compensate the investor for the risks in this sector. Asset-backed holdings remain overweight as we continue to find value, particularly in the auto finance portion of this sector. Our corporate weighting continued to decline as we became increasingly cautious of this sector throughout the quarter. The corporate holdings in the portfolio are focused on specific themes that we expect to outperform, but broadly we have harvested gains in this sector as it has outperformed. If the corporate market experiences a pullback, as we anticipate it might, we will be poised to return to a more overweight position.

■ Core Composite Characteristics: 12/31/09

| | Core | Barclays Aggregate | Sector Structure | Core | Barclays Aggregate |
|--------------------------|-------------|---------------------------|------------------|--------|--------------------|
| Avg. Duration | 4.9 Yrs. | 4.6 Yrs. | Treasury | 56.8% | 27.6% |
| Avg. Maturity | 6.3 Yrs. | 6.8 Yrs. | Govt Related | 0.0% | 13.2% |
| Avg. Quality | AAA | AA+ | Mortgage-Backed | 22.4% | 40.0% |
| Convexity | 0.66 | -0.23 | Asset-Backed | 4.1% | 0.4% |
| Yield to Maturity | 3.5% | 3.8% | Credit | 12.3% | 18.8% |
| | | | Foreign | 0.0% | 0.0% |
| Quality Structure | Core | Barclays Aggregate | Money Market | 4.4% | 0.0% |
| AAA | 85.1% | 78.0% | TOTAL | 100.0% | 100.0% |
| AA | 1.9% | 4.1% | | | |
| A | 5.1% | 9.7% | | | |
| BBB | 7.6% | 8.2% | | | |
| Below Inv. Grade | 0.2% | 0.0% | | | |
| TOTAL | 100.0% | 100.0% | | | |



Intermediate Fixed Income Review: Fourth Quarter 2009

- The Intermediate Composite performance was significantly above the benchmark during the fourth quarter of 2009. The most positive factor was the overweight in investment grade credit.
- Maintaining a lower risk profile was a focus throughout the fourth quarter. As a result of this risk reduction focus, our Treasury position increased slightly during the quarter, but it also rose as we positioned the portfolio to take advantage of a historically steep yield curve. If the curve flattens as we expect it to, the portfolio should outperform. Asset-backed holdings remain overweight as we continue to find value, particularly in the auto finance portion of this sector. Our MBS weighting is targeted in CMBS and call-protected MBS in unique areas of the market which we prefer to agency debentures. The corporate holdings in the portfolio are focused on specific themes that we expect to outperform. We believe the corporate sector provides solid opportunities relative to other sectors in this intermediate duration portion of the fixed income markets.

■ Intermediate Composite Characteristics: 12/31/09

| | Intermediate | Barclays Intermediate G/C |
|-------------------|--------------|------------------------------|
| Avg. Duration | 4.0 Yrs. | 3.8 Yrs. |
| Avg. Maturity | 5.1 Yrs. | 4.4 Yrs. |
| Avg. Quality | AA+ | AA+ |
| Convexity | 0.20 | 0.19 |
| Yield to Maturity | 4.0% | 2.8% |

| Quality Structure | Intermediate | Barclays Intermediate G/C |
|-------------------|--------------|------------------------------|
| AAA | 59.5% | 68.6% |
| AA | 7.6% | 6.1% |
| A | 23.1% | 14.1% |
| BBB | 8.3% | 11.2% |
| Below Inv. Grade | 1.5% | 0.0% |
| TOTAL | 100.0% | 100.0% |

| Sector Structure | Intermediate | Barclays Intermediate G/C |
|------------------|--------------|------------------------------|
| Treasury | 24.9% | 48.0% |
| Govt Related | 5.7% | 23.6% |
| Mortgage-Backed | 23.4% | 0.0% |
| Asset-Backed | 4.4% | 0.0% |
| Credit | 38.2% | 28.4% |
| Foreign | 0.0% | 0.0% |
| Money Market | 3.4% | 0.0% |
| TOTAL | 100.0% | 100.0% |



Long Duration Fixed Income Review: Fourth Quarter 2009

- The Long Duration Composite performance was above the benchmark during the fourth quarter of 2009. The most positive factor was the overweight in investment grade credit.
- Our Treasury position increased slightly during the fourth quarter as we continue to position the portfolio to take advantage of a historically steep yield curve. If the curve flattens as we expect it to, the portfolio should outperform. Corporate holdings remain overweight, focused on specific themes that we expect to outperform in the industrial, finance and utility segments of the corporate sector.

■ Long Duration Composite Characteristics: 12/31/09

| | Long Duration | Barclays Long G/C | Sector Structure | Long Duration | Barclays Long G/C |
|-------------------|---------------|-------------------|------------------|---------------|-------------------|
| Avg. Duration | 13.9 Yrs. | 12.1 Yrs. | Treasury | 28.6% | 38.2% |
| Avg. Maturity | 28.4 Yrs. | 22.4 Yrs. | Govt Related | 9.5% | 14.7% |
| Avg. Quality | A+ | AA- | Mortgage-Backed | 0.0% | 0.0% |
| Convexity | 3.47 | 2.19 | Asset-Backed | 0.0% | 0.0% |
| Yield to Maturity | 6.4% | 5.5% | Credit | 59.1% | 47.1% |
| | | | Foreign | 0.0% | 0.0% |
| | | | Money Market | 2.8% | 0.0% |
| | | | TOTAL | 100.0% | 100.0% |
| Quality Structure | Long Duration | Barclays Long G/C | | | |
| AAA | 40.9% | 44.5% | | | |
| AA | 1.0% | 8.6% | | | |
| A | 18.1% | 22.9% | | | |
| BBB | 28.8% | 24.0% | | | |
| Below Inv. Grade | 11.2% | 0.0% | | | |
| TOTAL | 100.0% | 100.0% | | | |



Low Duration Fixed Income Review: Fourth Quarter 2009

- The Low Duration performance was above the benchmark during the fourth quarter 2009. The most positive factor was the overweight in investment grade credit.
- Maintaining a lower risk profile was a focus throughout the fourth quarter. As a result of this risk reduction focus, our Treasury position increased during the quarter, but it also rose as we positioned the portfolio to take advantage of a historically steep yield curve. If the curve flattens as we expect it to, the portfolio should outperform. We anticipate maintaining a higher weight in Treasury securities than we typically maintain until better investment opportunities become available in other sectors of the fixed income markets. The portfolios MBS holdings are targeted in CMBS and call-protected MBS in unique areas of the market, which we prefer to agency debentures. Asset-backed holdings remain overweight as we continue to find value, particularly in the auto finance portion of this sector. We believe the corporate sector provides solid opportunities relative to other sectors in the low duration portion of the fixed income markets, but our corporate weighting continued to decline as we became increasingly cautious of this sector throughout the quarter. The corporate holdings in the portfolio are focused on specific themes that we expect to outperform, but we have harvested gains in this sector as it has outperformed. If the corporate market experiences a pullback, as we anticipate it might, we will be poised to return to a more overweight position.

■ Low Duration Composite Characteristics: 12/31/09

| | Low Duration | Merrill Lynch 1-3 Yr. US Treasury | Sector Structure | Low Duration | Merrill Lynch 1-3 Yr. US Treasury |
|-------------------|--------------|-----------------------------------|------------------|--------------|-----------------------------------|
| Avg. Duration | 2.9 Yrs. | 1.9 Yrs. | Treasury | 30.0% | 100.0% |
| Avg. Maturity | 3.5 Yrs. | 2.0 Yrs. | Govt Related | 7.6% | 0.0% |
| Avg. Quality | AA+ | AAA | Mortgage-Backed | 22.6% | 0.0% |
| Convexity | 0.10 | 0.00 | Asset-Backed | 3.8% | 0.0% |
| Yield to Maturity | 3.2% | 1.1% | Credit | 33.3% | 0.0% |
| | | | Foreign | 0.0% | 0.0% |
| | | | Money Market | 2.7% | 0.0% |
| | | | TOTAL | 100.0% | 100.0% |
| Quality Structure | Low Duration | Merrill Lynch 1-3 Yr. US Treasury | | | |
| AAA | 65.8% | 100.0% | | | |
| AA | 4.1% | 0.0% | | | |
| A | 19.1% | 0.0% | | | |
| BBB | 7.5% | 0.0% | | | |
| Below Inv. Grade | 3.5% | 0.0% | | | |
| TOTAL | 100.0% | 100.0% | | | |



REAMS ASSET MANAGEMENT COMPANY

Real Return Fixed Income Review: Fourth Quarter 2009

- The Real Return Composite performance was even with the benchmark during the fourth quarter 2009.
- We have increased our weight in nominal Treasury holdings and reduced our weighting in TIPS as inflation expectations rose during the quarter. Our higher Treasury holdings are also due to our positioning to take advantage of the historically steep yield curve. If the yield curve flattens as we expect it to, the portfolio will outperform.
- Yield levels in non government-guaranteed sectors remain at lower levels. Nevertheless, we continue to hold a portion of the portfolio outside of TIPS and Treasury markets as real yields are currently negative in the short end of the yield curve. Our corporate holdings are focused on a few financial issuers that we expect to outperform. Corporate holdings are 5% of the portfolio and CMBS holdings are 1%.
- With the excessive stimulus and loose monetary policy currently in place, we expect strong economic data in the first half of 2010. However, the high public and private debt levels that were created over the previous years will provide deflationary pressure over the intermediate to long-term.
- Portfolio duration remains slightly longer than the benchmark as we remain positioned to take advantage of the historically steep yield curve. The modest holdings in the corporate sectors are focused on specific themes that we expect to outperform.

■ Real Return Composite Characteristics: 12/31/09

| | Real Return | Barclays US TIPS | Sector Structure | Real Return | Barclays US TIPS |
|-------------------|-------------|------------------|------------------|-------------|------------------|
| Avg. Duration | 5.5 Yrs. | 4.9 Yrs. | Treasury | 76.9% | 100.0% |
| Avg. Maturity | 9.9 Yrs. | 9.8 Yrs. | Govt Related | 0.0% | 0.0% |
| Avg. Quality | AAA | AAA | Mortgage-Backed | 0.6% | 0.0% |
| Yield to Maturity | 1.7% | 3.2% | Asset-Backed | 0.0% | 0.0% |
| | | | Credit | 5.2% | 0.0% |
| | | | Foreign | 0.0% | 0.0% |
| Quality Structure | Real Return | Barclays US TIPS | Money Market | 17.3% | 0.0% |
| AAA | 94.8% | 100.0% | TOTAL | 100.0% | 100.0% |
| AA | 1.5% | 0.0% | | | |
| A | 1.5% | 0.0% | | | |
| BBB | 1.2% | 0.0% | | | |
| Below Inv. Grade | 1.0% | 0.0% | | | |
| TOTAL | 100.0% | 100.0% | | | |



Absolute Return Fixed Income Product

■ The Absolute Return Product seeks to maximize total returns by systematically pursuing relative value opportunities throughout all sectors of the fixed income market. The firm's disciplined investment philosophy and process are used to identify and evaluate relative value opportunities and the "best ideas" are selected for use in Absolute Return portfolios. Although the product has historically focused on the high yield credit sector where attractive relative value opportunities have been plentiful, the Absolute Return strategy seeks opportunities in all sectors of the fixed income market including investment grade and high yield credit, governments, agencies, mortgage-backed, asset-backed, emerging market, and non-dollar securities. Unlike a hedge fund, the Absolute Return Product will not borrow money nor will it purchase securities on margin; however, derivative instruments such as futures, options and credit default swaps may be utilized to gain exposure and manage risk. Given the relative value and "best ideas" strategy, the Absolute Return Product is not managed against a benchmark. Average portfolio duration is generally between 0 to 6 years. The targeted annual return is LIBOR plus 200 basis points per annum (with lower volatility than the broad fixed income market) over a full market cycle.

■ Investment Philosophy

Volatility is a key driver of performance in the fixed income market. It is usually higher than commonly perceived and often mispriced in the marketplace. This core belief leads us to:

- Focus on long-term value and "total return"
- Employ macro and bottom-up strategies to uncover unique opportunities
- React opportunistically to valuation discrepancies and volatility in the bond market

■ Investment Process

Step One Determine whether the bond market is cheap or expensive by comparing the current real interest rate to historical rates

Step Two Focus on sectors offering relative value and select securities offering the highest risk-adjusted return

Step Three Continually measure and control exposure to security- and portfolio-level risks

For more information on Reams' Absolute Return Fixed Income Product, contact Tom Fink at (812) 372-6606 or tfink@reamsasset.com



Appendix

GLOBAL INVESTMENT PERFORMANCE STANDARDS (GIPS®) DISCLOSURE

Past performance is not indicative of future performance. Compliance with GIPS® has been verified firm wide for the period January 1, 1987 through September 30, 2009 by Ashland Partners & Company, LLP. Additionally, Core Plus, Core Plus Full Discretion, Core, Intermediate, and Absolute Return composites have received a performance examination from Ashland Partners & Company, LLP for the period January 1, 2002 through September 30, 2009, the Long Duration and Low Duration composites have received a performance examination from Ashland Partners & Company LLP for the period July 1, 2002 through September 30, 2009, and the Real Return composite has received a performance examination from Ashland Partners & Company, LLP for the period August 1, 2004 through September 30, 2009. Verification for the most recent quarter is currently in progress, and as such, results for this period are subject to revision.

Absolute Return, Core Plus, Core, Intermediate, Long Duration and Real Return fixed income account management fees are 0.30% p.a. on the first \$50 million, 0.20% p.a. on the next \$50 million, and negotiable for accounts over \$100 million assets. Low Duration fixed income account management fees are 0.25% p.a. on the first \$50 million, 0.20% p.a. on the next \$50 million, and negotiable for accounts over \$100 million assets. Core Plus Full Discretion fixed income account management fees are 0.35% p.a. on all assets. Core Plus Fixed Income Composite includes all fully discretionary, tax-exempt, Core Plus Fixed Income separate accounts over \$20 million (34 portfolios, \$5.4 B, 59% of firm assets as of 12/31/09) and for comparison purposes is measured against the Barclays Capital U.S. Aggregate Bond Index as a general market indicator. Core Plus Full Discretion Fixed Income Composite includes all fully discretionary Core Plus Fixed Income institutional mutual fund accounts (1 portfolio, \$405 M, 4% of firm assets as of 12/31/09) and for comparison purposes is measured against the Barclays Capital U.S. Aggregate Bond Index as a general market indicator. Effective December 31, 2007 the name of the Core Plus Mutual Fund Composite was changed to Core Plus Full Discretion Fixed Income Composite. Core Fixed Income Composite reflects all discretionary Core Fixed Income separate accounts over \$20 million (14 portfolios, \$1.8 B, 20% of firm assets as of 12/31/09) and for comparison purposes is measured against the Barclays Capital U.S. Aggregate Bond Index as a general market indicator. Intermediate Fixed Income Composite includes all fully discretionary, tax-exempt, Intermediate Fixed Income separate accounts over \$20 million (7 portfolios, \$246 M, 3% of firm assets as of 12/31/09) and for comparison purposes is measured against the Barclays Capital U.S. Intermediate Government/Credit Index as a general market indicator. Absolute Return Fixed Income Composite includes all fully discretionary, tax exempt, Absolute Return fixed income separate accounts and institutional commingled fund accounts over \$500,000 (1 portfolio, \$90 M, 1% of firm assets as of 12/31/09) and for comparison purposes is measured against the Merrill Lynch LIBOR 3-Month Constant Maturity Index and the Merrill Lynch High Yield Master II Constrained Index as general market indicators. Effective October 1, 2007 the name of the High Yield Fixed Income Composite was changed to Absolute Return Fixed Income Composite. Long Duration Fixed Income Composite reflects all fully discretionary, tax-exempt, Long Duration Fixed Income separate accounts over \$20 million (3 portfolios, \$515 M, 6% of firm assets as of 12/31/09) and for comparison purposes is measured against the Barclays Capital U.S. Long Government/Credit Index as a general market indicator. Low Duration Fixed Income Composite includes all fully discretionary, tax-exempt, Low Duration Fixed Income separate accounts over \$5 million (4 portfolios, \$469 M, 5% of firm assets as of 12/31/09) and for comparison purposes is measured against the Merrill Lynch 1-3 Year Treasury Index as a general market indicator. Real Return Fixed Income Composite includes all fully discretionary, tax-exempt, Real Return Fixed Income separate accounts over \$5 million (2 portfolios, \$19 M, less than 1% of firm assets as of 12/31/09) and for comparison purposes is measured against the Barclays Capital U.S. TIPS Index as a general market indicator. The U.S. Dollar is the currency used to express performance. Derivatives (such as credit default swaps, credit default indices, options on CDX, currency forwards, structured notes, and CMO tranches) may be utilized in some products when a strategy is unavailable or not cost effective through the cash market. Derivatives used are strictly constrained by client investment policy. Reams Asset Management Company, LLC is an independent registered investment adviser. Reams Asset Management Company, LLC claims compliance with the Global Investment Performance Standards (GIPS®). To receive a complete list and description of composites and/or an Annual Disclosure Presentation, please contact David B. McKinney at (812) 372-6606.