



REAMS ASSET MANAGEMENT COMPANY

2010 First Quarter Fixed Income Review

	Quarter Ending 3/31/10	Annualized					
		One Year	Two Years	Three Years	Five Years	Ten Years	Since Inception
Composite Performance							
Core Plus (6/81) - Gross	3.1%	39.1%	9.6%	8.9%	7.7%	7.2%	11.6%
Core Plus (6/81) - Net	3.0%	38.9%	9.4%	8.7%	7.5%	7.0%	NA*
<i>Barclays Aggregate</i>	1.8%	7.7%	5.4%	6.1%	5.4%	6.3%	9.1%
Core Plus Full Discretion (1/97) - Gross	3.3%	45.0%	12.3%	10.6%	8.8%	8.2%	7.9%
Core Plus Full Discretion (1/97) - Net	3.2%	44.5%	12.0%	10.3%	8.5%	7.9%	7.5%
<i>Barclays Aggregate</i>	1.8%	7.7%	5.4%	6.1%	5.4%	6.3%	6.2%
Core (9/92) - Gross	2.4%	31.4%	8.6%	8.8%	7.3%	7.1%	7.1%
Core (9/92) - Net	2.3%	31.1%	8.4%	8.5%	7.1%	6.9%	NA*
<i>Barclays Aggregate</i>	1.8%	7.7%	5.4%	6.1%	5.4%	6.3%	6.4%
Intermediate (11/89) - Gross	2.7%	18.7%	8.6%	8.5%	6.9%	6.7%	7.4%
Intermediate (11/89) - Net	2.6%	18.4%	8.4%	8.3%	6.6%	6.5%	NA*
<i>Barclays Intermediate G/C</i>	1.5%	6.9%	4.4%	5.9%	5.2%	5.9%	6.6%
Long Duration (7/02) - Gross	3.4%	40.8%	16.3%	13.6%	10.1%		9.9%
Long Duration (7/02) - Net	3.4%	40.5%	16.0%	13.3%	9.8%		9.7%
<i>Barclays Long G/C</i>	1.6%	10.3%	5.5%	5.8%	5.3%		6.7%
Low Duration (7/02) - Gross	2.0%	14.8%	7.7%	7.7%	6.4%		5.4%
Low Duration (7/02) - Net	2.0%	14.6%	7.5%	7.5%	6.2%		5.3%
<i>Merrill Lynch 1-3 Yr. Treasury</i>	0.7%	1.4%	2.5%	4.6%	4.2%		3.5%
Real Return (8/04) - Gross	0.9%	9.8%	6.2%	8.8%	7.2%		7.3%
Real Return (8/04) - Net	0.9%	9.7%	5.7%	8.4%	6.9%		7.1%
<i>Barclays U.S. TIPS</i>	0.6%	6.2%	2.0%	6.0%	4.8%		5.2%
Absolute Return (8/98) - Gross	7.6%	89.2%	22.2%	15.7%	13.5%	10.9%	11.2%
Absolute Return (8/98) - Net	7.5%	88.7%	21.9%	15.4%	13.2%	10.6%	10.9%
<i>LIBOR 3-Month Constant Maturity</i>	0.1%	0.7%	1.8%	3.0%	3.6%	3.3%	3.7%
<i>ML HY Master II Constrained</i>	4.8%	57.0%	12.3%	6.9%	7.7%	7.3%	6.1%

* 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: First Quarter 2010

- The Core Plus Composite performance outperformed the benchmark during the first quarter of 2010. The most positive factors were the overweight in high yield holdings and superior selection in investment grade credit.
- Maintaining a lower risk profile remained a focus throughout the first quarter. Our Treasury position continues to be elevated as a result of this lower risk profile, but also due to the "barbell" positioning we have employed along the yield curve. If the curve flattens as we expect it to, the barbell positioning of the portfolio should allow it to outperform. Our underweight position in the mortgage-backed sector is a result of our view that current spreads in most MBS pass-through securities do not 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 rose throughout the quarter as we added to positions when spreads widened in the sector during February.

■ Core Plus Composite Characteristics: 3/31/10

	Core Plus	Barclays Aggregate	Sector Structure	Core Plus	Barclays Aggregate
Avg. Duration	4.2 Yrs.	4.7 Yrs.	Treasury	39.5%	29.5%
Avg. Maturity	5.7 Yrs.	7.0 Yrs.	Govt Related	0.0%	12.8%
Avg. Quality	AA	AA+	Mortgage-Backed	20.1%	38.9%
Convexity	0.72	-0.28	Asset-Backed	10.0%	0.4%
Yield to Maturity	3.3%	3.5%	Credit	24.3%	18.4%
			Foreign	0.0%	0.0%
Quality Structure	Core Plus	Barclays Aggregate	Money Market	6.1%	0.0%
AAA	71.9%	78.1%	TOTAL	100.0%	100.0%
AA	2.4%	4.3%			
A	10.0%	9.5%			
BBB	5.5%	8.1%			
Below Inv. Grade	10.2%	0.0%			
TOTAL	100.0%	100.0%			



Core Fixed Income Review: First Quarter 2010

- The Core Composite outperformed the benchmark during the first quarter of 2010. The most positive factor was the superior security selection in investment grade credit.
- Maintaining a lower risk profile remained a focus throughout the first quarter. Our Treasury position continues to be elevated as a result of this lower risk profile, but also due to the "barbell" positioning we have employed along the yield curve. If the curve flattens as we expect it to, the barbell positioning of the portfolio should allow it to outperform. Our underweight position in the mortgage-backed sector is a result of our view that current spreads in most MBS pass-through securities do not 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 rose throughout the quarter as we added to positions when spreads widened in the sector during February.

■ Core Composite Characteristics: 3/31/10

	Core	Barclays Aggregate	Sector Structure	Core	Barclays Aggregate
Avg. Duration	4.3 Yrs.	4.7 Yrs.	Treasury	42.3%	29.5%
Avg. Maturity	5.2 Yrs.	7.0 Yrs.	Govt Related	0.0%	12.8%
Avg. Quality	AA+	AA+	Mortgage-Backed	19.4%	38.9%
Convexity	0.18	-0.28	Asset-Backed	9.6%	0.4%
Yield to Maturity	2.7%	3.5%	Credit	21.9%	18.4%
			Foreign	0.0%	0.0%
Quality Structure	Core	Barclays Aggregate	Money Market	6.8%	0.0%
AAA	76.4%	78.1%	TOTAL	100.0%	100.0%
AA	3.6%	4.3%			
A	11.5%	9.5%			
BBB	8.4%	8.1%			
Below Inv. Grade	0.1%	0.0%			
TOTAL	100.0%	100.0%			



Intermediate Fixed Income Review: First Quarter 2010

- The Intermediate Composite outperformed the benchmark during the first quarter of 2010. The most positive factor was the overweight in mortgage-backed securities.
- Maintaining a lower risk profile remained a focus throughout the first quarter. Our Treasury position continues to be elevated as a result of this lower risk profile, but also due to the "barbell" positioning we have employed along the yield curve. If the curve flattens as we expect it to, the barbell positioning of the portfolio should allow it to 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 well call-protected MBS in unique areas of the market which we prefer to agency debentures. We harvested some gains in the corporate sector as individual issues outperformed and valuations became less attractive.

■ Intermediate Composite Characteristics: 3/31/10

	Intermediate	Barclays Intermediate G/C
Avg. Duration	4.2 Yrs.	3.9 Yrs.
Avg. Maturity	5.3 Yrs.	4.5 Yrs.
Avg. Quality	AA+	AA+
Convexity	0.04	0.19
Yield to Maturity	4.2%	2.6%

Quality Structure	Intermediate	Barclays Intermediate G/C
AAA	66.9%	69.7%
AA	6.3%	6.1%
A	18.7%	13.3%
BBB	7.0%	10.9%
Below Inv. Grade	1.1%	0.0%
TOTAL	100.0%	100.0%

Sector Structure	Intermediate	Barclays Intermediate G/C
Treasury	27.5%	50.5%
Govt Related	4.4%	22.2%
Mortgage-Backed	27.2%	0.0%
Asset-Backed	8.2%	0.0%
Credit	30.5%	27.3%
Foreign	0.0%	0.0%
Money Market	2.2%	0.0%
TOTAL	100.0%	100.0%



Long Duration Fixed Income Review: First Quarter 2010

- The Long Duration Composite performance was above the benchmark during the first quarter of 2010. The most positive factor was superior selection in investment grade credit.
- The portfolio remains positioned with a 'barbell' in regard to yield curve exposure. We expect the historically steep yield curve to flatten over time as Fed accommodation is removed while inflation expectations remain subdued. We find Treasury STRIPs as attractive long duration instruments from a valuation perspective and expect them to outperform coupon bearing Treasuries once the flattening ensues. In the corporate sector the portfolio remains overweight. We continue to find value in certain parts of the investment grade corporate market, although selectivity is becoming more critical. We have continued to harvest gains in the financial sector, particularly insurance, and have been cycling back into asset-intensive industries such as railroads, electric utilities and oil/gas producers. Although we are underweight the government related sector, we are overweight the taxable municipal issuers, specifically the Build America Bond issues. We find valuations attractive relative to comparably rated corporate bonds. Selectivity is key, as we focus on larger issuers and an asset-based revenue stream.

■ Long Duration Composite Characteristics: 3/31/10

	Long Duration	Barclays Long G/C	Sector Structure	Long Duration	Barclays Long G/C
Avg. Duration	13.1 Yrs.	12.3 Yrs.	Treasury	26.9%	39.1%
Avg. Maturity	30.5 Yrs.	23.0 Yrs.	Govt Related	10.4%	14.9%
Avg. Quality	A+	AA-	Mortgage-Backed	0.0%	0.0%
Convexity	0.96	2.26	Asset-Backed	0.0%	0.0%
Yield to Maturity	6.4%	5.4%	Credit	60.1%	46.0%
			Foreign	0.0%	0.0%
			Money Market	2.6%	0.0%
			TOTAL	100.0%	100.0%
Quality Structure	Long Duration	Barclays Long G/C			
AAA	39.9%	45.2%			
AA	1.5%	8.9%			
A	19.5%	22.6%			
BBB	29.6%	23.3%			
Below Inv. Grade	9.5%	0.0%			
TOTAL	100.0%	100.0%			



Low Duration Fixed Income Review: First Quarter 2010

- The Low Duration Composite performance was above the benchmark during the first quarter of 2010. The most positive factors were the overweight position in the MBS sector and superior issue selection in investment grade credit.
- Maintaining a lower risk profile in the portfolio remains a focus. Our elevated weighting in Treasury securities is related to this strategy and our yield curve positioning. The yield curve is historically steep and if it flattens, as we anticipate that it will, the portfolio should outperform. We remain overweight in the MBS sector. In addition to our CMBS positions, we continue to see value in select call-protected, agency-wrapped mortgage-backed securities. The portfolio remains overweight in the ABS sector with holdings diversified across several segments of the ABS sector. Our corporate weighting declined slightly during the quarter as we harvested some gains in this sector as valuations rose during the quarter.

■ Low Duration Composite Characteristics: 3/31/10

	Low Duration	Merrill Lynch 1-3 Yr. US Treasury	Sector Structure	Low Duration	Merrill Lynch 1-3 Yr. US Treasury
Avg. Duration	2.8 Yrs.	1.9 Yrs.	Treasury	30.3%	100.0%
Avg. Maturity	3.3 Yrs.	2.0 Yrs.	Govt Related	7.5%	0.0%
Avg. Quality	AAA	AAA	Mortgage-Backed	24.2%	0.0%
Convexity	0.01	0.00	Asset-Backed	4.4%	0.0%
Yield to Maturity	2.8%	1.0%	Credit	30.7%	0.0%
			Foreign	0.0%	0.0%
			Money Market	2.9%	0.0%
Quality Structure	Low Duration	Merrill Lynch 1-3 Yr. US Treasury	TOTAL	100.0%	100.0%
AAA	68.6%	100.0%			
AA	4.9%	0.0%			
A	15.9%	0.0%			
BBB	7.8%	0.0%			
Below Inv. Grade	2.8%	0.0%			
TOTAL	100.0%	100.0%			



Real Return Fixed Income Review: First Quarter 2010

- The Real Return Composite performance was above the benchmark during the first quarter of 2010. The most positive factors were the overweight position in the corporate sector and the composite's duration exposure.
- Momentum appears to be picking up economically in the short-term in response to high amounts of stimulus and loose monetary policy designed to pull the economy out of the recent recession. However, the fiscal policies required to deal with the high public and private debt levels created by the stimulus will provide deflationary pressure over the intermediate to long-term. The level of interest rates remains low on a historic basis. As a result, we reduced the portfolio weight in nominal Treasury holdings thereby shortening the portfolio's duration. Nominal yield levels in all non government-guaranteed sectors also remain at low levels. Nevertheless, we continue to hold part of the portfolio outside of the TIPS and Treasury markets, primarily in corporate holdings with a focus on financial issuers, but we also found value in the ABS sector. Corporate and ABS holdings are each less than 5% weight in the composite portfolios.

■ Real Return Composite Characteristics: 3/31/10

	Real Return	Barclays US TIPS	Sector Structure	Real Return	Barclays US TIPS
Avg. Duration	4.7 Yrs.	7.9 Yrs.	Treasury	74.2%	100.0%
Avg. Maturity	10.6 Yrs.	9.0 Yrs.	Govt Related	0.0%	0.0%
Avg. Quality	AAA	AAA	Mortgage-Backed	0.3%	0.0%
Yield to Maturity	1.7%	3.2%	Asset-Backed	1.5%	0.0%
			Credit	3.8%	0.0%
			Foreign	0.0%	0.0%
			Money Market	20.2%	0.0%
			TOTAL	100.0%	100.0%
Quality Structure	Real Return	Barclays US TIPS			
AAA	96.2%	100.0%			
AA	1.2%	0.0%			
A	1.2%	0.0%			
BBB	0.6%	0.0%			
Below Inv. Grade	0.8%	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 December 31, 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 December 31, 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 December 31, 2009, and the Real Return composite has received a performance examination from Ashland Partners & Company, LLP for the period August 1, 2004 through December 31, 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 (32 portfolios, \$5.5 B, 58% of firm assets as of 3/31/10) 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, \$434 M, 4% of firm assets as of 3/31/10) 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, \$1.5 B, 16% of firm assets as of 3/31/10) 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 (6 portfolios, \$230 M, 2% of firm assets as of 3/31/10) 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, \$91 M, 1% of firm assets as of 3/31/10) 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 (4 portfolios, \$617 M, 7% of firm assets as of 3/31/10) 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 (5 portfolios, \$478 M, 5% of firm assets as of 3/31/10) 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 3/31/10) 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.