HGK Short Term Fixed Income

As of 6/30/10

Firm Overview

- Founded in 1983
- 100% employee owned
- Low professional turnover
- Located in Jersey City, NJ
- Approximately $4 Billion AUM

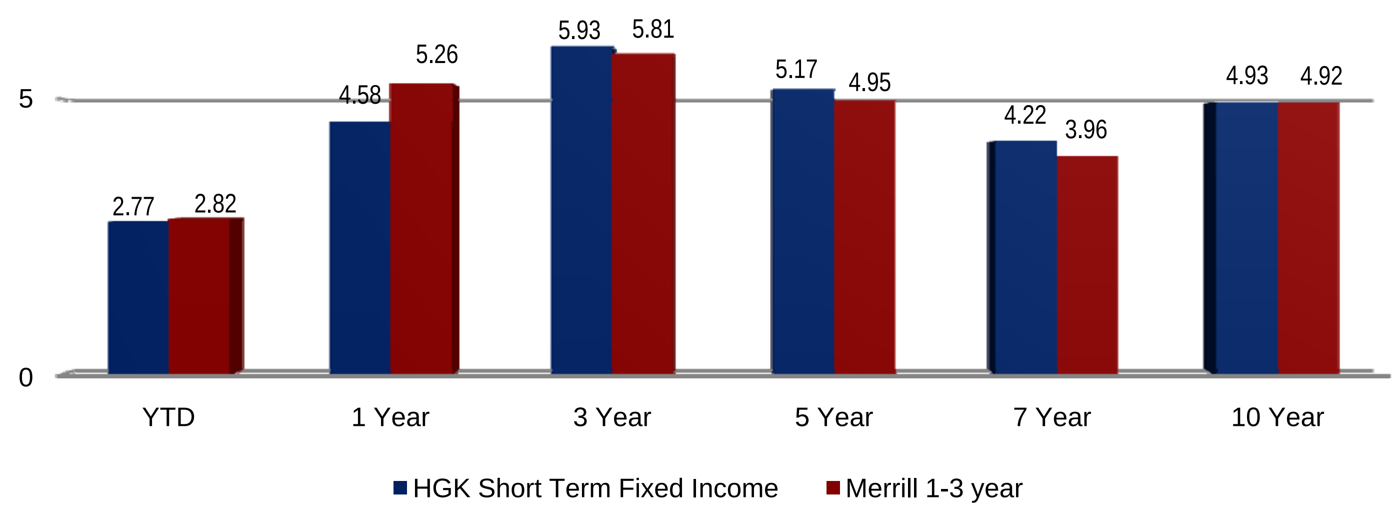
Strategy Characteristics

- Over $121 million assets under management
- Fully invested at all times

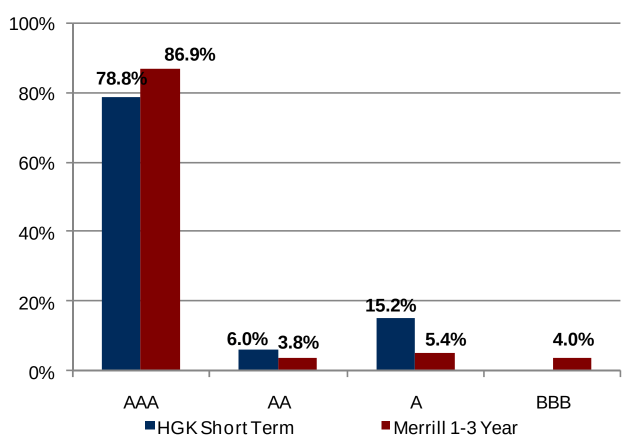
Calendar Year End Performance

	2009	2008	2007	2006	2005	2004	2003
HGK Short Term Fixed Income	5.45	5.77	6.12	4.72	2.14	2.07	2.02
Merrill 1-3 Year	5.07	4.85	6.89	4.26	1.92	1.51	2.08

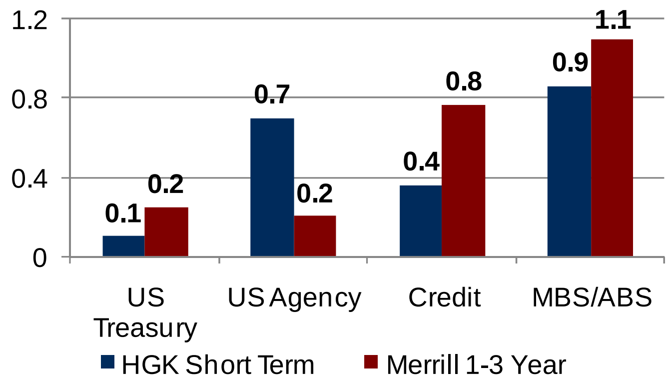
Short Term fixed Income Annualized Performance



Quality Distribution



Duration Contribution



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Portfolio Characteristics

	HGK Short Term	Merrill 1-3 Year
Average Coupon	3.43	4.12
Average YTM	1.44	1.18
Average Duration	1.94	1.32
Years to Maturity	2.42	1.90
Standard & Poor's Rating	AA+	AAA

Philosophy

The investment philosophy for this high quality, short-term product is the utilization of active sector rotation and individual security selection to outperform the benchmark while minimizing both interest rate and credit risk. The investment process used to accomplish this incorporates our views on the direction of interest rates, the shape of the yield curve, consumer and commercial credit trends, and relative market liquidity. The process of determining the optimal portfolio allocation within the AAA-rated sectors (US Treasury, Agency, MBS, ABS, CMBS) is a function of those macro views and detailed analysis of historical spread relationships between those sectors. The next step in the process is the determination of relative value within the particular sectors, i.e. credit card versus auto within ABS or callable versus non-callable in Agencies. The final step in the process of constructing the portfolio is the selection of specific securities within these sectors and sub-sectors that meet our investment criteria, taking into account relative value, credit characteristics, and liquidity.

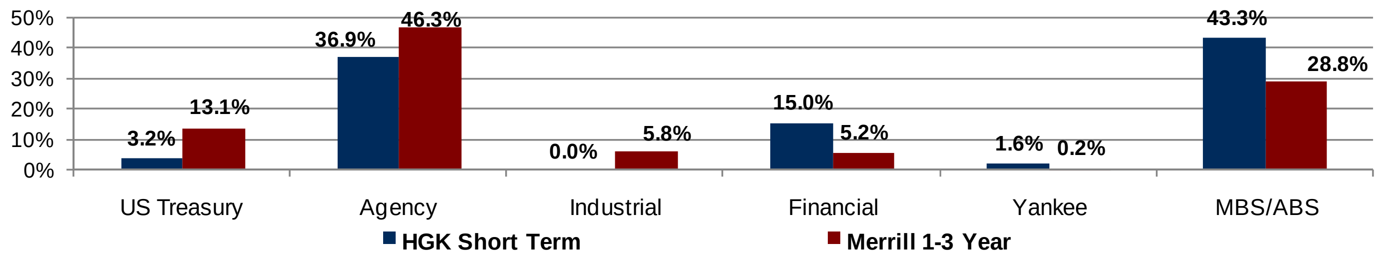
2Q10 Fixed Income Market Review, 3Q Outlook, and Strategy Going Forward

The second quarter got off to a fast start as corporate bonds continued their rally pushing yields to their lowest levels since November 2007. However, that strength ended in late April as fear returned to the market spurred by sovereign debt worries in Europe as borrowing costs in Greece and other nations (PIIGS) soared. Additionally the impact of the SEC investigation of Goldman Sachs and proposed financial reform regulation added to the weakness causing May to be the fifth worst total return month on record, returning -2.66%. The U.S. economy continues to face headwinds with continued high unemployment, the return to weaker housing market (due to the end of the home buyer tax credit), and declining consumer confidence and spending. The massive quantitative easing and fiscal stimulus enacted in 2009 provided a lift to the first quarter of 2010, but the expiration of Treasury programs, notably the repurchasing of Mortgage Backed Securities (MBS), has led to a slowdown in the economic engine and the velocity of money has declined. The second quarter also endured an incredible environmental disaster in the Gulf of Mexico and began to ponder the possibility of a slowdown in China. Despite the aforementioned challenges, we do not see a “double-dip” recession. We believe economic growth will continue to be slow but the Federal Reserve will continue to hold interest rates at current levels throughout 2011, as there are no signs of inflation on the horizon. This continued accommodative policy should keep the U.S. out of a recession until economic activity begins to accelerate.

U.S. Treasury bond prices rose through the quarter as they became the “safe-haven” sector. The thirty-year U.S.T. was yielding 3.90% at the end of the second quarter of 2010, down from 4.72% at the start of the quarter. The ten-year and two-year U.S.T.s were yielding 2.95% and 0.59%, from 3.84% and 0.99% at the start of the quarter, respectively. Corporate issuance in the second quarter decreased 42% versus the first quarter of 2010, and the spread of investment grade corporate yields over treasuries rose to 208 basis points from 150. Despite the increase in spreads, total yields have fallen, leading to positive total returns in investment grade bonds. Moving forward however, we believe low absolute yields are another obstacle to spread tightening, even though corporate fundamentals are strong and improving. Balance sheets are the cleanest in years and cash balances are at an all time high, which could lead to share buy-backs, dividend increases, and mergers and acquisitions, all of which are generally detrimental for corporate bonds.

Given the current negative sentiment, we could see a relief rally if strong second quarter earnings are accompanied by solid future growth prospects and the stress tests on the European banks come in positive. The tone in corporate credit is likely to remain defensive and volatile until we see an economic recovery both here and abroad. A second phase of weakness would add to the troubling levels of mortgage delinquencies and foreclosures and could run the unemployment rate higher. Given the relative risk/reward of the impact of contagion on credit spreads, the looming debt problem, and the recent rash of negative data, we remain neutral to credit and continue to maintain our defensive posture.

Sector Distribution



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