

PORTFOLIO MANAGERS

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Joined the firm in 1999
23 years of industry experience

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Joined the firm in 1997
12 years of industry experience

ABOUT SMITH AFFILIATED CAPITAL

- Founded in 1982
- 100% management-owned
- Registered and insured investment advisor
- \$2.1 billion AUM
- Primary focus on separate account management
- No mutual funds or commingling of funds
- Seven investment professionals
- Product focus: fixed income domestic total return, short-term/intermediate and global total return, structured portfolios, municipals, total return balanced, taxable/tax-sensitive
- Servicing 210 separately managed clients in: corporate accounts, public and Taft-Hartley pension plans, insurance companies, endowments and foundations, healthcare institutions, non-US companies and high net worth individuals and family trusts



OBJECTIVES

- The strategy provides after-tax stable income and principal protection on a risk-adjusted total return basis vs. the relevant composite benchmark
- Separately managed to a client's tax requirements and specific cash-flow needs combined with an allowance to take moderate credit and maturity risk for yield enhancement purposes
- Provides the highest degree of liquidity with an asset allocation heavily weighted in short-term, investment-grade fixed income securities
- SAC does not use derivatives, leverage, or other esoteric products to enhance performance

INVESTMENT PHILOSOPHY

- Utilizes a disciplined Investment Selection Committee comprised of senior portfolio managers and research analysts
- Asset allocation is driven by a two-tier approach: a 'top-down' view of global markets followed by SAC's qualitative and quantitative 'bottom-up' approach
- Top-down duration management is maintained within a band relative to the benchmark. Decision-making points that determine band optimization are based on key macroeconomic data/sociopolitical issues, fundamental research reviewing credit rating sector reports, supply and demand analysis combined with the client's guidelines, diversification requirements, and portfolio benchmarks.
- Bottom-up yield curve exposure is actively managed by senior portfolio managers utilizing quantitative swap models based on historical yield spread relations, relative value, credit worthiness, and potential price and income appreciation of a particular sector and index in the context of our top-down view.

INVESTMENT PROCESS

- The strategy first looks at each client's tax rate as an integral starting point, which is monitored on a continual basis
- We also have the ability to employ a crossover strategy that actively measures the tax-adjusted yield value of municipals versus comparable Treasuries or other taxable instruments. Per a client's request, we will invest in taxable issues when they offer superior returns over municipal investments.
- We customize and separately manage each portfolio so we can meet a client's individual goals, risk tolerance, and liquidity and tax requirements
- Portfolio duration is maintained within a +/-25% band around the corresponding benchmark to minimize market volatility within a client's portfolio

PRODUCT FACTS

Allowable Securities	Municipal bonds and notes, floating-rate notes, Treasury bills, notes, and bonds, Agencies, mortgage-backed securities, cash and equivalents.
Portfolio Benchmark	Barclays Capital Municipal Bond Index
Minimum Credit Rating	A
Individual Security Rating	AA
Average Number Of Securities	10-30
Account Size Minimum	\$2 million
Core Municipal Assets	\$425 million
Product Inception Date	January 1985

PORTFOLIO

Characteristics	SAC	BC MB ²
Coupon	4.86	4.99
Maturity	12.30	13.53
Duration	8.30	8.29
Yield	3.69	3.62
Quality	Aa2	Aa2/Aa3

Quality Distribution (%)	SAC	BC MB ²
Aaa	10.1	30.5
Aa	57.7	36.4
A	24.9	20.9
Baa	6.0*	12.2
C/E	1.3	0.0

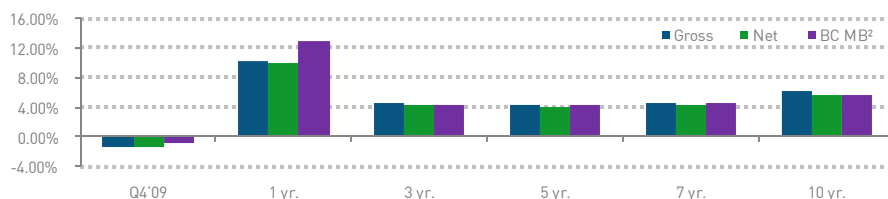
Duration Distribution (%)	SAC
0-2 Years	3.7
2-4 Years	5.3
4-6 Years	10.2
6-8 Years	18.5
8-10 Years	30.3
10-12 Years	28.3
12+ Years	3.7

Sector Distribution (%)	SAC
Local GO	25.1
State GO	1.9
Pre-refunded	3.6
Revenue	68.1
C/E	1.3

* Most of Baa distribution can be attributed to issues that are insured by MBIA and have no Moody's underlying rating. SAC defaults to Moody's ratings, so in this case it is simply the Moody's rating for MBIA, which is Baa. S&P rates the insurer AA-. Also included in the Baa are prerefunded issues that weren't rerated after being prerefunded.

For more information about our products and services, please visit our website at www.smithcapital.com.

To speak with an SAC representative, please call (212) 644-9440 or e-mail info@smithcapital.com.

PERFORMANCE RESULTS¹

	Q4'09	1 yr.	3 yr.	5 yr.	7 yr.	10 yr.
Gross	-1.37	10.18	4.50	4.34	4.62	6.10
Net	-1.44	9.91	4.23	4.05	4.29	5.75
BC MB ²	-0.96	12.90	4.40	4.31	4.48	5.75

¹ Return periods greater than one year are annualized, ending December 31; ² Barclays Capital Municipal Bond Index

PERFORMANCE BY YEAR

	SAC Gross Return	BC MB ² Gross Return	Annual Dispersion (bps)	# of Portfolios	Total AUM	% of Firm Assets	Total Firm Assets (USD – Millions)
00	13.71	11.68	103	50	174	20.9	831
01	4.30	5.13	48	54	237	25.8	917
02	11.13	9.60	101	55	196	17.9	1,096
03	5.96	5.32	70	72	247	18.6	1,325
04	4.68	4.47	59	56	232	16.8	1,379
05	3.06	3.52	62	54	312	23.1	1,351
06	5.13	4.85	47	52	354	20.5	1,719
07	4.06	3.36	29	34	385	19.3	1,997
08	-0.47	-2.48	176	39	445	22.3	1,993
2009	10.18	12.90	197	39	425	20.1	2,113

Smith Affiliated Capital has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®).

Smith Affiliated Capital (SAC) is a registered investment advisor specializing in separate account fixed income. Our strategy for all funds incorporates the articulation and management of the client's asset/liability mix, balancing liquidity needs with the generation of long-term gains. In the spirit of risk aversion and principal protection, SAC uses only call-protected, investment-grade securities.

The gross investment performance results reported are calculated after transaction costs but prior to the deduction of management fees. All returns have been calculated on an asset-weighted basis in U.S. dollars. Since 2000, the dispersion of the composite's individual annual account returns is measured as the standard deviation, expressed in basis points, over the preceding 12 months when at least 5 portfolios are continuously present. For the periods 1996 through 1999, composite returns are equal-weighted and without a dispersion measure, and therefore not in compliance with GIPS. Core Municipal inception date: January 1985. Prior to 12/31/04, composite was known as "Municipals [Full Discretion]."

The investment advisory fees charged by SAC are described in Part II of its Form ADV. Since fees are deducted quarterly, the compounding effect will increase the impact of fees by an amount directly related to the gross account performance. For example, an account with a 1.0% annualized investment management fee—deducted quarterly and with a five-year annualized performance of 10% before fees—will have net annualized performance of 8.93%. SAC's fee is negotiated with the client, depending on account size, reporting requirements and other variables. The published fee schedule for the Core Municipal composite is as follows: 0.50% on first \$10 million and 0.375% thereafter.

Past results are not a guarantee of future results or trends. SAC's Investment Committee does not employ the use of derivative instruments such as options, futures, or swap agreements nor does it employ leveraging techniques or lend client portfolio securities to any broker, dealer, or financial institution in order to earn income return. The investment committee's goal is to seek the highest level of liquidity given the above mentioned investment policies and strategies.

SAC makes every effort to place each account in an appropriate composite. Inclusion in the composite depends on several factors. SAC does not use model portfolios in its composite reporting. The basic rule for inclusion is the ability to align the new account with the similar traits and characteristics of those accounts currently within the composite. New accounts do not enter into a taxable composite until a minimum of a full three months of SAC management. Tax-exempt accounts enter a tax-exempt composite after a three- to six-month period under management at SAC. Further detail is provided in SAC's Performance Measurement Commentary.