

THE FIRM

Smith Affiliated Capital was formed in 1982 to provide both discretionary and advisory investment management services to high-net worth individuals, their families, and institutional investors. The firm was founded by Robert G. Smith, PhD, on one principle: to focus solely on investment-grade securities that deliver consistent long-term capital appreciation while seeking to protect principal and income with minimized risk and maximized total return.

Today, SAC manages \$2.0 billion for 207 clients. Our quality management encompasses equity, fixed income, and exchange-traded securities. We provide investment solutions through separately managed portfolios that are constructed based solely on our clients' specific liability and risk profiles.

PHILOSOPHY & PROCESS

- We are active managers of high quality equity and fixed income portfolios. We believe that the active management in our boutique-sized firm affords us the ability to adapt to and invest quickly in an ever-changing marketplace
- We begin by first listening to our client's needs and then provide the client with a top-down view of what we feel is possible under the current and future market conditions based on our own expertise
- We then construct a portfolio based on our top-down view and combine that with our senior portfolio managers' bottom-up approach in addressing which securities and maturity levels will best fit our client's objectives
- We invest only in high-quality equity and fixed income securities that will try to provide the highest liquidity, exceed the rate of inflation, and protect principal and income.
- We tailor each portfolio to our clients' individual needs. All accounts are separately managed at SAC and we do not commingle portfolios or manage mutual funds. We believe that only a customized portfolio can best address the objectives of each individual client.
- As separate account managers with a singular focus on the client, we are able to give consistent returns in bull and bear markets, manage to true portfolio risk, maximize after-tax returns, and add value after fees.

SAC COMPOSITE BENCHMARKS

	Benchmark
CashPlus	3mo T-bill/ BC G 1-3
Low Duration Fixed Income	ML GC 1-5 A+
Intermediate Fixed Income	BC GCI
Intermediate Govt.	BC GI
Core Fixed Income	BC GC / BC AGG
Core Government	BC G
Short Municipal	BC PRERE 1-3
Ltd. Duration Municipal	BC MUNI 5 YR
Core Municipal	BC MUNI
Enhanced Fixed	BC GCI / S&P 500

¹ As of 12/31/10

CLIENT BREAKOUT

	# of Clients ¹	% of AUM ¹
Tax-Exempt Corporate Clients	6	2.32%
Endowments & Foundations	24	19.58%
Healthcare & Insurance	45	34.55%
Public Funds	3	0.78%
Taft-Hartley Clients	11	7.81%
Taxable Corporate Clients	3	1.90%
Taxable Individuals	103	31.54%
Tax-Exempt Individuals	8	0.54%
Wrap	4	0.99%

¹ As of 12/31/10

Robert G. Smith, PhD, Chairman, is an influential political economist who applies macro-economic fundamentals to separate-account portfolio management. He founded and registered Smith Affiliated Capital in 1982 to design, implement, and manage fixed-income strategies for institutions, endowments and foundations, and wealthy individuals and their families.

Dr. Smith was appointed by the New York State Senate to serve as a voting member of the board of the New York State Health Foundation. He is a former board member of the Nassau County Interim Finance Authority (NIFA). He recently completed a twenty-five year tenure as a member of the New York State Comptroller's Investment Advisory Committee for State Pension Funds (Common Fund) and is the retired 'lead' director and chairman of the Audit Committee for the former Guardian Insurance Family of Mutual Funds.

Dr. Smith received his PhD from the New York University Graduate School of Business Administration and is a Chartered Financial Analyst (CFA). He is a member of the National Association of Economists (NABE), the Healthcare Financial Management Association, the CFA Institute, and The Pilgrims of the United States. Dr. Smith is a former US Naval officer and a veteran of the Korean War.

Matthew J. Smith, President & Chief Investment Officer, chairs the investment efforts of SAC across all portfolio products, developing the firm's market strategies and identifying appropriate investments. He has been a member of the Investment Committee since 1998 and its chairman since 2006. He is specifically responsible for the management of SAC's Enhanced Fixed Income product line as well as the development of socially sensitive strategies. Prior to joining SAC in 1994, Matthew served as a municipal analyst for the Rock & Roll Hall of Fame in Cleveland, OH. He is an affiliate member of the New York Society of Security Analysts and received his MA/CNM degree/certification in US Social Economic Policy and Nonprofit Management from the Weatherhead School of Management at Case Western Reserve University.

John A. Jenney, Vice President, joined SAC in 1993 and is responsible for the management of the firm's taxable Cash Plus, Low Duration, and Intermediate Fixed Income product lines. He has more than 33 years of experience in primary government institutional trading and investment management with expertise in taxable fixed income strategies. John received a BS in Economics from the State University of New York.

Paul J. Matus, Vice President, joined SAC in 1999 as Vice President and Director of Tax-Exempt Investments. He is responsible for the management of the firm's tax-exempt portfolios and is a member of the Investment Committee. Prior to joining SAC, Paul spent 12 years with Merrill Lynch and Co.'s Defined Asset Funds, both as Assistant Vice President of its Research Department and Vice President of its Buying/Private Placement Department. He earned an MBA in Finance at New York University.

Jiang Peng, CFA, Portfolio Manager, joined SAC in 2002 and became a member of the firm's Investment Committee in 2003. He is responsible for the management of SAC's Core Fixed Income accounts as well as the support of the firm's compliance with client investment objectives, asset allocation, and performance variance for all of our strategy composites. Prior to joining SAC, Jiang accrued over eight years of experience in analytics and credit analysis, including five years with Ryan Labs, Inc. He is a member of the CFA Institute and the New York Society of Security Analysts. He earned his MA in Economics at the City University of New York.

Erwin Tonogbanua, Portfolio Manager, joined SAC in 1997, became a portfolio manager in 2005, and a member of the firm's Investment Committee in 2006. He is responsible for the management of SAC's Limited Duration and Municipal accounts as well as the support of the firm's reporting and analytic systems. Erwin earned his BS in Finance and International Business at New York University.