

**INVESTMENT MANAGER**

Joseph A. Jennings III, CFA

Managing Director

**INVESTMENT PHILOSOPHY**

- We adhere to a process which attempts to
  - Maximize total return
  - Maximize current income
  - Adhere to specified risk parameters
- Our strategy emphasizes
  - Interest rate management
  - Quantitative approach
  - High quality instruments
  - Low portfolio turnover

**INVESTMENT PROCESS**

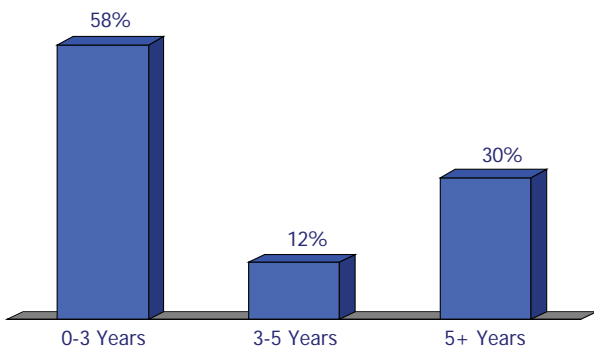
LB&C's fixed income process comprises three major elements - *duration, yield curve and sector forecasting.*

The most important decision for fixed income management is determining the *duration* of a portfolio. Our view on the direction of interest rates is expressed by a portfolio's duration relative to that of its benchmark. Portfolios are monitored in current market conditions and tested under various hypothetical interest rate environments using proven analytical models.

In addition to forecasting the trend of interest rates, we analyze the shape of the *yield curve* as part of the risk/reward analysis used in optimizing the portfolio structure. A variety of yield curve tools are used to analyze the curve and to determine value. Most are based on historical intra-curve spread relationships. We believe historical relationships are important in determining not only relative value along the curve, but also in predicting the most probable shape the curve will take.

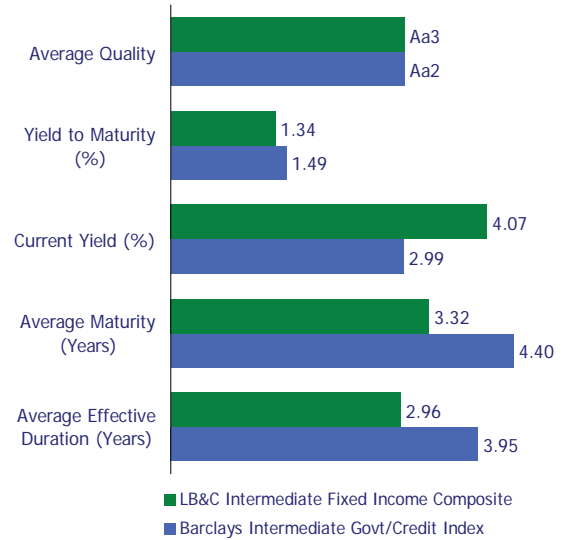
Just as we use a discipline for anticipating the direction of rates and yield curve analysis, we also use a systematic discipline in the valuation of *sectors* incorporating historical yield spreads, credit risks, market volatility, call features and supply-demand variables.

**MATURITY STRUCTURE**

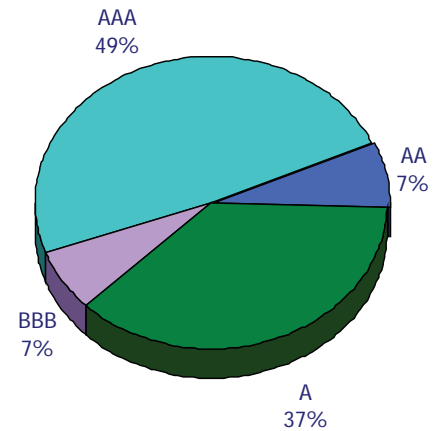


**CHARACTERISTICS**

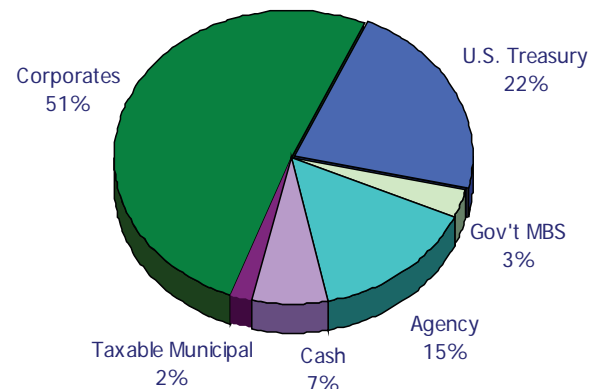
- Weighted Average Holdings -



**CREDIT QUALITY**



**SECTOR DIVERSIFICATION**



**PERFORMANCE DISCLOSURE**

*Performance in Compliance with the Global Investment Performance Standards (GIPS)*

	TOTAL RETURN GROSS(%)	TOTAL RETURN NET (%)	BARCLAYS INTERMEDIATE GOVT/CREDIT RETURN(%)	COMPOSITE 3 YEAR STANDARD DEVIATION(%)	BENCHMARK 3 YEAR STANDARD DEVIATION(%)	NUMBER OF PORTFOLIOS	HIGH/LOW DISPERSION RANGE (%)	COMPOSITE ASSETS (\$M)	TOTAL FIRM ASSETS (\$B)
2002	10.16	9.57	9.82			6	0.57	16	1.1
2003	3.42	2.85	4.30			5	0.49	15	1.2
2004	2.80	2.33	3.04			5	0.10	21	1.1
2005	2.31	1.86	1.57			6	0.12	23	1.1
2006	4.30	3.86	4.07			6	0.30	22.5	1.1
2007	7.73	7.30	7.39			<5	n/a	14.7	1.1
2008	7.86	7.43	5.08			<5	n/a	15.6	0.9
2009	4.87	4.45	5.24			<5	n/a	15.6	1.0
2010	4.80	4.39	5.99			<5	n/a	14.5	1.0
2011	4.75	4.35	5.80	2.02	2.55	<5	n/a	11.8	1.5

<b>Performance as of Dec. 31, 2011</b>	<b>QUARTER</b>	<b>1 YEAR</b>	<b>3 YEARS</b>	<b>5 YEARS</b>	<b>7 YEARS</b>	<b>10 YEARS</b>
Total Return - Gross of Fees	0.74%	4.75%	4.80%	5.99%	5.21%	5.27%
Total Return - Net of Fees	0.64	4.35	4.40	5.57	4.79	4.81
Barclays Intermediate G/C Index	0.84	5.80	5.65	5.88	5.00	5.20

Lowe, Brockenbrough & Company, Inc. claims compliance with the Global Investment Performance Standards (GIPS) and has prepared and presented this report in compliance with the GIPS standards. Lowe, Brockenbrough has not been independently verified. The composite returns represent the total return of all fully discretionary, fee-paying, institutional, tax exempt fixed income portfolios with assets greater than \$1 million in U.S. dollars and with a benchmark of the Barclays Capital U.S. Intermediate Government/Credit Index, which is an index of unmanaged U.S. fixed rate debt securities including publicly issued Treasury/Agency securities and corporate debt securities rated investment grade with maturities of 1 to 10 years.

Composite calculation is based on time-weighted rates of return, with monthly valuations geometrically linked for period returns. Calculations use trade date for settlements, accrual accounting for bond interest and cash accounting for dividends. Calculations include cash and cash equivalents. The composites are asset-weighted total return using beginning of period values in U.S. Dollars. No leverage has been used in the portfolios. The 3 Year ex-post annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. The standard deviation is not required for periods prior to 2011. The measure of internal dispersion is represented by the range between the highest performing and the lowest performing portfolio in the composite. New accounts are added to the composite on a monthly basis as soon as the account has been transitioned into the respective strategy. Terminated accounts remain in the composite prior to termination notice. Returns are shown both gross and net of investment management fees. The firm's fee schedule for Balanced and Equity accounts is .75% on the first \$10 million, .625% on the next \$10 million, and .5% thereafter and for Fixed Income accounts is .5% on the first \$10 million, .375% on the next \$15 million, and .24% thereafter. The net of fee return deducts each account's investment management fee rate from the account's return. Accounts may be temporarily removed from the composite due to significant cash flows that hinder strategy implementation.

Lowe, Brockenbrough & Co., Inc. is an independent investment management firm. For GIPS purposes, the firm is defined as all fee paying accounts under contract to Austin Brockenbrough, III, one of the original principals of the firm. The firm established this composite according to AIMR in August, 2000. All returns are expressed in U.S. dollars. A complete list of composite descriptions and policies for valuing portfolios, calculation performance and preparing compliance presentations are available upon request. Past performance is not to be construed as a guarantee or prediction of future performance.

**LOWE, BROCKENBROUGH & COMPANY, INC.**

**1802 Bayberry Court, Suite 400, Richmond, VA 23226-3767**

**Phone - 804.288.0404 Fax - 804.288.7872 Website - [www.lowebrockenbrough.com](http://www.lowebrockenbrough.com)**