

MUNICIPAL BOND MANAGEMENT PROCESS

Maturity Structure

- Maturity structure determined by client objectives
- Interest rate analysis
 - Economic growth
 - Inflation trends
 - Monetary policy

Sector Selection

- Tax equivalent yield of municipals versus U.S. Treasuries
- Determine attractiveness of current spreads relative to historical norms
- Exploit opportunities presented by changing relationships between sectors

Security Selection

- Emphasis on high quality securities
- Diversified among issuers
- Structured to maximize the income component

Security Analysis

- Normal duration strategy \pm 25% of benchmark index
- Typically diversified among 20-30 issues
- Normal maximum exposure: 5%
- Minimum average quality: AA