

# High Yield

## PRODUCT PROFILE

### Investment Philosophy & Process

Bradford & Marzec LLC High Yield philosophy incorporates the use of only the higher quality tiers of the High Yield universe (BB and B) in an effort to maximize total returns in a high yield portfolio during normal economic periods, but minimize loss of principal during periods of rapid credit deterioration. Within this framework the average credit quality of the portfolio is shifted according to our assessment of the present state of the economic cycle. In this manner we endeavor to enhance returns in favorable economic environments when credit conditions are improving, and protect principal by adopting a more defensive average credit quality when the economic cycle is deteriorating.

Rigorous bottom-up credit analysis by our team of analysts is married to our top-down macroeconomic assessment to optimally position the portfolios at the various stages of the economic cycle. Average portfolio quality is adjusted by altering the weightings of investment in higher and lower quality bonds (using the ratings of the major credit rating agencies). A sector rotation strategy is employed to capture potential benefits at different stages of the economic cycle.

This process and philosophy has been the mainstay of our style since managing our first separate High Yield account in 1988.

### Overview

Total Firm Assets:	3.3 \$Billion
High Yield Product Assets*:	552.6 \$Million
Benchmark:	Citigroup BB/B ex B/CCC Index
Portfolio Manager:	Team Managed
Team Leader:	Doug Lopez, CFA

### Quality Distribution



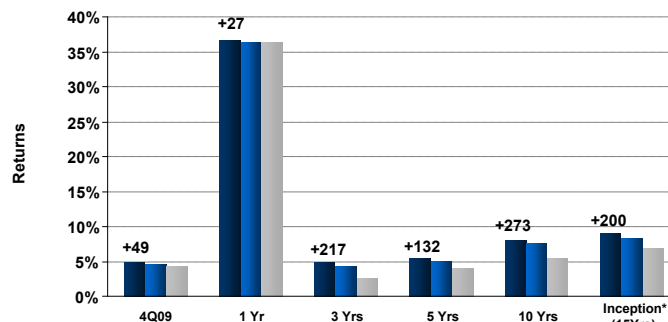
■ Cash/Cash Equiv & Investment Grade\* ■ BB  
■ BBB ■ B

	BMLLC High Yield	Citi BB/B* HY Index
Cash/Cash Equiv & Investment Grade	2.1%	0.0%
BBB:	6.3%	0.0%
BB:	37.5%	46.6%
B:	54.2%	53.4%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Citigroup\*

### Performance

#### \*Annualized Returns



\* Returns less than one year are not annualized

	4Q09	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception* (15Yrs)
■ High Yield Separate Accounts (Gross)	4.75%	36.73%	4.72%	5.42%	8.06%	8.90%
■ High Yield Separate Accounts (Net)	4.67%	36.30%	4.34%	5.03%	7.63%	8.43%
■ Citi BB/B ex B/CCC Splits Index	4.26%	36.46%	2.55%	4.10%	5.33%	6.90%

Source: Citigroup\*

	High Yield Sep. Accts. (Gross)	High Yield Sep. Accts. (Net)	Citi BB/B ex B/CCC Index	Diff.
<b>4Q09</b>	4.75%	4.67%	4.26%	+49
<b>1 Yr</b>	36.73%	36.30%	36.46%	+27
<b>3 Yrs</b>	4.72%	4.34%	2.55%	+217
<b>5 Yrs</b>	5.42%	5.03%	4.10%	+132
<b>10 Yrs</b>	8.06%	7.63%	5.33%	+273
<b>Inception* (15 Yrs/0 Mos)</b>	8.90%	8.43%	6.90%	+200

**If you would like more information, please contact:**

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## Investment Team

Bradford & Marzec LLC, is an independent employee-owned investment advisory organization founded in 1984 and headquartered in Los Angeles. Our staff of experienced professionals working together as specialist investment teams are the most important part of our investment philosophy and process. Our senior portfolio strategy team has worked together for over 15 years and collectively average over 27 years of investment experience.

## High Yield Separate Account Disclosure 4Q09

The performance figures represented herein reflect the deduction of any brokerage fees, but do not reflect the deduction of advisory fees unless specified as returns net of fees. Advisory fees and any other expenses that may be incurred in the management of an investment advisory account will reduce performance results shown gross of fees. See BM's Form ADV, Part II for a complete description of investment advisory fees.

This presentation consists of compilations of various client portfolio data that may not represent the investment strategies that would be employed for a prospective client. The investment strategies employed in the accounts included in the portfolio composite may differ from the market, as represented by index returns, in terms of weighted average quality, weighted average coupon, and/or weighted average duration (volatility), and may include the use of certain other securities such as lower quality bonds, non-dollar bonds, municipal bonds and convertible bonds which are not included in the market index. Individual client performance returns may be higher or lower than the composite's returns based upon the client's investment objectives, financial situations, restrictions, and risk tolerances. Past performance is no guarantee of future results. All investments involve risk including the loss of principal. Although the performance results included illustrate the potential for profit, the possibility of losses also exists.

The High Yield Separate Account Composite includes all discretionary accounts that are invested primarily in high yield fixed income securities. SMA and wrap fee clients are not included in this composite. All accounts meeting these criteria, regardless of size, are included in the composite. The High Yield Separate Account Composite has an inception and creation date of 01/01/1995. The applicable benchmark for this composite is the Citigroup BB/B (excluding split-rated B/C/C/C) Index.

- Bradford & Marzec, LLC has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®).
- Bradford & Marzec, LLC has received a firm wide verification of GIPS® compliance for the period 12/31/1997 through 03/31/2009 from Beacon Verification Services. A copy of the verification statement is available upon request. The High Yield Separate Account Composite also received a performance examination for the same period.
- Bradford & Marzec, LLC is an investment advisory firm registered with the SEC specializing in the management of fully discretionary fixed income portfolios for institutional clients.
- The investment advisory fee schedule appropriate to the High Yield Separate Account Composite is as follows: \$0-\$10 million: 0.50%; \$10-\$25 million: 0.45%; \$25-\$100 million: 0.375%; Over \$100 million: Negotiable.
- A complete list of all composites maintained by Bradford & Marzec, LLC and their associated descriptions is available upon request.
- Additional information regarding policies for calculating and reporting returns is available upon request.
- All returns are presented in US dollars. Portfolios are managed to minimize, but do not exclude, the effects of currency.

January 1, 1999 Through December 31, 2009	Gross Return	Net Return	CITI BB/B	Composite Dispersion (High / Low)	# of Ports	Gross Assets (\$M)	Total Firm Assets (\$M)	Percentage of Total Firm Assets	Percentage of Non-Fee Paying Assets	Created
1999 YTD	2.96	2.44	2.07	NA	1	\$9.5	\$6,277.3	0.2%	0.0%	Jan-00
2000 YTD	8.73	8.22	-3.51	NA	1	\$16.4	\$8,013.0	0.2%	0.0%	Jan-01
2001 YTD	8.50	8.02	6.65	NA	2	\$33.9	\$7,605.2	0.4%	0.0%	Jan-02
2002 YTD	4.43	3.99	-1.88	4.75/3.86	2	\$40.4	\$4,922.1	0.8%	0.0%	Jan-03
2003 YTD	21.72	21.23	23.99	21.98/21.39	3	\$56.1	\$4,359.8	1.3%	6.8%	Jan-04
2004 YTD	11.14	10.73	9.91	11.51/9.40	3	\$66.0	\$4,518.6	1.5%	10.2%	Jan-05
2005 YTD	3.76	3.36	2.46	3.87/3.60	3	\$76.2	\$4,221.8	1.8%	6.8%	Jan-06
2006 YTD	9.30	8.87	10.61	NA	3	\$86.0	\$4,220.2	2.0%	6.2%	Jan-07
2007 YTD	4.69	4.27	2.61	NA	3	\$93.4	\$4,098.6	2.3%	4.0%	Jan-08
2008 YTD	-19.78	-20.08	-22.97	NA	9	\$185.1	\$3,871.6	4.8%	1.5%	Jan-09
2009 YTD	36.73	36.30	36.46	1.63	13	\$287.4	\$3,284.8	8.7%	0.0%	Jan-10

YTD returns for the current year are updated as of the most recent available quarter end date.

- For taxable accounts, results are not net of taxes. After applicable taxes, the actual returns may be lower.
- Currency exchange rates are applied consistently across all managed portfolios, however exchange rates may vary slightly from applied benchmark.
- Prior to 2003, for full years in which the composite was comprised of fewer than 12 accounts, Composite Dispersion indicates the high and low returns, gross of fees, for individual accounts. For full years in which the composite was comprised of 12 or more accounts, Composite Dispersion indicates an asset weighted standard deviation of individual account returns, also gross of fees. From 2003 - 2006, for full years in which the composite was comprised of fewer than 12 accounts, Composite Dispersion indicates the high and low returns, gross of fees, for individual accounts. For full years in which the composite was comprised of 12 or more accounts, Composite Dispersion indicates a simple standard deviation of individual account returns, also gross of fees. Beginning in 2006, dispersion for all composites indicates an equal weighted standard deviation of individual account returns, gross of fees, and is calculated only for full calendar years. A measure of dispersion is only calculated for composites that contain more than five constituents and have maintained a constituency greater than five for the entire year for which dispersion is calculated. A measure of dispersion is not calculated for composites that contain five or fewer constituents.
- Trade date reporting has been used for the full historical period. Returns include the compounding of interest.