March 31, 2009

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GW&K | INVESTMENT MANAGEMENT

Quarterly Investment Review

Economic Commentary

Index Performance

Periods Ending March 31, 2009	*Current Quarter*	*Year-to-Date*
Barclays 10-Year Muni Bond Index	3.41%	3.41%
Barclays Aggregate Bond Index	0.12%	0.12%
Barclays High Yield Index	5.98%	5.98%
Dow Jones Industrial Average	–12.48%	–12.48%
S&P 500 Index	–11.01%	–11.01%
Russell 2000 Index	–14.95%	–14.95%
NASDAQ Composite	–2.78%	–2.78%

It seems to me that our children's way of living has had more of an impact on adults than our way of living has influenced our children. Instant messaging, Facebook, and Google have become part of the daily routine. It is this desire to have answers *now* that has penetrated our way of life. Three months into Barack Obama's presidency and the cry is, why hasn't the cure to our economy been found? Why haven't the markets normalized? Why hasn't housing recovered or unemployment stopped rising? The greatest cry is that with all this debt, the country will have to bear the curse of inflation.

If one can step back for a moment to reflect on how far we have come since September, I believe there would be a greater sense of trust, hope and patience. After Treasury Secretary Timothy Geithner failed to produce a *detailed plan* earlier this year, there seemed to be a deep level of disappointment and fear. Isn't it possible that the issues facing the government are so enormous and unpredictable that it would be impossible for the administration to develop a plan in the first thirty days? Can't we appreciate that very smart people need time to experiment with new programs? Can't we believe that not everything will be successful, but only in retrospect will we know what will work? We all need to relax a bit and watch and realize that after years of abuse at every level of the public and private sectors, it will take time to get us back on solid ground.

It seems to me that we are at the end of the beginning—the meltdown phase—and the beginning of the middle—the corrective phase. We are now going through the healing process, and the investment opportunities are probably as exciting as they have been for decades. But as is often the case, investors are less apt to take risk in periods when the opportunities are greater because of a collapse in faith and visibility. But it is the lack of clear visibility that creates the wonderful opportunity.

The constant cry of concern we hear is inflation, inflation, inflation. Since the 1970s fear of inflation has dominated investors' attitudes. The irony is that long-term interest rates have declined steadily since the 1970s, as the effects of globalization have held the overall inflation rate in check. I would argue that the decline of long-term interest rates was the culprit behind investor leveraging, given the low cost of borrowing. The desire for higher, yet unavailable, long-term rates of the past pushed investors to lever-up lower yields in an attempt to synthetically replicate the higher bond rates of the past. The unwinding of this leverage is largely responsible for the mess we are in today.

The question we are hearing time and time again is: How can we not have inflation with the federal government creating so much debt? Let's review some facts looking back over the last 70 years. The national debt as a percentage of Gross Domestic Product (GDP) was very high (over 100% during World War II) and inflation was very low, with the exception of 1947 and 1948 when price controls were lifted. The debt level was still high as a percentage of GDP all through the 1950s and 1960s, slowly declining to 33% with little inflation just as the OPEC oil embargo hit and inflation rose. Since the 1970s, national debt as a percentage of GDP

Continued on next page

First Quarter 2009 Market Overview

Economy

- The new administration moved quickly on its stimulus agenda, successfully passing an economic stimulus plan, The American Recovery and Reinvestment Act, comprised of $787 billion in new spending and tax cuts.
- Consumer confidence remains at recession lows despite seeing some positive economic signals such as stronger than expected durable goods orders and higher new home sales.
- Non-farm payrolls fell 663k in March bringing the unemployment rate to 8.5%.

Fed Action

- The Fed kept the federal funds rate steady at 0–0.25% and has committed to keeping interest rates low for an extended period of time.
- In a continued effort to lower borrowing costs and address housing market weakness, the Fed announced a $300 billion purchase of U.S. Treasuries and a $750 billion increase in its mortgage-backed securities purchasing program.

Bond Markets

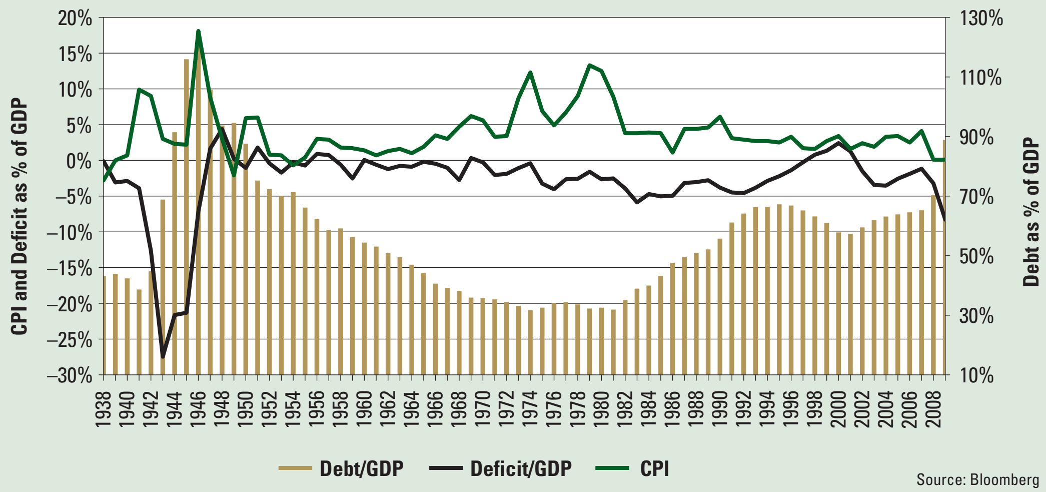
- U.S. Treasury yields increased during the quarter as investors sought more attractive opportunities in other parts of the credit markets.
- High yield bond fundamentals remained weak, and though very volatile, they ended the quarter with strong performance. Investment grade credit spreads remained wide driven by heavy primary issuance and financial sector weakness.
- The municipal market posted its second consecutive quarter of solid performance as it continues to recover from the turmoil of last fall.

Equity Markets

- The equity markets again experienced high volatility this quarter. Despite a market rally during the final three weeks of March that drove the broad market indexes up close to 20%, the S&P 500 ended the quarter down 11%.
- Growth stocks outperformed their value counterparts during the quarter, aided by strong returns in the Technology sector.
- Financial stocks fared the worst due to continued concerns over the banking sector's troubled assets and insufficient capital.

Economic Commentary, continued

Deficit, National Debt and CPI



Source: Bloomberg

has risen from 33% to 70% in 2008 without any inflation, and is estimated to be 88% in 2009 (see chart). *There is no correlation between national debt as a percentage of GDP and inflation.*

A position we have taken consistently is that deficits alone are not a driver of inflation. In fact, if you eliminate price controls during World War II and OPEC during the 1970s, one is hard pressed to find any period of sustained inflation. The Fed recently set a long-term inflation target of no more than 2%. If that inflation number is projected over the next 70 years, that would represent a 75% reduction in purchasing power. However, as investors, our time horizon is more like 10 years, and we need to evaluate opportunities for that time period. For example, money market funds are paying about 0.88%, while ten-year AA corporate bonds are yielding about 5.75%. There is no evidence to suggest that inflation would overwhelm that 5% spread advantage.

I have said for years that the investment attitudes of our fathers' and grandfathers' generations were permanently disabled by the Depression. I believe our generation has been similarly disabled by inflation. We have many economic challenges, but we need to be responsible investors. There is no easy fix, but our system is not going to disappear. There may be changes in our way of living and in doing business. Consumers will not lead us out of this cycle, nor will leveraging, but other initiatives will and it is our job to figure that out.

It seems that everyone came to believe that they understood economics, the intricacies of the capital markets, the multiplier effect of money, and consumption versus investing, etc., and like our kids, came to simple conclusions for complex problems. Maybe the 21st century is more complicated, and to pretend to know answers from simple sets of assumptions is just not valid.

To me, it seems that the system is being renewed. Antiquated laws and policies will be replaced, and attitudes and behaviors will be more mature. We will come out of this era better and more prosperous. We will need to invest in ourselves because the global economy, which the United States has enjoyed, will be an increasingly competitive environment. The good news is there is no shortage of materials or brain power in the world; the challenge is for the U.S. to compete and grow in a global system. Forget inflation, think positively, and invest for the future, not the past.

Harold G. Kotler, CFA
CEO, Chief Investment Officer

GW&K Update

March 31, 2009

- Total Assets Under Management: $7.5 Billion
- Total Employees: 81
- Total Investment Professionals: 29

New GW&K Investment Professional

- We are pleased to welcome a new addition to our taxable fixed income investment team. Matthew Kence, Vice President, joins the team as a credit analyst with several years experience researching high yield credits across multiple industries. He previously worked for MFS Investment Management and Liberty Mutual Group.

Together, the Taxable Bond team manages over $660 million across four Strategies that have varied sector exposures to meet the different risk and return objectives of clients.

Market Index Descriptions

Barclays 10-Year (1-Year, 5-Year) Municipal Bond Index
Unmanaged indexes composed of 7,863 (3,395, 5,220) investment grade municipal bonds with a minimum credit rating of Baa.

Schwab Municipal Money Fund
The Fund invests in municipal money market securities, from state issuers around the country and from municipal agencies, U.S. territories and possessions.

Barclays Aggregate Bond Index
Composed of 9,003 securities from Barclays Government/Corporate Bond Index, Mortgage-Backed Securities Index, and the Asset-Backed Securities Index. Indexes rebalanced monthly.

Barclays Government/Credit Index
Composed of 4,558 securities from Barclays Government Index and the Barclays Credit Index. Issues must have at least one year to maturity. Indexes are rebalanced monthly.

Barclays High Yield Index
Composed of 1,461 fixed rate, publicly issued, noninvestment grade debt registered with the SEC.

Barclays 1–3 Year Government Index
Composed of 390 investment grade issues with maturities from 1 to (but not including) 3 years.

Merrill Lynch 15+ Years Municipal Index
Comprised of 5,569 investment grade municipal bonds with maturities that are 15 years or greater.

S&P 500 Index
A capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Russell Indexes
The Russell 2000 Index is a market weighted small capitalization index composed of the smaller 2,000 companies, ranked by market capitalization, of the Russell 3000 Index. The Russell 2500 Index consists of the smaller 2,500 companies, as ranked by total market capitalization, in the Russell 3000 Index. The Russell 3000 Index is composed of 3,000 U.S. companies ranked by market capitalization, representing approximately 98% of the U.S. equity market.

Tax Exempt Bond Strategies

GW&K Municipal Bond Strategy
Emphasizes bottom-up research with a goal of producing high after-tax returns while preserving and enhancing capital

GW&K Municipal Enhanced Yield Strategy
Long-term municipal bond approach emphasizes intense research with a goal to produce high after-tax income

GW&K Five-Year Municipal Bond Strategy
Seeks to preserve and enhance capital while protecting income stream by capitalizing on opportunities along the yield curve

GW&K Short-Term Municipal Bond Strategy
Through bottom-up research, seeks to earn higher after-tax returns than money market funds while managing risk

Nancy G. Angell, CFA, Co-Director of Fixed Income, Senior Vice President
John B. Fox, CFA, Co-Director of Fixed Income, Senior Vice President
Martin R. Tourigny, CFA, Vice President
Brian T. Moreland, CFA, Vice President

The municipal market posted its second consecutive quarter of solid performance as it continues to recover from last fall's turmoil. The market raced out of the gates in January, posting its strongest one-month return since April 1985 fueled by a severe lack of issuance, strong flows into mutual funds, and the promise of a federal stimulus package to help the ailing states. In March however, the municipal market retraced nearly half of its January rally and finished the quarter at rates higher than Treasuries all along the curve. The back-up in municipals was the result of strong new issuance that emerged in response to the lower yield environment. Many municipalities that spent the last quarter of 2008 on the sidelines due to market dislocation found their opportunity to bring new deals at reasonable levels. As the issuance level grew, interest rates backed up to accommodate all the new supply.

"Today's more heterogeneous market puts an additional premium on trading and research as investors must better understand credit quality differences, recognize the shifting pockets of supply and demand and avoid potential land mines."

The steepness of the yield curve presented us with a unique opportunity this quarter. In the early part of the quarter, the front end of the curve collapsed while longer-term bonds saw rates decline only modestly. As a result, at the end of January, the spread between 5 and 15 year bonds reached a historical peak. We took advantage of this anomaly by selling a portion of our shorter-term bonds (4–6 years) and redeploying proceeds into the longer-intermediate part of the curve (10–15 years). The result was a pickup of 300 basis points in additional yield and "roll," essentially doubling the expected return characteristics for that portion of our portfolio.

The municipal market remains fairly volatile and defies the neat generalizations that have characterized most of its sleepy existence. Today's more heterogeneous market puts an additional premium on trading and research as investors must better understand credit quality differences, recognize the shifting pockets of supply and demand and avoid potential land mines. These factors add up to an environment that offers strong potential returns, but only for investors armed with enough access to information to take advantage of it.

The **Municipal Bond Strategy** returned 2.76% for the quarter, with security selection playing an important role as performance by rating and sector varied considerably. Positively contributing to performance were overweights to health care and Puerto Rico credits. On the negative side, an overweight to the prepaid gas sector and underweights to airports and tobacco detracted from performance. Away from credit, we also picked up relative performance from the timing of our January extension trade as the spread between 5 and 15-year paper flattened over the following two months.

The **Municipal Enhanced Yield Strategy,** which focuses on longer-term bonds, had a very strong quarter, posting performance of 7.28% and outperforming its benchmark index. Our meaningful overweight to BBB rated bonds, and our strong security selection within that group, positively impacted performance. Looking forward, wide credit spreads and a historically steep yield curve continue to highlight the relative attractiveness of this Strategy with yields approximately 150 basis points higher than the intermediate space.

For the quarter, the **Five-Year Municipal Bond Strategy** posted performance of 2.00% vs. 2.18% for the Barclays 5-Year Index. Yields in the shorter-intermediate part of the curve steepened significantly with 3-year rates declining 78 basis points and 7-year rates down 33 basis points. This steepening negatively affected our relative performance given our longer duration and yield curve positioning. Partially offsetting this was the Strategy's modestly higher yield versus the benchmark.

The **Short-Term Municipal Bond Strategy** returned 1.45% for the quarter, just above the Barclays 1-Year Index. Rates declined sharply in the front end of the yield curve with 1-year AAA yields declining by 35 basis points to end the quarter at 0.50% and 3-year rates declining by 78 basis points to end the quarter at 1.25%. Relative performance for this Strategy benefited from this flattening given our longer duration and yield curve exposure. The municipal curve remains fairly steep at the front end, which should continue to benefit our Strategy versus the index.

Tax Exempt Bond Strategies

*Performance Ending 3/31/09 (%)**	*Quarter*	*1 Year*	*3 Years*	*5 Years*	*10 Years*	*Since Inception*	*Inception Date*
GW&K Municipal Bond	2.76	3.33	4.03	3.33	4.35	5.65	1/1/93**
Barclays 10-Year Muni Bond Index	3.41	4.65	4.70	3.84	4.98	5.82	
Barclays 5-Year Muni Bond Index	2.18	6.04	5.50	3.76	4.68	5.11	
GW&K Municipal Enhanced Yield	7.28	-2.78	0.03	—	—	0.03	4/1/06
Merrill 15+ Year Muni Index	6.74	-3.13	0.24	—	—	0.24	
GW&K Five-Year Municipal Bond	2.00	4.95	4.94	3.51	—	3.44	6/1/03
Barclays 5-Year Muni Bond Index	2.18	6.04	5.50	3.76	—	3.59	
GW&K Short-Term Municipal Bond	1.45	4.55	4.47	3.35	—	3.01	1/1/02
Barclays 1-Year Muni Bond Index	1.37	4.20	4.36	3.09	—	2.98	
Schwab Money Fund***	0.12	1.60	2.62	2.22	—	1.79	

* Periods greater than one year represent annualized returns. Returns represent composites and are gross of fees.
** Represents the effective date of GW&K's compliance with the Global Investment Performance Standards (GIPS), the recognized industry standard for performance reporting. Actual strategy inception date is 1/1/80.
*** Represents net of fee performance.

Taxable Bond Strategies

GW&K Total Return Bond Strategy

This multi-sector approach takes advantage of relative valuation among distinct bond sectors and seeks to generate high income and capital gain

GW&K Enhanced Core Bond Strategy

Offers broad market exposure across Treasury, Agency, Mortgage-Backed and Corporate sectors while seeking to provide strong income

GW&K Core Bond Strategy

A core multi-sector bond strategy that offers a more conservative profile by selecting investment grade securities only

GW&K Short-Term Taxable Bond Strategy

Through research and diversification, seeks to outperform money market funds while managing portfolio volatility

Mary F. Kane, CFA, Vice President
Nancy G. Angell, CFA, Co-Director of Fixed Income, Senior Vice President
John B. Fox, CFA, Co-Director of Fixed Income, Senior Vice President

The U.S. government continued along its mission to stabilize the financial services industry through a series of unprecedented monetary and fiscal initiatives aimed at restoring investor and consumer confidence. It was a bumpy ride for the markets as investors worried about potential bank failures and the need for the government to perform selective bank nationalizations for some relatively large and important financial institutions. As we head into the second quarter, the so-called "risk assets" of the market are acting better as investors appear more hopeful for a relatively nascent economic recovery.

The huge borrowing needs of the U.S. government drove interest rates higher across the yield curve as thirty year bond yields rose nearly 1% to yield 3.6%, returning –13.5% for the quarter. The Treasury sector overall returned –1.3%. Investment grade credit spreads narrowed, however, this sector's high correlation to U.S. interest rates and large exposure to the financial services sector resulted in a negative return of –1.9%. Government Agencies (–0.1%) and mortgage-backed securities (+2.2%) saw far better returns as the Fed's extension of quantitative easing to purchase additional assets in both of these sectors drove spreads tighter. The technically oversold high yield bond market posted strong results as investors began to put more assets into the historically attractive asset class and to feel more comfortable with the fundamental prospects for companies at least in the higher quality segments of that market. The high yield sector returned nearly 6% for the quarter, led by the higher quality BB portion of the market.

The **Total Return Bond Strategy** (+2.3%) and **Enhanced Core Bond Strategy** (+1.6%) both significantly outperformed the Barclays Aggregate Index (+0.1%), due primarily to the high yield exposure in both strategies. The **Total Return Bond Strategy** also outperformed the Blended Index (+1.6%) with the Strategy benefiting from a higher quality high yield focus relative to the market. The **Core Bond Strategy** (+1.0%) outperformed the Barclays Aggregate Index by a wide margin, driven by stronger performance results relative to the Index from both our mortgage-backed and corporate bond sector allocations. The **Short-Term Bond Strategy** (+1.6%) also significantly outperformed its benchmark (+0.3%). Results were driven by the allocation to spread product including high quality corporate bonds, U.S. agencies and short duration mortgage-backed securities that all outperformed Treasuries for the quarter.

Predicting the end of a recession is no small task. But a recovery in the U.S. is likely to emerge sometime in 2010 due in no small part to the large amounts of fiscal and monetary stimulus that have been poured into the economy over the last few months. This means that the mid-point of this recession is either at hand or close-by. This would mark an important inflection point, as historically the market has rewarded investors in higher beta securities like equities and high yield bonds with strong positive total returns in the second half of a recession.

"This would mark an important inflection point, as historically the market has rewarded investors in higher beta securities like equities and high yield bonds with strong positive total returns in the second half of a recession."

Our duration strategy is to be relatively neutral in the portfolios, as the opposing forces of Federal Reserve Treasury purchases are offset by the massive amount of Treasury supply being issued to pay for the multitude of government spending initiatives. As a result, Treasury yields should remain relatively range bound. We are significantly underweight the Treasury sector in favor of the so-called "spread" sectors. In particular, we have been significantly overweight the high grade corporate bond sector for several months and are well positioned as those spreads begin to move back from their historically wide levels.

Given the significant headwinds that still lie ahead for the economy, risk adjusted returns still appear to favor investment grade corporate bonds versus high yield at least over the very near term. However, the higher beta growth sensitive markets should begin to gain favor as the financial sector continues to heal. We are relatively neutral in the high yield sector with a focus on the higher quality BB-portion of this market.

Taxable Bond Strategies

*Performance Ending 3/31/09 (%)**	*Quarter*	*1 Year*	*3 Years*	*5 Years*	*10 Years*	*Since Inception*	*Inception Date*
GW&K Total Return Bond	2.34	-0.04	4.07	3.59	4.90	6.77	1/1/93**
Style Index***	1.62	-7.04	1.39	2.25	4.51	5.99	
Barclays Aggregate Bond Index	0.12	3.13	5.78	4.13	5.70	6.30	
GW&K Enhanced Core Bond	1.56	1.64	4.92	3.85	—	5.61	10/1/99
Barclays Aggregate Bond Index	0.12	3.13	5.78	4.13	—	6.03	
GW&K Core Bond	0.96	4.43	6.34	4.66	—	5.35	2/1/01
Barclays Aggregate Bond Index	0.12	3.13	5.78	4.13	—	5.42	
GW&K Short-Term Taxable	1.58	5.16	6.07	4.31	—	4.17	10/1/02
Barclays 1–3 Year Govt Bond Index	0.32	3.92	5.92	3.95	—	3.66	

* Periods greater than one year represent annualized returns. Returns represent composites and are gross of fees.

** Represents the effective date of GW&K's compliance with the Global Investment Performance Standards (GIPS), the recognized industry standard for performance reporting. Actual strategy inception date is 1/1/88.

*** 60% Barclays Govt Credit / 40% Barclays High Yield

Equity Strategies

GW&K Diversified Equity Strategy

Combines growth & value disciplines and diversifies across large, mid, and small capitalization stocks

GW&K Small Cap Equity Strategy

Focuses on small companies with sustainable earnings growth in niche markets with lasting growth potential

GW&K Small/Mid Cap Equity Strategy

A core strategy that invests in both small and medium sized companies that offer sustainable earnings growth

GW&K Equity Dividend Plus Strategy

Invests in companies that pay above-average dividends and with the required balance sheet strength needed to sustain dividend payouts

Daniel L. Miller, CFA, Director of Equities, Senior Vice President
Edward B. White, CFA, CIC, First Senior Vice President
Jeffrey W. Thibault, CFA, Vice President

Equities took us on a wild ride this quarter, ultimately leaving us with another in a string of down quarters that began in late 2007. Through the first ten weeks of the quarter, equity indexes were down well over 20%; in some cases over 30%. The reasons appear so clear in hindsight: our global economic, financial and political systems were at risk of failing; and concerted efforts by governments around the world were not sure to fix it. But markets rallied back in March by about 20% as aggressive fiscal and monetary actions gave investors more confidence that we will ultimately pull out of this economic downturn.

Despite the quarter end rally, equity indexes still ended the quarter in deep negative territory with the S&P 500 Index down 11% and the small cap Russell 2000 Index down 15%. Growth and value stocks both declined this quarter, but growth stocks outperformed helped by strong performers in sectors as diverse as Technology, Healthcare and Consumer.

A mixture of both defensive and aggressive sectors were among the better performing sectors. This market shows the extreme lack of consensus as to the timing and to the type of stock that will lead us into recovery. But it should work to our advantage, as the well managed, high quality companies in which we invest should be valued more highly by the marketplace.

Aided by our philosophy of diversification, careful research and buying quality companies, each of GW&K's equity strategies outperformed their benchmarks in this volatile quarter. As our long-term clients know, we spend the greatest amount of time studying businesses and their management teams. We believe that selecting stocks based on these fundamentals is a better strategy than following trends or charts. Especially in periods of extreme volatility, which has now been part of the stock market landscape for almost 18 months, adherence to strong fundamentals has helped us stay with stocks that had poor performance periods, but bounced back strongly because of their underlying business strength.

So where do we go from here? We are generally constructive on the outlook for equities. Despite some key data still trending in a negative direction as our economy works through the deep global recession and the ongoing deleveraging of our financial system, signs of recovery are starting to appear on the horizon as the unprecedented global fiscal and monetary response to this crisis starts to have a positive impact on world economies. The drop in mortgage rates and energy prices is putting substantial amounts of money back into consumers' pockets, and we are seeing some improvements in areas from housing to consumer confidence to durable goods orders. The trend is reversing, albeit slowly.

Other positive factors that will help provide support for the equity markets are reasonable stock valuations, and extremely high investor cash balances. Many investors will ultimately become dissatisfied with low single digit returns available on lower risk Treasury securities and money market funds and start going out the risk spectrum and easing back into equities. There will be more bad news ahead as the economic cycle bottoms, but scattered among the bad news will be a small but growing amount of good that we believe will ultimately push markets higher.

Equity Strategies

*Performance Ending 3/31/09 (%)**	*Quarter*	*1 Year*	*3 Years*	*5 Years*	*10 Years*	*Since Inception*	*Inception Date*
GW&K Diversified Equity	–6.38	–33.69	–12.71	–3.75	0.37	7.19	1/1/93**
Standard & Poor's 500 Stock Index	–11.01	–38.09	–13.06	–4.76	–3.00	5.81	
Russell 2000 Index	–14.95	–37.50	–16.80	–5.24	1.93	5.50	
GW&K Small Cap Equity	–9.48	–31.68	–12.79	–1.39	—	1.59	1/1/00
Russell 2000 Index	–14.95	–37.50	–16.80	–5.24	—	–0.61	
GW&K Equity Dividend Plus	–9.84	–31.59	–10.73	–2.38	—	–0.49	11/1/03
Standard & Poor's 500 Stock Index	–11.01	–38.09	–13.06	–4.76	—	–3.04	
GW&K Small/Mid Cap Equity	–5.83	–32.65	–13.59	—	—	–9.44	1/1/06
Russell 2500 Index	–11.43	–38.23	–15.98	—	—	–12.03	

*Periods greater than one year represent annualized returns. Returns represent composites and are gross of fees.

**Represents the effective date of GW&K's compliance with the Global Investment Performance Standards (GIPS), the recognized industry standard for performance reporting. Actual strategy inception date is 1/1/89.

Performance Disclosure

The composite performance results displayed herein represent the investment performance record of Gannett Welsh & Kotler, LLC (GW&K). The firm, defined as an SEC-registered investment adviser, was founded in 1974. GW&K is an affiliate of Affiliated Managers Group, Inc. (AMG), a Boston-based asset management holding company. GW&K is an independent operating company under the AMG umbrella of managers. GW&K has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®).

All results reflect the reinvestment of dividends and income. Composite portfolio income may be net or gross of withholding tax depending on the accounting methodology of the respective custodian bank. Performance is expressed in U.S. dollars and is based on calendar month end valuations.

Single asset segments of multi-asset portfolios are included in the composites. Prior to January 1, 2000, cash inflows on multi-asset portfolios may have temporarily resulted in an additional cash position that was not allocated to each portfolio segment during the investment time period. Performance for these segments has been modified to reflect the effect of cash using single asset portfolios as a proxy. Each segment of multi-asset portfolios is managed with its own cash account.

The *Diversified Equity* composite (created on 9/30/00) includes accounts with a minimum value of $500,000 from inception to 12/31/08, and a minimum value of $250,000 from 1/1/09 forward. The *Small Cap Equity* composite (created on 9/30/00) includes accounts with a minimum value of $250,000. The *Equity Dividend Plus* composite (created on 9/30/04) includes accounts with a minimum of $250,000. The *Small/Mid Cap Equity* composite (created on 1/1/06) includes accounts with a minimum value of $250,000. The *Total Return Bond* composite (created on 9/30/00) includes accounts with a minimum portfolio value of $250,000. The *Enhanced Core Bond* and *Core Bond* composites (created on 6/30/04) include accounts with a minimum portfolio value of $250,000. The *Municipal Bond* composite (created on 9/30/00) includes accounts with a minimum portfolio value of $250,000. The *Municipal Enhanced Yield Bond* composite (created on 4/1/2006) includes accounts with a minimum portfolio size of $250,000. The *Five-Year Municipal Bond* composite (created on 6/1/03) includes accounts with a minimum portfolio value of $250,000. The *Short-Term Municipal Bond* composite (created on 1/1/02) includes accounts with a minimum portfolio value of $150,000. The *Short-Term Taxable Bond* composite (created on 10/1/02) includes accounts with a minimum portfolio value of $250,000.

Performance results factor in commission costs, but not management fees, which, if included, would reduce portfolio total return. To account for advisory fees, net performance reflects the deduction of the maximum fee GW&K would charge. The maximum annual fee is 1% for all strategies except .50% for the Five-Year Municipal Bond, Short-Term Municipal Bond and Short-Term Taxable Bond Strategies, and .65% for the Municipal Enhanced Yield Strategy. Client fees may vary.

Effective 6/30/2008, the benchmark for the Municipal Enhanced Yield Strategy was retroactively changed from the Lehman

Continued on back page

Total Annual Returns for GW&K Composites and Their Benchmarks (%)

	Municipal Bond		Barclays 10-Yr	Municipal Enhanced Yield		Merrill 15+ Yrs	Five-Year Municipal Bond		Barclays 5-Yr	Short-Term Municipal Bond		Barclays 1-Yr	Schwab Muni Money	Total Return Bond		Style	Barclays	Enhanced Core Bond		Barclays
	Gross	Net	Muni	Gross	Net	Muni	Gross	Net	Muni	Gross	Net	Muni	Fund[2]	Gross	Net	Index[3]	Aggregate	Gross	Net	Aggregate
1999[1]	–1.90	–2.88	–1.25											0.82	–0.18	–0.33	–0.82	0.21	–0.04	–0.12
2000	10.70	9.62	10.76											9.77	8.70	4.77	11.63	11.36	10.28	11.63
2001	4.23	3.20	4.62											4.35	3.32	7.21	8.44	8.51	7.45	8.44
2002	8.64	7.58	10.17							3.10	2.74	3.85	1.12	5.51	4.47	6.04	10.25	7.16	6.11	10.25
2003[1]	4.94	3.90	5.70				1.18	0.88	0.88	1.59	1.23	1.71	0.68	8.69	7.63	14.04	4.10	4.49	3.47	4.10
2004	4.00	2.98	4.15				2.95	2.44	2.72	1.16	0.81	1.06	0.82	6.09	5.05	6.88	4.34	4.96	3.93	4.34
2005	2.33	1.32	2.74				1.22	0.72	0.94	1.90	1.53	1.49	2.00	2.87	1.85	2.53	2.43	2.62	1.60	2.43
2006	4.61	3.58	4.71				3.50	2.99	3.34	3.57	3.21	3.20	3.03	4.91	3.88	6.94	4.33	4.78	3.75	4.33
2007	3.94	2.91	4.29	–0.07	–1.07	1.61	4.94	4.43	5.15	4.46	4.10	4.37	3.26	6.06	5.02	5.09	6.97	6.35	5.31	6.97
2008	0.55	–0.45	1.52	–11.89	–12.80	–11.95	4.27	3.75	5.78	4.61	4.25	4.57	2.00	–1.33	–2.32	–8.24	5.24	1.63	0.62	5.24

	Core Bond		Barclays	Short-Term Taxable		Barclays 1–3 Yr	Diversified Equity		S&P	Russell	Small Cap Equity		Russell	Small/Mid Cap Equity		Russell	Equity Dividend Plus		S&P
	Gross	Net	Aggregate	Gross	Net	Gov	Gross	Net	500	2000	Gross	Net	2000	Gross	Net	2500	Gross	Net	500
1999							28.60	27.39	21.04	21.26									
2000							17.61	16.48	–9.10	–3.02	–18.42	–19.28	–3.02						
2001[1]	5.99	5.04	6.70				–19.14	–20.00	–11.89	2.49	2.37	1.35	2.49						
2002[1]	8.28	7.22	10.25	1.39	1.30	0.93	–25.08	–25.89	–22.10	–20.48	–11.25	–12.16	–20.48						
2003[1]	3.63	2.60	4.10	2.84	2.48	2.01	33.43	32.19	28.68	47.25	52.64	51.27	47.25				7.39	7.22	6.17
2004	4.68	3.65	4.34	2.00	1.64	1.07	12.72	11.63	10.88	18.33	23.24	22.07	18.33				14.21	13.10	10.88
2005	2.62	1.71	2.43	2.10	1.71	1.73	8.63	7.57	4.91	4.55	11.47	10.39	4.55				8.23	7.18	4.91
2006	4.53	3.50	4.33	4.88	4.52	4.12	11.37	10.29	15.79	18.37	11.05	9.97	18.37	14.18	13.08	16.17	17.49	16.37	15.79
2007	7.17	6.12	6.97	6.53	6.17	7.10	3.59	2.57	5.49	–1.57	5.59	4.55	–1.57	4.54	3.51	1.38	–1.36	–2.35	5.49
2008	5.80	4.76	5.24	5.84	5.47	6.66	–35.41	–36.13	–37.00	–33.79	–29.87	–30.64	–33.79	–35.56	–36.28	–36.79	–29.79	–30.56	–37.00

[1]Since inception partial year returns: Enhanced Core Bond since 10/1/1999; Core Bond since 2/1/2001; Short-Term Taxable since 10/1/2002; Five-Year Municipal Bond since 6/1/2003; Equity Dividend Plus since 11/1/2003.
[2]Represents net of fee performance.
[3]60% Barclays Govt Credit / 40% Barclays High Yield, rebalanced daily

GW&K Composite Information

Year	Total Firm Assets* ($ mm)		Municipal Bond	Municipal Enhanced Yield	Five-Year Municipal	Short-Term Municipal	Total Return Bond	Enhanced Core Bond	Core Bond	Short-Term Taxable	Diversified Equity	Small Cap Equity	Small/ Mid Cap Equity	Equity Dividend Plus
1999	$3,434	# Portfolios / $ Composite	1056 / $2,027,506				159 / $146,060	36 / $19,044			190 / $349,584			
		Dispersion	0.469				0.216	—			3.67			
2000	$4,194	# Portfolios / $ Composite	1,384 / $2,607,406				187 / $176,524	43$25,003			202 / $393,879	1 / $709		
		Dispersion	1.03				0.51	0.19			2.55	—		
2001	$4,956	# Portfolios / $ Composite	2,083 / $3,263,339				218 / $219,036	54 / $33,982			207 / $336,156	2 / $1,032		
		Dispersion	0.37				0.68	0.23			2.50	—		
2002	$5,322	# Portfolios / $ Composite	2,843 / $3,872,610			10 / $16,448	159 / $170,208	81 / $51,477	18 / $24.410	3 / $6,683	153 / $211,732	9 / $5,699		
		Dispersion	0.50			N/A	0.49	0.26	0.26	N/A	1.42	0.28		
2003	$5,594	# Portfolios / $ Composite	3,062 / $3,679,490		4 / $4,115	32 / $31,303	152 / $154,593	99 / $63,955	33 / $38,507	7 / $23,569	148 / $228,651	12 / $9,964		3 / $1,220
		Dispersion	0.32		N/A	0.19	0.38	0.3	0.33	0.09	1.34	2.44		N/A
2004	$6,366	# Portfolios / $ Composite	3,360 / $3,824,607		16 / $22,807	27 / $21,159	246 / $208,357	151 / $111,761	49 / $56,843	25 / $45,269	172 / $285,099	24 / $24,794		9 / $3,905
		Dispersion	0.28		0.53	0.18	0.95	0.21	0.22	0.05	0.92	0.75		0.5
2005	$7,443	# Portfolios / $ Composite	4,030 / $4,536,906		26 / $30,190	38 / $57,692	314 / $235,562	194 / $167,565	79 / $83,547	29 / $49,545	183 / $298,030	76 / $151,226		16 / $7,254
		Dispersion	0.20		0.20	0.18	0.18	0.16	0.13	0.10	1.01	0.63		0.09
2006	$7,835	# Portfolios / $ Composite	4,542 / $4,901,919		29 / $46,581	19 / $18,382	296 / $209,342	213 / $176,930	76 / $73,115	27 / $74,150	209 / $356,033	87 / $76,826	27 / $17,942	34 / $17,371
		Dispersion	0.18		0.28	0.14	0.18	0.09	0.15	0.07	0.98	0.76	N/A	0.45
2007	$8,106	# Portfolios / $ Composite	4,666 / $5,106,327	9 / $17,189	24 / $27,237	20 / $21,255	282 / $199,430	215 / $195,833	80 / $89,685	21 / $43,064	198 / $319,490	75 / $120,355	35 / $22,641	48 / $22,826
		Dispersion	0.30	0.19	0.18	0.11	0.19	0.16	0.18	0.07	1.38	0.78	0.64	1.14
2008	$7,419	# Portfolios / $ Composite	4372 / $4,914,450	5 / $5,814	9 / $8,720	15 / $21,626	232 / $168,847	166 / $136,889	78 / $96,129	17 / $46,288	109 / $159,643	26 / $64,791	18 / $8,382	18 / $8,293
		Dispersion	1.04	0.55	0.43	0.25	0.72	0.44	0.33	0.21	1.07	0.69	0.39	0.21

**Represents end of period data.*

Composite assets expressed in 000s.
Dispersion represents an asset-weighted standard deviation.

Performance Disclosure, continued

Brothers 20 Year Municipal Index to the Merrill Lynch 15+ Years Municipal Index. The duration and maturity distribution of the composite more closely resembles that of the Merrill Lynch Index. The Strategy's investment objectives and philosophy remain the same.

The performance results presented may not equate with the rate of return experienced by any particular GW&K portfolio due to differences in brokerage commissions, fees, position size in relation to account size and diversification among securities. Past performance is no guarantee of future results. A complete list and description of the firm's composites and calculation methodologies are available upon request by contacting GW&K Marketing at 617-236-8900.

GW&K assumes no responsibility for the accuracy of the data provided by outside sources. Sources for indexes and other external data: Bloomberg, Frank Russell Co. and Barclays Capital.

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Annualized Performance Results Ending 03/31/09*

	Quarter		1 Year		3 Years		5 Years		10 Years		Since Inception		Inception
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Date
GW&K Municipal Bond	2.76	2.51	3.33	2.31	4.03	3.00	3.33	2.31	4.35	3.32	5.65	4.61	1/1/93**
Barclays 10-Year Muni Bond Index	3.41		4.65		4.70		3.84		4.98		5.82		
Barclays 5-Year Muni Bond Index	2.18		6.04		5.50		3.76		4.68		5.11		
GW&K Municipal Enhanced Yield	7.28	7.12	–2.78	–3.42	0.03	–0.62					0.03	–0.62	4/1/06
Merrill 15+ Year Muni Index	6.74		–3.13		0.24						0.24		
GW&K Five-Year Municipal Bond	2.00	1.87	4.95	4.43	4.94	4.42	3.51	2.99			3.44	2.93	6/1/03
Barclays 5-Year Muni Bond Index	2.18		6.04		5.50		3.76				3.59		
GW&K Short-Term Municipal Bond	1.45	1.33	4.55	4.15	4.47	4.10	3.35	2.98			3.01	2.64	1/1/02
Barclays 1-Year Muni Bond Index	1.37		4.20		4.36		3.09				2.98		
Schwab Money Fund	0.12		1.60		2.62		2.22				1.79		
GW&K Total Return Bond	2.34	2.09	–0.04	–1.03	4.07	3.04	3.59	2.57	4.90	3.87	6.77	5.72	1/1/93**
Style Index	1.62		–7.04		1.39		2.25		4.51		5.99		
Barclays Aggregate Bond Index	0.12		3.13		5.78		4.13		5.70		6.30		
GW&K Enhanced Core Bond	1.56	1.31	1.64	0.63	4.92	3.89	3.85	2.82			5.61	4.58	10/1/99
Barclays Aggregate Bond Index	0.12		3.13		5.78		4.13				6.03		
GW&K Core Bond	0.96	0.71	4.43	3.40	6.34	5.29	4.66	3.63			5.35	4.31	2/1/01
Barclays Aggregate Bond Index	0.12		3.13		5.78		4.13				5.42		
GW&K Short-Term Taxable	1.58	1.45	5.16	4.76	6.07	5.69	4.31	3.95			4.17	3.81	10/1/02
Barclays 1–3 Year Govt Bond Index	0.32		3.92		5.92		3.95				3.66		
GW&K Diversified Equity	–6.38	–6.63	–33.69	–34.42	–12.71	–13.61	–3.75	–4.72	0.37	–0.63	7.19	6.14	1/1/93**
Standard & Poor's 500 Stock Index	–11.01		–38.09		–13.06		–4.76		–3.00		5.81		
Russell 2000 Index	–14.95		–37.50		–16.80		–5.24		1.93		5.50		
GW&K Small Cap Equity	–9.48	–9.73	–31.68	–32.43	–12.79	–13.69	–1.39	–2.38			1.59	0.57	1/1/00
Russell 2000 Index	–14.95		–37.50		–16.80		–5.24				–0.61		
GW&K Equity Dividend Plus	–9.84	–10.09	–31.59	–32.34	–10.73	–11.65	–2.38	–3.36			–0.49	–1.49	11/1/03
Standard & Poor's 500 Stock Index	–11.01		–38.09		–13.06		–4.76				–3.04		
GW&K Small/Mid Cap Equity	–5.83	–6.08	–32.65	–33.40	–13.59	–14.49					–9.44	–10.37	1/1/06
Russell 2500 Index	–11.43		–38.23		–15.98						–12.03		

** Returns of less than 1 year are not annualized.*
*** Represents the effective date of GW&K's compliance with the Global Investment Performance Standards (GIPS). Actual inception dates are: Municipal Bond (1/1/80); Total Return Bond (1/1/88); Diversified Equity (1/1/89).*