

# STRATEGY PROFILE

## MUNICIPAL ENHANCED YIELD STRATEGY

FOURTH QUARTER 2011

### ABOUT GW&K

Quality Investment Management Services Since 1974

Over \$12.9 Billion in Assets Under Management

Serving Individuals, Families, Institutions

Municipal Bond, Taxable Bond, & Equity Strategies

#### Municipal Enhanced Yield

- Municipal Bond
- Five-Year Municipal Bond
- Short-Term Municipal Bond
- Corporate Bond Opportunities
- Total Return Bond
- Enhanced Core Bond
- Core Bond
- Short-Term Taxable Bond

- Small Cap Growth
- Small Cap Equity
- Small/Mid Cap Equity
- Diversified Equity
- Equity Dividend Plus

Individually Managed Client Portfolios

Personalized Service

- Category..... Tax-Exempt Bond National, Long-Term
- Investment Focus..... Long-term municipal bond approach emphasizes intense research with a goal to produce high after-tax return
- Benchmark..... Merrill Lynch 15+ Year Municipal Index
- Strategy Inception Date..... April 1, 2006
- Minimum Investment..... \$250,000
- Portfolio Management..... Brian T. Moreland, CFA Vice President  
Nancy G. Angell, CFA Senior Vice President, Co-Director of Fixed Income  
John B. Fox, CFA Senior Vice President, Co-Director of Fixed Income  
Martin R. Tourigny, CFA Senior Vice President
- Municipal Bond Team..... 13 Professionals  
Avg. Experience: 17 Years

Tax-Exempt Bond National, Long-Term

Long-term municipal bond approach emphasizes intense research with a goal to produce high after-tax return

Merrill Lynch 15+ Year Municipal Index

April 1, 2006

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Vice President

Nancy G. Angell, CFA  
Senior Vice President, Co-Director of Fixed Income

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### STRATEGY HIGHLIGHTS

**High Total Return Objective**

➤ Appropriate for total return oriented clients with a greater tolerance for principal volatility

**Focus on Long End of Curve**

➤ Seek to capitalize on the strong yield and return characteristics of longer-term municipal bonds

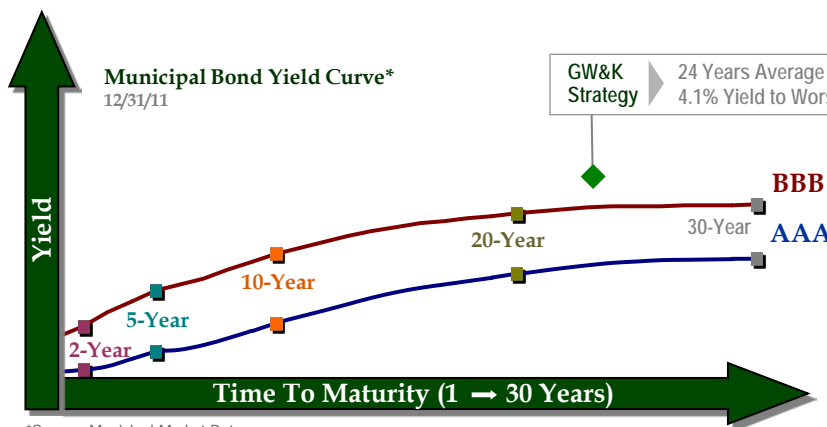
**Comprehensive Research**

➤ Intensive fundamental research performed by experienced analysts

**Diversified Approach**

➤ Enhance portfolio diversification by utilizing a commingled vehicle for higher yielding market segment

### INVESTMENT PHILOSOPHY



\*Source: Municipal Market Data

The GW&K Strategy invests in:

- Long-term high grade municipal bonds (65% - 85% of portfolio)
- Higher yielding lower rated municipal bonds (15% - 35% of portfolio)

With the aim to build a high yielding portfolio with a high average quality of AA.

As an investor takes more risk (i.e. invest in the longer end of the yield curve) they are typically rewarded with higher yields with the potential for higher returns over the long term.

All information as of 12/31/11

## MUNICIPAL ENHANCED YIELD STRATEGY

### Implementation of the Strategy utilizes two components:

- 1) A core segment invested in individually held, long-term, high grade municipal bonds, and
- 2) A commingled fund focused on higher yielding, lower rated municipal bonds.

#### Individual Bond Holdings

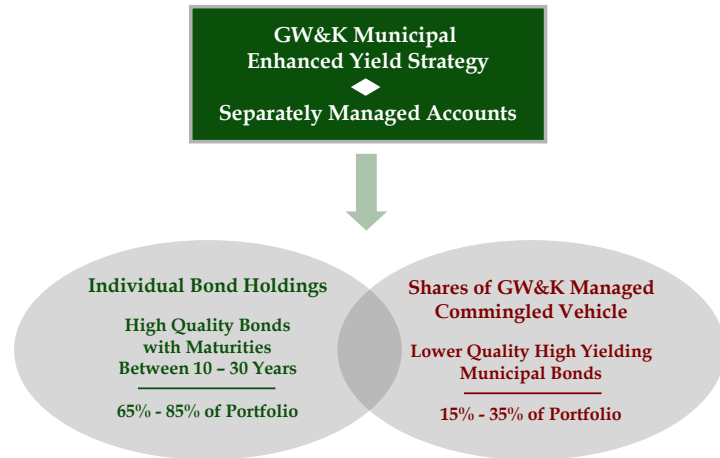
A well diversified portfolio of individually held bonds. These positions consist of high grade long-term bonds that are actively managed with a goal of enhancing yield through principal appreciation and protecting income by managing call risk.

#### Commingled Vehicle

Provides portfolio exposure to higher yielding, lower quality municipal bonds while allowing for enhanced diversification of this sector. The Research team drives the process as they seek to uncover yield/income enhancing opportunities for the fund.

#### Allocation Factors

Factors used to determine the allocation to each segment of the portfolio include: yield spreads, supply and demand analysis of the overall municipal bond market, economic forecasts, and the shape of the yield curve, among others.



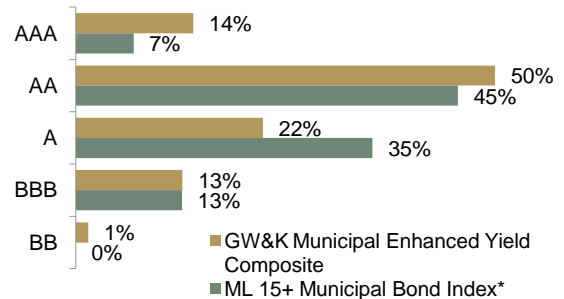
INVESTMENT PROCESS

CHARACTERISTICS

	GW&K Municipal Enhanced Yield Composite	Merrill Lynch 15+ Year Municipal Bond Index*
Option Adjusted Duration	12.6 Years	10.1 Years
Average Maturity**	8.4 Years	8.2 Years
Average Quality	AA-	A+
Current Yield	4.8%	4.9%
Yield-to-Worst	4.1%	4.2%
Avg. Number of Holdings	15	6,169
Trailing 12 Month Turnover	11.4%	--

\* Source: Merrill Lynch

\*\* Time to worst



### Annualized Performance

Period Ending December 31, 2011

	Quarter	YTD	1 Year	3 Years	5 Years	Since Inception (4/1/06)
GW&K Municipal Enhanced Yield Composite	2.4%	13.9%	13.9%	12.6%	4.7%	5.1%
Merrill Lynch 15+ Year Municipal Bond Index*	2.3	14.2	14.2	12.1	4.7	5.1

Returns less than one year not annualized

\* Source: Merrill Lynch

The performance shown is compared to the Merrill Lynch 15+ Municipal Bond Index. The Merrill Lynch Municipal Bond 15+ Index is an unmanaged index comprised of investment grade municipal bonds with maturities that are 15 years or greater. Performance results reflect the reinvestment of dividends and income. Performance is gross of fees and based on a composite of separate accounts. To account for management fees, net performance results reflect the deduction of 16.25 basis points quarterly (0.60% annually), which is the maximum fee Gannett Welsh & Kotler, LLC (GW&K) would charge for managing these portfolios. Net returns ending 12/31/11 would have been 2.24% for 4Q11, 13.18% for YTD, 13.18% for 1 year, 11.86% for 3 years, 3.99% for 5 years and 4.42% since inception. The Municipal Enhanced Yield composite (created on 4/1/06) includes taxable and tax-exempt accounts. Minimum portfolio size requirement is \$250,000. The Municipal Enhanced Yield segments of balanced portfolios are included in the composite. The performance results presented may not equate with the rate of return experienced by any particular GW&K account due to differences in brokerage commissions, fees, position size in relation to account size and diversification of securities. Please refer to GW&K's Disclosure Statement, which is an integral part of this presentation, for an explanation of our composite criteria and calculations. Past performance is no guarantee of future results.

PERFORMANCE