

Allocation Units

Objective

The MGAM Allocation Units discipline seeks to provide moderate growth and high cash flow with a secondary objective of capital preservation provided through fixed maturity investments. The discipline uses multiple asset classes and tactical (or Strategic) allocation strategies based upon estimated forward returns including net portfolio income and potential capital appreciation. The discipline utilizes both fixed income and exchanged-traded investments.

Investment Philosophy

MGAM Allocation Units seek to achieve the objective by selecting high income producing investments at attractive discounts to net asset, par value, or other measurable metric. The discipline may accomplish this across a variety of assets classes and categories including, but not limited to:

- **Safety & Income:** fixed maturity investments which may include tax-exempt or taxable instruments; Money market funds
- **High Cash Flow:** fixed income mutual funds, managers or exchanged traded funds (including below investment grade bank loan and commercial paper); debt of international or US corporations (including senior unsecured obligations)
- **Growth with Income:** individual companies, real estate investment trusts (REITs), master limited partnerships (MLPs), closed-end equity funds (CEFs)

Risks

The discipline will experience exposure to the following risks:

- Purchasing Power
- Reinvestment / Call
- Interest Rate
- Market
- Exchange
- Issuer/Credit
- Liquidity

Benchmark:

The benchmark is a blend of 33% S&P HY Dividend Aristocrats Index (SPHYDATR), 33% Bloomberg Barclays Global High Yield Total Return Index Value Unhedged (LG30TRUU), 10% of the S&P Municipal Bond Index (SAPIMAIN), 10% of the Barclays Aggregate Bond Index (LBUSTRUU), and 14% of the S&P Municipal Bond High Yield Index (SAPIHY).

Total Return Allocation Units™ Target

Total Return = K (Cash Flow from Dividends & Interest) + Δ (Change in Value)

- **Goal:**
 - 5 – 6% net in cash flow + growth exceeding inflation

Risk Disclosures

General Risks:

Purchasing Power Risk (Inflation risk)

Purchasing power risk is the risk that (1) inflation will erode the amount of goods and services that can be purchased, and (2) a dollar today cannot purchase the same amount of goods and services tomorrow or the day after. It will impact both equities and bonds.

Reinvestment/Call Risk

If interest rates fall, callable security issuers may call or prepay their securities before maturity, causing our investment strategy to shift towards reinvesting proceeds in securities with lower interest rates and reducing potential income.

Interest Rate Risk

Refers to a rise in interest rates will cause the value of investments to decline and or experience heightened volatility and reduced liquidity through national or international governmental policy changes.

Market/ Price Risk

General stock market fluctuations and volatile increases and decreases in value as market confidence in and perceptions of the issuers change. Investor perceptions can be based on various and unpredictable factors including expectations regarding government economic, monetary, and fiscal policies, inflation and interest rates, economic expansion or contraction

and political climates. The value of any security can rise or fall and when liquidated may be worth more or less than the original investment.

Exchange Risk

Exchange risk is the risk that a change in exchange rates will impact the price of international securities.

Issuer/ Credit Risk

Refers to an issuer's ability to meet its obligation to make interest and principal payments, or a decline in the market's assessment of the issuer's ability to pay. This may trigger the lowering or removal of the issuer's credit rating. Generally, lower rated securities provide higher current income but are considered to carry greater credit risk than higher rated securities.

Liquidity Risk

Refers to the fact that the investment strategy may hold illiquid securities that is may be unable to sell at the preferred time or price and could lose its entire investment in such securities.

Other Risks

All or a portion of the disciplines otherwise tax-exempt income may be subject to the federal alternative minimum tax. Municipal securities have the risk that legislative or economic conditions could affect an issuer's ability to make principal and/or interest payments. The value, interest rates, and liquidity of non-cash paying instruments, such as zero coupon and pay-in-kind securities, are subject to greater fluctuation than other types of securities.

Investment-Specific Risks:

Price Risk

MGAM may purchase shares of closed-end investment funds that frequently trade at a discount from their net asset value. Shares at any point in time may be worth less than the original investment, even after considering the reinvestment of dividends and distributions.

Leverage Risk

MGAM may purchase shares of closed-end investment funds and the risk of higher share price volatility and the cost to a fund of its leveraged capital, such as preferred stock or debt, will exceed the earnings on the related assets.

Tax Risk

MGAM may purchase shares of closed-end investment funds and the tax treatment of Fund distributions may be affected by IRS interpretations of the Internal Revenue Code and future changes in tax laws and regulations, including changes resulting from the "sunset" provisions that may apply to the favorable tax treatment of tax-advantaged dividends. There can be no

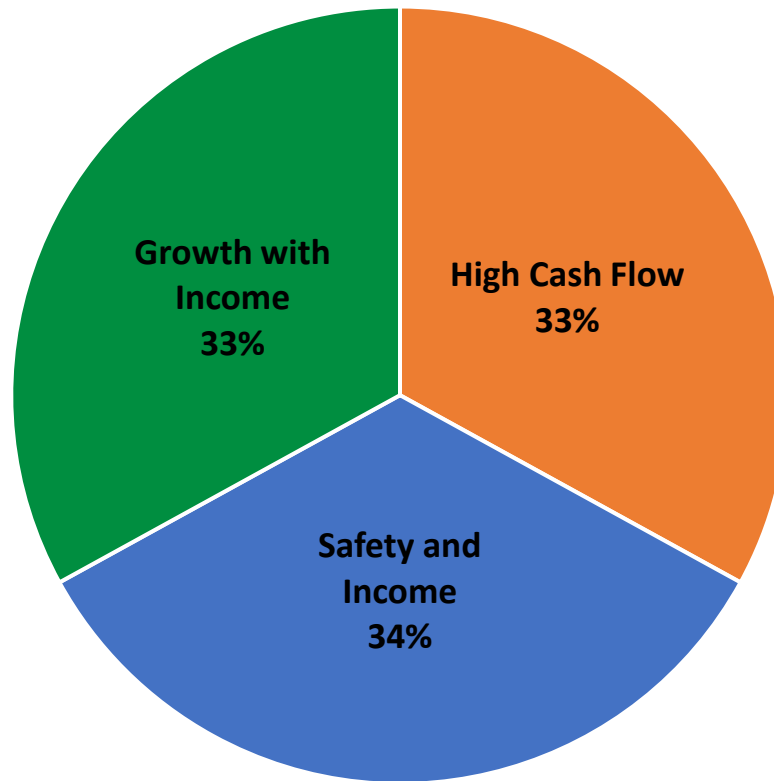
assurance as to the percentage of a Fund's distributions that will qualify as tax-advantaged dividends.

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Past performance may not be indicative of future results. Therefore, no current or prospective client should assume that the future performance of any specific investment, investment strategy or product referred to directly or indirectly will be profitable.

Different types of investments involve varying degrees of risk (see definitions above). No client or prospective client should assume that any information presented and/or made available serves as the receipt of, or a substitute for, personalized individual advice from MGAM or any other investment professional. The information presented above is strictly for informational purposes and is not an endorsement or recommendation by McGowanGroup Asset Management, Inc.

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