

# C. S. McKee/Union Bank N.A.

## Small-Cap Core Equity Fund

Quarter Ending 12/31/10

### Product Description

The Union Bank N.A. C.S. McKee Small Cap Core Equity Fund (the "Fund") is a Collective Investment Fund sub-advised by C.S. McKee, L.P. The Fund's objective is to seek long-term capital appreciation by investing in the publicly traded domestic equity securities of companies with market capitalizations consistent with those of securities included in the Russell 2000 Index. The overall equity selection process is stock specific, comprised of companies that indicate through analysis that they have the highest probability of adding value to the portfolio. Sector weightings are an important, but a secondary consideration. The process is primarily bottom-up, but when choosing individual securities we consider which economic conditions represent opportunity and which may cause a stock to underperform. Holdings that fall in the bottom 30% of the quantitative analysis, explained below, become candidates for immediate sale. By actively managing a portfolio of statistically undervalued stocks with favorable earnings dynamics, and applying an internally derived bias toward growth or value, C. S. McKee seeks to provide a return that surpasses client investment goals and benchmark indices on a consistent basis.

### Small-Cap Process

Three distinct models are used in C. S. McKee's quantitative analysis, which run concurrently against Russell 2000 Index securities with a market capitalization below \$2.0 billion.

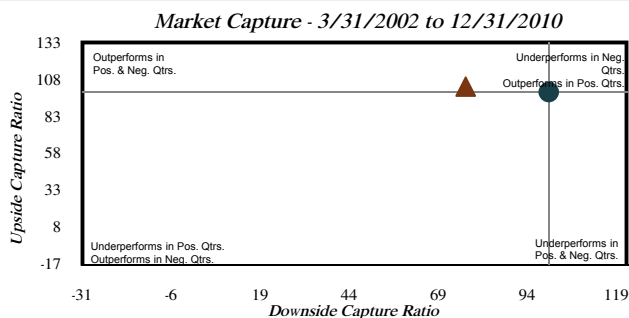
- The Fundamental Model reveals which stocks are statistically attractive by combining several value factors into one indicator relative to the universe. P/E to growth, dividend rate ratios, price-to-cash flow ratios and P/E ratios are some of the factors reviewed. A proprietary version of a Wall Street buyout model is applied as a distinguishing component of the overall evaluation.
- The Technical Model focuses on standard trend indicators such as price momentum and earnings-per-share momentum. This identifies catalysts for change and confirms that the undervaluation is not permanent.
- The Risk Assessment Model is internally designed and implemented. This reviews bond spread, bond rating, tax rate (actual and GAAP), option accounting and pension fund status. It provides a proprietary measure of the relative business risk of a company, and is essential to the overall process.

Stocks that pass the initial models undergo a detailed qualitative review including comprehensive industry analysis; evaluation of the management team, corporate structure and competitive landscape; as well as monitoring insider trading and institutional ownership.

### Small-Cap Fund Characteristics

Number of stock holdings:	37
Cash level over market style:	2-5%
Maximum position:	5%
Maximum sector weight:	+/-50% the Index weight
Average turnover:	25-30%
Capitalization:	Small
Composite assets:	\$891million
Fund Assets	\$4.8 million

### Small-Cap Composite Performance-Based Characteristics



	Up Cap Return	Up Cap Ratio	Down Cap Return	Down Cap Ratio
▲ Small Cap Core	40.75	103.72	-24.84	76.70
● R2000 Index	39.29	100.00	-32.39	100.00

### Small-Cap Annual Total Returns (%)

	Fund - Net	Composite*	R2000 Index
2010	28.49	29.97	26.85
2009	26.88	26.50	27.17
2008	-28.21**	-27.49	-33.79
2007	n/a	1.91	-1.57
2006	n/a	32.03	18.37
2005	n/a	9.24	4.55
2004	n/a	21.82	18.33

### Small-Cap Investment Characteristics

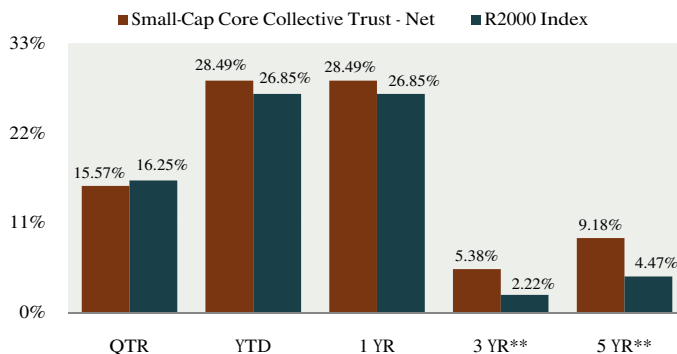
	Fund	Composite*	R2000 Index
Price/Earnings	15.58	15.60	16.80
Price/Book	2.03	2.02	2.00
Dividend Yield (%)	0.26	0.25	1.11
5yr EPS Growth (%)	14.03	15.80	13.70
Wt. Avg. Mkt. Cap (\$B)	\$1.33	\$1.50	\$1.23
5yr Standard Deviation	22.89	23.30	22.92
5yr Beta	0.97	0.99	1.00
5yr R-Squared	0.94	0.94	1.00
5yr Sharpe Ratio	0.29	0.31	0.08
Expense Ratio	0.75%	n/a	n/a
CUSIP	12640L104		
NAV	\$13.84		

### Small-Cap Fund Sector Allocation

	Fund	R2000 Index
Consumer Discretionary	16.9%	13.7%
Consumer Staples	3.2	3.0
Energy	8.6	6.4
Financials	15.9	20.5
Health Care	15.3	12.4
Industrials	17.4	15.8
Information Technology	19.2	18.5
Materials	1.7	5.7
Telecomm Services	0.0	1.0
Utilities	0.0	3.0
Cash	1.8	0.0
Total	100.0%	100.0%

### Small-Cap Fund Performance History

Periods ending 12/31/2010<sup>(1)</sup>



### Small-Cap Performance History (%)

Periods ending 12/31/10<sup>(1)\*\*</sup>

	QTR	YTD	Annualized		
			1 YR	3 YR	5 YR
Fund - Net <sup>(1)**</sup>	15.57	28.49	28.49	5.38	9.18
Composite	15.67	29.97	29.97	6.03	9.91
R2000 Index	16.25	26.85	26.85	2.22	4.47

\* Composite information only

\*\* Contains composite data for periods before 1/16/08

All data represented is unaudited.

## Disclosure

The Union Bank, N.A. C. S. McKee Small Cap Core Equity Fund (the "Fund") is governed by the Plan of the Pooled Investment Funds of Union Bank of California, N.A. (as amended and restated effective January 1, 2003) as amended from time to time (the "Plan"). Union Bank, N.A. formerly known as Union Bank of California, N.A. (the "Trustee") is the sponsor, Trustee, and Investment Manager of the Fund. The Trustee is a national banking association that provides fiduciary services, including administration of collective trust funds and custodial services for institutional trust clients. C. S. McKee, L.P. (the "Investment Adviser"), an unaffiliated investment adviser registered under the Investment Advisers Act of 1940, as amended, has been appointed to provide investment advisory services to the Trustee.

This document shall not constitute an offer to sell or the solicitation of an offer to buy units in the C. S. McKee Small-Cap Core Equity Fund (the "Collective Fund"). The Fund: Is not a mutual fund; • Is NOT a Union Bank ("Bank") deposit; • Is NOT an obligation of or guaranteed by any bank, Union Bank or any subsidiary or affiliate; • Is NOT insured or guaranteed by the FDIC or any other government agency; • Involves investment risk, including loss of principal.

Management of the Trust, however, is generally subject to the fiduciary duty and prohibited transaction rules under the Employee Retirement Income Securities Act of 1974, as amended ("ERISA"). As defined in the Declaration of Trust and Participation Agreement documents, the Collective Fund is available for investment by eligible qualified retirement plans only.

<sup>(1)</sup> Performance information prior to January 16, 2008 consists of a composite of institutional small cap core separate accounts managed by C. S. McKee and adjusted for the 0.75% annualized expenses of the C. S. McKee Small Cap Core Equity Fund. Composite information, including performance returns, do not represent information about the Collective Fund, but consist of a composite of all fully discretionary fee paying separate accounts under C. S. McKee's management that follow a small cap core strategy and have assets greater than \$250,000. As of 12/31/10, the Composite market value was approximately \$891 million, representing 79 accounts. The aggregate returns reflected in the Composite may not reflect the returns of any particular account under C. S. McKee's management. Performance results for the Composite reflect the deduction of investment management fees applicable to the Small-Cap Core Equity Collective Trust. The information shown is for the stated time periods only. Actual performance may differ from the Composite returns shown. There can be no assurance that the Collective Fund will achieve its investment objective or avoid incurring losses. The performance quoted herein represents past performance, which is no guarantee of future results. The returns of the Fund are reported net of fees and expenses. C.S. McKee, L.P. claims compliance with the Global Investment Performance Standards (GIPS®). C.S. McKee, L.P. has been independently verified on a firm-wide basis through September 30, 2010. A copy of the verification report is available upon request.

The Trustee receives compensation for its management and administration of the Fund. Trustee compensation is accrued daily and paid quarterly based on the market value of the Fund's average daily net assets determined as of the last Business Day of each calendar quarter. From this amount, the Trustee pays compensation due to the Investment Adviser for investment advisory services. In accordance with the Plan, additional fund related expenses such as independent audit fees, and professional fees, may be charged to the Fund.

\* Composite information only  
\*\* Contains composite data for periods before 1/16/08  
\*\*\* All data presented is unaudited