

C.S. McKee Core Fixed Income Collective Investment Trust

Investment Objectives and Guidelines

Objectives

The portfolio seeks total return consistent with the preservation of capital by investing in dollar-denominated fixed income securities, particularly U.S. Government, Agency, Corporate and Mortgage-backed issues. The fund may also invest in highly liquid AAA-rated mortgage paper, investment grade corporate and Yankee securities.

Process

The quality of the portfolio is high, and the number of issues is controlled to manage transaction costs. Typically, cash levels of approximately 2% or less of the total portfolio are maintained. Annual turnover will range between 50% and 100%, depending upon market conditions.

Due to the inherent difficulty in forecasting interest rate moves, value can best be added via sector and security decisions. Since long-term and short-term interest rates seldom move in lock-step, the manager believes that opportunities exist to add value by identifying the changing shape of the yield curve, and searching for arbitrage opportunities. Analysis is tailored to determine the optimal maturity structure (i.e. highest expected return with the least risk) for the expected changes in rates. Portfolio risk is measured both in terms of duration, maturity structure and sector exposure, and in terms of the estimated tracking error of the portfolio relative to the Lehman Aggregate benchmark.

Benchmark

The Advisors performance shall be measured and calculated against a Benchmark, which shall be the **Lehman Brothers Aggregate Bond Index**.

1. Portfolio Diversification

A. Issue/Issuer Diversification

1. No single security shall comprise more than 10% of the portfolio's overall allocations after accounting for price appreciation, except for any U.S. Treasury or U.S. Agency security.
2. Up to 5% of the portfolio may be allocated to a money market or cash vehicle. The only exception to this rule is during trading activity, which can be maintained for very short periods, i.e. less than 30 days.
3. The average portfolio duration is not to vary more than +/- 20% of the duration of the Lehman Brothers Aggregate Bond Index.

4. The average quality of the portfolio should be rated no less than A- (or A3) by at least two of the three rating agencies.

2. Investment Vehicles

A. Permissible Investments (subject to specific security limitations as previously noted above).

1. U.S. Treasury and U.S. Agency Securities.
2. Corporate Bonds
3. Mortgage Backed Securities.
4. AAA-Rated Commercial Paper
5. Investment Grade Corporate and Yankee Securities

B. Restricted Investments

None of the following are allowed:

1. Securities rated below investment-grade by two of the three rating agencies (Standard & Poor's, Fitch, Moody's). If a security already held in the portfolio is downgraded below investment grade by two of the rating agencies, it may be held at the manager's discretion for up to 6 months.
2. Non-U.S. dollar securities
3. Derivatives
4. Options
5. Financial futures
6. Private Placements
7. Venture Capital
8. Common Stock

3. Revisions and Review

- A. The Advisor is prohibited from deviating from any guidelines herein set forth without prior written approval of the Trustee.
- B. Recommendations for guidelines revisions shall be provided to the Trustee in writing and shall include the rationale for the changes and all relevant research.
- C. Guidelines shall be presented and reviewed by the Advisor at each portfolio review meeting.
- D. The Advisor is responsible for completion of an annual compliance questionnaire as provided by the Trustee.