

C.S. McKee Small Cap Core Equity Collective Investment Trust

Investment Objectives and Guidelines

Objectives

The overall equity selection process is stock specific, comprised of companies that indicate through analysis to have the highest probability of adding value to the portfolio. Sector weightings are an important, but a secondary consideration.

Process

This Collective Fund shall be invested primarily in stocks that are selected from the top 30% of the initial Russell 2000 universe as ranked by the quantitative analysis. Holdings that fall below the top 30% are candidates for review and watch, whereas holdings that fall into the bottom 30% become candidates for immediate sale. The resulting portfolio comprised of 35 to 45 issues represents a combination of statistically undervaluation, improving earnings dynamics and acceptable relative risk.

Benchmark

The Advisors performance shall be measured and calculated against a Benchmark, which shall be the **Russell 2000 Index**.

1. Portfolio Diversification

A. Issue/Issuer Diversification

1. An individual issue shall constitute no more than 5% of the market value of the Trust at time of purchase.
2. The Trust shall not hold more than 5% of a single issuer's total outstanding equity capital.
3. The Portfolio generally maintains sector weightings within +/- 50% of the benchmark position.

2. Investment Vehicles

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

1. Common Stocks.
2. Securities convertible to Common Stock.
3. Open-end and closed-end mutual funds

B. Restricted Investments

None of the following are allowed:

1. Commodities.
2. Venture capital investments.
3. Foreign securities (ordinaries)
4. Direct investments in oil, gas, or other mineral exploration or development programs.
5. Direct investments in real estate or interests in real estate except purchases of marketable securities of real estate investment trusts and other companies holding real estate or interests in real estate.
6. The use of derivative securities is strictly prohibited. Derivatives are defined as an investment instrument whose value is derived or determined by another security. In general, these securities have a contractual requirement which may entail further action at some future date, if certain conditions prevail. Securities which fall under this guideline include puts, calls, futures and forward contracts. Convertibles (both debt and equity) are excluded from this definition. The purchase of When Issued (WI) securities or new issues (IPO's) is also excluded from this definition. Commitments for long purchases at a future date are acceptable, so long as the sum of the current assets and the commitments does not exceed 100% of the assets managed at the time of the commitment or provided that the current cash liquidity is sufficient to fund these commitments.
7. Short sales.
8. Margin transactions.
9. Rule 144A Securities.
10. Common stock of Union Bank of California

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.