

2009 Year-End Investment Review

Economic Commentary

Index Performance

Periods Ending December 31, 2009	Current Quarter	Year-to-Date
Barclays 10-Yr Municipal Bond Index	-1.27%	9.85%
Barclays Aggregate Bond Index	0.20%	5.93%
Barclays High Yield Index	6.19%	58.21%
Dow Jones Industrial Average	8.10%	22.68%
S&P 500 Index	6.04%	26.46%
Russell 2000 Index	3.87%	27.17%
NASDAQ Composite	7.20%	45.36%

I wrote in my 2008 year end review, "My hope for the new year is that we can stand above the crowd and see opportunity not through rose colored glasses but with the discipline that has served us throughout our lives. We will see the real opportunity all around us and know that sooner or later (and that makes little difference) quality assets will find their way back to normalized true values. When that occurs, we will recover our confidence in our way of life, and start to recoup our lost wealth."

To review these comments is not an attempt to beat our chest and shout victory; rather it provides another reassuring example of the durability and strength of our financial systems. As I also stated last year, "our economy bends but does not break." During my first year in the money management business in the mid-1960s my boss taught me that I should never bet against the American system—to do so would be a no-win proposition.

I also remember one of my colleagues here at GW&K referring to an article detailing all the trials and tribulations facing the economy. He noted, only half-jokingly, that the longer the list of problems, the better the markets seemed to do. The reason is that markets discount headline news so these problems are built into prices and expectations. Our market collapses have occurred when we have been blindsided, with investors unaware of what is lurking beneath the surface. Yes, we knew technology stocks were overvalued, derivatives were an uncontrolled asset class, home values were too high and homeowners were overextended, but few among us knew the depth and extent of these problems.

Fourth Quarter 2009 Market Overview

Economy

- Positive trends for many economic data points (including jobless claims, home prices, consumer sentiment and corporate profits) indicate that the economy remains on a recovery path.
- Overall unemployment rate of 10% and sluggish consumer spending remain a drag on the economy.
- The U.S. dollar rallied at the end of the year, making up for some of the weakening that occurred during the prior six months.
- Commodities, particularly oil and gold, were among the top performers for the year.

Fed Action

- The Fed left interest rates unchanged at 0–0.25% to allow for continued economic recovery and reiterated the likelihood of keeping rates at these low levels for an extended period of time.

Bond Markets

- The corporate bond market staged a remarkable recovery in 2009, having one of the best years on record.
- Looking at taxable credits by rating category, the lower the credit quality the better the performance. The high yield

sector as a whole returned an astounding 58.2% for the year.

- For 2009, the municipal market saw a significant decline in rates and a substantial rebound in credit spreads. Spreads however remain 2–3 standard deviations above their historical averages.
- The slope of the municipal curve is still historically steep. The yield picked up from five to ten years ended the quarter at an all-time high of 143 bps, considerably higher than its long-term average of 59 bps.

Equity Markets

- From the low on March 9, equity markets made a dramatic recovery to end the year up over 22% and 26%, respectively, for the DJIA and S&P 500.
- Despite the market's recent strength, this last decade was the worst calendar year decade for equities since the 1820's.
- Industries that were beaten down the most in 2008—autos, materials and technology—turned in the strongest performance for 2009.
- Growth oriented stocks were the clear winners this year in both the large cap and small cap market segments.

Considering this year end's list of afflictions leads me to believe that 2010 will hold manageable surprises, and the likelihood of being blindsided is minimal.

In the coming year, President Obama will need to contend with the major disconnect in this economy between Wall Street and Main Street. On the one hand, there will likely

Continued on next page

be rising stock markets, improved corporate profits, and increased wealth creation on Wall Street. Yet on Main Street, unemployment will stay unacceptably high, home values will remain under pressure and consumer confidence will continue to be weak.

This dichotomy developed as businesses realized over the course of the cycle that they were saddled with too much staff working in inefficient operating facilities. Before the recession when the economy seemed to be rolling along, it was less critical for companies to evaluate the productivity and efficiency of all the components of their business. The 2008 economic decline provided cover for businesses to quickly reduce employment rolls and close inefficient facilities in order to preserve cash flows. With managements fearing a depression-like cycle that would put their businesses at risk, the layoffs and closures went deep, but at many firms perhaps beyond a prudent level. As the economy moves into recovery, businesses will be extremely cautious about rebuilding capacity and employment. They will look at exploiting new technology to help improve productivity and will again evaluate the benefits of moving production off shore, trends that will reduce the need for re-employment. So even as American businesses do better, American consumers and employees may not. It will take time to educate our work force of the future to compete in this new world economy. With U.S. unemployment currently at 10%, it may eventually settle into a range of 7–8% for an extended period rather than revert back to the 4–5% range we have been accustomed to for many years.

The financial abuses that came to a head in 2008 created the economic problems we face today. Now developed economies, like the U.S. and Europe, have to find a way out of this meltdown with slower growth and mounting government debt. While the escalation of debt has been necessary to facilitate a recovery in consumer spending, housing, and eventually employment, we now must deal with the consequences of the increased debt trade. Even with a slower GDP growth rate, if we are able to reduce our deficit over time, we will be in a more manageable and sustainable position as debt as a percent of GDP declines.

So where will our growth come from given the continued pressures on consumers? The answer may come from outside the U.S. There has been significant economic development occurring in all corners of the world. But for the obvious pockets of strife, the desire to join the economic community has been expanding rapidly. The U.S. and European countries have been beneficiaries of this global economic expansion. So even without a consumer

GW&K Update

December 31, 2009

- Total Assets Under Management: \$9.1 Billion
- Total Employees: 83
- Total Investment Professionals: 28

Jack Welsh, a founding partner of the firm, has retired from GW&K effective 12/31/09 after 35 years of dedicated service to this firm and a career in the financial industry that spans a remarkable 63 years. Jack recently celebrated his 85th birthday.

Jack and Ben Gannett founded the firm in 1974 with the goal of providing customized investment management services for

a select group of families. Harold Kotler joined the firm one year later and together they steadily grew the company into the successful business it is today.

Through the years Jack has made lasting contributions to the firm. He helped to nurture an investment philosophy of active management, a careful fundamental research based approach, and a commitment to client service—values that continue to guide our approach to managing client assets today. We have all been fortunate to have worked with Jack through the years and his legacy here at GW&K will continue.

driven recovery, U.S. GDP growth will likely be close to 4%, propelled by exports, business spending, very low short-term rates, and of course the various government stimulus packages.

The fear of inflation is still prevalent and may or may not be warranted, but if anything it will lag the economic recovery. We are always mindful of the potential effects of inflation, but we also recognize that a global economy with low cost labor, domestic excess factory capacities and high unemployment will mean that core inflation will likely be low for the foreseeable future.

For all of the reasons I have discussed above, this economic recovery will be different than others we have experienced and the bounce-back from a 3% decline in GDP will be lackluster. Nevertheless, the U.S. will slowly work through these issues and will remain a world business leader. We will need to accept a new global economic paradigm where the U.S. consumer will not be the driving force.



Harold G. Kotler, CFA
Chief Executive Officer, Chief Investment Officer

Tax Exempt Bond Strategies

GW&K Municipal Bond Strategy

Emphasizes bottom-up research with a goal of producing high after-tax returns while preserving and enhancing capital

GW&K Municipal Enhanced Yield Strategy

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

GW&K Five-Year Municipal Bond Strategy

Seeks to preserve and enhance capital while protecting income stream by capitalizing on opportunities along the yield curve

GW&K Short-Term Municipal Bond Strategy

Through bottom-up research, seeks to earn higher after-tax returns than money market funds while managing risk

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

John B. Fox, CFA, Co-Director of Fixed Income, Senior Vice President

Martin R. Tourigny, CFA, Vice President

Brian T. Moreland, CFA, Vice President

The municipal bond market sold off in the fourth quarter, pushed lower by a weakening Treasury market and a substantial increase in new issue supply. In many ways it was a healthy correction, consolidating the gains of a year which saw a significant decline in rates and a substantial rebound in credit spreads. For the year, rates declined between 50 and 100 basis points with the largest drops coming at the extremes of the curve. It is easy to forget the pessimism that pervaded our market as 2009 opened. At the time, municipal insurers were dead in the water and the recession that began in December of 2007 was severely choking off tax revenues. One year later, however, the market has demonstrated exceptional resilience.

"Throughout 2008 and 2009, we repositioned the portfolio in response to these market anomalies, utilizing an already diversified portfolio as a major tool to execute a strategy that resulted in strong relative and absolute performance."

The sea change that occurred in 2008 provided tremendous opportunities for investors that were willing to adjust their portfolios during a historically tumultuous period. Throughout 2008 and 2009, we repositioned the portfolio in response to these market anomalies, utilizing an already diversified

portfolio as a major tool to execute a strategy that resulted in strong relative and absolute performance.

Our municipal bond strategies each realized strong results in this action packed year. Our **Municipal Bond Strategy**, while slightly trailing the Barclays 10-Year Index for the fourth quarter, outperformed the benchmark for 2009 with an 11.1% return. Our best performers for the year were longer bonds that benefited from the yield curve flattening over the course of the year. Bonds longer than the Index (12+ years) were up over 22% for the year. Lower rated bonds were also among the top performers as a relief rally initiated credit spread tightening in 2009. For the year, BBB and A rated bonds in our Strategy were up 30% and 17%, respectively.

The **Municipal Enhanced Yield Strategy** slightly outperformed the Merrill Lynch 15+ Year Index for the quarter and ended the year ahead of the Index with a return of 22.6%. Our meaningful overweight to BBB rated bonds within the Strategy and long duration positively affected performance. Looking forward, wide credit spreads and a steep curve continue to highlight the relative attractiveness of this Strategy with yields approximately 130 basis points higher than the intermediate space.

The **Five-Year Municipal Bond Strategy** underperformed the Barclays 5-Year Index for the fourth quarter and slightly trailed the Index for the year with a return of 7.3%. Underperformance in the fourth quarter was a result of an overweight to 7-10 year bonds in a steepening yield curve environment. For the year, an overweight to AAA pre-refunded bonds positively affected performance as the credit market rebounded. For conservative investors, the 5-year part of the curve offers substantial value with yields of over 200 basis points in excess of money market yields.

Fourth quarter performance for the **Short-Term Municipal Bond Strategy** was even with the return of the Barclays 1-Year Index, while year to date the Strategy outperformed the Index with a 4.1% return. Rates declined sharply at the front end of the curve with 1-year AAA yields declining 57 basis points to end the year at 0.28% and 3-year rates declining 118 basis points to end the year at 0.85%. Relative performance for this Strategy benefited from our longer duration and yield curve exposure. The municipal yield curve remains fairly steep at the front end, which should continue to benefit our Strategy versus the Index.

As we embark on a new year, we expect states and local governments to continue to draw on their unique sovereign powers to navigate the challenges presented by revenue shortfalls and increased funding obligations. Meanwhile, the market itself continues to offer attractive opportunities in the form of an extremely steep yield curve and historically wide credit spreads. In addition, the long end of the curve, which many worry could be vulnerable to inflation pressures, will be bolstered by the supply drain from the Build America Bond program. Overlaying these positives is the inevitability of higher marginal tax rates, which should further strengthen demand for municipals on an after-tax basis.

Tax Exempt Bond Strategies

Performance Ending 12/31/09 (%) ¹	Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
GW&K Municipal Bond	-1.64	11.12	11.12	5.11	4.45	5.45	5.88	1/1/93 ²
Barclays 10-Year Muni Bond Index	-1.27	9.85	9.85	5.16	4.58	5.81	5.93	
Barclays 5-Year Muni Bond Index	0.55	7.40	7.40	6.11	4.50	5.24	5.18	
GW&K Municipal Enhanced Yield	-1.94	22.60	22.60	2.58			3.64	4/1/06
Merrill 15+ Year Muni Index	-2.23	21.65	21.65	2.86			3.75	
GW&K Five-Year Municipal Bond	-0.52	7.32	7.32	5.50	4.23		3.84	6/1/03
Barclays 5-Year Muni Bond Index	0.55	7.40	7.40	6.11	4.50		3.96	
GW&K Short-Term Municipal Bond	0.58	4.10	4.10	4.39	3.72		3.05	1/1/02
Barclays 1-Year Muni Bond Index	0.58	3.49	3.49	4.14	3.42		2.96	
Schwab Money Fund ³	0.00	0.26	0.26	1.83	2.10		1.64	

¹ Periods greater than one year represent annualized returns. Returns represent composites and are gross of fees. Please refer to the Performance Disclosure on page 6, which is an integral part of our presentation, for an explanation of our composite criteria, calculations and net of fee results.

² Represents the effective date of GW&K's compliance with the Global Investment Performance Standards (GIPS), the recognized industry standard for performance reporting. Actual strategy inception date is 1/1/80.

³ Represents net of fee performance.

Taxable Bond Strategies

GW&K Total Return Bond Strategy

This multi-sector approach takes advantage of relative valuation among distinct bond sectors and seeks to generate high income and capital gain

GW&K Enhanced Core Bond Strategy

Offers broad market exposure across Treasury, Agency, Mortgage-Backed and Corporate sectors while seeking to provide strong income

GW&K Core Bond Strategy

A core multi-sector bond strategy that offers a more conservative profile by selecting investment grade securities only

GW&K Corporate Bond Opportunities Strategy

Seeks to maximize current income and longer-term capital appreciation by focusing on both high grade and high yield corporate bonds.

GW&K Short-Term Taxable Bond Strategy

Through research and diversification, seeks to outperform money market funds while managing portfolio volatility

Mary F. Kane, CFA, Vice President

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

John B. Fox, CFA, Co-Director of Fixed Income, Senior Vice President

2009 will go down as one of the best years on record for the corporate bond market. Corporate bonds benefited not only from a level of valuation not seen in a generation, but also from the extraordinary measures taken by the government to support the financial system and a subsequent stabilization of the U.S. economy. The extent of the market rescue that took place in 2009 is the most notable legacy of the year, and for the corporate sector this is a legacy that has played out across the curve.

From a peak in spreads of over 550 basis points relative to Treasuries at the end of last year, the investment grade corporate bond market is now trading inside of 200 basis points. High

yield spreads have rallied in by approximately 1,300 basis points, now trading at 616 basis points. But it is not just the absolute level of spread tightening that is so astonishing. It is the fact that we are approaching these much tighter spread levels just ten months after we nearly fell off the edge into financial abyss.

Looking at returns by individual rating category, the lower you moved down in credit quality the better you did. The high yield market was up an astounding 58.2% for the year, led by the lowest quality Ca-D segment that returned 136.3%. The investment grade corporate bond sector returned 18.7%. Fixed rate mortgages returned a solid 5.9%, supported by

the Federal Reserve's ongoing security purchase program. Treasuries were the outright laggard sector in the taxable market returning -3.6%.

For both the quarter and the year, the **Total Return Bond Strategy** and **Enhanced Core Bond Strategy** significantly outperformed the Barclays Aggregate Index due to the substantial overweight exposure to corporate bonds, including a sizeable allocation to high yield securities. The **Total Return Bond Strategy** ended ahead of the Blended Index for the quarter, but trailed for the year due to our higher quality high yield focus relative to the market. The **Corporate Bond Opportunities Strategy**, a blend of high yield and high grade corporate bonds, posted a very solid return of 34.2% for the year. The Strategy however trailed its benchmark due to our lack of exposure to the lower rated high yield bonds. The **Core Bond Strategy** outperformed the Barclays Aggregate Index by a wide margin for both periods, once again driven by our sizeable overweight to investment grade corporate bonds and in particular our emphasis on BBB-rated securities that outperformed higher quality credits during both periods. The **Short-Term Bond Strategy** also significantly outperformed its benchmark for both periods driven by the heavy allocation

"Corporate bonds benefited not only from a level of valuation not seen in a generation, but also from the extraordinary measures taken by the government to support the financial system and a subsequent stabilization of the U.S. economy."

to spread product, including high quality corporate bonds and short duration mortgage-backed securities which outperformed Treasuries for both time periods.

We are looking for a sustainable, albeit below trend recovery for 2010. One of the largest risk factors facing the markets is the tightrope that the Federal Reserve must walk regarding the exit strategy for extremely accommodative monetary policies, including the reversal of the large liquidity programs that heretofore have been a significant catalyst to supporting asset prices. Overall, risk assets have the most to lose if central banks overreact to unwarranted inflation fears and threaten to remove accommodation aggressively.

Our duration stance in this environment remains relatively neutral. Higher interest rates near term are a possibility as the Fed steps back with the end of quantitative easing just as the economic recovery appears on track and net Treasury issuance is set to soar. However, any backup in interest rates is likely to be mitigated by the challenge of sustaining an economic recovery in the face of rising interest rates.

We continue with our significant overweight to both high grade and high yield corporate bonds. We remain in a positive environment for corporate bonds and expect spreads to continue to grind tighter, albeit with much more normal returns than in 2009. Valuations are still historically cheap, fundamentals will continue to improve, and the technicals should stay supportive of the asset class.

Taxable Bond Strategies

Performance Ending 12/31/09 (%) ¹	Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
GW&K Total Return Bond	2.48	20.19	20.19	7.94	6.30	6.58	7.47	1/1/93 ²
Style Index ³	2.31	23.51	23.51	6.00	5.48	6.61	6.94	
Barclays Aggregate Bond Index	0.20	5.93	5.93	6.04	4.97	6.33	6.37	
GW&K Enhanced Core Bond	1.71	16.22	16.22	7.90	6.20	6.73	6.58	10/1/99
Barclays Aggregate Bond Index	0.20	5.93	5.93	6.04	4.97	6.33	6.16	
GW&K Core Bond	0.98	11.74	11.74	8.21	6.35		6.09	2/1/01
Barclays Aggregate Bond Index	0.20	5.93	5.93	6.04	4.97		5.62	
GW&K Corporate Bond Opportunities	3.92	34.18	34.18				4.08	10/1/07
Style Index ⁴	4.11	39.90	39.90				6.61	
GW&K Short-Term Taxable	0.80	6.21	6.21	6.19	5.10		4.37	10/1/02
Barclays 1-3 Year Govt Bond Index	0.09	1.41	1.41	5.03	4.18		3.43	

¹ Periods greater than one year represent annualized returns. Returns represent composites and are gross of fees. Please refer to the Performance Disclosure on page 6, which is an integral part of our presentation, for an explanation of our composite criteria, calculations and net of fee results.

² Represents the effective date of GW&K's compliance with the Global Investment Performance Standards (GIPS), the recognized industry standard for performance reporting. Actual strategy inception date is 1/1/88.

³ 60% Barclays Govt Credit / 40% Barclays High Yield, rebalanced daily

⁴ 60% Barclays High Yield / 40% Barclays US Credit, rebalanced daily

Equity Strategies

GW&K Diversified Equity Strategy

Combines growth & value disciplines and diversifies across large, mid, and small capitalization stocks

GW&K Small Cap Equity Strategy

Focuses on small companies with sustainable earnings growth in niche markets with lasting growth potential

GW&K Small/Mid Cap Equity Strategy

A core strategy that invests in both small and medium sized companies that offer sustainable earnings growth

GW&K Equity Dividend Plus Strategy

Invests in companies that pay above-average dividends and with the required balance sheet strength needed to sustain dividend payouts

Daniel L. Miller, CFA, Director of Equities, Senior Vice President

Edward B. White, CFA, CIC, First Senior Vice President

Jeffrey W. Thibault, CFA, Vice President

Equities finished off the year in strong style. While fourth-quarter results were more moderate, it was nonetheless a continuation of the solid market recovery that began in early 2009. Gains were realized by both large and small cap segments, and in both growth and value styles. The continued upward movement in stock prices reflected several factors. First, economic data continues to reflect improvement in the economy; second, there has been a tremendous recovery in corporate earnings; and third, short-term interest rates remain extremely low, compelling investors to seek out higher returns in "risk" asset classes such as equities.

For 2009 the S&P 500 gained 26.5%, just behind the Russell 2000's gain of 27.2%. Off the March lows, when fears of economic calamity were at their greatest, returns for these index-

es were even more impressive at 67% and 82%, respectively. Growth stocks had one of their best relative years ever versus value stocks.

Our equity performance was quite solid across all of our strategies this quarter. After two quarters that were generally categorized as a "high beta, low quality rally," our focus on quality names is once more being rewarded in the market. Each of our equity strategies outperformed its respective benchmark in the fourth quarter and solidified our strong numbers for the year.

The **Diversified Equity Strategy** outpaced the S&P 500 Index by over 8% for the year as we stayed true to our discipline of holding quality companies. We believe that the best result comes from holding such stocks for a long period of time, which allows the characteristics of the company to move ahead of the less well positioned or man-

aged company. For the quarter, our stock selections in each economic sector did as well as or better than those in the benchmark with the exception of Telecommunications Services.

Our **Equity Dividend Plus Strategy**, which is a value oriented style due to its focus on dividend paying companies, performed the best for the quarter compared to our other equity strategies, but lagged its benchmark for the year. In spite of the leadership from large capitalization growth stocks, our results were quite good. Our stock selections in the Consumer Staples, Energy, and Utilities sectors aided performance. Due to this Strategy's dividend requirement, our lack of exposure to stocks in the Technology and Financial Services sectors that experienced the best returns tempered our fourth quarter performance.

Our **Small Cap Equity** and **Small/Mid Cap Equity Strategies** each outperformed its benchmark for both the quarter and year. Our relative outperformance in the quarter was driven largely by stock selection as the market shifted to favor quality companies with positive earnings. For our **Small Cap Strategy**, Energy and Technology were our best stock selection sectors and Consumer Discretionary and Healthcare were also additive. In Technology, six of fourteen stocks were up a double digit percentage, so the good performance was broad based. On the flipside, we had some difficulty

"Our equity performance was quite solid across all of our strategies this quarter. After two quarters that were generally categorized as a "high beta, low quality rally," our focus on quality names is once more being rewarded in the market."

in the Industrials, Financials and Telecommunications sectors. Within our **Small/Mid Cap** portfolio, sectors with the best relative performance for the quarter included Technology and Financials, with Healthcare, Energy, and Consumer Discretionary also additive. The Industrial sector was the only meaningful laggard within the portfolio. Mid cap stocks were the market's best performers in 2009 helping our Small/Mid Cap Strategy to turn in the best performance for the year relative to our other equity strategies.

Looking ahead we believe that businesses will soon have to compensate for their aggressive cost cutting measures in the downturn and react to the improving economy by increasing both production and hiring. This is the basis for economic recovery. It will result in renewed revenue growth as well as top-line driven growth in profits, which should help sustain continued upward movement in stock prices. Additionally, the amount of cash sitting on the sidelines is still quite high and we expect that investors will put more of these cash balances into stocks in 2010.

As always, we remain focused on high-quality, well-managed, innovative companies that should gain market share in both good and bad times, and have the financial strength to weather the unavoidable economic storms. We sense the equity markets have finally begun to turn their attention to such companies, thus we are optimistic about our portfolio positioning going into this stage of the economic recovery.

Equity Strategies

Performance Ending 12/31/09 (%) ¹	Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
GW&K Diversified Equity	7.69	34.90	34.90	-3.36	1.78	1.59	9.19	1/1/93 ²
Standard & Poor's 500 Stock Index	6.04	26.46	26.46	-5.63	0.42	-0.95	7.75	
Russell 2000 Index	3.87	27.17	27.17	-6.07	0.51	3.51	7.77	
GW&K Small Cap Equity	5.45	31.14	31.14	-0.97	3.75	5.30	5.30	1/1/00
Russell 2000 Index	3.87	27.17	27.17	-6.07	0.51	3.51	3.51	
GW&K Equity Dividend Plus	8.19	23.57	23.57	-5.06	1.70		4.79	11/1/03
Standard & Poor's 500 Stock Index	6.04	26.46	26.46	-5.63	0.42		3.03	
GW&K Small/Mid Cap Equity	6.44	38.31	38.31	-2.33			1.56	1/1/06
Russell 2500 Index	5.08	34.39	34.39	-4.86			0.01	

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Performance Disclosure

The composite performance results displayed herein represent the investment performance record of Gannett Welsh & Kotler, LLC (GW&K). The firm, defined as an SEC-registered investment adviser, was founded in 1974. GW&K is an affiliate of Affiliated Managers Group, Inc. (AMG), a Boston-based asset management holding company. GW&K is an independent operating company under the AMG umbrella of managers. GW&K has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®).

All results reflect the reinvestment of dividends and income. Composite portfolio income may be net or gross of withholding tax depending on the accounting methodology of the respective custodian bank. Performance is expressed in U.S. dollars and is based on calendar month end valuations.

Single asset segments of multi-asset portfolios are included in the composites. Prior to January 1, 2000, cash inflows on multi-asset portfolios may have temporarily resulted

in an additional cash position that was not allocated to each portfolio segment during the investment time period. Performance for these segments has been modified to reflect the effect of cash using single asset portfolios as a proxy. Each segment of multi-asset portfolios is managed with its own cash account.

The *Diversified Equity* composite (created on 9/30/00) includes accounts with a minimum value of \$500,000 from inception to 12/31/08, and a minimum value of \$250,000 from 1/1/09 forward. The *Small Cap Equity* composite (created on 9/30/00) includes accounts with a minimum value of \$250,000. The *Equity Dividend Plus* composite (created on 9/30/04) includes accounts with a minimum of \$250,000. The *Small/Mid Cap Equity* composite (created on 1/1/06) includes accounts with a minimum value of \$250,000. The *Total Return Bond* composite (created on 9/30/00) includes accounts with a minimum portfolio value of \$250,000. The *Enhanced Core Bond* and *Core Bond* composites (created on 6/30/04) include accounts with a minimum portfolio value of \$250,000. The *Corporate*

Bond Opportunities composite (created on 10/1/07) includes accounts with a minimum portfolio value of \$250,000. The *Municipal Bond* composite (created on 9/30/00) includes accounts with a minimum portfolio value of \$250,000. The *Municipal Enhanced Yield Bond* composite (created on 4/1/2006) includes accounts with a minimum portfolio size of \$250,000. The *Five-Year Municipal Bond* composite (created on 6/1/03) includes accounts with a minimum portfolio value of \$250,000. The *Short-Term Municipal Bond* composite (created on 1/1/02) includes accounts with a minimum portfolio value of \$150,000. The *Short-Term Taxable Bond* composite (created on 10/1/02) includes accounts with a minimum portfolio value of \$250,000.

Performance results factor in commission costs, but not management fees, which, if included, would reduce portfolio total return. To account for advisory fees, net performance reflects the deduction of the maximum fee GW&K would charge for the Strategy. The maximum annual fee is 1% for all strategies except .55% for the Five-

Year Municipal Bond Strategy, .30% for the Short-Term Municipal Bond Strategy, .50% for the Short-Term Taxable Bond Strategy, and .65% for the Corporate Bond Opportunities Strategy and the Municipal Enhanced Yield Strategy. Client fees may vary.

The performance results presented may not equate with the rate of return experienced by any particular GW&K portfolio due to differences in brokerage commissions, fees, position size in relation to account size and diversification among securities. Past performance is no guarantee of future results. A complete list and description of the firm's composites and calculation methodologies are available upon request by contacting GW&K Marketing at 617-236-8900.

GW&K assumes no responsibility for the accuracy of the data provided by outside sources. Sources for indexes and other external data: Bloomberg, Frank Russell Co., Barclays Capital, Mellon, Charles Schwab, Standard & Poor's, and Factset.

GW&K Composite Information

		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
GW&K Municipal Bond	Number of Portfolios	1,384	2,083	2,843	3,062	3,360	4,030	4,542	4,666	4,372	5,067
	Composite Assets (\$000s)	\$2,607,406	\$3,263,339	\$3,872,611	\$3,679,491	\$3,824,607	\$4,536,906	\$4,901,918	\$5,106,328	\$4,914,450	\$5,907,279
	Dispersion	1.03	0.37	0.48	0.32	0.28	0.20	0.18	0.30	0.99	0.88
GW&K Municipal Enhanced Yield	Number of Portfolios							6	9	5	24
	Composite Assets (\$000s)							9,875	\$17,189	\$5,814	\$16,916
	Dispersion							N/A	0.29	0.55	0.73
GW&K Five-Year Municipal Bond	Number of Portfolios				4	16	26	29	24	9	9
	Composite Assets (\$000s)				\$4,115	\$22,807	\$30,191	\$46,581	\$27,237	\$8,720	\$5,919
	Dispersion				N/A	0.53	0.20	0.28	0.18	0.43	0.50
GW&K Short-Term Municipal Bond	Number of Portfolios			10	32	27	38	19	20	15	18
	Composite Assets (\$000s)			\$16,448	\$31,303	\$21,159	\$57,692	\$18,382	\$21,255	\$21,626	\$22,655
	Dispersion			N/A	0.19	0.18	0.18	0.14	0.11	0.25	0.40
GW&K Total Return Bond	Number of Portfolios	187	218	159	152	246	314	296	282	232	250
	Composite Assets (\$000s)	\$176,524	\$219,036	\$170,208	\$154,593	\$208,357	\$235,563	\$209,342	\$199,430	\$168,847	\$209,235
	Dispersion	0.51	0.67	0.41	0.38	0.95	0.18	0.18	0.19	0.72	0.82
GW&K Enhanced Core Bond	Number of Portfolios	43	54	81	99	151	194	213	215	166	184
	Composite Assets (\$000s)	\$25,003	\$33,982	\$51,477	\$63,955	\$111,761	\$167,566	\$176,930	\$195,833	\$136,889	\$170,917
	Dispersion	0.19	0.23	0.26	0.30	0.21	0.16	0.09	0.16	0.44	0.77
GW&K Core Bond	Number of Portfolios		9	18	33	49	79	76	80	78	140
	Composite Assets (\$000s)		\$8,547	\$24,410	\$38,507	\$56,843	\$83,547	\$73,115	\$89,685	\$96,129	\$134,490
	Dispersion		N/A	0.26	0.33	0.22	0.13	0.15	0.18	0.33	0.61
GW&K Corporate Bond Opportunities	Number of Portfolios								2	1	14
	Composite Assets (\$000s)								\$818	\$299	\$8,056
	Dispersion								N/A	N/A	N/A
GW&K Short-Term Taxable	Number of Portfolios			3	7	25	29	27	21	17	35
	Composite Assets (\$000s)			\$6,683	\$23,570	\$45,269	\$49,546	\$74,150	\$43,064	\$46,288	\$74,109
	Dispersion			N/A	0.09	0.05	0.10	0.07	0.07	0.21	0.19
GW&K Diversified Equity	Number of Portfolios	202	207	153	148	173	183	209	198	109	204
	Composite Assets (\$000s)	\$394,099	\$336,156	\$211,732	\$228,652	\$285,246	\$298,030	\$356,033	\$319,490	\$159,643	\$204,973
	Dispersion	2.55	2.50	1.39	1.34	0.92	1.01	0.98	1.38	1.07	1.24
GW&K Small Cap Equity	Number of Portfolios	1	2	9	12	24	76	87	75	26	45
	Composite Assets (\$000s)	\$709	\$1,032	\$5,699	\$9,964	\$24,795	\$151,227	\$76,826	\$120,355	\$64,791	\$110,249
	Dispersion	N/A	N/A	N/A	2.44	0.75	0.63	0.76	0.78	0.69	0.74
GW&K Equity Dividend Plus	Number of Portfolios				3	9	16	34	48	18	24
	Composite Assets (\$000s)				\$1,220	\$3,905	\$7,254	\$17,371	\$22,826	\$8,293	\$15,133
	Dispersion				N/A	0.57	0.09	0.45	1.14	0.21	0.21
GW&K Small/Mid Cap Equity	Number of Portfolios							27	35	18	19
	Composite Assets (\$000s)							\$17,942	\$22,641	\$8,382	\$11,499
	Dispersion							N/A	0.64	0.39	0.49
Total Firm Assets (\$mm)*		\$4,194	\$4,956	\$5,322	\$5,594	\$6,366	\$7,443	\$7,835	\$8,106	\$7,419	\$9,096

*Represents end of period data.

Dispersion represents an asset-weighted standard deviation.

Market Index Descriptions

Barclays 10-Year (1-Year, 5-Year)

Municipal Bond Index

Unmanaged indexes composed of investment grade municipal bonds with a minimum credit rating of Baa.

Schwab Municipal Money Fund

The Fund invests in municipal money market securities, from state issuers around the country and from municipal agencies, U.S. territories and possessions.

Barclays Aggregate Bond Index

Composed of securities from Barclays Government/Corporate Bond Index, Mortgage-Backed Securities Index, and the Asset-Backed Securities Index. Indexes rebalanced monthly.

Barclays Government/Credit Index

Composed of securities from Barclays Government Index and the Barclays Credit Index. Issues must have at least one year to maturity. Indexes are rebalanced monthly.

Barclays U.S. Credit Index

Comprised of fixed rate, publicly issued corporate and non-corporate investment grade debt, rated BBB or higher.

Barclays High Yield Index

Composed of fixed rate, publicly issued, noninvestment grade debt registered with the SEC.

Barclays 1-3 Year Government Index

Composed of investment grade issues with maturities from 1 to (but not including) 3 years.

Merrill Lynch

15+ Years Municipal Index

Comprised of investment grade municipal bonds with maturities that are 15 years or greater.

S&P 500 Index

A capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Russell Indexes

The Russell 2000 Index is a market weighted small capitalization index composed of the smaller 2,000 companies, ranked by market capitalization, of the Russell 3000 Index. The Russell 2500 Index consists of the smaller 2,500 companies, as ranked by total market capitalization, in the Russell 3000 Index. The Russell 3000 Index is composed of 3,000 U.S. companies ranked by market capitalization, representing approximately 98% of the U.S. equity market.

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Total Annual Returns for GW&K Composites and Their Benchmarks (%)

	2000	2001 ¹	2002 ¹	2003 ¹	2004	2005	2006	2007 ¹	2008	2009
GW&K Municipal Bond (Gross)	10.70	4.23	8.64	4.94	4.00	2.33	4.61	3.94	0.55	11.12
GW&K Municipal Bond (Net)	9.62	3.20	7.58	3.90	2.98	1.32	3.58	2.91	-0.45	10.04
Barclays 10-Year Muni Bond Index	10.76	4.62	10.17	5.70	4.15	2.74	4.71	4.29	1.52	9.85
Barclays 5-Year Muni Bond Index	7.72	6.21	9.27	4.13	2.72	0.94	3.34	5.15	5.78	7.40
GW&K Municipal Enhanced Yield (Gross)								-0.07	-11.89	22.60
GW&K Municipal Enhanced Yield (Net)								-0.72	-12.48	21.84
Merrill 15+ Year Muni Index								1.61	-11.95	21.65
GW&K Five-Year Municipal Bond (Gross)				1.18	2.95	1.22	3.50	4.94	4.27	7.32
GW&K Five-Year Municipal Bond (Net)				0.86	2.39	0.67	2.94	4.38	3.70	6.74
Barclays 5-Year Muni Bond Index				0.88	2.72	0.94	3.34	5.15	5.78	7.40
GW&K Short-Term Municipal Bond (Gross)			3.10	1.59	1.16	1.90	3.57	4.46	4.61	4.10
GW&K Short-Term Municipal Bond (Net)			2.79	1.28	0.86	1.59	3.26	4.15	4.30	3.79
Barclays 1-Year Muni Bond Index			3.85	1.71	1.06	1.49	3.20	4.37	4.57	3.49
Schwab Muni Money Fund ²			1.12	0.68	0.82	2.00	3.03	3.26	2.00	0.26
GW&K Total Return Bond (Gross)	9.77	4.35	5.51	8.69	6.09	2.87	4.91	6.06	-1.33	20.19
GW&K Total Return Bond (Net)	8.70	3.32	4.47	7.63	5.05	1.85	3.88	5.02	-2.32	19.05
Style Index ³	4.77	7.21	6.04	14.04	6.93	2.53	6.94	5.09	-8.24	23.51
Barclays Aggregate Bond Index	11.63	8.44	10.25	4.10	4.34	2.43	4.33	6.97	5.24	5.93
GW&K Corporate Bond Opportunities (Gross)								-0.03	-18.42	34.18
GW&K Corporate Bond Opportunities (Net)								-0.19	-18.98	33.37
Style Index ⁴								0.10	-17.53	39.90
GW&K Enhanced Core Bond (Gross)	11.36	8.51	7.16	4.50	4.96	2.62	4.78	6.35	1.63	16.22
GW&K Enhanced Core Bond (Net)	10.28	7.45	6.11	3.47	3.93	1.60	3.75	5.31	0.62	15.10
Barclays Aggregate Bond Index	11.63	8.44	10.25	4.10	4.34	2.43	4.33	6.97	5.24	5.93
GW&K Core Bond (Gross)		5.99	8.28	3.63	4.68	2.72	4.53	7.17	5.80	11.74
GW&K Core Bond (Net)		5.04	7.22	2.60	3.65	1.71	3.50	6.12	4.76	10.66
Barclays Aggregate Bond Index		6.70	10.25	4.10	4.34	2.43	4.33	6.97	5.24	5.93
GW&K Short-Term Taxable (Gross)			1.39	2.84	2.00	2.10	4.88	6.53	5.84	6.21
GW&K Short-Term Taxable (Net)			1.30	2.48	1.64	1.74	4.52	6.17	5.47	5.69
Barclays 1-3 Year Govt Bond Index			0.93	2.01	1.07	1.73	4.12	7.10	6.66	1.41
GW&K Diversified Equity (Gross)	17.61	-19.14	-25.08	33.43	12.72	8.63	11.37	3.59	-35.41	34.90
GW&K Diversified Equity (Net)	16.48	-20.00	-25.89	32.19	11.63	7.57	10.29	2.57	-36.13	33.65
Standard & Poor's 500 Stock Index	-9.10	-11.89	-22.10	28.68	10.88	4.91	15.79	5.49	-37.00	26.46
Russell 2000 Index	-3.02	2.49	-20.48	47.25	18.33	4.55	18.37	-1.57	-33.79	27.17
GW&K Small Cap Equity (Gross)	-18.42	2.37	-11.25	52.64	23.24	11.47	11.05	5.59	-29.87	31.14
GW&K Small Cap Equity (Net)	-19.28	1.35	-12.16	51.27	22.07	10.39	9.97	4.55	-30.64	29.92
Russell 2000 Index	-3.02	2.49	-20.48	47.25	18.33	4.55	18.37	-1.57	-33.79	27.17
GW&K Equity Dividend Plus (Gross)				7.39	14.21	8.23	17.49	-1.36	-29.79	23.57
GW&K Equity Dividend Plus (Net)				7.22	13.10	7.18	16.37	-2.35	-30.56	22.40
Standard & Poor's 500 Stock Index				6.17	10.88	4.91	15.79	5.49	-37.00	26.46
GW&K Small/Mid Cap Equity (Gross)							14.18	4.54	-35.56	38.31
GW&K Small/Mid Cap Equity (Net)							13.08	3.51	-36.28	37.03
Russell 2500 Index							16.17	1.38	-36.79	34.39

¹ Annual partial year returns: Core Bond since 2/1/2001; Short-Term Taxable since 10/1/2002; Five-Year Municipal Bond since 6/1/2003; Equity Dividend Plus since 11/1/2003; Corporate Bond Opportunities since 10/1/07.

² Represents net of fee performance.

³ 60% Barclays Govt Credit / 40% Barclays High Yield, rebalanced daily

⁴ 60% Barclays High Yield / 40% Barclays US Credit, rebalanced daily

Annualized Performance Results Ending 12/31/09¹

	Quarter		YTD		1 Year		3 Years		5 Years		10 Years		Since Inception		Inception Date
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	
GW&K Municipal Bond	-1.64	-1.89	11.12	10.04	11.12	10.04	5.11	4.08	4.45	3.42	5.45	4.42	5.88	4.84	1/1/93 ²
Barclays 10-Year Muni Bond Index	-1.27		9.85		9.85		5.16		4.58		5.81		5.93		
Barclays 5-Year Muni Bond Index	0.55		7.40		7.40		6.11		4.50		5.24		5.18		
GW&K Municipal Enhanced Yield	-1.94	-2.10	22.60	21.84	22.60	21.84	2.58	1.92					3.64	2.98	4/1/06
Merrill 15+ Year Muni Index	-2.23		21.65		21.65		2.86						3.75		
GW&K Five-Year Municipal Bond	-0.52	-0.66	7.32	6.74	7.32	6.74	5.50	4.93	4.23	3.67			3.84	3.28	6/1/03
Barclays 5-Year Muni Bond Index	0.55		7.40		7.40		6.11		4.50				3.96		
GW&K Short-Term Municipal Bond	0.58	0.50	4.10	3.79	4.10	3.79	4.39	4.08	3.72	3.41			3.05	2.74	1/1/02
Barclays 1-Year Muni Bond Index	0.58		3.49		3.49		4.14		3.42				2.96		
Schwab Money Fund	0.00		0.26		0.26		1.83		2.10				1.64		
GW&K Total Return Bond	2.48	2.23	20.19	19.05	20.19	19.05	7.94	6.89	6.30	5.26	6.58	5.54	7.47	6.42	1/1/93 ²
Style Index ³	2.31		23.51		23.51		6.00		5.48		6.61		6.94		
Barclays Aggregate Bond Index	0.20		5.93		5.93		6.04		4.97		6.33		6.37		
GW&K Enhanced Core Bond	1.71	1.46	16.22	15.10	16.22	15.10	7.90	6.84	6.20	5.15	6.73	5.69	6.58	5.54	10/1/99
Barclays Aggregate Bond Index	0.20		5.93		5.93		6.04		4.97		6.33		6.16		
GW&K Core Bond	0.98	0.73	11.74	10.66	11.74	10.66	8.21	7.15	6.35	5.31			6.09	5.05	2/1/01
Barclays Aggregate Bond Index	0.20		5.93		5.93		6.04		4.97				5.62		
GW&K Corporate Bond Opportunities	3.92	3.76	34.18	33.37	34.18	33.37							6.08	3.41	10/1/07
Style Index ⁴	4.11		39.90		39.90								6.61		
GW&K Short-Term Taxable	0.80	0.68	6.21	5.69	6.21	5.69	6.19	5.78	5.10	4.71			4.37	3.99	10/1/02
Barclays 1-3 Year Govt Bond Index	0.09		1.41		1.41		5.03		4.18				3.43		
GW&K Diversified Equity	7.69	7.44	34.90	33.65	34.90	33.65	-3.36	-4.33	1.78	0.77	1.59	0.57	9.19	8.12	1/1/93 ²
Standard & Poor's 500 Stock Index	6.04		26.46		26.46		-5.63		0.42		-0.95		7.75		
Russell 2000 Index	3.87		27.17		27.17		-6.07		0.51		3.51		7.77		
GW&K Small Cap Equity	5.45	5.20	31.14	29.92	31.14	29.92	-0.97	-1.97	3.75	2.72	5.30	4.26	5.30	4.26	1/1/00
Russell 2000 Index	3.87		27.17		27.17		-6.07		0.51		3.51		3.51		
GW&K Equity Dividend Plus	8.19	7.94	23.57	22.40	23.57	22.40	-5.06	-6.02	1.70	0.69			4.79	3.76	11/1/03
Standard & Poor's 500 Stock Index	6.04		26.46		26.46		-5.63		0.42				3.03		
GW&K Small/Mid Cap Equity	6.44	6.19	38.31	37.03	38.31	37.03	-2.33	-3.31					1.56	0.55	1/1/06
Russell 2500 Index	5.08		34.39		34.39		-4.86						0.01		

¹ Returns of less than 1 year are not annualized

² Represents the effective date of GW&K's compliance with the Global Investment Standards (GIPS). Actual strategy inception dates are: Municipal Bond (1/1/80); Total Return Bond (1/1/88); Diversified Equity (1/1/89).

³ 60% Barclays Govt Credit / 40% Barclays High Yield, rebalanced daily

⁴ 60% Barclays High Yield / 40% US Credit, rebalanced daily

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