



PORTFOLIO MANAGER'S REPORT



Thursday July 15, 2010 8:46 AM

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CURRENT OFFERING YIELDS - Thursday: 07/15/2010 8:46 AM

TODAY'S ECONOMIC DATA

Trsy (Last Price)	Change (From Yest)	Agcy NC (Bullets)	Muni - TEY (A1; GO; BQ)	CMO (Avg Life)	MBS (Avg Life)	15-Jul	15-Jul	15-Jul
3 mo	0.147%	+ 0.20 bp's	0.153%	0.374%			Producer Price Index (MoM)	Prior: -0.3% Actual: -0.5%
6 mo	0.186%	UNCH	0.199%	0.480%			PPI Ex Food & Energy (MoM)	Prior: 0.2% Actual: 0.1%
12 mo	0.257%	-0.2 32'ds	0.390%	0.708%			Producer Price Index (YoY)	Prior: 5.3% Actual: 2.8%
2 yr	0.593%	+ 0.5 32'ds	0.772%	1.192%	1.493%	1.543%		
3 yr	0.987%		1.183%	1.758%	1.987%	2.087%		
5 yr	1.776%	+ 2.0 32'ds	2.006%	2.889%	2.626%	2.926%	DJIA	10,326.01 -40.71
10 yr	3.010%	+ 2.0 32'ds	3.301%	4.798%	3.960%	4.010%	NASDAQ	2,241.48 -8.36
30 yr	3.996%	+ 9.0 32'ds	4.616%	6.950%			S & P 500	1,091.13 -4.04

Source: Bloomberg Fair Value Curve or Last Price (Treasury only); ALL yields and spreads are "representative", not actual. Spreads change as the market changes, actual offerings may be higher or lower than

TODAY'S NEWS

Treasuries Are Little Changed After New York Manufacturing Growth Slows

July 15 (Bloomberg) -- Treasuries were little changed after a report showed manufacturing in the New York region expanded in July at the slowest pace this year. Two-year note yields were near a record low as other data showed U.S. producer prices and unemployment-claims benefits fell more than forecast. Treasuries earlier declined as better-than-expected earnings from JPMorgan Chase & Co. boosted U.S. stock futures.

Today's Topic: Government Guarantee and a Short Average Life

When rates are as low as they currently are, portfolio managers may want to look to the short end of the market, to help protect their portfolios in the future.

This short average life, GNMA CMO offers that structure.

- Decent up front coupon of 3%
- Extremely well structured window with very little extension risk at +300 (2015 backside of window)
- 2.4 year average life in base case
- 2.5 year average life at the up 300 speed
- Low duration
- Monthly cash flow of principal and interest
- 100% government guarantee / zero risk base

GNSF 4.5 N		4.917(358)2		MAC(MAN)DAGE ASSUME		3% LEGAL MTY N/A		ADU: <PAGE>	
ASSUMED		7/30/10: 135,350,000		next pay 8/20/10 (monthly)		30/360		Cashflows	
collateral		7/ 1/10: 135,350,000		rcd date 7/31/10 (19 Delay)		created 7/13/10		8/20/10	
-NO History-		factor 1.000000000000		accrual 7/ 1/10- 7/31/10		1stProj 8/20/10		ASSUMED collateral	
YIELD TABLE									
B. Median 30/360 DSCNTNG 0bp 267 +300bp 109 +200bp 127 +100bp 178 -100bp 823 -200bp 1253 -300bp 1563									
Vary PRICE 1/32 267 PSA 109 PSA 127 PSA 178 PSA 823 PSA 1253 PSA 1563 PSA									
DEAL: * Information is preliminary and subject to change.									
103-21 1.407 1.482 1.407 1.407 .640 .060 .330									
AvgLife 2.44 2.56 2.44 2.44 1.63 1.30 1.14									
Mod Dur 2.34 2.45 2.34 2.34 1.58 1.28 1.13									
DATE Window 8/10- 11/20/14 8/10- 2/20/15 8/10- 11/20/14 8/10- 11/20/14 8/10- 9/20/12 8/10- 4/20/12 8/10- 1/20/12									
Spread I +63/AL +65/AL +63/AL +63/AL +16/AL -31/AL -65/AL									
Preliminary cashflows based upon dealer representations. PROSPECTUS UNAVAILABLE.									
Treasury Curve - BGN 9:00 +									
6mo -1- -2- -3- -5- -7- -10- -30- +									
0.19 0.26 0.59 1.00 1.79 2.46 3.03 4.02									
CALL Provision NOT Modelled									
Format# 1-YT									

As rates move higher, this bond will continue to provide monthly cash flow of principal and interest to be redeployed into higher earning assets. An investment providing cash flow, a short average life, and zero risk base with limited extension risk, may be one of the best alternatives in today's market.