



# PORTFOLIO MANAGER'S REPORT



Tuesday August 10, 2010 8:40 AM

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## CURRENT OFFERING YIELDS - Tuesday: 08/10/2010 8:40 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)	10-Aug	10-Aug	10-Aug
3 mo	0.142%	- 0.30 bp's	0.123%	0.495%			Nonfarm Productivity	Prior: 2.8% Actual: -0.9%
6 mo	0.179%	+ 0.10 bp's	0.164%	0.511%			Unit Labor Costs	Prior: -1.3% Actual: 0.2%
12 mo	0.239%	-0.1 32'ds	0.323%	0.586%			Wholesale Inventories	Prior: 0.5% Actual: ---
2 yr	0.553%	-1.5 32'ds	0.649%	0.935%	1.353%	1.373%		
3 yr	0.883%		0.995%	1.465%	1.683%	2.233%		
5 yr	1.543%	-2.0 32'ds	1.686%	2.526%	2.393%	3.123%	DJIA	10,582.12 -116.63
10 yr	2.820%	-2.0 32'ds	3.039%	4.662%	3.620%	3.820%	NASDAQ	2,271.53 -34.16
30 yr	3.992%	+ 2.5 32'ds	4.601%	6.950%			S & P 500	1,115.03 -12.76

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

### U.S. Treasuries Rise on Speculation Fed May Signal Additional Stimulus

Aug. 10 (Bloomberg) -- Treasury 10-year notes rose, pushing the yield within two basis points of the lowest in more than 15 months, on speculation the Federal Reserve will signal it's prepared to take further steps to spur economic growth. The extra yield investors demand to hold 30-year Treasuries instead of 10-year debt was near the widest on record as some traders bet that the Fed will announce a resumption of bond purchases. The U.S. is selling \$34 billion of three-year notes today, part of a combined \$74 billion of bond sales this week.

### Today's Topic- Anyone for Yield and Cash Flow With Limited Extension Risk?

We have sold and recently replenished our position in a short average life CMO that offers a combination of yield along with moderate interest rate risk. If you are pursuing a BARBELL STRATEGY, this will fit nicely into the short end of the maturity schedule while enhancing the yield versus other short term bullets and callables.

The attributes of this FHLMC 3659 DA CMO Sequential Payer pictured below are as follows:

- Consistent Cash flow with limited extension risk
- 2.50% Coupon
- 102.8125 Dollar Price
- Short stated final of 3/2019
- Underlying collateral is 82 months Seasoned...well defined prepayment history
- Modified Duration of approximately 2.78 years based on actual speeds over the life of the collateral (YTH Screen)
- Notice the prepayment history in the upper left corner of both the YT and YTH, the lifetime average for the last 6.8 years = 13.8 CPR....Very Consistent!

In summary, this issue is attractive based on the significantly **seasoned** and **consistent** collateral, **moderate premium**, and the **short stated final**.

For more information on this offering and other opportunities, contact your Country Club Bank Capital Markets Investment officer.

Mtge **YTH**

**Bloomberg** **FHR 3659 DA** 2.5% 3/15/19 ADU: <PAGE>  
 CMO: SEQUENTIAL PAYER NO Notes  
 31398VU79 5.405(92)82 MAC: (M)MAGE AUG10 88 <Go>

<55> FCGI 5 S 5.405(92)82  
 AUG 1mo 228P 13.7C 4/30/10: 217,934,644 next pay 9/15/10 (monthly)  
 3mo 244 14.6 8/15/10: 200,453,777 rcd date 8/31/10 (14 Delay)  
 6mo 248 14.9 factor 0.919788490000 accrual 8/ 1/10- 8/31/10  
 12mo 229 13.8  
 Life 230 13.8

**8/13/10** 30/360 DSCNTNG **YIELD TABLE**  
 Historical 1 mo 228 3 mo 244 6 mo 248 12 mo 229 Life 230 Px 318  
 Yary PRICE 1 225 PSA 250 PSA 250 PSA 231 PSA 231 PSA 318 PSA

DEAL: CALL FEATURE: 1% Deal cleanup is not considered in analytics for this bond.

102-26 1.481 1.444 1.444 1.472 1.472 1.336

AvgLife 2.94 2.83 2.83 2.91 2.91 2.56  
 Mod Dur 2.81 2.71 2.71 2.78 2.78 2.46  
 DATE Window 9/10- 8/15/18 9/10- 8/15/18 9/10- 8/15/18 9/10- 8/15/18 9/10- 8/15/18 9/10- 8/15/18  
 Spread 1 +66/AL +65/AL +65/AL +66/AL +66/AL +62/AL

CALL Provision NOT Modelled AUG10 JUL JUN MAY APR10  
 228 299 203 186 228P  
 13.7 17.9 12.2 11.2 13.7C

Treasury Curve - BGN 10:06  
 6mo -1- -2- -3- -5- -7- -10- -30- +  
 0.18 0.24 0.55 0.82 1.55 2.22 2.83 3.99

Format# 1-YT B 2y100-4+ 3y100-16+

Australia 61 2 9727 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000  
 Japan 31 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2010 Bloomberg Finance L.P.

FHR 3659 DA Mtge YT 102-26

Msg:MARK ADAMS

<sup>66</sup>  
 <GO> **FHR 3659 DA** 2.5% 3/15/19 ADU<PAGE>  
 31398VU79 CMO:SEQUENTIAL PAYER NO Notes  
 88 <Go>

<sup>65</sup>  
 <GO> FGC1 5 S 5.405(92)82 WAC(WAM)AGE AUG10

AUG 1mo 228P 13.7c	4/30/10: 217,934,644	next pay 9/15/10 (monthly)	30/360 Cashflows
'10 3mo 244 14.6	8/15/10: 200,453,777	rcd date 8/31/10 (14 Delay)	created 8/ 6/10
6mo 248 14.9	factor 0.919788490000	accrual 8/ 1/10- 8/31/10	1stProj 9/15/10
12mo 229 13.8			Collat: 69 Pools
Life 230 13.8			

8/13/10 YIELD TABLE							
30/360 DSCNTNG							
B-Median	+300bp <sup>138</sup>	+200bp <sup>172</sup>	+100bp <sup>231</sup>	0bp <sup>349</sup>	-100bp <sup>576</sup>	-200bp <sup>711</sup>	-300bp <sup>730</sup>
Uary PRICE	132	138 PSA	172 PSA	231 PSA	349 PSA	576 PSA	711 PSA 730 PSA
DEAL: CALL FEATURE:1% Deal cleanup is not considered in analytics for this bond.							

102-26 1.603 1.557 1.472 1.284 .840 .516 .467

AvgLife	3.35	3.18	2.91	2.45	1.77	1.48	1.44
Mod Dur	3.18	3.03	2.78	2.36	1.74	1.46	1.43
DATEWindow	9/10- 8/15/18	9/10- 8/15/18	9/10- 8/15/18	9/10- 8/15/18	9/10- 6/15/18	9/10- 6/15/18	9/10- 5/15/18
Spread	+63/AL	+65/AL	+66/AL	+60/AL	+35/AL	+12/AL	+8/AL

CALL Provision	AUG10 JUL JUN MAY APR10
NOT Modelled	228 299 203 186 228p
	13.7 17.9 12.2 11.2 13.7c

Format:YT  
 MENU FOR CHOICES

Treasury Curve - BGN 10:05							
6mo	-1-	-2-	-3-	-5-	-7-	-10-	-30-
	0.18	0.24	0.55	0.82	1.55	2.22	2.83 3.99

B 2y100-4+ 3y100-17