

## High Yield Fixed Income Investment Manager Questionnaire

### Section 1: Firm Specific Issues

1. Please provide the following information for your firm:
  - a. Firm name
  - b. Firm headquarters address
  - c. Firm headquarters telephone number
  - d. Name of parent firm (if any)
  - e. Name of affiliations or subsidiaries (if any)
  - f. Month, day and year firm was founded
  
2. Please provide the following information regarding your primary contact person for the product under consideration:
  - a. Contact name
  - b. Address
  - c. Telephone
  - d. Facsimile
  - e. Email address
  
3. How many offices does your firm have and where are they located? State geographical locations and number and function of professionals at each. Please note the location of the team in question.
  
4. Please provide a brief history of your organization including how long your firm has been in business under its present name and ownership.
  - a. Have there been any changes in the structure of the firm over the past five years? If yes, please explain.
  - b. Are there any structural or financial engineering changes contemplated in the next year (e.g., new products, merger and acquisitions)? If yes, please explain.
  - c. Briefly outline your succession plans, if any.
  
5. Please describe the current ownership structure – provide the ownership breakdown by individual if employee owned.

Name of Owner(s) – Firm or employee name	% of Ownership

**Must = 100%**

6. What are the criteria for an employee to become an owner?
  
7. What ownership changes have occurred in the past five years? Is the current ownership group set, or do you anticipate it changing in the future?
  
8. Has the firm adopted a formal compliance policy and/or a code of ethics for employees? If yes, please provide a copy of such policies.

9. What controls does your firm have in place to prevent inside information from being used to buy or sell a security?
10. Describe your firm's disaster recovery program.
11. Is the firm registered with any regulatory agency, such as the SEC, CFTC or any state agencies?
  - a. State whether, during the last ten years, any regulatory agency has conducted an audit or review of the firm.
  - b. If such an audit or review was conducted, discuss any significant findings by the regulator.
  - c. Provide a copy of any deficiency letter or similar letter or report regarding such a regulatory audit or review.
  - d. Describe what actions were taken by your firm to correct any deficiencies.
  - e. Provide a description of any material litigation involving the firm or any of its principals during the last ten years, including the nature of the litigation, the parties, the court, cause number, and the current status.
  - f. Is there any pending or threatened litigation, or any past litigation, against the firm or any of its officers, directors, principles or investment personnel? If so, please explain.
  - g. Is there any pending or threatened regulatory action, or any past regulatory action, against the firm or any of its officers, directors, principles or investment personnel? If so, please explain.
  - h. Has your firm ever made a claim against its fiduciary liability or errors and omissions or similar insurance policy? If so, please explain.
  - i. Have any of your firm's officers, directors, principles or investment personnel ever been convicted of a felony? (Note: convicted felons are prohibited from managing ERISA assets.)
12. Does your firm have a current SAS 70 audit?
  - a. If no, when was the last SAS 70 audit conducted?
  - b. Please provide the latest SAS 70 audit results.

13. Please list all products in every asset class offered by your firm in the following format:

<b>Product Name</b>	<b>Asset Class</b>	<b>Status (open/closed)</b>

14. Do you intend to close any of your products to new investors? If so, for what reasons (i.e., upon attaining a certain number of clients, level of assets, liquidity)?

## Section 2: Product Specific Issues

1. Please provide the specific name of the product under consideration.
2. What is the inception date of the proposed product? Describe the history of the proposed product. Please discuss catalysts for development as well as process changes or manager changes (additions or subtractions) since inception.
3. What was the market value of all assets under management at the end of the last five calendar years and year-to-date (please differentiate between total firm assets and the product under consideration)?

	YTD 2011	2010	2009	2008	2007	2006
Total Firm Assets (\$)						
High Yield Fixed Income Assets (\$)						
High Yield Fixed Income Assets % Institutional vs. Retail						

4. In the following format, please provide a breakdown of your asset base by client type, as of 09/30/11.

	Total Firm Assets			High Yield Fixed Income Assets		
	\$ Amt.	% Total	# Accts.	\$ Amt.	% Total	# Accts.
Public						
Corporate						
Insurance						
Taft-Hartley						
Endowment/Foundation						
Mutual Funds						
Other Commingled Funds						
Other (Please Define)						

5. Please list the total number and size of accounts gained and lost, by the firm as well as within the proposed product, during the past five years and year-to-date 2011.

	YTD 2011		2010		2009		2008		2007		2006	
	Total Firm	HY Product										
Total # of Accounts												
# Gained												
Total \$ Gained												
# Lost												
Total \$ Lost												

6. Discuss the reasons for the lost accounts indicated in the table above (not including plan terminations).
7. Please provide a representative client list and at least five client references; include contact, length of relationship, email address, and phone number for the proposed product.

8. Please list your five largest discretionary accounts to the nearest million for the proposed product.
9. Does your firm manage or act as sub-adviser for any mutual funds? Describe in detail, your firm's mutual fund trading policies as they relate to late trading and market timing for any fund your firm sub-advises, specifically addressing those policies intended to prevent illegal or improper trading activity?
  - a. If your firm manages or sub advises a mutual fund, how much of the fund is held by retail investors?
  - b. If your firm manages or sub advises a mutual fund, detail the cash flows into and out of the fund on a quarterly basis for the last year.
10. Do the mutual fund or commingled fund documents allow for securities lending? If yes, please provide a fact sheet on the underlying collateral pool and answer the following questions.
  - a. Is the fund currently lending? If so, when did it start lending?
  - b. What percentage of the fund is currently on loan and how does this amount compare historically?
  - c. How does the fund invest the collateral? What types of collateral?

**Fees**

1. Please list all vehicles for the proposed product including assets under management, management fees, inception date, and minimum size, as of 09/30/11 (please use the format below).

	Separate Accts.	Commingled Funds	Mutual Funds
<b>Assets (\$)</b>			
Fees:	Fee:	Custody: Investment Mgmt.: Other:	Expense Ratio:
Inception Date			
Minimum Size (\$)			

2. Does your firm have a performance-based fee mechanism? Are you willing to discuss a performance-based fee? Indicate the degree to which fees are negotiable; disclose the factors that hinder fee negotiability (if applicable).
3. Please provide a sample performance fee currently in place.
4. How many days' notice is required of a client to exit the relationship?
5. Do you have any agreements with broker/dealers to share commissions or bid/ask spread on high yield fixed income transactions?

**Responsiveness**

1. Please indicate how you intend to service this account and the scope of that service.
2. Describe how client servicing/communication responsibilities are divided between portfolio managers and client service/marketing personnel.
3. How often will the portfolio manager meet with the client to review the portfolio?

### Section 3: Personnel Issues

1. Please provide a list of all key personnel involved in the management of the proposed product. Please include portfolio managers, marketing personnel, research analysts, and administrative personnel. Answer in the format below for each individual.

Name	Title	Education	Role at Firm	Total Investment Experience (Years)	Tenure with the Firm (Years)	Tenure with this Team (Years)	Tenure at Present Position (Years)
ex. Joe Thompson	Managing Director	MBA Finance	Portfolio Management	24	17	5	3

2. In the format below, please summarize the firm's professional turnover rate in the last five years and year-to-date for the firm and the proposed product.

	YTD 2011		2010		2009		2008		2007		2006	
	Total Firm	HY Prod	Total Firm	HY Prod.								
<b>Total #</b>												
<b># Gained</b>												
<b># Lost</b>												

3. In addition to the question above, please list in detail those employees including portfolio managers, analysts or traders who have been hired and have departed in the **last five years and year-to-date** for the entire firm.

#### Departed Professionals:

Name	Product Responsibility	Date Hired	Departure Date	Reason for Departure
i.e., Sarah Davis	Portfolio Manager	6/1/2000	12/31/04	Joined new firm

#### Hired Professionals:

Name	Product Responsibility	Date Hired	New Position (Yes/No)	Replaced Departing Professional
i.e., John Smith	Portfolio Manager	1/1/2005	N	Replaced Sarah Davis

4. Who is currently responsible for the management of the proposed product? Please list the following for all members of the team:
  - a. Name and team responsibility
  - b. Number and size of portfolios he/she currently manages
  - c. Responsibilities other than portfolio management
5. When did this person or group take over responsibility for the proposed product? Was this person or group responsible for the initial development of the product? If not, who was responsible for the initial development and when was this responsibility passed to the current person or team?

6. Please explain the relative stature of portfolio managers and research analysts within your firm. Is research a career or is it considered a path towards portfolio management? Are portfolio managers subordinated to an investment committee?
7. On a separate basis, please describe how portfolio managers, analysts, traders, marketers and client service personnel are compensated. How has this changed over the last five years?
8. Describe incentives used by your firm in obtaining and maintaining key personnel.
9. What are the key requirements for potential hires to be considered for professional positions?
10. Indicate what targets, if any, have been set for staff (i.e., # of PMs, Analysts, Traders, Marketers, Specialties).

#### **Section 4: Investment Philosophy and Process Issues**

##### ***Philosophy***

1. Briefly describe your investment philosophy. How has it changed since the inception of the product? How do you expect it to evolve in the future?
2. What timeframe is built into your investment philosophy?
3. Is there a size (client relationships or dollars) at which the firm might find it difficult to pursue its current investment strategy?
4. Please discuss risk (i.e., Beta, standard deviation) as it relates to your fixed income portfolios.
5. What unique features of your investment approach do you feel add the most value over time?
6. Against which benchmark is your product typically managed? What are acceptable style specific benchmarks?
7. What is your expected annualized performance goal (in basis points) above your benchmark?
8. Describe the investment environments in which your strategy can be expected to:
  - a. Outperform the benchmark/style peers
  - b. Underperform the benchmark/style peers
9. Please describe your firm's position on investment grade mandates (i.e., no use of non-dollar or below investment grade issues). What performance differences can be expected between an investment grade portfolio and your traditional high yield product?
10. Do you regard your high yield product as "defensive" or "aggressive" in nature?

## **Process**

1. Provide a description of your investment process. Describe how individual accounts are managed (by individual portfolio managers, by a team or by a committee).
  - a. Describe the investment process utilized by your firm.
  - b. Is the investment process consistent from account to account?
  - c. Describe the composition of the investment committee.
  - d. What majority must be established before action is taken?
2. Describe the mechanics of the decision-making process.
  - a. Who establishes the investment policy?
  - b. How is this policy determined?
  - c. How is this policy implemented?
  - d. How are portfolio managers supervised?
3. Describe the universe of securities from which selections are made. At a minimum, indicate how many securities are in the universe, what criteria are used for inclusion and how many securities are closely followed. Please detail your use of sectors and securities not contained in the Barclays High Yield Bond Index.
4. How do you decide to buy a security? How strong an influence does the research analyst have in the final buy decision?
5. Describe your sell process in detail.
6. What is the minimum credit quality rating that your product will hold?
7. Does anticipation of credit upgrades/downgrades play a role in the investment process?
8. Discuss in detail your proprietary credit research.
9. How many bonds held in your portfolio have defaulted over the last five years? Please provide specific information about the bonds that have defaulted.
10. Discuss in detail your use of derivatives (options, futures, etc.). Discuss your experience and expertise in the derivatives markets, personnel, analytical systems, etc.
11. Describe any competitive advantage or expertise your firm has in corporate securities specifically; in addition, please detail your internal credit quality guidelines.
12. Describe how your style can be expected to add value relative to the following six factors; be sure to stress the importance of each.
  - a. Duration management
  - b. Yield curve management
  - c. Sector weighting
  - d. Credit quality positions
  - e. Individual issue selection
  - f. Other sources (specify and describe)

13. Please provide a quantitative performance attribution (e.g., performance is attributable in the following percentage: 45% duration decision, 15% issue selection, etc.).

Duration	_____	%
Term Structure	_____	%
Sector Selection	_____	%
Issue Selection	_____	%
Credit Quality	_____	%
Other	_____	%

14. What is the smallest and largest position (%) you will hold in a portfolio?

15. If cash is used, is it for timing purposes or part of a barbell strategy?

16. What is the duration band versus the Barclays High Yield Bond Index in number of years (i.e., +/- 1.5 years) for the product presented? What is the expected annual turnover rate?

17. Please provide, in the following table format, the percentage of the 09/30/11 portfolio contained within each of the sectors provided. **(Note: please also complete the benchmark column).** Please complete this table for the proposed product.

	09/30/11	09/30/11	12/31/10	12/31/09	12/31/08	12/31/07	12/31/06
	Portfolio	Barclays HY	Portfolio	Portfolio	Portfolio	Portfolio	Portfolio
Sector Break-outs	%	%	%	%	%	%	%
Treasury							
Agency							
Inv Grade Corporate							
ABS							
MBS							
CMBS							
CMO							
High Yield Corporate							
Basic Industry							
Capital Goods							
Communications							
Consumer Cyclical							
Consumer Non-Cyclical							
Energy							
Technology							
Transportation							
Electric							
Natural Gas							
Other Utility							
Banking							
Brokerage							
Finance Companies							
Insurance							
REITS							
Other							
Bank Loans							
Emerging Market							
Non-Dollar							
Sovereign							
Corporate							
Structured Product							
Convertibles							
Preferred Stock							
Tax-exempt Municipals							
Other							
Cash							
<b>Total Portfolio (%)</b>	100%		100%	100%	100%	100%	100%
<b>Barclays HY (%)</b>		100%					

18. Please disclose, using the table format provided, the quality distribution of your portfolio. **(Note: please complete the benchmark column as well).** Please complete this table for the proposed product.

	09/30/11	09/30/11	12/31/10	12/31/09	12/31/08	12/31/07	12/31/06	Permitted Range	
	Portfolio	Barclays HY	Portfolio	Portfolio	Portfolio	Portfolio	Portfolio	Min. %	Max. %
AAA									
AA									
A									
BAA									
BA									
B									
CCC									
CC									
>C									
A1/P1									
>A1/P1									

19. Over the last five years (ending September 30, 2011), what has been the maximum exposure to securities rated CCC and below in the portfolio? When calculating the rating, please use the lowest of the ratings agencies' ratings.

20. Please provide, using the table format, the following 09/30/11 portfolio characteristics. **(Note: please complete the benchmark column as well).** Please complete this table for the proposed product.

	09/30/11	09/30/11	12/31/10	12/31/09	12/31/08	12/31/07	12/31/06	Permitted Range	
	Portfolio	Barclays HY	Portfolio	Portfolio	Portfolio	Portfolio	Portfolio	Min. %	Max. %
Av. Maturity (Yrs)									
Av. Duration (Yrs)									
Convexity									
YTM %									
Avg. Quality									
Minimum Quality									
% in Cash/Equiv.									
Portfolio Turnover									
# of Securities									

**Diversification**

1. How many issues are typically held in a portfolio?
2. How are your portfolios diversified? How closely do your portfolios resemble one another?
3. How heavily will you overweight or underweight a sector or industry group? In what sectors will you not participate?
4. Describe any risk control techniques used in the portfolio construction process.

### ***Trading***

1. Are portfolio managers responsible for their own trading or is there a dedicated trader associated with the group?
2. How is liquidity addressed in your fixed income trading process?
3. Discuss your trading process – what aspects do you feel are unique?
4. What is the size of your trading department?

### ***Research Capabilities***

1. Describe your research capabilities and approach with regard to the proposed product.
2. Is the research generated internally or through outside sources? Please provide percentage of total obtained from each outside source?
3. What access would we have to staff economists, research analysts, investment policymakers and others in your organization?
4. Please provide a complete list and a brief description of both internal and external systems/data sources used by your firm in each of the following: database/screening, research, portfolio management/accounting, and compliance.
5. What is your annual budget for technology research and development? Of that total, what percentage is hard dollar based and what percentage is soft dollar budgeted?
6. Please list names and professional qualifications of research staff dedicated to this strategy.
7. How do you differentiate your strategy when you are explaining it to prospective clients? Please provide three points that best differentiate your strategy from the pack.

**Section 5: Performance**

**Note: For the entire performance section, please answer all questions in reference to the proposed product's composite.**

1. Please complete the table below OR attach an Excel file including monthly and quarterly composite returns back to the inception of the strategy.

	High Yield Fixed Income + Cash
Since inception (if + 10 years)	
2001 Q1 Q2 Q3 Q4	
2002 Q1 Q2 Q3 Q4	
2003 Q1 Q2 Q3 Q4	
2004 Q1 Q2 Q3 Q4	
2005 Q1 Q2 Q3 Q4	
2006 Q1 Q2 Q3 Q4	
2007 Q1 Q2 Q3 Q4	
2008 Q1 Q2 Q3 Q4	
2009 Q1 Q2 Q3 Q4	
2010 Q1 Q2 Q3 Q4	
2011 Q1 Q2 Q3 Q4	

	High Yield Fixed Income Only
Since inception (if + 10 years)	
2001 Q1 Q2 Q3 Q4	
2002 Q1 Q2 Q3 Q4	
2003 Q1 Q2 Q3 Q4	
2004 Q1 Q2 Q3 Q4	
2005 Q1 Q2 Q3 Q4	
2006 Q1 Q2 Q3 Q4	
2007 Q1 Q2 Q3 Q4	
2008 Q1 Q2 Q3 Q4	
2009 Q1 Q2 Q3 Q4	
2010 Q1 Q2 Q3 Q4	
2011 Q1 Q2 Q3 Q4	

2. How much difference is there between your best performing and worst performing accounts within the proposed product's portfolios over the last one-, three- and five-year periods?
3. Have the composite returns for the product been externally verified to be in compliance with GIPS Standards?
4. Has your composite or another similar investment vehicle (mutual fund or commingled fund) been audited by a certified public accounting firm? What was the date of the audit? Please provide scope of audit process.
5. Do your composites contain back-tested or simulated returns? If applicable, please describe the method used to produce the back-tested or simulated returns.
6. Please answer the following questions on your composite in the following formats:

	<b>Net or Gross of Fees</b>	<b>Equal/ Size Weighted</b>	<b>Commingled/ Representative or Separate Accts.</b>	<b>Firm Continuous Track Record</b>	<b>Period Before Inclusion</b>	<b>Audited</b>
YTD 2011						
2010						
2009						
2008						
2007						
2006						
2005						
2004						
2003						
2002						
2001						
<i>Example:</i>						
20XX	<i>Gross</i>	<i>Size</i>	<i>Separate Accts.</i>	<i>Yes</i>	<i>1 Month</i>	<i>No</i>

	<b>Full Discretion</b>	<b>Tax Status</b>	<b>Include Terminated Accounts</b>	<b>Total \$ Amount in Style</b>	<b>\$ Amount in Composite</b>	<b>Total No. of Accounts in Style</b>	<b># of Accounts in Composite</b>
YTD 2011							
2010							
2009							
2008							
2007							
2006							
2005							
2004							
2003							
2002							
2001							
<i>Example:</i>							
20XX	<i>Yes</i>	<i>Both</i>	<i>Yes</i>	<i>\$83,000</i>	<i>\$50,000</i>	<i>22.00</i>	<i>14.00</i>

	<b>\$ Median Acct. Size (000's)</b>	<b>\$ Size of Largest Portfolio (000's)</b>	<b>\$ Size of Smallest Portfolio (000's)</b>	<b>Highest Return</b>	<b>Lowest Return</b>	<b>Standard Deviation</b>
YTD 2011						
2010						
2009						
2008						
2007						
2006						
2005						
2004						
2003						
2002						
2001						
<i>Example:</i>						
20XX	\$30,000	\$50,000	\$1,500	15.5%	12.0%	3.5%

### **Section 6: Additional Reports**

1. Provide a sample of your normal reports (monthly, quarterly, finals presentations).
2. Please include investment team bios.
3. Please provide a copy of your most recent Form ADV.
4. Provide sample investment management agreements for all applicable vehicles (separate account, mutual fund, commingled fund).