



## **MERGANSER CORE BOND**

*Understanding and exceeding our clients'  
goals is at the core of everything we do.*

**Merganser Capital Management, Inc.**  
99 High Street Boston, MA 02110

# Merganser Capital Management, Inc.

## The Merganser Edge

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### ***OUR CLIENTS BENEFIT FROM:***

#### ***Merganser's 25 year history and boutique size***

- Plan sponsor perspective; roots as fiduciary in Treasury and Pension function
- Advanced proprietary and integrated systems infrastructure

#### ***Conservative, repeatable investment process***

- Collaborative trading room environment promotes dynamic, real time security and sector decisions
- Successful navigation through credit crisis

#### ***Unwavering focus on client service***

- Solutions-based manager forming thought partnerships with clients by offering direct access to investment team
- Approximately 30% of clients with us for 10 years or longer

#### ***Supportive corporate parent, Annaly Capital Management, Inc.***

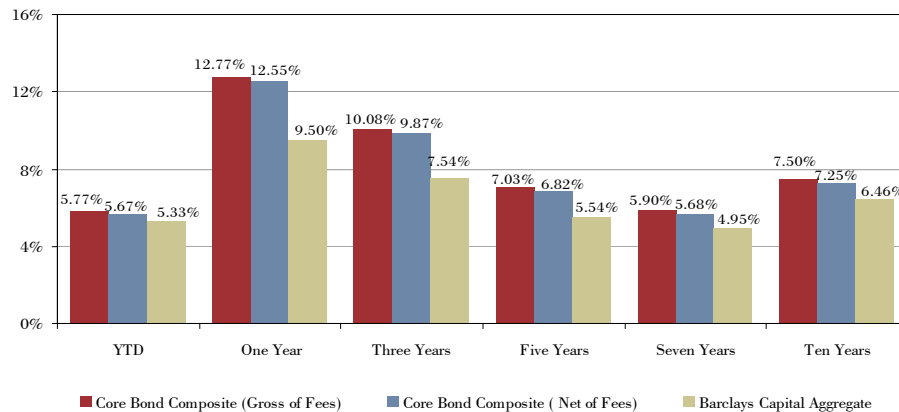
- Autonomous investment process and decision making
- Access to deep investment and research teams

Past performance is no guarantee of future results.

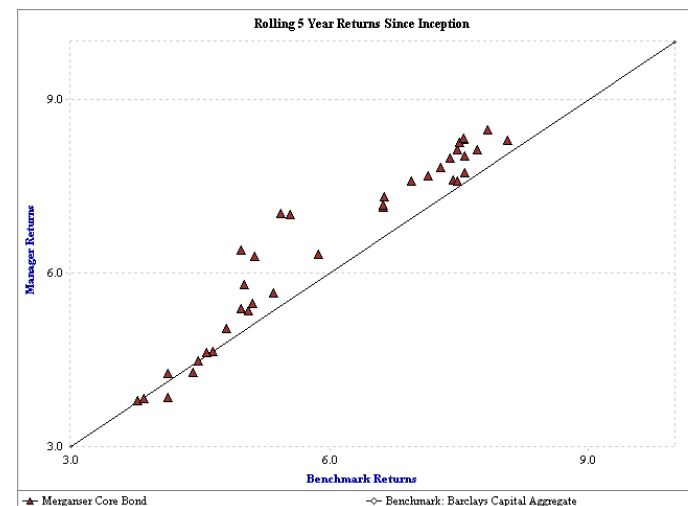
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# Merganser Core Bond Composite Strategy Overview (as of June 30, 2010)

## Merganser Core Bond Composite Performance



## Manager Consistency, Rolling 5 Years\*



- Over ten year track record with consistent out-performance versus the Barclays Capital Aggregate Index – ranked in the 2<sup>nd</sup> percentile in the eVestment Core Bond universe for 10 year annualized time period\*
- Strategy focuses on identifying relative value opportunities – will opportunistically overweight/underweight credit, ABS and MBS (including CMBS)
- Seasoned management team with investment professionals averaging 16 years of experience
- Merganser’s conservative, repeatable investment process has consistently added value for our clients

Notes: See performance disclosure. All periods longer than twelve months have been annualized. \*Information is based on Merganser gross of fees performance returns.

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# Merganser Core Bond Composite

## Characteristics (as of June 30, 2010)

### Yield to Maturity

Core Bond 3.83%  
Barclays Capital Agg 2.83%

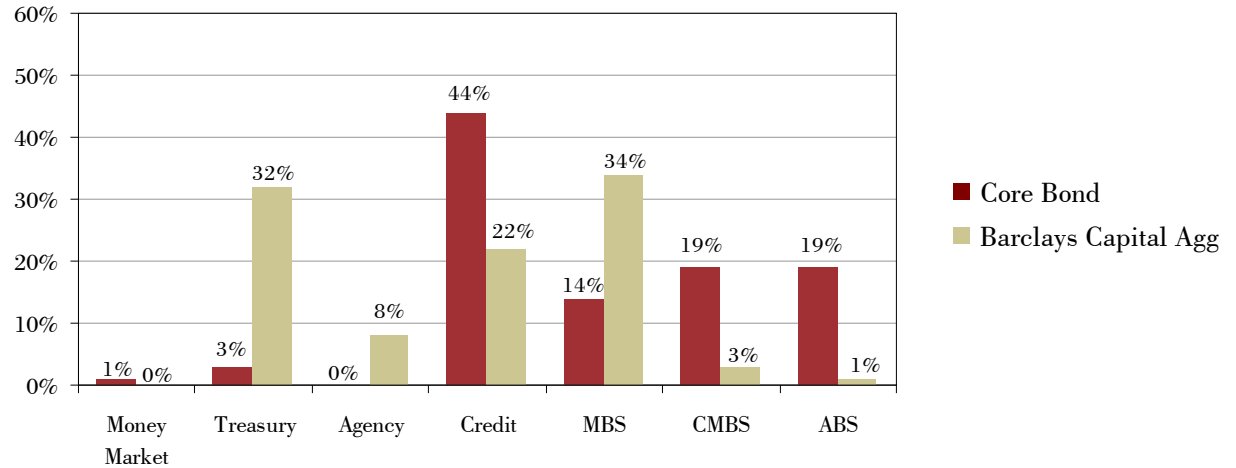
### Effective Duration

Core Bond 4.12 yrs  
Barclays Capital Agg 4.30 yrs

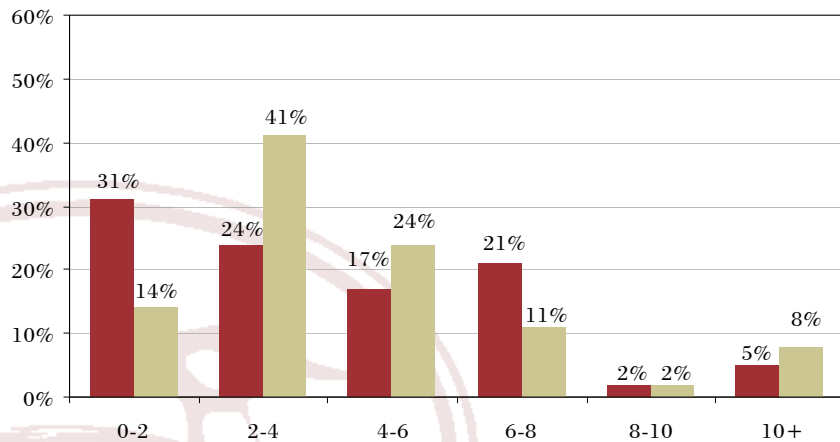
### Average Quality

Core Bond AA3  
Barclays Capital Agg AA2

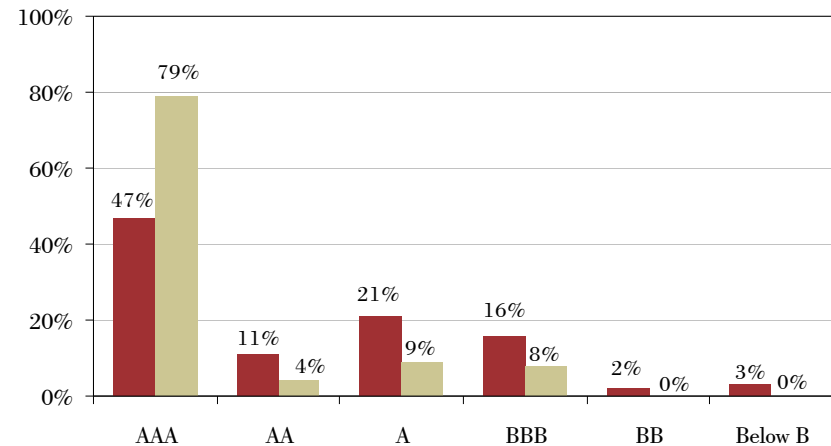
### Sector Weighting



### Duration Weighting (in years)

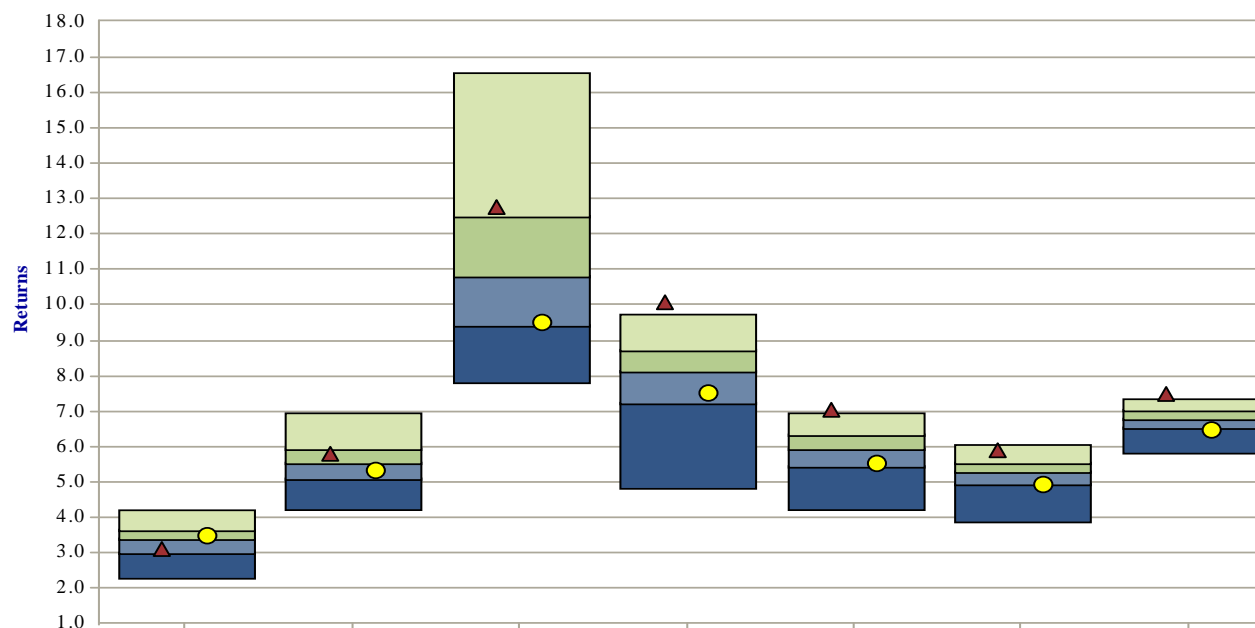


### Quality Weighting



# Merganser Core Bond Composite

## Cumulative Performance (Periods ending June 30, 2010)



	2Q10	YTD	One Year	Three Years	Five Years	Seven Years	Ten Years
5th Percentile	4.21	6.92	16.55	9.74	6.92	6.03	7.35
25th Percentile	3.65	5.93	12.53	8.74	6.32	5.56	7.01
<b>Median</b>	<b>3.38</b>	<b>5.54</b>	<b>10.82</b>	<b>8.14</b>	<b>5.96</b>	<b>5.28</b>	<b>6.77</b>
75th Percentile	2.99	5.08	9.44	7.25	5.44	4.94	6.52
95th Percentile	2.31	4.25	7.83	4.83	4.22	3.88	5.86
# of Observations	248	248	248	246	239	228	205

	2Q10		YTD		One Year		Three Years		Five Years		Seven Years		Ten Years	
	ROR	Rank	ROR	Rank	ROR	Rank	ROR	Rank	ROR	Rank	ROR	Rank	ROR	Rank
▲ Merganser Core Bond Composite (Gross of Fees)	3.08	71	5.77	34	12.77	22	10.08	2	7.03	3	5.90	8	7.50	2
Merganser Core Bond Composite (Net of Fees)	3.03		5.67		12.55		9.87		6.82		5.68		7.25	
● Barclays Capital Aggregate	3.49	40	5.33	65	9.50	73	7.54	71	5.54	72	4.95	74	6.46	79

Source: eVestment Alliance Core Bond Fixed Income Universe. See performance disclosure. All periods longer than twelve months have been annualized.

**Merganser**®

# Merganser Capital Management, Inc.

## Why Merganser?

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- Our exclusive focus on institutional fixed income management
- A long track record of delivering consistently strong investment performance
- Well seasoned investment professionals average 16 years experience
- Our firm's conservative philosophy and successful repeatable investment process
- Careful balance between risk management and performance
- Firm-wide dedication to building trusted relationships
  - Access to portfolio managers
  - Customized portfolios
  - Tailored, transparent reporting packages



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## Performance Disclosure

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- Past performance is no guarantee of future results; investments can and may lose money.
- Gross performance returns do not reflect the deduction of investment advisory fees. Actual client returns will be reduced by the advisory fees and other expenses incurred in the management of the account. Merganser fees are available upon request and also may be found in Part II of its Form ADV. Actual fees may vary depending on, among other things, portfolio size and specific services performed for the client.
- The following example illustrates the effect of Merganser's fees on the value of a client portfolio. Assume a \$100 million Core Bond portfolio earning an annual rate of return of 5% with an investment advisory fee of 0.35% per annum applied quarterly. Total portfolio value at the end of three years net of fees would be \$114,567,422.11 versus a total portfolio value gross of fees of \$115,762,500. Actual fees may vary depending on, among other things, the applicable fee schedule and the portfolio size.
- Total returns reflect unrealized capital gains and losses and the reinvestment of interest, dividends and realized gains.
- The product ranking information is taken from the eVestment Alliance (eA) Core Fixed Income Universe which includes U.S. Fixed Income products that invest in High Quality debt (as rated by Moody's or Standard & Poor's). Expected benchmarks for this universe would include the Barclays Aggregate and Barclays Government/Credit. Merganser is unable to independently verify the accuracy of other data contained in the chart.