MUNICIPAL FIXED INCOME

SMA Strategy Profile

Strategy Objective:

Seeks to maximize after-tax income and preserve capital by attempting to reduce risk levels in portfolios by managing duration and utilizing "A" and higher rated bonds which are not subject to the alternative minimum tax (AMT).

Strategy Snapshot:

Product Inception	1/1/2002
Category	Muni National Short

The Crossmark Municipal Fixed Income Strategy invests primarily in investment-grade municipal debt issues. It is a conservative, actively-managed solution focusing on municipal bonds analyzed to be most likely to fulfill the strategy objective. Generally, the portfolio will consist of 15 to 30 individual issues. By actively managing exposure to various states and sectors, the Strategy aims to maximize the generation of tax-free income. The issues are limited to those of A rated or better at time of purchase, substantially reducing the risk of default. Individual issues are selected from general obligation and essential service sectors such as water, sewer, utilities, transportation, highways, and education. Current exclusions include hospitals, assisted living, retirement centers, hotel, healthcare, housing, jail or student dormitory-related, and U.S. territories (or states at the discretion of the portfolio manager).

The Strategy focuses on short- to intermediate-term fixed rate callable issues. Municipal bonds are limited to those with a credit rating of single-A or better as measured by Moody's, S&P or Fitch at the time of purchase. Investors can choose from three different strategies to best accomplish their tax-free income goals.

Key Highlights

HIGH TAX-FREE INCOME

1

- Active issue management allows for potentially higher taxable equivalent yields than possible with a similar portfolio of short-term corporate bonds
- By emphasizing bond characteristics and overall structure, Crossmark attempts to maximize the portfolio's current income and yield

REDUCED DEFAULT RISK

2

- Crossmark utilizes internal and third party research and analysis in developing an appropriate universe of securities
- The Strategy is diversified by U.S. geography and by sector, with issues limited to those having a single-A or better rating at time of purchase
- The investments focus on essential services and general obligations with a short- to intermediate-term maturity and duration

THREE GEOGRAPHICAL OPTIONS

3

- Investors can configure their portfolios to reflect a preference for national, single state, or state preference allocations
- In a national account, Crossmark attempts to limit the exposure to any one state to a maximum of 25% of portfolio value

Investment Process

State Preference	Crossmark municipal fixed income strategy can be structured in a variety of ways per the state preference of the client. Portfolios can include issues from a single specified state, state preference on a best efforts basis to include national issues, or national where portfolio managers select what they consider the most appropriate issues regardless of state.
Quality	Quality review is conducted through both internal and third-party research and analysis. Over time, Crossmark has identified a series of economic factors which we believe may help predict which states are the safest from a municipal bond investment perspective. These factors include: • State unemployment rate • Change in Philly Fed Coincident Index • Percentage change in home prices • Percentage change in sales tax revenues • Future deficit as percentage of general fund National portfolios are generally invested in the issues of five to eight states with exposure to any given state limited to 25% of the portfolio's value. Crossmark seeks to structure portfolios with issues rated single-A or higher (at time of purchase) by Moody's, S&P, and/or Fitch.
Duration/ Maturity	In order to balance the need for safety with the desire to maximize income, the portfolio managers will generally focus on issues with short to intermediate maturities and durations.
Issue/Sector Selection	Even though investment-grade municipal bonds have very low rates of default, Crossmark is selective with regard to issue and sector, and may use inclusionary screening to target issuers that support their stakeholders across multiple environmental, social, and governance categories. Optional exclusionary screening identifies issuers with business practices not consistent with widely held traditional values. The Crossmark focus is on issues backed by essential services or general obligations. The allocation in any one sector is based on the state ranking, the yield spread between sectors and the overall economic outlook for the U.S. and state economies. Crossmark prefers to limit single sector investments when possible to 25% of the portfolio, except for general obligations.

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