

Allegiance Capital

Mandate: U.S. FIXED INCOME MANAGER

Risk Category 4

OBJECTIVE

To manage U.S. government fixed income portfolios for the Summit Program where the objective is to outperform (gross of fees) the index.

BACKGROUND

Allegiance Capital was founded in 1988 by Bill Mawhorter (Chairman & Managing Director-CIO), Mark Torline (President & CEO) and Kurt Phares (Managing Director-Sales). The firm manages fixed income portfolios for institutions and high net worth individuals. The founding partners were formerly associated with Govaars & Associates, where they managed fixed income portfolios for institutions. Bob Southard (Managing Director-Marketing & Client Relations) joined Allegiance Capital at the end of 1989. Kevin Lam is Senior Director of Managed Accounts and joined Allegiance in 1995. Rosemont Partners purchased a minority interest in Allegiance in 2002. Allegiance Capital's active employees and its founding partners own the remainder of the firm. The firm is located in Huntington Beach, CA, and employs a staff of over 50 individuals, including 13 investment professionals.

INVESTMENT PHILOSOPHY AND PROCESS

- Allegiance Capital's Government portfolio employs a top-down investment philosophy. The firm does not believe interest rates can be accurately forecasted. Accordingly, the firm's investment process attempts to add value by adjusting portfolios as they recognize changes in the bond market are taking place, not in anticipation of their taking place. Allegiance typically adjusts portfolio sector weights based on trends in the spread relationships between Treasuries and Agencies. In addition, the firm adjusts portfolios to reflect changes in the shape of the yield curve, resulting in either barbell, bullet or blanket maturity structures. Interest rate risk is constrained by limiting portfolio durations to 0.5 year above or below that of the Lehman Government Index.

BIOGRAPHIES OF KEY PERSONNEL

Kurt Phares, Managing Director

Kurt is the Head of Sales and a Managing Director of the firm. He began his career in the financial services industry in 1980, co-founding Allegiance Capital in 1988. Prior to co-founding Allegiance Capital, Kurt worked as a Sr. Account Manager at Govaars and Associates. Previous to that he was a securities broker at Blunt, Ellis & Loewi as well as at First Mid America. He holds an MBA in Finance from the University of Nebraska. Kurt is a shareholder of the firm.

Kevin Lam, Senior Portfolio Management

Kevin is the Senior Director of Managed Accounts for the firm. He began his career in the financial services industry in 1979, joining Allegiance Capital in 1995. Prior to his association with Allegiance Capital, Kevin was a fixed income specialist at Citicorp. Previous to that he worked for Kidder Peabody, Govaars and Associates and A.G. Becker. He holds a BA in Economics from Amherst College. Kevin is a shareholder of the firm.

Tim Hyland, Regional Marketing Director

Tim is the Regional Sales Director for Eastern Sales of the firm. He began his career in the financial services industry in 1995, joining Allegiance Capital in 2000. Prior to his association with Allegiance Capital, Tim was in sales at Prudential Securities. Previous to that he was in the analyst training program at Merrill Lynch. He holds a BA from Boston College. Tim is a shareholder of the firm.

Damian Deile, Operations

Damian is the Manager of Account Administration for the firm. He began his career in the financial services industry when he joined Allegiance Capital in 2001. He holds a BA in Liberal Studies from Cal State Fullerton. Damian is a shareholder of the firm.

SUMMARY

Location:	Huntington Beach, CA
Founded:	1988
Ownership:	Privately owned: 61% internal, 39% external
Staff:	55
Managers/Analysts:	19

Assets:	
Corporate	\$600 million
Endowments/Foundations	\$186 million
Individuals/Families	\$55 million
Insurance	\$51 million
Public	\$577 million
Taft-Hartley	\$454 million
Other	\$3,039 million
TOTAL	\$4,962 million

Portfolio Characteristics:

Style	Top-down, 3 critical decisions: Yield-curve, Sector selection, and Duration
Coupon	Similar to market
Credit	Similar to market
Duration	+/- 10% of index
Yield	Similar to market

	Duration		
	Short	Neutral	Long
High			
Medium		•	
Low			

The Summit Program



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