

C.S. McKee, L.P.

Mandate: U.S. EQUITY MANAGER

Risk Category 7

OBJECTIVE

To manage U.S. equity portfolios for the Summit Program where the objective is to outperform the benchmark.

BACKGROUND

- Founded in 1931 by Carl S. McKee, C. S. McKee, L.P. is currently an employee-owned institutional investment advisor. The firm became a registered investment advisor in 1972 in order to focus exclusively on investment management. McKee was acquired in 1987 by UAM, which was subsequently acquired by Old Mutual, plc in 2000. In January, 2002 Gene Natali (CEO) and Greg Melvin (CIO) led an employee repurchase of the assets of the firm. C.S. McKee, L.P. is 100% owned by 100% of the employees.

INVESTMENT PHILOSOPHY AND PROCESS

- C. S. McKee places strong emphasis on value and improving earnings dynamics. In essence, they seek to identify those companies which are undervalued relative to the market, but also demonstrating favorable growth expectations. Risk is assessed on an individual security and sector basis, and is addressed through an analysis of such factors as capitalization, credit, tax rates, option accounting, pension funding, and through diversification among economic sectors. The process is primarily bottom-up, but when choosing individual securities they do consider what economic conditions represent opportunity and which may cause a stock to under perform. Holdings that fall in the bottom 30% of the quantitative analysis, explained below, become candidates for immediate sale.

Three distinct models are used in C.S. McKee's quantitative analysis, which run concurrently against Russell 1000 securities with a market capitalization above \$2.0 billion.

- The Fundamental Model reveals which stocks are statistically attractive by combining several value factors into one indicator relative to the universe. P/E to growth, dividend rate ratios, price-to-cash flow ratios and P/E ratios are some of the factors reviewed. A proprietary version of a Wall Street buyout model is applied as a distinguishing component of the overall evaluation.
- The Technical Model focuses on standard trend indicators such as price momentum and earnings-per-share momentum. This identifies catalysts for change and confirms that the undervaluation is not permanent.
- The Risk Assessment Model is internally designed and implemented. This reviews bond spread, bond rating, tax rate (actual and GAAP) and pension fund status. It provides a proprietary measure of the relative business risk of a company, and is essential to the overall process.

BIOGRAPHIES OF KEY PERSONNEL

Eugene M. Natali, President and Chief Executive Officer - In addition to his administrative role, Mr. Natali is responsible for new business development, all service by C. S. McKee's client relationship managers, and firm operations. He is also a primary relationship manager for several clients.

Gregory M. Melvin, Executive Vice President and Chief Investment Officer - Chairman of the Investment Policy Committee, Mr. Melvin has overall responsibility for client portfolios and the investment process.

Robert A. McGee, Senior Vice President, Equity Portfolio Manager - Mr. McGee is responsible for the management of Core and Value Equity portfolios.

SUMMARY

Location:	Pittsburgh, PA
Founded:	1931
Ownership:	10% Employees
Staff:	34
Managers/Analysts:	9

Assets:	
Institutional	\$7,037 MM
Mutual Funds	\$263 MM
Individual	\$93 MM
TOTAL	\$7,393 MM

Portfolio Characteristics:

Style	Large Cap Core Equity
Earnings Growth	Similar/Higher than market
P/B	Similar/Higher than market
P/E	Lower/Similar to market
Beta	Similar to market

Turnover:
25% - 30% on average

	Style		
	Value	Blend	Growth
Large	•	•	
Medium			
Small			

The Summit Program



The material presented herein is prepared by Northern Trust Global Advisors and is gathered from sources we believe to be reliable. It is current as of issue date (December 2006). These profiles are intended for use by ScotiaMcLeod Summit Program clients who are selecting an investment manager for their account. All performance data represents past performance and is not indicative of future performance. Please note that representative composite returns were used for managers that have been in ScotiaMcLeod Summit Program less than five years to the date of this report. TM Trademark used under authorization and control of The Bank of Nova Scotia. ScotiaMcLeod is a division of Scotia Capital Inc., Member CIPF.