



Investment Objective

To provide after-tax returns highly consistent with the benchmark, taking into consideration each client's objectives, investment guidelines and tax situation.

Investment Philosophy & Process

We believe that diversified and controlled exposure to a variety of risks associated with the tax-exempt municipal bond market provides the best opportunity to achieve above-market after-tax returns over the long term.

MACRO ANALYSIS

Determination of macroeconomic and interest rate outlook

INTEREST RATE STRATEGY

Duration posture and yield curve positioning

SECTOR STRATEGY

Optimum allocation among applicable sectors

SECURITY SELECTION

Detailed credit review and optionality analysis

PORTFOLIO CONSTRUCTION

Ongoing review to insure consistency with policy
Moderate turnover and minimum realized gains

Product Information

Performance vs. Barclays Capital 10-Year Municipal Bond Index

	Composite Gross Return	Composite Net Return ¹	Barclays Capital 10-Year Municipal
Qtr.	0.6%	0.5%	0.6%
YTD	0.6	0.5	0.6
1 Year	11.2	10.8	12.1
3 Years	6.9	6.5	7.7
5 Years	6.2	5.8	6.3
10 Years	5.7	5.4	5.8

Periods ending 3/31/12. Time periods over 1 year are annualized. Past performance is not indicative of future results. Please see the Institutional Performance & Disclosure.

¹Net of maximum management fees.

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Tax-Exempt Municipal Bond Team

Timothy Heaney, CFA
Lisa Leonard
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**Investment
Experience**
22 Years
26 Years
3 Years

Fee Schedule

Assets up to the first \$10 MM	0.35%
Next \$20 MM	0.30%
Next \$20 MM	0.25%
Assets over \$50 MM	0.20%
Accounts over \$200 MM subject to negotiation	

Sector Distribution (%)^{2*}

	Composite	Barclays Capital Municipal ³
Insured	33.1%	10.6%
General Obligation	25.9	24.8
Revenue	33.3	58.1
Pre-refunded	7.0	6.5
Cash	0.7	0.0

Source: Bloomberg Finance L.P.

Portfolio Characteristics*

	Composite	Barclays Capital 10-Year Municipal
Effective Duration	6.39 yrs	6.23 yrs
Average Maturity	6.51 yrs	9.92 yrs
Average Quality	AA- ⁴	AA
Average Coupon	4.63%	4.81%
Yield to Maturity	2.37%	2.47%

Sources: CMS BondEdge and Bloomberg Finance L.P.

Risk/Return (10 Years)

R ² vs Barclays Capital 10-Year Municipal	0.98
Barclays Capital 10-Year Municipal Standard Deviation	4.26
Composite Standard Deviation	4.36
Tracking Error vs Barclays Capital 10-Year Municipal	0.69

²The sector allocation percentages for the Index reflect Barclays Capital reclassification of securities classified as Insured prior to 2008 whereas the sector allocation percentages for the Composite do not reflect any reclassification for Insured holdings.

³The Barclays Capital Municipal Index measures the long-term tax-exempt market; the Composite Benchmark measures bonds that have a stated maturity range from eight to twelve years.

⁴Average quality of rated bonds.

*Material is supplemental to the Institutional Performance & Disclosure. Holdings are subject to change.

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Quality vs Benchmark (%)

	Composite	Barclays Capital 10-Year Municipal
AAA	10.3	14.9
AA	62.1	56.7
A	22.9	21.7
BBB	3.6	6.7
NR	1.1	0.0

Maturity (%)

	Composite
Under 1 Year	2.5
1-5 Years	30.6
5-10 Years	56.0
Over 10 years	10.9

Duration vs Benchmark (%)

	Composite	Barclays Capital 10-Year Municipal
Under 1 Year	2.5	5.2
1-4 Years	19.4	22.6
4-8 Years	47.5	62.1
Over 8 years	30.6	10.1

Source: CMS BondEdge
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Institutional Performance & Disclosure

Year-End (12/31)	Annual Composite Return		Annual Benchmark Return (%)	3-Year Annualized Standard Deviation		Number of Accounts	Asset-weighted Dispersion (%)	Composite Assets (\$mm)	Firm Total Assets (\$bn)
	Gross (%)	Net (%)		Composite (%)	Benchmark (%)				
2011	11.74	11.36	12.32	5.01	5.31	2	0.23	194.9	8.6
2010	2.90	2.54	4.05	6.23	6.37	2	n.a. ¹	174.9	7.2
2009	9.34	8.97	9.85	5.74	5.94	3	0.64	258.0	6.5
2008	2.77	2.41	1.51	4.74	4.67	3	0.09	255.2	5.8
2007	4.53	4.17	4.30	2.75	2.77	3	0.05	249.1	7.3
2006	4.37	4.01	4.71	3.73	3.55	3	0.08	238.8	7.7
2005	2.14	1.78	2.74	5.21	4.94	3	0.09	229.4	6.1
2004	3.75	3.39	4.16	5.93	5.49	3	0.02	225.2	5.9
2003	5.52	5.11	5.70	5.58	5.26	3	0.10	217.7	5.2
2002	11.25	10.82	10.17			3	0.06	207.0	6.3

Duff & Phelps Investment Management Co. claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Duff & Phelps Investment Management Co. has been independently verified for the periods January 1, 1993 through December 31, 2011. The verification reports are available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

1. Organization – Duff & Phelps Investment Management Co. (“Duff & Phelps” or the “firm”) is a registered investment adviser and a wholly owned subsidiary of Virtus Investment Partners. Duff & Phelps manages assets on behalf of institutional separate accounts and open-end and closed-end funds. Registration of an investment adviser does not imply any level of skill or training.

2. Composite Description – The Tax-Exempt Municipal Bond Composite includes fully discretionary taxable accounts investing in tax-exempt municipal bonds with a Benchmark of the Barclays Capital 10-Year Municipal Bond Index. In order to minimize transaction and tax costs, the strategy invests in securities with a broad range of maturities, whereas the Benchmark is comprised of securities with stated maturities of 8 to 12 years. The inception date of the Composite was January 1, 1999 and the Composite was created on January 1, 1999.

Accounts meeting Composite criteria are included in the Composite pursuant to the Composite's Grace Period Policy. Composite policy requires the temporary removal of any account incurring a single client initiated inflow or outflow of cash or securities exceeding 10% of beginning period assets (a “Significant Cash Flow”) at the beginning of the period in which the Significant Cash Flow occurs, with the account re-entering the Composite pursuant to the Composite's Grace Period Policy.

The Composite's Grace Period Policy requires account inclusion following account inception or a Significant Cash Flow in the (1) second full month following the event when the event occurs on the 15th or prior of a given month; or, (2) third full month following the event when the event occurs after the 15th of a given month. Prior to December 2009, the Grace Period Policy required inclusion in the first full month following an event (with no division of the month) and a Significant Cash Flow was defined as 10% of a month's net total of client initiated flows vs. a singular flow. Prior to August 2009, additional criteria for determining Significant Cash Flows existed. Additional information regarding the treatment of Significant Cash flows is available upon request.

3. Benchmark – The Composite Benchmark is the Barclays Capital 10-Year Municipal Bond Index, an index comprised of investment grade, fixed rate, tax-exempt municipal bonds that, as of the reported measuring date, have a stated maturity range from eight to twelve years. The Index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

4. Calculations - Returns are total, time-weighted rates of return expressed in U.S. dollars and include accrued income. The Composite and Benchmark results reflect the reinvestment of dividends and other earnings. Portfolios are valued on a trade date basis. Prior to 2005, monthly returns were calculated using the original Dietz method and effective 2005 monthly returns were calculated using the modified Dietz method to adjust for day-weighted external cash flows. Effective 2006 monthly performance is calculated by linking daily returns. The Composite return is an asset weighted average of the performance results of all the portfolios in the Composite based on beginning of month values. The annual dispersion is asset-weighted and measures the deviation of individual portfolio returns around the Composite returns for portfolios in the Composite for the entire year. The 3-year annualized ex-post standard deviation measures the variability of the Composite and the Benchmark returns over the preceding 36-month time period. The standard deviation is not required for periods prior to 2011; calculations are not presented prior to 2003.

5. Performance and Fee Information - Investment performance returns are presented on both a gross of fee and net of fee basis. Gross composite returns are calculated net of trading costs, but do not reflect any deduction for investment advisory fees, custodial charges or other costs that a client might incur in connection with the management of an account. The firm's fee schedule for management of separate institutional fixed income accounts is: .35% on the first \$10 million, .30% on the next \$20 million, .25% on the next \$20 million, .20% on assets over \$50 million and, for accounts over \$200 million, the fee is subject to negotiation. Returns realized by clients will be reduced by these costs. Actual investment advisory fees incurred by clients may vary. Initial minimum account size is \$10 million. Net composite returns are calculated by subtracting our highest separate account investment management fee for the respective management style from gross composite results on a quarterly basis in arrears. Index returns do not reflect the deduction of any fees.

6. Additional Information – Duff & Phelps's policies for valuing portfolios, calculating performance and preparing compliant presentations, as well as a complete list of composite descriptions, are available upon request.

Past performance is not indicative of future results.

¹Information is not statistically meaningful due to an insufficient number of accounts in the composite for the entire year.

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