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Subject: WMS DUE DILIGENCE ALERT: NEW MANAGERS AND FUNDS, FUNDS ON WATCH, AND OTHER ANNOUNCEMENTS
Attachments: Osterweis Strategic Income - Profile.pdf; Roosevelt Multi Cap Core Equity - Addition.pdf; Roosevelt Multicap Core - Profile.pdf; FPA New Income - Addition.pdf; FPA New Income - Profile.pdf; Osterweis Strategic Income - Addition.pdf; Pimco Long Govt - Watch.pdf; First American SCG - Watch.pdf; Templeton Growth - CIO change.pdf

WMS DUE DILIGENCE ALERT: NEW MANAGERS & FUNDS, FUNDS ON WATCH, AND OTHER ANNOUNCEMENTS

New Separate Account Manager

Roosevelt – Multi-Cap Core

TIG is adding the Roosevelt All Cap Core Equity strategy to the Select List. This eclectic, “go anywhere” strategy has been applying the same investment philosophy and strategy for the past 15 years with outstanding results. The strategy combines top-down and bottom-up approaches to create the portfolio. The Roosevelt Investment Group (TRIG) believes that the way to generate superior returns without taking commensurably higher risk is to be early in identifying and exploiting change. From this identification of change they derive investment themes, which are used to guide stock selection. Secular change -- be it economic, political, social, or industry specific -- provides the opportunity to make long-term investments in securities whose prices have yet to reflect important, evolving trends.

TRIG searches for companies whose business models are poised to take advantage of the investment themes. Once they have identified these companies they conduct a thorough analysis (fundamental, technical, and quantitative) from which they base security selection

An interesting part of the strategy is the ability to create downside protection when TRIG feels it is warranted. They can raise cash, buy 30-year zero coupon bonds, buy gold or invest in SDS, a ProFunds ETF with an inverse strategy to the S&P 500 Index.

Over the last 5 years, the strategy has outperformed the Index (the Russell 3000) by almost 600 basis points with less volatility.

New Mutual Funds

FPA New Income (FPNIX)

The TIG is recommending the fund be added to the Select List in the non-traditional fixed income category. In addition to low correlation to traditional fixed income products, the manager's focus on capital preservation and absolute returns results in low volatility. The lead manager has been on the product since 1984 and has developed an investment process that performs well in rising interest rate environments. The team has the flexibility to move the duration, sector allocation, curve positioning, and credit quality to preserve capital.

The management team is experienced and has worked together for 10 years. The process has been proven over time to provide protection in weak fixed income markets. While impressed with the investment process and research, the TIG does have concerns over the sell discipline. The manager has a history of becoming attached to holdings and not strictly sticking to the sell discipline.

The product should be expected to lag the Lehman Brothers Aggregate Bond index when interest rates are falling and provide positive returns during periods of rising rates. Over longer time frames, the manager should provide results similar to the general bond market with less volatility.

Osterweis Strategic Income (OSTIX)

The TIG is recommending the fund be added to the Non-Traditional fixed income list **and be used in no more than a 5% allocation initially**. The product is unique in that it has been able to provide low volatility and excess returns to the general fixed income market through a strategy of rotating exposure to sectors of the bond market. The manager has flexibility to aggressively move duration and may even bring duration to 1 year to preserve capital. In addition, the product has displayed a low correlation to the general fixed income market.

The team internally rates bonds and looks for opportunities where the credits are investment grade but the company's size or length of time in business does not qualify for an investment grade rating from the rating agencies. The manager adds value through sector selection based on credit and interest rate cycles.

Mutual Funds on Watch

Pimco Long-term Gov't (PFGAX, PFGCX)

The TIG is recommending the fund be placed on Watch. The lead manager, James Keller, resigned from PIMCO in mid July. Keller served as the lead on the PIMCO Long Government fund and was the lead government/sector specialist at Pimco. This departure adds significantly to the existing concerns with Pimco's strategy. The firm's top down call has been off for the past two years and the TIG is concerned with the fund's continued underperformance.

PIMCO's top down secular view, used to structure all firm portfolios, currently conflicts with the firm's shorter term strategic view. The TIG believes that there may be a weak link in the process Pimco uses to make these calls. One concern is that the growing number of factors influencing the U.S. bond market are making it more difficult to get a handle on the markets. In addition, the firm lost a key member, Mohamed El-Erian, in 2006. El-Erian was an instrumental part of the Pimco team and brought a lot of global macroeconomic insight. The firm has hired Alan Greenspan as a consultant; however, it has been unable to describe how his role will bring value to the process.

While the TIG expects top-down managers to go through periods of underperformance, the severity and duration of the underperformance is a concern. The TIG will monitor the product's progress and the management transition.

First American Small Cap Growth Opp (FRMPX, FMPCX)

Because of the departure of Sean McLeod, one of the fund's portfolio managers, the TIG is placing the First American Small Cap Growth Opp. fund on WATCH status and will be closely monitoring performance to determine if the change to the team is beneficial. If the fund's performance continually improves relative to its

benchmark and peers over the next several quarters, and there are no more departures from the team, the TIG will reinstate the fund's Buy rating. However, if performance remains the same or deteriorates, the TIG will put a Sell rating on the portfolio. For clients who want to exit their positions in this fund and are looking for a similar small growth option that is closely constrained to the index, the TIG recommends MDT Small Cap Growth.

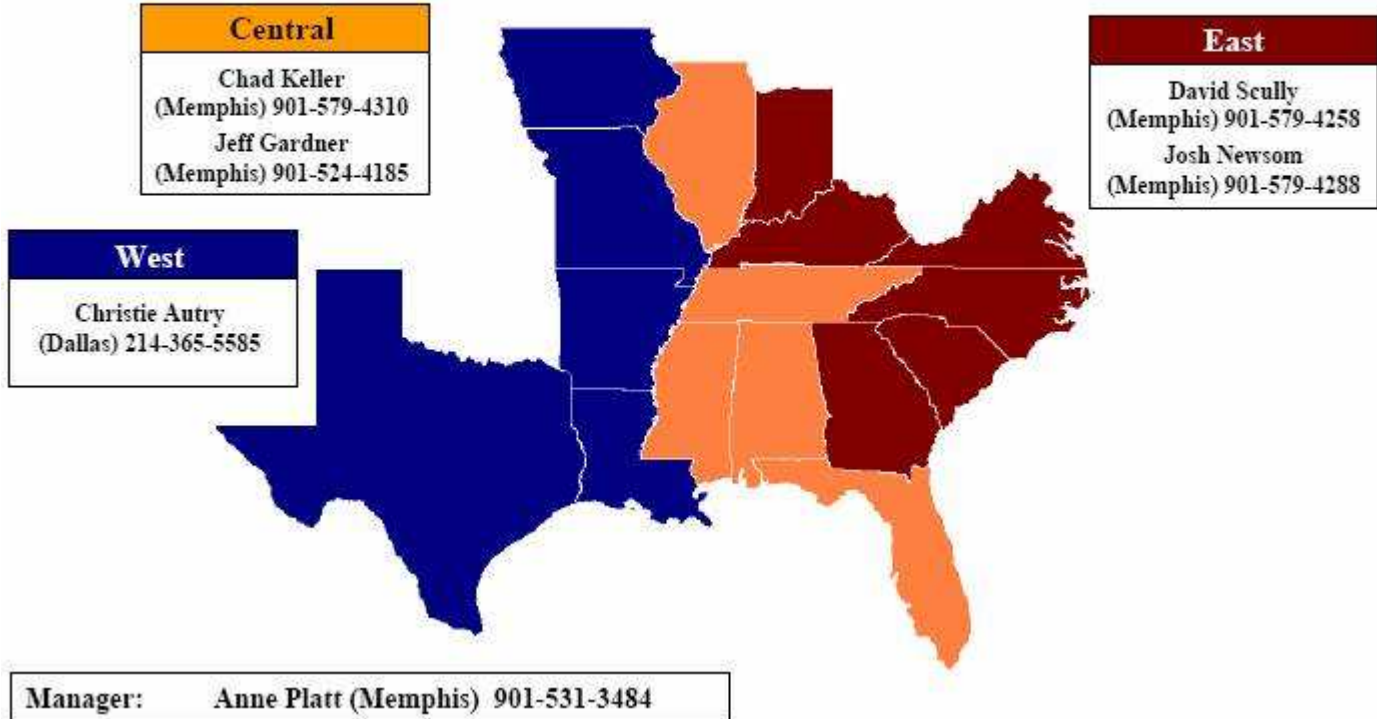
Announcement

Jeff Everett, CFA, will be leaving Franklin Templeton at the end of September to pursue other opportunities. Mr. Everett was the Co-CIO of Templeton as well as listed in the prospectus as a Portfolio Manager on the Templeton Growth fund. However, Mr. Everett did not have any day-to-day responsibilities on the Templeton Growth fund and was used as a sounding board for ideas. He functioned as the primary portfolio manager on the Templeton Foreign fund. This departure will have no effect on the management of Templeton Growth fund. Murdo Murchison the sole portfolio manager of this strategy. The TIG remains confident in this fund and maintains its Buy rating.

Attached, you will find the reports relating to these announcements from Traditional Investments Group. If you have any questions, please call your respective WMS Portfolio Specialist.

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