
DUE DILIGENCE

Regions Morgan Keegan Select High Income

Date	Activity	Notes
8/18/2006	On Site	<p>Kim Escue, Chet Pinckernell, and Kevin Dallas met with Jim Kelsoe regarding The Intermediate and High Yield funds. Jim addressed capacity in the meeting and told the group that there have been capacity concerns with the High Income product due to the opening of several closed end products using the same strategy. He was having trouble moving in and out of positions without being known to street. This has since settled down and he feels that as long as there is not another closed end product he can manage the assets in the high income fund which is closed and the current closed end products. The ability of management to move unnoticed is very important to the strategy as this is a main source of value. The way in which the portfolio is traded to add value depends on the manager's ability to negotiate. A lot of the negotiating power comes from the portfolio not being large.</p> <p>Currently, he is moving from consumer debt to corporate debt because he does not feel that the consumer is in as good of shape as corporate balance sheets. Jim has also been adding to duration. Currently, Jim and David Tannehill work on the product's fixed income portfolio which includes ABS, Corporates, CMOs and CDOs. David joined Jim to work on corporate bonds and does all fundamental corporate bond research. David has many years experience in corporate credit research working as a credit analyst in the insurance industry, in fixed income research at Morgan Keegan, and then as an equity analyst at Morgan Keegan. David was also managed portfolios for the trust department at Suntrust before joining Jim. Corporate bonds that are available for sale are analyzed by David before being added to the portfolio. David is responsible for Managing and monitoring the corporate bond sector of the Intermediate and High Yield products. Jim manages the structured products in the portfolio. The Depends heavily on ABS, CMOs, and CDOs for value added. Jim assesses and monitors the collateral of each holding. In addition, the team includes Chris Flieschman. Chris is responsible for the equity portion of the High Income Product. Chris, joined by and assistant, performs bottom up fundamental analysis on equities. The equities are incorporated into the portfolio using a covered call writing strategy to provide income.</p>

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Regions Morgan Keegan Sel Int Bond

Date	Activity	Notes
8/18/2006	On Site	<p>Kim Escue, Chet Pinckernell, and Kevin Dallas met with Jim Kelsoe regarding The Intermediate and High Yield funds. Jim addressed capacity in the meeting and told the group that there are not capacity concerns with the Intermediate product and he currently has no plans to open a closed end product using this strategy. The fund continues to be managed using Jim's deep value philosophy. Currently, he is moving from consumer debt to corporate debt because he does not feel that the consumer is in as good of shape as corporate balance sheets. Jim has also been adding to duration. Currently, Jim and David Tannehill work on the product. David joined Jim to work on corporate bonds and does all fundamental corporate bond research. David has many years experience in corporate credit research working as a credit analyst in the insurance industry, in fixed income research at Morgan Keegan, and then as an equity analyst at Morgan Keegan. David also managed portfolios for the trust department at Suntrust before joining Jim. Corporate bonds that are available for sale are Analyzed by David before being added to the portfolio. David is responsible for Managing and monitoring the corporate bond sector of the Intermediate and High Yield products. Jim manages the structured products in the portfolio. The strategy depends heavily on ABS and CDOs for value added. Jim will assess And monitor the collateral of each holding. The value added depends on trading expertise and buying bonds that are out of favor.</p>