NEUBERGER BERMAN

Neuberger Berman
Senior Floating Rate Loans

May 2014

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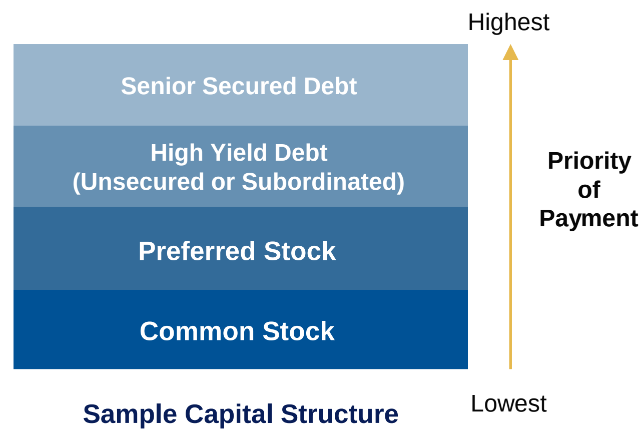
BANK LOAN PRIMER

What are Bank Loans?

Bank loans hold the most senior debt position within a firm’s capital structure

- Bank loans, also known as floating rate secured loans or leveraged loans, are loans arranged by banks to non-investment grade companies to finance mergers and acquisitions, leveraged buyouts (LBOs), recapitalizations, capital expenditures and general corporate purposes
- The loans are then syndicated, or sold, to institutional investors
- The loans are floating rate, earning a base rate (typically LIBOR) plus a spread
- Bank loans are secured and hold the senior-most position in the capital structure
  - They hold a first priority lien on the assets of the borrower, including receivables, inventory and property, plant and equipment
  - They must be repaid before other debt obligations, and before bondholders or stockholders



Sample Capital Structure

GENERAL FLOATING RATE LOAN CHARACTERISTICS

Transaction Type:	Private transaction
Lenders:	Banks, Institutional investors
Coupon:	Floating rate coupon of LIBOR (reset quarterly/semi-annually/annually) + spread
Typical Maturity:	5-7 years
Collateral and Security:	Backed by specific pledged assets and most-secured claim on assets (senior priority)
Capital Structure:	Most senior position
Ratings:	Typically 2 credit rating positions above subordinated high yield debt

Illustration only of the typical characteristics of floating rate loans.

Components of Bank Loan Returns

Returns on Bank Loans are typically comprised of a LIBOR floor, the credit spread and a discount

LIBOR Floor 0.75% ~ 1.0%	+	Credit Spread 2.5% ~ 5.5%	+	Discount 0.5% ~ 2.0%

- **LIBOR Floor –** The minimum base rate of LIBOR, even if LIBOR falls below the level
- **Credit Spread** – The amount of interest paid over LIBOR to compensate an investor for the associated credit risk
- **Discount** – The amount a loan is priced below par in the primary or secondary market. e.g. if a loan is priced at 98 this equals a 2% discount

Illustration only of the drivers behind the yield in current markets.

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Comparison of Bank Loans and High Yield Bonds

Comparison of a typical bank loan and high yield bond

	Bank Loans	High Yield Bonds
Security:	Secured by stock and assets	Generally unsecured
Seniority:	Structurally senior	Subordinate to secured loans
Interest Rate/Coupon:	Floating rate	Fixed rate
Tenor:	Typically 5-7 years	Longer-dated, typically 8-10 years
Amortization:	Required quarterly principal payments + residual at maturity	Bullet payment at maturity
Optional Prepayments:	Typically prepayable at par without penalty	Call protected
Mandatory Prepayments:	Most credit agreements require an issuer to prepay loans with proceeds from: • Debt and equity issuance • Asset sales • Excess free cash flow	Typically, the indenture contains some provisions for mandatory prepayments once loans are fully repaid if proceeds are not reinvested during specified period
Principal Covenants:	Maintenance-based financial covenants Other covenants generally more restrictive than bonds (restricted payments, additional debt, etc.)	Incurrence-based financial covenants Other covenants generally less restrictive than loans (restricted payments, additional debt, etc.)
Facility Ratings:	Typically higher than corporate and unsecured rating	Typically lower than senior secured facility rating
Expected Recovery:	Higher given seniority and security	Lower given subordination
Governing Document:	Credit agreement	Indenture
Lenders:	Banks, institutional investors	Institutional investors
Minimum Assignment:	$250,000	None
Settlement:	T+7	T+3
Registered Security:	No	Yes

Illustration only of the typical characteristics of floating rate loans and high yield bonds.

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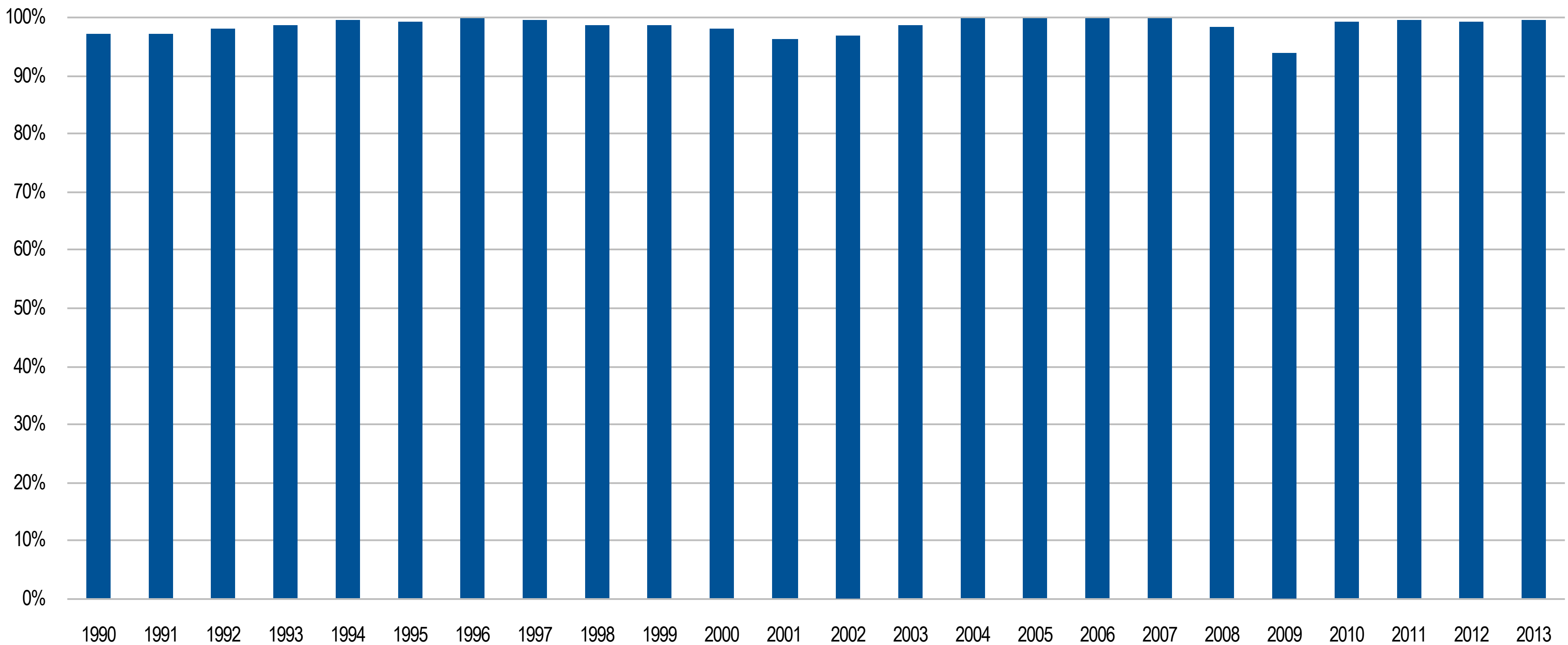
Capital Preservation

The Bank Loan market has typically preserved a very high level of capital

OVER THE LAST 24 YEARS THE MARKET HAS PRESERVED AN AVERAGE OF 98.45% OF CAPITAL (1990-2013)



Source: Moody's Investors Service report dated February 2014. Preservation of capital shown above is 100% minus the loss ratio. Loss ratio is the issuer weighted corporate default rate for speculative grade Global speculative loans taken from that report multiplied by 100% minus the average recovery rates for Global first lien loans taken from the same report. These are broadly representative of the assets the Company has invested in.

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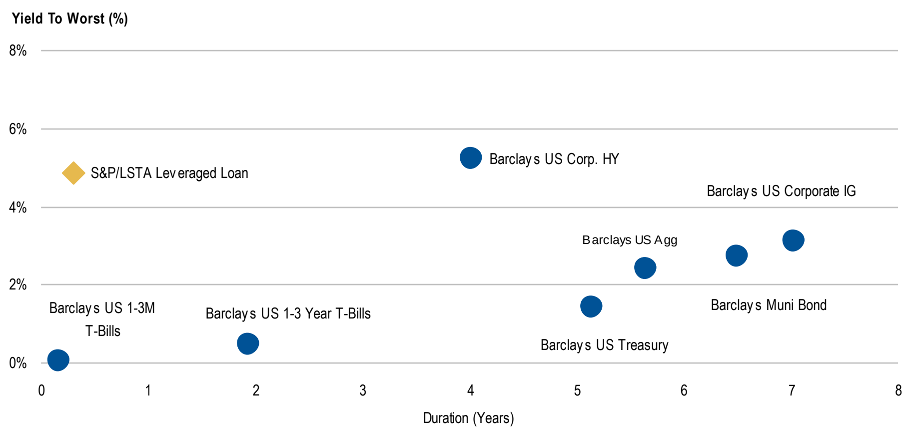
Diversification Benefits

Bank Loans deliver higher yields at lower duration, and offer potential risk reduction through portfolio diversification

YIELD-TO-WORST VERSUS DURATION[1]



1997 – DECEMBER 2013 CORRELATION MATRIX[2]

	Bank Loans	High Yield	10yr US Treasuries	S&P 500	High Grade Corp
Bank Loans	1.000	-	-	-	-
High Yield	0.766	1.000	-	-	-
10yr US Treasuries	-0.365	-0.165	1.000	-	-
S&P 500	0.435	0.621	-0.263	1.000	-
High Grade Corp	0.351	0.557	0.599	0.223	1.000

- As demonstrated above, few fixed income investments offer an attractive yield and limited duration

- Bank loans have the potential to provide diversification benefits. They typically display:
  - a low correlation to traditional equity securities
  - a low or negative correlation to traditional fixed income securities

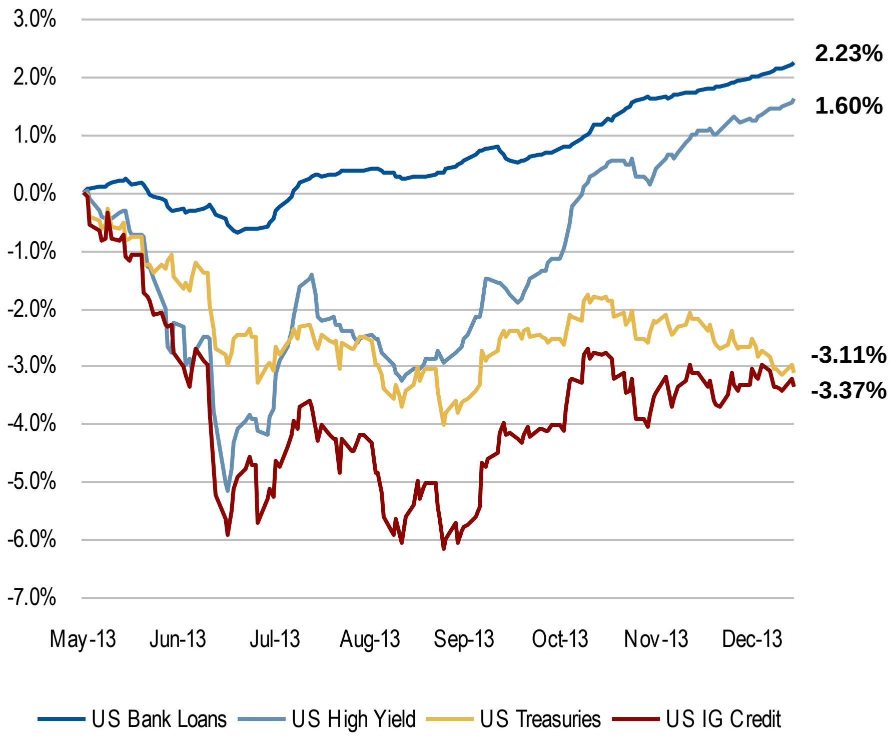
1. *Sources: Barclays, S&P/LSTA. As of March 31, 2014. Bank loans are represented by the S&P/LSTA Leveraged Loan Index. Yield to Worst is the lowest potential yield that can be received on a bond without the issuer actually defaulting. The yield to worst is calculated by making worst-case scenario assumptions on the issue by calculating the returns that would be received if provisions, including prepayment, call or sinking fund, are used by the issuer. Indices are unmanaged, include reinvestment of any dividends, capital gain distributions or other earnings and do not reflect any fees or expenses. Investors cannot invest directly in an index. For the S&P/LSTA Leveraged Loan Index we have used the Yield to Maturity.*
2. *Sources: Standard & Poor's, as of Decembert 31, 2013. Bank Loans are represented by the S&P/LSTA Leveraged Loan Index; High Yield is represented by the Bank of America-Merrill Lynch US High Yield Master II Constrained Index; US Treasuries is represented by Bank of America-Merrill Lynch 10-Year Treasury Index; Equities are represented by the S&P 500 Index; and High Grade Corporates are represented by the Bank of America-Merrill Lynch High Grade Corporates Index. Past performance is not indicative of future results. Indices are unmanaged, include reinvestment of any dividends, capital gain distributions or other earnings and do not reflect any fees or expenses. Investors cannot invest directly in an index.*

MARKET ENVIRONMENT

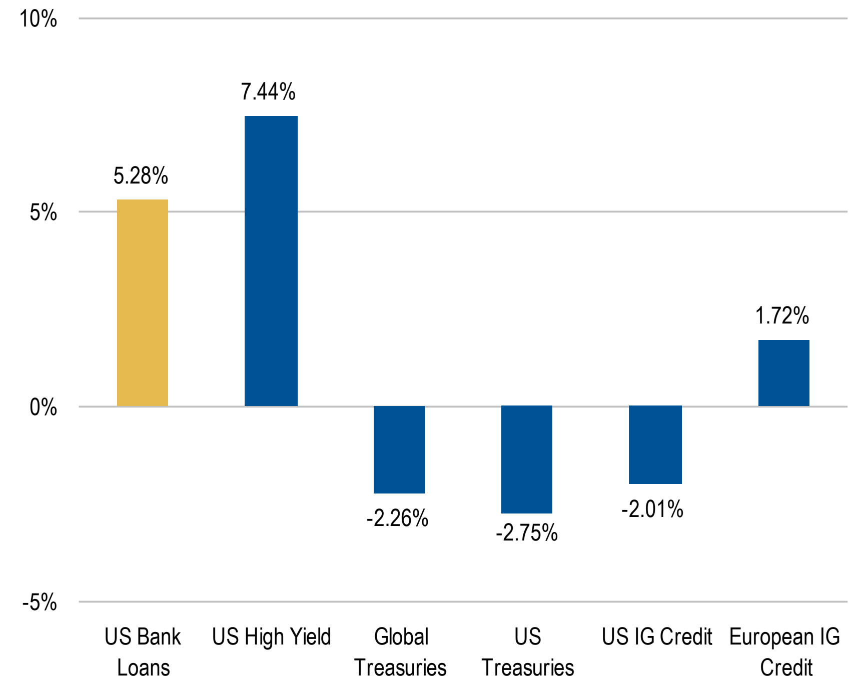
2013 Fixed Income Performance

During 2013, Bank Loans produced attractive total returns relative to other fixed income assets

TOTAL RETURN (9 MAY 2013 – 31 DECEMBER 2013)[1]



TOTAL RETURN (1 JANUARY 2013– 31 DECEMBER 2013)[2]



Past performance is not indicative of future results. You cannot invest directly in an index.

1. Source: Barclays POINT. Floating-Rate Loans represented by S&P/LSTA Leveraged Loan Index. High Yield represented by Barclays U.S. High Yield 2% Issuer Cap Index. US Treasuries represented by Barclays U.S. Treasury Index. Investment-Grade Corporate represented by Barclays U.S. Investment Grade Corporate Index.

2. Source: Bloomberg, POINT. Benchmarks used were the S&P/LSTA Leveraged Loan Index, Barclays US High Yield 2% Issuer Cap Index, Barclays Global Treasury Index, Barclays US Treasury Index, Barclays US Credit Index and Barclays European Credit Index.

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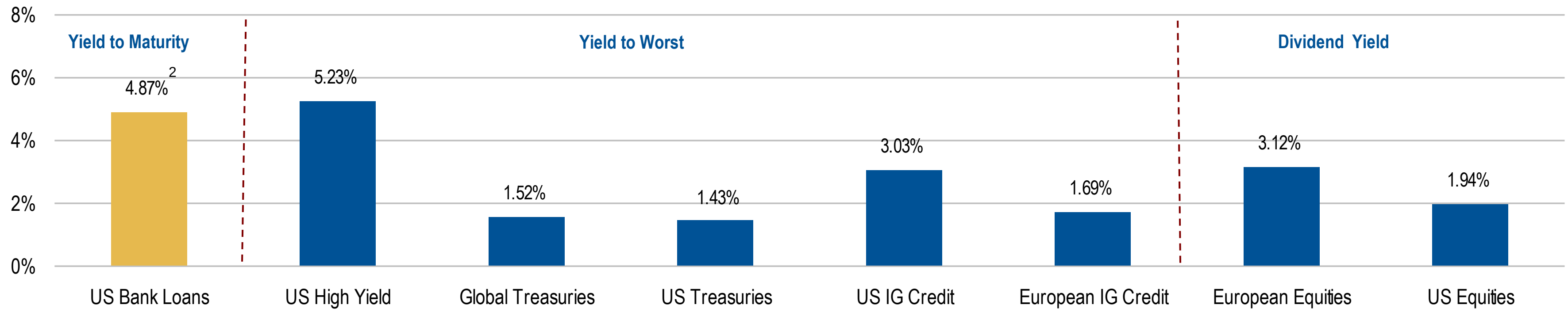
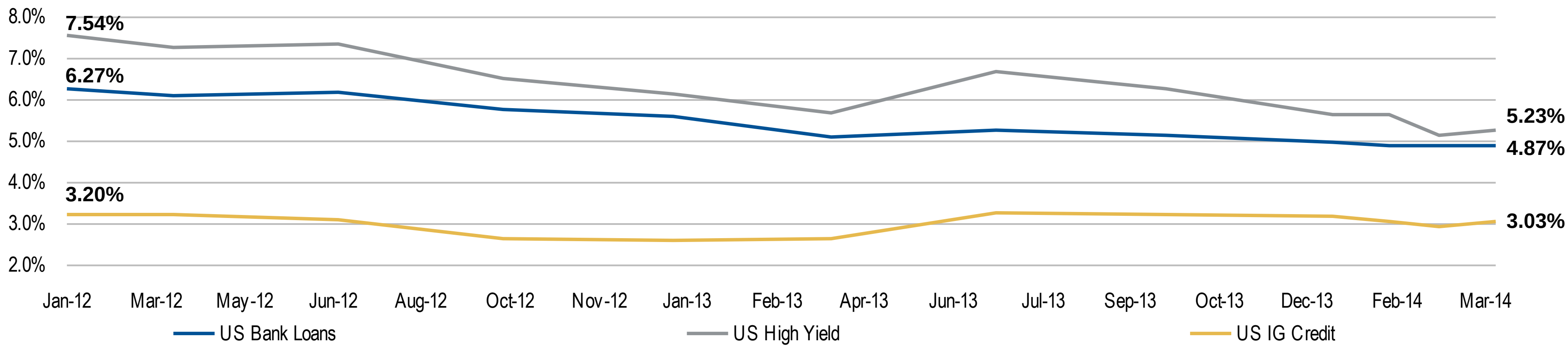
Income Generation & Relative Value

While yields on Loans have compressed over the past two years, they still remain in their recent range between investment grade and high yield, and attractive relative to other asset classes

ASSET CLASS YIELD COMPARISON[1]



YIELD MOVEMENTS (1 JANUARY 2012 – PRESENT)[3]



Data as at March 31, 2014. Past performance is not indicative of future results. You cannot invest directly in an index.

1. *Source: Bloomberg, POINT. Benchmarks used were the S&P/LSTA Leveraged Loan Index, Barclays US High Yield 2% Issuer Cap Index, Barclays Global Treasury Index, Barclays US Treasury Index, Barclays US Credit Index, Barclays European Credit Index, Euro STOXX Index and S&P 500 Index.*
2. *Excludes defaulted issuers.*
3. *Source: Barclays POINT. Benchmarks used were the S&P/LSTA Leveraged Loan Index, Barclays US High Yield 2% Issuer Cap Index and Barclays US Credit Index.*

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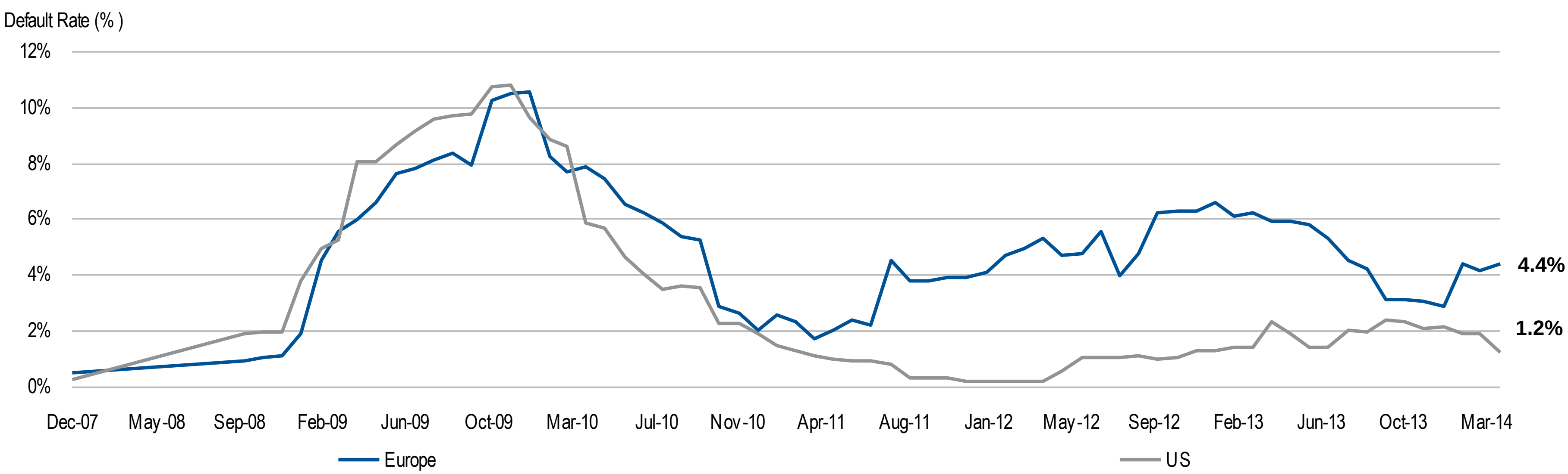
Global Default Rates

The Investment Manager believes US and European default rates will remain low due to the solid underlying operating performance of companies and continued access to financing

LAGGING TWELVE-MONTH LOAN DEFAULT RATE BASED ON PRINCIPAL AMOUNT

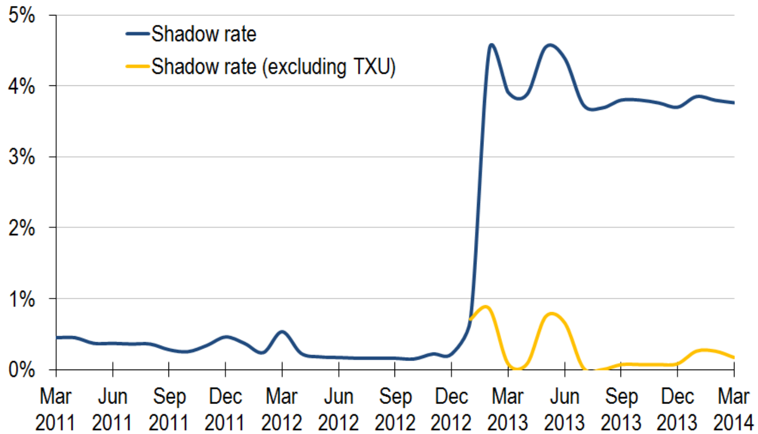


- For 2014, we expect full year default rates to be below 2% in the US and be between 2 – 4% in Europe.

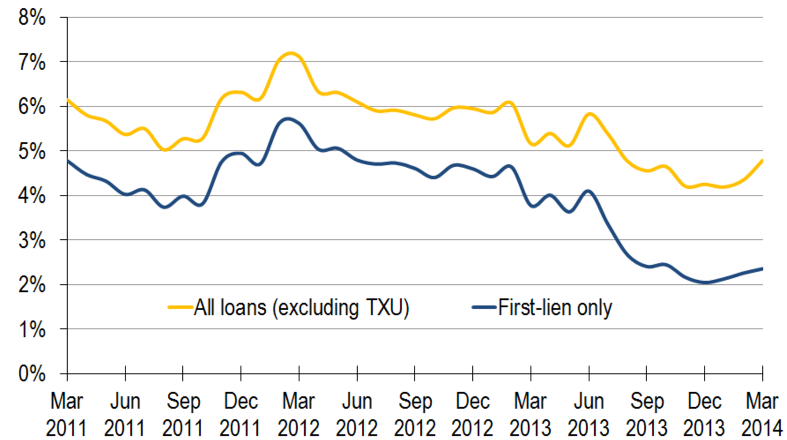
Source: S&P Capital IQ LCD, as of March 31, 2014.

Default Outlook

SHADOW DEFAULT RATE[1]

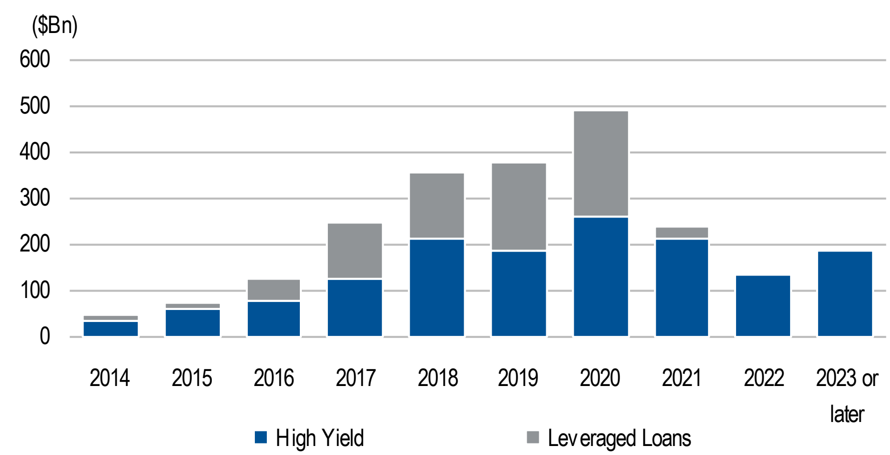


SHARE OF OUTSTANDING LOANS RATED CCC+ OR LOWER[1]



SHARE OF PERFORMING LOANS BID AT 70 OR LOWER (EXCLUDING TXU)[1]

MATURITY WALL[1]



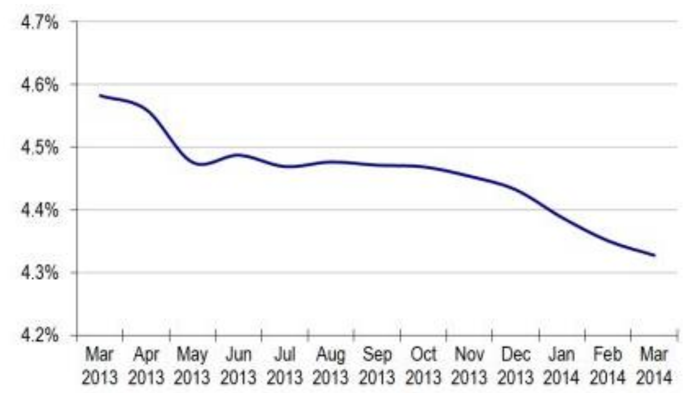
1. *Source: S&P Capital IQ LCD.*

Loan Market Trends

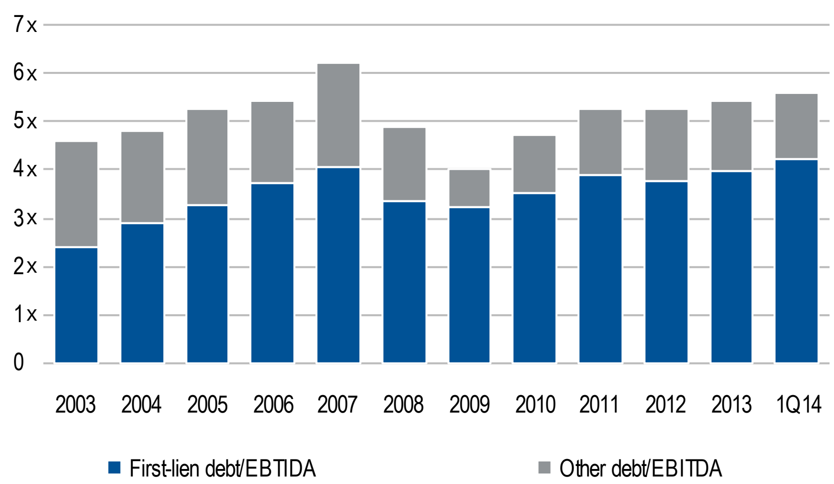
LEVERAGED FINANCE VOLUME[1]

	YTD 2013	% of market	YTD 2014	% of market	YoY change
First-lien institutional	$143.7B	60%	$115.3B	58%	-20%
Second-lien institutional	$5.4B	2%	$11.3B	6%	109%
Subtotal bank debt	$149.1B	62%	$126.6B	64%	-15%
Senior secured bonds	$19.7B	8%	$16.5B	8%	-16%
Senior unsecured bonds	$67.5B	28%	$55.5B	28%	-18%
Subordinated bonds	$3.1B	1%	$0.7B	0%	-77%
Subtotal bonds	$90.4B	38%	$72.8B	36%	-19%
Total	**$239.5B**		**$199.4B**		-17%

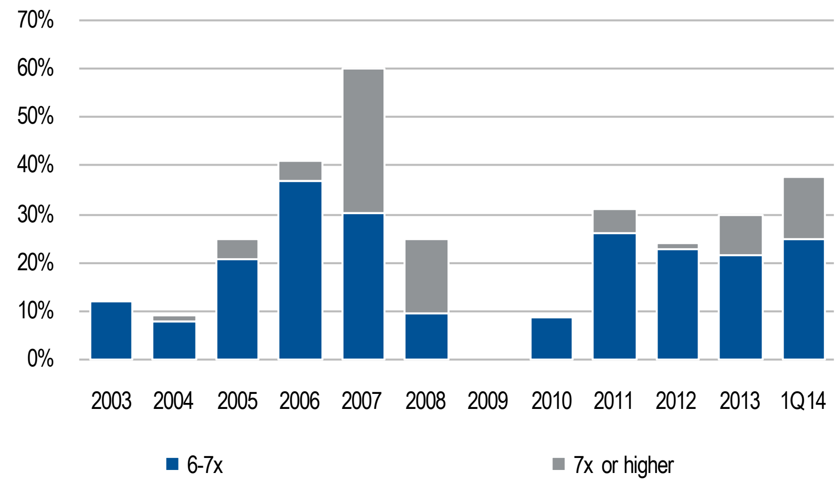
AVERAGE EFFECTIVE YIELD OF OUTSTANDING LOANS[2]



AVERAGE LEVERAGE OF LARGE CORPORATE LBOS[1]



SHARE OF HIGHLY LEVERAGED LARGE CORPORATE LBOS[1]



1. *Source: S&P LCD.*
2. *Source: S&P/LTSA Leveraged Loan Index and S&P LCD.*

APPENDIX: NEUBERGER BERMAN NON-INVESTMENT GRADE TEAM

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Non-Investment Grade Credit Team[1]

Experienced team of over 30 investment professionals[1] managing over $40 billion[2] in non-investment grade assets

Ann Benjamin*
Chief Investment Officer
(33 years experience)

High Yield	Bank Loans	Distressed
Ann Benjamin[1]* (33 years experience) Thomas O'Reilly[1]* *(25 years experience)* Russ Covode[1]* *(26 years experience)* Dan Doyle[1]* *(29 years experience)* Approximately $29.8 billion AUM[2]	Joe Lynch[1]* *(18 years experience)* Stephen Casey[1]* *(19 years experience)* Martin Rotheram *(26 years experience)* **Approximately $9.5 billion AUM[2]**	Michael Holmberg[1] *(26 years experience)* Patrick Flynn[1] *(22 years experience)* Approximately $973 million AUM[2]

Vivek Bommi, CFA*
Director of Research

Consumer	Cyclical (inc. Financials)	Telecom & Energy / Utilities	European	Distressed	Portfolio Analysts
Chris Kocinski Reena Tilva Neil Frank	David DeCoste Steven Ruh Derek Griesshammer Daniel Harris	Mark Menapace Scott Duba Robert Gephardt Brandon Mulroe Jared Feeney	Martin Rotheram Kristoffer Darby	Brendan McDermott Ravi Soni John Khym	Colin Donlan Ravi Chintapalli Brian Bunker

Team Supported by Five Dedicated Non-Investment Grade Traders – *John Abendroth, John Lingbeck, Jim Durham, Pat Maxwell, Bill O'Connor*

Investment professionals with an asterisk (*) by their name sit on the Credit Committee.
1. *As of March 31, 2014.*
2. *As of March 31, 2014, includes sleeve accounts. Includes Alternatives capabilities.*

DISCLAIMERS AND INDEX DEFINITIONS

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Investment Performance Disclosure Statement

Bank Loan Composite (Inception 02/01/2010)

Period	Composite Total Return[1] (Gross of Fees)	Composite Total Return[1] (Net of Fees)	Benchmark Return S&P LSTA Leveraged Loan Index	Composite # of Portfolios	Composite Market Value (MM)	Composite % of Firm Assets	Composite Internal Dispersion %	Total Firm Assets (bil.)	Composite 3 Year Standard Deviation	Benchmark 3 Year Standard Deviation
YTD Mar. 2014	0.92%	0.77%	1.20%	7	$1,282.8	N/A	0.15	N/A	4.03%	3.65%
2013	5.27%	4.59%	5.29%	5	$1,299.8	0.5%	N/A	$241.7	4.08%	3.76%
2012	9.77%	9.00%	9.67%	<5	$609.3	0.3%	N/A	$205.0	N/A	4.40%
2011	3.36%	2.69%	1.51%	<5	$281.2	0.1%	N/A	$193.1	N/A	7.52%
2/1/10 - 12/31/10	9.13%	8.53%	7.96%	<5	$161.2	0.2%	N/A	$80.1		

Fee Schedule: First $50 million 0.55%; next $250 million 0.45%; balance 0.35%. (Subject to a minimum separate account size of $100 million.)

Compliance Statement
- Neuberger Berman Group LLC ("NB", "Neuberger Berman", the "Firm") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Neuberger Berman was independently verified for the period January 1, 2011 to December 31, 2012. Prior to December 31, 2011, there were two firm definitions, Neuberger Berman LLC ("NBLLC") and Neuberger Berman Fixed Income ("NBFI"), which were independently verified for the periods January 1, 1997 to December 31, 2010 and January 1, 1996 to December 31, 2010, respectively. 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. The NB Bank Loan composite has been examined for the periods January 1, 2012 to December 31, 2012. The verification and performance examination reports are available upon request.

Definition of the Firm
- The firm is currently defined for GIPS purposes as Neuberger Berman Group LLC, ("NB", "Neuberger Berman", the "Firm"), and includes the following subsidiaries: Neuberger Berman LLC, Neuberger Berman Management LLC, Neuberger Berman Fixed Income LLC, Neuberger Berman Europe Ltd., Neuberger Berman Asia Ltd., Neuberger Berman East Asia Ltd., Neuberger Berman Singapore Pte. Ltd., Neuberger Berman Taiwan Ltd, Neuberger Berman Australia Pty. Ltd., Neuberger Berman Trust Company N.A., Neuberger Berman Trust Company of Delaware N.A., NB Alternatives Advisers LLC and NB Alternative Investment Management LLC. Prior to December 31, 2011, there were two firm definitions for GIPS purposes; Neuberger Berman LLC and Neuberger Berman Fixed Income.

Policies
- Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

Composite Description
- The Bank Loan strategy is designed for investors who seek to achieve superior returns relative to a broad bank loan index. The principal objectives are high current income and capital preservation achieved through the avoidance of credit deterioration, sector rotation and relative value selection. The Bank Loan composite ("Composite") represents the performance of all fee-paying, discretionary accounts, other than collateralized loan obligations, managed according to the Bank Loan strategy.

  The Composite was initiated and created in June 2011. A complete list and description of the NB composites and performance results is available upon request.

Benchmark Description
- The benchmark is the S&P LSTA Leveraged Loan Index , which is designed to mirror the investible universe of the $US-denominated leveraged loan market. On September 24th 2013, the Bank Loan composite benchmark changed from the Credit Suisse Leveraged Loan Index to the S&P LSTA Leveraged Loan Index. The benchmark changed to the S&P LSTA Leveraged Loan Index as this more accurately reflects the underlying characteristics of the composite strategy. The benchmark is calculated on a total return basis. Additional disclosures for complete benchmark descriptions are available upon request.

Reporting Currency
- Valuations are computed and performance is reported in U.S. dollars.

Fees
- The Net of Fees return is the Gross of Fees return reduced by the actual investment management fee incurred by each portfolio in the Composite.

Internal Dispersion
- Internal dispersion is calculated using the asset weighted standard deviation of annual gross returns of the portfolios that were in the composite for the entire year. Internal dispersion is not calculated if the composite contains less than 5 portfolios at period end.

Significant Cash Flow Policy
- Effective January 2012, any portfolio in the Composite with a cash flow over 15% of the beginning market value is removed from the Composite for the month of the cash flow.

Annualized Standard Deviation
- The three-year annualized standard deviation measures the variability of the Composite and the benchmark returns over the preceding 36-month period.

1. *Past performance is not necessarily indicative of future results. As with any investment, there is the possibility of profit as well as the risk of loss.*

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Investment Performance Disclosure Statement

Global Bank Loan Composite (Inception 07/01/2011)

Period	Composite Total Return[1] (Gross of Fees)	Composite Total Return[1] (Net of Fees)	Benchmark Return S&P LSTA Leveraged Loan Index	Composite # of Portfolios	Composite Market Value (MM)	Composite % of Firm Assets	Composite Internal Dispersion %	Total Firm Assets (bil.)	Composite 3 Year Standard Deviation	Benchmark 3 Year Standard Deviation
YTD Mar. 2014	1.09%	0.91%	1.20%	<5	$4,169.8	N/A	N/A	N/A	N/A	N/A
2013	6.09%	5.31%	5.29%	<5	$3,055.7	1.3%	N/A	$241.7	N/A	N/A
2012	11.54%	10.84%	9.67%	<5	$721.0	0.4%	N/A	$205.0	N/A	N/A
7/1/11 - 12/31/11	-0.27%	-0.65%	-1.07%	<5	$482.4	0.2%	N/A	$193.1		

Fee Schedule: First $50 million 0.55%; next $250 million 0.45%; balance 0.35%. (Subject to a minimum separate account size of $50 million.)

Compliance Statement

- Neuberger Berman Group LLC ("NB", "Neuberger Berman", the "Firm") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Neuberger Berman was independently verified for the period January 1, 2011 to December 31, 2012. The verification reports are available upon request. Prior to December 31, 2011, there were two firm definitions, Neuberger Berman LLC ("NBLLC") and Neuberger Berman Fixed Income ("NBFI"), which were independently verified for the periods January 1, 1997 to December 31, 2010 and January 1, 1996 to December 31, 2010, respectively. 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.

Definition of the Firm

- The firm is currently defined for GIPS purposes as Neuberger Berman Group LLC, ("NB", "Neuberger Berman", the "Firm"), and includes the following subsidiaries: Neuberger Berman LLC, Neuberger Berman Management LLC, Neuberger Berman Fixed Income LLC, Neuberger Berman Europe Ltd., Neuberger Berman Asia Ltd., Neuberger Berman East Asia Ltd., Neuberger Berman Singapore Pte. Ltd., Neuberger Berman Taiwan Ltd, Neuberger Berman Australia Pty. Ltd., Neuberger Berman Trust Company N.A., Neuberger Berman Trust Company of Delaware N.A., NB Alternatives Advisers LLC and NB Alternative Investment Management LLC. Prior to December 31, 2011, there were two firm definitions for GIPS purposes; Neuberger Berman LLC and Neuberger Berman Fixed Income.

Policies

- Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

Composite Description

- The Global Bank Loan strategy is designed for investors who seek an investment in a broad bank loan index. The principal objectives are high current income and capital preservation achieved through the avoidance of credit deterioration, sector rotation and relative value selection. The strategy generally invests in a mix of USD, EUR and GBP denominated tranches primarily from US and European issuers.

  The Global Bank Loan composite ("Composite") represents the performance of all fee-paying, discretionary accounts, other than collateralized loan obligations, managed according to the Global Bank Loan strategy.

  The Composite was initiated and created in October 2013. A complete list and description of the NB composites and performance results is available upon request.

Benchmark Description

- The benchmark is the S&P LSTA Leveraged Loan Index , which is designed to mirror the investible universe of the US dollar denominated leveraged loan market. The benchmark is calculated on a total return basis. Additional disclosures for complete benchmark descriptions are available upon request.

Reporting Currency

- Valuations are computed and performance is reported in U.S. dollars.

Fees

- The Net of Fees return is the Gross of Fees return reduced by the actual investment management fee incurred by each portfolio in the Composite.

Internal Dispersion

- Internal dispersion is calculated using the asset weighted standard deviation of annual gross returns of the portfolios that were in the composite for the entire year. Internal dispersion is not calculated if the composite contains less than 5 portfolios at period end.

Annualized Standard Deviation

- The three-year annualized standard deviation measures the variability of the Composite and the benchmark returns over the preceding 36-month period. The Composite three-year annualized standard deviation is not presented because 36 monthly returns are not available.

1. *Past performance is not necessarily indicative of future results. As with any investment, there is the possibility of profit as well as the risk of loss.*

Index Definitions

INDEX DEFINITIONS

Merrill Lynch US High Yield Master II Constrained Index: This index tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market, including 144a issues. Yankee bonds (debt of foreign issuers issued in the U.S. domestic market) are included in the index provided the issuer is domiciled in a country having an investment grade foreign currency long-term debt rating (based on a composite of Moody's and S&P). Qualifying bonds must have at least one year remaining to maturity, a fixed coupon schedule and a minimum amount outstanding of $100 million. Qualifying bonds are capitalization-weighted provided the total allocation to an individual issuer (defined by Bloomberg tickers) does not exceed 2%. Issuers that exceed the limit are reduced to 2% and the face value of each of their bonds is adjusted on a pro-rata basis. Similarly, the face value of bonds of all other issuers that fall below the 2% cap are increased on a pro-rata basis.

S&P 500: The S&P 500 Index is a capitalization weighted index comprised of 500 stocks chosen for market size, liquidity, and industry group representation. The S&P 500 Index is constructed to represent a broad range of industry segments in the U.S. economy. The S&P 500 focuses on the large-cap segment of the market with over 80% coverage of US equities. Criteria for inclusion include financial stability (minimize turnover in the index), screening of common shares to eliminate closely held companies and trading activity indicative of ample liquidity and efficient share pricing. Companies in merger, acquisition, leveraged-buy-outs, bankruptcy (Chapter 11 filing or any shareholder approval of recapitalization which changes a company's debt-to-equity ratio), restructuring, or lack of representation in their representative industry groups are eliminated from the index.

S&P/LSTA Leveraged Loan Index: The S&P/LSTA Leveraged Loan index is a daily total return index that uses LSTA/LPC Mark-to-Market Pricing to calculate market value change. On a real-time basis, the S&P/LSTA Leveraged Loan index tracks the current outstanding balance and spread over LIBOR for fully funded term loans. The facilities included in the index represent a broad cross section of leveraged loans syndicated in the United States, including dollar-denominated loans to overseas issuers.

Bank of America Merrill Lynch US Corporate Index: The BofA Merrill Lynch US Corporate Index tracks the performance of U.S. dollar denominated investment grade corporate debt publicly issued in the U.S. domestic market. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch) and an investment grade rated country of risk (based on an average of Moody's, S&P and Fitch foreign currency long term sovereign debt ratings). In addition, qualifying securities must have at least one year remaining term to final maturity, a fixed coupon schedule and a minimum amount outstanding of $250 million. Original issue zero coupon bonds, "global" securities (debt issued simultaneously in the eurobond and U.S. domestic bond markets), 144a securities and pay-in-kind securities, including toggle notes, qualify for inclusion in the Index. Callable perpetual securities qualify provided they are at least one year from the first call date. Fixed-to-floating rate securities also qualify provided they are callable within the fixed rate period and are at least one year from the last call prior to the date the bond transitions from a fixed to a floating rate security. DRD-eligible and defaulted securities are excluded from the Index.

Bank of America Merrill Lynch 1-10 Year US Treasury Index: The BofA Merrill Lynch 1-10 Year US Treasury Index is a subset of the BofA Merrill Lynch US Treasury Index including all securities with a remaining term to final maturity less than 10 years.

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Index Definitions

INDEX DEFINITIONS

The Barclays U.S. High Yield Index: The Barclays U.S. High Yield Index covers the universe of fixed rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets (sovereign rating of Baa1/BBB+/BBB+ and below using the middle of Moody's, S&P, and Fitch) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included. Original issue zeroes, step-up coupon structures, 144-As and pay-in-kind bonds (PIKs, as of October 1, 2009) are also included.

U.S. Treasury: 1-3 Year: Securities in the Treasury Index (i.e., public obligations of the U.S. Treasury) with a maturity from 1 up to (but not including) 3 years.

The Barclays Municipal Bond Index: The Barclays Municipal Bond Index is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market. To be included in the index, bonds must be rated investment-grade (Baa3/BBB- or higher) by at least two of the following ratings agencies: Moody's, S&P, Fitch. If only two of the three agencies rate the security, the lower rating is used to determine index eligibility. If only one of the three agencies rates a security, the rating must be investment-grade. They must have an outstanding par value of at least $7 million and be issued as part of a transaction of at least $75 million. The bonds must be fixed rate, have a dated-date after December 31, 1990, and must be at least one year from their maturity date. Remarketed issues, taxable municipal bonds, bonds with floating rates, and derivatives, are excluded from the benchmark.

The Barclays U.S. Aggregate Index: The Barclays U.S. Aggregate Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.

U.S. Credit Description: Publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC-registered.

U.S. Treasury: Public obligations of the U.S. Treasury with a remaining maturity of one year or more. Exclusions:

•Treasury bills are excluded (because of the maturity constraint).

•Certain special issues, such as flower bonds, targeted investor notes (TINs), and state and local government series (SLGs) bonds are excluded.

•Coupon issues that have been stripped are reflected in the index based on the underlying coupon issue rather than in stripped form. Thus STRIPS are excluded from the index because their inclusion would result in double counting. However, for investors with significant holdings of STRIPS, customized benchmarks are available that include STRIPS and a corresponding decreased weighting of coupon issues.

•Treasuries not included in the Aggregate Index, such as bills, coupons, and bellwethers, can be found in the index group Other Government on the Index Map.

•As of December 31, 1997, Treasury Inflation-Protection Securities (Tips) have been removed from the Aggregate Index. The Tips index is now a component of the Global Real index group.

U.S. Treasury Bills: 1-3 Months: The Barclays Treasury Bill Index includes U.S. Treasury bills with a remaining maturity from 1 up to (but not including) 12 months. It excludes zero coupon strips.

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Investors should be aware that investment in the fund carries with it the potential for above average risk and is only suitable for people who are in a position to take such risks. The value of Shares may go down as well as up and investors may not get back any of the amount invested. The difference at any one time between the issue and repurchase price of Shares means that an investment in the Company should be viewed as medium to long-term. Investment in the Company should not constitute a substantial proportion of an investor's portfolio and may not be appropriate for all investors.

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