

been flat to slightly overweight investment grade credit, and in strategies which allow high yield we've maintained less than one-third of our maximum allowable position. To add modest yield to the portfolios we have maintained overweights in 1-5 year, well-structured agency CMOs (agency collateralized mortgage obligations).

Attribution

Total Return & Investment Quality Strategies: These strategies were flat to the Bloomberg Barclays U.S. Aggregate Bond Index in the third quarter. Sector allocation to industrials was negative, while credit selection as well as duration and yield curve positioning were additive as rates came down and the curve flattened in the long end.

Low Duration Bond Strategies: The Low Duration Bond strategies were flat to slightly ahead of the Bloomberg Barclays U.S. Government (1-3 Year) Index in the third quarter. Sector allocation contributed positively to relative performance as the overweight position in corporate bonds was modestly additive. Duration and yield curve positioning detracted from relative performance as rates moved down.

Core Strategy: The Core strategy was flat to slightly ahead of the Bloomberg Barclays U.S. Aggregate Bond Index in the

third quarter. Sector allocation to agency CMOs, as well as duration and yield curve positioning, were modestly additive as rates in the long end of the curve fell and the curve flattened.

Short Strategy: The Short strategy was flat relative to the ICE BofA Merrill Lynch 1-5 Year AAA-A U.S. Corporate and Government Index in the third quarter. Sector allocation was modestly positive in corporate bonds, while duration detracted somewhat.

Short / Short Intermediate Municipal Strategy: The Short / Short-Intermediate Municipal strategy outperformed its benchmark in the third quarter. Our curve positioning and duration were positive contributors over the quarter. Our duration was inline to slightly long relative to our benchmark as rates rallied in July and August, while we shortened relative to our benchmark as rates sold off in September. Similarly, our overweight in the 5-10 year part of the curve was additive to relative performance early in the quarter, and that exposure shortened in the latter half of the quarter. Sector attribution was neutral as General Obligation bonds and Revenue bonds performed in-line. Security selection was positive within the Revenue and General Obligation sectors as well.

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Past performance should not be considered indicative of future results. Index performance is shown for illustrative purposes only. It is not possible to invest directly in an unmanaged index. Strategy performance attribution is based on preliminary quarter-end performance and may be subject to change. Consult the strategy's web page on vcm.com for final performance.

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