

Prudent Man Advisors, Inc.
2135 CityGate Lane
7th Floor
Naperville, Illinois 60563
Phone 630-657-6400
FAX 630-817-8701
www.pmanetwork.com

**Part 2A of Form ADV:
Firm Brochure**

Date: March 28, 2014

This brochure provides information about the qualifications and business practices of Prudent Man Advisors, Inc. If you have any questions about the contents of this brochure, please contact the Compliance Department at 630-657-6400. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or any state securities authority. Prudent Man Advisors, Inc. is an investment adviser registered with the SEC. This registration does not imply a certain level of skill or training.

Additional information about Prudent Man Advisors, Inc. is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 Material Changes:

Material Changes were made since the date of the last Form ADV which:

- *added select instructions from the Form ADV instructions to supplement the heading for each section to provide the reader with an understanding of the information presented in each section;*
- *updated the Advisory Business (item 4), Fees and Compensation (item 5), Types of Clients (item 7), Methods of Analysis, Investment Strategies and Risk of Loss (item 8), Brokerage Practices (item 12), Review of Accounts (item 13) Custody (item 15), Discretion (item 16), and Voting Client Securities (item 17) sections due to the implementation of advisory separately managed accounts and the implementation of revised policies and procedures due to the hiring of a new Chief Investment Officer;*
- *provided annual updating information;*
- *added a Risk Disclosure Appendix; and*
- *updated Table of Contents to reflect changes.*

This section only reflects material changes since of the last annual update of the Firm's brochure.

Date of last update: March 27, 2013

Item 3 Table of Contents

Item 1	Cover Page	1
Item 2	Material Changes	2
Item 3	Table of Contents	3
Item 4	Advisory Business	4
Item 5	Fees and Compensation.....	5
Item 6	Performance-Based Fees and Side-By-Side Management	8
Item 7	Types of Clients	8
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss	9
Item 9	Disciplinary Information.....	12
Item 10	Other Financial Industry Activities and Affiliations	12
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	15
Item 12	Brokerage Practices	17
Item 13	Review of Accounts	20
Item 14	Client Referrals and Other Compensation	20
Item 15	Custody	21
Item 16	Investment Discretion	22
Item 17	Voting Client Securities	22
Item 18	Financial Information	23
	Risk Disclosure Appendix.....	24

Item 4 Advisory Business

Describe your advisory firm, including how long you have been in business. Identify your principal owner(s).

About the Advisor

Prudent Man Advisors, Inc., which is referred to in this brochure as the Advisor, provides investment advisory services to Local Government Investment Pools ("LGIPs") and other institutional accounts. The Advisor specializes in investment grade fixed income investment products as well as equity and fixed income investment company products, research and portfolio management for LGIPs and their public entity participants and institutions located in the United States.

The Advisor is incorporated as an Illinois corporation and registered with the United States Securities and Exchange Commission as an investment adviser in 1996. Prudent Man Advisors is wholly owned by trusts established for Robert, Mary, Michael and Elizabeth English. James O. Davis serves as the Advisor's Chief Executive Officer. Michael R. English serves as the Advisor's President.

Advisory Services

Describe the type of advisory services you offer. If you hold yourself out as specializing in a particular type of advisory service, such as financial planning, quantitative analysis, or market timing, explain the nature of that service in greater detail. If you provide investment advice only with respect to limited types of investments, explain the type of investment advice you offer, and disclose that your advice is limited to those types of investments. Explain whether (and, if so, how) you tailor your advisory services to the individual needs of clients. Explain whether clients may impose restrictions on investing in certain securities or types of securities.

Prudent Man Advisors seeks to develop a full understanding of each client's investment needs and concerns and meet those needs with fixed income and cash management custom solutions. These are available to a broad range of institutional clients through the following vehicles:

- Local Government Investment Pools ("LGIPs")
 - LGIP Money market pools
 - Other LGIP fixed term pools ("Term Series")
- Institutional Separate Accounts ("Separate Accounts")

The Advisor believes an investment process informed by in-depth research and guided by risk management leads to a diversified portfolios solution that can generate value-added investment returns. We seek to preserve and maximize portfolio returns through a disciplined investment process. We strategically diversify portfolios across allowable sectors while carefully managing risk as market conditions change. We are a research driven Advisor emphasizing a fundamental investment approach.

The Advisor serves as Investment Advisor for money market pools for Local Government Investment Pools. These pools, which are commonly referred to as LGIPs or LGIP Funds, are organized under state law and their participants consist exclusively of municipal entity clients such as school districts, community colleges, counties and municipalities. The LGIPs, which are generally exempt from registration under the federal securities laws, consist of liquid pools, also referred to as money market pools, and fixed term pools. As Investment Advisor, the LGIP Funds have retained the Advisor to either provide investment advisor services responsible for the day-to-day management for these money market pools, or to provide investment advisory supervisory services and to retain a Sub-advisor for the day-to-day management for these money market

pools. Many of these LGIPs are rated by a rating agency such as Standard and Poor's Corporation.

The Advisor also serves as the Investment Advisor for separate fixed term pools for LGIPs. These fixed term pools are referred to in this brochure as Term Series pools. The Advisor provides the management of assets in the LGIPs' Term Series pools which have a definite duration. The durations of the Term Series pools may range from 30 days up to three years, as permitted under state statute and the Fund's governing documents.

Separate Accounts

The Advisor provides discretionary investment management solutions to clients in separate account form. As a solution provider, we customize the portfolio strategy to meet each client's unique investment goals. Portfolios are managed consistent with each client's investment policy and other governing requirements. Portfolio duration, quality, sectors and benchmarks utilized will vary by client mandate.

For all Advisory Client types, the Advisor specializes in investment grade fixed income investment products as well as equity and fixed income investment company products, research and portfolio management for LGIPs, public entities and institutions in the United States. The Advisor does not provide investment advice on non-investment company equity securities.

Clients may impose restrictions on investing in certain securities or types of securities. Any restrictions on investing in certain securities or types of securities must be provided to the Advisor in writing, including among other things the client's investment policy, Advisory agreement or other written notice.

Assets Under Management

If you manage client assets, disclose the amount of client assets you manage on a discretionary basis and the amount of client assets you manage on a non-discretionary basis. Disclose the date "as of" which you calculated the amounts.

As of February 28, 2014, Prudent Man Advisors had over \$3.1 billion in total assets under management as follows:

LGIP	Money Market Pool	\$2,181,098,136*
	Term Series Pool	\$ 868,752,481**
Separate Accounts		\$ 66,112,017
Total		\$3,115,962,634

*Of the LGIP Money Market Pool assets, \$125 million is managed directly by the Advisor and the remaining assets are managed by a Sub-advisor overseen by the Advisor. (During 2014, Advisor anticipates that certain LGIPs managed with a sub-advisor will be managed directly by the Advisor.)

** \$79,137,826 is non-discretionary.

Item 5 Fees and Compensation

Describe how you are compensated for your advisory services. Provide your fee schedule. Disclose whether the fees are negotiable; Describe whether you deduct fees from clients' assets or bill clients for fees incurred. If clients may select either method, disclose this fact. Explain how often you bill clients or deduct your fees; Describe any other types of fees or expenses clients may pay in connection with your advisory services, such as custodian fees or mutual fund expenses. Disclose that clients will incur brokerage and other transaction costs, and direct clients

to the section(s) of your brochure that discuss brokerage; If your clients either may or must pay your fees in advance, disclose this fact. Explain how a client may obtain a refund of a pre-paid fee if the advisory contract is terminated before the end of the billing period. Explain how you will determine the amount of the refund.

Separate Accounts

While fees may be individually negotiated, Clients will generally pay a percentage of assets under management. Fees and services may be negotiated based on factors such as client type, asset class, specific investment strategy utilized, whether a pre-existing relationship is present, portfolio complexity, account size or other special circumstances or requirements. While each fee is negotiated based on the level of service requested by the Client and other factors, the base fee for advisory services is generally up to .25% of assets in the account on an annualized basis, with this fee potentially declining for those assets over certain asset levels. Fees for Clients with Liability Driven Investment models, such as those for Other Post Retirement Benefits ("OPEB") accounts, which require extensive actuarial analysis and/or provides for products other than fixed income investments, may be charged fees up to .50% of assets in the account on an annualized basis, and assets with more complicated mandates or certain product compositions may be charged fees at higher levels. In certain limited circumstances, for eligible clients and certain strategies, fixed fees may also be negotiated, and related accounts may be aggregated for fee calculation purposes. Some clients may pay higher or lower fees than other clients. In addition, accounts will generally have a minimum annual fee in the amount of \$15,000, or such amount as reflected in the investment advisory agreement. Thus, smaller account balances may pay the minimum annual fee instead of the basis points reflected for those asset levels.

Advisory fees are generally billed to the client and payable monthly (in arrears) or at such other times as may be agreed upon by the parties involved, based upon a percentage of the market value of assets in the account on the date of valuation, the average of the market value of the assets in the account during the billing period, or the month-end market value. Valuations of account assets are determined in accordance with Advisor valuation procedures, which generally rely on third-party pricing services, but may permit the use of other valuation methodologies in certain circumstances. Our valuation may differ from valuations reflected on a client's custodial statement. Separate accounts are generally subject to a minimum annual fee.

Clients will generally pay custodian fees and brokerage fees, as set forth in the advisory agreement. Please refer to Item 12 of this Brochure which discusses the Advisor's brokerage practices.

LGIP Money Market Pool Advisory Fees

The extent and nature of advisory services that Prudent Man Advisors provides will vary depending upon the specific arrangement provided to any LGIP Client. As a result, the Advisor's fees will differ among its Client accounts and may differ based on the asset level in the applicable LGIP.

These investment advisory fees are derived from a percentage of average assets under management. Fees are accrued daily and paid monthly in arrears by the Fund Administrator. Fees are based on criteria specific to Client agreements, which are negotiated and applied at different levels of average assets under management. While each fee is negotiated based on the level of service requested by the Client, the total dollars under management and whether a Sub-advisor is engaged, the base fee for advisory services is generally up to .10% of pool assets on an annualized basis for money market pools, with this fee potentially declining for those assets over certain asset levels. These fees are disclosed in the applicable Fund's Information

Statement.¹ In addition, the Advisor may waive any of its fees to support a positive yield, or otherwise in the discretion of the Advisor. This Advisory fee may also be bundled with other services by Affiliates to the LGIPs, resulting in a lower Advisor fee based on the overall bundling of services. Fees may be charged for NAV or non-money market LGIP pools up to .25% of pool assets on an annualized basis.

For Clients in which a Sub-advisor is engaged, the Advisor recommends Sub-advisors to manage the Advisory Clients' money market portfolios. Upon approval by the Advisory Client, the Advisor retains the Sub-advisor and provides the Client with a copy of the Sub-advisor agreement. That agreement reflects the fees payable to the Sub-advisor by the Advisor. For certain Advisory Clients, the Advisor retains a percentage of the overall investment advisory fee to compensate the Advisor for its oversight advisory functions. Both the Advisor and Sub-advisor regularly participate in the Advisory Clients quarterly board meetings for reporting and oversight.

LGIP Term Series Fee Schedule

Term Series participants pay an annualized advisory and management fee of up to 0.25%. An additional fee not to exceed 0.10% on an annualized basis is paid for assets that require management and administration of collateral, letters of credit, reciprocal programs or other third-party guarantees, exclusive of any insurance costs or third-party placement fees. As these pools are for fixed term maturities, fees for the Term Series are due and payable to the Advisor by the Fund Administrator upon formation of the fixed term pool. Fees and thus net yields may vary between Advisory Clients based on the anticipated expenses of such pool and the competition and available investment yields within any geographic market.

Fees for the LGIP money market and Term Series are negotiable and may vary from the general fee schedule.

Other Provisions

Advisory contracts typically provide for termination effective between sixty and ninety days after written notice by the Client or the Advisor. In the event of termination, the Advisor is entitled to fees earned through the effective date of termination. There are no pre-paid advisory or other fees.

Other Fees or Expenses

There are other fees or expenses associated with Advisory Client accounts beyond the fees paid to the Advisor for providing advisory services. As discussed, the Advisor pays the fees of any Sub-advisor.

Each LGIP Fund has additional fees related to the Fund. The Advisory Client LGIPs have service agreements in place for distribution, administration, banking and custodian services. Fees are also paid for brokerage fees to non-affiliated broker-dealers retained by the Sub-advisor to obtain investments in the money market portfolios, auditing fees, legal fees, trustee fees and other fees as disclosed in the applicable Fund's Information Statement. Entities under common control with the Advisor, which are referred to in this Brochure as Affiliates, serve in various administrative and distributor or marketing roles for the LGIP Advisory Clients for which these Affiliates earn fees.

Other fees and expense-related information for the Funds may be found in the applicable Fund's Information Statement. As stated above, Separate Account Clients will generally pay custodian

¹ The Information Statements for LGIP Advisory Clients may be obtained from the Advisor, or on the website for the applicable fund.

fees and brokerage fees, as set forth in the investment advisory agreement. For more information about brokerage, see Items 10 and 12.

If you or your supervised persons accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds, disclose this fact with required responses.

Transaction-Based Compensation

Neither the Advisor nor its supervised persons receive compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds. The Advisor does not provide any transaction-based compensation to its Advisory Staff based on that employee's individual sales production for the Advisor. The Advisor's staff is paid a salary and may be paid a bonus based on the overall performance of the Advisor and its Affiliates and the employee's overall individual performance.

Item 6 Performance-Based Fees and Side-By-Side Management

If you or your supervised persons accepts performance-based fees—that is fees based on a share of capital gains or capital appreciation of the assets of a client (such as a hedge fund or other pooled investment vehicle)—disclose this fact. If you or any of your supervised persons manage both accounts that are charged a performance-based fee and accounts that are charged another type of fee, such as an hourly or flat fee or an asset-based fee, disclose this fact. Explain the conflicts of interest that your or your supervised persons face by managing these accounts at the same time, including that your or your supervised persons have an incentive to favor accounts for which you or your supervised persons receive a performance-based fee, and describe generally how you address these conflicts.

The Advisor does not currently manage any accounts with a performance-based fee structure and therefore there is no conflict from having a performance-based fee structure being managed alongside asset-based fees.

Item 7 Types of Clients

Describe the types of clients to whom you generally provide investment advice, such as individuals, trusts, investment companies, or pension plans. If you have any requirements for opening or maintaining an account, such as a minimum account size, disclose the requirements.

Local Government Investment Pools

The Advisor provides investment advisory services to Local Government Investment Pools, which include LGIP money market pools and Term Series pools. LGIP participants consist exclusively of municipal entity clients such as school districts, community colleges, counties, municipalities and other units of local government.

The Advisor has no minimum account size for the Advisory Clients' LGIP money market pools although there may be a minimum account size based on a requirement of the Sub-advisor, if a Sub-advisor is retained.

For Term Series pools, the Advisor has a minimum account requirement which ranges between \$10 million and \$25 million depending on the duration of the specific term pool. (For example, the \$25 million requirement is for pools with a 30 day duration but longer duration pools could decrease the minimum account requirement, with a one year pool having a \$10 million requirement.) The Advisor may waive these minimum account size requirements in its discretion based on the costs associated with a particular pool.

Separate Accounts

The Advisor offers separate account services to a variety of municipal entity clients and select institutional clients. The Advisor has no minimum account size for its Separate Account business. However, the Advisor may require a minimum account size or minimum annual revenue as part of the investment management agreement depending on the nature of the mandate.

Item 8 Methods of Analysis, Investment Strategies and Risk of Loss

Describe the methods of analysis and investment strategies you use in formulating investment advice or managing assets. Explain that investing in securities involves risk of loss that clients should be prepared to bear. For each significant strategy or method of analysis you use, explain the material risks involved. If the method of analysis or strategy involves significant or unusual risks, discuss these risks in detail. If your primary strategy involves frequent trading of securities, explain how frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes. If you recommend primarily a particular type of security, explain material risks involved. If the type of securities involves significant or unusual risks, discuss these risks in detail.

Investment Strategies and Method of Analysis

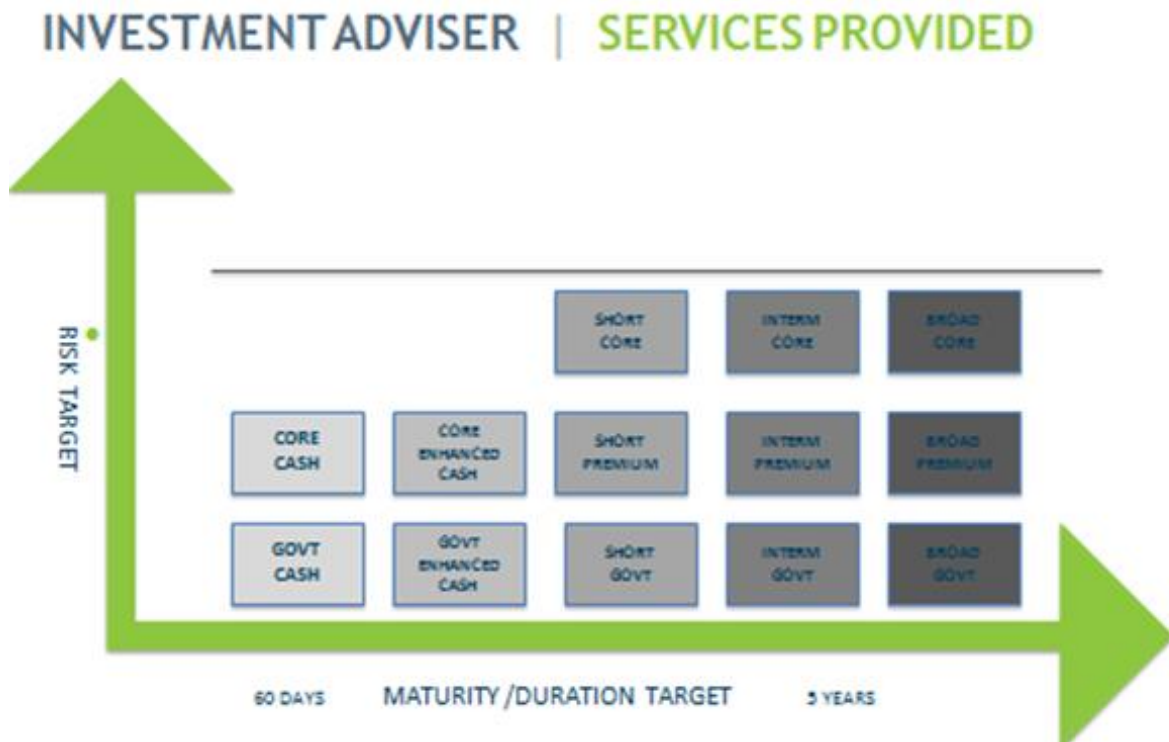
Methods of Analysis

The Advisor believes that careful analysis, diligence and risk management are essential to quality client outcomes. The primary methods of analysis we employ are fundamental in nature, we don't typically rely on technical methods of analysis. The Advisor utilizes both bottom up and top down fundamental analysis techniques to add value. Top down examples include duration, sector and yield curve analysis. Bottoms up analysis typically include credit analysis, issue selection and trading considerations. These methods of analysis are utilized across all of our investment strategies and assists in mitigating potential risks.

Investment Process

The Advisor utilizes a consistent investment process across all discretionary investment mandates. Professionals research investment opportunities using the fundamental methods of analysis to determine best relative value. We next forecast expected returns by aligning our fundamental research opinion with expectations for changes in interest rates and credit spreads. The portfolio manager, considering the opportunities available, integrates these investment strategies into the portfolio consistent with the investment mandate based on fit and need. Our research on both secular and cyclical forces impacting the markets provide valuable insights to investment strategy and risk avoidance.

Separate Account Strategy Examples



Risk of Loss

Although the Advisor endeavors to invest wisely, all investments involve risk of loss.

The following chart illustrates the general descriptions of Prudent Man Advisor's investment strategies, including strategy objectives and material risks associated with each strategy.

Strategy	Investment Approach	Material Risks
LGIPs	Pools which focus on high quality taxable market securities generally maturing in less than 1 year.	Active Management Risk Concentration Risk Counterparty Risk General Economic and Market Conditions Risk Government Intervention in Financial Markets Government Obligations Risk Interest Rate Risk Issuer/Credit Risk

		Liquidity Risk Market Risk
Separate Accounts	Portfolio strategies which focuses on taxable investment grade fixed income sectors with maturities that may range from overnight to thirty years and balanced accounts using equity market index products.	Active Management Risk Concentration Risk Counterparty Risk General Economic and Market Conditions Risk Government Intervention in Financial Markets Government Obligations Risk Interest Rate Risk Issuer/Credit Risk Liquidity Risk Market Risk Prepayment Risk Equity Risk
Term Series	Target maturity pools with permitted investments. Strategy generally focuses on high quality bank deposits and financial obligations assets in the fixed term pools are designed to be held to maturity.	Concentration Risk General Economic and Market Conditions Risk Government Intervention in Financial Markets Interest Rate Risk Issuer/Credit Risk Liquidity Risk

See Risk Disclosure Appendix

For the Term Series pools, LGIP Boards authorize specific pools with permitted investments and targeted durations. Within these investment limitations and duration periods specific to each Client, the Advisor identifies and selects potential investments for the pool which conform to the investment strategy for the specific Term Series Pool. The assets in the fixed term pools are designed to be held to maturity.

LGIP and Term Series Risk

An investment in a LGIP money market series or any Term Series is not a bank deposit and is not insured or guaranteed by the FDIC or any other governmental or private agency. In addition, while the LGIP money market pools seek to maintain a stable net asset value of \$1.00 per share, it is possible to lose money. Term Series pools have a limited maturity of no less than 30 days and a maximum maturity date specified by the applicable Fund's governing documents and state statute, and are designed for Advisory Clients' participants who will not need access to their investment prior to the termination date of the applicable Series. It is possible to lose money by investing in a Term Series, which may impose a substantial penalty for redemption prior to the full term of the Series. Term Series are designed for each investment to be held for the full term of that Series. If an investment made in a Term Series is withdrawn prior to the maturity date of that Series, a notice period is required and a penalty will likely be assessed. The penalty, which may be substantial, could include the amount necessary to recoup for the Series any penalty charges, losses and other costs attributable to the early redemption. Each Term Series may have a

weighted average maturity equal to the term of that Series. Term Series may have only one holding and therefore may be highly concentrated. Each Term Series is independent from all other Term Series. This means that if one Term Series loses money, no other Term Series will suffer that loss. Investments within a Term Series pool are subject to the product specific risks identified above.

For additional information on risk, please see the Information Statement for the applicable LGIP Fund.

Item 9 Disciplinary Information

If there are legal or disciplinary events that are material to a client's or a prospective client's evaluation of your advisory business or integrity of your management, disclose all material facts regarding those events.

The Advisor has not been named in any legal or disciplinary events since its inception that would be material to a Client's evaluation of the Advisor or its personnel. In addition, the Advisor's employees have not been named in any legal or disciplinary events in the past 10 years (and, to the best of our knowledge and belief, in years preceding that 10-year period) that would be material to a Client's evaluation of the Advisor or its personnel.

Item 10 Other Financial Industry Activities and Affiliations

If you or any of your management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, disclose this fact.

If you or any of your management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities, disclose this fact.

Describe any relationship or arrangement that is material to your advisory business or to your clients that you or any of your management persons have with any related person listed below. Identify the related person and if the relationship or arrangement creates a material conflict of interest with clients, describe the nature of the conflict and how you address it. [11 categories]

If you recommend or select other investment advisers for your clients and you receive compensation directly or indirectly from those advisers that creates a material conflict of interest, or if you have other business relationships with those advisers that create a material conflict of interest, describe these practices and discuss the material conflicts of interest these practices create and how you address them.

The Advisor is affiliated with PMA Financial Network, Inc. and PMA Securities, Inc. These entities operate under common ownership with the Advisor and are referred to in this brochure as PMA Affiliates or Affiliates. These entities are wholly owned by trusts established for Robert, Mary, Michael and Elizabeth English.

PMA Financial Network, Inc. serves as Fund administrator or operational manager for money market pools for LGIPs for which the Advisor serves as the Investment Advisor. PMA Financial Network receives a percentage of the average daily net assets of the money market portfolios for which it provides administrative services. These fees could vary based on the services requested by the Fund, and the assets under administration. PMA Financial Network serves as the Fund Administrator for the Term Series portfolios although no fees are paid to PMA Financial Network for these services.

PMA Securities, Inc. is a broker-dealer and municipal advisor registered with the SEC and Municipal Securities Rulemaking Board and is a member of FINRA and SIPC. PMA Securities serves as distributor for the money market pools for LGIPs for which the Advisor serves as the

Investment Advisor. PMA Securities generally receives a fee from these LGIP Funds based on a percentage of the average daily net assets for its distribution and marketing services for the money market portfolios. These fees may vary based on the services requested by the Fund, and the assets under administration. PMA Securities also serves as the Distributor for the Term Series portfolios although no fees are paid to PMA Securities for these services.

In addition, PMA Securities and PMA Financial Network provide a fixed income investment program for the municipal entity participants in the LGIP Funds. Under these programs, LGIP Fund participants may purchase fixed income investments directly through an Affiliate of the Advisor. While the maximum fees charged are subject to an agreement with the LGIP Advisory Client, in general, the fee schedule provides that PMA Securities may charge an annualized fee to participants of up to 0.15% for securities of the U.S. government and its agencies and municipal securities. The Fee Schedule also provides that PMA Financial Network may charge an annualized advisory and management fee of up to 0.25%. An additional fee not to exceed 0.10% on an annualized basis is paid for assets that require management and administration of collateral, letters of credit, reciprocal programs or other third-party guarantees, exclusive of any insurance costs or third-party placement fees. In addition, the Fee Schedule provides that PMA Financial Network may charge participants an annualized fee of up to 0.15% of the principal amount of an investment in commercial paper and bankers' acceptances through a fixed income program.

For additional information on the fee described above, please see the applicable Fund's Information Statement.

Related Party Transactions

The Sub-advisor of the money market Advisory Clients may, from time to time and depending on the circumstances, purchase certificates of deposit of banks and thrift institutions permitted by applicable law for the money market LGIPs through a fixed income investment program offered by the PMA Affiliates. PMA Financial Network receives a fee on any bank products or CDs purchased through the program. To avoid any potential conflicts of interest with respect to any CDs purchased for the money market pools through the program, the Advisor and the Sub-advisor have instituted procedures to facilitate that such CDs are the best available investment opportunity for the money market pool at the time of purchase. In addition, PMA Financial Network has agreed to waive the portion of the administrative fee paid by the money market pool to PMA Financial Network attributable to any CDs purchased through the program, and provides reports to the applicable Fund's Board relating to any related party transaction at the Client's quarterly Board meetings.

The Advisor or Sub-advisor may execute other transactions for Advisory Clients through the Advisor's Affiliates, PMA Securities, Inc. and/or PMA Financial Network, Inc. Advisory Clients will be informed of the relationship and any compensation agreements between the Advisor and its Affiliates and will seek the Client's consent. In the event the Affiliate earns any compensation from the transaction, the Advisor will disclose its fee schedule prior to the execution of any such transaction. Such commissions or fee might cover the cost of transaction execution, safekeeping, collateral management or third party insurance. The Advisor will advise the Advisory Clients of their ability to seek execution of transactions recommended by the Advisor through other broker-dealers. The Advisor would implement similar waivers and Board reporting to those established for related party CD Transactions.

Royalty and Sponsorship Fees

The Advisor's Affiliates pay a Royalty and Sponsorship fee to LGIP Funds or various associations that sponsor the LGIP Funds. These royalty fees are generally paid for the right and license to use the names and logos of such organizations to denote their sponsorship of PMA LGIP programs. These royalty fees, which are typically based on total assets under administration in the money market and Term Series pools of the applicable Fund, including assets in an

associated fixed income investment program, are disclosed in the applicable Fund's Information Statement.

As more fully described in the Form ADV, Part 2B, the Advisor's management personnel are employed by PMA Financial Network and, except for the Chief Investment Officer, are registered representatives of PMA Securities.

Robert J. English, Chairman

Mr. Robert English is involved in the oversight of operational and management aspects of the Advisor and its two affiliated and commonly owned firms. Mr. Robert English currently has a FINRA Series 7, 24, 27, 63, and 65. Prior to his involvement with the PMA Affiliates, Mr. Robert English gained nearly twenty years of experience in the public sector with various positions held in Illinois community colleges. Additionally, Mr. Robert English served as an adjunct professor at Northern Illinois University in the area of school business management.

James O. Davis, Chief Executive Officer

Mr. Davis is involved in all operational and management aspects of the Advisor and its two affiliated and commonly owned firms, including PMA Securities. Functions performed include: trading and portfolio analysis, economic analysis, marketing and sales, regulatory compliance and back office operations. Mr. Davis is a registered representative with PMA Securities and currently has a FINRA Series 7, 24, 63, 65 and 99.

Michael R. English, President

Mr. Michael English oversees such projects as directed by the Chief Executive Officer. Mr. Michael English is a registered representative with PMA Securities and currently has a FINRA Series 7, 24, 27, 53, 63, 65 and 99.

John M. Huber, Chief Investment Officer

Mr. Huber joined Prudent Man Advisors in October 2013 as its Chief Investment Officer. In this role, he leads the Advisor's asset management business and investment process. Mr. Huber is registered as an investment adviser representative in Florida, Illinois, Minnesota and Wisconsin. Mr. Huber is a Chartered Financial Analyst (CFA).

Lori A. Ragus, General Counsel and Chief Compliance Officer

Ms. Ragus joined the Advisor and its affiliated firms in December 2009. She oversees the legal and compliance department. Ms. Ragus is a registered representative with PMA Securities and currently has a FINRA Series 7, 24, 53, 66 and 99.

Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

If you are an SEC-registered advisor, briefly describe your code of ethics adopted pursuant to SEC rule 204A-1 or similar state rules. Explain that you will provide a copy of your code of ethics to any client or prospective client upon request; If you or a related person recommends to clients, or buys or sells for client accounts, securities in which you or a related person has a material financial interest, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise. If you or related person invests in the same securities (or related securities, e.g., warrants, options or futures) that you or a related person recommends to clients, describe your practice and discuss the conflicts of interest this presents and generally how you address the conflicts that arise in connection with personal trading; If you or related person recommends securities to clients, or buys or sells securities for clients accounts, at or about the same time that you or a related person buys or sells the same securities for your own (or the related person's own) account, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.

Code of Ethics

The Advisor and its Affiliates have adopted, maintain and enforce a joint Code of Ethics which applies to all Associated Persons for the PMA Affiliates. As a summary, the Code emphasizes that all Associated Persons have an obligation to perform their job lawfully, honestly and ethically. In particular, the Code requires Associated Persons to comply with the Federal securities laws and adhere to certain standards of business conduct. In addition, as an investment adviser to LGIP Advisory Clients, the Advisor and its Associated Persons: must act in a fiduciary capacity and carry out their duties such that they place the Advisory Clients interest ahead of their personal interests; avoid conflicts of interest and the appearance of any conflict with the Advisory Clients; and conduct their personal transactions in a manner which do not interfere with the Advisory Clients' portfolio transactions. The Code specifically prohibits violations of the antifraud provisions, including insider trading and the misuse of material non-public information or customer information.

The Code also requires that Associated Persons disclose Outside Business Activities to the Advisor for approval. In particular, Associated Persons are required to disclose to the Advisor, in writing, any outside business activities prior to engaging in such activity. Outside business activities may include a wide range of activities including, but not limited to, employment with an outside entity, acting as an independent contractor to an outside party, serving as an officer, director, or partner or acting as a finder, and receiving other compensation for services rendered outside the scope of employment with the Advisor.

The Code also prohibits the giving or receipt of certain gifts and gratuities. Gifts of anything of value and gratuities to anyone relating to the PMA Affiliates' businesses are limited to \$100 per year per person. This limitation does not include reasonable business entertainment. Anything of value given to a person that is not defined as business entertainment is a gift.

Personal Securities Transactions--Reporting Requirements

The Code also provides for certain Associated Persons referred to as "PMA Reporting Persons" to report any personal securities holdings and transactions in which they have a direct or indirect beneficial interest to PMA, and provides for certain restrictions and pre-clearance requirements relating to any personal securities transactions. PMA Reporting Persons include any supervised person who has access to non-public information regarding an Advisory Client's purchase or sale of securities, is involved in making securities or other investment recommendations to Advisory Clients or who has access to such Advisory Clients' recommendations that are nonpublic. FINRA registered personnel of PMA Securities are also subject to this reporting requirement.

PMA Reporting Persons are obligated to promptly provide a current list of all Covered Accounts and Covered Securities or a copy of all current account statements for Covered Accounts with Covered Securities. Covered Accounts include all accounts in the name of the PMA Reporting Person or in which such reporting person has a Beneficial Ownership. Thus, a PMA Reporting Person should consider himself or herself the beneficial owner as further defined in the Code of securities held by his or her spouse, minor children, a relative who shares his or her home or other persons by reason of any contract, arrangement, understanding or relationship that provide him or her with sole or share voting or investment power. Moreover, PMA Reporting Persons do not need to submit accounts over which they have no direct or indirect control, pursuant to an automatic investment program. Covered Securities generally include all securities except direct obligations of the Government of the United States, bankers' acceptances, deposit products, commercial paper and high-quality short-term debt instruments, including repurchase agreements, and shares issued by money market funds and open-end funds (or unit investment trusts that are invested exclusively in one or more open-end funds).

Every PMA Reporting Person is required to provide duplicate account statements and transaction confirmations for any account that holds Covered Securities in which the PMA Reporting Person has a direct or indirect beneficial interest, and agrees to assist PMA in obtaining these documents directly from the broker-dealer, bank or other financial institution.

PMA Reporting Persons are subject to the following trading restrictions:

- No PMA Reporting Person may purchase or sell a security or otherwise effect a transaction in an account in which he has a beneficial interest, directly or indirectly, in any security listed on a Restricted Securities List distributed by Compliance.
- No PMA Reporting Person may execute a personal securities transaction, directly or indirectly, in any Covered Security when such person knows that the security is: (a) being considered for purchase or sale by an Advisory Client; or (b) being purchased or sold by an Advisory Client.
- PMA Reporting Persons may not acquire any security in an initial public offering other than an initial public offering in a registered investment company fund or any other exemption under FINRA Rule 5130.
- PMA Reporting Persons must pre-clear any personal trades in municipal securities of any issuer located in a state in which PMA has an office with more than two Associated Persons.

All transactions will be reviewed for compliance with the provisions of the Code.

In addition, on an annual basis, every Associated Person is required to (1) certify that he or she has read the Code, (2) acknowledge his or her understanding of and compliance with the Code, and (3) confirm certain other provisions of the Code. The Code provides for reporting of Code violations, sanctions, record retention, and a review of the Code on an annual basis.

A copy of the Code of Ethics is available for review upon request.

Participation or Interest in Client Transactions and Personal Trading

PMA's Code of Ethics prohibits a PMA Reporting Person from executing a personal securities transaction, directly or indirectly, in any Covered Security when such person knows that the security is: (a) being considered for purchase or sale by an Advisory Client; or (b) being purchased or sold by an Advisory Client.

The Advisor and its Associated Persons do not recommend to Clients, or buy or sell, securities in which the Advisor or a related person has a material financial interest.

Item 12 Brokerage Practices

Describe the factors that you consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g. commissions).

Selection of Broker-Dealers

The Advisor utilizes an Approved Counterparty List for the Advisor's trading activity. All fixed income security transactions shall be executed with counterparties on the Approved Counterparty List. Broker-dealers are considered for inclusion on the Approved Counterparty List after considering a variety of factors, including but not limited to: execution capabilities, investment ideas, research capabilities, accessibility of trading personnel, responsiveness and financial responsibility. Adding or removing broker-dealers from the Approved Counterparty List requires approval by the Chief Investment Officer via email. The Prudent Man Advisory Committee ("PMAC")(which consists of the Chief Investment Officer, the Chief Executive Officer, the President and Portfolio Managers) ratifies the Approved Counterparty List on a quarterly basis and provides oversight as appropriate.

The selection of these trading partners is not influenced by any services or benefits offered to the Advisor or its Affiliates. Any Advisory Client may restrict the Advisor or Sub-advisor from purchasing investment products through an Affiliate of the Advisor. Neither the Advisor nor its affiliated broker-dealer maintains an inventory of securities. The Advisor may trade through its broker-dealer affiliate, PMA Securities, Inc. to execute the transaction. In that case, PMA Securities will not charge a transaction fee.

Soft Dollars

If you receive research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions ("soft dollar benefits"), disclose your practices and discuss the conflicts of interest they create.

The term "soft dollars" refers to a means of paying brokerage firms or other third parties for products and services through commission revenue, based on the volume of brokerage commission revenues generated from securities transactions executed through brokers by an investment manager on behalf of advisory clients. The Advisor does not have any soft dollar arrangements. For the sake of clarification, the Advisor uses research to assist us in making our investment decisions, not just for those accounts whose fees may be considered to have been used to pay for such research. However, such research products and services are provided to all investment advisers who utilize these firms, and are not necessarily considered to be paid for with soft dollars.

Client Referrals:

If you consider, in selecting or recommending broker-dealers, whether you or a related person receives client referrals from a broker-dealer or third party, disclose this practice and discuss the conflicts of interest it creates.

The Advisor does not use client brokerage to compensate or otherwise reward brokers for client referrals.

Directed Brokerage:

If you routinely recommend, require or require that a client direct you to execute transactions through a specified broker-dealer, describe your practice or policy. Explain that not all advisers require their clients to direct brokerage. If you and the broker-dealer are affiliates or have another economic relationship that creates a material conflict of interest, describe the relationship and discuss the conflicts of interest it presents. Explain that by directing brokerage you may be unable to achieve most favorable execution of client transactions and that this practice may cost clients more money.

If you permit a client to direct brokerage, describe your practice. If applicable, explain that you may be unable to achieve most favorable execution of client transactions. Explain that directing brokerage may cost clients more money. For example, in a directed brokerage account, the client may pay higher brokerage commissions because you may not be able to aggregate orders to reduce transaction costs, or the client may receive less favorable prices.

The Advisor has discretion to select the broker-dealers for Advisory Clients and currently does not permit clients to direct brokerage. If a client were to require that the Advisor direct brokerage trades through a particular broker-dealer, the Advisor would advise that it may be unable to obtain the most favorable execution of client transactions if the client directs brokerage and that directing brokerage may be more costly for clients.

Trade Aggregation:

Discuss whether and under what conditions you aggregate the purchase or sale of securities for various client accounts. If you do not aggregate orders when you have the opportunity to do so, explain your practice and describe the costs to clients of not aggregating.

When the Advisor trades the same security on the same day for multiple client accounts, the Firm may group or aggregate the orders, which may reduce transaction costs.

Best Execution:

Advisor personnel pursue best execution when trading unless specifically directed otherwise by the client. In general, Adviser personnel attempt to obtain three or more bids or offers when transacting a security. At times, however, it may be difficult or impossible to find multiple offerings or bids for a security. In those instances, fewer offerings or bids are acceptable. In certain instances, an order may need to be worked at a pre-determined level with a specific broker-dealer. In all cases, the Advisor pursues best execution.

Highly liquid sectors are generally executable (or prices are visible) on an electronic platform and competitive execution is more easily achievable. Less liquid sectors will more likely get executed outside of electronic exchanges. Order size (trade amount) may also be an important consideration in order to receive best execution for our clients.

The Advisor maintains the following documentation and records relating to best execution:

- Order / Trade Notation of Offer / Bid / Order Levels
- Electronic trading best execution data are maintained in Tradeweb, MarketAxess, Bloomberg or other ETN's.
- Trades files are reviewed by the CIO on a regular basis. Trade activity is also reviewed at PMAC meetings.

Compliance will conduct a periodic review of sample transactions to determine whether or not the best available price was obtained.

Allocation of Investment Opportunities:

The Advisor has clients with a variety of investment objectives and investment policies. PMA shall allocate purchases to and sales from client portfolios in a manner that is fair to all clients given these objectives and policies. Certain client portfolios allow different types of securities given clients' benchmarks and/or investment restrictions. To the extent possible, the Advisor will identify and consider all portfolios having a fit and need for a particular security when determining which securities are allocated to which portfolios.

Investment professionals use discretion over the securities that are purchased for and sold from client portfolios unless directed otherwise by the client. When a Portfolio Manager identifies a possible investment decision, the professional must consider multiple factors, such as:

- The security's fit with various aspects of the portfolio, including but not limited to:
 - Client guidelines: some client guidelines restrict the allocation to particular security types. Some clients' investment policies also have requirements regarding maturity, duration and benchmarks.
 - Investment styles: portfolios within the same investment mandate are managed similarly. For example, securities that are purchased for certain mandates may not be consistent with other fixed income solutions.
 - The Advisor's investment process: professionals manage portfolios' active risk exposure to sectors, issuers, security types and individual securities.
- Each portfolio's need for the security, including but not limited to the following areas:
 - Cash: portfolios with large available cash positions (including new accounts) may receive priority over those fully invested.
 - Duration: portfolios may need longer or shorter duration.
 - Sectors and security types: portfolios may need increased or decreased exposure to certain sectors or security types.
 - Security characteristics.
 - Portfolio position (securities that impact a particular portfolio target).
- The size of portfolio positions may deserve consideration when a purchase addresses the needs of many or only a few portfolios due to size.
- Security-level minimum denomination requirements may also be a factor in the allocation decision.
- Liquidity and hedging considerations.

When the Advisor sells securities to meet client cash flow or duration needs, there are no allocation issues. When sales are based on relative value decisions versus competing alternatives, it is the Firm's objective to make sales across the range of accounts holding the security, as long as the alternatives comply with client objectives, gain or loss constraints or other client-specific restrictions.

If the Firm seeks to sell a security due to a change in the security's characteristics or credit risk, the entire position may be put out for bid. In some cases, the entire position may not be sold in one transaction due to market conditions, client considerations or may not be sold at all.

The Advisor will allocate trades given client-specific needs and restrictions, which can limit our ability to simultaneously sell the security from all portfolios holding it. All else being equal and to the extent possible, the Firm will allocate trades on a prorated basis.

Review of Brokerage Practices

The Advisor will conduct a review of its brokerage practices regarding the items discussed below, and will test the implementation of its procedures as part of the Advisor's annual supervisory review. To the extent a Sub-advisor is engaged, the Advisor will conduct a review of the Sub-advisor's brokerage practices regarding selected items discussed below, and will test the implementation of its procedures as part of the Advisor's annual supervisory review process.

Item 13 Review of Accounts

Indicate whether you periodically review client accounts or financial plans. If you do, describe the frequency and nature of the review and the titles of the supervised persons who conduct the reviews. If you review client accounts on other than a periodic basis, describe the factors that trigger a review. Describe the content and indicate the frequency of regular reports you provide to clients regarding their accounts. State whether these reports are written.

The Advisor and its Affiliates periodically reviews the Advisory Client portfolios. In particular, the Chief Investment Officer and Compliance departments have implemented controls and regularly review Portfolio holdings for compliance with applicable state statutes, Investment Policies and other applicable requirements. The PMAC also reviews portfolio risk positioning and relative performance.

In addition, for money market pools, the Fund Administration and Compliance departments review on a weekly basis compliance with mark-to-market directives and weighted average maturity and the Fund Administration department provides weekly data on the money market LGIPs to the applicable rating agency.

Advisory Clients receive regular investment reports. Generally, the frequency of the reports will be no less than quarterly, unless the Client instructs otherwise. Reports will include asset allocation, individual investment data, monthly and annual investment performance data, and other account related or general economic and market information as appropriate. These reports also include a report reflecting compliance with the investment holdings and restrictions.

For money market pools in which the Advisor manages the assets, the Advisor monitors the pool's assets for any credit concerns during such time as the LGIP holds such assets. For money market pools which are managed by a Sub-advisor, assets are monitored for any credit concerns by the Sub-advisor, with oversight from the Advisor.

The assets in a Term Series portfolio are designed to be held until maturity. These assets and any collateral are monitored for any credit concerns during the term of the pool by the Advisor or an affiliate.

Item 14 Client Referrals and Other Compensation

If someone who is not a client provides an economic benefits to you for providing investment advice or other advisory services to your clients, generally describe the arrangement, explain the conflicts of interest, and describe how you address the conflicts of interest. For purposes of this item, economic benefits include any sales awards or prizes. If you or a related person directly or indirectly compensates any person who is not your supervised person for client referrals, describe the arrangement and the compensation.

The Advisor does not have any arrangements where it is paid cash or receives some benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to Advisory Clients.

The Advisor also does not have any arrangements where it directly or indirectly compensates any person for client referrals. Affiliates of the Advisor provide services for the Advisor in marketing the services of the affiliated entities.

Item 15 Custody

If you have custody of client funds or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to your clients, explain that clients should carefully review those statements. If our clients also receive account statements from you, your explanation must include a statement urging clients to compare the account statements they receive from the qualified custodian with those they receive from you.

Separate Accounts

The Advisor does not have custody over any separate account Advisory Client funds or securities. The Advisor maintains these client funds and securities with a “qualified custodian” selected by such client. Clients should receive at least quarterly statements from their qualified custodian that holds and maintains client assets. Clients are encouraged to contact their custodian and request copies of their statements if they are not receiving them. The account values reflected in the Advisor’s client reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities and are not intended as a substitute for accounts statements provided by your qualified custodian. The Advisor provides clients with monthly or quarterly client reports depending on the terms of our agreement.

LGIP and Term Series

The Advisor maintains LGIP Advisory client funds and securities with a “qualified custodian.” These qualified custodians are the bank custodians for the Advisory Client LGIPs.

Unless otherwise stated in the Investment Advisory agreement, the Advisor would have access to assets in the LGIP portfolios even though these assets are maintained with a qualified custodian because the Advisor through its affiliate, PMA Financial Network, as administrator or operational manager for an Advisory Client, has the ability to direct those assets as a part of its services to Advisory Clients. For instance, PMA Financial Network, Inc., as the administrator for the money market and Term Series pools, wires funds as directed by the Advisor, Sub-Advisor, or Fund Participants, and otherwise pays Fund expenses and issues checks for the Funds. In addition, the Advisor as Investment Adviser to a money market pool or the LGIP Term Series pools, may direct the administrator/operational manager to transfer funds to make investments for such pools, and may direct proceeds of matured investments for further investments or redemptions.

Participants in the LGIPs do not receive statements from the LGIP custodian. Instead, the LGIPs are subject to an annual audit and the audited financial statements are distributed to each LGIP participant. The audited financial statements are prepared in accordance with U.S. generally accepted accounting principals by a firm registered with the Public Company Accounting Oversight Board and are distributed by the LGIP to participants within 120 days of the respective Fund’s fiscal year end. The audits cover both the money market and Term Series pools.

In addition, the Advisor has adopted and implemented written policies and procedures reasonably designed to prevent violations of the federal securities laws, including the safeguarding of client assets from conversion or inappropriate use by Advisory personnel and others. These safeguards include, among other things, conducting background checks on Advisory personnel, requiring multiple authorizations to approve wire transfers and the movement of assets, and undergoing a periodic audit over the internal control surrounding Fund Administration (SOC No. 1 audit), including the safekeeping of Advisory Client assets.

Item 16 Investment Discretion

If you accept discretionary authority to manage securities accounts on behalf of clients, disclose this fact and describe and limitations clients may (or customarily do) place on this authority. Describe the procedures you follow before you assume this authority (e.g. execution of a power of attorney).

A contract between each Advisory Client and the Advisor outlines specific guidelines for the types of securities and maturities that can be bought and sold for a specific portfolio. Within the restrictions and guidelines of the contract, the Advisor is granted authority to determine the securities and amounts bought or sold without obtaining client consent for each transaction. Advisory Clients may place limitations on this discretion in the Advisory Agreement.

For money market pools for the Advisory Clients, investment decisions are made on a discretionary basis by the Advisor or Sub-advisor. For the Term Series pools, the standard process is that the pools are established by the governing body of the Client through the execution of a Certificate of Designation (or other corporate oversight). The Advisor has such discretionary authority as delegated to the Advisor or as set forth in the Certificate of Designation, although Clients may impose additional limitations on investment authority by requiring pre-investment approval or other limitations through the Certificate of Designation applicable to the particular Term Series pool. Advisory Clients may also establish Term Series pools without investment discretion.

Item 17 Voting Client Securities

If you have, or will accept, authority to vote client securities, briefly describe your voting policies and procedures, including those adopted pursuant to SEC rule 206(4)(6). Describe whether (and if so, how) your clients can direct your vote in a particular solicitation. Describe how you address conflicts of interest between you and your clients with respect to voting their securities. Describe how clients may obtain information from you about how you voted their securities. Explain to clients that they may obtain a copy of your proxy voting policies and procedures upon request; If you do not have authority to vote client securities, disclose this fact. Explain whether clients will receive their proxies or other solicitations directly from their custodian or a transfer agent or from you and discuss whether (and, if so, how) clients can contact you with questions about a particular solicitation.

The Advisor's intent is to ensure that the Advisory Clients' best interests are represented at all times. Proxy votes are the property of the Advisor's Advisory Clients. As such, the Advisor's authority and responsibility to vote such proxies depend upon its contractual relationships with its clients.

The contractual authority could include the voting of any proxies received for securities held in the Clients' portfolios. While the money market pools and Term Series pools are generally limited to fixed income products and the need to vote proxies is not likely, the Advisor will seek direction on voting all proxies. If a client does not provide such direction, the Advisor will act in accordance with its fiduciary duty to the client. These procedures would be followed in the unlikely event that there is a security for which proxy voting is required.

In the event there is a Sub-advisor, the responsibility for proxy voting for the money market portfolios for such Advisory Clients lies with the Sub-advisor. Thus, on an annual basis, the Advisor shall review the Sub-advisor's procedures related to proxy voting to ensure that, if applicable, the Sub-advisor is compliant with the Fund restrictions and is acting in the Funds' best interests.

Item 18 Financial Information

If you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, include a balance sheet for your most recent fiscal year; If you have discretionary authority of custody of client funds or securities, or you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, disclose any financial condition that is reasonably likely to impair your ability to meet contractual obligations.

The Advisor has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage Advisory Client accounts.

Risk Disclosure Appendix

Active Management Risk. The portfolio is actively managed. The Adviser and each individual portfolio manager will apply investment techniques and risk analyses in making investment decisions, but there can be no guarantee that these decisions will produce the desired results.

Call Risk. The possibility that during periods of falling interest rates, a bond issuer will “call” – or repay – a high-yielding bond before its maturity date. If a security is called, the proceeds may have to be reinvested at lower interest rates resulting in a decline in income.

Concentration Risk. Investments are expected to be closely tied to a specific name, industry, or benchmark. As a result, performance may be more volatile than the performance of a portfolio that does not concentrate its investments in a particular economic industry or sector.

Counterparty Risk. The possibility that a counterparty could fail, or a clearinghouse, guarantor or any service provider to the portfolio. The inability or unwillingness of others to honor obligations could result in credit losses incurred from late payments, failed payments and default. In times of general market turmoil, even large, well-established financial institutions may fail rapidly with little warning.

Equity Risk. The possibility of financial loss involved in holding equity in a particular investment. Historically, the values of some or all equity investments may change in response to the economic or market environment. If the economic environment is deteriorating or the market is uncertain, the values of equities will generally fall and vice versa. In general, equities present substantially higher risk than fixed income investments.

General Economic and Market Conditions Risk. The success of the portfolio's investment program may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of investments. Unexpected volatility or illiquidity could impair profitability or result in losses.

Government Intervention in Financial Markets Risk. Instability in the financial markets has led the U.S. Government to take unprecedented actions to support certain financial institutions and certain segments of the financial markets that experienced extreme volatility. Regulatory organizations may take future legislative or regulatory actions that may affect the operations of a portfolio or its investments or preclude a portfolio's ability to achieve its investment objective.

Government Obligations Risk. Obligations of U.S. Government agencies, authorities, instrumentalities and sponsored enterprises (such as Fannie Mae and Freddie Mac) have historically involved little risk of loss of principal if held to maturity. However, the maximum potential liability of the issuers of some of these securities may greatly exceed their current resources and no assurance can be given that the U.S. Government would provide financial support to any of these entities if it is not obligated to do so by law. In September 2008, the U.S. Treasury and the FHFA announced that Fannie Mae and Freddie Mac would be placed into a conservatorship under FHFA. The effect that this conservatorship will have on the entities' debt and securities guaranteed by the entities is unclear.

Interest Rate Risk. The values of some or all investments may change in response to movements in interest rates. If interest rates rise, the values of debt securities will generally fall and vice versa. In general, the longer the average maturity or duration of an investment portfolio, the greater the sensitivity to changes in interest rates.

Issuer/Credit Risk. The possibility that issuers of securities may default on the payment of interest or principal on the securities when due, which would cause a portfolio to lose money.

Liquidity Risk. Investments in illiquid securities or repurchase agreements with maturities longer than seven days may be difficult or impossible to sell at desirable prices due to lack of marketability.

Market Risk. One or more markets in which the portfolio invests may go down in value, sometimes sharply and unpredictably, and the value of the securities may fall or fail to rise. Market risk may affect a single issuer, sector of the economy, industry or the market as a whole. The success of a portfolio's investment program may be affected by general economic and market conditions. These conditions may affect the level and volatility of securities prices and the liquidity of investments. Unexpected volatility or illiquidity could impair profitability or result in losses.

Prepayment Risk. The value of some mortgage-backed and asset-backed securities may fall because of unanticipated levels of principal prepayments that can occur when interest rates decline. Principal and interest payments on such securities depend on payment of the underlying loans, though issuers may support creditworthiness via letters of credit or other instruments.