



August 11, 2011

Dear Client:

As you are aware, Standard & Poor's ("S&P") took the unprecedented action of downgrading the U.S. government long-term debt rating from AAA to AA+ on August 5, following the approval by Congress and the President to increase the debt ceiling limit on August 2. S&P's outlook remains negative. Importantly, S&P affirmed the short-term debt rating of the U.S. government at A-1+. Please also note that Moody's has affirmed the Aaa long-term rating of the U.S. government with a negative outlook on August 2. Fitch also affirmed the AAA rating, however, noted that it is still reviewing the rating and should complete the review in about a month.

Impact from downgrade:

- Money market (2a-7) funds **are not** forced sellers of U.S. government securities. The U.S. government short-term rating was affirmed at A-1+, and its securities are still considered First Tier and defined as "securities rated in the highest short-term category and any U.S. government security".
- Ratings for select U.S. Government Related Entities were also lowered by S&P from AAA to AA+. These include Fannie Mae, Freddie Mac, 10 of 12 Federal Home Loan Banks, senior debt issued by the FHLB system, senior debt issued by the Federal Farm Credit Banks, and debt issued under the Temporary Liquidity Guarantee Program ("TLGP") and the Temporary Corporate Credit Union Guarantee Program ("TCCUGP"). The short-term ratings were affirmed at A-1+.
- S&P may still assign a AAA rating to some state and local governments depending on the linkage and funding interdependencies with the federal government.

As we had anticipated, the U.S. Treasury obligations remain the "risk free" standard for investors, and indeed, U.S. Treasury securities have rallied strongly following the downgrade. We maintain our view that the United States remains the most diverse and dominant economy in the world and will continue to attract both global and domestic interest in its debt obligations.

As the market continues to digest these developments, we remain focused on achieving the long term, repeatable investment performance and client service you expect from Cutwater. On behalf of all my colleagues at Cutwater, I would like to once again thank you for the confidence and trust you have placed with our firm and for selecting us as your investment manager. As always, please contact your Cutwater representative if you would like to discuss your portfolio-specific situation.

Best Regards,

Cliff Corso
Chief Executive Officer and Chief Investment Officer