

# Carlson School Fixed Income Fund

Investment Review - March 2008

## Market & Sector Commentary

The first quarter of 2008 was a very strong one, the best gross return relative to the index since inception, to be precise. The CSFIF returned 384 bp (gross of fees) (371 bp net) versus the index's 300 bp. Quarter one saw historic action by the Federal Reserve in continued attempts to mitigate the ongoing credit crunch. The decisive action to assist in the sale of Bear Stearns to JP Morgan is still being debated today. The economy has taken a clear turn for the worse as recent employment figures have finally indicated economic pains are reaching the job market. While inflation overall appears tame, commodity prices (especially oil) remain at elevated levels--eroding future bond returns.

### Treasuries

The fund's treasuries lead the charge in terms of relative outperformance (4.99% versus the index's 4.11%). The quarter witnessed an overall downward shift in the yield curve in response to the Fed rate cuts. Most of the action, however, was restricted to the 0-5 yr maturity range. The Fund's treasury allocation overall has been longer than the index, further boosting returns as yields have fallen. In March, we undertook a series of trades to further extend our treasury duration exposure.

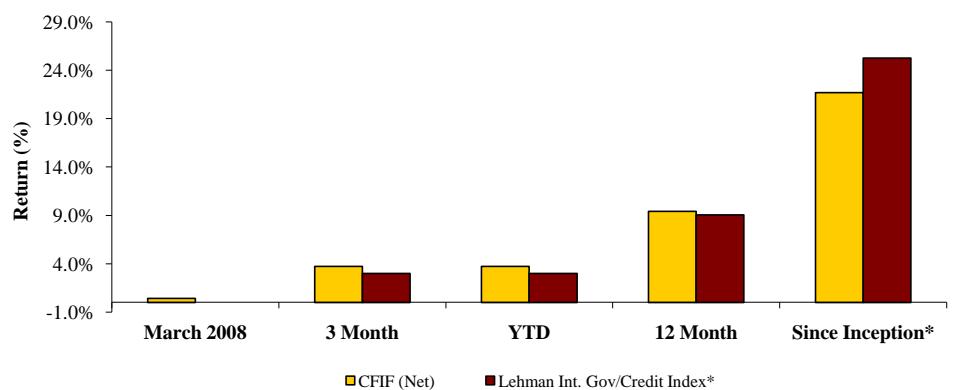
### Agencies

The housing market continues to worsen for sellers. This quarter also saw an increase in the loan limits permitted by Fannie Mae and Freddie Mac. Agency spreads widened significantly in the beginning of March, but pulled back in towards the end of the month. The Fund's agency bonds also outperformed the index, returning 334 bp versus the index's 324. March's agency return of 112 bp versus the index's 55 bp was by far the strongest contributor to the Fund's agency performance.

### Corporates

Corporate spreads widened over the 1st quarter. A-rated bonds began the quarter at roughly 200 bp and finished up closer to 300. BBB-rated bonds also widened over the quarter--from 242 to 358 bp. The Fund migrated to be overweight corporate holdings in December of 2007, yet our corporate bonds still returned 264 bp versus the index's 129 bp. The Fund's lack of exposure to the financial sector and higher quality bias resulted in a strong relative outperformance. This strong outperformance, combined with our overweight bias in corporate bonds was the top contributor to the Fund's outperformance in the 1st quarter.

## Monthly Investment Performance



	March 2008	3 Month	YTD	12 Month	Since Inception*
CFIF (Net)	0.41%	3.71%	3.71%	9.43%	21.70%
CFIF (Gross)	0.45%	3.84%	3.84%	10.04%	24.85%
Lehman Int. Gov/Credit Index*	-0.01%	3.00%	3.00%	9.06%	25.26%

\*Inception: 3/1/03

## Portfolio Characteristics

	Portfolio	Lehman Intermediate Gov/Credit*
Weighted Average Quality	A	A
Effective Duration	3.78 Years	3.83 Years
Total Assets	\$ 15,580,501	
Corporate Sector		
Financial	32.0%	48.5%
Industrial	59.5%	43.2%
Utilities	8.5%	8.3%

\* Benchmarked to Lehman Intermediate Aggregate from Inception to 10/06, Intermediate Gov/Credit thereafter

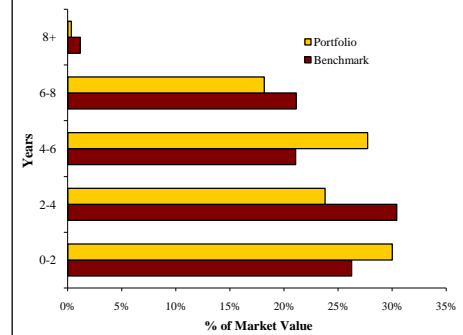
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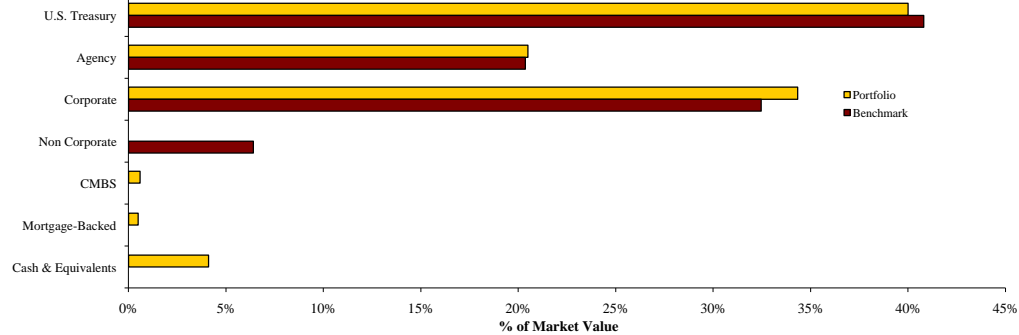
## Sector Distribution

Portfolio	Current Market Value (\$)	Effective Duration	Benchmark Duration	% of Portfolio Market Value	% of Benchmark Market Value	% of Portfolio Duration	% of Benchmark Duration	DV01 Differential
U.S. Treasury	\$6,240,995	4.16	3.70	40.0%	40.8%	44.0%	39.4%	240
Agency	\$3,197,989	2.57	2.96	20.5%	20.4%	13.9%	15.7%	(117)
Corporate	\$5,357,771	4.58	4.48	34.3%	32.5%	41.6%	37.9%	185
Non Corporate	-	-	4.18	0.0%	6.4%	0.0%	7.0%	(417)
CMBS	\$92,571	1.83	0.00	0.6%	0.0%	0.3%	0.0%	17
Mortgage-Backed	\$77,550	1.02	0.00	0.5%	0.0%	0.1%	0.0%	8
Cash & Equivalents	\$639,347	-	0.00	4.1%	0.0%	0.0%	0.0%	0
<b>Total Market Value</b>	<b>\$15,606,222</b>	<b>3.78</b>	<b>3.83</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>\$ (85)</b>

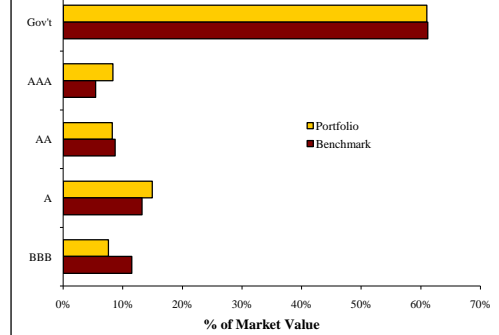
## Duration Distribution



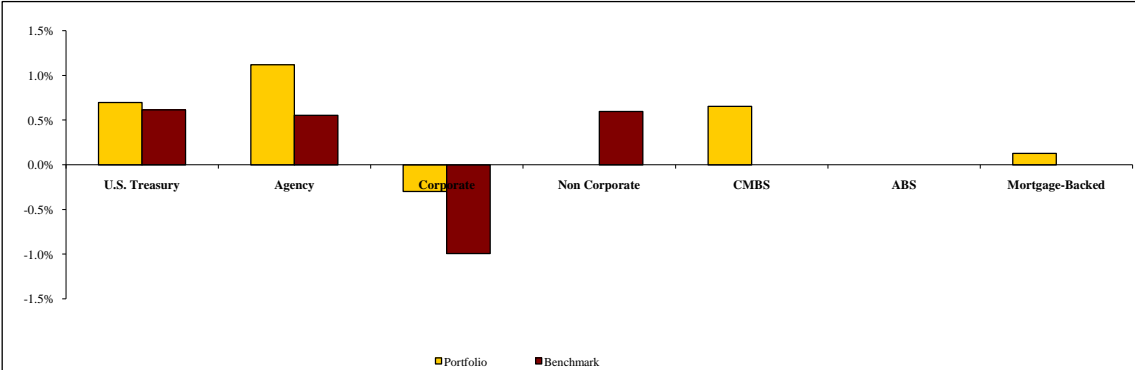
## Sector Distribution



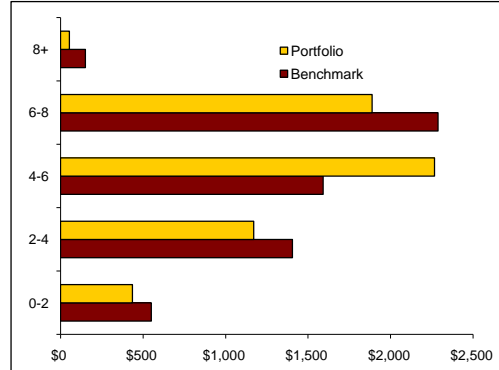
## Quality Distribution



## Performance by Sector (%)



## Duration Distribution (DV01)



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The Carlson School Fixed Income Fund (CFIF) is a Minnesota Limited Liability Company ("LLC") established in 2003 with initial contributions from the CFIF's corporate partners. Each party contributing to the CFIF is doing so as a civic undertaking to further the practical education of participating students at the Carlson School of Management at the University of Minnesota.

The inception date of the CFIF is March 1, 2003. All performance figures labeled "Since Inception" use March 1, 2003 as the inception date. Performance figures are not annualized and are net of all fees and expenses. The CFIF has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS). GIPS has not been involved with the preparation or review of this report.

In October 2006, the CFIF adopted the Lehman U.S. intermediate Government - Credit Index as its index for purposes of comparative returns reporting. The CFIF believes that the characteristics of this benchmark most closely resemble that of the CFIF portfolio. Prior to October, 2006 the CFIF used the Lehman U.S. Intermediate Aggregate Bond Index ("Lehman Intermediate") as its benchmark index for purposes of comparative returns reporting.

The presentation of past performance figures is done for historical purposes and is not meant to be a prediction of future performance.