

Carlson School Fixed Income Fund

Investment Review - September 2009

Market & Sector Commentary

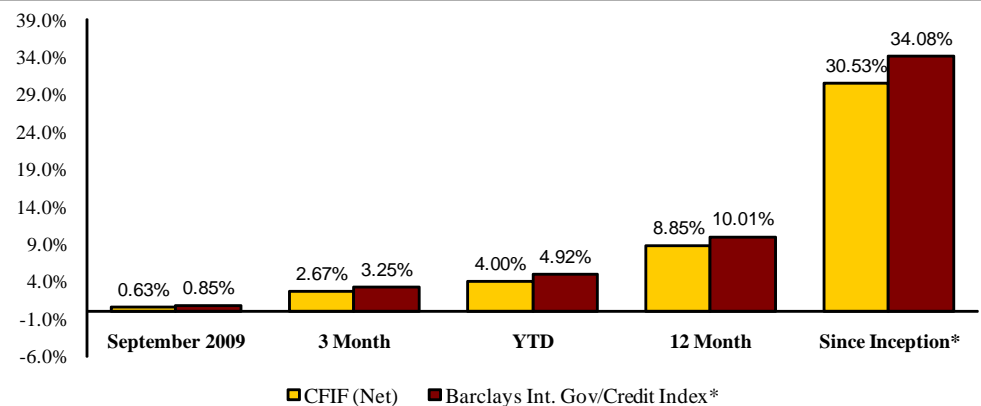
The Carlson Fixed Income Fund produced a gross return of 2.81% in Q3 vs the return on the benchmark index of 3.25%. The ongoing improvement in economic news and the consequent stock market rise of 15% across all three major indices for the quarter created a positive backdrop for credit assets in Q3. The difference in performance reflects the lower risk in our portfolio. The Fund's average credit quality of "A" compared to "A-" average for the benchmark is one indicator of the limited risk exposure. The Fund's duration of 3.50 throughout all but the last week of the quarter compared to the index 3.89 also contributed to our underperformance. Alongside our strategy to gain yield we purchased Pacific Gas & Electric maturing in 2017.

We continue to move our duration closer to neutral, and focus on our position on the curve to enhance yield as we go into Q4, as we are confident the rates will remain unchanged for the next 6 months. This strategy will allow us to position ourselves opportunistically for rolling down the curve given the current steepness. The 2yr/10 yr Treasury spread ended the quarter at 236, only slightly less than 242 at the end of Q2. It is our view is we will not see major movements in the 2yr/10 yr spread in the next quarter.

Our outlook views the economy as slowly recovering. While the wave of economic indicator news in the last three weeks of the quarter was a mixed bag, from the highest GDP growth of 3.2% for the past 2 years, to the rising total unemployment and a surprise contraction of Midwest business activity (Chicago PMI), we believe the general level of economic activity will continue improving. The effects of the federal stimulus package are beginning to show ('cash for clunkers' program as an example), new corporate debt issuance increased significantly in Q3 and financial institutions resumed hiring.

Our top three performers over the quarter were Johnson Controls, Ace Inc Holdings and J.P.Morgan Chase. While the fund's corporate holdings had one of their most profitable quarters on record, gaining 406 bps, we significantly underperformed in relation to the benchmark's gain of 617 bps in this sector. The fund's yield of 3.65% is trailing the benchmark's yield of 4.45%. This can be attributed to the fund's relatively higher quality names and the slightly lower duration within the sector: 4.33 years vs. the index's 4.49 years. With the significant tightening of corporate spreads during Q3, these attributes acted as a hindrance to the fund's performance. The fund is currently moderately overweight in the corporate sector: 35.7% vs. the index's 29.6%. Within the corporate sector, the fund has maintained a sector distribution that is very similar to the benchmark: 36% Financial, 52% Industrial, and 12% Utilities.

Monthly Investment Performance



	September 2009	3 Month	YTD	12 Month	Since Inception*
CFIF (Net)	0.63%	2.67%	4.00%	8.85%	30.53%
CFIF (Gross)	0.67%	2.81%	4.40%	9.41%	34.92%
Barclays Int. Gov/Credit Index*	0.85%	3.25%	4.92%	10.01%	34.08%

*Inception: 3/1/03 Benchmarked to Lehman Int. Agg from Inception to 10/6, the Lehm Int. Gov/Credit thereafter until renamed Barclays Int. Gov/Credit Index 9/8

Portfolio Characteristics

	Portfolio	Barclays Intermediate Gov/Credit
Weighted Average Quality	A	A-
Effective Duration	3.70 Years	3.89 Years
Effective Yield	2.45%	2.68%
Total Assets	\$ 16,275,307	
Corporate Sector		
Financial	35.6%	40.1%
Industrial	52.0%	50.0%
Utilities	12.4%	9.8%

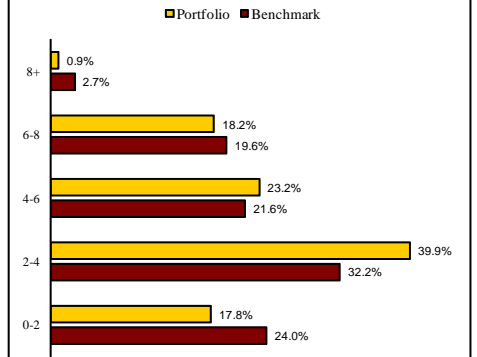
Carlson School Fixed Income Fund

Investment Review - September 2009

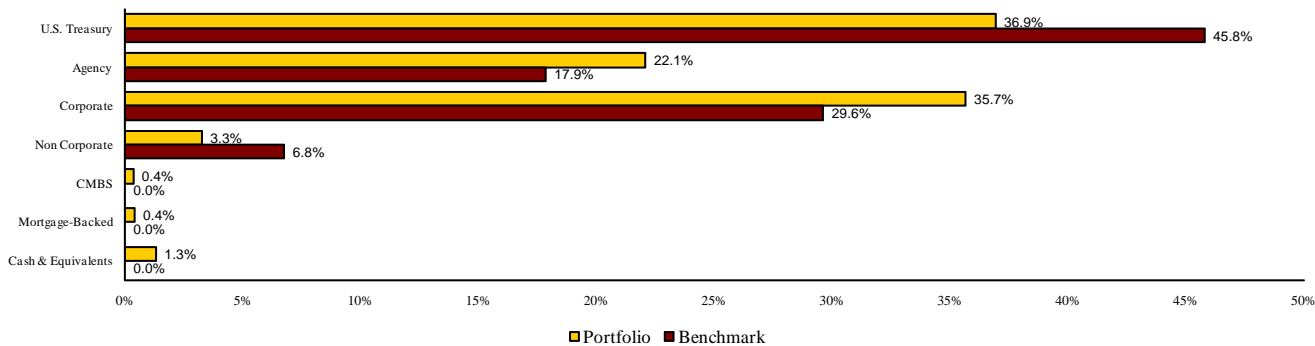
Sector Distribution

Portfolio	Current Market Value (\$)	Effective Duration	Benchmark Duration	Effective Yield	Benchmark Yield	% of Portfolio Market Value	% of Benchmark Market Value	% of Portfolio Duration	% of Benchmark Duration	DV01 Differential
U.S. Treasury	\$6,018,708	3.97	3.96	1.92%	1.84%	36.9%	45.8%	39.6%	46.6%	(564)
Agency	\$3,599,330	2.59	2.74	1.53%	1.86%	22.1%	17.9%	15.4%	12.6%	134
Corporate	\$5,813,208	4.33	4.49	3.65%	4.45%	35.7%	29.6%	41.7%	34.2%	350
Non Corporate	\$533,205.14	3.42	3.85	2.10%	2.71%	3.3%	6.8%	3.0%	6.7%	(242)
CMBS	\$57,726	0.97	0.00	3.43%	0.00%	0.4%	0.0%	0.1%	0.0%	6
Mortgage-Backed	\$66,718	1.52	0.00	3.95%	0.00%	0.4%	0.0%	0.2%	0.0%	10
Cash & Equivalents	\$215,704	-	0.00	0.18%	0.00%	1.3%	0.0%	0.0%	0.0%	0
Total Market Value	\$16,304,599	3.70	3.89	2.45%	2.68%	100.0%	100.0%	100.0%	100.0%	\$ (306)

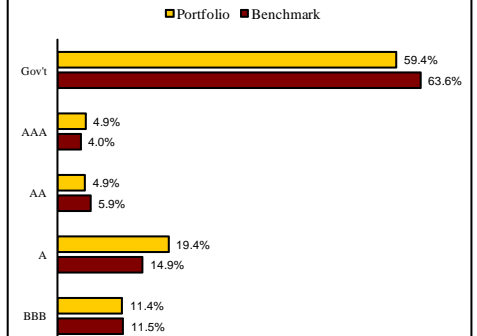
Duration Distribution



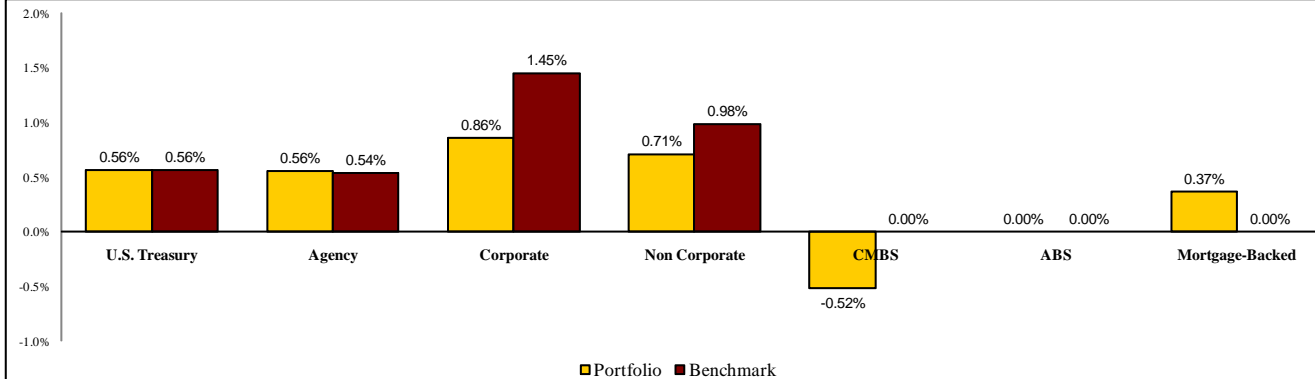
Sector Distribution



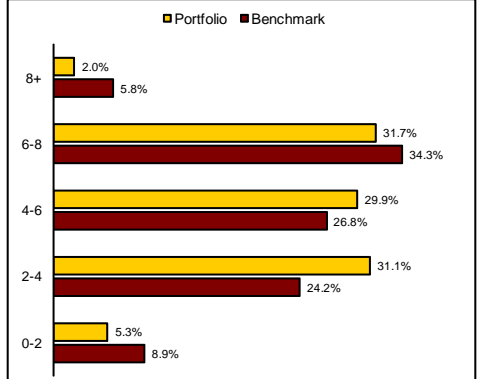
Quality Distribution



Performance by Sector (%)



Duration Distribution (DV01)



Carlson School Fixed Income Fund

Investment Review - September 2009

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.

In October 2006, the CFIF adopted the Barclay's 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 Barclay's 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.