

Commentary

The second quarter proved to be challenging for the small cap value segment of the market. Oil touched a new high, inflation data ticked up, long-term rates edged higher and the Fed raised short-term rates twice to 5.25%. Against this backdrop, investors forecasted slower earnings growth and discounted equity valuations accordingly.

The product portfolio lagged the Russell 2000 Value Index for the quarter. Selection within financials, particularly among banks and property insurers, benefited relative performance. The portfolio also realized positive relative selection within the consumer hard goods and technology sectors. Higher interest rates weighed on construction related holdings and caused the industrials sector to lag the benchmark. The information and consumer cyclical sectors also detracted from performance.

The portfolio remains diversified across many industry groups. Opportunity can arise quickly, and maintaining a diversified portfolio in the short-term has served product clients very well over the long run.

Performance & Overview

Total Returns (%)	Quarter	YTD	1 Year	3 Year	5 Year	Since Inception
Total Fund	-3.84	6.71	N/A	N/A	N/A	6.48
Russell 2000 Value	-2.70	10.44	N/A	N/A	N/A	9.59

Portfolio Statistics

	Portfolio	Index	Difference
Equity Beta	1.04	1.00	0.04
Active Risk	2.96		
Yield (%)	1.51	1.91	-0.40
Weighted Mkt. Cap (\$ Billions)	1.26	1.03	0.23
Number of Holdings In Portfolio	253		

Economic Sector Breakdown (%)

	Portfolio	Index	Exposure
Oil & Gas Producer	4.46	3.69	0.77
Materials	6.79	6.38	0.41
Technology	10.89	11.60	-0.71
Information	5.49	6.80	-1.31
Consumer Staples	3.13	3.22	-0.09
Consumer Cyclical	6.82	7.80	-0.97
Financials	31.43	35.18	-3.75
Utilities	4.50	5.30	-0.80
Industrials	15.78	9.80	5.98
Telecomm	1.38	1.52	-0.15
Health Care	6.07	4.92	1.15
Consumer Hard Goods	3.26	3.80	-0.54

Portfolio Asset Mix (Including Accruals)



Cash Equivalent	0.9%
Equity	99.1%
Total:	100.0%

Description	Value
Cash Equivalent	\$1,770,799.42
Equity	\$184,805,926.12
Total	\$186,576,725.54

Top Ten Equity Holdings (%)

Gardner Denver Inc.	1.05
BankUnited Financial Corp.	0.90
Sterling Bancshares Inc.	0.88
Rofin-Sinar Technologies Inc.	0.86
Cimarex Energy Co.	0.83
Highland Hospitality Corp.	0.79
Allete Inc.	0.78
EnPro Industries Inc.	0.78
Pennsylvania Real Estate Investment Tr	0.78
AGCO Corp.	0.77

Top Ten Positive Exposures (%)

Gardner Denver Inc.	1.05
Rofin-Sinar Technologies Inc.	0.85
Cimarex Energy Co.	0.83
AGCO Corp.	0.77
Sterling Bancshares Inc.	0.75
BankUnited Financial Corp.	0.75
Healthcare Services Group Inc.	0.74
Platinum Underwriters Holdings Ltd.	0.71
Colonial Properties Trust	0.69
LSI Industries Inc.	0.68

Top Ten Negative Exposures (%)

3Com Corp.	-0.31*
Highwoods Properties Inc.	-0.30*
Post Properties Inc.	-0.30*
Big Lots Inc.	-0.30*
Hanover Compressor Co.	-0.30*
LaSalle Hotel Properties	-0.28*
First Midwest Bancorp	-0.28*
Nicor Inc.	-0.28*
Westar Energy Inc.	-0.28*
Realty Income Corp.	-0.28*