

QUARTER 4: 2009



*Melissa R. Brown
Managing Partner,
Investment Management*

Risk Factors or Return Drivers?

After the crisis that hit quantitative managers in 2007, The Research Foundation of CFA Institute published an excellent analysis of what happened and what quant managers were doing to avoid another multiple-standard-deviation event. The study suggested that managers were basically divided into two camps—"do nothing and our process will right itself" and "we need to change our process, and specifically seek out proprietary return factors so we can avoid having this happen again to us." More recently, other studies have been released discussing the future of quant managers, and what they will need to do to be successful. Focusing on finding new factors and adapting weights are deemed some of the necessary key ingredients.

discovered and exploited by other managers and become overused. If risk factors are the new return factors, then the search for new, undiscovered factors is less likely to pay off consistently in the future.

Quants have typically viewed certain factors—such as market cap or beta—purely as sources of risk, and manage their exposure to those factors by keeping the portfolio profile along those dimensions similar to that of the benchmark, because on average these factors do not consistently identify the better- or worse-performing stocks. At the same time, quant managers will tilt toward certain factors (say, book/price) where they expect the return to be positive and more consistent (e.g., high book/price stocks should outperform low book/price stocks the majority of the time) These factors—like book/price—are sources of both risk and return.

With the broad availability of data and computing resources, one can probably find "new" anomalies that have not yet been fully exploited. However, given the same availability of data, many other managers can also find, and exploit that data, so any competitive advantage is likely to be short lived. And data that has not yet been fully combed over is likely to have a shorter history of availability and/or be available for fewer companies, which means less robust statistical properties on which to develop consistent anomalous return expectations. (Note that a potentially reduced data set isn't necessarily a bad thing, as perhaps we've all relied too much on very long term factor results that have been over-exploited.) And at the same time there

Firm Overview

- A pioneer in advanced quantitative investment strategies
- Founded in 1996
- Based in Safety Harbor, FL
- Principals own meaningful equity stake
- Manages the following strategies for clients in the US and Europe:
 - MaxCap
 - MaxCap Value
 - LargeCap
 - Sustainable Responsible LargeCap
 - AllCap
 - TaxManaged AllCap
 - TaxManaged LargeCap
 - SMidCap

We believe there is a dimension to this issue that is less explored, but critical to investment success for quantitatively-driven managers – that is, incorporating different factors for different kinds of stocks, and weighting those factors based on what drives returns within each sector along with prevailing market preferences.

Recently, a longtime client, perhaps newly skeptical about the ability of quant to produce strong risk-adjusted returns in the future, asked us if there were truly anomalies left to be exploited (e.g., can new factors be found), or whether the "return" factors many rely upon are in fact risk factors—a source of return differential among stocks, but without a consistent payoff in one direction. If the answer is that true anomalies still exist, then managers seeking proprietary factors based on those anomalies should benefit—at least until the factors are



is a consequent need to keep research results under wraps, while investors are demanding more transparency. So, a strategy that is able to remain proprietary runs the risk of alienating clients.

In the “good old days” when an anomaly stopped working it tended to have a random effect on distinguishing stock prices – and thus if it didn’t work in a well-diversified portfolio, most of the time the factor return would be near zero. However, given low transaction costs and high-frequency trading methodologies, when these anomalies are more broadly discovered and investors try to get in and out faster, those managers who are not trading at high frequency may see a distinct negative impact, as they’re often getting in and out just a little too late. The factor still “works” but managers are not able to take advantage of it. Thus, in recent years there has been a larger penalty to being wrong than there has been in the past.

Taking all these obstacles into account, we believe it is therefore unrealistic to rely upon repeatedly finding new anomalies that no one else has found or will find soon, and thus an over-reliance on repeatedly searching and developing undiscovered factors is ultimately a loser’s game. More importantly, we also believe that basing a strategy on the “average” return to a factor or set of factors over time is much less effective than looking to exploit the ebbs and flows in factor performance. We treat every factor we tilt on as a dynamic risk factor that is likely to lead to return differentials across stocks, but not always with the same magnitude or even in the same direction at all times. The traditional “risk” factors, such as market cap, can be just as effective in predicting returns as so-called anomalies (e.g., profiting on the cycle of small cap vs. large cap stocks). This belief was the focus of our discussion in last quarter’s iQ.

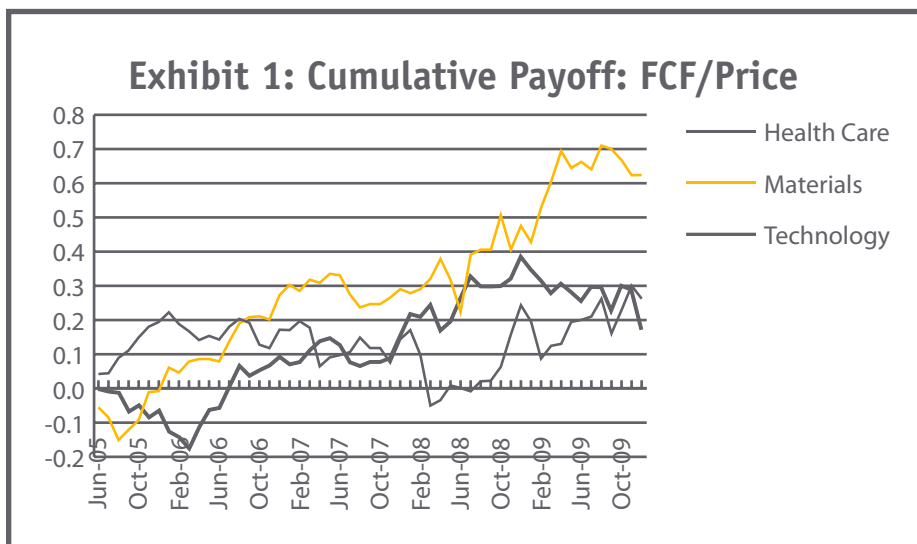
This quarter, we focus on another aspect of our process we believe is critical for success. Factor performance can be quite different across market segments, an idea supported by economic intuition as well as the data. Our research process starts with a superset of more than 40 factors that are tested for efficacy across a broad universe of stocks (e.g., large cap, small-to-mid cap), within style segments (e.g., mega-cap growth, large-cap value), and within 11 economic sectors (such as technology and health care). The final model used for stock evaluation in each of these segments comprises 12 strategically selected factors, whittled down from the initial superset, based on how well each worked in separating the winners from the losers, with an eye toward ensuring that each final model’s 12 factor subset contains value, growth, quality and technical components. The compositions of the models vary quite a bit. For example, at the end of November, growth factors accounted for about 25% of the valuation of utilities, but only 6% of the model for energy stocks (in which value models were much more heavily emphasized). Technical factors had more than a third of the weight in consumer staples, but less than 5% of the weight in technology. Factors in the quality category had more than 40% of the weight in mega-cap growth, whereas they accounted for only about 20% of the ranking for a large-to-mid-

cap value stock.

Factor performance can vary widely across sectors. In Exhibit 1, as an example, we show the cumulative return to Free Cash Flow/Price (FCF/P) in three sectors in which it is a part of the model. As you can see, the factor payoff has been fairly steady within the materials sector, had a good run followed by a downturn in technology, and has had a decent run in health care more recently. The correlations of this factor across sectors are therefore very low (Exhibits 2 and 3).

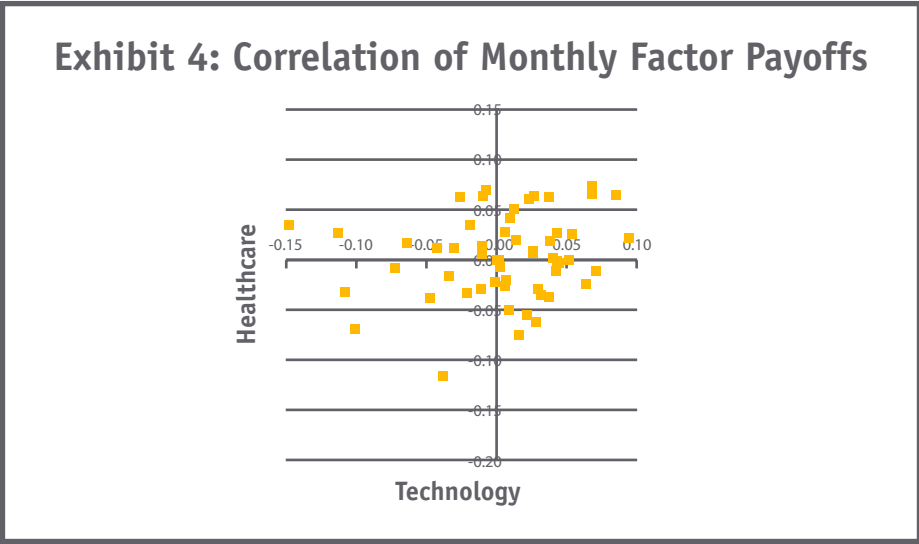
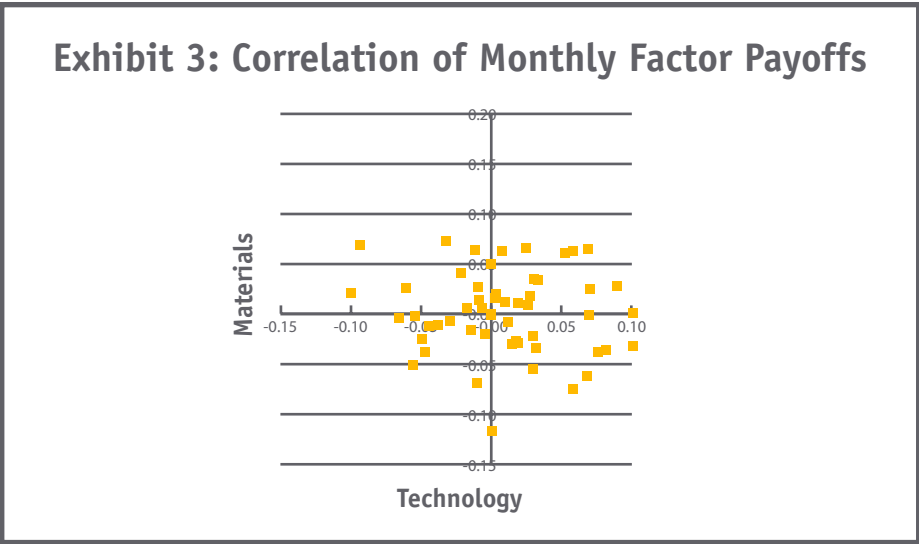
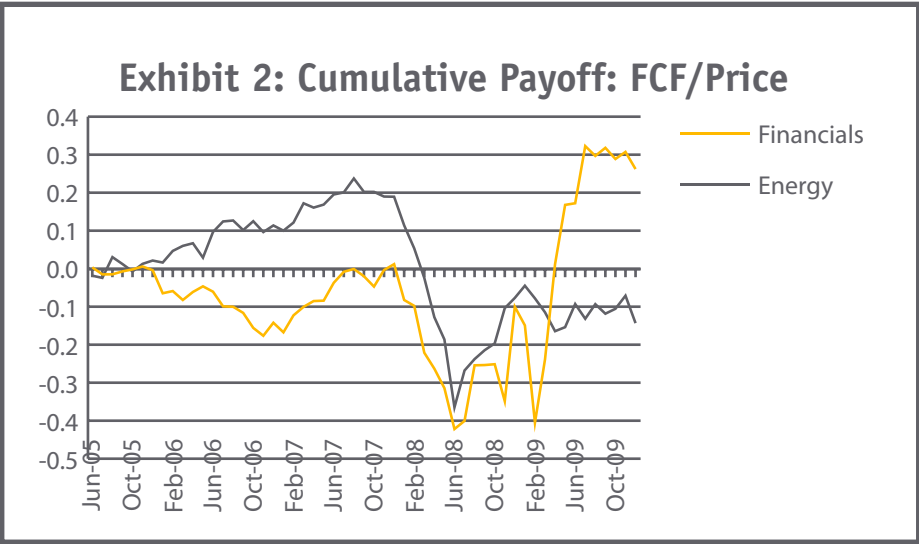
The payoff of FCF/P is poor and/or erratic in some other sectors. In Exhibit 4, we show the cumulative factor return in energy and financials – sectors in which we don’t use FCF/P as a predictor.

By using different factors in different segments of the market, we believe we can capture the most promising sources of excess return opportunities in each segment, avoid those factors that don’t work well within a specific sector or style, and benefit from the diversification effect of factors that work overall although not necessarily in all segments at the same time. The factors we use may be viewed as dynamic risk factors, not persistent anomalies, but they can be extremely useful in producing excess returns.



Although we have shown only one factor as an example, we find these results to hold true, in general, across our models.

In summary, we believe using different factors to evaluate different market segments, based on strategic analyses of what is most effective in those segments according to statistical analysis along with intuition, is more critical to success than finding that elusive factor that no one else has exploited yet. It is a more sustainable, repeatable method for generating excess returns. And combining this segment-by-segment analysis with a weighting scheme that dynamically adapts to prevailing market preferences has helped us – and will continue to – produce consistent risk-adjusted excess returns for our clients.



	MaxCap				MaxCap Value						
Benchmark	S&P 100				Russell Top 200 Value						
Quarterly Performance Attribution ³	Best Active Performance Policies:		Worst Active Performance Policies:		Best Active Performance Policies:		Worst Active Performance Policies:				
	<ul style="list-style-type: none"> • Style – Underweight: Size and Volatility • Sector – Overweight: Transportation, Health Care and Energy • Industry – Overweight: Railroads and Medical Services; Underweight: Banks • Stocks – Overweight: Mastercard, UnitedHealth Group, Burlington Northern, Medtronic and Microsoft 		<ul style="list-style-type: none"> • Style – Overweight: Earnings Variation • Sector – Underweight: Telecommunications; • Industry – Underweight: Semiconductors, Internet, Telephone and Home Products; • Stocks – Overweight: CVS Caremark, Dell and Bank of NY Mellon 		<ul style="list-style-type: none"> • Style – Underweight: Size • Sector – Overweight: Energy and Consumer Sciences; Underweight: Transportation • Industry – Overweight: Entertainment, Medical Services; Underweight: Oil Services • Stocks – Overweight: Corning, Reynolds American, Cardinal and Williams Cos.; Underweight: Bank of America 		<ul style="list-style-type: none"> • Style – Overweight: Growth; Underweight: Leverage • Sector – Overweight: Financials and Consumer Cyclical; Underweight: Telecommunications • Industry – Overweight: Property/Casualty and Clothing Stores; Underweight: Drugs • Stocks – Overweight: State Street, eBay, Wells Fargo, GAP and Chubb 				
Portfolio Content	Universe S&P 100 Trailing 12-month Turnover67% Number of Holdings 36 Cash Level 2.9%				Universe Russell Top 200 Value Trailing 12-month Turnover86% Number of Holdings 38 Cash Level 2.4%						
Top Active Weights ³	Top Five Active Weights		Bottom Five Active Weights		Top Five Active Weights		Bottom Five Active Weights				
	Conoco Phillips	2.65%	Apple	-3.01%	News Corp	2.63%	Verizon	-2.44%			
	Xerox	2.64	Procter & Gamble	-2.81	Aetna	2.62	Goldman Sachs	-2.06			
	General Dynamics	2.62	General Electric	-2.56	Travelers	2.59	Merck	-1.77			
	Altria	2.52	Bank of America	-2.37	Williams Cos.	2.58	Procter & Gamble	-1.58			
	American Elec Pwr	2.48	Google	-2.37	Corning	2.51	Citigroup	-1.30			
Portfolio Characteristics ³	Barra Risk Factors				Barra Risk Factors						
		MaxCap	S&P 100	Difference		MaxCap Value	Russell Top 200 Value	Difference			
	Currency Sensitivity	0.09	0.02	0.07	Currency Sensitivity	-0.07	-0.03	-0.04			
	Earnings Variation	-0.05	-0.08	0.03	Earnings Variation	0.16	0.13	0.03			
	Earnings Yield	0.32	0.11	0.21	Earnings Yield	0.29	0.18	0.11			
	Growth	-0.15	-0.05	-0.10	Growth	-0.19	-0.19	0.00			
	Leverage	-0.38	-0.26	-0.12	Leverage	-0.21	-0.01	-0.20			
	Momentum	-0.18	-0.13	-0.05	Momentum	-0.24	-0.26	0.02			
	Size	0.69	0.89	-0.20	Size	0.42	0.62	-0.20			
	Trading Activity	-0.18	-0.06	-0.12	Trading Activity	0.04	0.16	-0.12			
	Value	-0.01	-0.11	0.10	Value	0.38	0.27	0.11			
	Volatility	-0.28	-0.19	-0.09	Volatility	-0.02	0.01	-0.03			
	Yield	0.24	0.13	0.11	Yield	0.05	0.21	-0.16			
Sector Weights ³	Sector Weights				Sector Weights						
		MaxCap	S&P 100	Difference		MaxCap Value	Russell Top 200 Value	Difference			
	Consumer Discretionary	4.6%	4.5%	-0.1%	Consumer Discretionary	9.7%	6.5%	3.2%			
	Consumer Staples	8.2	12.1	-3.9	Consumer Staples	2.4	4.8	-2.4			
	Energy	14.6	11.4	3.2	Energy	22.2	21.3	0.9			
	Financials	12.6	15.1	-2.5	Financials	29.1	24.7	4.4			
	Health Care	15.5	10.5	5.0	Health Care	9.6	9.5	0.1			
	Industrials	7.3	6.7	0.6	Industrials	6.6	8.1	-1.5			
	Materials	2.2	4.8	-2.6	Materials	2.0	4.9	-2.9			
	Retail	4.4	5.5	-1.1	Retail	6.7	2.5	4.2			
	Services	4.9	5.7	-0.8	Services	4.8	7.4	-2.6			
	Technology	22.9	22.2	0.7	Technology	6.9	5.0	1.9			
	Utilities	2.8	1.5	1.3	Utilities	0.0	5.3	-5.3			
Performance (as of 12.31.09)	Performance		MaxCap Pure Gross of Fees ²	MaxCap Net of Fees	S&P 100	Performance		MaxCap Value Pure Gross of Fees ²	MaxCap Value Net of Fees	Russell Top 200 Value	
	Fourth Quarter 2009 ¹					Fourth Quarter 2009 ¹					
	Annualized Total Return	1 year 3 years 5 years Since Inception ¹	For performance data, contact Laurie Watson at (888) 248-8324				Annualized Total Return	1 year 3 years 5 years Since Inception ¹	For performance data, contact Laurie Watson at (888) 248-8324		
	Inception Date – 07.01.98					Inception Date – 06.01.02					

LargeCap

SR LargeCap

S&P 500

S&P 500

Best Active Performance Policies:

- Style – Underweight: Size, Momentum and Growth
- Sector – Underweight: Health Care; Overweight: Basic Materials
- Industry – Overweight: Drugs, Electronic Equipment
- Stocks – Overweight: Harris Corp., Freeport McMoran and Reynolds American; Underweight: Bank of America

Worst Active Performance Policies:

- Style – Overweight: Earnings Variation and Earnings Yield; Underweight: Volatility
- Sector – Underweight: Telecommunications; Overweight: Financials
- Industry – Overweight: Property/Casualty and Banks; Underweight Semiconductors
- Stocks – Overweight: Northern Trust, Apollo Group, Wells Fargo and eBay

Best Active Performance Policies:

- Style – Underweight: Growth and Momentum
- Sector – Overweight: Health Care & Basic Materials
- Industry – Overweight: Drugs; Underweight: Securities & Asset Management
- Stocks – Overweight: Freeport McMoRan Copper, Ford, Medtronic, International Paper and Microchip Technology

Worst Active Performance Policies:

- Style – Underweight: Volatility; Overweight: Earnings Variation
- Sector – Underweight: Telecommunications
- Industry – Overweight: Property/Casualty and Banks; Underweight: Telephone
- Stocks – Overweight: Northern Trust, JC Penney, Wells Fargo, eBay and Liberty Global

Universe S&P 500 + 400 largest in Russell 1000
Trailing 12-month Turnover 113%
Number of Holdings 75
Cash Level 2.9%

Universe S&P 500 + 400 largest in Russell 1000
Trailing 12-month Turnover 112%
Number of Holdings 75
Cash Level 2.1%

Top Five Active Weights

Harris	2.75%
General Dynamics	2.57
Abbott Labs	2.48
Home Depot	2.45
Conoco Phillips	2.38

Bottom Five Active Weights

Apple	-1.91%
General Electric	-1.62
Google	-1.51
Pfizer	-1.48
Cisco Systems	-1.39

Top Five Active Weights

Freeport-McMoRan	2.40%
Conoco Phillips	2.31
CA Inc	2.28
eBay	2.07
Time Warner	2.05

Bottom Five Active Weights

Apple	-1.91%
General Electric	-1.62
Bank of America	-1.51
Google	-1.51
Cisco	-1.39

Barra Risk Factors	LargeCap	S&P 500	Difference
Currency Sensitivity	0.05	0.01	0.04
Earnings Variation	-0.05	-0.06	0.01
Earnings Yield	0.19	0.06	0.13
Growth	-0.01	-0.04	0.03
Leverage	-0.20	-0.11	-0.09
Momentum	-0.13	-0.05	-0.08
Size	0.22	0.34	-0.12
Trading Activity	-0.07	0.06	-0.13
Value	-0.06	-0.04	-0.02
Volatility	-0.19	-0.09	-0.10
Yield	0.13	0.05	0.08

Barra Risk Factors	SR LargeCap	S&P 500	Difference
Currency Sensitivity	0.08	0.01	0.07
Earnings Variation	-0.01	-0.06	0.05
Earnings Yield	0.14	0.06	0.08
Growth	-0.10	-0.04	-0.06
Leverage	-0.20	-0.11	-0.09
Momentum	-0.16	-0.05	-0.11
Size	0.28	0.34	-0.06
Trading Activity	-0.01	0.06	-0.07
Value	-0.02	-0.04	0.02
Volatility	-0.17	-0.09	-0.08
Yield	0.16	0.05	0.11

Sector Weights	LargeCap	S&P 500	Difference
Consumer Discretionary	4.3%	5.3%	-1.0%
Consumer Staples	14.6	10.3	4.3
Energy	11.3	10.6	0.7
Financials	20.6	16.1	4.5
Health Care	9.0	11.4	-2.4
Industrials	6.3	7.4	-1.1
Materials	7.1	5.3	1.8
Retail	3.9	5.3	-1.4
Services	3.2	5.8	-2.6
Technology	17.2	18.9	-1.7
Utilities	2.5	3.6	-1.1

Sector Weights	SR LargeCap	S&P 500	Difference
Consumer Discretionary	3.4%	5.3%	-1.9%
Consumer Staples	13.0	10.3	2.7
Energy	12.3	10.6	1.7
Financials	18.1	16.1	2.0
Health Care	11.8	11.4	0.4
Industrials	3.7	7.4	-3.7
Materials	9.1	5.3	3.8
Retail	5.1	5.3	-0.2
Services	2.0	5.8	-3.8
Technology	16.0	18.9	-2.9
Utilities	5.5	3.6	1.9

Performance
Fourth Quarter 2009¹

Annualized
Total Return
Since Inception¹

LargeCap Pure Gross of Fees² LargeCap Net of Fees S&P 500

For performance data,
contact Laurie Watson at
(888) 248-8324

Inception Date – 05.01.99

Performance
Fourth Quarter 2009¹

Annualized
Total Return
Since Inception¹

SR LargeCap Pure Gross of Fees² SR LargeCap Net of Fees S&P 500

For performance data,
contact Laurie Watson at
(888) 248-8324

Inception Date – 12.01.04

AllCap

Russell 3000

Best Active Performance Policies:

- Style – Underweight: Size and Growth; Overweight: Yield
- Sector – Underweight: Health Care; Overweight: Basic Materials and Consumer Services
- Industry – Overweight: Drugs, Electronic Equipment and Entertainment; Underweight: Biotech
- Stocks – Overweight: Harris, Freeport-McMoRan Copper, UnitedHealth Group, Centerpoint Energy

Worst Active Performance Policies:

- Style – Overweight: Earnings Variation
- Sector – Overweight: Financials; Underweight: Telecommunications
- Industry – Overweight: Securities & Asset Management; Underweight: Semiconductors & Telephone
- Stocks – Overweight: Apollo Group, JC Penney, Wells Fargo and Northern Trust

Universe Russell 3000
Trailing 12-month Turnover 109%
Number of Holdings 74
Cash Level 1.3%

Top Five Active Weights

Freeport McMoRan 3.08%
Conoco Phillips 2.97
Home Depot 2.90
Time Warner 2.59
Harris 2.42

Bottom Five Active Weights

Apple -1.57%
AT&T -1.38
General Electric -1.34
Google -1.24
Cisco Systems -1.15

Barra Risk Factors	AllCap	Russell 3000	Difference
Currency Sensitivity	0.01	-0.01	0.02
Earnings Variation	0.05	0.01	0.04
Earnings Yield	0.11	0.00	0.11
Growth	-0.07	0.00	-0.07
Leverage	-0.04	0.02	-0.06
Momentum	-0.06	0.01	-0.07
Size	-0.18	-0.08	-0.10
Trading Activity	-0.06	0.02	-0.08
Value	-0.02	0.01	-0.03
Volatility	-0.07	0.04	-0.11
Yield	0.14	-0.01	0.15

Sector Weights	AllCap	Russell 3000	Difference
Consumer Discretionary	4.9%	6.1%	-1.2%
Consumer Staples	12.2	9.1	3.1
Energy	10.2	9.9	0.3
Financials	19.9	16.2	3.7
Health Care	9.6	11.5	-1.9
Industrials	6.1	7.6	-1.5
Materials	7.5	5.7	1.8
Retail	6.7	5.5	1.2
Services	3.6	6.3	-2.7
Technology	16.4	18.3	-1.9
Utilities	2.9	3.8	-0.9

Performance
Fourth Quarter 2009¹

Annualized Total Return Since Inception¹
Inception Date – 01.01.97

For performance data, contact Laurie Watson at (888) 248-8324

SMidCap

Russell 2500

Best Active Performance Policies:

- Style – Underweight: Earnings Variations, Volatility; Overweight: Size Non-Linearity
- Sector – Underweight: Health Care and Energy
- Industry – Overweight: Energy Reserves and Forestry & Paper; Underweight: Biotech and Banks
- Stocks – Overweight: Domtar, Massey Energy, Integrys Energy and Wyndham Worldwide

Worst Active Performance Policies:

- Style – Underweight: Leverage and Currency Sensitivity
- Sector – Underweight: Technology; Overweight: Consumer Services and Consumer Cyclicals
- Industry – Overweight: Securities & Asset Management and Hotels
- Stocks – Overweight: Zumiez, KBR, Valueclick and Greenhill & Company

Universe Russell 2500
Trailing 12-month Turnover 109%
Number of Holdings 145
Cash Level 0.8%

Top Five Active Weights

W.R. Grace & Co 1.93%
Integrys Energy 1.73
Graftech 1.73
Anixter 1.69
Centerpoint Energy 1.56

Bottom Five Active Weights

CenturyTel -0.50%
SAIC -0.35
Red Hat -0.27
Cree -0.27
Human Genome Sci -0.26

Barra Risk Factors	SMidCap	Russell 2500	Difference
Currency Sensitivity	-0.26	-0.20	-0.06
Earnings Variation	0.24	0.38	-0.14
Earnings Yield	-0.14	-0.35	0.21
Growth	-0.09	0.03	-0.12
Leverage	0.47	0.65	-0.18
Momentum	0.16	0.20	-0.04
Size	-2.08	-2.08	0.00
Trading Activity	-0.02	-0.03	0.01
Value	0.30	0.28	0.02
Volatility	0.54	0.67	-0.13
Yield	-0.15	-0.26	0.11

Sector Weights	SMidCap	Russell 2500	Difference
Consumer Discretionary	12.9%	9.5%	3.4%
Consumer Staples	1.5	3.6	-2.1
Energy	3.2	5.2	-2.0
Financials	18.0	19.3	-1.3
Health Care	8.5	11.3	-2.8
Industrials	8.3	9.1	-0.8
Materials	8.0	7.4	0.6
Retail	9.1	5.8	3.3
Services	12.1	9.0	3.1
Technology	10.8	14.5	-3.7
Utilities	7.6	5.3	2.3

Performance
Fourth Quarter 2009¹

Annualized Total Return Since Inception¹
Inception Date – 11.01.02

For performance data, contact Laurie Watson at (888) 248-8324

Notes to Composite Performance Presentations

Advanced Investment Partners is a registered investment advisor specializing in the professional management of investment portfolios utilizing advanced quantitative techniques. The firm claims compliance with the Global Investment Performance Standards (GIPS®).

Beginning January 1, 2000, Advanced Investment Partners has engaged independent accountants to verify the firm's compliance with GIPS and to perform individual performance exams for the firm. To receive a complete list and description of the firm's composites and/or a presentation that adheres to the GIPS Standards, contact Advanced Investment Partners at (727) 799-3671 or write to Advanced Investment Partners, 100 Main Street Suite 301, Safety Harbor, FL 34695.

In each of its investment strategies, the firm seeks to outperform the stated benchmark over time through superior stock selection combined with rigorous, precise portfolio risk management. Accounts under each composite strategy will hold a diversified portfolio of common stocks that in aggregate exhibit investment characteristics and industry representations similar to those of the strategy's benchmark index. Performance results represent a market value-weighted composite of all discretionary accounts under the respective investment strategy, calculated on a time-weighted basis for cash flows on a monthly basis, including the reinvestment of dividends, interest and capital gains. Historical portfolio returns are calculated by linking individual monthly returns. Pure gross of fee returns do not reflect the deduction of investment management fees or bundled fees for certain accounts where transaction costs cannot be separately identified from other service fees charged by the client's broker/dealer or outside custodian. Gross of fee returns deduct transaction fees but do not take into account investment management fees, brokerage fees or bundled fees paid for certain accounts where transaction costs cannot be separately identified from other service fees charged by the client's broker/dealer or custodian. Net of fee returns reflect the deduction of investment management fees, brokerage fees and bundled fees as applicable.

Composite returns, both historic and future, will be impacted by the same material market and economic conditions that influence the benchmark index. All returns have been calculated in US dollars. COMPOSITE RETURNS REPRESENT PAST PERFORMANCE AND ARE NOT PREDICTIVE OF FUTURE RESULTS.

Each strategy's performance composite and related benchmark index are defined as follows:

LargeCap-Institutional Composite includes all discretionary accounts greater than \$3 million managed under the LargeCap strategy where the firm is authorized with best execution trading responsibility. The LargeCap institutional composite is benchmarked to the S&P 500 Index,

a broad based market value weighted index of 500 stocks chosen by committee at Standard and Poor's Corp. for their size and industry characteristics.

AllCap Composite includes all non-wrap discretionary accounts managed under the AllCap strategy and is benchmarked to the Russell 3000 Index. The Russell 3000 Index is an index of US stocks that represents approximately 98% of the US equity market's total capitalization.

MaxCap Composite includes all discretionary accounts managed under the MaxCap Strategy and is benchmarked to the S&P 100 Index. The S&P 100 Index is widely regarded as a standard for measuring the performance of 100 of the very largest capitalization US stocks as chosen by committee at Standard and Poor's Corp. for their size and industry characteristics.

SMidCap Composite includes all discretionary accounts managed under the SMidCap strategy. The SMidCap composite is benchmarked to the Russell 2500 Index, which measures the performance of the 2,500 smallest companies in the Russell 3000 Index and represents approximately 17% of the total market capitalization of the Russell 3000 Index.

MaxCap Value includes all accounts managed under the MaxCap Value Strategy. The composite is benchmarked to the Russell Top 200 Value Index which measures the performance of the especially large cap segment of the U.S. equity universe represented by stocks in the largest 200 by market cap that exhibit value characteristics.

Sustainable Responsible LargeCap includes the actual performance of all unrestricted discretionary wrap fee accounts that follow AIP's Sustainable Responsible Strategy. The Sustainable Responsible LargeCap strategy is benchmarked to the S&P 500 Index, a broad based market value weighted index of 500 stocks chosen by committee at Standard and Poor's Corp. for their size and industry characteristics.

Notice: Although the information contained in this publication has been prepared by sources deemed to be reliable and is believed to be accurate as of the date referenced, there is no representation nor warranty as to the current accuracy of, nor liability for, decisions based on such information.

Frank Russell Company (FRC) is the source and owner of the Russell Index data contained or reflected in this material and all trademarks and copyrights related thereto. The presentation may contain confidential information and unauthorized use, disclosure, copying, dissemination, or redistribution is strictly prohibited. This is an AIP presentation of the Russell Index data. Frank Russell Company is not responsible for the formatting or configuration of this material or for any inaccuracy in AIP's presentation thereof.

Standard & Poor's is the owner of the trademarks and copyrights relating to the S&P indexes. MSCI Barra, Barra, Inc.'s analytics and data

(www.barra.com) were used in the preparation of this report. Copyright 2008 BARRA, INC. All Rights reserved.

All indices are unmanaged and performance of the indices includes reinvestment of dividends and interest income, unless otherwise noted. The indices are not illustrative of any particular investment and it is not possible to invest directly in an index.

¹ These returns are presented as supplemental information to the returns required by the GIPS Advertising Guidelines.

² Pure Gross of Fee Returns are presented as supplemental information and do not reflect the deduction of investment management fees or bundled fees for certain accounts where transaction costs cannot be separately identified from other service fees charged by the client's broker/dealer or custodian. Information presented on a pure gross of fee basis has not been independently verified. Net of fee performance reflects the deduction of investment management fees and bundled fees as applicable.

³ These characteristics, allocations and holdings are determined from the representative portfolio. Holdings are subject to change over time. Individual client portfolios may vary.

The specific securities identified and described do not represent all of the securities purchased, sold or recommended for advisory clients, and it should not be assumed that investment in securities identified and discussed has or will be profitable.

To obtain a full list of all securities recommended during the past year, contact Advanced Investment Partners at (727) 799-3671.

This information has been prepared for informational purposes only and Advanced Investment Partners, LLC (AIP) is not soliciting any action based upon it. The material is not intended to provide specific advice or recommendations but, rather, a basis from which strategies can be built, taking into account the specific objectives of each portfolio, in terms of return, time horizon, and risk constraints, as well as diverging investment perspectives and assumptions. The material contains information regarding the investment approach described herein and is not a complete description of the investment objectives, policies, guidelines or portfolio management and research that supports this investment approach. Any decision to engage AIP should be based upon a review of the terms of the investment management agreement and the specific investment objectives, policies and guidelines that apply under the terms of such agreement.

Opinions expressed are AIP's present opinions only and are subject to changes based on market, economic and other conditions and may not actually come to pass. Any historical price(s) or value(s) are also only as of the date indicated.

Contact

Please address your inquiries
or provide feedback to:

Laurie Watson
Partner, Relationship Management

Advanced Investment Partners
100 Main Street
Suite 301
Safety Harbor, FL 34695 USA

(888) 248-8324

(727) 799-3671

Fax: (727) 799-1232

Email: laurie@aipllc.com

www.aipllc.com



Mixed Sources

This eco-friendly newsletter was printed
using soy-based inks on FSC certified paper.
The Forestry Stewardship Council (FSC) is an
international organization founded to ensure
sustainability of our natural resources and
management of the world's forests.