

QUARTER 1: 2008



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## Strategy Spotlight: MaxCap's Structural and Strategic Uses

Our MaxCap Strategy is designed to deliver an active, value-added portfolio of mega capitalization stocks to clients. As a group, mega cap stocks (e.g., Exxon Mobil, General Electric, Microsoft, AT&T, Procter & Gamble, etc.) represent the most influential securities within cap-weighted US equity market indices and typically define most of an investor's targeted US equity return.

How a client chooses to weight mega cap stocks within their aggregate portfolio can have a significant impact on risk and return. The MaxCap Strategy can be used to address risk and return considerations within the client's aggregate portfolio by providing a vehicle for structural and strategic portfolio management.

### Structural Portfolio Management

From a risk management perspective, the MaxCap Strategy can assist in addressing structural sources of misfit risk associated with market cap biases within a client's aggregate portfolio. Market cap related misfit risk occurs in many client portfolios due to a prevalent bias toward a consistent underrepresentation among mega cap stocks.

This source of risk exists when the aggregation of the client's individual managers does not match the market cap profile of the targeted US equity benchmark index. Such market cap

risk arises from the limits of combining imperfectly complementary managers or an unintended skewing when making funding decisions across managers. This market cap risk can be further exacerbated by individual managers consistently maintaining a smaller cap bias relative to their own benchmarks, which is a common occurrence — especially within the US equity large cap core universe of managers.

In Charts 1 and 2 the weighted-average market cap for the average US equity large cap core manager's portfolio is compared to the weighted-average market for the S&P 500 Index and Russell 1000 Index, respectively, for the last three years, the last 12 months, and as of March 2008. In each of the charts, the weighted-average market cap for the MaxCap portfolio is also compared to each of the indices over the same time periods.

Relative to the S&P 500 Index (Chart 1), the market cap bias for the average large cap core manager has been 21% smaller than the index for the last three years while the MaxCap portfolio's bias has been 48% larger. Relative to the broader Russell 1000 Index, the average large cap core manager's bias was found to be 12% smaller than the index with the MaxCap portfolio's bias being 65% larger. These observed directional

### Firm Overview

- A pioneer in advanced quantitative investment strategies
- Founded in 1996
- Based in Safety Harbor, FL
- Majority-owned affiliate of State Street Global Alliance, LLC
- Principals own meaningful equity stake
- Manages approximately \$1.6 billion for clients in the US and Europe
  - MaxCap
  - MaxCap Value
  - LargeCap
  - LargeCap Socially Responsible
  - AllCap
  - TaxManaged AllCap
  - TaxManaged LargeCap
  - SMidCap



Chart 1

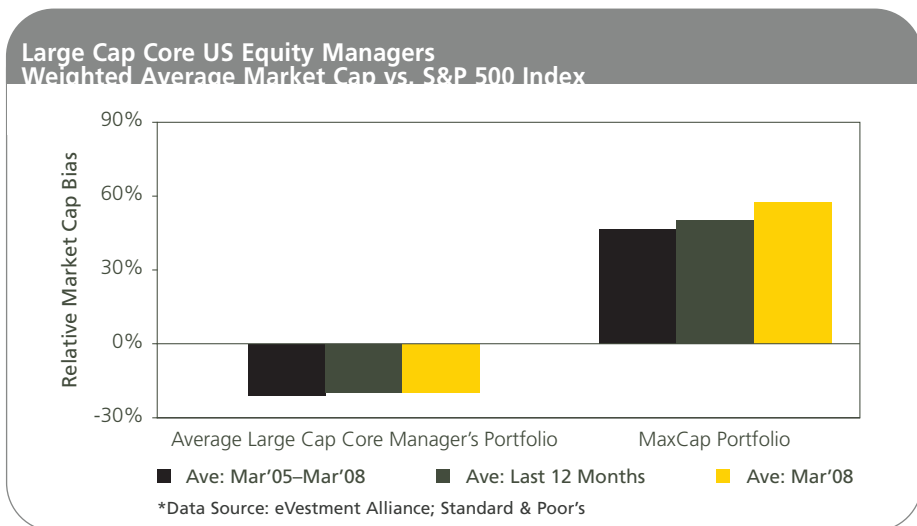
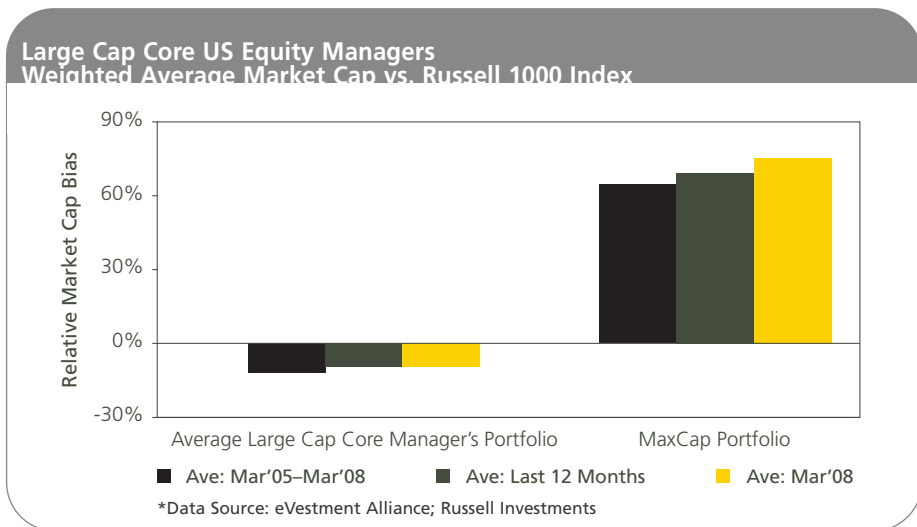


Chart 2



biases for the average large cap core manager and MaxCap portfolio hold for longer periods of time as well. Therefore, a client can use the MaxCap portfolio as a vehicle for correcting unintended market cap biases within their aggregate portfolio.

To see how much a client would need to fund the MaxCap Strategy to address their potential market cap misfit risk, Charts 3 and 4 display the MaxCap portfolio funding levels required to completely offset the

smaller cap bias of the average large cap core manager relative to the S&P 500 Index and the Russell 1000 Index, respectively.

Over the last three years, a client would have averaged MaxCap allocations of 31% and 15% when targeting the S&P 500 Index and Russell 1000 Index, respectively. The estimated funding levels were found to be slightly less over the last 12 months as well as the March 2008 point in time. A client's "appropriate" MaxCap allocation can vary over time

and will also be a function of the actual roster of managers employed plus the nature of the active strategies pursued by each manager. Nonetheless, the consistently high market cap bias of the MaxCap Strategy makes it a particularly efficient vehicle for addressing market cap misfit sources of risk in the structural management of a client's aggregate portfolio.

### Strategic Portfolio Management

From a strategic management perspective, the MaxCap Strategy can assist clients in capturing the potential rewards associated with their active decisions regarding the expected attractiveness of large cap versus small cap stocks. At a point in time a client may have a preference for large cap stocks and a desire to increase their exposure to this segment of the market vis-a-vis small cap stocks based upon compelling fundamentals and developing macro trends. The MaxCap Strategy's consistent mega cap focus — the largest of the large cap stocks — affords maximum exposure when a client's strategic bias is toward favoring large cap stocks.

Using the S&P 100 Index and the Russell 2000 Index to represent mega cap and small cap stocks, respectively, Chart 5 shows the well documented cycle and extremes of relative returns to market cap.

### MaxCap Strategy

Our MaxCap Strategy will reach the 10-year mark in its live track record later this year. Since inception the Strategy has focused on the S&P 100 Index as a benchmark and has rigorously maintained a market cap profile consistent with this mega cap index. We would welcome the opportunity to discuss how the MaxCap Strategy might assist you with the structural and strategic management of your aggregate US equity exposure.

## Contact

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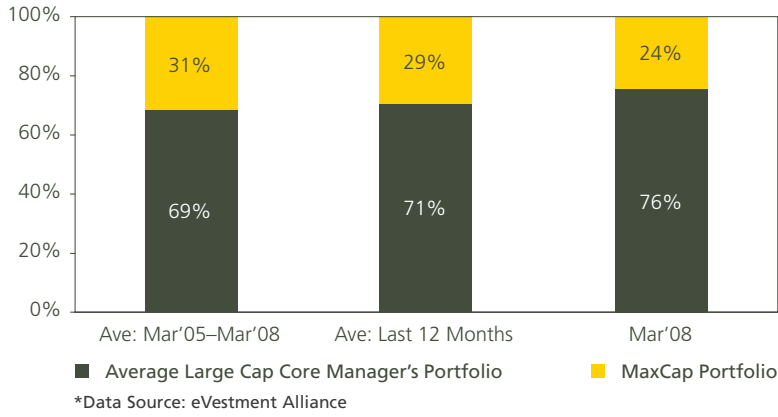
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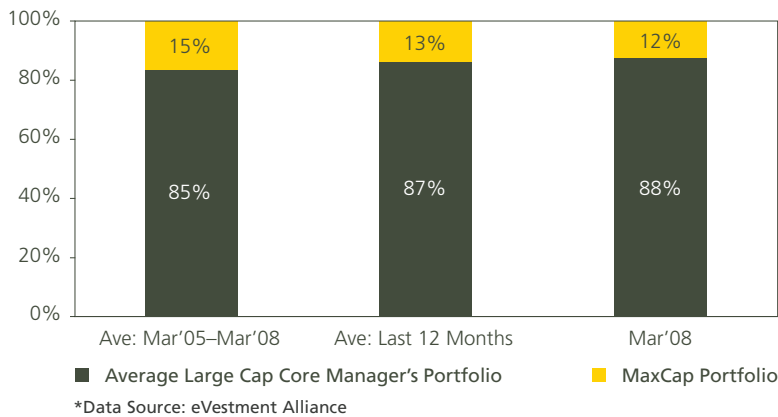
### Chart 3

#### Estimated MaxCap Allocation S&P 500 Index Target



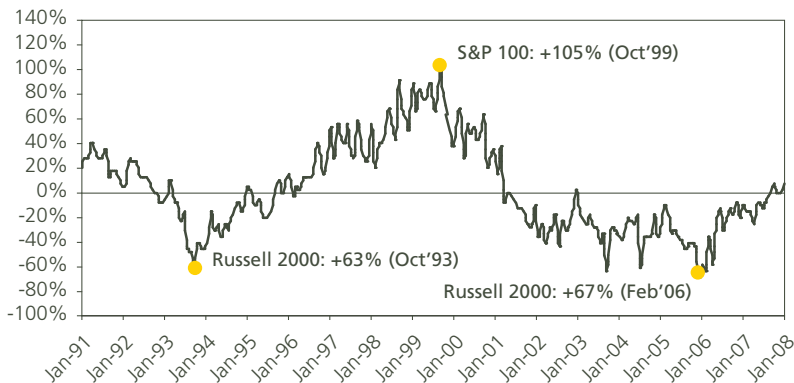
### Chart 4

#### Estimated MaxCap Allocation Russell 1000 Index Target



### Chart 5

#### S&P 100 Index Minus Russell 2000 Index Trailing 3 Year Return Difference



SSGA

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## MaxCap

Contact firm for information on MaxCap Value.

## LargeCap

### Benchmark

S&P 100

S&P 500

### Quarterly Performance Attribution<sup>3</sup>

#### Best Active Performance Policies:

- Style – Underweight Leverage
- Sector – Overweight Consumer Cyclical and Consumer Services
- Industry – Overweight Truck/Sea/Air Freight and Restaurants
- Stocks – Overweight CVS Caremark, IBM, Raytheon, AT&T and Wal-Mart Stores

#### Worst Active Performance Policies:

- Style – Overweight Momentum; Underweight Yield
- Sector – Overweight Health Care; Underweight Consumer Non-Cyclicals
- Industry – Variable Exposure to Drugs; Underweight Railroads
- Stocks – Overweight Merck, Baker Hughes, Google and ExxonMobil; Underweight General Electric

#### Best Active Performance Policies:

- Style – Underweight Leverage
- Sector – Overweight Consumer Cyclical and Consumer Services; Underweight Technology
- Industry – Underweight Electric Utilities; Overweight Entertainment and Oil Services
- Stocks – Overweight Celgene, MasterCard, Wal-Mart Stores, AT&T and Fluor

#### Worst Active Performance Policies:

- Style – Overweight Momentum; Underweight Yield
- Sector – Underweight Financials; Overweight Health Care
- Industry – Overweight Drugs and Financial Services; Underweight Railroads
- Stocks – Overweight Google, Diamond Offshore, IAC Interactive, Humana and Bristol-Myers

### Portfolio Content

Universe ..... S&P 100  
Trailing 12-month Turnover ..... 75%  
Number of Holdings ..... 34  
Cash Level ..... 1.5%

Universe ..... S&P 500 + 400 largest in Russell 1000  
Trailing 12-month Turnover ..... 110%  
Number of Holdings ..... 67  
Cash Level ..... 1.0%

### Top 10 Holdings<sup>3</sup>

- ExxonMobil
- Chevron
- AT&T
- IBM
- Microsoft

- Hewlett-Packard
- Wal-Mart Stores
- Pfizer
- Intel
- Abbott Labs

- ExxonMobil
- Chevron
- Wal-Mart
- AT&T
- Hewlett-Packard

- Celgene
- Google
- SYSCO
- Abbott Labs
- Diamond Offshore Drilling

### Portfolio Characteristics<sup>3</sup>

Barra Risk Factors	MaxCap	S&P 100	Difference
Currency Sensitivity	0.01	0.04	-0.03
Earnings Variation	-0.22	-0.18	-0.04
Earnings Yield	0.13	0.17	-0.04
Growth	-0.07	-0.15	0.08
Leverage	-0.38	-0.25	-0.13
Momentum	0.02	-0.09	0.11
Size	0.96	0.93	0.03
Trading Activity	-0.16	-0.14	-0.02
Value	-0.13	-0.03	-0.10
Volatility	-0.30	-0.26	-0.04
Yield	0.13	0.27	-0.14

Barra Risk Factors	LargeCap	S&P 500	Difference
Currency Sensitivity	-0.03	-0.01	-0.02
Earnings Variation	-0.03	-0.07	0.04
Earnings Yield	-0.06	0.08	-0.14
Growth	-0.01	-0.10	0.09
Leverage	-0.28	-0.13	-0.15
Momentum	0.11	-0.04	0.15
Size	0.32	0.38	-0.06
Trading Activity	0.06	0.01	0.05
Value	-0.13	-0.02	-0.11
Volatility	-0.07	-0.12	0.05
Yield	-0.05	0.10	-0.15

### Sector Weights<sup>3</sup>

Sector Weights	MaxCap	S&P 100	Difference
Consumer Discretionary	7.6%	5.9%	1.7%
Consumer Staples	6.5	11.8	-5.3
Energy	16.5	13.0	3.5
Financials	12.2	17.4	-5.2
Health Care	15.9	12.3	3.6
Industrials	5.5	7.0	-1.5
Materials	1.2	3.5	-2.3
Retail	5.9	3.8	2.1
Services	7.4	6.7	0.7
Technology	21.3	16.7	4.6
Utilities	0.0	1.9	-1.9

Sector Weights	LargeCap	S&P 500	Difference
Consumer Discretionary	9.8%	6.6%	3.2%
Consumer Staples	5.9	9.5	-3.6
Energy	14.1	12.6	1.5
Financials	12.8	17.5	-4.7
Health Care	15.9	12.4	3.5
Industrials	3.1	7.5	-4.4
Materials	5.3	4.9	0.4
Retail	8.3	4.9	3.4
Services	9.6	5.8	3.8
Technology	15.2	14.9	0.3
Utilities	0.0	3.4	-3.4

### Performance (as of 03.31.08)

Performance	MaxCap Pure Gross of Fees <sup>2</sup>	MaxCap Net of Fees	S&P 100
First Quarter 2008 <sup>1</sup>	<div style="border: 1px solid gray; padding: 5px; text-align: center;">                     For performance data, contact Laurie Watson at (888) 248-8324                 </div>		
Year to Date 2008 <sup>1</sup>			
Annualized Total Return			
1 year			
3 years			
Return Since Inception <sup>1</sup>			
Inception Date – 07.01.98			

Performance	LargeCap Pure Gross of Fees <sup>2</sup>	LargeCap Net of Fees	S&P 500
First Quarter 2008 <sup>1</sup>	<div style="border: 1px solid gray; padding: 5px; text-align: center;">                     For performance data, contact Laurie Watson at (888) 248-8324                 </div>		
Year to Date 2008 <sup>1</sup>			
Annualized Total Return			
1 year			
3 years			
Return Since Inception <sup>1</sup>			
Inception Date – 05.01.99			

## AllCap

## SMidCap

### Best Active Performance Policies:

- Style – Underweight Size
- Sector – Overweight Consumer Services; Variable Exposure to Consumer Cyclical
- Industry – Overweight Oil Services, Entertainment, and Department Stores
- Stocks – Overweight Celgene, MasterCard, Hewlett Associates, Wal-Mart Stores and Brinks

### Worst Active Performance Policies:

- Style – Overweight Momentum; Underweight Yield
- Sector – Overweight Financials and Health Care
- Industry – Underweight Energy Reserves; Overweight Drugs and Financial Services
- Stocks – Overweight Google, Diamond Offshore, Humana, Merck and IAC Interactive

### Best Active Performance Policies:

- Style – Underweight Leverage and Volatility
- Sector – Overweight Transport; Underweight Utilities
- Industry – Overweight Railroads, Oil Services and Equity REIT
- Stocks – Overweight Tenet Healthcare, Greenhill & Company, JDS Uniphase, CF Industries Holdings and Fresh Del Monte Produce

### Worst Active Performance Policies:

- Style – Overweight Momentum and Growth; Underweight Yield
- Sector – Overweight Health Care and Consumer Services
- Industry – Underweight Energy Reserves; Overweight Medical Services and Securities & Asset Management
- Stocks – Overweight FC Stone Group, KBR, Maguire Properties, Interactive Brokers and Ciane

Universe ..... Russell 3000  
 Trailing 12-month Turnover ..... 125%  
 Number of Holdings ..... 65  
 Cash Level ..... 0.9%

Universe ..... Russell 2500  
 Trailing 12-month Turnover ..... 109%  
 Number of Holdings ..... 125  
 Cash Level ..... 1.4%

- Chevron
- Wal-Mart
- Microsoft
- ExxonMobil
- Google

- Diamond Offshore Drilling
- Hewitt Associates
- IBM
- SYSCO
- Abbott Labs

- Kansas City Southern
- CF Industry Holdings
- Atwood Oceanics
- Essex Property Trust
- Rock-Tenn

- Terra Industries
- Bio-Rad Labs
- Tenet Healthcare
- Fresh Del Monte Produce
- JDS Uniphase

Barra Risk Factors	AllCap	Russell 3000	Difference
Currency Sensitivity	0.03	-0.02	0.05
Earnings Variation	0.06	0.00	0.06
Earnings Yield	-0.10	0.01	-0.11
Growth	0.07	-0.02	0.09
Leverage	-0.13	0.00	-0.13
Momentum	0.13	-0.02	0.15
Size	-0.17	-0.04	-0.13
Trading Activity	0.01	0.01	0.00
Value	-0.07	0.01	-0.08
Volatility	0.01	0.02	-0.01
Yield	-0.12	0.02	-0.14

Barra Risk Factors	SMidCap	Russell 2500	Difference
Currency Sensitivity	-0.07	-0.08	0.01
Earnings Variation	0.25	0.28	-0.03
Earnings Yield	-0.28	-0.29	0.01
Growth	0.21	0.23	-0.02
Leverage	0.44	0.59	-0.15
Momentum	0.12	-0.01	0.13
Size	-2.08	-2.03	-0.05
Trading Activity	0.23	0.08	0.15
Value	0.14	0.16	-0.02
Volatility	0.56	0.66	-0.10
Yield	-0.42	-0.27	-0.15

Sector Weights	AllCap	Russell 3000	Difference
Consumer Discretionary	10.6%	7.3%	3.3%
Consumer Staples	5.8	8.4	-2.6
Energy	13.0	11.9	1.1
Financials	18.3	17.7	0.6
Health Care	12.9	12.2	0.7
Industrials	3.4	7.8	-4.4
Materials	3.0	5.4	-2.4
Retail	7.3	4.9	2.4
Services	11.8	6.3	5.5
Technology	13.9	14.5	-0.6
Utilities	0.0	3.6	-3.6

Sector Weights	SMidCap	Russell 2500	Difference
Consumer Discretionary	14.6%	9.7%	4.9%
Consumer Staples	1.8	3.2	-1.4
Energy	7.1	7.1	0.0
Financials	22.4	19.0	3.4
Health Care	11.2	11.2	0.0
Industrials	7.3	9.9	-2.6
Materials	7.4	8.4	-1.0
Retail	3.1	5.5	-2.4
Services	10.1	8.0	2.1
Technology	13.1	13.2	-0.1
Utilities	1.9	4.8	-2.9

Performance	AllCap Pure Gross of Fees <sup>2</sup>	AllCap Net of Fees	Russell 3000
First Quarter 2008 <sup>1</sup>	For performance data, contact Laurie Watson at (888) 248-8324		
Year to Date 2008 <sup>1</sup>			
Annualized			
Total			
Return			
	Since Inception <sup>1</sup>		
Inception Date – 01.01.97			

Performance	SMidCap Gross of Fees	SMidCap Net of Fees	Russell 2500
First Quarter 2008 <sup>1</sup>	For performance data, contact Laurie Watson at (888) 248-8324		
Year to Date 2008 <sup>1</sup>			
Annualized			
Total			
Return			
	Since Inception <sup>1</sup>		
Inception Date – 11.01.02			

## 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®).

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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 charge 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.

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<sup>2</sup> Pure Gross of Free 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.

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

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