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Douglas W. Case, CFA
President,
Chief Investment Officer



Anatoly Reznik
Partner,
Investment Management

The Benefits of Dynamic Factor Weights

The AIP U.S. Equity Investment process is predicated on a fundamental belief in active management. However, no static, single “one-size-fits-all” approach to stock selection can be applied across all stocks under all market conditions. The success of our active investment process relies on four important conceptual building blocks.

1) Definable market segments should be evaluated independently

Definable market segments – such as the large cap growth style segment or the technology sector – have distinct dynamics. Therefore, each stock is independently evaluated relative to the overall universe, its size/style category, and its economic sector to yield a more accurate composite return expectation.

2) A spectrum of valuation factors is critical

Stock returns are driven by a variety of factors. Therefore, a diverse set of stock selection metrics needs to be considered for more robust return expectations and more consistent results.

3) Factor weights should be dynamic

Individual stock selection metrics exhibit variation in their ability to forecast returns through time. Thus, factor weights are systematically adapted to evolving patterns of effectiveness.

4) Optimization is the best way to construct portfolios

Careful portfolio construction goes hand-in-hand with individual stock selection. Therefore, return expectations must be captured as active portfolio risk, whereas unintended active risks should be minimized.

Our intent is to outperform targeted equity benchmarks by using a series of

quantitative stock selection models to systematically differentiate between attractive and unattractive stocks; carefully managing portfolio risk relative to the benchmark using equity risk models; and ensuring every trade will improve the portfolio’s expected risk/return profile after accounting for anticipated transaction costs.

With the recent economic, financial and market challenges, the last few years have been difficult for all investors. We have experienced the subprime mortgage crisis, the corporate credit crunch, the quant liquidity crunch, and ultimately, a global economic crisis. For quantitative investors, these disruptions led many standard stock selection factors to experience considerable volatility in their effectiveness, and frequently to cease working as typically expected for extended periods of time.

Some say we’re in a new normal while others caution us against thinking things are going to be different this time. So which is it – new normal, same-old-same-old, or something in between? The necessity for successful investors to have an answer to this proposition is one reason we believe factor weights should be dynamic – inherently adapting to evolving market dynamics.

AIP’s Dynamic Factor Weighting Approach

We generate a relative return expectation for each security using a combination of three independent quantitative analyses: Broad Universe – valuation relative to all stocks in the investment universe; Style Specific – valuation relative to all other stocks with the same combined market capitalization and style profile; and

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

Sector Specific – valuation relative to all other stocks in the same economic sector.

Each analysis is designed to provide a slightly different valuation perspective. These three analyses act as multiple experts and because they are not perfectly correlated, the robustness and accuracy of the combined composite expectation exceeds the skill of any one single analysis. Those stocks with higher (lower) relative return expectations are considered strong buy (sell/avoid) candidates. This approach of relying upon multiple analyses provides a quality check on the reliability of our expectations, similar to the age-old convention followed by carpenters, “measure twice, cut once”.

Within each of the analyses’ models, the emphasis (weight) assigned to the underlying stock selection factors vary through time, based on the evolving association of that factor with observed stock returns. As factors drift into (out of) favor, the weight applied to the factor will be increased (decreased) to reflect prevailing trends. If a factor is currently out of favor, we may assign a negative weight (i.e., go “short” that factor) even if the long term average return to the factor is positive. We believe this willingness to bias against a factor is a key differentiator of our process relative to other quant processes, and that the dynamic weighting process is an important contributor to our models’ success.

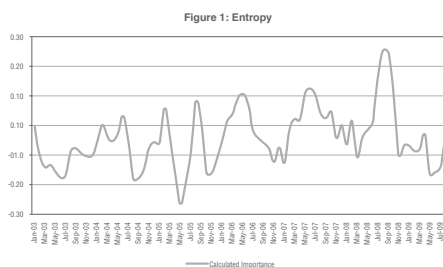
There are three distinct stages to our process of dynamically weighting stock selection factors within each of the Broad Universe, Style Specific and Sector Specific models.

Stage I

The first stage of the process calculates each factor’s historical importance in estimating stock returns through time. This stage segregates the data history into weekly slices, with each slice containing factor values and one quarter subsequent returns for every stock relative to the Russell 3000 Index. Using regression techniques, the importance of each stock selection factor in explaining stock returns is

determined for each of the Broad Universe, Style Specific and Sector Specific models.

These calculated measures of individual factor importance represent the contribution every stock selection factor has made towards estimating each stock’s relative return over time for each model. Figure 1 displays the calculated importance of our Entropy factor (a metric related to market capitalization bias) within the Broad Universe model. What we have observed over the time period is a fluctuating, but typically negative association between Entropy and stock returns; i.e., smaller cap stocks have generally – but not always – yielded better returns than larger cap stocks.



Stage II

We now know how the factors contributed in the past. The objective of the second stage is to forecast the expected relative importance of each stock selection factor for the upcoming time period based upon the history of factor importance as determined within Stage I. Many approaches to dynamically determining valuation factor importance simply use the most recent period’s calculated relative factor importance as the forecast for the factor’s expected importance during the coming period. This naïve approach does not take into account prevailing trends in factor importance (i.e., has the factor’s return been rising or falling). Forecasts of a factor’s importance can be greatly improved when you consider what the factor has done recently and where it appears to be trending.

To begin the forecasting of factor importance, Stage II collects the time series of historical importance for each valuation factor for a trend analysis. As seen with the Entropy

factor in Figure 1, the time series of a factor’s importance typically follows an evolving cycle with choppy movements from one time segment to the next. Our factor importance forecasts use an algorithm which evaluates the last three years of calculated importance with a rising level of influence up to 13 weeks ago, thereby capturing the longer-term momentum in factor importance, and then a constant level of influence up to the present week. This rising scheme for weighting the factor’s time series of importance during Stage II forecasting is referred to as the Trapezoid Weighting Scheme (see Figure 2).

Figure 2: Trapezoid Weighting Scheme

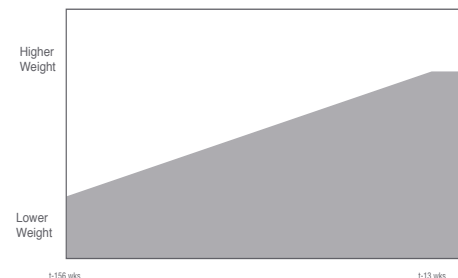
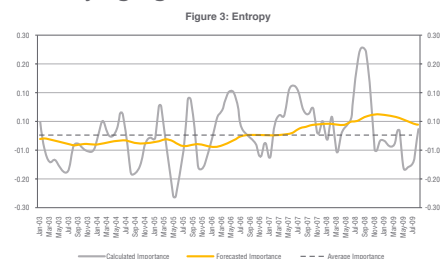


Figure 3 overlays two additional lines on Figure 1’s Entropy importance chart: a dashed line showing the average importance and a second solid line that represents our forecasted importance for Entropy over time. What you see is that the forecasted factor importance is a much smoother cycle without attempting to mimic the choppy nature of the actual calculated importance through time. This smoother evolution of a factor’s forecasted level of importance results in greater consistency in attractiveness assessments from one period to the next, which also results in lower levels of resultant portfolio turnover. Therefore, we are able to enhance valuation accuracy by capturing the underlying signal embedded within the



factor's evolving importance, while not overreacting to the unprofitable, noisy step-wise progression through time.

The dashed line displaying Entropy's average importance captures the negative association with stock returns and the general outperformance of smaller cap stocks over this time period. Thus, a more static approach to forecasting this factor might yield a steady bias towards smaller cap stocks. However, our dynamic forecasting process led to a smaller than average bias up until mid-2006, and then a steady upward bias until larger cap stocks were preferred by mid-2008 as represented by the forecasted importance being positive. Currently, the model's Entropy – or market cap bias – is rather neutral with a forecast around zero.

Stage III

The final stage, Stage III, generates the attractiveness rating for each stock, which will be used for making stock selection decisions. From Stage II we have the forecasted level of factor importance for each factor for the upcoming time period to be used in determining each stock's rating within each of the Broad Universe, Style Specific and Sector Specific models. Each stock is rated by multiplying its factor exposures by each factor's predicted importance and then summing these values to compute the stock's composite attractiveness rating for each model. This calculation is made for each stock which results in the rating of all stocks from most attractive to least attractive within the Broad Universe, Style Specific and Sector Specific models. And finally, the three model ratings are combined to form our overall assessment of the attractiveness of each stock.

Over time, this dynamic scheme for forecasting valuation factor importance has been superior to the alternative approach of relying upon static expectations of factor importance through time. Given the challenging environment of the last couple of years, let's compare the results of two alternatives – dynamic versus static factor weights.

Dynamic vs. Static Factor Weights: July 2007 – September 2009

Throughout our research, we have consistently found that dynamically weighting stock selection factors has been superior to a static factor weighting approach. Given the market challenges that have been incurred since mid-2007, it is instructive to assess how our dynamic weighting approach held up during this period of volatility.

As discussed previously, we assess the relative attractiveness of securities by performing three independent analyses from three perspectives – Broad Universe, Style Specific, and Sector Specific – then combine the analyses for a single composite measure for selecting stocks. So let's look at how each of these three analyses fared on a real time basis with dynamic factor weighting versus the results that would have been realized if we maintained static, equal-weighting for the July 2007 through September 2009 time period. Focusing on our LargeCap stock universe (the approximately 600 largest market cap stocks within the U.S. market), Table 1 summarizes each model's results using dynamic and static factor weights.

Each one of our stock selection analyses benefitted from a dynamic approach to factor weighting during the period under review. Furthermore, the improved information coefficients (IC) and Top/Bottom Spreads came with no increase in underlying turnover.

Within the Style Specific and Sector Specific analyses there are component analyses for each Style and Sector market segment. Table 2 provides a summary for each of the Style Specific component models.

For each one of the Style Specific component models – where a stock's attractiveness is assessed relative to its own cap/style peer segment – our dynamic weighting approach provided material improvements throughout.

Once again the model improvements did not come at the expense of materially greater turnover.

Table 3 provides a summary for each of the Sector Specific component models.

While there is an improvement in the overall Sector Specific analysis, the results within the economic sector components – where a stock's attractiveness is assessed relative to its economic sector peer segment – are mixed. The greatest improvements from dynamic weighting came in the Energy, Technology, Materials, and Consumer Staples sectors, which are among the largest sectors and therefore this had an important positive impact on our portfolios. Within the Retail Trade sector, our stock selection proved to be poor regardless of a dynamic or static approach to factor weighting and is a clear area for additional research.

Overall, this difficult time period once again demonstrated the benefits of our process of dynamically adapting our factor weightings within our stock selections models. This benefit can in part be traced to our ability to short individual factors that were trending out of favor as well – such as, shorting momentum and favoring underperforming shares at times such as earlier this year, plus being able to go both long and short fundamental valuation metrics such as earnings yield and book/price at the same time. While this study covers a relatively short period of time, we have seen these favorable results hold for longer periods (and especially during less volatile periods for factor returns) as well.

In summary, the investment environment over the past 2 ½ years has been unusually volatile, with factors producing outsized returns from both positive and negative tilts, with sudden shifts between extremes. Over this period, therefore, it has been important to be nimble and recognize that factors may not behave in their expected fashion. We hope (and expect) heightened factor volatility to settle down eventually, but even if it doesn't we will be well prepared – adapting to market changes as they occur.

	MaxCap				MaxCap Value			
Benchmark	S&P 100				Russell Top 200 Value			
Quarterly Performance Attribution ³	Best Active Performance Policies: <ul style="list-style-type: none"> • Style – Overweight: Value and Yield; Underweight: Size • Sector – Overweight: Health Care; Underweight: Telecommunications • Industry – Underweight: Banks; Overweight: Computer Software, Drugs and Forestry & Paper • Stocks – Overweight: Hewlett Packard, Goldman Sachs Group, JP Morgan Chase and Mastercard 		Worst Active Performance Policies: <ul style="list-style-type: none"> • Style – Underweight: Volatility; Overweight: Momentum and Earnings Yield • Sector – Underweight: Consumer Cyclical and Technology; Overweight: Transportation • Industry – Underweight: Internet; Overweight: Railroads and Securities & Asset Management • Stocks – Overweight: UnitedHealth Group, Bank of New York Mellon and Lowes 		Best Active Performance Policies: <ul style="list-style-type: none"> • Style – Underweight: Size • Sector – Underweight: Utilities and Financials; Overweight: Consumer Non-cyclical • Industry – Underweight: Banks and Electric Utilities; Overweight: Tobacco • Stocks – Overweight: Franklin Resources, News Corp and JP Morgan Chase 		Worst Active Performance Policies: <ul style="list-style-type: none"> • Style – Overweight: Momentum; Underweight: Trading Activity, Volatility • Sector – Overweight: Health Care and Technology • Industry – Overweight: Securities & Asset Management and Medical Services • Stocks – Underweight: General Electric and Bank of America; Overweight: Eli Lilly and Corning 	
Portfolio Content	UniverseS&P 100 Trailing 12-month Turnover70% Number of Holdings 36 Cash Level..... 2.6%				Universe Russell Top 200 Value Trailing 12-month Turnover86% Number of Holdings 37 Cash Level..... 2.5%			
Top Active Weights ³	Top Five Active Weights Hewlett-Packard 3.05% General Dynamics 2.73 Time Warner 2.61 ConocoPhilips 2.58 Bank of NY Mellon 2.55		Bottom Five Active Weights General Electric -2.95% Apple -2.77 Bank of America -2.44 Cisyco Systems -2.21 Google -2.01		Top Five Active Weights State Street 2.78% Franklin Resources 2.74 Travelers 2.72 Viacom 2.64 General Dynamics 2.51		Bottom Five Active Weights General Electric -2.31% Bank of America -2.30 Verizon Comm. -2.29 Goldman Sachs -2.28 Occidental Petroleum -1.68	
Portfolio Characteristics ³	Barra Risk Factors Currency Sensitivity -0.01 Earnings Variation -0.05 Earnings Yield 0.23 Growth -0.11 Leverage -0.33 Momentum 0.04 Size 0.80 Trading Activity -0.16 Value -0.09 Volatility -0.32 Yield 0.23		MaxCap S&P 100 Difference		Barra Risk Factors Currency Sensitivity -0.02 Earnings Variation 0.08 Earnings Yield 0.28 Growth -0.10 Leverage -0.22 Momentum -0.14 Size 0.50 Trading Activity 0.00 Value 0.34 Volatility -0.06 Yield 0.19		MaxCap Value Russell Top 200 Value Difference	
Sector Weights ³	Sector Weights Consumer Discretionary 4.8% Consumer Staples 9.2 Energy 12.9 Financials 13.2 Health Care 16.8 Industrials 10.7 Materials 1.7 Retail 4.7 Services 4.8 Technology 19.0 Utilities 2.2		MaxCap S&P 100 Difference		Sector Weights Consumer Discretionary 11.0% Consumer Staples 4.7 Energy 20.2 Financials 26.3 Health Care 14.3 Industrials 6.7 Materials 1.6 Retail 5.7 Services 5.1 Technology 4.4 Utilities 0.0		MaxCap Value Russell Top 200 Value Difference	
Performance (as of 09.30.09)	Performance Third Quarter 2009 ¹ Year to Date 2009 ¹ Annualized Total Return Since Inception ¹ Inception Date – 07.01.98		MaxCap Pure Gross of Fees² MaxCap Net of Fees S&P 100		Performance Third Quarter 2009 ¹ Year to Date 2009 ¹ Annualized Total Return Since Inception ¹ Inception Date – 06.01.02		MaxCap Value Pure Gross of Fees² MaxCap Value Net of Fees Russell Top 200 Value	
For performance data, contact Laurie Watson at (888) 248-8324				For performance data, contact Laurie Watson at (888) 248-8324				

LargeCap

SR LargeCap

S&P 500

S&P 500

Best Active Performance Policies:

- Style – Underweight: Momentum
- Sector – Overweight: Health Care; Underweight: Telecommunications and Transportation
- Industry – Overweight: Drugs and Computer Software; Underweight: Electric Utilities
- Stocks – Overweight: eBay, Freeport McMoRan Copper & Gold and JP Morgan Chase

Worst Active Performance Policies:

- Style – Underweight: Value and Volatility; Overweight: Currency Sensitivity
- Sector – Overweight: Basic Materials and Financials
- Industry – Overweight: Mining & Metals and Securities & Asset Management
- Stocks – Overweight: ExxonMobil, Intuit, Eli Lilly and McDonalds

Best Active Performance Policies:

- Style – None
- Sector – Overweight: Health Care; Underweight: Utilities and Telecommunications
- Industry – Overweight: Drugs; Underweight: Electric Utilities and Wireless Telecom
- Stocks – Overweight: Freeport McMoRan Copper & Gold, eBay and JP Morgan Chase

Worst Active Performance Policies:

- Style – Underweight: Value; Overweight: Currency Sensitivity and Momentum
- Sector – Overweight: Financials, Consumer Non-cyclicals
- Industry – Underweight: Tobacco and Semiconductors; Overweight: Mining & Metals
- Stocks – Overweight: Eli Lilly, ExxonMobil, McDonalds and Walmart

Universe S&P 500 + 400 largest in Russell 1000
Trailing 12-month Turnover 120%
Number of Holdings 75
Cash Level 1.6%

Universe S&P 500 + 400 largest in Russell 1000
Trailing 12-month Turnover 120%
Number of Holdings 75
Cash Level 1.0%

Top Five Active Weights

Freeport McMoRan	2.80%
eBay	2.51
Harris Corporation	2.31
Wells Fargo & Co.	2.26
Intuit	2.19

Bottom Five Active Weights

General Electric	-1.89%
Apple	-1.77
AT & T	-1.72
Cisco Systems	-1.41
Google	-1.28

Top Five Active Weights

Freeport McMoRan	2.78%
CA Inc.	2.37
Wells Fargo & Co.	2.30
eBay	2.21
Time Warner	2.15

Bottom Five Active Weights

General Electric	-1.89%
Apple	-1.77
AT & T	-1.72
Bank of America	-1.56
Cisco Systems	-1.41

Barra Risk Factors	LargeCap	S&P 500	Difference
Currency Sensitivity	0.05	0.01	0.04
Earnings Variation	0.01	-0.06	0.07
Earnings Yield	0.11	0.06	0.05
Growth	-0.11	-0.06	-0.05
Leverage	-0.15	-0.11	-0.04
Momentum	-0.13	-0.05	-0.08
Size	0.21	0.37	-0.16
Trading Activity	-0.01	0.06	-0.07
Value	-0.08	-0.03	-0.05
Volatility	-0.07	-0.10	0.03
Yield	0.06	0.06	0.00

Barra Risk Factors	SR LargeCap	S&P 500	Difference
Currency Sensitivity	0.09	0.01	0.08
Earnings Variation	0.04	-0.06	0.10
Earnings Yield	0.06	0.06	0.00
Growth	-0.22	-0.06	-0.16
Leverage	-0.14	-0.11	-0.03
Momentum	-0.13	-0.05	-0.08
Size	0.30	0.37	-0.07
Trading Activity	0.03	0.06	-0.03
Value	-0.05	-0.03	-0.02
Volatility	-0.06	-0.10	0.04
Yield	0.14	0.06	0.08

Sector Weights	LargeCap	S&P 500	Difference
Consumer Discretionary	5.8%	5.3%	0.5%
Consumer Staples	12.4	10.4	2.0
Energy	12.4	10.7	1.7
Financials	18.2	16.2	2.0
Health Care	12.6	12.8	-0.2
Industrials	4.4	7.3	-2.9
Materials	7.1	5.1	2.0
Retail	6.7	5.4	1.3
Services	1.3	5.7	-4.4
Technology	17.1	17.5	-0.4
Utilities	2.0	3.6	-1.6

Sector Weights	SR LargeCap	S&P 500	Difference
Consumer Discretionary	6.2%	5.3%	0.9%
Consumer Staples	11.0	10.4	0.6
Energy	12.4	10.7	2.0
Financials	16.5	16.2	0.3
Health Care	13.6	12.7	0.9
Industrials	2.4	7.3	-4.9
Materials	9.8	5.2	4.6
Retail	6.6	5.4	1.2
Services	1.5	5.7	-4.2
Technology	15.9	17.5	-1.6
Utilities	4.1	3.6	0.5

Performance	LargeCap Pure Gross of Fees ²	LargeCap Net of Fees	S&P 500
Third Quarter 2009 ¹			
Year to Date 2009 ¹			
Annualized	1 year For performance data,		
Total	3 years contact Laurie Watson at		
Return	5 years (888) 248-8324		
	Since Inception ¹		
Inception Date – 05.01.99			

Performance	SR LargeCap Pure Gross of Fees ²	SR LargeCap Net of Fees	S&P 500
Third Quarter 2009 ¹			
Year to Date 2009 ¹			
Annualized	1 year For performance data,		
Total	3 years contact Laurie Watson at		
Return	5 years (888) 248-8324		
	Since Inception ¹		
Inception Date – 12.01.04			

AllCap

Russell 3000

Best Active Performance Policies:

- Style – Underweight: Momentum, Size and Leverage
- Sector – Underweight: Consumer Cyclical, Health Care, Utilities and Telecommunications
- Industry – Overweight: Drugs; Underweight: Electric Utilities and Wireless Telecom
- Stocks – Overweight: Freeport-McMoRan Copper & Gold, eBay, JP Morgan Chase and Macy's

Worst Active Performance Policies:

- Style – Underweight: Value, Non-Estimated Universe and Volatility; Overweight: Earnings Yield
- Sector – Overweight: Financials and Basic Materials
- Industry – Overweight: Securities & Asset Management and Mining & Metals; Underweight: Tobacco
- Stocks – Overweight: Eli Lilly, Intuit, Alleghany, UnitedHealth Group, McDonalds and Brinks

Universe Russell 3000
Trailing 12-month Turnover 114%
Number of Holdings 75
Cash Level 1.1%

Top Five Active Weights

Freeport McMoRan 2.77%
eBay 2.52
General Dynamics 2.37
Eli Lilly & Company 2.09
Diamond Offshore 2.09

Bottom Five Active Weights

General Electric -1.54%
Apple -1.45
AT & T -1.42
Bank of America -1.28
Cisco Systems -1.16

Barra Risk Factors	AllCap	Russell 3000	Difference
Currency Sensitivity	0.00	0.00	0.00
Earnings Variation	0.10	0.02	0.08
Earnings Yield	0.08	-0.01	0.09
Growth	-0.10	0.00	-0.10
Leverage	-0.06	0.02	-0.08
Momentum	-0.12	-0.02	-0.10
Size	-0.22	-0.06	-0.16
Trading Activity	-0.04	0.03	-0.07
Value	-0.01	0.01	-0.02
Volatility	0.03	0.05	-0.02
Yield	0.07	-0.01	0.08

Sector Weights	AllCap	Russell 3000	Difference
Consumer Discretionary	6.2%	6.3%	-0.1%
Consumer Staples	10.1	9.1	1.0
Energy	12.0	9.9	2.1
Financials	20.4	16.7	3.7
Health Care	11.3	12.6	-1.3
Industrials	5.6	7.5	-1.9
Materials	7.0	5.5	1.5
Retail	8.0	5.5	2.5
Services	2.5	6.1	-3.6
Technology	14.7	17.1	-2.4
Utilities	2.2	3.7	-1.5

Performance	AllCap Pure Gross of Fees ²	AllCap Net of Fees	Russell 3000
Third Quarter 2009 ¹			
Year to Date 2009 ¹			
Annualized	1 year For performance data,		
Total	3 years contact Laurie Watson at		
Return	5 years (888) 248-8324		
	Since Inception ¹		
Inception Date	– 01.01.97		

SMidCap

Russell 2500

Best Active Performance Policies:

- Style – Underweight: Currency Sensitivity, Leverage and Size
- Sector – Overweight: Consumer Cyclical; Underweight: Health Care
- Industry – Underweight: Banks; Overweight: Apparel & Textiles, Semiconductors and Clothing Stores
- Stocks – Overweight: ATP Oil & Gas, WR Grace, Zumiez and Rosetta Resources

Worst Active Performance Policies:

- Style – Underweight: Value and Non-estimated Universe; Overweight: Momentum
- Sector – Overweight: Consumer Services and Energy; Underweight: Consumer Non-Cyclical
- Industry – Overweight: Securities & Asset Management and Construction & Real Estate
- Stocks – Overweight: Rosetta Stone, Granite Construction, Covanta Holdings and Career Education

Universe Russell 2500
Trailing 12-month Turnover 124%
Number of Holdings 145
Cash Level 0.8%

Top Five Active Weights

Swift Energy 1.75%
WR Grace 1.72
GrafTech International 1.70
Novellus Systems 1.65
Greenhill & Company 1.63

Bottom Five Active Weights

CenturyTel -0.49%
KeyCorp -0.27
Red Hat -0.26
Genworth Financial -0.26
Health Care REIT -0.23

Barra Risk Factors	SMidCap	Russell 2500	Difference
Currency Sensitivity	-0.23	-0.19	-0.04
Earnings Variation	0.32	0.38	-0.06
Earnings Yield	-0.17	-0.36	0.19
Growth	-0.06	0.06	-0.12
Leverage	0.49	0.64	-0.15
Momentum	0.05	0.04	0.01
Size	-2.08	-2.08	0.00
Trading Activity	0.02	-0.06	0.08
Value	0.18	0.25	-0.07
Volatility	0.53	0.71	-0.18
Yield	-0.25	-0.28	0.03

Sector Weights	SMidCap	Russell 2500	Difference
Consumer Discretionary	14.5%	9.5%	5.0%
Consumer Staples	1.2	3.7	-2.5
Energy	7.2	5.0	2.2
Financials	17.1	19.6	-2.5
Health Care	8.4	11.5	-3.1
Industrials	7.8	9.0	-1.2
Materials	6.9	7.2	-0.3
Retail	10.2	5.7	4.5
Services	10.0	9.0	1.0
Technology	9.6	14.6	-5.0
Utilities	7.1	5.2	1.9

Performance	SMidCap Pure Gross of Fees ²	SMidCap Net of Fees	Russell 2500
Third Quarter 2009 ¹			
Year to Date 2009 ¹			
Annualized	1 year For performance data,		
Total	3 years contact Laurie Watson at		
Return	5 years (888) 248-8324		
	Since Inception ¹		
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®).

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.

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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

Table 1

Stock Selection Model Results
Universe: LargeCap
Time Period: July 2007 through September 2009

	Dynamic Factor Weights				Static Factor Weights			
	Average IC	IC T-stat	Average Monthly Top/Bottom Spread	Average Annual Top & Bottom Turnover	Average IC	IC T-stat	Average T/B Monthly Top/Bottom Spread	Average Annual Top & Bottom Turnover
Broad Universe	0.04	1.13*	5.51	70.16	0.01	0.15	3.71	72.72
Style Specific	0.05	1.92***	5.18	76.73	0.01	0.49	2.88	79.60
Sector Specific	0.03	1.57**	1.85	68.34	0.01	0.85*	1.31	80.64

* p > 0.25

** p > 0.10

*** p > 0.05

**** p > 0.01

Table 2

Style Specific Component Model Results
Universe: LargeCap
Time Period: July 2007 through September 2009

	Dynamic Factor Weights				Static Factor Weights			
	Average IC	IC T-stat	Average Monthly Top/Bottom Spread	Average Annual Top & Bottom Turnover	Average IC	IC T-stat	Average T/B Monthly Top/Bottom Spread	Average Annual Top & Bottom Turnover
Style Specific	0.05	1.92***	5.18	76.73	0.01	0.49	2.88	79.60
Larger Cap Value	0.07	2.27***	6.52	83.71	0.02	0.89*	3.83	88.14
Larger Cap Growth	0.06	2.50****	1.47	77.94	0.03	1.39**	0.52	64.41
Smaller Cap Value	0.03	0.81*	0.55	74.43	-0.01	-0.33	-0.77	87.03
Smaller Cap Growth	0.05	2.11****	1.46	77.15	0.01	0.31	0.07	87.99

* p > 0.25

** p > 0.10

*** p > 0.05

**** p > 0.01

Table 3

Sector Specific Component Model Results
Universe: LargeCap
Time Period: July 2007 through September 2009

	Dynamic Factor Weights				Static Factor Weights			
	Average IC	IC T-stat	Average Monthly Top/Bottom Spread	Average Annual Top & Bottom Turnover	Average IC	IC T-stat	Average T/B Monthly Top/Bottom Spread	Average Annual Top & Bottom Turnover
Sector Specific	0.03	1.57**	1.85	68.34	0.01	0.85*	1.31	80.64
Consumer Durables	0.02	0.58	1.08	79.22	0.02	0.68	1.67	83.83
Consumer Staples	0.03	0.80*	1.26	59.32	0.01	0.22	-0.24	89.99
Energy	0.03	1.01*	2.02	57.56	-0.01	-0.26	0.59	78.85
Financials	0.02	0.46	0.65	70.21	0.02	0.47	1.16	84.27
Health Care	0.05	1.51**	0.89	89.73	0.02	0.90*	0.48	89.98
Industrials	0.03	0.84*	1.86	98.69	0.05	1.96****	0.60	88.21
Materials	0.08	2.33****	4.63	63.06	0.05	1.65***	1.14	92.22
Retail Trade	-0.05	-1.36**	1.01	57.52	-0.03	-1.07*	1.45	69.28
Services	0.01	0.30	1.10	58.35	0.01	0.45	1.66	76.05
Technology	0.04	1.81***	2.88	67.93	0.00	-0.05	0.19	81.27
Utilities	0.00	0.06	0.95	75.76	-0.01	-0.20	0.58	108.05

* p > 0.25

** p > 0.10

*** p > 0.05

**** p > 0.01



Mixed Sources

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