Shenandoah Asset Management, LLC

Quarterly Review: December 31, 2007

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Market Data & Commentary:

Source: Vestek & Frank Russell

Index	Month	Q4'07	1 Yr
Russell 3000	-0.6%	-3.3%	5.1%
Russell Top 200	-0.8%	-3.1%	5.9%
Russell Midcap	-0.3%	-3.6%	5.6%
Russell 2000	-0.1%	-4.6%	-1.6%
Russell 3000 Growth	-0.3%	-0.9%	11.4%
Russell 3000 Value	-1.0%	-5.9%	-1.0%
Dow Jones Industrials	-0.7%	-3.9%	8.9%
NASDAQ Composite (Prc Chg)	-0.3%	-1.8%	9.8%
S&P 500 Cap-Weighted	-0.7%	-3.3%	5.5%

	Q4'07	YTD '07
Energy	4.8%	39.6%
Materials	0.7%	21.9%
Industrials	-4.5%	15.1%
Consumer Discretionary	-10.7%	-11.7%
Consumer Staples	3.0%	13.8%
Health Care	-0.8%	8.8%
Financials	-14.0%	-20.1%
Information Technology	-0.3%	15.3%
Telecommunications	-6.8%	-0.7%
Utilities	5.9%	9.3%

▪***Credit and economic issues continue to drive volatile intra-quarter performance.*** In like a lion, out like a lamb aptly describes the performance of equity markets this quarter. Equities started strongly on the assumption that like a summer vacation, the negative factors that affected the market during July/August were over. Even the Fed appeared ready to acknowledge that the ship had been righted. However, during the Q3 EPS reporting period it became clear that the fallout from the mortgage crisis was still unfolding. Below expectation EPS results, primarily in the Financial and Consumer Discretionary sectors, slowing economic growth and record per barrel oil prices combined to dampen the early enthusiasm for equities. More specifically, a number of underlying factors drove the market's performance during the quarter:

▪***Further deterioration in the housing and credit markets along with a pick-up in inflation are making it more difficult for the Fed to achieve its mission of fostering price stability and sustainable economic growth.*** The FOMC continues to be caught off-guard by the speed and breadth of the sub-prime related fall-out. After cutting rates by a further - 25 bps to 4.5%, in late October, the Fed sounded more upbeat regarding the outlook for the economy and financial markets. The tone of the Fed's October statement was interpreted as an indication that rates would be left on hold. However, further weakening of the economy and the financial markets was acknowledged as the reason behind the Fed's -25 bps cut to 4.25% at its December meeting. By highlighting the increased uncertainty regarding the outlook for economic growth and inflation the Fed acknowledged, in our opinion, the difficulty it is having setting longer term policy during this volatile period. That said, with little in the way of positive economic or the Financial sector news, the Fed is likely to err on the side of too much stimulus and lower interest rates at least another -25 bps to 4.00%.

▪***Growth beat Value across all cap ranges, again.*** For the quarter, the Russell 3000 Growth index out-performed Value, -0.9% vs. -5.9%, Mid-cap Growth out-performed Mid-cap Value -1.7% vs. -6.0%, and Small-cap Growth out-performed Value -2.1% vs. -7.3%. The disparate relative performance of the Technology (neutral) and Financial (weak) sectors likely continues to drive the out-performance of Growth vs. Value. These two sectors account for the largest weighting differences between the style benchmarks. The Growth benchmark has a relative over and under weighting in Technology and Financials vs. their respective weights in the Value indices. ***Note:*** Growth was also the dominant style for the S&P indices.

▪***Large-cap outperformed small-cap equities.*** Large-cap equities outperformed Small-cap this quarter. The cap-weighted S&P 500 index out-performed the equal-weighted version by +210 bps (-3.3% vs. -5.4%) and now leads for the 1 through 3 year periods. The equal weighted index still leads the cap-weighted index over the 5 and 10-year time periods. Large-cap Russell indices also outperformed their smaller-cap brethren, i.e. the Russell 200 (large-cap) out-performed the Russell 2000 (small-cap index) by +150 bps and +750 bps for the most recent quarter and 12 months, respectively.

▪***Sector performance trends remain in place, Energy and the "defensive" sectors, significantly outperformed Financials and economically sensitive sectors.*** The Energy sector, up +4.8%, continues to benefit from high oil prices. The Financial sector, down -14.0%, was the laggard. Factors weighing on the sector are well documented, however, the most recent parade of, larger than expected, asset write-downs was a reality check to those who believed that the crisis was coming to an end. YTD, Energy up +39.6% was the best performing sector. Financials, down -20.1% was unable to gain any traction.

Financial sector dislocation and expectations of a slowing economy have resulted in drastically reduced EPS growth expectations. Driven by weaker than expected EPS results in the Financial (-38%) and Consumer Discretionary (-40%) sectors, companies that comprise the S&P 500 reported negative year/year (y/y) EPS growth in Q3'07, the first negative y/y growth in almost 6 years. Not surprisingly, there has been a sharp reduction in Q4'07 y/y growth expectations, now forecast to be negative. However, FY'08 EPS growth remains in the low double digits. We continue to believe that given expectations of a slowdown in economic growth, a further reduction in '08 estimates, especially in the initial quarters, will required. Multi-national companies should continue to benefit from exposure to faster growing international markets and the positive business effects of the relatively weak $US. This should offset some of the expected weakness in the U.S.

Model Attribution: *Fourth Quarter 2007*

Quint	Opt E/I	Earnings	Insider	QV	Cashflow
5 (high)	-2.1%	-0.5%	-9.7%	-8.8%	-5.7%
4	-4.5%	-4.0%	-6.2%	-7.5%	-8.5%
3	-4.0%	-4.8%	-5.9%	-7.2%	-5.3%
2	-7.5%	-5.1%	-3.5%	-2.1%	-3.3%
1 (low)	-8.7%	-12.4%	-1.7%	0.3%	-2.4%
Spread	***6.5%***	***11.9%***	***-8.0%***	***-9.0%***	***-3.3%***

Note: "Spread" is the difference between the returns of the high (5) and low (1) quintiles by each model/measure.

The Shenandoah models posted mixed results. Our Earnings and OPT E/I models recorded significant positive spreads. However, the Insider Transactions and Valuation model spreads were negative. It appears that investors were willing to overlook weaker Insider behavior and valuation in search of stocks with the best/worst earnings characteristics. The following is an overview of factors that influenced the performance of our raw models.

▪***The Earnings model spread was +11.9%.*** Given expectations for a slowdown in economic growth, it is not surprising that investors continue to focus on earnings momentum when considering their buy/sell decisions.

▪***The Insider Transactions model spread was -8.0%.*** The significant underperformance of highly ranked Financial and Consumer Discretionary stocks compounded this quarter's negative model spread. **Note:** Insiders began to aggressively buy stock of their companies during November's equity market weakness. This behavior is similar to what we saw during the late July/early August market sell-off. On that occasion the major equity indices logged mid to high single digit gains prior to Insider buying activity moving back to a Neutral reading. The current aggregate model reading is **Bullish for equities.**

▪***The OPT E/I model (Earnings and Insider Transactions) spread was +6.5%.*** The positive performance of the Earnings model, which is the most heavily weighted model in our process, was dampened by the negative Insider model performance**.**

▪***Our Valuation models both recorded negative results: Cashflow -3.3% and QV -9.0%.*** The relative out-performance of Cashflow vs. QV was due, in part, to the conflicting ranking of a number of outperforming Energy, Utility and Healthcare stocks vs. underperforming Financial and Consumer Discretionary stocks. Also, uncertainty (skepticism) regarding the outlook for attractively valued stocks, especially Financial and Consumer Discretionary, is likely impacting performance.

Note: The Shenandoah investment process involves a proprietary quantitative algorithm. A company's raw model scores, along with a number of other variables, are combined to create a company specific "alpha score." The "alpha score" is used, along with other strategy specific factors, in the development of Shenandoah's portfolios. With this in mind, relative portfolio performance, positive or negative, may differ from the raw model Best vs. Worst spread performance discussed in this report.

Product Performance

Strategy	1 Month	3 Months	YTD	1Year	Since incep	AUM ($ mill)	Inception
Midcap Composite (Gross)	-0.7%	-3.0%	10.0%	10.0%	13.1%	$ 288.4	*04/02/01*
Midcap Composite (Net)	-0.8%	-3.1%	9.7%	9.7%	12.7%		
Russell Midcap	*-0.2%*	*-3.3%*	*6.4%*	*6.4%*	*12.1%*		
Large Value (Gross)	-1.7%	-5.5%	2.8%	2.8%	10.3%	$ 18.0	*02/01/06*
Large Value (Net)	-1.7%	-5.6%	2.5%	2.5%	9.9%		
Russell 1000 Value	*-1.0%*	*-5.8%*	*-0.2%*	*-0.2%*	*8.8%*		
130/30 (Gross)	-1.2%	-5.3%	na	na	-7.8%	$ 11.8	*06/01/07*
130/30 (Net)	-1.3%	-5.5%	na	na	-8.4%		
Russell 1000	-0.7%	-3.2%	na	na	-3.2%		
					Total Firm	***$ 322.8***	

Performance Highlights:

•Mixed performance for the Shenandoah strategies during the quarter. Longer-term performance remains strong.

•Midcap strategy (gross) is +360 bps and +100 bps ahead of the Russell Midcap benchmark for the one year and since inception (annualized) periods, respectively.

•Large Value strategy (gross) is +300 bps and +150 bps ahead of the Russell 1000 Value benchmark for the one year and since inception (annualized) periods, respectively.

•The 130/30 Alpha Extension strategy underperformed this quarter, the out-performance of our Short holdings was a drag.