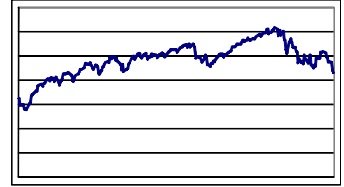


Shenandoah Asset Management, LLC

Market Outlook: (06/30/10)



Shenandoah does not attempt to time the market in any way. We do, however, maintain a forward looking view of the stock market in the context of our models:

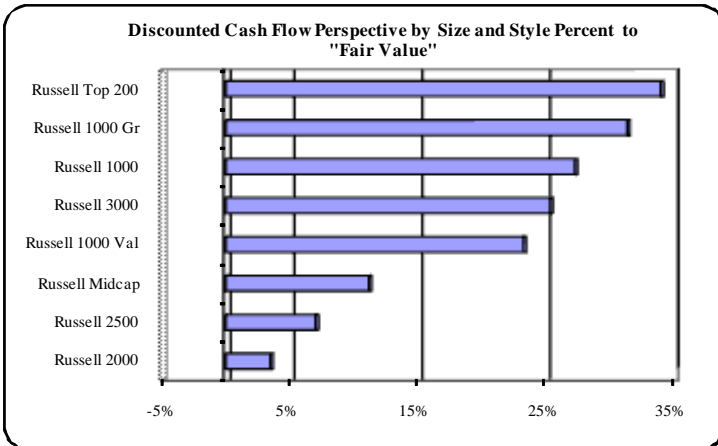
- **Shenandoah's Discounted Cash flow (DCF) model** historically has displayed remarkable accuracy in predicting prospective stock market returns. Current data indicates that the broad equity market (**Russell 3000 index**) **remains considerably undervalued**. That said, only a slight improvement in valuation attractiveness against June's backdrop of falling equity prices is indicative of a deterioration in the economic profitability and/or earnings growth outlook. It appears that **investors are beginning to question**, at least for now, the **aggressive 2010 year/year growth expectations**. Large cap and mega cap stocks offer the most upside potential while Mid cap and Small cap stocks provide more modest upside potential. At the sector level, the Healthcare and Technology

sectors appear significantly undervalued.

- **Shenandoah's Earnings model outlook remains Bullish although slightly less so than at the end of May.** The percentage of companies with improving earnings characteristics (positive surprises and estimate revisions, scores of 9-10), stands at 35%, down from 40% following the strong Q1 EPS reporting period. The considerable deterioration in our EPS Momentum Ratio over the past 4 to 6 weeks is an indication that analysts have become increasingly concerned that companies would be unable to meet EPS expectations for Q2 and/or the remainder of 2010.
- Having picked up their buying (relative to selling) during May's equity market weakness, **Insider's moved to a Neutral position in June as the market vacillated between euphoria and despair.** The current insider reading, while Neutral, is positioned just above the level required for a Bullish signal.

Our models are providing mostly positive signals regarding the outlook for the equity market. However, the bullish view of our DCF and Earnings models is based on forward EPS estimates, which may be unachievable. **Insider's** bullish view heading into June shifted to neutral as uncertainty regarding economic and corporate performance increased. **In summary**, while our models remain positively biased, the near-term direction of equities should lean heavily on Q2 EPS results/guidance.

Valuation—Discounted Cash flow



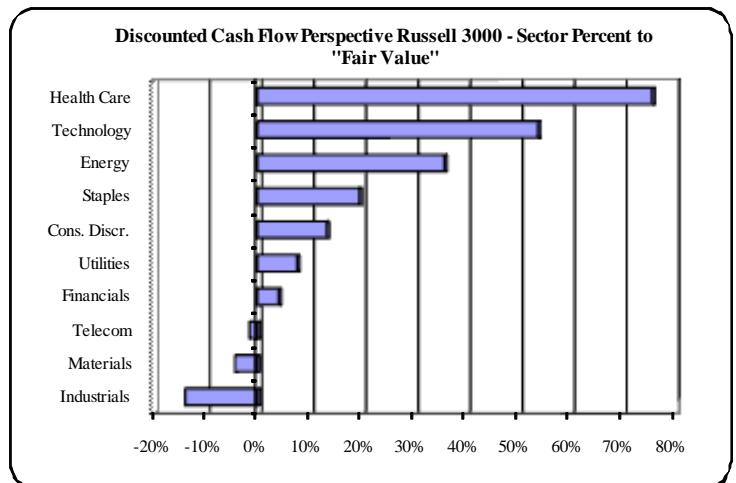
Our DCF model indicates that there was only a slight improvement in equity market valuation against a backdrop of falling prices in June.

- All things being equal, this result is indicative of lower of profit/growth expectations offsetting some of the negative market impact. The recent deterioration in our Earnings model scores and EPS momentum confirm that earnings expectations have been under pressure recently.
- The model continues to see more value in the **larger cap** area of the market. Large-cap growth (Russell 1000 Gr) and Mega-cap (Russell 200), driven by the considerable undervaluation of Healthcare and Technology sectors, provide the greatest upside potential. **Mid cap** and **Small cap** (Russell 2000) are modestly undervalued.

Decomposing the **Russell 3000 Index**, the Healthcare and Technology sectors remain considerably undervalued. Expectations of above average earnings growth and economic profitability is not fully reflected in the current pricing of these sectors.

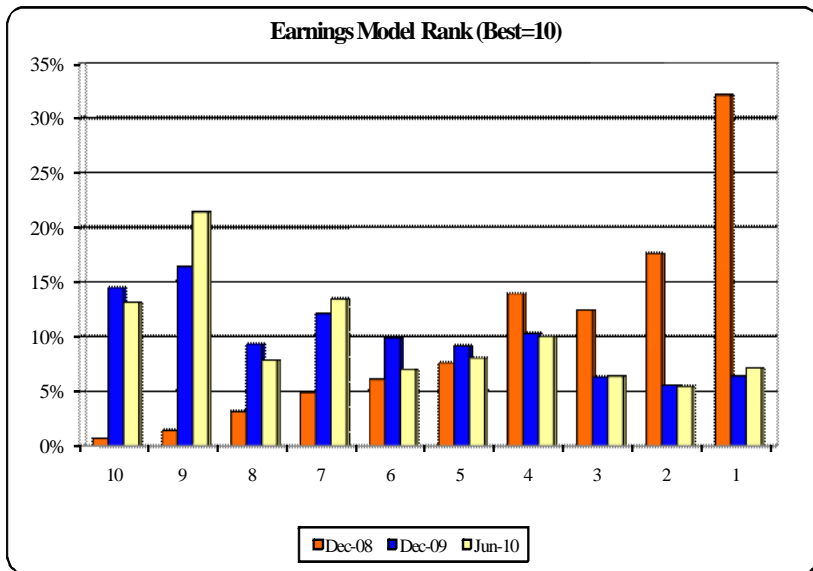
- While improving since year-end 2009, only two (Energy and Staples) of the remaining eight sectors are considered to be trading significantly below "fair value."
- Speculation that improving economic conditions will spur demand for Materials and Industrial sector goods and services, has driven equity prices above those supported by current earnings and cash flow expectations. Although improving slightly, Bank and Thrift overvaluation continues to weigh on the attractiveness of the Financial sector.

Source: Raw Cash flow data – AFG Ltd.



Market Outlook (continued)

Earnings



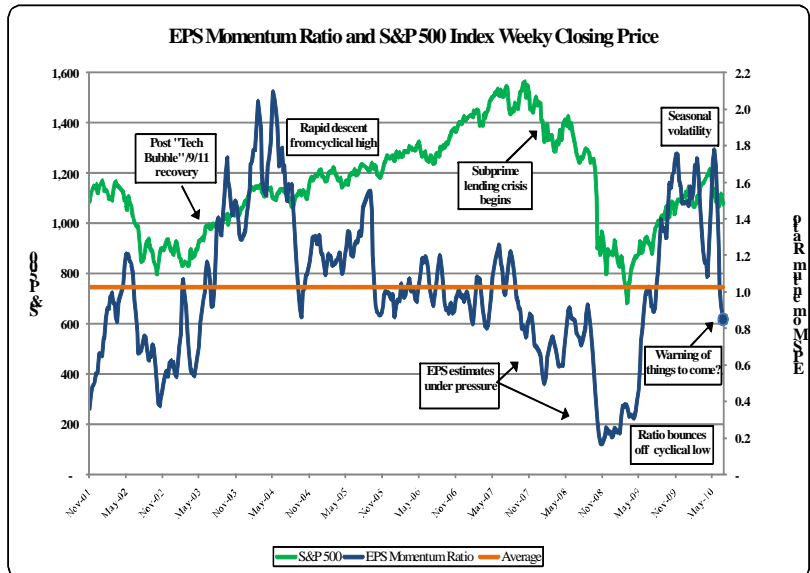
Our Earnings model remains **Bullish** although slightly less so than at the end of **May**. The percentage of companies with improving earnings characteristics (positive surprises and estimate revisions, scores of 9-10), stands at 35%, down modestly from 40% reached immediately following the strong Q1'09 EPS reporting period.

- Year to date, raised expectations for “cyclical” sector earnings have been partly offset by lowered expectations for some companies in the Consumer Staples and Healthcare sectors.
- The recent model activity may be due, in part, to the seasonal weakness that often occurs prior to a quarterly reporting season (as EPS expectations are tempered). However, the recent dampening of economic growth expectations has also increased the risk that companies will be unable to meet 2010 EPS projections (especially as year/year comparisons become more challenging in 2H'10).

Earnings Revisions

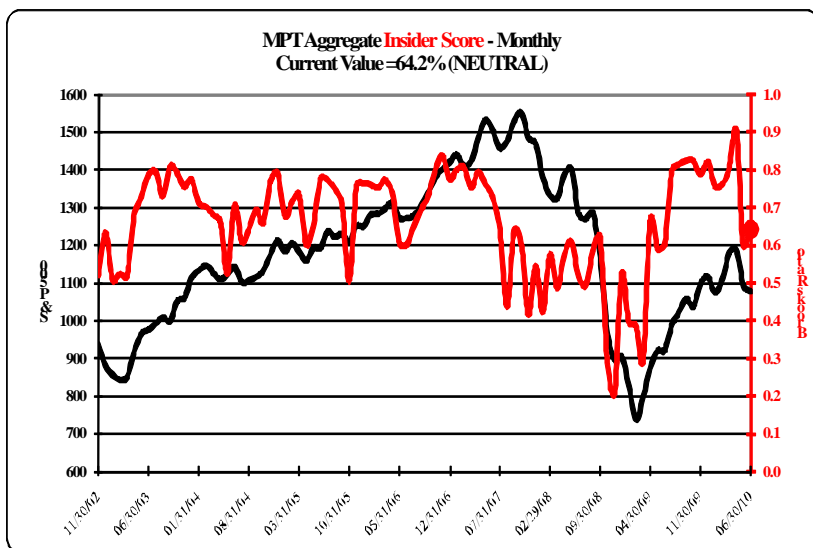
The chart on the right depicts the performance of the S&P 500 index (green line) in the context of analysts' estimate revisions for the next two fiscal years (blue line). Estimate trend line is defined as the ratio of rising estimates to falling estimates.

- Sub-prime related weakness began in July 2007.
- Earnings trough in late 2008 — early 2009; considerable improvement in earnings momentum began in March 2009. During this period, the rate of improvement in index level EPS estimates lagged that of the momentum ratio.
- We have entered a “seasonally” weak period for EPS momentum. At just 0.8 (**average 1**), the ratio has been in a “free fall” since hitting a post Q1'10 reporting season peak of 1.8. Analysts appear cautious going into the Q2 EPS reporting season.



Source: Earnings data from AFG Ltd and Zacks

Insider Transactions



After beginning the month with a **Bullish** outlook, the Insider transaction model moved to a **Neutral** reading (**Brooks Ratio 64.2%** - see chart) as equity market performance lacked direction. (The Brooks Ratio is the ratio of insider sales to total insider transactions on NYSE listed stocks.)

- At this time approximately 60% of the companies that make up the Russell 1000 index are ranked Neutral by this model, up from 55% at 12/31/09.
- The current insider reading, while Neutral, is positioned just above the level required for a Bullish signal. This decreases the likelihood that the model reading will turn Bearish in the near-term.
- **Strongest sector:** Finance and Energy
- **Weakest sector:** Auto's, Tires and Trucks

Source: Market Profile Theorems, Inc.