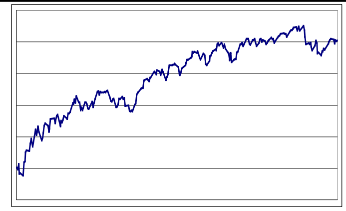
Shenandoah Asset Management, LLC
Market Outlook:
(02/28/10)

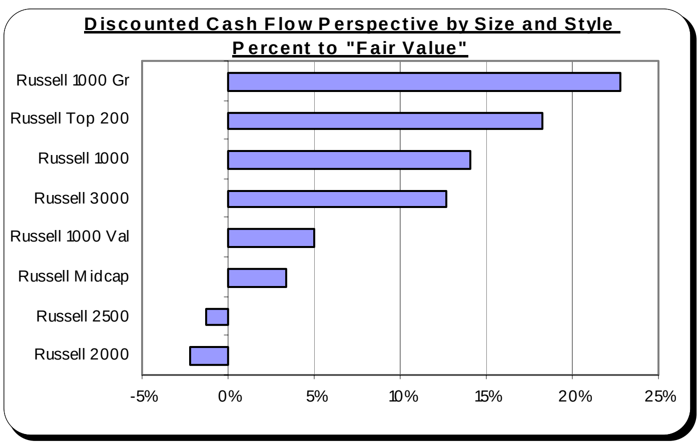


Shenandoah does not attempt to time the market in any way. We do, however, maintain a forward looking view of the stock market in the context of our models:

- **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) is moderately undervalued. A number of factors have contributed to the models more optimistic valuation outlook including: a slight YTD retracement in equity prices, generally better than expected Q4'09 EPS reports and the base model year "rolling" to the higher growth 2010 from 2009. Large cap and mega cap stocks offer the most upside potential while Mid cap and small cap stocks are trading close to their fair value. At the sector level, the Healthcare and Technology sectors appear considerably undervalued.
- **Shenandoah's Earnings model outlook remains Bullish.** However, after a period of rapid growth, the percentage of companies with improving earnings characteristics (positive surprises and estimate revisions, scores of 9-10), has stabilized near 30%. The current level is well above the 5% recorded during the market meltdown in early 2009 but is down from what could be the cyclical high (38% at 11/30/09). The decrease in the percentage of companies with earnings scores of 9 or 10 is an indication of the greater level of difficulty that companies face as they attempt to beat significantly higher 2010 EPS expectations.
- Insider's were less willing to buy stock in their own companies (relative to selling) during February's rally. **We consider this to be normal behavior on the part of insiders.** The recent activity of insiders has maintained the model reading in the high-neutral range, which does not work against further equity market gains.

There was **no change in the near term-outlook of our models** DCF (bullish), Earnings (bullish) and Insider (neutral) during February. We remain more **optimistic regarding the near-term outlook for the equity market vs. at year-end '09**. One caveat, the favorable DCF outlook is based on forward EPS estimates, which may be unachievable. Also, the differences in valuation attractiveness based on size, style and sector may be best suited to a more focused investment approach.

Valuation—Discounted Cash flow



Our DCF model indicates that, against a backdrop of rising prices, there was a slight deterioration in equity market valuations during February.

•A slight YTD retracement in equity prices, generally better than expected Q4'09 EPS reporting and the base model year "rolling" to the higher growth 2010 from 2009 have all contributed to the model's more optimistic outlook vs. its view at year-end 2009.

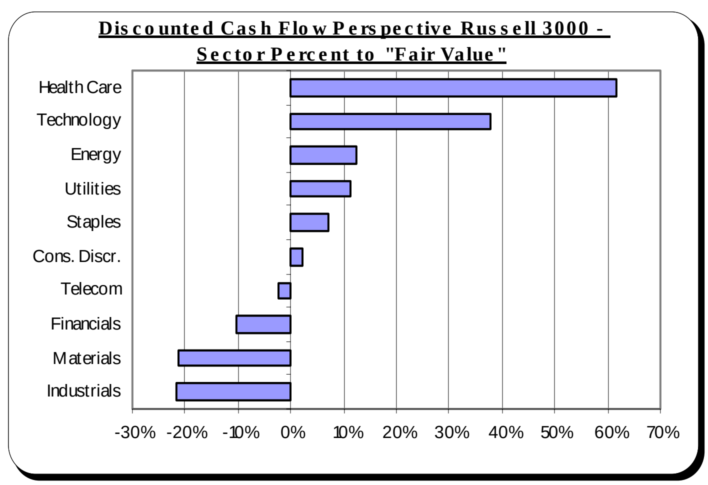
• The model continues to see more value in the **larger cap** area of the market. Large-cap growth (Russell 1000 Gr) and Mega-cap (Russell 200), driven by Healthcare and Technology sectors, provide the greatest upside potential. **Mid cap** and **Small cap** (Russell 2000) are slightly undervalued and overvalued, respectively.

Decomposing the Russell 3000 Index, the Healthcare and Technology sectors appear considerably undervalued. The likelihood of more modest healthcare reform vs. what was originally considered, has resulted in a more optimistic growth outlook for the sector. Technology sector Q4'09 EPS results have been particularly strong.

•While improving since year-end 2009, only four of the remaining eight sectors are considered to be trading below "fair value."

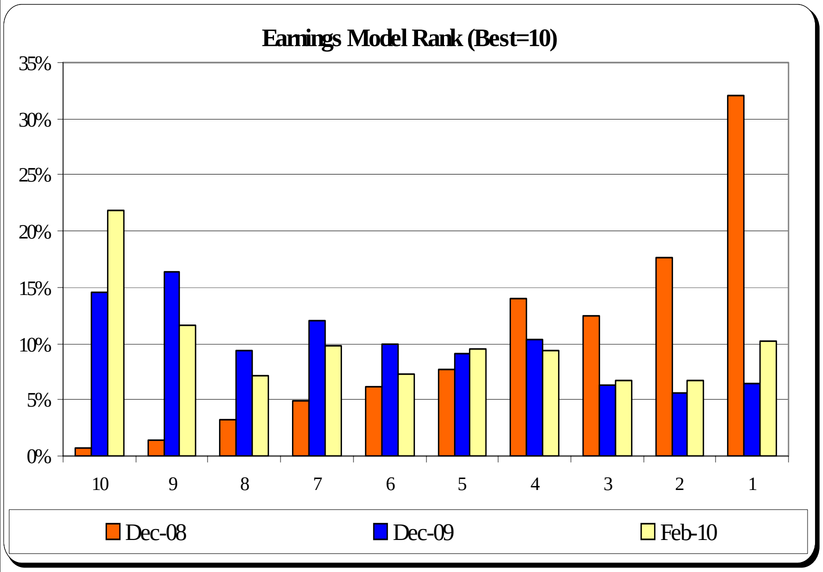
•Speculation that improving economic conditions will spur demand for Materials and Industrial sector goods and services, has driven equity prices well above those supported by current EPS and cash flow expectations. Bank overvaluation is dragging down the attractiveness of the Financial sector.

Source: Raw Cash flow data – AFG Ltd.



Market Outlook (continued)

Earnings



Our Earnings model outlook remains Bullish. However, after a period of rapidly increasing, the percentage of companies with improving earnings characteristics (positive surprises and estimate revisions, scores of 9-10), has stabilized near 30%. The current level is still well above the 5% recorded during the market meltdown in early 2009 but down from its cyclical high of 38% recorded at 11/30/09.

•A drop in the percentage of companies with improving earnings characteristics, during a period when an above average percentage of companies reported better than expected quarterly EPS results, highlights the level of difficulty that companies face attempting to beat considerably higher 2010 EPS expectations (especially as year/year comparisons become more difficult in 2H'09) vs. reduced 2009 expectations.

Earnings Revisions

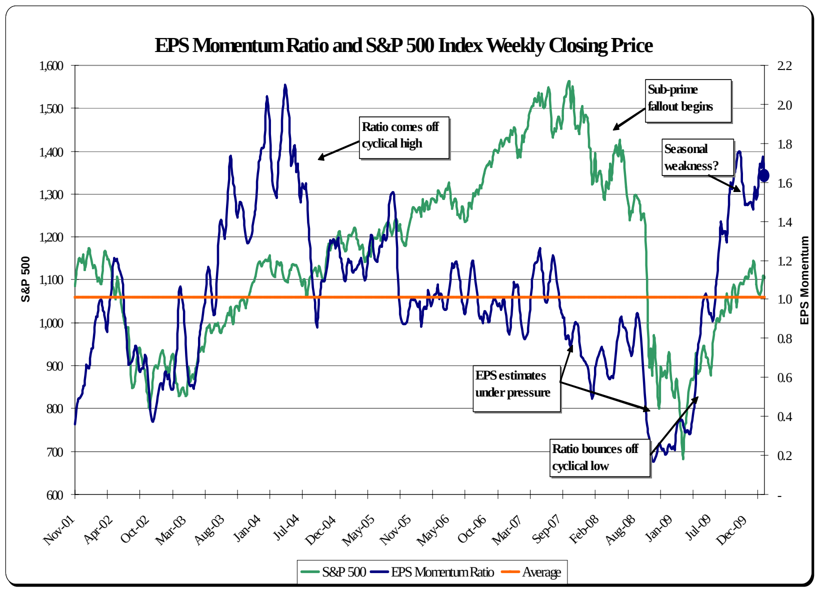
The chart on the right depicts the performance of the S&P 500 index (green line) in the context of analysts' estimate revisions for the next two fiscal years (blue line). Estimate trend line is defined as the ratio of rising estimates to falling estimates.

•Sub-prime related weakness began in July 2007.

•Earnings trough in late 2008 — early 2009; considerable improvement in earnings momentum since March 2009.

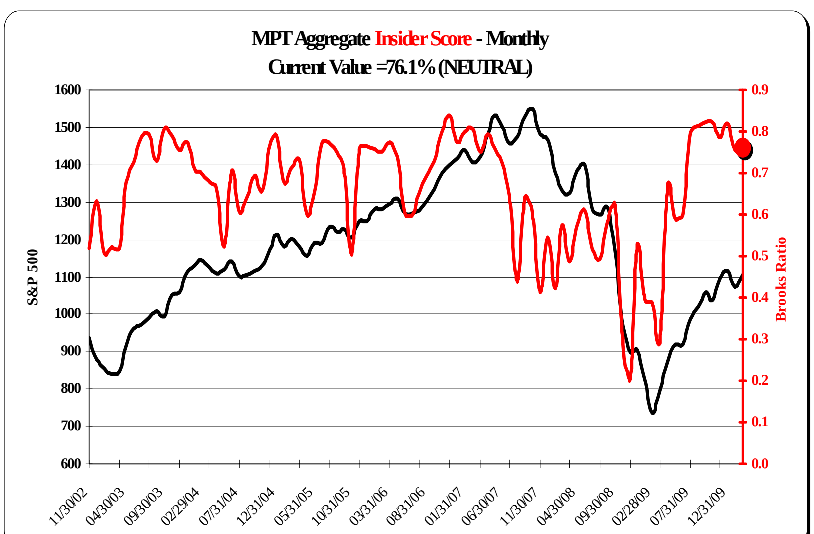
•So far, the rate of change in index level EPS estimates has lagged that of the momentum ratio.

•After a period of pre reporting "seasonal" weakness, the ratio moved higher during the Q4'09 reporting season. While down from its most recent peak, **the ratio remains at an historically high level (average = 1).**



Source: Earnings data from AFG Ltd and Zacks

Insider Transactions



Insider's were less willing to buy stock in their own companies (relative to selling) during February's rally. We believe that this represents normal behavior on the part of insiders.

•As a reminder, after being Bullish on the outlook for equities in early 2009, Insiders became more cautious as the rally continued, finally moving to a Bearish position by Q4'09.

•At its current reading, the insider model remains in the High-Neutral range **(Brooks Ratio 76.1% -** see chart**)** and therefore does not work against longer term equity gains. (The Brooks Ratio is the ratio of insider sales to total insider transactions on NYSE listed stocks.)

•**Strongest sectors:** Finance and Utilities

•**Weakest sector:** Business Services

Source: Market Profile Theorems, Inc.