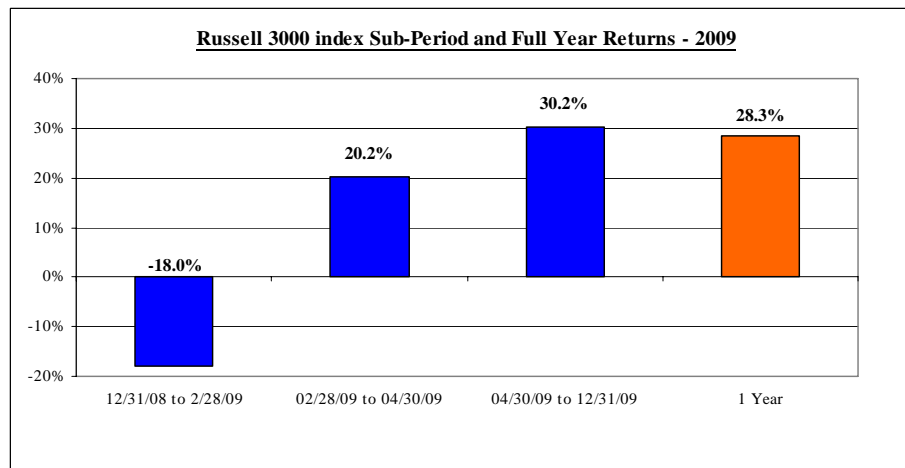


Shenandoah Asset Management, LLC

Annual Review: 2009

121 Shockoe Slip
 Richmond, VA 23219
 (804) 343-1400
 cmclennan@samllc.com

What a year for equities! Breaking 2009 into three distinct time periods provides a more constructive view of the performance of equity markets and the key drivers behind it, in our opinion. In addition to discussing factors behind the performance of the equity market, we will highlight factors that influenced the benchmark relative performance of our strategies. For the purpose of this review we are using the performance of the Russell 3000 index as a barometer of the equity market. While the magnitude of performance between sub-indices varied during these periods, the direction was the same.



12/31/08 to 2/28/09: Financial Armageddon! Russell 3000 fell 18%: Any hope that the strong 2008 year-end equity market performance would continue into 2009 was quickly dashed. Equity market rallies during this period were overwhelmed by longer periods of negative performance. Investors sold without regard to the quality and/or valuation. Our strategies outperformed in January. However, in the last week of February a number of factors negatively impacted our relative performance (primarily midcap), i.e. negative earnings reports and sector and industry rotation following government announcements regarding Financial and Healthcare sector policy. *Benchmark relative performance: Midcap -110 bps and Large Value +90 bps.*

Model Attribution: 12/31/08 to 02/28/09

Quint	Opt E/I	Earnings	Insider	QV	Cash flow
5 (high)	-17.4%	-13.7%	-19.0%	-20.5%	-16.4%
4	-15.0%	-13.8%	-20.2%	-22.5%	-17.6%
3	-16.0%	-17.8%	-18.5%	-19.8%	-20.0%
2	-21.4%	-21.8%	-16.0%	-14.2%	-15.7%
1 (low)	-20.2%	-22.7%	-16.3%	-9.3%	-16.5%
Spread	2.8%	9.1%	-2.7%	-11.2%	0.1%

• *Companies with the strongest earnings characteristics suffered least, resulting in a positive Earnings model spread and flat to negative valuation (QV and Cash flow) and Insider Transaction model spreads.*

2/28/09 to 4/30/09: Rubbish Rally! Russell 3000 rose 20%: After a weak start, equity markets pushed considerably higher in March, driven by a number of factors including: signs of financial market stabilization, attractive valuations and (once the market started to move higher) a good dose of speculation. The dramatic market reversal was disproportionately focused on low priced (<\$5), high beta, small capitalization stocks with relatively weak current earnings expectations in cyclical and previously out or favor sectors (Financials). These “low quality” stocks outperformed stocks with stronger characteristics by 2 to 3 times. There is no specific restriction in our process that disqualifies stocks with prices <\$5 from purchase; however, on average the model scores of these companies were weak, and these stocks did not make it into our portfolios. Our strategies both underperformed during this period (primarily in March). *Benchmark relative performance: Midcap -320 bps and Large Value -240 bps.*

Model Attribution: 02/28/09 to 04/30/09

Quint	Opt E/I	Earnings	Insider	QV	Cash flow
5 (high)	43.5%	20.5%	47.4%	54.0%	46.8%
4	26.2%	28.0%	41.7%	40.0%	31.0%
3	29.6%	36.3%	40.5%	36.5%	26.6%
2	47.6%	48.8%	30.2%	21.2%	28.1%
1 (low)	37.3%	51.0%	24.3%	26.7%	48.8%
Spread	6.2%	-30.5%	23.1%	27.3%	-2.0%

• *The speculative tone of the rally resulted in rotation out of stocks with the strongest current earnings characteristics, into those with the weakest earnings.*

• *Insiders proved prescient having moved to a more bullish stance following the January/February sell-off.*

• *Disparate valuation model spreads (QV vs. Cash flow) due, in part, to the relative ranking of outperforming Financial and Technology sector companies.*

4/30/09 to 12/31/09: The Equity Market Rally Continued, Breadth and Quality Improved; the Russell 3000 rose 30%:

Following the initial “rubbish rally” the market returned its focus to fundamentals, i.e. improving economic reports and corporate profitability. Low priced, small capitalization stocks still significantly outperformed at times but, the negative impact of these stocks on our relative performance was more than offset by the broadening of the rally, which began to reward companies with relatively strong fundamentals (Overweight’s) vs. companies with weaker characteristics (larger Underweight’s). During this considerably strong period for equities our strategies outperformed. *Benchmark relative performance: Midcap +140 bps and Large Value +170 bps.*

Model Attribution: 04/30/09 to 12/31/09

Quint	Opt E/I	Earnings	Insider	QV	Cash flow
5 (high)	43.4%	37.4%	50.2%	45.8%	43.8%
4	37.9%	35.4%	40.9%	37.0%	38.6%
3	34.6%	33.6%	41.9%	34.3%	38.2%
2	41.4%	41.2%	33.8%	34.3%	32.6%
1 (low)	37.6%	47.5%	28.7%	40.9%	41.2%
Spread	5.7%	-10.1%	21.5%	4.9%	2.7%

- *The improvement in the Best/Worst model spreads is indicative of the broadening rally.*
- *Insider model spreads were strongest earlier in the period. By August, insiders had moved to a bearish position.*
- *Earnings Momentum remained out of favor as investors continued to rotate into more cyclical stocks.*

Full Year 2009. Russell 3000 rose 28.0%: Our Large Value strategy outperformed its benchmark for the full year. For the reasons previously noted, our strategies lagged their benchmarks during the initial phase (March/April) of the reversal in equity market performance. As we would expect, our strategies performed best when fundamentals were driving the equity market rally (May to December). Unfortunately, while outperforming its benchmark since April (+35.2% vs. +33.8%), our Midcap strategy was unable to make-up the ground lost to the benchmark earlier in the year. *Benchmark relative performance: Midcap -410 bps and Large Value +60 bps.*

Model Attribution: Full Year 2009

Quint	Opt E/I	Earnings	Insider	QV	Cash flow
5 (high)	69.9%	42.9%	79.4%	76.1%	78.8%
4	48.0%	49.5%	59.3%	50.3%	48.0%
3	46.6%	49.7%	62.4%	51.2%	36.0%
2	64.2%	64.2%	46.3%	37.8%	42.7%
1 (low)	50.8%	72.0%	33.9%	62.3%	75.0%
Spread	19.2%	-29.1%	45.5%	13.8%	3.9%

- *Great year for the Insider model, Earnings out of favor.*
- *The positive valuation model spreads were dampened by the relatively strong performance of Industrial and Technology stocks ranked Worst (quintile 1).*

We believe, and our results indicate, that the driver of equity market performance (fundamental or not) is more important than the absolute magnitude of benchmark returns (up or down) to our relative performance. Simply put, if stock prices are driven by fundamentals, Shenandoah’s process will be successful.

Note: “Spread” is the difference between the returns of the high (5) and low (1) quintiles by each model/measure. QV = Quantitative Value. 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 noted in this report.

Performance Overview: Periods Ending 12/31/09

Strategy	1 Month	3 Months	1Year	3Year	Since incep	AUM (\$ mill)	Inception
Midcap Composite (Gross)	5.0%	5.6%	36.4%	-2.9%	2.8%	\$ 254.0	07/01/05
Midcap Composite (Net)	5.0%	5.5%	36.0%	-3.2%	2.4%		
<i>Russell Midcap</i>	<i>5.7%</i>	<i>5.9%</i>	<i>40.5%</i>	<i>-4.4%</i>	<i>1.8%</i>		
Large Value (Gross)	1.7%	4.6%	20.3%	-6.3%	-0.9%	\$ 14.3	02/01/06
Large Value (Net)	1.7%	4.5%	19.8%	-6.7%	-1.3%		
<i>Russell 1000 Value</i>	<i>1.8%</i>	<i>4.2%</i>	<i>19.7%</i>	<i>-9.0%</i>	<i>-3.0%</i>		
					Total Firm	\$ 272.2	

Performance Highlights:

- The Midcap strategy (gross) performance is +150 bps and +100 bps ahead of the Russell Midcap benchmark for the three year and since inception (annualized) periods, respectively.
- Large Value strategy (gross) is +270 bps and +210 bps ahead of the Russell 1000 Value benchmark for the three year and since inception (annualized) periods, respectively.