

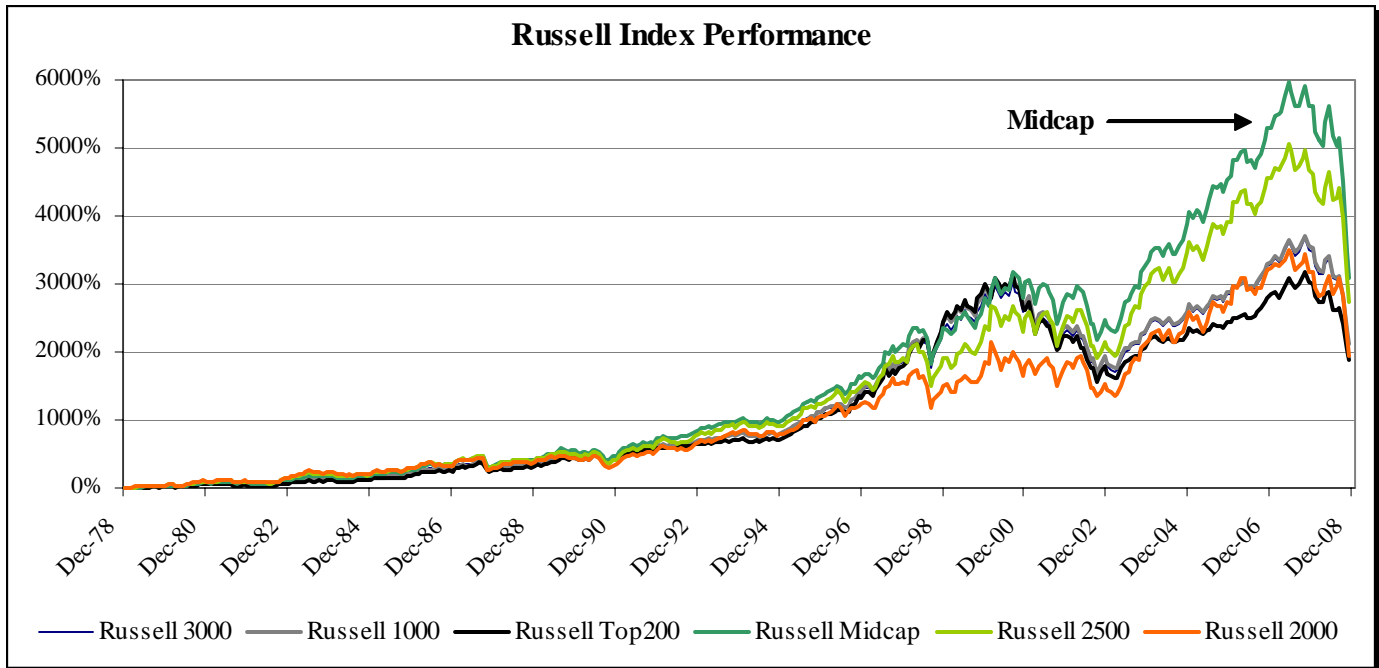
Shenandoah Asset Management, LLC

Why Midcap?

1979-2008

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Medium-sized companies (midcap) are often overlooked in traditional US equity asset allocation structures. Many plans and consultants divide the universe of US stocks into "large cap" and "small cap" sub-categories, viewing midcap as a hybrid of these two extremes. Research indicates that, given the strong absolute and risk-adjusted returns achieved in the midcap arena, investors should strongly consider a dedicated allocation to midcap stocks.



Returns	Ann Return	Std Dev	Info. Ratio	Sharpe Ratio
Russell Midcap	12.4%	16.8%	0.74	0.40
Russell 2500	12.0%	18.2%	0.66	0.34
Russell 1000	11.0%	15.4%	0.71	0.34
Russell 3000	10.9%	15.5%	0.71	0.34
Russell Top200	10.5%	15.2%	0.69	0.31
Russell 2000	10.8%	19.6%	0.55	0.26

Correlations	Russell 3000	Russell 1000	Russell Top200	Russell Midcap	Russell 2500	Russell 2000
Russell 3000	1					
Russell 1000	1.00	1				
Russell Top200	0.98	0.99	1			
Russell Midcap	0.97	0.95	0.90	1		
Russell 2500	0.92	0.89	0.83	0.97	1	
Russell 2000	0.87	0.84	0.78	0.93	0.99	1

The Russell Midcap Index dominates all other broad Russell indices on both an absolute return and risk-adjusted return basis over the period of study (January, 1979 to December, 2008):

- **Strongest returns:** The Russell Midcap outperformed all other indices by 40-190 bps p.a.;
- **Highest Risk-adjusted returns:** The Russell Midcap has the highest Information Ratio and Sharpe Ratio;
- **Better than small cap or "smid"** based on absolute and risk-adjusted returns;
- Russell Midcap returns are 97% correlated to Russell 2500 ("smid") with more return and less risk.
- **Stable, liquid universe:** The Russell Midcap index includes approximately 800 stocks, representing \$2.2 trillion in market capitalization. The index is rebalanced each June to include the 201st through 1000th largest companies (by market cap) in the Russell 1000.

Shenandoah currently manages a midcap strategy that is benchmarked against the Russell Midcap index. Expected returns are +2-3% p.a. over a market cycle with <4.0% tracking error.

Data Source: Frank Russell Corporation