

Key Points:

- 94% of companies beat or met expectations for Q4'08 reporting season in the Smith Group Large Cap Core Growth portfolio compared with only 62% in the S&P 500.
- Reported earnings for companies in the S&P 500 were lower than Wall Street's expectations by an average of -0.2% in the 4th quarter (excluding Financials). This is lower than the average positive earnings surprise of 2.4% (including Financials) for the S&P 500, and well below the average positive earnings surprise of 6.2% (including Financials) reported thus far for the 4th quarter by those companies in Smith Group's Large Cap Core/Growth portfolios.
- Despite analysts' lower earnings growth expectations, **Smith Group's Large Cap Core Growth strategy has positive earnings growth expectations over 8% for 2009.**

Q4 Reporting Season	% Reported	% Beat or Met	Reported % Surprise	Q4'07 - Q4'08 % Growth	Q1 Revision Last 30 days*	2009 Expected Earnings Growth
S&P 500	80	62	-30.7	-43.0	-18.5	-6.4
Ex Financials	78	68	-0.2	-19.9	-15.1	-9.4

Smith Group Large Cap Core/Growth	79	94	6.2	+2.3	-5.7	+8.3
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S&P 500 Sectors						
Consumer Discretionary	68	57	-40.5	-82.0	-41.4	-5.9
Consumer Staples	75	67	3.1	3.8	-7.0	5.6
Energy	72	68	9.1	-21.1	-22.2	-66.3
Financials	89	32	-2,015	-745.0	-39.5	23.2
Health Care	87	83	4.5	10.3	-4.5	9.6
Industrials	86	74	-2.2	-23.8	-16.2	-13.5
Info Tech	89	61	-0.1	-19.5	-16.7	-17.4
Materials	93	67	-28.2	-82.9	-39.6	-6.6
Telecom	56	60	-23.1	-21.6	-19.1	-5.4
Utilities	56	74	3.5	2.5	-1.0	1.4

Reporting Season Observations:

- Investors appear to be more forgiving than normal when companies disappoint.
- 68% of Financials disappointed when they reported. Financial earnings continue to be unpredictable. Reported % surprise was -2,015, skewing the S&P 500 reported % surprise.
- S&P operating earnings down 40% since 2Q'07 peak.

* companies that have already reported

Forward Looking Observations:

- **Smith Group continues to find companies with solid growth expectations, despite difficult earnings environment.**
- Significant downward revisions for the next quarter reflect negative or no guidance from reporting companies. Many have declined to give guidance citing the volatile economy.
- Earnings growth expectations for the next 12-months are still negative at the aggregate level, but we expect the market will begin to rebound before a wholesale improvement in corporate profits.

Past performance is not indicative of future results. As with any investment vehicle, there is always a potential for profit as well as the possibility of loss. Nothing contained in this presentation should be construed as a recommendation to buy or sell a security or economic sector.