# Cambridge Core Equity Strategy

# Q2 2010

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# I

## Introduction

- Founded in 1986
- Independent SEC-Registered Investment Advisor
- Ohio-based money manager with offices in Columbus & Cincinnati
- Over $600 million in assets under management
- 2 Principals; staff has over 64 years of experience in the investment industry

Data as of 6/30/2010



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# II

## Investment Approach

- Quantitative large-cap core equity style utilizing opposite ends of investment spectrum:  Growth & Value
- Disciplined buy and sell decisions
- Consistent implementation  and style adherence

***Investing in securities is speculative and entails risk. There can be no guarantee that any investment strategy will be successful.  Past performance does not guarantee future results.**

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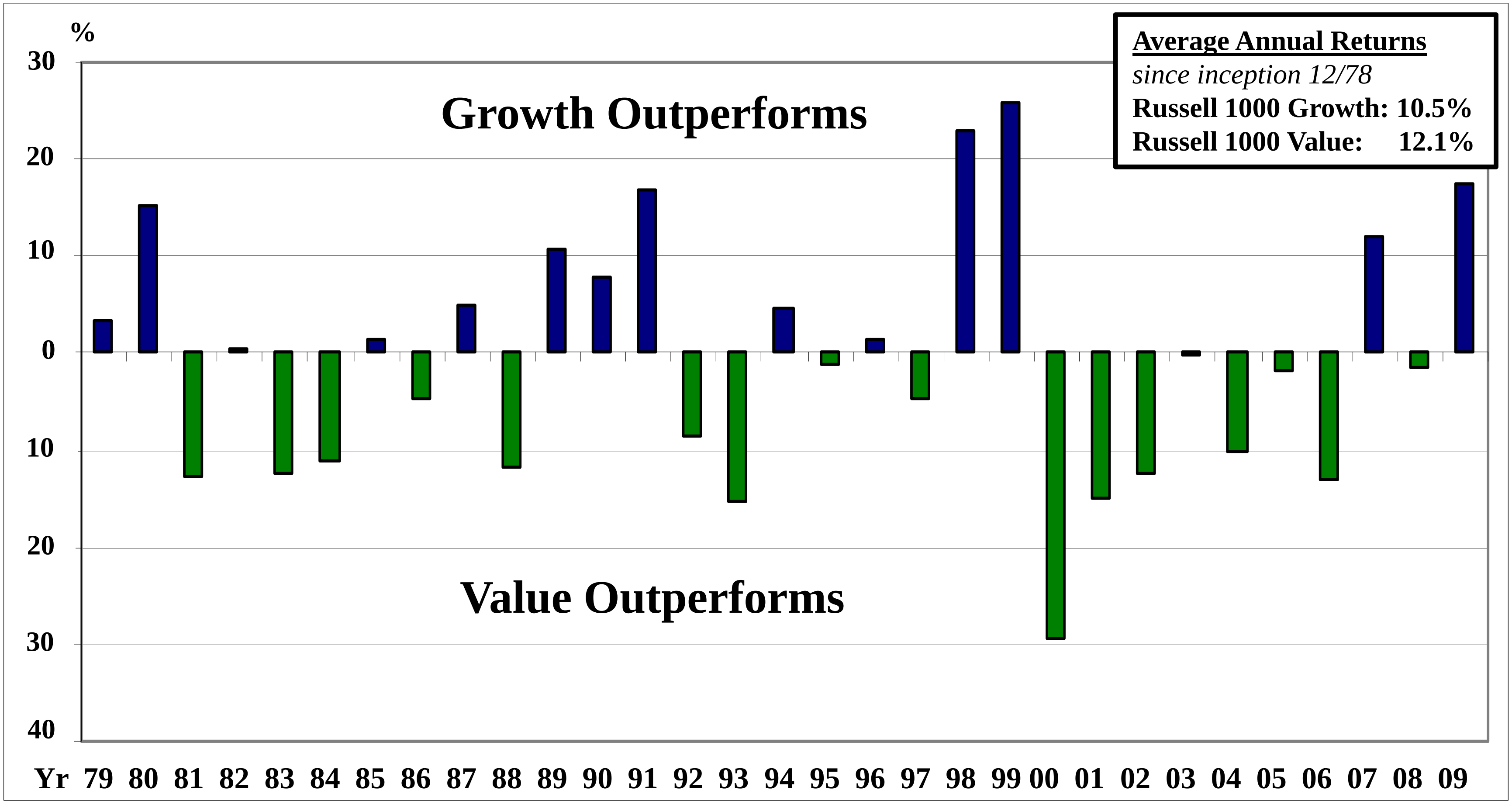
# Growth vs. Value – Historical Style Comparison




Data as of 12/31/09

Source: Morningstar

# Investment Process

**S&P Momentum**
Selected from S&P 500
Adjusted Quarterly
10 Stocks

**CFGI Momentum**
Selected from CFGI
Adjusted Quarterly
10 Stocks

**CFGI Value**
Selected from CFGI
Adjusted Annually
10 Stocks

## CFG Core Equity Portfolio
**30 Stocks: Equal Weighted**

# <u>S & P Momentum</u>

- Rank S&P 500 stocks based on trailing 12 month returns
- Top 10 stocks selected for portfolio
- If stock falls below the $50^{th}$ percentile of universe it is sold
- The highest ranked stock not currently owned is then bought as replacement
- Stocks bought/sold/rebalanced quarterly

# CFGI Momentum

- A proprietary universe of stocks largely consisting of the S&P 100 Index ranked based on trailing 12 month returns
- Top 10 stocks selected for portfolio
- If stock falls below the 50th percentile of universe it is sold
- The highest ranked stock not currently owned is then bought as replacement
- Stocks bought/sold/rebalanced quarterly

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# CFGI Value

- A proprietary universe of stocks consisting of companies that raised or maintained dividends for the past 10 years as well as having consensus estimates of higher earnings the following year
- Stocks ranked based on Price/Cash Flow, Price/Earnings, Price/Dividends and Price/Sales
- Top 10 stocks selected for portfolio
- If stock falls out of the top 10 it is sold (annually) or if company cuts dividend it is sold (immediately)
- The highest ranked stock not currently owned is then bought as replacement
- Stocks bought/sold annually and rebalanced quarterly

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# Market Indicators

- Several market indicators are followed to determine direction of stocks
- PM can raise cash in the portfolio if numerous indicators are negative

# Portfolio Holdings

***July 2010***

| **S&P Momentum** | **CFGI Momentum** | **CFGI Value** |
|---|---|---|
| Amazon.Com (AMZN) | Apple Inc (AAPL) | Boeing (BA) |
| BB&T Corp (BBT) | Berkshire Hathaway Cl B (BRK.B) | Bemis (BMS) |
| Cliffs Natural Resources (CLF) | Colgate-Palmolive (CL) | Cardinal Health (CAH) |
| Direct TV (DTV) | Dow Chemical (DOW) | ConocoPhillips (COP) |
| Genworth Financial (GNW) | EMC (EMC) | Eaton Corp (ETN) |
| JDS Uniphase (JDSU) | Ford Motor Co (F) | Marathon Oil (MRO) |
| Micron Technology (MU) | Home Depot (HD) | Sara Lee (SLE) |
| Pioneer Natural Resources (PXD) | Hewlett-Packard (HPQ) | Sysco (SYY) |
| Salesforce.com (CRM) | Oracle (ORCL) | Walgreen (WAG) |
| Western Digital (WDC) | Regions Financial Corp (RF) | Wal-Mart Stores (WMT) |

*Past performance does not guarantee future results. Portfolio holdings are subject to change without notice. Any securities mentioned herein should not be construed as a recommendation to buy or sell.*

# IV

# Investment Results a/o 6/30/10

| | 2Q | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cambridge Core Equity** | | | | | | | | | | | |
| **Gross:** | -13.2% | 21.9% | -37.7% | 8.9% | 12.5% | 19.7% | 25.4% | 27.4% | -5.6% | -7.2% | -14.7% |
| **Net:** | -13.6% | 20.2% | -38.6% | 7.7% | 10.9% | 18.0% | 23.6% | 25.6% | -6.9% | -9.1% | -16.7% |
| S&P 500 Index: | -11.4% | 26.5% | -37.0% | 5.5% | 15.8% | 4.9% | 10.9% | 28.7% | -22.1% | -11.9% | -9.1% |

| | 1 Year | 3 Year | 5 Year | 7 Year | 10 Year | 15 Year | Since Inception 1/92 |
|---|---|---|---|---|---|---|---|
| **Cambridge Core Equity** | | | | | | | |
| **Gross:** | 12.5% | -11.0% | -0.2% | 6.0% | 1.7% | 9.8% | 11.4% |
| **Net:** | 10.9% | -12.4% | -1.6% | 4.5% | 0.2% | 7.9% | 9.3% |
| S&P 500 Index: | 14.4% | -9.8% | -0.8% | 2.8% | -1.6% | 6.2% | 7.1% |

The performance for the CFG Core Portfolio is a composite figure for all accounts that are invested according to the specific equity strategy. Returns are for the period ending 6/30/2010. Investing in securities is speculative and entails risk. There can be no guarantee that any investment strategy will be successful. **Past performance does not guarantee future results.** The S&P 500 is a composite index of 500 stocks compiled by Standard & Poor's Corporation that is used as a broad measure of stock performance. Please note that indexes are unmanaged and their returns do not take into account any of the costs associated with buying and selling individual securities. Individuals cannot invest directly in an index. Reference to the index does not infer any affiliation or endorsement by Standard & Poor's.

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# Investment Results – Quarterly Net of Fees a/o 6/30/10

| | Qtr. | Core | S&P 500 | | Qtr. | Core | S&P 500 | | Qtr. | Core | S&P 500 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **1999** | 1 | 4.6% | 5.0% | **2003** | 1 | -2.2% | -3.2% | **2007** | 1 | 2.9% | 0.6% |
| | 2 | 11.8 | 7.1 | | 2 | 11.2 | 15.4 | | 2 | 5.2 | 6.3 |
| | 3 | -2.7 | -6.3 | | 3 | 3.8 | 2.6 | | 3 | 2.3 | 2.0 |
| | 4 | 24.2 | 14.9 | | 4 | 11.2 | 12.2 | | 4 | -2.8 | -3.3 |
| | | **41.2** | **21.1** | | | **25.5** | **28.6** | | | **7.6** | **5.5** |
| **2000** | 1 | 13.3% | 2.3% | **2004** | 1 | 6.3% | 1.7% | **2008** | 1 | -9.4% | -9.4% |
| | 2 | -9.6 | -2.7 | | 2 | 1.2 | 1.7 | | 2 | 2.2 | -2.7 |
| | 3 | -7.5 | -1.0 | | 3 | 0.2 | -1.9 | | 3 | -14.4 | -8.4 |
| | 4 | -12.0 | -7.8 | | 4 | 14.6 | 9.2 | | 4 | -22.5 | -21.9 |
| | | **-16.4** | **-9.1** | | | **23.5** | **10.8** | | | **-38.6** | **-36.9** |
| **2001** | 1 | -8.6% | -11.9% | **2005** | 1 | 2.2% | -2.1% | **2009** | 1 | -9.1% | -11.0% |
| | 2 | 5.1 | 5.9 | | 2 | 1.3 | 1.4 | | 2 | 9.3 | 15.9 |
| | 3 | -12.0 | -14.7 | | 3 | 10.6 | 3.6 | | 3 | 11.8 | 15.6 |
| | 4 | 7.6 | 10.7 | | 4 | 3.0 | 2.1 | | 4 | 8.2 | 6.0 |
| | | **-9.0** | **-11.9** | | | **17.9** | **4.9** | | | **20.2** | **26.5** |
| **2002** | 1 | 4.2% | 0.3% | **2006** | 1 | 8.2% | 4.2% | **2010** | 1 | 6.1% | 5.4% |
| | 2 | -3.5 | -13.4 | | 2 | -0.5 | -1.4 | | 2 | -13.6% | -11.4% |
| | 3 | -10.9 | -17.3 | | 3 | -2.5 | 5.7 | | | | |
| | 4 | 3.9 | 8.4 | | 4 | 5.7 | 6.7 | | | | |
| | | **-6.9** | **-22.1** | | | **11.0** | **15.8** | | | | |

The performance for the CFG Core Portfolio is a weighted-average return for all accounts that are invested according to the specific equity strategy. All results are presented on a net basis after transaction costs and management fees. Returns are for the period ending 6/30/2010. Investing in securities is speculative and entails risk. There can be no guarantee that any investment strategy will be successful. **Past performance does not guarantee future results.** The S&P 500 is a composite index of 500 stocks compiled by Standard & Poor's Corporation that is used as a broad measure of stock performance. Please note that indexes are unmanaged and their returns do not take into account any of the costs associated with buying and selling individual securities. Individuals cannot invest directly in an index. Reference to the index does not infer any affiliation or endorsement by Standard & Poor's.

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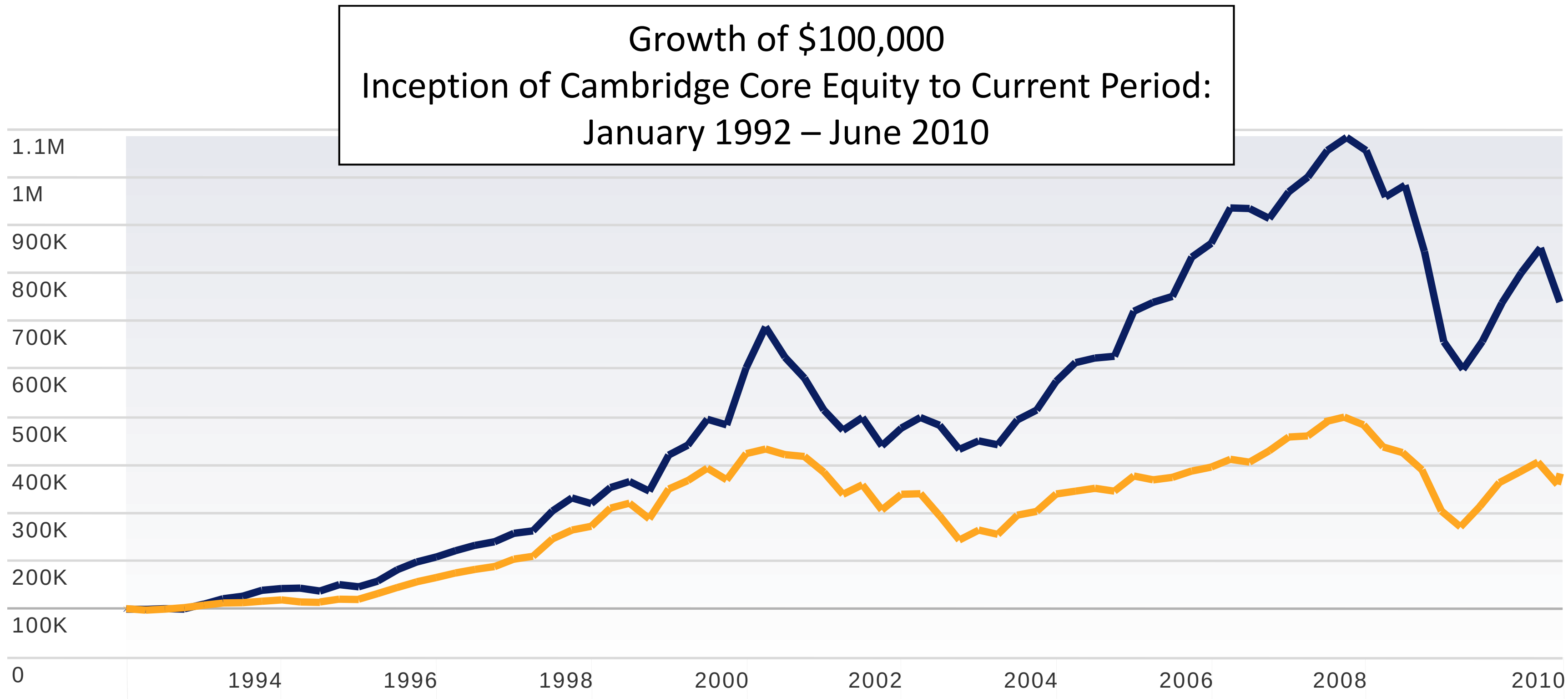
# Growth of a Dollar Chart

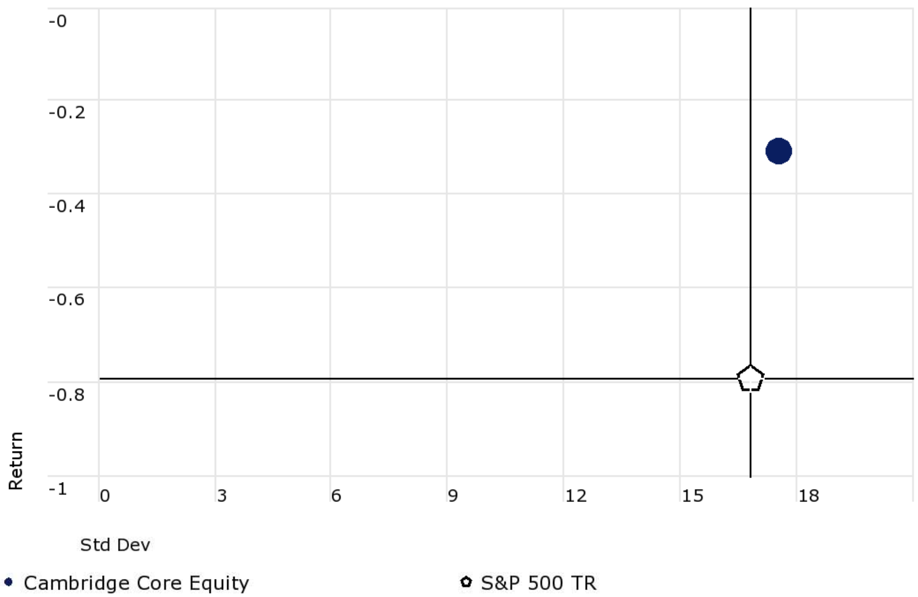



| Investment Name | Cumulative Return | Annualized Return | Initial Value | Ending Value |
|---|---|---|---|---|
| Cambridge Core Equity | 639.31% | 11.42% | $100,000 | $739,306 |
| S&P 500 Index | 282.50% | 7.50% | $100,000 | $382,495 |

Source: Morningstar Direct

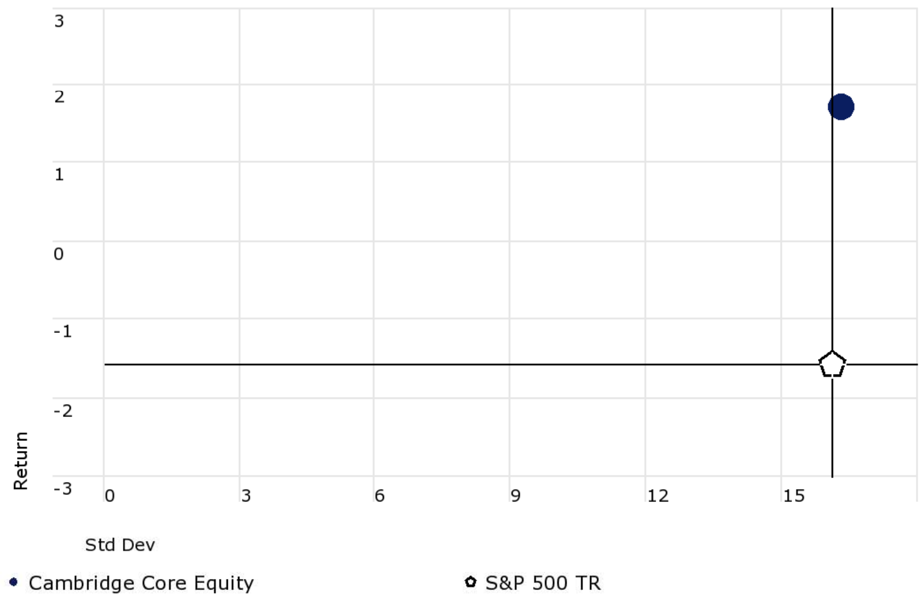
## Risk-Reward 5 Years

Time Period: 7/1/2005 to 6/30/2010



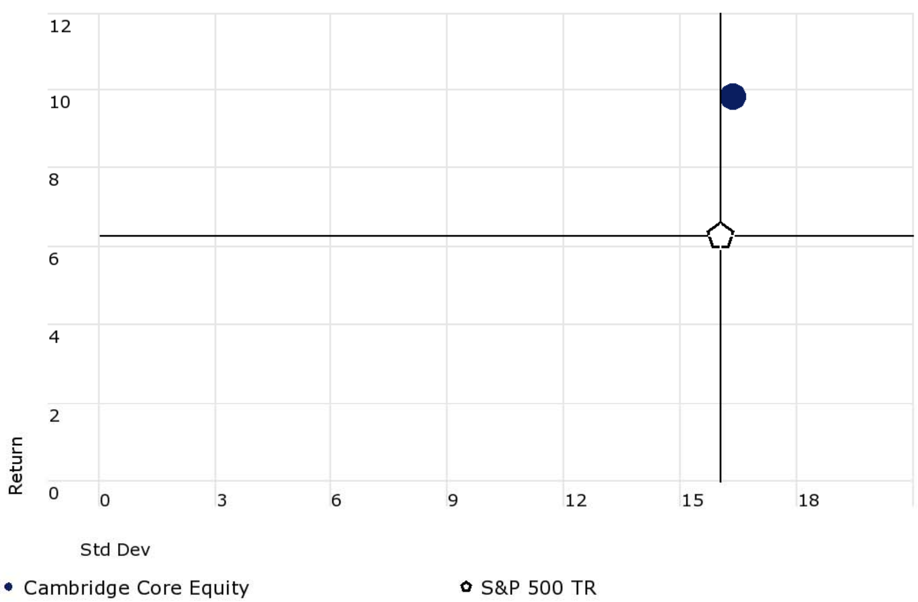

## Risk-Reward 10 Years

Time Period: 7/1/2000 to 6/30/2010

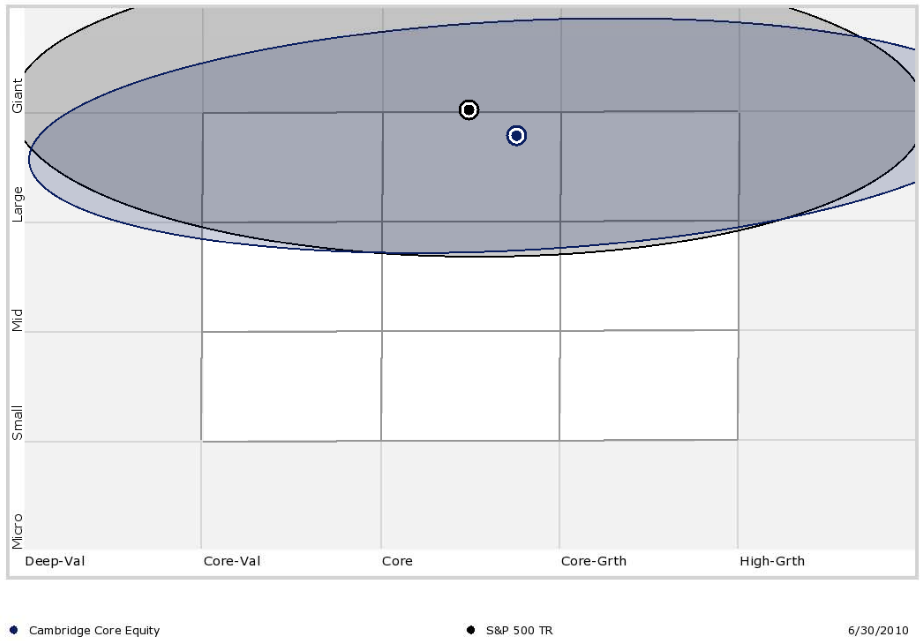



## Risk-Reward 15 Years

Time Period: 7/1/1995 to 6/30/2010




## Holdings Based Style 5 Years



# V

# Summary

- Ohio – based money manager since 1986 with offices in Columbus and Cincinnati
- Core equity strategy selecting stocks from the S&P 500
- Unique style which utilizes quantitative strategies from opposite ends of the investment spectrum; Growth and Value
- Consistent long term outperformance
- Available to meet at client's discretion
- Management fee is 1.0% of the first $1 million, negotiable on amounts over $1,000,000

# VI

# Gregory J. Bauer, CFA

- **<u>33+ Years of professional experience</u>** in the investment management industry.

- **<u>1986-Present: Managing Director and Co-Owner: Cambridge Financial Group, Inc.</u>**
  As a registered investment advisor, CFG was founded as a consultant to institutional investors. Services were expanded to include discretionary asset management in late-1991. Quantitative strategies developed in the mid-1970's are utilized.

- **<u>1983-1987: Member of Investment Committee: The Ohio State University Board of Trustees</u>**.
  Formulated recommendations to Board of Trustees regarding investment policies and procedures for the University's funds.

- **<u>1983-1986: Manager-Pension Investments: Borden, Inc.</u>** Initiated in-house management of corporate pension funds in area of common stocks.

- **<u>1974-1983: Public Employees Retirement System of Ohio</u>**

  **<u>Assistant Investment Officer, 1977-1983:</u>** Assisted in formulation of investment policy, managed common stock portfolio, supervised a staff of financial analysts.

  **<u>Security Analyst, 1974-1977:</u>** Performed financial and quantitative analysis for companies and recommended common stock portfolio purchase and sales.

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# Earl (Buck) V. Newsome, Jr.

- **<u>28+ Years of professional experience</u>** in the investment management industry.

- **<u>1991-Present: Managing Director and Co-Owner: Cambridge Financial Group, Inc.</u>**
  As a registered investment advisor, CFG was founded as a consultant to institutional investors. Services were expanded to include discretionary asset management in late-1991. Quantitative strategies developed in the mid-1970's are utilized.

- **<u>1987-1991: Vice President and Investment Consultant: Renaissance Investment Management, Inc</u>**.
  Responsible for developing and implementing direct marketing efforts for the firm. Worked closely with Account Administrators to ensure the proper management of all investment activity in client portfolios on daily basis. Provided continuity between clients and investment management function through written, telephone and face-to-face communication.

- **<u>1986-1987: Vice President –Marketing: Legg Mason Capital Management</u>**. Participated on investment committee for Capital Management subsidiary of Legg Mason Wood Walker, Inc. Co-directed the national marketing efforts for managed accounts throughout the Legg Mason retail brokerage system.

- **<u>1983-1986: Account Executive: E.F. Hutton, Inc.</u>** Managed individual client portfolios on a daily basis in conjunction with utilization of various outside, independent money managers available through firm's consulting services department.

- **<u>1978-1983: Account Executive: Merck & Company</u>**. Developed and implemented marketing plans for various products in specified geographical territories; involved in servicing existing customers.

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# Keith T. Truex, CIMA

- **<u>17+ Years of professional experience</u>** in the investment management industry.

- **<u>2010-Present: Executive Vice President of Marketing: Cambridge Financial Group, Inc.</u>**
  As a registered investment advisor, CFG was founded as a consultant to institutional investors. Services were expanded to include discretionary asset management in late-1991. Quantitative strategies developed in the mid-1970's are utilized.

- **<u>2006-2009: Vice President : DWS Investments/Deutsche Bank</u>.**
  As a Senior National Account Manager was responsible for marketing and sales of investment strategies throughout various brokerage firms. Worked with all levels of management internally and within brokerage firms coordinating marketing and sales efforts on a national level.

- **<u>2004-2006: Vice President : Columbia Management/Bank of America</u>**
  Worked as an Investment Specialist responsible for marketing and sales of investment strategies within various firms research platforms.

- **<u>2003-2004: Vice President: Alliance Capital</u>**
  Worked as an Investment Specialist responsible for marketing and sales of investment strategies within various firms research platforms.

- **<u>1993-2003: Merrill Lynch</u>**
  **<u>Assistant Vice President, Investment Analyst; 1999-2003</u>:** Research coverage of mutual funds and separately managed accounts for advisory programs.
  **<u>Supervisor, Associate District Marketing Manager; 1995-1999:</u>** Managed mutual fund marketing desk.
  **<u>Client Services, 1993-1995:</u>** Serviced corporate and retirement accounts.

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# Bradley J. Bauer

- **<u>10 + Years of professional experience</u>** in the investment management industry.

- **<u>2001-Present: Vice President – Assistant Portfolio Manager: Cambridge Financial Group, Inc.</u>**
  As a registered investment advisor, CFG was founded as a consultant to institutional investors. Services were expanded to include discretionary asset management in late-1991. Quantitative strategies developed in the mid-1970's are utilized.

  Integral part of the entire process of quarterly portfolio review, stock rankings and selection for both Core and Aggressive Portfolios. Monitors fundamental data on existing portfolio holdings and CFG Income Enhancement Value Universe. Executes account re-balancing and order allocations

  Assists in design, implementation and maintenance of critical databases and trading interfaces.

- **<u>2000-2001: Quantitative Analyst: Cambridge Financial Group, Inc.</u>**

- **<u>1996-1999: Intern: Cambridge Financial Group, Inc.</u>**
  Performed fundamental and quantitative studies on value stock selection. Created and maintained performance databases. Took part in order allocation and observed stock selection process.

- **<u>Education</u>**
  MBA, Capital University, 2004, *Diploma of Distinction*
  BS, DeVry University, 2002, *Magna Cum Laude*
  BBA, Ohio University, 2000, *Cum Laude*

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# Appendix

1) The information and statistical data contained here have been obtained from sources believed to be reliable but in no way are warranted by us as to accuracy or completeness

2)The respective performances for the CFG Core Portfolio & CFG Aggressive Portfolio are composite figures for all accounts that are invested according to each specific equity strategy. All results are presented on a net basis after transaction costs and management fees, 10-Year returns are for the period ending 6/30/2010.

3) The quarterly results are weighted-average returns for all accounts invested according to the guidelines of the specific portfolio. All figures are reported on a net basis, i.e., after transaction costs and management fees, and include the reinvestment of dividends.

4) Investing in securities is speculative and entails risk. There can be no guarantee that any investment strategy will be successful. **Past performance does not guarantee future results**.

5) Portfolio holdings are subject to change without notice. Any securities discussed herein should not be construed as a recommendation to buy or sell.

6) The S&P 500 is a composite index of 500 stocks compiled by Standard & Poor's Corporation that is used as a broad measure of stock performance.

7) Please note that indexes are unmanaged and their returns do not take into account any of the costs associated with buying and selling individual securities. Individuals cannot invest directly in an index. Reference to the index does not infer any affiliation or endorsement by Standard & Poor's.