

3 October 2007

Supporting Exhibits

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Market Measure

	Total Return %	
	Sept	YTD
Cirrus Micro Cap Index	2.1	1.7
S&P 500	3.7	9.1
S&P MidCap	2.6	11.0
Russell 2000	1.7	3.2
NASDAQ Composite	5.7	12.3
T-10 Yr Yield	0.8	-2.8
T-Bill Yield	-2.8	-18.7
Euro	4.3	7.8
Yen	0.8	3.6
Crude	10.3	33.8
Gold	10.4	16.9

Briefing: Micro Cap

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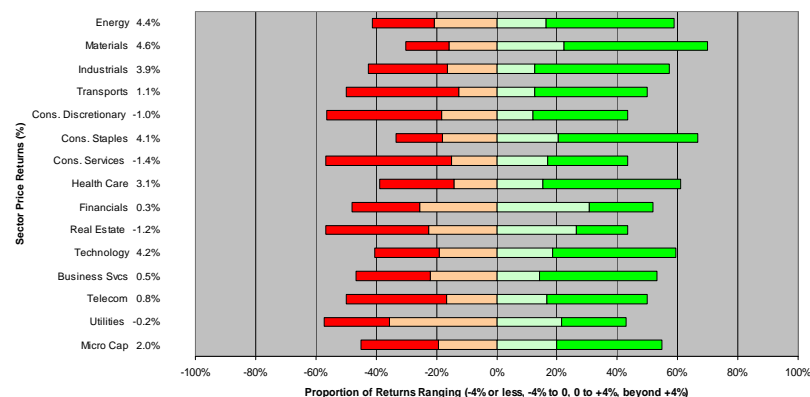
# Briefing: Micro Cap

Micro Caps finished September up a modest 2%. Higher momentum and long-term growth names performed better whereas stocks with cheaper valuations underperformed. Micro Cap names in Industrials, Materials and Energy echoed the strength of those sectors in Large and Mid Cap.

## Highlights

- **Micro Caps finished the month up a modest 2%, outperforming Small Caps by 50 basis points (bps), but underperforming Large (+4.0%) and Mid (+2.9%) Caps.** Moderate gains in August and September failed to overcome July's heavy losses. Cumulative declines in Financials, Real Estate and Cyclical remain a drag on Micro Caps, which are up a mere 90 bps YTD.
- **Higher momentum and long-term growth names performed better whereas stocks trading on low valuation multiples got cheaper.** High momentum stocks in Health Care, Technology, Industrials and Materials outperformed. Exceptional returns and rising analyst revisions in Health Care and Technology skewed factors in favor of upward revisions and the long-term growth story. Firms trading on low Price to Sales multiples in Consumer Discretionary and Consumer Services posted double-digit losses, tilting factors away from value metrics in September.
- **A quarter of Micro Cap Industrial, Materials and Energy names posted double-digit returns for the month,** echoing the general strength observed in other equity asset classes. Although less pronounced than in Large and Mid Caps, the IME trade remains relevant as reflected by strong returns in the Gold/Precious Metals, Aerospace/Defense and Oil Drilling Industries.

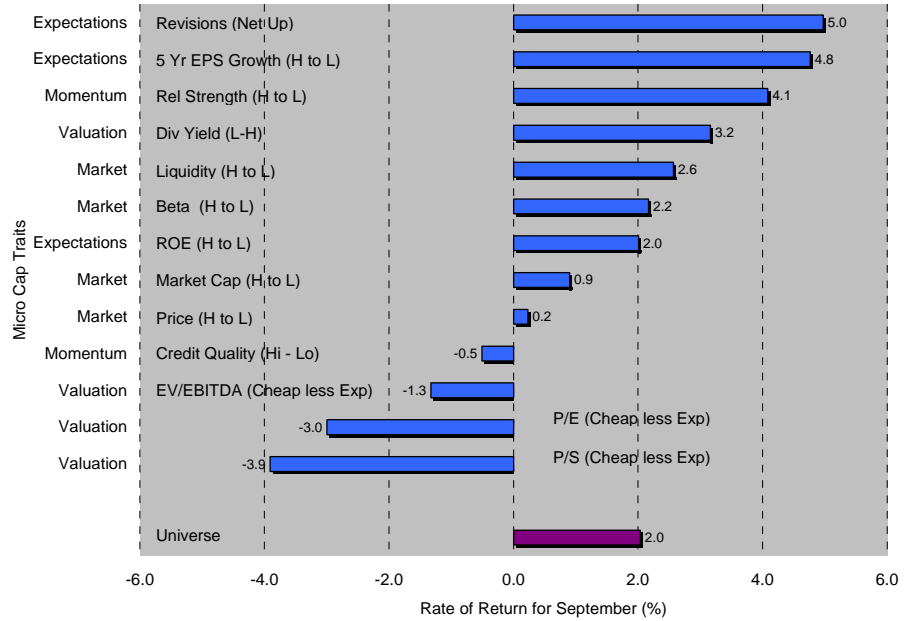
Fig 1: September Sector Results with Dispersion of Returns



Source: Cirrus Research

Firms trading on low valuation multiples in Consumer Discretionary and Consumer Services posted double-digit losses, tilting factors away from value metrics in September.

Fig 2: Factor Behavior – Micro Caps

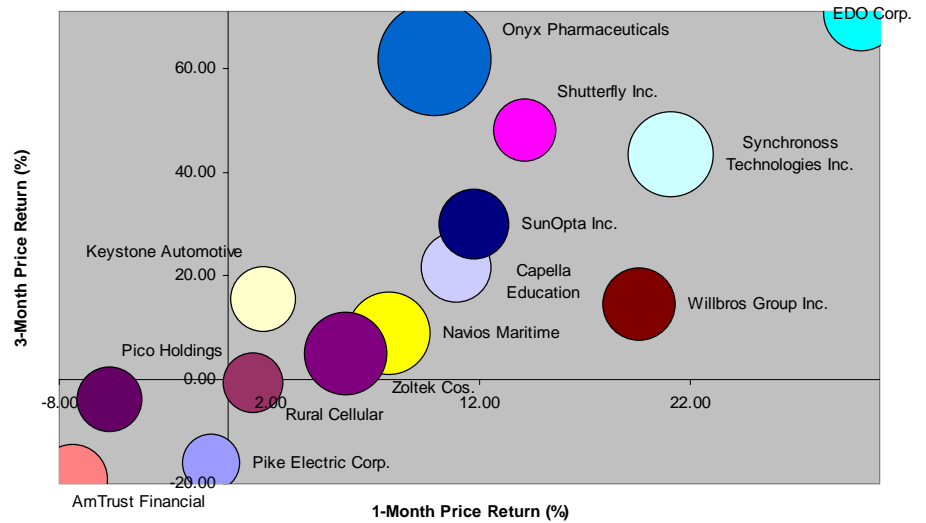


Source: Cirrus Research

Fig 3: Significant Exposure within Sector, 1-Mo vs. 3-Mo Price Returns

Shares in EDO Corp. rose sharply on news that ITT would add the firm to its existing defense holdings for \$1.4 billion. A leader in electronic communications and engineered systems, EDO specializes in radar countermeasures, sonar systems and vehicle-mounted electronic jamming devices.

Sector Contribution - Most Sizable Exposure



Note: The size of the bubble represents the market capitalization scaled against each sector's sizable firm. The location of the bubble depicts the one-month rate of return (x-axis) versus the three-month results (y-axis).

Source: Cirrus Research

**Micro Cap: Best and Worst Performing Industries in September**

	% CHG
Life & Health Insurance	16.8
Gold & Precious Metals	14.2
Steel	11.6
Electrical Components & Equip.	10.3
Aerospace & Defense	10.2
Beverages	-9.7
Specialty Stores	-10.2
Department Stores*	-13.2
Consumer Electronics	-14.9
Home Related Retail	-17.8

\* Small sample.

Sonus Pharmaceuticals fell over 85% after failing Phase III trials of Tocosol Paclitaxel, a drug designed to fight breast cancer. Despite optimistic Phase II trials, further testing revealed significantly higher side effects when compared to Taxol, the leading chemotherapy drug. The future of Sonus is uncertain, despite having enough cash to continue operations through part of 2008.

**Micro Cap Stocks -- Best and Worst Performers in September**

Top 5 Stocks		% CHG	Bottom 5 Stocks		% CHG
TARR	Tarragon Corp.	178.7	SNUS	Sonus Pharmaceuticals	-85.6
CPSL	China Precision Steel Inc.	100.8	IBCIQ	Interstate Bakeries Corp.	-61.1
INVC	Innovative Card	86.0	PANC	Panacos Pharmaceuticals	-45.0
ADG	Allied Defense Group Inc.	75.1	PTN	Palatin Technologies Inc.	-40.2
CBAK	China BAK Battery Inc.	69.9	FAC	First Acceptance Corp.	-40.0

Source: Cirrus Research

**Cirrus Sector Performance: Micro Cap Stocks**

At 28 September	Price Performance % Change				
	1 Mo	3 Mo	6 Mo	12 Mo	YTD
Energy	4.4	-2.4	9.8	20.6	9.5
Materials	4.6	-0.7	12.0	41.5	25.0
Industrials	3.9	-0.8	16.1	27.8	17.8
Transport	1.1	-2.9	12.9	26.2	12.1
Consumer Discretionary	-1.0	-13.8	-13.2	-1.1	-11.4
Consumer Staples	4.1	-1.2	6.1	26.8	14.5
Consumer Services	-1.4	-13.9	-10.8	0.7	-6.3
Health Care	3.1	1.7	1.5	13.2	2.6
Financial	0.3	-6.1	-8.9	-8.8	-13.3
Real Estate	-1.2	-11.5	-13.4	-5.1	-12.8
Technology	4.2	-0.2	5.7	16.8	9.4
Business Services	0.5	-4.4	2.3	14.7	0.3
Telecommunications	0.8	-6.1	9.4	33.8	15.5
Utilities	-0.2	-4.1	3.3	21.5	10.5

Source: Cirrus Research

**Micro Cap Benchmarks**

At 28 September	Price Performance % Change				
	1 Mo	3 Mo	6 Mo	12 Mo	YTD
Cirrus Micro Cap Index	2.0	-4.1	-0.1	9.8	0.9
Russell 2000	1.6	-3.4	0.6	11.0	2.3
<i>Growth</i>	2.9	-0.1	6.4	18.3	8.9
<i>Value</i>	0.2	-6.7	-5.0	4.1	-4.0
Russell Microcap	1.6	-4.9	-2.0	8.5	-1.3
<i>Growth</i>	2.8	-1.9	2.6	13.8	3.2
<i>Value</i>	0.4	-7.8	-6.3	3.5	-5.6

Source: Cirrus Research

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### Cirrus Benchmarks

Asset Class	Market Cap Range
Nano Cap	\$10 mn - \$100 mn
Micro Cap	\$100 mn - \$600 mn
Small Cap	\$600 mn - \$2.4 bn
Mid Cap	\$2.4 bn - \$10 bn
Large Cap	>\$10 bn

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