

3 October 2007

Briefing: Mid Cap

Supporting Exhibits

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Market Measure

	Total Return %	
	Sept	YTD
Cirrus Mid Cap Index	3.0	10.0
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

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Satya D. Pradhuman
1 212 824-2111
satyap@cirrus-res.com

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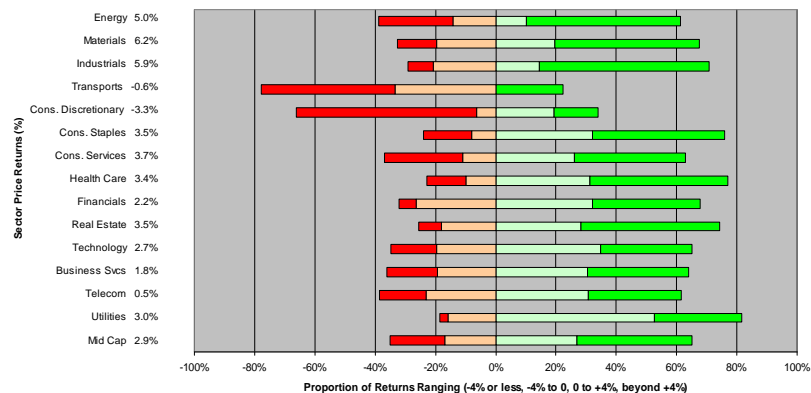
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September favored Large Cap companies. Markets rewarded momentum, revisions and growth strategies. Valuation strategies lagged. Industrials, Materials and Energy (“IME”) returned to their spring/early summer spotlight while concerns about consumer health opened a gap between Staples and Consumer Discretionary sectors.

Highlights

- **The Cirrus Mid Cap Index gained 2.9% in September** lagging Large Caps (+4.0%) but beating Small and Micro Caps (+1.5% and +2.0%, respectively). **YTD results still solid at 8.7% despite a volatile summer.**
- **Equity investors embraced growth strategies.** Positive earnings revisions outperformed lowered revisions by 580 basis points (bps) in September. Relative Strength (12-month momentum) was the next strongest factor, earning 480 bps. Likewise, the highest forecast growth companies outperformed the lowest by 420 bps.
- **Value strategies lagged again this month.** Lower sales, earnings and EBITDA multiples underperformed by 390-600 bps as investors placed bets on favorable business prospects in the wake of the Fed rate cuts.
- **IME continues to shine while Consumer Discretionary suffered.** The industrial thesis remains firmly in place: Mid Cap IME gained between 500 and 620 bps last month. Alternative Energy rallied 21.2% since August 30. Consumer Electronics (-23.7%) and Homebuilding (-14.7%) brought up the distant rear.

Fig 1: September Sector Results with Dispersion of Returns



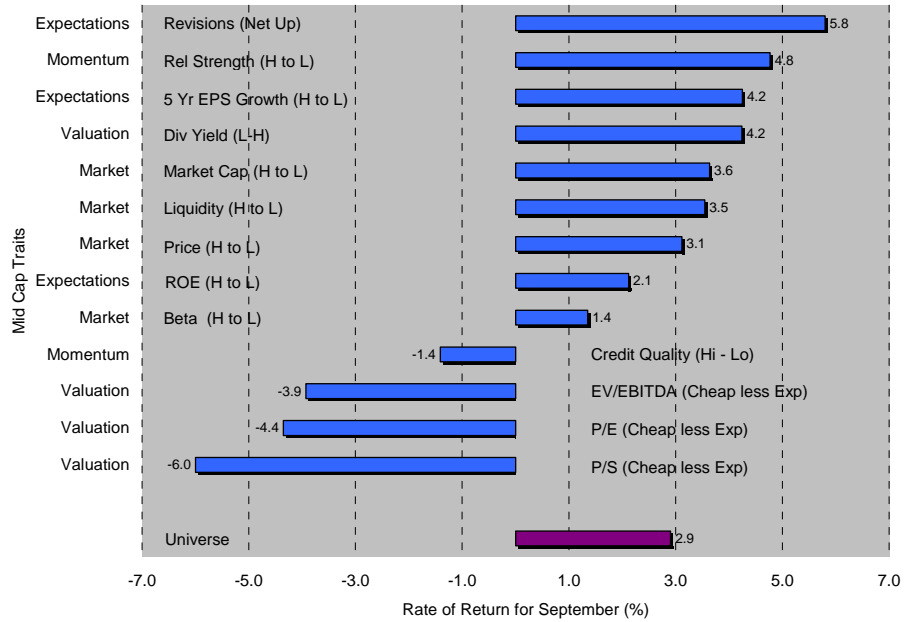
Source: Cirrus Research

The shift towards larger cap companies has led the Cirrus Large Cap Index to catch up to and overtake the Mid Cap Index on a YTD basis (8.9% vs. 8.7%, respectively).

The Industrial (+5.9%), Materials (6.2%) and Energy (5.0%) spaces continued to show very strong performance for the month.

Consumer Discretionary and Transports lost ground on the month. Discretionary, in particular, suffered due to losses in Consumer Electronics and the beleaguered Homebuilding industry.

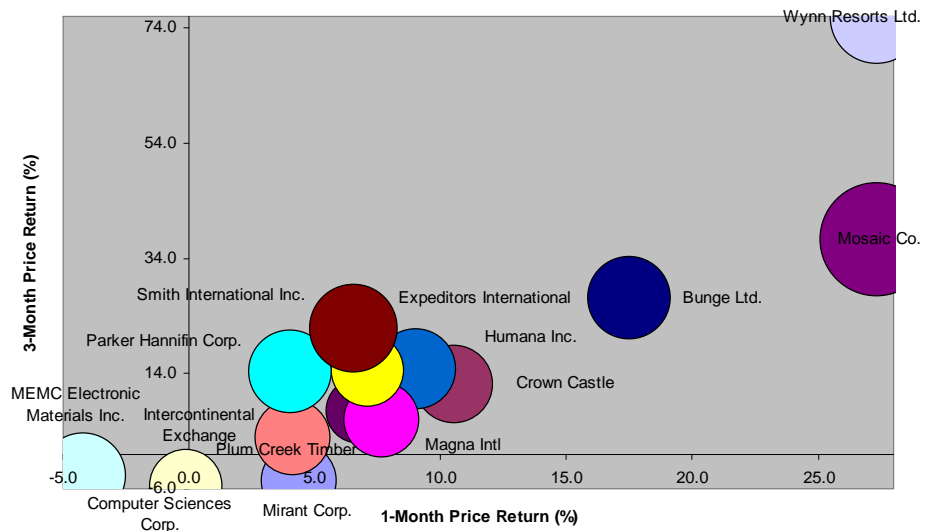
Fig 2: Factor Behavior – Mid Caps



Source: Cirrus Research

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

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 represents the one-month rate of return (x-axis) versus the three-month results (y-axis).

Source: Cirrus Research

Mid Cap: Best and Worst Performing Industries in September

	% CHG
Alternative Energy	21.2
Gold & Precious Metals	18.1
Farm Machinery*	17.5
Coal*	16.0
Integrated Oil & Gas*	14.7
Trucking*	-9.5
IT Consulting & Other Svcs*	-10.2
Catalog Retail*	-12.7
Homebuilding	-14.7
Consumer Electronics*	-23.7

* Small sample.

Financial sector stocks gained 2.2% despite being weighed down by brokerages (-3.1%) and banks (0.4%)

Radian Group (mortgage insurance) enjoyed a bounce in September but is still below half of its yearly high. Homebuilders Lennar and Ryland did not see that bounce, but are rallying into October with the other homebuilding stocks.

Alternative Energy continues to impress, adding another 21.2% in September.

Mosaic benefits from increased fertilizer demand for soybean and corn farming for ethanol production.

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Mid Cap Stocks -- Best and Worst Performers in September

Top 5 Stocks		% CHG	Bottom 5 Stocks		% CHG
RDN	Radian Group Inc.	32.0	CC	Circuit City Stores Inc.	-27.3
MOS	Mosaic Co.	27.4	RYL	Ryland Group Inc.	-25.2
WYNN	Wynn Resorts Ltd.	27.3	HAR	Harman Intl Industries	-23.7
CRM	Salesforce.com Inc.	26.9	KG	King Pharmaceuticals	-22.0
HANS	Hansen Natural Corp.	26.2	LEN	Lennar Corp.	-19.9

Source: Cirrus Research

Cirrus Sector Performance: Mid Cap Stocks

At 28 September	Price Performance % Change				
	1 Mo	3 Mo	6 Mo	12 Mo	YTD
Energy	5.0	-1.0	11.2	33.4	22.9
Materials	6.2	3.0	12.7	48.9	28.3
Industrials	5.9	6.4	27.0	48.8	36.8
Transport	-0.6	-0.8	-2.6	0.3	-3.0
Consumer Discretionary	-3.3	-12.7	-9.1	2.7	-5.3
Consumer Staples	3.5	0.4	2.5	11.6	9.9
Consumer Services	3.7	-1.9	4.5	19.5	6.8
Health Care	3.4	3.7	9.7	16.9	14.6
Financial	2.2	-7.6	-4.0	1.5	-4.8
Real Estate	3.5	-1.7	-10.7	0.3	-7.9
Technology	2.7	0.7	8.9	16.8	11.8
Business Services	1.8	-5.5	0.5	11.9	2.8
Telecommunications	0.5	-1.1	6.0	18.3	10.7
Utilities	3.0	-1.2	-1.8	17.7	6.7

Source: Cirrus Research

Mid Cap Benchmarks

At 28 September	Price Performance % Change				
	1 Mo	3 Mo	6 Mo	12 Mo	YTD
Cirrus Mid Cap Index	2.9	-1.9	3.9	16.9	8.7
S&P MidCap Index	2.6	-1.2	4.3	17.3	10.0
<i>Growth</i>	3.5	0.8	8.0	21.3	14.4
<i>Value</i>	1.7	-2.5	1.8	16.1	7.6
Russell Mid Cap	3.2	-0.7	4.2	16.2	8.4
<i>Growth</i>	3.9	2.0	8.6	20.2	12.7
<i>Value</i>	2.2	-4.0	-1.0	11.4	3.3

Source: Cirrus Research

Analyst Certification

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Cirrus Research, LLC

780 Third Avenue, 8th Floor
New York, NY 10017
Main: 212 824-2100
Fax: 212 824-2139

Satya D. Pradhuman
Director of Research
212 824-2111
satyap@cirrus-res.com

Eric Fernandez, CFA
Senior Strategist
212 824-2101
ericf@cirrus-res.com

Mitchell J. Hew
Analyst – Research
212 824-2110
mitchh@cirrus-res.com

William A. O'Herron, LCSW
Analyst – Client Service
212 824-2122
917 328-2699 (mobile)
billlo@cirrus-res.com

Thirza T. Moran
Office Manager
212 824-2131
thirzam@cirrus-res.com

www.cirrus-res.com

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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