



### Fourth Quarter - All Cap Growth Commentary

The J.M. Hartwell SMA All Cap Growth strategy outperformed the benchmark during the fourth quarter, led by energy, technology, basic materials, healthcare and international communications companies. During the quarter large cap outperformed small cap growth and growth outperformed value. The All Cap Growth strategy benefited as the portfolio is more heavily weighted toward large cap, and many of the small cap stocks performed well. As expected our stock selection was critical to the portfolios out performance. In the quarter we reduced the small cap exposure by eliminating MedAssets and STEC Inc. As a result the weighted average market cap of the portfolio has increased.

The Russell 3000 Growth, following a strong third quarter, appreciated by 8.6% in the fourth quarter. The recovery in equity prices stemmed from improving earnings and low interest rates. Many companies survived the recession due to their strong balance sheets and aggressive cost cutting, which spurred better than expected earnings during 2009.

We remain underweight consumer cyclical and staple stocks, and we continue, as we have since the summer of 2007, to avoid owning financial companies. We continue to maintain our investment in energy companies which performed well during the quarter. We remain overweight in this sector as production growth appears robust, and companies are attractively valued. The recent premium that Exxon paid for XTO Resources highlights how vulnerable the majors are to maintaining their production growth. This transaction renewed investor interest in portfolio holdings Range Resources and Southwestern Energy.

We have not deviated from our bottom-up, catalyst driven, fundamental investment strategy throughout the financial crisis or the recovery. We own only those industry leading companies that possess the financial strength and the competitive edge to weather the economic challenges, and where we can identify clear catalysts to spur out performance and earnings growth. We remain highly selective in our approach to the portfolio positions.

**All Cap Growth:** *Maximize long-term total return over time by holding a portfolio of industry-leading large and small capitalization companies which are believed to possess significant potential for growth. The strategy seeks a total return that exceeds the Russell 3000 Growth index over time.*

Significant contributions to performance came from Google Inc., Abovenet Inc., Mastercard, Potash Corp, and Arena Resources. During the quarter we added Venoco, Inc. and Qualcomm Inc. In previous letters we have commented on the improving demand for communications, infrastructure and business services, as well as outsourcing industries. The dramatic growth in data usage over corporate and telephone networks is driving substantial spending. AboveNet is a fiber communications network provider. The shares outperformed as investors focused on these increased long-term bandwidth needs. Qualcomm also stands to benefit from these trends and has a significant new product pipeline into 2010. Venoco is on the cusp of a company 'game changer' with its Monterey Shale project, which could potentially double the net asset value of the company. We will have more clarity on the production ramp in the first half of 2010.

In 2010 we expect to see accelerating revenue growth as confidence and corporate spending improves. Recent anecdotal commentary from many of your portfolio companies suggests that there has been a noticeable improvement in demand during the past quarter. Examples cited indicate higher spending and rising budgets for: IT projects, network bandwidth infrastructure, oil & gas drilling and rising demand for healthcare services. This suggests that strong corporate profit growth lies ahead.

While the near term economic environment continues to pose many challenges, we are confident in our investment process and ability to find growth companies which will reward our investors over the long-term. We will continue to manage the portfolio consistent with our investment philosophy and we thank you for your confidence.

*J.M. Hartwell SMA manages assets for clients who elect to have Hartwell invest assets for them through a broker managed or sponsored Wrap or SMA / UMA platform. J.M. Hartwell SMA is a part of J.M.Hartwell LP.*

January 3, 2009

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