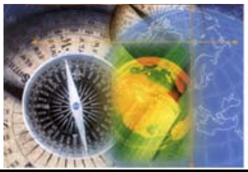

J.M. Hartwell SMA Small Cap Growth

Adrian Dawes, Portfolio Manager

Fourth Quarter 2009

Small Cap Growth: *Maximize long-term total return over time by holding a portfolio of industry leading smaller capitalization companies which are believed to possess significant potential for growth. The strategy seeks a total return that exceeds the Russell 2000 Growth index over time.*

Fourth Quarter - Small Cap Growth Commentary

The Hartwell SMA Small Cap Growth strategy seeks to identify those faster growing market leaders, with superior earnings growth, where catalysts exist to spur share price out-performance.

Summary

Equity markets finished 2009 strongly as investors responded positively to evidence of improving global economic activity, strong corporate earnings reports and a resurgence in merger activity. Overall, growth companies materially outperformed value ones during both the fourth quarter and the year.

Hartwell's bottom-up investment approach enabled the J.M. Hartwell SMA Small Cap Growth strategy to materially outperform the Russell 2000 Growth benchmark for 2009. Led by energy, communications, financials and healthcare holdings, our portfolio of high quality growth companies demonstrated robust unit volume growth and overall reported strong earnings. We expect that improving demand, and additional margin improvements, will lead to further earnings upside in the upcoming quarters. In addition, with strong balance sheets and cash-flow, merger and acquisition activity will help accelerate further growth.

Overview

The foundations of this recovery in equity prices stemmed from improving earnings and low interest rates. Most companies which survived the recession did so due to their strong balance sheets and aggressive cost cutting, which spurred better than expected earnings during 2009.

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.

Portfolio

The J.M. Hartwell SMA Small Cap Growth strategy performed well during the fourth quarter led by energy, communications, financials and healthcare positions. Oil and gas companies rallied sharply as global economic activity improved, and the onset of winter increased demand. The weak dollar also helped, pushing commodity prices higher during the period. The portfolio's energy holdings are concentrated among those companies with substantial production growth and strong land positions.

The leading performers were Rex Energy, BPZ Resources and Arena Resources. Other strong performers were un-conventional gas producers; Carrizo Oil and Gas, Atlas Energy and Rosetta Resources. We remain overweight in this sector as production growth appears robust, and companies attractively valued as the recent Exxon deal for XTO Resources highlights.

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. Reflecting this trend, Cisco Systems acquired Starent Networks during the quarter at a 30% premium. AboveNet, an under-followed fiber communications network provider, outperformed as investors focused on these increased long-term bandwidth needs. We purchased Veeco Instruments, a manufacturer specializing in light emitting diode (LED) semiconductor equipment. The demand for LEDs is growing rapidly as incandescent light bulbs are phased out, LED televisions become more prevalent and smart phones and net books proliferate We sold MedAssets, a medical IT and services provider prior to an earnings warning and eliminated STEC, a storage manufacturer, after their largest customer reported slower sales of their products.

As the debate over the healthcare bills drew a conclusion, investors focused on the beneficiaries of reform. Pharmacy benefit managers were again among the best performing healthcare companies this quarter. SXC Healthcare, a pharmacy benefit manager (PBM) and technology systems provider outperformed. Another PBM, Catalyst Health Solutions, was added to the portfolio. Catalyst has very high customer renewal rates, and delivered exceptional revenue and earnings results and is well positioned to benefit from the additional 31 million people to be covered under the reform plan. Biotechnology holdings, United Therapeutics and Dendreon remain well positioned for significant growth in 2010 due to new product launches and additional drug approvals.

Artio Global Investors, a global money management firm, and Cybersource, a payments processing and software company were added during the quarter. Artio Global is an institutional global money manager which was recently spun out from Swiss bank Julius Baer and should grow earnings over 20% for the next few years. Cybersource is a beneficiary of the acceleration in e-commerce and on-line payments. The company benefits from both volume trends and new on-line merchant growth.

Conclusion

We believe that earnings growth will be robust in 2010, as productivity and improving demand help revenue growth. Equities should continue to outperform most other asset classes. Low interest rates and concerns over debt issuance support our view that growth companies will be among the better performers as this economic recovery unfolds.

We thank you for your continued trust and support through this challenging year, and we look forward to 2010 with increased optimism.

Adrian Dawes
Principal & Portfolio Manager. January 1, 2010

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