ICM SMALL COMPANY PORTFOLIO

FOURTH QUARTER 2008

JANUARY 9, 2009

The passing of 2008 into the economic and financial market history books will be mourned by very few investors. The words “worst in history” or “one of the worst in history” can be used to describe both the magnitude of the equity market declines and the magnitude of changes in a number of key economic and financial statistics. Although small cap stocks (the Russell 2000 Index) underperformed large cap stocks (the S&P 500 Index) in the fourth quarter, they outperformed large cap stocks over the course of the entire year. Small cap value stocks, as measured by the Russell 2000 Value Index (the Index), outperformed the Russell 2000 Growth Index in both the fourth quarter and for the year. The ICM Small Company Portfolio (the Portfolio or the Fund) underperformed its primary benchmark, the Russell 2000 Value Index, in both the fourth quarter and for the entire year.

TOTAL RETURN (%)
PERIODS ENDING 12/31/08

				4th Quarter 2008					Periods Ending 12/31/08 Annualized			
	1st Qtr	2nd Qtr	3rd Qtr	Oct	Nov	Dec	4th Qtr	2008 Year	3 Yrs	5 Yrs	10 Yrs	4/19/89 S.I.
ICM Small Co. Portfolio[1]	**-7.73**	**1.29**	**-2.56**	**-22.88**	**-12.76**	**5.65**	**-28.74**	**-35.11**	**-7.18**	**0.31**	**6.38**	**11.40**
Russell 2000 Value Index	-6.53	-3.55	4.96	-19.98	-11.58	6.15	-24.89	-28.92	-7.49	0.27	6.11	9.50
Russell 2000 Index	-9.90	0.58	-1.11	-20.80	-11.83	5.80	-26.12	-33.79	-8.29	-0.93	3.02	7.36
Russell 2000 Growth Index	-12.83	4.47	-6.99	-21.70	-12.10	5.42	-27.45	-38.54	-9.32	-2.35	-0.76	4.66
S&P 500 Index	-9.44	-2.73	-8.37	-16.80	-7.18	1.06	-21.94	-37.00	-8.36	-2.19	-1.38	7.92

[1] *The returns shown for the ICM Small Company Portfolio are net of all fees and expenses.*
Total annual Fund operating expenses are 0.87%.
Total returns assume reinvestment of all dividends and capital gains.
The performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares when redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance quoted. For performance data current to the most recent month end, please call 1-866-234-5426 or visit our website at www.icomd.com.
Additional disclosures can be found on page 3.

The bulk of 2008’s decline in the Russell 2000 Value Index occurred in the fourth quarter. As bad as the quarter was it could have been a lot worse had the Index not rallied nearly 31% between its November 20th low and the end of December. More than all of the Portfolio’s 619 basis points of underperformance occurred during the second half of 2008. The third quarter was a particularly bad quarter for the Portfolio in terms of relative performance and the fourth quarter was only marginally better. We are disappointed in the results because the Fund has historically performed relatively well in down markets.

It seems as though this section of our quarterly letter discussing performance attribution always starts with a discussion of the Financial Services sector. This sector has historically had the largest weight in the Russell 2000 Value Index and over the last several years has ranged from the low to mid 30% area. A combination of increased representation due to the June 2008 rebalancing of the Russell Indexes and better relative performance by the sector over the last six months has resulted in an increase in this sector’s weight to just below 40% as of December 31, 2008. Nearly one half of the Financial Services sector is represented by Regional Banks and Savings and Loan companies. Another quarter of the sector is comprised of REITs. Obviously, the performance of Banks, S&Ls, and REITs has a major influence on the performance of the overall Index. By extension, how a small cap value manager is positioned relative to the overall sector (and these three sub-sectors) and how the manager's holdings in the sector perform relative to the components in the Index can explain a significant percentage of the manager's performance relative the overall Index. The major reason why the Portfolio underperformed the Index in both the fourth quarter and the entire year was the Fund's underweight position in the Financial Services sector (17.7% average weight versus 34.3% for the year and 18.9% average weight versus 38.5% for the quarter) and very poor relative performance by the Portfolio's holdings in the Regional Bank and REIT sub-sectors.

There were obviously other factors, both positive and negative, that influenced the Fund's performance in the fourth quarter and for the entire year. A residual of the underweight position in Financial Services (see above) and Utilities (0.7% average weight versus 7.6% for the year and 1.2% average weight versus 8.6% for the quarter) was an overweight position in several sectors with more cyclical characteristics. As a generality, stocks in these more economically sensitive sectors of the Index underperformed the overall Index in the fourth quarter and for the year.

We do not approach the stock selection and portfolio management process from the top down. In other words, we do not start with an economic overview and base decisions on that outlook. However, we do take into consideration our forecast for industry specific factors which are related to an overall economic outlook. For instance, we substantially reduced our energy positions late in the second quarter because we felt oil prices were artificially inflated as they approached $150 per barrel. Because of our concern over the general financial health of the consumer, we have kept our consumer exposure below that of the Index. Our mid-year outlook for declining energy prices and declining commodity prices led us to believe that the overall economy would experience a relatively modest recession extending into early 2009. We did not foresee the freezing up of the credit markets which has led to the severe contraction in the worldwide economy in the fourth quarter. Therefore, our fundamental assumptions about the earnings of most of the companies we hold in the Portfolio were too optimistic. Even so, the price declines experienced by these holdings took share prices to levels far below the low end of their historic valuation parameters. Put another way, our valuation models and our risk/reward price assumptions underestimated the downside risk for most of our holdings.

Despite the underperformance by the Fund in the second half, we believe our underlying investment process is still valid. This process relies heavily on individual stock selection based on fundamental research. In the fourth quarter approximately 95% of the differential between the Portfolio's performance and that of the Index was due to the Allocation Effect (sector weighting difference) as opposed to the Selection Effect (relative performance of the Portfolio's holdings). For the year as a whole, approximately 75% of the differential was due to the Allocation Effect. The poor performance by the holdings in the Financial Services sector was by far the dominant factor in the negative Selection Effect. What do we take from this analysis? We need to re-examine our stock selection criteria for financials and we need to stress test our earnings assumptions more aggressively.

As we look forward into 2009, we know that the first quarter is going to be very weak and we know that Congress is going to pass a massive stimulus package. Any projections beyond that are purely speculative because no econometric models have been designed for this situation. We believe the year-end rally in the stock market fed off a narrowing of credit spreads in the bond market and the formation of a consensus forecast of a resumption of economic growth and a recovery in earnings beginning in mid-2009. Over the near term, stocks are likely to rise and fall based on the level of confidence in a second half recovery. In our opinion, housing starts and auto production are likely to bottom out in the first half, consumers will respond favorably, but in a very muted fashion, to the probable tax cut portion of the stimulus package, and the infrastructure spending portion of the package will begin to impact the economy later this year. If these projections play out, we believe modest economic growth should begin in the third or fourth quarter.

Please feel free to call us if you have any questions or comments about the Portfolio.

Sincerely,

Robert D. McDorman, Jr.
Principal

William V. Heaphy
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Simeon F. Wooten, III
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This material must be preceded or accompanied by a current prospectus. Please read it carefully before you invest or send money.

**The Russell 2000 Index is an unmanaged index composed of the 2,000 smallest stocks in the Russell 3000, a market value weighted index of the 3,000 largest U.S. publicly-traded companies. The Standard & Poor's 500 Stock Index is an unmanaged index composed of 400 industrial, 40 financial, 40 utilities and 20 transportation stocks. The Russell Small-Cap Growth and Value Indexes are created by sorting the universe of Russell 2000 companies by book/price ratio and separately by I/B/E/S growth rate. (Reported book value is adjusted to reflect FAS 106 and 109 write-offs by adding back the unamortized portion of the charge.) Each of the sorted series is normalized and combined to arrive at a composite rank for each company. The composite rank is used to generate the probability that a stock is either growth or value. About 30% of the stocks in the Russell 2000 appear in both the growth and value indexes in different proportions based on the probability calculated; the sum of the shares in each index is the total number of shares floating. The remaining 70% of the companies are in one style index only. Please note that one cannot directly invest into an unmanaged index.*

The ICM Small Company Portfolio is distributed by SEI Investments Distribution Co., which is not affiliated with Investment Counselors of Maryland (ICM) or its affiliates. The material represents the manager's assessment of the portfolio and market environment at a specific point in time and should not be relied upon by the reader as research or investment advice regarding any stock. Neither this material nor any accompanying oral presentation or remarks by a representative is intended to constitute a recommendation of the Fund or a determination of suitability.

There can be no assurance that the portfolio will meet its stated objectives. Portfolio holdings are subject to change and should not be considered investment advice or a recommendation to buy securities.

There are risks involved with investing in mutual funds, including loss of principal. In addition to the normal risks involved with investing in mutual funds, including loss of principal, smaller companies and narrowly focused investments typically exhibit higher volatility and REIT investments include illiquidity and interest rate risk. Products of the companies in the technology (or biotech) sector are subject to severe competition and rapid obsolescence. Current and future holdings are subject to risk.

Top Ten Holdings as of December 31, 2008:

Holding	*% of Portfolio*
AptarGroup Inc.	2.81
Ametek Inc.	1.82
Bio-Rad Laboratories Inc. (Cl A)	1.82
CONMED Corp.	1.55
CVB Financial Corp.	1.52
Actuant Corp. (Cl A)	1.40
Penn Virginia Corp.	1.39
Oceaneering International Inc.	1.28
Michael Baker Corp.	1.27
Regal-Beloit Corp.	1.24