

## SMID CAP VALUE STRATEGY

[www.icomd.com](http://www.icomd.com)

### Category

Domestic Equity  
Small-to-Mid Cap Value

### Objective

Seeks to provide maximum, long-term total return, consistent with reasonable risk to principal, by investing primarily in common stocks of small-to-mid cap companies in terms of revenues, assets and market capitalization.

### Date of Inception

9/30/08

### Market Value

\$2.5 Million

### Management Team

William V. Heaphy, CFA – Principal, Portfolio Manager  
 Robert F. Jacapraro, CFA – Principal, Portfolio Manager  
 Matthew E. Fleming, CFA – Vice President, Analyst  
 Andrew L. Gilchrist – Principal, Analyst  
 Donald J. Hoelting, CFA – Principal, Analyst  
 Robert D. McDorman, Jr., CFA – Analyst  
 Gary J. Merwitz – Principal, Analyst  
 Joshua S. Overholt – Vice President, Analyst  
 Simeon F. Wooten, III, CFA – Principal, Analyst

### Investment Strategy

The SMID Cap team employs a fundamentally based, bottom-up approach. Macro economic factors and how they will affect a company and its industry are considered when performing fundamental research. Our investment approach leads us to buy quality companies trading at attractive valuations.

We attempt to narrow the universe of stocks by screening for companies with attractive valuations, positive free cash flow and strong balance sheets. This allows us to focus our fundamental/qualitative analysis on those companies exhibiting the most promising valuation metrics. Generally, Small Cap companies will represent approximately 25% of the portfolio and the universe will be companies between \$500MM and \$2B in market capitalization; Mid-cap companies will represent approximately 75% of the portfolio and the universe will look for companies in the \$2B to \$15B range. We place emphasis on the quality of management and balance sheet strength. Individual company fundamentals are the most important component of our strategy.

TOTAL RETURNS (%)			
AS OF DECEMBER 31, 2009			
	SMID CAP VALUE GROSS OF FEES	SMID CAP VALUE NET OF FEES	RUSSELL 2500™ VALUE INDEX
1 <sup>st</sup> Quarter	-9.83	-10.06	-16.32
2 <sup>nd</sup> Quarter	19.65	19.38	18.76
3 <sup>rd</sup> Quarter	19.50	19.23	22.77
4 <sup>th</sup> Quarter	5.77	5.51	4.65
2009 Year	36.37	35.07	27.68
Since Inception*	8.62	7.57	-3.26

*Represents return of one proprietary account*

*Net of fees performance is calculated using a model fee of 1% which is the maximum charged in any account.*

*\*Annualized*

*Inception Date: 9/30/08*

*Please see additional disclosures on back of page.*

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### Characteristics

	SMID Cap Value Strategy	Russell 2500™ Value Index
Market Capitalization		
Weighted Average	\$4,229 mil	\$2,196 mil
Median	1,653 mil	507 mil
Price/Earnings 2009 EPS <sup>1</sup>	16.5x	15.6x
Price/Earnings 2010 EPS <sup>1</sup>	14.4x	14.6x
Price/Book Value <sup>2</sup>	2.4x	1.7x
Price/Cash Flow <sup>2</sup>	9.7x	10.1x
Price/Sales <sup>2</sup>	1.9x	2.1x
EV/EBITDA <sup>2</sup>	7.9x	9.7x
Dividend Yield of Stocks in Portfolio <sup>2</sup>	1.8%	2.4%
Historical 5-year EPS Growth Rate <sup>2</sup>	9.2%	5.6%
Debt/Capital <sup>2</sup>	40.1%	36.5%

<sup>1</sup>The harmonic average is used when averaging ratios that may produce extreme results due to small relative numbers in the denominator, such as P/E, P/B, etc. The harmonic average by itself does not exclude extreme values (positive or negative), it simply reduces the impact of outliers on the aggregate calculation.

<sup>2</sup>Weighted Average

Source: Factset Portfolio Analysis

### Sector Allocation

	SMID Cap Value Strategy	Russell 2500™ Value Index
Consumer Discretionary	12.5	13.5
Consumer Staples	6.4	2.7
Energy	5.4	6.0
Financial Services	18.9	30.5
Health Care	9.0	5.5
Materials & Processing	11.1	10.1
Producer Durables	16.6	11.9
Technology	10.5	7.9
Utilities	6.6	11.9
Cash	3.0	--

Source: Factset Portfolio Analysis

### Modern Portfolio Theory Statistics

Alpha	0.85
Beta	0.84
Sharpe Ratio	0.28
Standard Deviation	29.16
Tracking Error	6.15
R-Squared	98.90
Information Ratio	1.94
Benchmark	Russell 2500™ Value Index

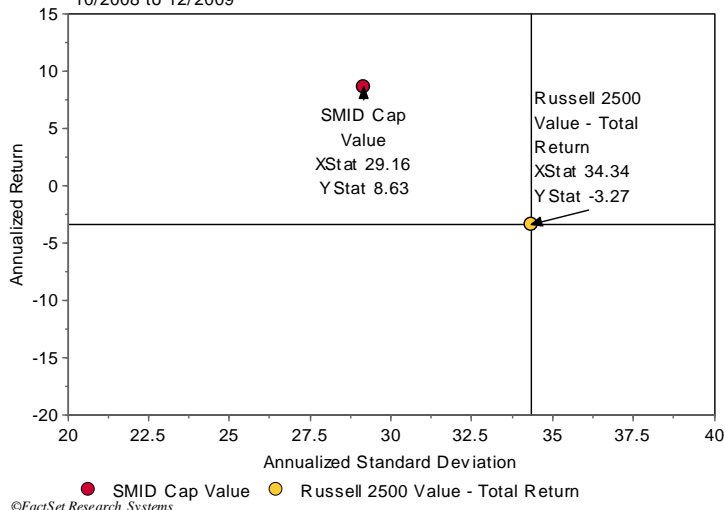
Source: Factset SPAR

Information based on the monthly time period September 30, 2008 through December 31, 2009. The risk-free rate is Citigroup 3 month T-bill.

### Risk/Return Analysis

#### Annualized Standard Deviation Vs Annualized Return

10/2008 to 12/2009



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### Top Ten Holdings as of December 31, 2009

Security	% of Portfolio
Lubrizol Corp.	2.07
Life Technologies Corp.	1.74
Darden Restaurants Inc.	1.70
CommScope Inc.	1.66
Valspar Corp.	1.65
John Wiley & Sons Inc. Cl. A	1.52
Whiting Petroleum Corp.	1.52
Oceaneering International Inc.	1.42
HCC Insurance Holdings Inc.	1.41
DPL Inc.	1.40
<b>Total % of Portfolio</b>	<b>16.09%</b>

Portfolio holdings are at a specific period in time and are subject to change. This should not be considered as investment advice or recommendation to purchase a security.

Investment Counselors of Maryland, LLC is registered as an investment advisor under the Investment Advisors Act of 1940. ICM is indirectly held by Old Mutual (US) Holdings, Inc. The company manages a variety of equity and fixed income assets for U.S. individuals, corporations and other institutional clients. ICM has prepared and presented this material in compliance with the Global Investment Performance Standards (GIPS®). Returns are computed and stated in U. S. Dollars.

The SMID Cap Value Composite includes one, non fee-paying, proprietary account managed in a SMID cap value equity style. Small Cap companies will represent approximately 25% of the portfolio and the universe will be companies between \$500MM and \$2B in market capitalization; Mid-cap companies will represent approximately 75% of the portfolio and the universe will look for companies in the \$2B to \$15B range. Accounts are included in the composite membership at the end of the month of funding subject to the account being fully invested. Composite performance includes the reinvestment of dividend and interest income. Past performance is not a guarantee of future results. The entire constituency of the SMID Cap Value Composite is benchmarked to the Russell 2500™ Value Index.