

# ICM SMALL COMPANY PORTFOLIO

## SECOND QUARTER 2010

JULY 9, 2010

After advancing nearly 80% from its March 2009 low, the market, as measured by the S&P 500 Index, experienced a sharp and swift correction in the last two months of the second quarter. Initially, the sell off began with the emergence of the sovereign debt crises in Europe and renewed worries about the health of the global financial system. The selling gained momentum, however, after the release of very disappointing U.S. economic data, which showed weak employment growth, stubbornly high unemployment claims and a sharp drop off in new home sales and construction activity. Along with decelerating manufacturing reports, these data have raised obvious concerns about the strength of the economic recovery.

Surprisingly, although the small cap sector (the Russell 2000® Index) had far outpaced the large cap sector (the S&P 500 Index) in the recovery rally, large caps actually declined more than small caps in the recent quarter. Within the small cap sector, the performance of value stocks (the Russell 2000® Value Index) and growth stocks (the Russell 2000® Growth Index) was similar. The ICM Small Company Portfolio (the “Portfolio” or the “Fund”) modestly underperformed its primary benchmark the Russell 2000® Value Index.

TOTAL RETURN (%)											
PERIODS ENDING 6/30/10											
	2010 1Q	2 <sup>nd</sup> Quarter 2010			2010 2Q	2010 YTD	1 yr	Periods Ending 6/30/10 Annualized			
		Apr	May	June				3 yr	5 yr	10 yr	4/19/89 Since Inception
ICM Small Co. Portfolio <sup>1</sup>	9.11	6.22	-9.10	-8.27	-11.43	-3.36	22.93	-7.71	1.65	8.54	11.93
Russell 2000® Value Index	10.02	7.00	-8.45	-8.73	-10.60	-1.64	25.07	-9.85	-0.51	7.48	9.68
Russell 2000® Index	8.85	5.66	-7.59	-7.75	-9.92	-1.95	21.48	-8.60	0.37	3.00	7.94
Russell 2000® Growth Index	7.61	4.20	-6.61	-6.71	-9.22	-2.31	17.96	-7.54	1.14	-1.72	5.68
S&P 500 Index	5.39	1.58	-7.99	-5.23	-11.43	-6.65	14.43	-9.81	-0.79	-1.59	8.18

<sup>1</sup> The returns shown for the ICM Small Company Portfolio are net of all fees and expenses.

Total annual Fund operating expenses are 0.89%.

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

Additional disclosures can be found on page 2-3 of this letter.

Across industry sectors, there was no place to hide from the market decline. As one would expect, the more defensive sectors of Utilities and Consumer Staples outperformed, but were still down 3.5% and 5.0%, respectively. The Fund's underweight in these sectors hurt relative performance but was more than offset by the modest cash position of 4.0%.

An area of relative strength for the portfolio during the quarter was the performance of the Fund's Consumer Discretionary holdings. This sector of the market has been the clear leader for the last year—which is often the case early in an economic recovery—but the anemic job creation numbers caused a large sell off, particularly in the retail and restaurant areas, which declined close to 20%. The Fund has been underweight this sector for several quarters and its holdings, while still down 11.6%, fared

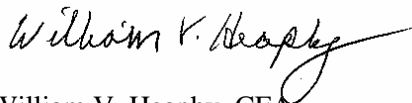
significantly better than the benchmark's, which declined 15.7%. Another relative bright spot was the Fund's Producer Durables investments, which declined less than the benchmark. In this sector, Transportation stocks actually posted gains for the quarter. These companies have been indicating that despite modest volume gains, capacity has tightened, resulting in an improved rate environment.

Like the first quarter, the biggest detractor to the Fund's performance was its holdings in the Technology sector, which declined 16.5% versus 10.5% for the benchmark. With a few exceptions, the earnings of most of the Fund's technology holdings continue to meet expectations and the near term outlook is positive for many of the reasons we discussed in last quarter's letter—steady consumer demand for electronics and an upturn in the corporate technology spending cycle. Nevertheless, the stocks as a group have sold off and are now attractively valued at just 13x and 11x 2010 and 2011 earnings expectations, respectively. The stocks also enjoy very solid, cash rich balance sheets.

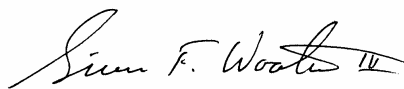
For some time we have believed that the current economic recovery would be less robust than those experienced over the last several decades. There are many structural reasons for this, not the least of which is the need for consumers and governments of developed economies to deleverage. When valuing companies, we have incorporated this view into our determination of future earnings power and are still seeing attractive investment opportunities. Clearly the most recent economic data indicate that the economic recovery has moderated. Many commentators have even begun predicting a double dip recession, but we still think that is a low probability event. The biggest factor behind this optimism is the continued very accommodative monetary policy in the U.S. and abroad. In such an environment, corporate profits should still be able to show growth, particularly for those that took aggressive restructuring actions the last few years. Just as important, with the market (the S&P 500 Index) now trading at just 13x 2010 earnings projections, valuations have become more attractive and we are finding more buy than sell opportunities.

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

Sincerely,



William V. Heaphy, CFA  
Principal



Simeon F. Wooten, III, CFA  
Principal

***This material must be preceded or accompanied by a current prospectus. Please read it carefully before you invest or send money.***

*\*The Russell 2000<sup>®</sup> Index is an unmanaged index composed of the 2,000 smallest stocks in the Russell 3000<sup>®</sup>, 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<sup>®</sup> 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<sup>®</sup> 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.*