



**Al Frank**  
ASSET MANAGEMENT

# Dividend Value Composite

FOURTH QUARTER 2009

## ABOUT AL FRANK

### Total Firm Assets

\$451 Million

### Composite Assets

\$22 Million

### Investment Style

All Cap Value

### Benchmark

Russell 3000

### Investment Minimum

\$500,000

**Organization:** Al Frank Asset Management is a Registered Investment Advisor based in Laguna Beach, CA. The firm was founded in 1977 by Al Frank and currently is responsible for \$451 million in assets via separately managed accounts and two proprietary mutual funds. Al Frank Asset Management offers separately managed account services to individuals and institutional investors including pension plan sponsors, endowments and foundations.

**Investment Style:** Al Frank Asset Management seeks out-of-favor stocks that are trading for low multiples of earnings, sales and/or book value. Because we believe that growth is a component of value, we strive to find inexpensive stocks with above-average growth prospects. We are a go-anywhere manager focused on uncovering bargain-priced stocks without market capitalization constraints.

**Strategy:** Dividend Value is a fully invested, actively managed equity strategy that seeks capital appreciation over the long term. Portfolios primarily include dividend paying stocks and broad diversification is sought via exposure to a significant number of major market sectors and industry groups. The selection of dividend paying stocks is intended to reduce volatility in the portfolios. Portfolios are constructed initially with equally weighted dollar positions spread across at least 50 individual holdings.

## PERFORMANCE

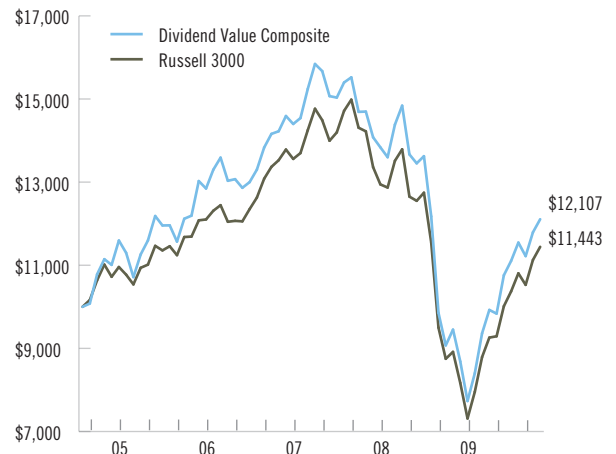
### COMPOUND ANNUAL TOTAL RETURNS AS OF 12.31.09

	Composite		Russell	Wilshire
	Gross	Net	3000	5000
QTD	5.11%	4.87%	5.90%	5.81%
1 year	28.90%	28.10%	28.34%	28.57%
3 years	-4.53%	-5.23%	-5.42%	-5.19%
5 years	2.48%	1.67%	0.76%	0.97%
Inception 09.30.04	4.50%	3.71%	2.60%	2.81%

Returns include the reinvestment of all income. Net of fee performance was calculated using actual management fees charged to the client.

### GROWTH OF A HYPOTHETICAL \$10,000 INVESTMENT SINCE INCEPTION

Actual performance of investors will vary. Composite performance is net of fees and transaction costs. Hypothetical investment assumes the reinvestment of dividends and capital gains.



SOURCE: Al Frank

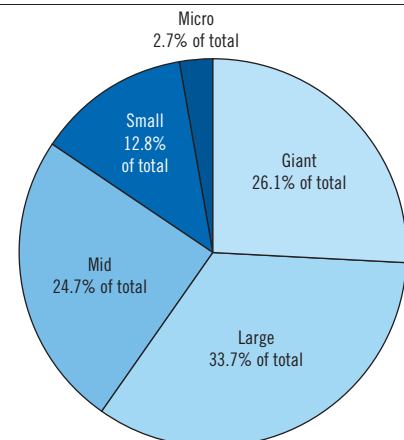
## COMPOSITE HIGHLIGHTS

	Div. Value Composite	Russell 3000
Average Number of Holdings	65	2972
Top 10 Holdings	11.8%	16.0%
Weighted Market Cap (bil)	\$45.9	\$67.2
Average Valuation Metrics:		
Price to Trailing Earnings	14.4x	16.2x
Price to Book	1.9x	1.9x
Price to Trailing Sales	1.7x	1.3x
Dividend Yield	2.7%	1.9%
Beta (3yr)	1.1	1.0
Annualized Standard Deviation	21.4%	20.3%

### COMPOSITION OF COMPOSITE BY MARKET CAPITALIZATION

Market capitalization distribution is subject to change.

Giant: Greater than \$50 billion  
Large: \$10 billion – \$50 billion  
Mid: \$2 billion – \$10 billion  
Small: \$300 million – \$2 billion  
Micro: Less than \$300 million



SOURCE: Al Frank

# Al Frank Dividend Value Composite

## COMPOSITE PERFORMANCE

	Total Firm Assets (millions)	Composite Assets (millions)	Number of Accounts	Annual Performance Results			
				Composite Gross	Composite Net	Russell 3000	Composite Dispersion
2009	451	22	15	28.90%	28.10%	28.34%	3.7%
2008	370	19	13	-35.21%	-35.69%	-37.31%	1.1%
2007	797	36	19	4.21%	3.32%	5.14%	1.7%
2006	853	38	16	17.76%	16.66%	15.72%	1.8%
2005	725	31	14	10.28%	9.39%	6.12%	0.5%
2004	616	16	Five or fewer	11.48%	11.46%	11.95%	N.A.

Results shown for the year 2004 represent partial period performance from September 30, 2004 through December 31, 2004. NA - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

## DISCLOSURES

Dividend Value Composite includes discretionary equity portfolios using our dividend value strategy of buying undervalued and/or out-of-favor stocks and holding them in broadly diversified portfolios for their long-term appreciation potential. For comparison purposes, the composite is measured against the Russell 3000 Index, a broad market index of the U.S. equity universe. On September 30, 2008, the manager standardized its benchmarks on the Russell family of Indexes and changed the benchmark from the Wilshire 5000. The manager expects the Russell 3000 to be the most reflective and appropriate measure on which to benchmark future composite performance. You cannot invest directly in an index. The minimum account size for inclusion in this composite is \$100,000.

Al Frank Asset Management, Inc. (Al Frank) has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®).

Al Frank is an independent, registered investment adviser, wholly owned by AF Holdings, Inc. The firm maintains a complete list and description of composites, which is available upon request.

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. The composite includes our proprietary mutual fund (the fund) that adheres to the dividend value strategy. The fund represents approximately 79%, 77%, 78%, 81%, 85% and 100% of the composite for 2009, 2008, 2007, 2006, 2005 and 2004, respectively. Beginning January 1, 2006, composite policy requires the temporary removal of any portfolio incurring an aggregate net cash flow of at least 25% of portfolio assets for any given quarter. The temporary removal of such an account occurs at the beginning of the quarter in which the significant cash flow occurs and the account re-enters the composite at the beginning of the quarter after the cash flow. Clients may choose to

use margin in their portfolios and the preferred level of margin for those accounts is no more than 25% of equity. Past performance is not indicative of future results.

The U.S. Dollar is the currency used to express performance. Returns are presented gross and net of management fees and include the effects of trading costs and reinvestment of all income. Net of fee performance was calculated using actual management fees charged to the client. Investment performance reflects voluntary fee waivers in effect for the fund. In the absence of such waivers, net returns would be reduced. The annual composite dispersion is an asset-weighted standard deviation calculated for the accounts in the composite the entire year. Additional information regarding policies for calculating and reporting returns is available upon request.

Actual investment management fees vary beginning at 2% per annum. Our full management fee schedule is described in more detail in Al Frank's Form ADV Part 2. The Dividend Value Composite was created December 2005. Compliance with GIPS® has been verified firm-wide by Ashland Partners & Company LLP from January 1, 1996 through June 30, 2009. In addition, a performance examination was conducted on the Dividend Value Composite beginning September 30, 2004.

Beta is a measure of volatility, or systematic risk, of a portfolio in comparison to a benchmark. A beta greater than one indicates more volatility, while a beta less than one indicates less volatility than the relevant benchmark. Annualized Standard Deviation (3 year) is a measure of the dispersion of investment returns from the mean. A higher standard deviation indicates higher volatility. Valuation metrics are the weighted-average of the ratios of all the holdings in the Composite and Index.

## PORTFOLIO MANAGEMENT



**John Buckingham**  
Chief Investment Officer



**Jessica Chiaverini**  
Portfolio Manager



**Jason Clark, CFA**  
Portfolio Manager



**Don McDougall Jr.**  
Portfolio Manager

## RESEARCH



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