



**Al Frank**  
ASSET MANAGEMENT

# Value Composite

SECOND QUARTER 2010

## ABOUT AL FRANK

### Total Firm Assets

\$405 Million

### Composite Assets

\$193 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 \$405 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:** Value is a fully invested, actively managed equity strategy that seeks capital appreciation over the long term. The portfolios include both dividend and non-dividend paying stocks and broad diversification is sought via exposure to a significant number of major market sectors and industry groups. Portfolios are constructed initially with equally weighted dollar positions across at least 50 individual holdings.

## PERFORMANCE

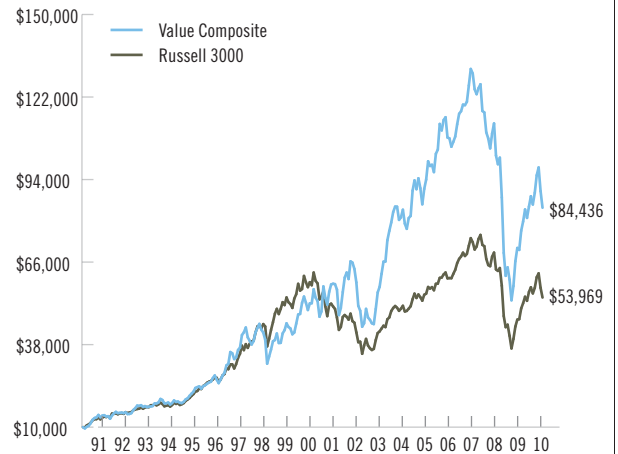
### COMPOUND ANNUAL TOTAL RETURNS AS OF 06.30.10

	Composite Gross	Composite Net	Russell 3000	Wilshire 5000
QTD	-11.31%	-11.52%	-11.32%	-11.12%
1 year	21.57%	20.40%	15.66%	16.07%
3 years	-12.50%	-13.40%	-9.43%	-9.20%
5 years	-1.11%	-2.12%	-0.48%	-0.20%
10 years	6.09%	4.97%	-0.92%	-0.74%
Inception 09.30.90	12.74%	11.41%	8.91%	8.56%

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

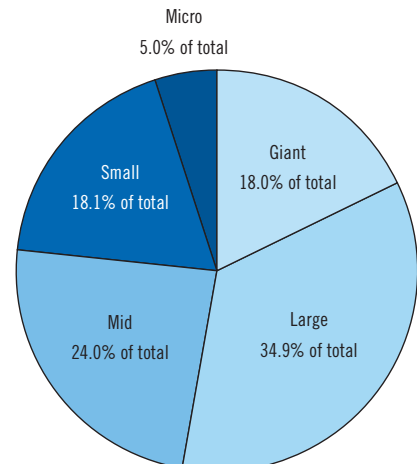
## COMPOSITE HIGHLIGHTS

	Value Composite	Russell 3000
Average Number of Holdings	76	2995
Top 10 Holdings	11.0%	15.4%
Median Market Cap (bil)	\$6.8	\$60.2
Average Valuation Metrics:		
Price to Trailing Earnings	13.5x	17.2x
Price to Book	2.5x	3.3x
Price to Trailing Sales	1.8x	1.1x
Dividend Yield	1.9%	2.0%
Beta (3yr)	1.2	1.0
Annualized Standard Deviation	25.2%	21.2%

### 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



# Al Frank 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	200	328	38.86%	37.55%	28.34%	4.8%
2008	370	158	367	-44.39%	-44.99%	-37.31%	2.8%
2007	797	303	426	0.68%	-0.36%	5.14%	3.9%
2006	853	308	379	13.71%	12.52%	15.72%	3.9%
2005	725	256	333	12.27%	11.12%	6.12%	5.7%
2004	616	180	261	19.20%	17.98%	11.95%	5.1%
2003	396	130	182	70.05%	68.26%	31.06%	10.7%
2002	170	72	154	-21.40%	-22.28%	-21.54%	5.1%
2001	170	61	84	24.82%	23.36%	-11.46%	10.6%
2000	83	22	47	3.24%	2.13%	-7.46%	5.2%

## DISCLOSURES

The Value Composite, formerly known as Multi-cap Value, includes discretionary equity portfolios using our standard 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. You cannot invest directly in an index. The minimum account size for inclusion in this composite is \$100,000.

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

AFAM 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. Non-fee-paying portfolios are included and represent less than 1% of the composite. From 1993 to 2000, non-fee-paying portfolios represented up to 5% of the composite. Prior to 1993, non-fee-paying portfolios represented up to 8% of the composite.

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. The temporary removal of such a portfolio occurs at the beginning of the month in which the significant cash flow occurs. The portfolio re-enters the composite at the beginning of the month after a net cash withdrawal and returns to the composite two full months after a net cash inflow. Beginning January 1, 2006,

this policy was quarterly and beginning January 1, 2010, the policy is monthly. 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. 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 AFAM's Form ADV Part 2. The Value Composite was created December 2005. Compliance with GIPS® has been verified firm-wide by Ashland Partners & Company LLP from January 1, 1996 through December 31, 2009. In addition, a performance examination was conducted on the Value Composite beginning January 1, 1996. A copy of the verification report is available upon request.

Beta: 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): 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**  
Equity Trading Manager/  
Associate Portfolio Manager

## RESEARCH



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V.P. Research

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