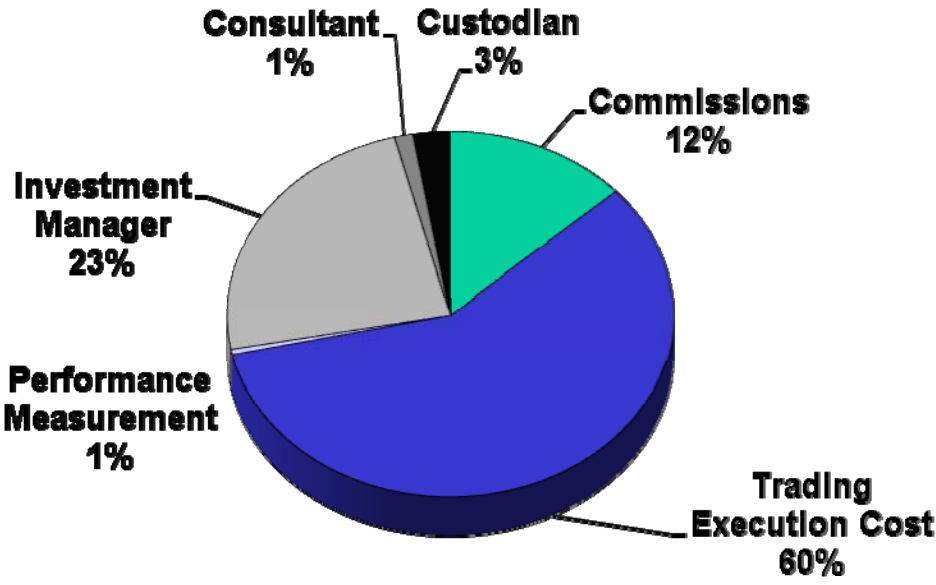


Brokerage: Eliminate Conflicts, Add Transparency, Lower Costs



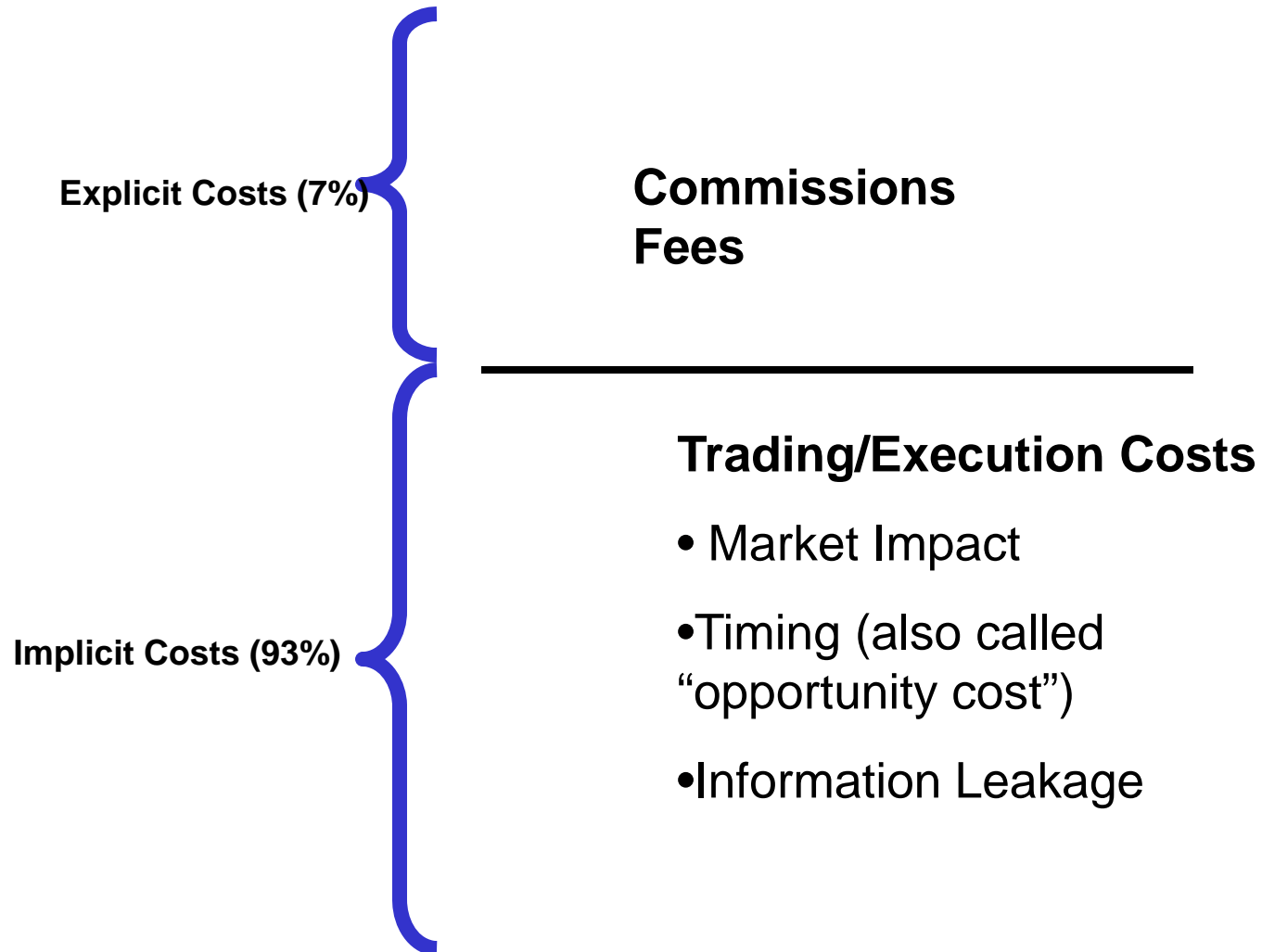
Brokerage Costs: 72 Cents of Every Dollar



Source: Myners Report, QSG



What Do Brokerage Costs Consist Of?





How Well Are Your Brokers Trading?

Trade Cost Analysis = Actionable Intelligence

Global Transition Solutions

Comprehensive Report
12/01/2006 - 09/30/2007

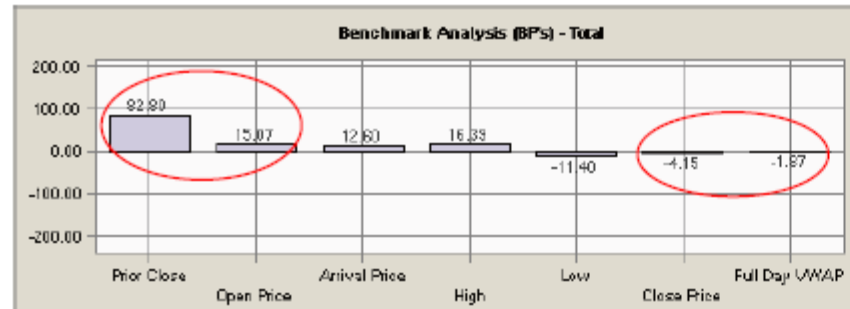
Execution Summary

Trade Characteristics						Market Movement													
Side	Number of Trades	Number of Shares	Executed Value	Percent of Total Value	Avg Execution Price		NASDAQ 100	Russell 1000	Russell 1000 Growth	Russell 1000 Value	Russell 2000	Russell 2000 Growth	Russell 2000 Value	Russell 3000	Russell 3000 Growth	Russell 3000 Value	S&P 400	S&P 500	S&P 600
Buy	394	1,717,222	55,356,562	49.34%	32.24	Prior Close	1,791.25	3,388.28	447.82	765.13	3,317.79	2,582.92	5,803.47	3,360.74	2,426.97	4,006.35	1,012.23	2,155.89	448.89
Sell	331	1,601,464	56,847,025	50.66%	35.50	Close	2,091.11	3,750.93	506.29	829.01	3,433.95	2,817.62	5,696.06	3,699.35	2,735.45	4,304.48	1,118.16	2,385.72	478.33
Total	725	3,318,686	112,203,587	100.00%	33.81	Return	16.74%	10.70%	13.06%	8.35%	3.50%	9.09%	-1.85%	10.08%	12.71%	7.44%	10.47%	10.66%	6.56%

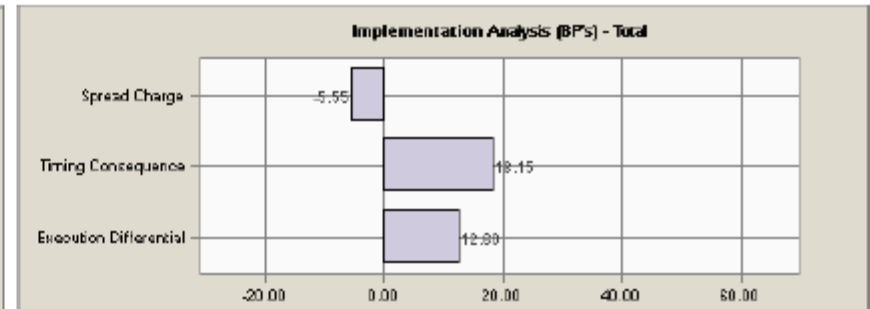
Top 5 Most Active Brokers

Broker	% of Executed	Spread Charge	Timing Consequence	Execution Differential	Comm	Comm (USD)	Prior Night Close	Market Open	Arrival Price	Interval VWAP	Full Day VWAP	Market Close
LEHMAN BROTHERS INC NEW YORK	18.80%	-4.33	-8.86	-13.19	-16.27	-34,414.36	218.91	-12.17	-13.19	-12.15	-12.15	-14.70
MAGNA SECURITIES CORPORATION	10.27%	-4.60	-24.96	-29.57	-10.22	-11,641.72	-25.42	-33.96	-29.57	-4.39	-4.39	-0.98
CABRERA CAPITAL MARKETS, INC	8.74%	-5.12	-13.20	-18.32	-13.16	-12,799.88	-45.83	1.55	-18.32	5.12	5.13	30.37
JEFFERIES & COMPANY	7.82%	-8.76	156.40	147.64	-11.46	-10,008.97	162.94	151.64	147.64	32.44	32.44	14.77
MERRILL LYNCH PIERCE FENNER & SMITH	5.97%	-4.12	38.92	34.80	-8.63	-5,739.09	18.17	30.24	34.80	4.86	4.86	-23.54

Benchmark Analysis - Total



Implementation Analysis - Total



Institutional Broker-Dealers: Many Revenue Sources

Need To Protect Against Information Leakage and Front Running

PROGRAM DESK



- Illiquid/Difficult Trades
- High Quality Executions
- Little to No Revenue
- “Locks In” Performance

PROPRIETARY DESK



- Trades Firm’s Inventory
- Information is Key
- Ability to Move Market

BLOCK DESK



- Sources of Liquidity
- Best Clients Get First Look
- Fee Revenue Opportunity for Size/Timing



Step 1: Choosing the Right Broker

Brokerage Needs To Catch Up To Investment Management

Investment Management

- Utilize Independent Advisor/Consultant (88%)
- Manager Search and Selection is 75% Quantitative
- Always Use Performance based track records of Managers
- Significant transparency
- Independent Performance Reports

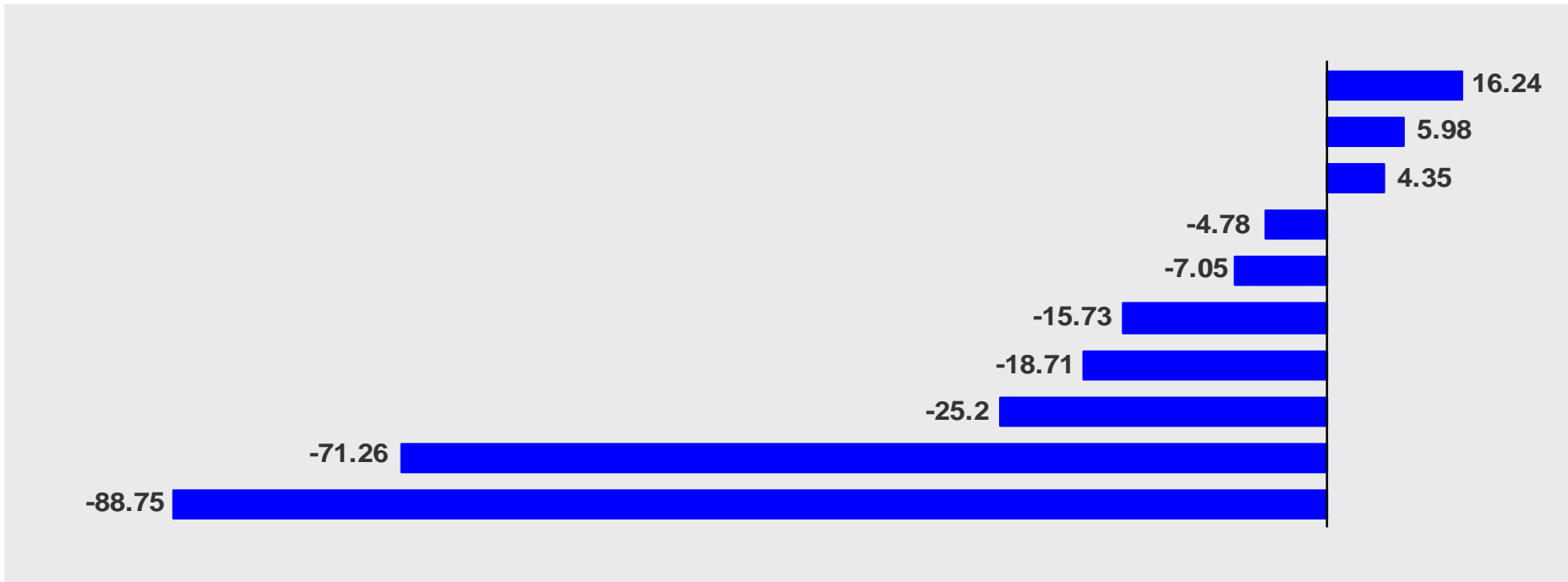
Transition Brokerage

- Utilize Independent Advisor/Consultant (44%)
- Broker Search and Selection is nearly 100% Qualitative
- Never Use Broker Performance Based Track Records
- Minimal Transparency
- Self Generated Performance Reports



There Is A Large Variance in Broker Performance

Broker Execution Differential for S&P 600 Securities

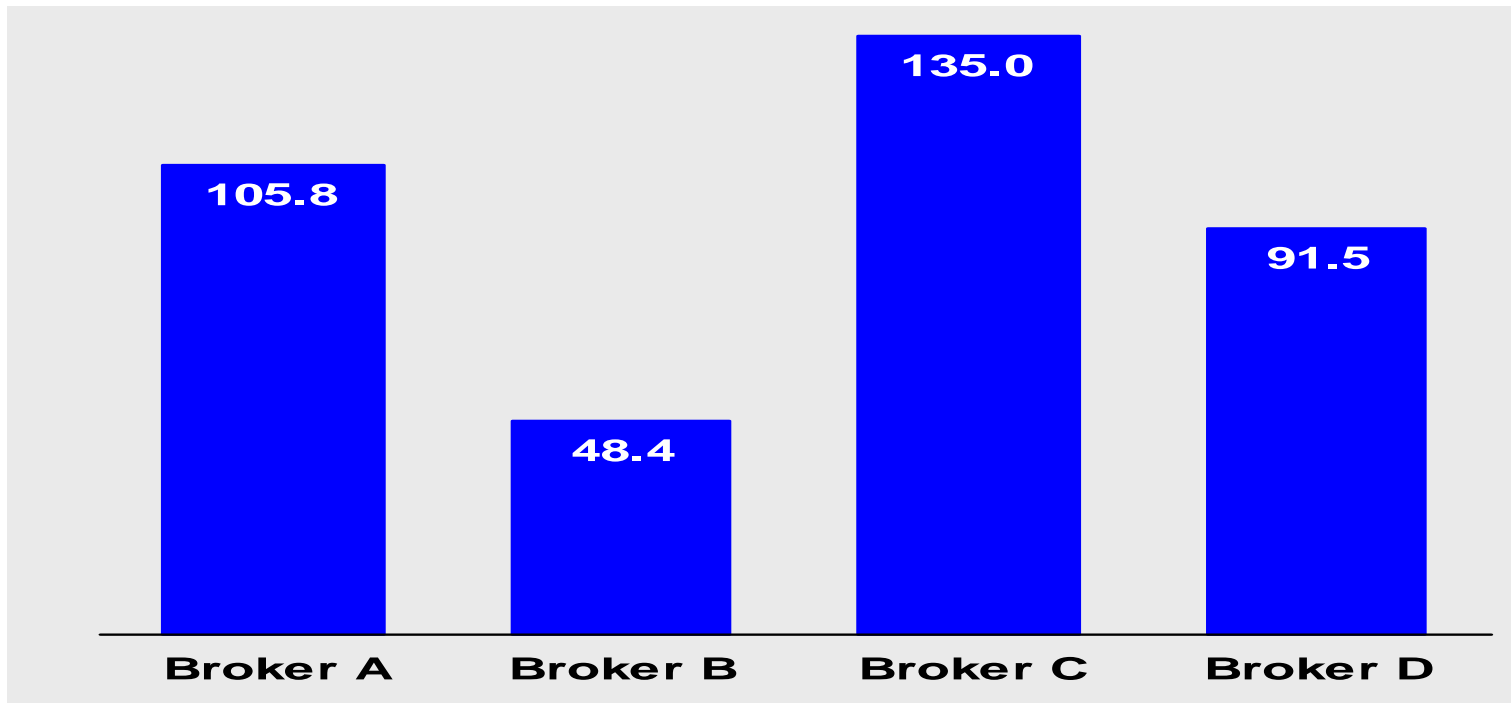


Source: Global Transition Solutions



Broker Performance Varies Widely by Asset Class and Style

Example: Earnings Momentum Investment Style



Source: QSG



The Wrong Way: “The Transition Manager Bench”

Choosing a “Bench” Does Not Mesh With Investment Management or Sound Fiduciary Principles

- 1) Search is Still 100% Qualitative
- 2) Pension Funds Have No Way of Knowing Which Brokers Get Better Execution (until now – stay tuned!!)
- 3) The Only Constant in Financial Services is Change!
 - a) Merrill Lynch
 - b) Deutsche Bank
 - c) ITG



The Very Wrong Way: “The Bidding Process”

A Bidding Process Is The Single Worst Way To Choose A Transition Provider

- 1) Information Leakage and Front Running**
- 2) Hypothetical Portfolios Yield Meaningless Results and Have No Logic in Investment Theory**
- 3) Conflicts of Interest: Brokers Are Paid To Win!**
- 4) Time Lag Renders “Bids” Obsolete and Kills Performance**
- 5) Pension Systems have Abandoned Bidding**



The Right Way: Continuous Broker Research

I. Performance

- Liquidity Charge
- VWAP
- Execution Differential
- Timing Consequence

75% Quantitative

II. Process

- Evidence of a repeatable approach to trade execution
- Systems resources utilized in support of trading process
- Trading analytics and measurement systems

III. People

- Personnel committed to program trading
- Middle office committed to support of program traders
- Personnel turnover ratios
- Experience executing transition program trades
- Structure of compensation programs

25% Qualitative



Use Quantitative Performance Data and Have Access To The Entire Universe of Best Performing Transition Brokers

Small Cap US Equity

GTS Broker Execution Quality Rank	
Small Cap	
Broker Name	Rank
ITG Inc.	1
Morgan Stanley & Co. Incorporated	2
Deutsche Bank Securities Inc.	3
Bear, Stearns & Co. Inc.	4
Citigroup Global Markets, Inc.	5
Cantor Fitzgerald & Co.	6
Capital Institutional Services, Inc.	7
Wachovia Capital Markets LLC.	8
UBS Securities LLC.	9
Credit Suisse First Boston LLC.	10

Always Beware of Conflicts of Interest

Separate Advice From Execution! As long as an advisor and executing broker reside under the same roof, you cannot eliminate conflicts or have a truly sound fiduciary process

Eliminating The Conflict of Interest

The Advice Side:

- a) Help with Broker Selection
- b) Non-Conflicted Real Time Trade Oversight
- c) Independent Reporting

The Execution Side:

- a) Unless watched, is in the business of maximizing profit
- b) Two sides of every trade to profit from
- c) Potential for Information Leakage

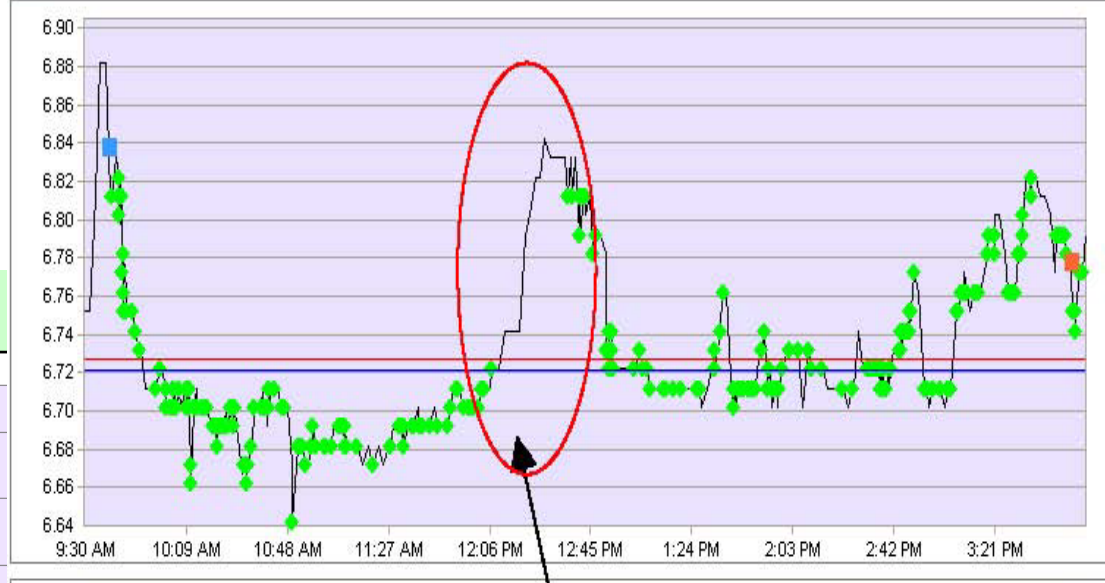


Examples of the Fox Watching the Henhouse

Buy order (Large position)



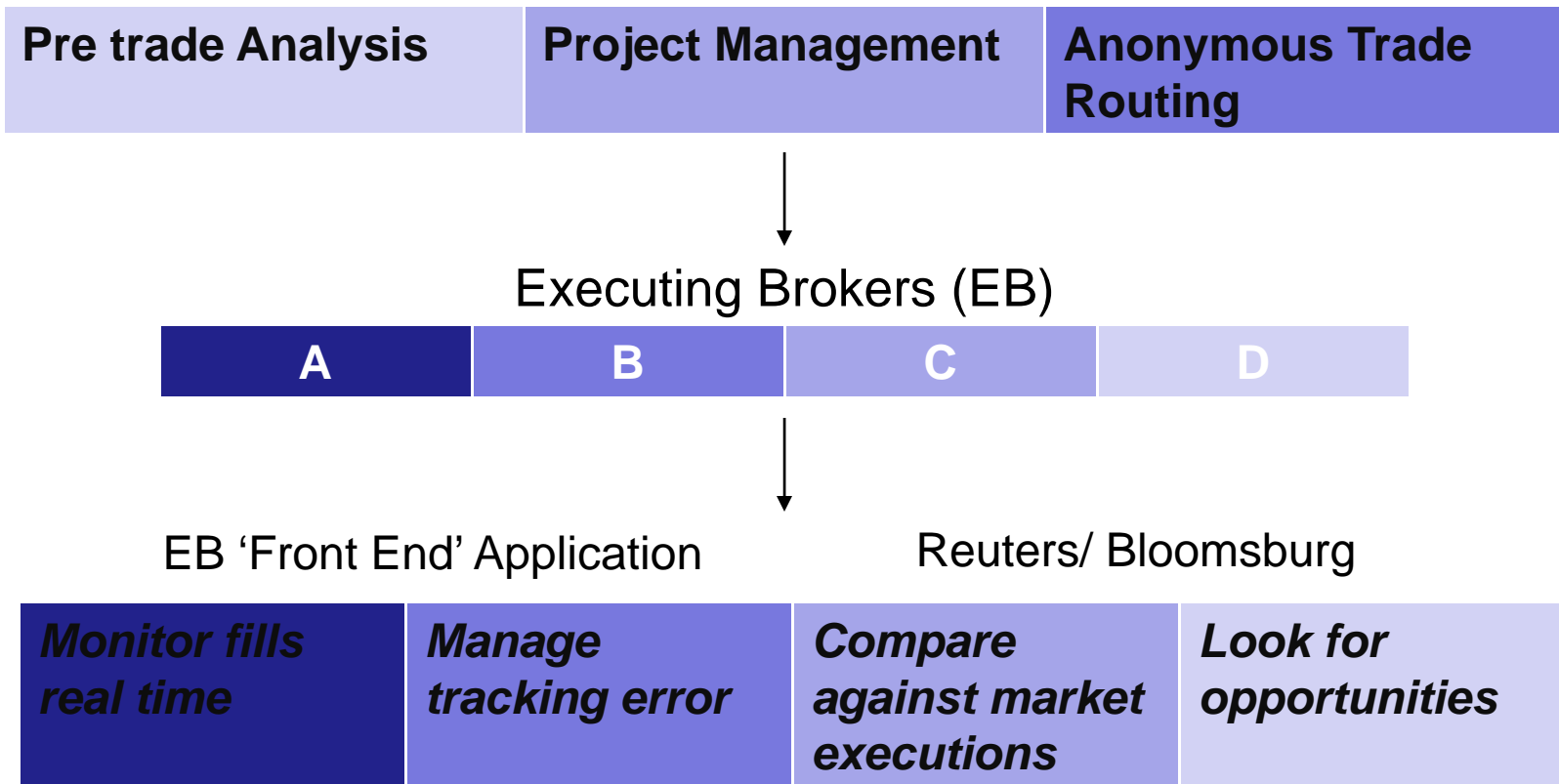
Sell order



Source: QSG, GTS 2005

Real Time Trade Oversight: Solves the Problem

GTS Trade Administration Application



Bottom Line: It's all about cost!

U.S. Equity	Industry Average	Quantitative Buy Side	GTS
	107 Bps	40	32



Conclusions

- Brokerage: Your Single Largest Cost Can Be Controlled and it Starts With Transparency
- Broker Selection is Imperative and Important
Quantitative Data is not being used (until now)
- Advice and Execution Must Be Separated to Eliminate Conflicts of Interest
- Brokerage = Investment Management. Costs are reduced and performance enhanced through the use of a consultant.

