Private Client Portfolio Management

First Quarter 2009

DALTON ADVISORS

About Dalton Advisors

We are an independent money management firm providing customized, tax-efficient portfolio management to professionals, executives, and business owners. Our clients are individuals and families seeking a sophisticated approach from highly-qualified, experienced financial professionals. We structure and manage investment portfolios, designed to achieve the financial goals of our clients. These goals may include funding retirement, legacy giving, college saving, income generation, or wealth preservation.

With successful careers over the last three decades, both on Wall Street and managing institutional portfolios, Dalton's private client team brings a wealth of experience, skill and perspective to the investment process. Our strategy of using low-cost, tax-efficient funds to structure asset allocations consistent with client objectives reflects the latest thinking in the science of portfolio management.

Our Approach

- **Portfolios Tailored to Client Needs**
- **Asset Allocation Drives Returns**
- **Diversify to Reduce Risk**
- **Fee-only Structure**

Investment Philosophy

Our Approach to Private Client Portfolio Management

Informed Asset Allocation to Maximize Results

Successful investment management is a function of taking the right risks. Asset allocation, based on client objectives and risk tolerance, drives our performance. Market sectors with higher expected returns and volatility play a significant role in client portfolios – this is the risk for which investors are compensated over time.

Know the Risks to Avoid

We diversify our clients' portfolios to avoid unnecessary and risky concentrations and to reduce performance volatility on the total portfolio. We do not engage in market-timing or excessive trading, both of which history has shown to produce inferior results. We achieve our desired asset allocation by employing low-cost, tax-efficient vehicles such as index funds and exchange-traded funds (ETFs).

We Are Fiduciaries and Promise Integrity

We manage your money like we manage ours. We strive to deliver top flight, objective investment advice to our clients. We are fee-only investment advisors. Our interest is aligned with yours.

Asset Allocation Drives Returns

Academic studies show that asset allocation explains over 90% of portfolio returns

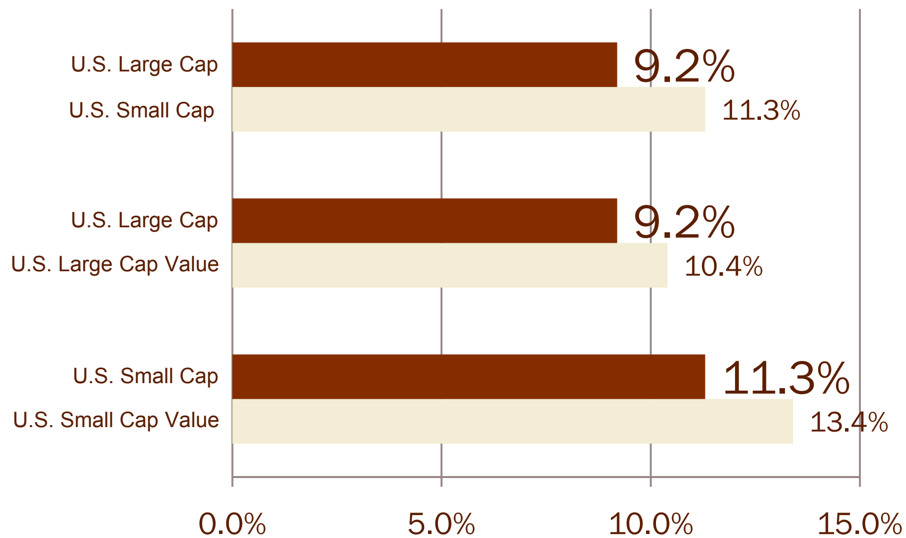
PORTFOLIO COMPOSITION (1928-2008)

Asset Allocation			
Cash (%)	Stock (%)	Return (%)	Std Dev
100	0	3.7%	3.1
80	20	4.8%	6.7
60	40	6.0%	10.2
40	60	7.1%	13.7
20	80	8.2%	17.1
0	100	9.2%	20.5

Stock is S&P 500 Index, Cash is 1-month T-bill

The higher the percentage of stocks and other assets with high price volatility, the higher the expected return.

ANNUAL RETURNS FOR 80 YEARS ENDING 2008:



Source: DFA

Certain market sectors, such as value stocks and smaller companies, tend to provide higher returns over time.

Understanding and Managing Risk Delivers Results

Investment risk can take many forms. Unrecoverable principal loss is the risk most private investors fear (which proper diversification can all but eliminate). For financial professionals risk is usually defined as the standard deviation of returns. But another way of thinking about risk is the likelihood that investments fail to achieve the intended purpose for the assets.

OUTLIVING RETIREMENT ASSETS

- Approximately 40% of 65 year old individuals will live to 90 [a]
- Married couples who are 65 years old have a 63% chance that one spouse will live to 90 [a]

	Life Expectancy [b]	
Current Age	Male	Female
65	81	84
75	85	87

(a) US Census Bureau

(b) Social Security Administration

Investors tend to focus on the short term ups and downs of their portfolios – and less on the risk their investments may be insufficient to support them throughout retirement.

We Avoid Other Manager's Pitfalls

Traditional Advisor/Broker	DALTON ADVISORS
Concentrated Portfolios	Our client portfolios are highly diversified globally, across markets and sectors. Through the use of index and exchange-traded funds, clients are invested in thousands of securities, virtually eliminating issuer risk.
Market Timing	We do not attempt to predict the direction of the market in the short-term.
Performance Chasing	We educate our clients to avoid "shooting where the rabbit was" and to think strategically and long-term. We prefer to focus on the attractive valuation of what is **not** hot.
Selling Products	We are never compensated for what we buy in client portfolios, nor do we have a financial incentive to invest in any particular brand of funds.

How We Serve Our Clients

Professional Money Management

We bring a wealth of experience, expertise and perspective to the investment process. With successful careers over the last three decades, both on Wall Street and managing institutional portfolios, Dalton's private client team understands asset valuation, economic analysis, and the science of portfolio management. We have managed money through multiple market cycles, including bubbles and crashes. We know how to keep a long-term objective in mind and avoid emotional responses to market developments.

Financial Counseling

Staying abreast of our client's financial health is critical to our process. We are also available to assist with any personal finance issues including mortgage evaluation, insurance, and planning for educational expenses. One of our most important roles is the counseling we provide to help clients avoid common investor mistakes such as chasing investment returns and focusing on the short-term.

Independent Fiduciaries

We are independently owned and are strictly fee-only advisors. This means our only source of revenue are the fees paid by our clients. No commissions or sales loads are earned from the funds or securities we select. Our sole motivation is to maximize client returns, consistent with appropriate risk. We are fiduciaries for our clients, and take this role very seriously.

The Dalton Difference

	DALTON ADVISORS	Traditional Retail Broker
Client Focus	Top talent focused on client. Client assets managed by two senior investment professionals, each with over 20 years of experience at major financial institutions on the sell and buy side of the business. Both have the CFA designation.	Quality and experience of brokers can vary.
Portfolio Management	Asset allocation focus using low-cost, tax-efficient funds. Highly diversified. Infrequent trading.	Largely focused on selecting top-performing U.S. stocks or funds. Asset allocation either ignored, fixed or part of firm-wide “models”. Funds used are typically high-cost actively-managed funds.
Independence	Only agenda is to maximize client’s financial well-being. No parent company.	Strong incentives to sell firm’s in-house products results in mixed allegiance.
Fees	Straightforward, competitive and transparent.	Generally undisclosed. Multiple layers of fees result in prohibitively high expenses limiting portfolio growth.

Investment Strategy

Building Customized Portfolios

A Four-Step Process

STEP 1

Talk With Our Clients

- We want to understand our client's needs and objectives for their assets.
- Time horizon and risk tolerance are established.
- Tax issues are addressed.

STEP 2

Build Portfolio Asset Allocation

- Thorough research and market analysis leads us to prospective returns by asset class and views on relative valuation.
- A diversified asset allocation is designed based on those views and client-specific information.

STEP 3

Invest Assets Using Funds

- We employ the use of index funds and exchange-traded funds (ETF's), when available, to achieve market exposure.
- This approach is highly cost-effective for clients, and provides an efficient way to manage a globally diversified portfolio.

STEP 4

Adjust Holdings as Needed

- Allocations and holdings are rebalanced as client needs change or as assets are added or withdrawn.
- Strategic shifts occur infrequently (2 – 5 times a year) as valuations or prospective returns change.

Our Investment Process

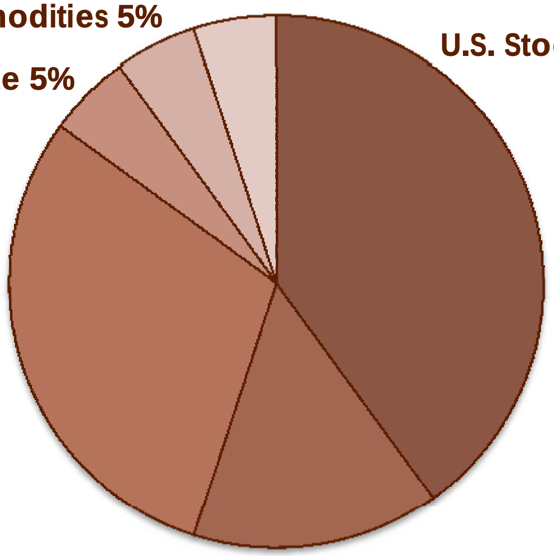
Assess Relative Value Between Asset Classes

	Factors Analyzed	Examples of Past Active Decisions
U.S. Stocks	O Price/Earnings, Price/Book, Dividend Yield by asset class O Financial system risk premiums	→ Reduce equity exposure as risk undervalued → Reduce small cap in favor of large → Tilt toward value or growth
International Stocks	O Changes in global economic trends- both cyclical and structural O U.S. dollar outlook O Cross-border investment flows	→ Reduce international exposure as U.S. dollar poised to strengthen → Emerging markets overvalued
Fixed Income	O Yield-curve shape/Inflation outlook O Credit spreads O Closed-end fund NAVs	→ Buy 10-30yr Tsy ETF to add duration → Underweight corp and mort exposure → Buy closed-end muni funds trading at a discount
Other Investment Classes	O Identify out-of-favor markets O Diversification qualities	→ Reinstate gold position
Cash	O Money-market relative yields O Need for safety	→ Sell enhanced-cash fund → Increase cash allocation to counter potential rise in financial risk

Representative Private Client Portfolio

Retirement/Legacy Assets

First Quarter 2009



Asset Class	Current Allocation	Typical Range	Present Characteristics
U.S. Stocks	35%	25 – 55%	20% Large Cap 10% All Cap 5% Small/Mid Cap
International Stocks	15%	10 – 40%	10% Intl 5% Intl Small Cap
Fixed Income	35%	10 – 50%	Broad market exposure incl tsys, corps, mtgs For taxable accts – high quality munis
Commodities	5%	0 – 15%	Gold ETF
Real Estate	5%	0 – 15%	REIT ETF
Cash	5%	0 - 20%	Money markets

How We Structure Your Portfolio

Examples of Vehicles Used to Achieve Desired Allocation

ASSET CLASS	FUNDS EMPLOYED	CHARACTERISTICS
U.S. Large Cap Stocks	Vanguard Large Cap ETF (VV)	Tracks the MSCI US Prime Market 750 Index. Expense Ratio 0.07%.
	iShares S&P 500 Index Fund (IVV)	Tracks the returns of the S&P 500 Index. Expense Ratio 0.09%.
U.S. Small & Mid Cap Stocks	Vanguard Small-Cap ETF (VB)	Tracks the performance of the MSCI US Small Cap 1750 Index. Expense Ratio 0.10%.
Fixed Income	iShares Lehman Aggregate Bond Fund (AGG)	Seeks returns that correspond with the total U.S. investment-grade bond market. Exp ratio 0.20%.
	Vanguard California Long-Term Tax-Exempt Fund (VCITX)	Index fund structured to provide returns consistent with the Lehman 10-year Muni Bond Index. Expense Ratio 0.15%.
International Stocks	Vanguard FTSE All World Ex US ETF (VEU)	Tracks the FTSE All-World ex-US Index. Expense Ratio 0.25%.
	SPDR – S&P Intl Small Cap ETF (GWX)	Seeks to replicate the S&P/Citigroup World ex-US Cap < 2 Billion USD Index. Expense ratio 0.60%.
Real Estate	Vanguard REIT ETF (VNQ)	Tracks performance of an index of large actively traded real estate investment trusts. Expense ratio 0.10%.
Commodities	StreetTRACK Gold Shares	ETF Trust that owns gold bullion. Expense ratio 0.40%

Dalton Advisors Historical Performance

Period Ending 12/31/08

	Annual Returns (%) – Net of Fee		
	Trailing 1-yr	**Trailing 3-yr**	**Trailing 5-yr**
Dalton Advisors Retirement/Legacy Composite	-28.4	-4.0	1.0
Dalton Advisors Wealth Preservation Composite	-20.9	-1.4	1.0
COMPARATIVE RETURNS*			
U.S. Large Cap Stocks	-37.0	-8.4	-2.2
U.S. Small Cap Stocks	-33.8	-8.3	-0.9
International Stocks	-43.1	-6.9	2.2
U.S. Taxable Bonds	6.2	5.9	4.9
U.S. 3-Month Treasury Bills	2.1	4.0	3.2

Past performance in no guarantee of future results. All investments are subject to the risk of loss. The Retirement/Legacy and Wealth Preservation Composites were calculated for each subset of the managed accounts corresponding to these general characteristics. Retirement and Legacy accounts include those clients with pension plans or other retirement programs to which active contributions are made as well as clients who have received or are planning sizable bequests. Retirement and Legacy accounts emphasize safety of principal and stability of returns. Wealth Preservation accounts include taxable and tax deferred portfolios whose investments include more modest risk profiles and which accept a somewhat lower return. Each composite return is the linked monthly percentage change based upon the comparison of the current ending portfolio value with the previous month's ending value, as adjusted for contributions, withdrawals, reinvestment of dividends and other earnings, and attributed management fees. Monthly management fees are attributed at one-twelfth of the standard 1.00% per annum fee. Some clients may pay lower management fees, but the composites assume that all fees are at the higher rate. No performance fees are charged.

*Standard & Poor's 500 Index, a cap-weighted index of 500 stocks, is used to represent U.S. Large Cap Stocks. For U.S. Small Cap Stocks, the Russell 2000 Index is shown, which is comprised of the smallest 2000 companies in the Russell 3000 Index. For International Stocks we show the MSCI EAFE Index, a cap-weighted index that monitors the performance of stocks from Europe, Austrailiasia, and the Far East. The Merrill Lynch Domestic Master, used to represent the performance of U.S. Taxable Bonds, tracks the performance of U.S. dollar-denominated investment grade government and corporate public debt issued in the U.S. domestic market, including mortgage pass-throughs. The Treasury bill returns displayed are the Merrill Lynch 3-month U.S. Treasury Bill Index which is comprised of a single issue, purchased at the beginning of the month and held for the full month.

Operational Structure

Provides Protection for Dalton Clients

CLIENT

Controls Schwab account

Controls advisor access

Solely authorized to withdraw from account

Unlimited access to account information online

Can terminate investment management agreement at any time

DALTON ADVISORS

Invests client assets in Schwab account based on objectives

Direct communication between investment professionals and client

Reconciles portfolio positions and accounting with Schwab

SEC registered since 1999

$1.2 billion in assets under management

SCHWAB

Custodies assets in client’s name

Provides monthly statements and transaction confirmations

Will not wire money out unless authorized in writing by client

24/7 Online account access

Largest custodian for fee-only independent advisors

Competitive transaction costs

Dalton Advisors – The Firm

Dalton Advisors

A Division of Dalton Investments LLC

Dalton Advisors is the private client portfolio management division of Dalton Investments, founded in 1999. Current assets under management on behalf of the firm's high-net worth clients are $50 MM.

About Dalton Investments LLC

- Dalton Investments is an SEC Registered Investment Advisor
- The firm manages $1.2 billion of assets for institutions and individuals
- Investment strategies include customized portfolios for private clients as well as commingled funds investing in Japanese equities, greater China equities, small-cap U.S. equities and large-cap equities
- The Firm is headquartered in Los Angeles and has affiliate offices in Redondo Beach, California, and Tokyo, Japan.

Dalton Advisors - Portfolio Management Team

Seasoned Investors – Each With Over Twenty Years of Professional Financial Experience

Steve Persky, CFA

As co-founder and CEO of Dalton Investments Mr. Persky provides investment counseling and manages portfolios for Dalton Advisors' high net worth clients. He also oversees U. S. operations for Dalton Investments LLC and serves as risk manager.

Prior to founding Dalton he was a Vice President at Payden & Rygel, a Los Angeles based investment advisor where he managed institutional fixed income portfolios. Mr. Persky worked for Salomon Brothers in New York and Tokyo where he worked in the fixed income trading division. He began his financial career over 25 years ago at Citibank where he was a senior credit officer.

Mr. Persky holds an A.B from Harvard College (1980) where he majored in Asian Studies. He is a CFA charter holder (1994) and a member of the CFA Society of Los Angeles, Inc and the CFA Institute.

Laura Zimmerman, CFA

As Director of Dalton Advisors, Ms Zimmerman works exclusively with the firm's high net worth clients.

Before Dalton, Ms. Zimmerman worked as a Managing Principal and Portfolio Manager at Payden & Rygel. She was a member of the senior management team, the investment policy committee, and headed the company's global fixed-income group. Previously Ms. Zimmerman worked for Westpac Banking Corporation and Prudential Bache Securities in New York City, New York.

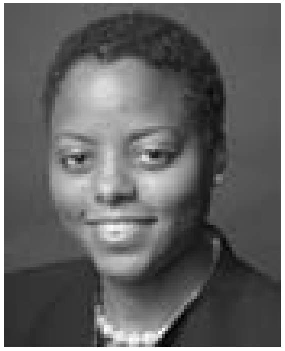
Ms. Zimmerman holds a Bachelor of Science degree from Lewis & Clark College (1987). She is a CFA charterholder (1995) and member of the CFA Institute and the CFA Society of Los Angeles.

Dalton Advisors – Professional Staff

Arthur Hebert, Chief Financial Officer

Mr. Hebert has served for more than twenty years as a financial and administrative corporate officer in asset management, financial services and industrial firms. He was previously Chief Operating Officer of Summit Advisors, Inc., an investment manager/hedge fund, and Chief Financial Officer and a Director of King ATM Corporation. He was Chief Executive Officer and a Director of Coastline Financial Corporation, a mortgage banking and financial services company.

Mr. Hebert earned a Master of Business Administration degree with highest honors in Finance from Cornell University and a Bachelor of Science degree with highest honors from the University of Connecticut.



Joy L. Milan, Vice President, Compliance & Legal Affairs

Ms. Milan has more than ten years of financial, legal, and operations experience. Before joining Dalton Investments, Ms. Milan was a Vice President of Investment Operations and Administration at Oppenheimer Funds, Inc. Prior to that role, she spent three years as a Securities Analyst for the firm.

Ms. Milan holds a JD from Suffolk University Law School and a Bachelor of Arts degree from Smith College. She is a member of the New York and Pennsylvania Bar.

Dalton Advisors – Professional Staff

Kathleen Loretto, Portfolio Administrator

Ms. Loretto has fifteen years experience in the financial operations field. Prior to coming to Dalton she was a Vice President of Institutional Operations for Bernzott Capital Advisors. She has managed the administration of investment advisory accounts for both institutional and private clients.

Ms. Loretto holds an MBA with a concentration in Management Information Systems from St Peter's College and a Bachelor of Science in Finance from Rutgers University School of Business. She held Series 7, 6, and 63 licenses.

Contact Us

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