Vaughan Nelson Value Opportunity Strategy
Quarter Ending 9/30/09

The Federal Reserve has successfully brought an end to the private sector credit crisis, but in the process shifted the risk to the government's balance sheet. A similar situation has played out around the globe in both the developed and developing economies. As such, we expect an increase in volatility in both the currency markets and global sovereign debt yields. We are still in the early stages of the global monetary debasement experiment and as such are only experiencing the initial benefits of a rapid increase in liquidity. Ultimately, such policy actions come at a cost and those costs will most likely become apparent in the second half of 2010 or in 2011. With the rapid expansion of the global money supply, risk asset markets may become increasingly disconnected from economic fundamentals.

The credit markets continued to improve in the third quarter as zero interest rate policies successfully reflated risk assets. As credit costs continued to decline the move higher in equity values was led by cyclicals and leveraged companies that benefited the most from the declining credit costs and improving access to credit. Management teams began using this cheap financing to increase shareholder value through funding acquisitions and recapitalizing balance sheets. Equity markets are beginning to consolidate their most recent gains as they await key data to indicate to what extent earnings will recover and the future rate of growth in economic activity. Deflation will continue to remain the primary concern until the Federal Reserve resumes expansion of its balance sheet or we see an increase in the velocity of money without a corresponding reduction in excess bank reserves.

The reopening of the credit markets and the recent wave of capital issuance has expanded the investable universe and we continue to increase our exposure to economic cyclicality within the portfolio. Given the significant dislocations that have occurred, buying opportunities continue to develop in every sector. We will continue to reposition the portfolio as these opportunities arise.

During the second quarter we experienced strong absolute performance but relative underperformance versus the benchmark. The majority of the underperformance was driven by not owning property REITS and more cyclical consumer discretionary stocks such as media, leisure products and some specialty retail. The market recovery in these sectors was led by lower quality, encumbered companies that rallied strongly off of very depressed levels. A combination of increased cyclical exposure and valuation resistance reached by many of the early market leaders reduced the relative performance disparity toward the end of the quarter.

Model Portfolio Attribution (Gross Returns)
3rd Quarter 2009

	Value Opportunity			Russell Midcap Value			Variation			Attribution Analysis		
S&P GICS SECTOR	Average Weight	Total Return	Contribution To Return	Average Weight	Total Return	Contribution To Return	Average Weight	Total Return	Contribution To Return	Allocation + Interaction	Selection Effect	Total Effect
CONSUMER DISCRETIONARY	11.97	24.57	2.97	12.18	37.20	4.32	-0.21	-12.62	-1.34	-0.02	-1.31	-1.33
CONSUMER STAPLES	9.01	7.76	0.90	6.61	11.40	0.82	2.40	-3.64	0.08	-0.31	-0.20	-0.51
ENERGY	5.51	25.12	1.33	9.04	22.32	2.09	-3.53	2.80	-0.76	-0.09	0.23	0.13
FINANCIALS	25.77	27.30	6.92	27.59	28.81	7.52	-1.81	-1.50	-0.61	-0.05	-0.30	-0.35
HEALTH CARE	10.29	13.97	1.37	4.25	16.63	0.71	6.04	-2.65	0.67	-0.58	-0.12	-0.69
INDUSTRIALS	10.55	26.82	2.73	10.47	25.58	2.72	0.08	1.23	0.01	0.02	0.02	0.04
INFORMATION TECHNOLOGY	11.65	28.18	3.31	7.10	23.37	1.72	4.56	4.80	1.58	0.19	0.28	0.47
MATERIALS	10.97	25.10	2.55	7.68	25.63	1.99	3.29	-0.53	0.56	-0.03	-0.04	-0.07
TELECOMMUNICATION SERVICES	1.91	9.17	0.23	2.67	16.58	0.43	-0.76	-7.41	-0.20	-0.00	-0.04	-0.05
UTILITIES	1.60	3.32	0.10	12.41	9.69	1.30	-10.81	-6.37	-1.20	1.61	-0.23	1.38
[Cash]	0.78	0.04	0.00	--	--	--	0.78	0.04	0.00	-0.23	--	-0.23
Total	**100.00**	**22.41**	**22.41**	**100.00**	**23.61**	**23.61**	**--**	**-1.21**	**-1.21**	**0.50**	**-1.71**	**-1.21**

The above information is intended to provide a summary of how Vaughan Nelson's Value Opportunity model performed over the referenced period. Client-specific portfolios may differ meaningfully from this summary due to client-directed portfolio constraints that may include, but are not limited to, tax considerations, socially responsible restrictions and sector/position limitations. This exhibit may only be provided to prospective clients on a one-on-one basis and only if the presenter also discloses that 1) performance does not reflect the deduction of advisory fees, 2) the gross return would be reduced by advisory fees and other expenses, 3) the advisory fees that would be charged are included in Part II of Vaughan Nelson's Form ADV and, 4) an example of the effect compounded advisory fees would have on a client's portfolio over time.

VAUGHAN NELSON INVESTMENT MANAGEMENT