

**OBJECTIVE**

The objective of our Small Cap Growth Equity strategy is to outperform the Russell 2000 Growth Index (R2000G) on a risk adjusted basis over a full market cycle. We seek to accomplish this by identifying small companies that we believe have growth and profit prospects that have not yet been recognized by the marketplace.

**FIRM PROFILE**

Founded in 1946, Stonebridge Capital Management (SCM) specializes in the management of Small Cap Growth Equities. SCM is 100% owned by management and is not affiliated with any other entity.

**STRATEGY**

A fundamental, research driven process is used to construct focused portfolios of high quality growth companies. All portfolios are managed on a team basis where portfolio managers also serve as analysts. Internal research is championed.

**Sector Weightings**

	SCM	R2000G
Consumer Discretionary	12.8%	17.3%
Consumer Staples	2.5%	3.6%
Energy	4.0%	4.1%
Financials	3.9%	5.7%
Healthcare	28.4%	24.6%
Industrials	18.2%	14.3%
Materials	2.1%	2.3%
Technology	28.2%	26.6%
Telecom	0.0%	1.4%
Utilities	0.0%	0.2%

**Portfolio Characteristics**

	SCM	R2000G
Weighted Ave. Market Cap	\$1.2B	\$1.2B
Median Market Cap	\$869M	\$461M
Future EPS Growth (5 years)	19%	18%
P/E (12 mo forward)	23.1	27.9
PEG Ratio	1.2	1.6
# of Holdings	45	1274

Data Source: Thomson Baseline and First Call.

**Portfolio Construction**

- Broadly diversified, 30-50 individual holdings.
- Maximum 40% in any one sector, 20% in any one industry.
- Average individual holding size of 3%.
- Minimum market cap \$100 million.
- Maximum market cap \$3 billion.
- Fully invested.
- No derivatives and no leverage.

**Top 10 Holdings**

WMS INDUSTRIES	4.1%
AFFILIATED MANAGERS GROUP	3.9%
SYNAPTICS	3.9%
TRIQUINT SEMICONDUCTOR	3.6%
ONYX PHARMACEUTICALS	3.4%
TRACTOR SUPPLY	3.1%
JABIL CIRCUIT	3.1%
RIVERBED TECHNOLOGY	3.0%
GENOPTIX	2.9%
TUTOR PERINI	2.8%
<b>TOTAL</b>	<b>33.8%</b>

**Performance (%)**

**Annualized**

	1 Year	3 Year	5 Year	7 Year	10 Year	Since Inception
SCM (Gross)	88.2	-3.7	3.9	10.4	4.3	9.6
SCM (Net)	86.8	-4.5	3.2	9.6	3.7	9.1
R2000G	60.3	-2.4	3.8	10.3	-1.5	5.5

**Calendar Year**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
SCM (Gross)	48.7	8.7	-3.0	-21.0	43.8	27.7	-0.3	25.5	8.4	-46.8	50.5
SCM (Net)	48.5	7.6	-3.6	-21.2	43.1	27.1	-0.9	24.8	7.7	-47.2	49.4
R2000G	43.1	-22.4	-9.2	-30.3	48.5	14.3	4.2	13.4	7.1	-38.5	34.5

**Quarterly**

	2010	Q1	Q2	Q3	Q4
SCM (Gross)	7.9				
SCM (Net)	7.7				
R2000G	7.6				

Strategy Inception Date: January 1, 1992

**Portfolio Management**

**Matthew W. Markatos, CFA, CIC**  
 Managing Director, Principal  
 15 Years Investment Experience

**Richard C. Barrett, CFA, CIC**  
 President, CIO  
 41 Years Investment Experience

**Contact Information**

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ESTABLISHED 1946

See performance disclosure on the back page. "The sector weightings, portfolio characteristics, and top ten holdings are included as supplemental information and complement the Small Cap Growth Composite disclosure located on the back page."

# SMALL CAP GROWTH COMPOSITE PERFORMANCE & DISCLOSURES

## STONEBRIDGE CAPITAL MANAGEMENT, INC. ("SCM") HAS PREPARED AND PRESENTED THIS REPORT IN COMPLIANCE WITH THE GLOBAL INVESTMENT PERFORMANCE STANDARDS ("GIPS®").

Year	Gross (%)	Net (%)	Benchmark (%)	Number of Accounts	Dispersion (%)	Total Composite Assets (\$MM)	Total Firm Assets (\$MM)
1999	48.74	48.49	43.09	1	N/A	7	522
2000	8.74	7.63	-22.43	1	N/A	8	492
2001	-2.99	-3.64	-9.23	1	N/A	8	460
2002	-20.95	-21.16	-30.26	1	N/A	5	399
2003	43.82	43.11	48.54	1	N/A	7	463
2004	27.73	27.09	14.31	6	N/A	11	615
2005	-0.29	-0.87	4.15	8	0.47	11	630
2006	25.53	24.78	13.36	9	0.68	14	663
2007	8.44	7.66	7.05	11	0.43	35	652
2008	-46.78	-47.21	-38.54	10	0.93	16	351
2009	50.52	49.39	34.47	8	0.87	21	356

*N/A data is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.*

- SCM is defined as an independent investment management firm registered under the Investment Advisors Act of 1940 and is not affiliated with any parent organization. SCM manages portfolios of publicly traded securities for various institutional and private accounts. Additional information regarding SCM's policies and procedures for calculating and reporting performance results is available upon request.
- The composite includes all fully discretionary small cap growth portfolios with at least \$100,000 under SCM's management and excludes any portfolios with an allocation to equity mutual funds in excess of 10% of the portfolio's assets. The minimum account size for inclusion in this composite is \$100,000.
- The benchmark for the composite is the Russell 2000 Growth Index.
- Valuations are computed and performance reported in U.S. dollars.
- Returns are presented gross and net of management fees and include the reinvestment of all income. Net of fee performance was calculated using actual management fees. Actual investment advisory fees incurred by clients may vary. Gross returns have been reduced by investment management fees and any other expenses incurred in the management of an account. The management fee schedule for institutional separate accounts is as follows:
 

1.00% on the first	\$25 million
0.90% on the next	\$25 million
0.85% on the next	\$50 million
0.80% on the remaining balance	
- This composite was created in June 2005. A complete list and description of firm composites is available upon request.
- Internal dispersion is calculated using asset-weighted standard deviation of all portfolios that were included in the composite for the entire year before fees.
- Past performance is not indicative of future results.
- Actual results may differ from composite results depending upon the size of the account, investment objectives and restrictions, the amount of transaction and related costs, the inception date of the account, and other factors.
- Compliance with ("GIPS®") has been verified firm-wide by Ashland Partners & Company LLP from January 1, 1995 through December 31, 2009. In addition, a performance examination was conducted on the Small Cap Growth Composite from January 1, 1997 through December 31, 2009.

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