

Allegiant Product Change

Wednesday, May 06, 2009 10:15:34 AM

From: Arianne.Arter@allegiantgroup.com

To: sandy.kuban@cpl.org

Attachments: Product Change.doc (85.2KB)

Allegiant\_LCC\_Advantage\_FACTSHEET\_3-31-09.pdf (89.6KB)

On behalf of Tim McDonough:

As a result of product rationalization stemming from the PNC acquisition your Large Cap Core Portfolio has been impacted. Beginning May 29<sup>th</sup>, Doug Roman, CFA, CMT and his team of analysts will handle the management of your portfolio on a direct basis. This decision is in consideration of Doug's superior investment returns and risk management. Please see the attached letter from John Abunassar for additional insight into this decision, as well as the strategy fact sheet. Tim looks forward to being in touch soon to answer any questions you might have.

Arianne Arter  
Analyst, Client Service  
**Allegiant Asset Management Group**  
200 Public Square, 5<sup>th</sup> Floor  
Cleveland, OH 44114  
phone: (216) 222-8508  
fax: (216) 222-9480  
Mail Locator: 01-86PS06  
[arianne.arter@allegiantgroup.com](mailto:arianne.arter@allegiantgroup.com)  
[www.allegiantassetmanagement.com](http://www.allegiantassetmanagement.com)

-----  
\*\*\*National City made the following annotations  
-----

Allegiant Asset Management Group retains both outgoing and incoming electronic mail, and such e-mail may be subject to internal and external review. E-mail correspondence cannot be guaranteed to be secure, timely or error-free. Allegiant Asset Management Group recommends that you do not send confidential information to us via E-mail, including account numbers, social security numbers or any person identification numbers. This communication is a confidential and proprietary business communication. It is intended solely for the use of the designated recipient(s). If you have received this communication in error, please contact the sender and delete this communication.

=====

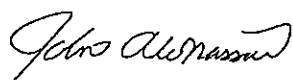
As a result of Allegiant Asset Management Company becoming part of The PNC Financial Services Group, Inc., we initiated a thorough analysis and evaluation of Allegiant and PNC product offerings and capabilities to identify those which best support the needs of today's market and our clients' interests. Our goal is to provide clients with the best array of products, managed by experienced professionals, and solid investment processes with active risk management.

As an outcome of our analysis, Allegiant will employ the PNC Advantage Equity team to assume management of Allegiant's Large Cap Growth and Core portfolios—both the separately managed accounts and the mutual funds—beginning May 29, 2009. The repositioning of those portfolios will be fully complete by the end of June 2009. Given the commonality among portfolio styles, anticipated turnover is modest, estimated at 50-60%.

The Advantage Equity team is comprised of 8 professionals, including 5 CFAs, and averages 22 years of industry experience. This team is located in Philadelphia and upon transition, will be responsible for \$1.7 billion in assets in these two strategies (\$1.1 billion in Core and \$617 million in Growth strategies). The benchmarks for each strategy remain the same: the Russell 1000 Growth Index for both Growth strategies, and the S&P 500 Index for the Core strategies. The strategies are also similar in their aggregate characteristics and emphasis on managing risk against their respective benchmarks.

The Advantage Equity team uses a rules-based investment process, focused on positive earnings surprise. Securities are identified through a multi-factor model coupled with detailed fundamental analysis, and portfolios are constructed with robust risk management metrics and tools. These strategies have delivered strong upside/downside market capture, and above benchmark performance for 1-, 3- and 5-year time frames as of March 31, 2009. Please see the enclosed fact sheets for details.

Tim McDonough will follow up with further details, and answer any questions that you may have regarding this matter and how this change will be implemented in your portfolio.



*Allegiant Asset Management ("Allegiant") is an SEC-registered investment adviser and a subsidiary of The PNC Financial Services Group, Inc. ("PNC").*

**Asset Allocation**

	Market Value	Current Allocation	Permitted Range
<b>Equities</b>	<b>\$5,670,002</b>	<b>53.8%</b>	50%-70%
Core	\$3,897,229	37.0%	
International	\$641,730	6.1%	
Large Value	\$481,439	4.6%	
Small Core	\$649,603	6.2%	
<b>Fixed Income</b>	<b>\$4,721,531</b>	<b>44.8%</b>	30%-50%
<b>Cash</b>	<b>\$151,313</b>	<b>1.4%</b>	0%-10%
<b>Total Market Value</b>	<b>\$10,542,846</b>	<b>100.0%</b>	

**Performance**

	Qtr	1 Yr	3 Yr	5 Yr
<b>Total Portfolio</b>	<b>-3.17%</b>	<b>-22.92%</b>	<b>-6.31%</b>	<b>-1.07%</b>
<b>Benchmark</b>	<b>-6.51%</b>	<b>-23.67%</b>	<b>-5.62%</b>	<b>-1.19%</b>
<b>Equities - Total</b>	<b>-7.45%</b>	<b>-39.30%</b>	<b>-14.96%</b>	<b>-5.23%</b>
S&P 500	-11.01%	-38.09%	-13.05%	-4.76%
Core Stocks	-5.98%	-38.27%	-14.46%	-5.33%
International	-9.74%	-49.18%	-14.71%	-2.49%
MSCI EAFE	-13.94%	-46.51%	-14.47%	-2.18%
Large Value	-12.44%	-38.19%	-13.27%	-3.28%
Russell 1000V	-16.77%	-42.42%	-15.40%	-4.94%
Small Core	-12.90%	-39.82%	-18.34%	
Russell 2000	-14.95%	-37.50%	-16.80%	
<b>Fixed Income</b>	<b>1.01%</b>	<b>3.62%</b>	<b>6.47%</b>	<b>4.35%</b>
Barclays IGC	-0.05%	1.96%	5.62%	3.69%

\* S&P 500 / Barclays Intermediate Govt/Credit (60/40). Returns shown gross of fees.

Performance of your portfolio is compared against benchmark indexes which are not available for direct investment. The performance of an index assumes no taxes, transaction costs, management fees or other expenses.

**Economic Summary**

- The Unemployment rate continues to grow as the rate reached a 25-year high of 8.5% in March.
- Given the declines in both the stock market and housing values, consumer net worth has fallen 30% since its peak a year and a half ago, down almost \$17 trillion.
- The ISM Manufacturing Index fell sharply to the mid-30s last September, indicating slower growth in the manufacturing sector.
- There are a few positive signs as housing starts were up 22% in February, and new home sales were up 4.7%. Retail sales were also up slightly in February, although good weather and attractive prices could be the source of temporary gains in both retail sales and housing.
- The new administration, Federal Reserve, and the Treasury continue to respond with policy measures intended to spur economic growth and market functionality.
- After rallying from late-November 2008 through the first week of January 2009, the equity markets sold off sharply as the S&P 500 closed below 680 in early March reaching the lowest level for the index since the mid-'90s. A strong rally in the second half of March brought the S&P 500 back up to 798.
- The rally in the second half of March in the equity markets was not confirmed by corporate bond yield spreads. Investment grade corporate spreads, which are one of the better indicators of risk, remained elevated throughout the quarter.

The views expressed in this investment report represent the opinions of Allegiant Asset Management Company and are not intended to predict or depict performance of any investment. All information contained herein is for informational purposes and should not be construed as investment advice. It does not constitute an offer, solicitation or recommendation to purchase any security. The information herein was obtained by various sources; we do not guarantee its accuracy or completeness. Past performance does not guarantee future results.

These views are as of the date of this publication and are subject to change based on subsequent developments.

**Performance Analysis**

- Fourth quarter earnings growth for the S&P 500 registered -66%, the sixth consecutive quarter of negative growth. The Financial and Consumer Discretionary sectors continued to be the biggest drags on earnings.
- Even though the S&P rebounded nicely during March, the index still returned -11.0% for the quarter due to negative months during January and February.
- Small cap stocks also struggled with fourth quarter earnings, which decreased approximately -158% year-over-year.
- Emerging Markets was the best performing index for the quarter overall.
- Interest rates rose during the quarter, led by the long end of the yield curve. As a result, the Treasury index posted a return of -1.3%, with the 30-year Treasury bond returning -13.4%. The best performing sectors were Asset-Backed Securities, +7.6%, followed by high yield, +6.0%. Investment-grade corporate securities returned -1.9%.
- Recent Treasury and Federal Reserve announcements affected yield spread levels and returns. The Fed Mortgage-Backed Securities (MBS) purchase program caused MBS yield spreads to tighten and the MBS sector to out-perform Treasuries in the quarter.
- The Public-Private Investment Program (PPIP) announcement helped the Commercial MBS sector, which was the best-performing sector in March.



Timothy McDonough, CFA (216) 222-2576

Arienne Arter (216) 222-8508