

Catalysts



INTEGRITY ASSET MANAGEMENT

Second Quarter 2010

MARKET OVERVIEW & OUTLOOK

ABOUT OUR FIRM

Locations:	Louisville, Kentucky Independence, Ohio
Ownership:	100% employee owned
Assets Under Management:	\$2.5 billion
Equity Strategies Offered:	Small Cap Value Small/Mid Cap Value Mid Cap Value Large Cap Value

INTEGRITY COMPOSITE RETURNS

Quarter Ending June 30, 2010

Small Cap Value	-9.91%
Small/Mid Cap Value	-11.04%
Mid Cap Value	-10.74%
Large Cap Value	-14.17%

MARKET RETURNS

Quarter Ending June 30, 2010

S&P 500	-11.43%
DJIA	-9.34%
NASDAQ	-11.83%
Russell 2000	-9.92%
Russell 2000 Value	-10.60%
Russell 2000 Growth	-9.22%
Russell 2500	-9.98%
Russell 2500 Value	-10.16%
Russell 2500 Growth	-9.77%
Russell Mid Cap	-9.88%
Russell Mid Cap Value	-9.57%
Russell Mid Cap Growth	-10.20%
Russell 1000	-11.44%
Russell 1000 Value	-11.15%
Russell 1000 Growth	-11.75%

*"It's always tease, tease, tease
You're happy when I'm on my knees
One day is fine, and next is black
So if you want me off your back
Well come on and let me know
Should I stay or should I go?"
- The Clash*

This lyric from rock band, *The Clash*, sums up the mood of the market and the decision to be made by portfolio managers. In the beginning of the year, and this quarter, the market teased with solid returns and hopes of recovery, only to devolve into fears of a double dip recession and another financial crisis. Volatility came back with a vengeance in the second quarter. One day was "fine" and the next "black" as evidenced by almost 60% of trading days witnessing a greater than 1% move in the Russell 2000 Value Index. 36% of trading days saw a greater than 2% move.

As we look ahead, we are faced with the question "Should we stay or should we go?" We have been positioned to the aggressive side of the benchmark, and for the last 18 months that has been the right place to be. We have believed that we are in a classic business cycle and that the micro (company earnings buoyed by conservative managements) would trump the macro (concerns over Europe, housing, taxes etc). We were incorrect about this in the latter half of the quarter as macro concerns swamped the market.

Looking at the market, we think it is helpful to break out what we see as near-term macro negatives, near-term positive catalysts and long-term persistent headwinds.

Near-term macro negatives include:

- European sovereign debt concerns
- Double dip recession worries
- Housing double dip
- Oil Spill
- Chinese economy slowing
- Memories of recent financial crisis

Near-term positive catalysts include:

- Market valuation
- Reviving manufacturing sector
- Improving corporate earnings
- Recent improvement in European credit default spreads
- Recent rally in the Euro
- Upcoming release of European bank stress tests
- Successful debt rollovers in Europe
- Steep yield curve
- Potential stoppage of the BP oil spill

Persistent long-term negatives include:

- Higher taxes
- Higher deficits
- Rolling sovereign debt crisis
- Global austerity measures

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MARKET OVERVIEW & OUTLOOK (continued)

All things considered, we continue to believe that we are in a classic business cycle. Talk of a double dip recession is reminiscent of the same worries during the last economic recession. Granted, the economy and its financial underpinnings are more fragile and more complex than last cycle, but we think the market has overly discounted the economic slowdown and has been moving along the path of pricing in another financial crisis. There is more downside if there is a crisis, but we do not think it is likely. The world is not as exposed or leveraged to the European debt issues as it was to American housing. In our opinion, the biggest risk is confidence. As value investors, we walk a fine line with the confidence issue. On one hand, the low level of confidence has kept businesses living hand to mouth, not building inventory or hiring workers. They are keeping a tight control on expenses and maintaining a hoard of cash on the balance sheet. In fact, a Merrill Lynch report states that 18% of the market capitalization of the Russell 2000 is in cash compared to the historical average of about 10%. We like the leverage to sales that all of this conservatism implies. Moreover, it sets the stage for acquisitions. Historically, this has been the time to buy stocks and take a little more risk because with the earnings leverage we can get favorable returns. However, we need management to do what they typically do – get confident, hire workers and spend money to keep the expansion going. Recently, at least, the macro issues discussed above have been keeping a lid on confidence, which is OK unless it kills it.

We think that this earnings season could be a catalyst to get the market going again, and to help relieve some of these confidence issues. We expect, particularly in the “old” economy, earnings to generally beat expectations and for guidance to be better than what is currently implied by current prices. We remain concerned about the macro issues listed above, particularly the sovereign debt issues plaguing Europe and hanging over the heads of most developed nations. We are less concerned regarding the current economic soft patch. We do not believe we are heading for a double dip recession. Most of the softening in the economy has been from areas that experienced demand pull forward because of government stimulus.

That said, if we are right and the market rallies through earnings, we are likely to take some of our pro-cyclical bet off the table and start to move toward more stable, mid/late cycle companies. We had been moving in this direction before the market corrected. A prime example has been the addition of more weight in the Commercial Aerospace area throughout the year. Moreover, the market’s shift to macro has also slowed the re-concentration of the portfolios. As correlations among stocks have risen, the payoff for

stock specific risk has been reduced. We will look to take on more company specific risk as the market begins rewarding it.

From a sector perspective, the Russell rebalance has intensified our underweight to financials. We are becoming more favorable to the sector and looking for individual companies to fulfill our mandate.

All in all, our outlook has not changed much, but the recent market turmoil has delayed its realization. The macro driven sell off presents the risk of becoming self fulfilling (i.e. weighing on confidence and starting a negative economic spiral). The other danger is that by the time the near-term macro concerns pass, the persistent long-term negatives listed above may come to the fore. We believe this earnings season will get the market back on track and give us the opportunity to continue to move the portfolio to a more concentrated, risk-neutral position.

COMPOSITE REVIEW

SMALL CAP VALUE EQUITY

The **Small Cap Value Equity** composite outperformed the Russell 2000 Value benchmark by 69 basis points during the quarter.

Consumer Staples, Materials and Autos & Transportation were the strongest areas of performance driven by stock selection. An underweight to Utilities was a minor negative as Utilities were the best performing sector in the Russell 2000 Value. Stock selection in Financials, Technology and Utilities detracted. Higher momentum and higher exposure to Price/Book were positive style attributes.

Within Consumer Staples, **American Italian Pasta (AIPC)** advanced 36% as it agreed to be acquired for a healthy premium. In Materials, Chemical stocks such as **Quaker Chemical (KWR)** and **OMNOVA Solutions (OMN)** benefited from increased volumes and improved pricing. **Great Lakes Dredge & Dock (GLDD)** bounced back after a better than expected quarter and increased activity related to the Gulf spill.

In Autos & Transports, our holdings in Rails and Trucking aided performance. **Genesee & Wyoming (GWR)**, a rail operator, rallied due to strong results, higher guidance and the announcement of an accretive acquisition. Within Trucking, **Old Dominion Freight Line (ODFL)** outperformed and not owning **YRC Worldwide (YRCW)** contributed as YRC continues to suffer from weak results and had a key executive announce his departure.

RELATIVE EXPOSURE TO CERTAIN KEY SECTORS AND PORTFOLIO CHARACTERISTICS INFLUENCING MARKET PERFORMANCE FOR SECOND QUARTER 2010

	Better Factors			Worse Factors			
	Utilities	Consumer Staples	Price to Book	Return on Equity	Consumer Discretionary	Materials & Processing	BETA
Small Cap Value Equity	Underweight	Overweight	Overweight	Underweight	Underweight	Overweight	Overweight
Small/Mid Cap Value Equity	Underweight	Neutral	Overweight	Underweight	Underweight	Overweight	Overweight
Mid Cap Value Equity	Underweight	Neutral	Neutral	Underweight	Underweight	Underweight	Overweight
Large Cap Value Equity	Underweight	Underweight	Underweight	Underweight	Overweight	Neutral	Overweight

Green indicates addition to relative performance. Red indicates detraction from relative performance.

COMPOSITE REVIEW (continued)

Financials were an area of weakness with **Radian (RDN)** being the worst performer. Ironically, it was the best performing stock for us in the first quarter. Radian fell after the large move up, a wider than expected loss and the announcement of an equity offering. Our Semiconductor holdings were hit by global growth concerns. **Diodes (DIOD)**, **Fairchild Semiconductor (FCS)** and **Integrated Device Technology (IDTI)** all declined 20% or more. An underweight to Utilities and not owning some of the better performing Utility stocks detracted.

SMALL/MID CAP VALUE EQUITY

The **Small/Mid Cap Value Equity** composite underperformed the Russell 2500 Value benchmark by 88 basis points.

Financials were the largest area of underperformance. Materials also detracted. Autos & Transports and Consumer Staples contributed to performance. Higher momentum was helpful, while a larger beta detracted.

In Financials, mortgage insurers **Radian (RDN)** and **MGIC Investment (MTG)** were our two largest decliners. Both stocks were victim to profit taking after impressive first quarter moves and announcements that they were raising equity. Additionally, owning the more aggressive REITs like **Developers Diversified (DDR)** detracted as investors sought more defensive names.

Our Steel and Fertilizer stocks hurt us during the quarter. Higher iron ore costs for the second half and tempered economic growth expectations weighed on **AK Steel (AKS)**. **CF Industries (CF)** and **Intrepid Potash (IPI)** declined as elevated crop inventories limited demand and pricing.

Within Consumer Staples, food stocks such as **TreeHouse Foods (THS)** outperformed due to solid quarterly results and investor gravitation to more defensive stocks. In Autos & Transports, **Old Dominion Freight Line (ODFL)** outperformed as it is gaining share due to its focus on service and its' much stronger balance sheet relative to competitors.

Other stocks that contributed include **Western Alliance Bancorp (WAL)** and **Venoco (VQ)**. Western Alliance benefited from improved fundamentals highlighted by lower credit costs, higher net interest margins and impressive deposit growth. Venoco, an energy exploration company, rallied as they announced plans to accelerate exploration of the Monterey Shale after encouraging initial results.

MID CAP VALUE EQUITY

The **Mid Cap Value Equity** composite underperformed the Russell Mid Cap Value benchmark by 117 basis points.

Financials and Technology were the weakest areas of performance. An underweight to Utilities was a minor negative as Utilities were the best performing sector in the Russell Mid Cap Value Index. Stock selection in Autos & Transports and Consumer Staples,

along with an underweight to Consumer Discretionary contributed. Higher momentum was a positive style attribute, while a higher beta was a negative.

In Financials, **Whitney Holding (WTNY)**, a Louisiana based bank was one of our largest detractors as it had a slightly weaker quarter and concerns intensified over the economic impact of the Gulf spill. We did trim the position after the earnings release. In Insurance, one of our best performing stocks in the first quarter, **Genworth (GNW)** gave back some ground despite continued solid progress in operations.

With Technology, **Plexus (PLXS)** declined as wireline segment results have been sluggish and management made cautious comments about near-term results in Europe. One of more significant detractors was **King Pharmaceuticals (KG)** which was weak due to generic competition impacting sales.

In Autos & Transports, improvements in the US economy continue to help **Continental Airlines (CAL)** and **TRW Automotive Holdings (TRW)**. Travel demand is improving for Continental (CAL), while TRW Automotive (TRW) is benefiting from the recovery in auto sales which hit a 27-year low in 2009.

We own **TreeHouse Foods (THS)** in Consumer Staples, which outperformed due to solid quarterly results and investor gravitation to more defensive stocks.

LARGE CAP VALUE EQUITY

The Large Cap Value Equity composite underperformed the Russell 1000 Value by 302 basis points. Materials, Technology and Health Care were the sources of underperformance. Producer Durables was the largest contributor to performance. Consumer Discretionary was also a positive.

Our largest overall detractor was **US Steel (X)**, which suffered from investor expectations that the European debt crisis and Chinese attempts to slow their economy would lead to a double-dip recession.

Technology shares were hit with the same concerns. Although **Microsoft (MSFT)**, **Hewlett-Packard (HPQ)** and **Symantec (SYMC)** reported solid quarterly earnings, the stocks fell victim to fears that economic growth in the second half would be anemic.

In Health Care, **Aetna (AET)** has been hit by uncertainty related to health care reform as states have become more aggressive in challenging reimbursements and price increases by managed care providers.

In Producer Durables, **Joy Global (JOYG)** was our top performer. The mining equipment maker reported very strong results and boosted guidance as demand for mining equipment remains robust. Within Discretionary, **CBS Corp (CBS)** outperformed as ad spending trends are improving. **Ace Limited (ACE)**, an insurer, was one of our overall better performers as solid quarterly results highlight their disciplined underwriting approach.

PERFORMANCE DISCLOSURES

SMALL CAP VALUE EQUITY

Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual Total Return (%) Gross	Annual Total Return (%) Net	Russell 2000 Value	Composite Portfolios	Composite Dispersion	Composite Assets (\$ millions)	% of Firm Assets	Total Firm Assets (\$ millions)
2010	12.12%	-9.91%			1.07%	0.49%	-1.63%	57	0.23	\$1,563.33	62.21%	\$2,513.08
2009	-15.26%	24.36%	23.01%	4.57%	35.57%	34.25%	20.57%	53	0.47	\$1,606.01	67.93%	\$2,364.34
2008	-9.62%	-4.60%	-20.94%	-2.37%	-30.24%	-30.96%	-28.92%	54	0.50	\$1,086.52	66.15%	\$1,642.44
2007	0.52%	7.59%	-6.86%	-6.15%	-5.40%	-6.34%	-9.77%	58	0.25	\$1,676.36	67.04%	\$2,500.71
2006	13.48%	-2.34%	0.28%	7.40%	19.42%	18.25%	23.47%	54	0.24	\$1,833.91	72.99%	\$2,512.42
2005	-1.48%	3.74%	5.07%	2.67%	10.24%	9.16%	4.70%	34	0.30	\$1,102.18	78.19%	\$1,409.66
2004	7.04%	2.29%	-0.06%	14.01%	24.76%	23.60%	22.24%	12	0.15	\$223.23	50.20%	\$444.67
2003	-5.39%	19.06%	11.10%	19.58%	49.55%	48.06%	46.03%	3	0.02	\$8.92	97.33%	\$9.17
2002	11.21%	-4.08%	-17.51%	2.88%	-9.47%	-10.55%	-11.42%	1				
2001	-0.43%	12.20%	-11.14%	19.56%	18.69%	17.32%	14.02%	1				
2000	5.23%	4.21%	10.13%	11.84%	35.12%	33.61%	22.82%	1				
1999			-4.52%	6.65%	8.17%*	7.38%*	-0.04%*	1				

*April 30, 1999 to December 31, 1999

Annual Compound Rates of Return as of June 30, 2010

1 Year	30.03%	28.66%	25.07%
3 Years	-5.80%	-6.76%	-9.83%
5 Years	3.13%	2.09%	-0.51%
7 Years	10.20%	9.12%	6.02%
10 Years	11.40%	10.24%	7.47%
Since Inception (4/30/99)	11.85%	10.67%	7.20%

SMALL/MID CAP VALUE EQUITY

Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual Total Return (%) Gross	Annual Total Return (%) Net	Russell 2500 Value	Composite Portfolios	Composite Dispersion	Composite Assets (\$ millions)	% of Firm Assets	Total Firm Assets (\$ millions)
2010	11.73%	-11.04%			-0.57%	-1.06%	-1.57%	24	0.07	\$675.15	26.87%	\$2,513.08
2009	-14.20%	22.30%	22.02%	4.46%	33.72%	32.44%	27.67%	23	0.35	\$520.37	22.01%	\$2,364.34
2008	-11.45%	-3.30%	-20.26%	-2.63%	-33.49%	-34.19%	-31.98%	23	0.43	\$379.99	23.14%	\$1,642.44
2007	2.06%	9.14%	-5.22%	-4.73%	0.61%	-0.39%	-7.27%	23	0.24	\$473.67	18.94%	\$2,500.71
2006	11.31%	-0.89%	-0.53%	8.11%	18.62%	17.46%	20.17%	15	0.00	\$283.18	11.27%	\$2,512.42
2005	0.75%	4.16%	4.60%	3.00%	13.10%	11.97%	7.74%	3	0.00	\$124.03	8.80%	\$1,409.66
2004	3.17%*	2.98%	-0.36%	13.49%	20.15%**	19.04%**	17.76%**	1	NA	\$3.77	0.85%	\$444.67

*January 31, 2004 to March 31, 2004
**January 31, 2004 to December 31, 2004

Annual Compound Rates of Return as of June 30, 2010

1 Year	26.74%	25.51%	26.45%
3 Years	-7.23%	-8.16%	-9.25%
5 Years	2.60%	1.57%	-0.09%
7 Years	5.78%	4.72%	2.99%
Since Inception (1/31/04)	5.78%	4.72%	2.99%

MID CAP VALUE EQUITY

Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual Total Return (%) Gross	Annual Total Return (%) Net	Russell Mid Cap Value	Composite Portfolios	Composite Dispersion	Composite Assets (\$ millions)	% of Firm Assets	Total Firm Assets (\$ millions)
2010	10.92%	-10.74%			-1.00%	-1.48%	-0.88%	19	0.11	\$239.42	9.53%	\$2,513.08
2009	-12.11%	20.32%	21.38%	2.69%	31.81%	30.73%	34.20%	19	0.19	\$200.30	7.60%	\$2,364.34
2008	-10.69%	-1.26%	-23.92%	-7.64%	-38.13%	-38.67%	-38.44%	20	0.57	\$151.42	9.22%	\$1,642.44
2007	3.61%	7.62%	-3.28%	-4.50%	3.05%	2.22%	-1.42%	16	0.30	\$208.27	8.33%	\$2,500.71
2006	9.59%	-2.19%	2.71%	7.61%	18.52%	17.54%	20.21%	9	0.10	\$140.21	5.58%	\$2,512.42
2005	0.92%	3.36%	6.50%	2.22%	13.63%	12.63%	12.64%	5	0.23	\$53.92	3.83%	\$1,409.66
2004	5.58%	3.00%	-0.37%	13.53%	23.00%	21.99%	23.70%	2	0.00	\$15.60	3.51%	\$444.67
2003	-3.84%	17.58%	6.42%	17.45%	41.32%	39.92%	38.06%	1		\$0.13	1.42%	\$9.17
2002			-11.79%	3.91%	-8.35%*	-8.35%*	-12.15%*	1				

*June 30, 2002 to December 31, 2002

Annual Compound Rates of Return as of June 30, 2010

1 Year	23.39%	22.29%	28.90%
3 Years	-9.30%	-10.09%	-9.43%
5 Years	1.44%	0.57%	0.70%
7 Years	8.07%	7.15%	7.41%
Since Inception (6/30/02)	7.50%	6.63%	6.37%

LARGE CAP VALUE EQUITY

Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual Total Return (%) Gross	Annual Total Return (%) Net	Russell 1000 Value	Composite Portfolios	Composite Dispersion**	Composite Assets (\$ millions)	% of Firm Assets	Total Firm Assets (\$ millions)
2010	6.46%	-14.17%			-8.62%	-8.93%	-5.11%	1	0.00	\$0.07	0.00%	\$2,513.08
2009	-13.47%	16.41%	20.45%	1.28%	22.82%	22.04%	19.69%	1	0.00	\$0.08	0.00%	\$2,364.34
2008	-10.83%	-5.82%	-8.30%	-19.34%	-37.80%	-38.24%	-36.84%	1	0.00	\$0.09	0.01%	\$1,642.44
2007	1.23%	7.77%	0.30%	-5.79%	3.19%	2.51%	-0.17%	2	0.00	\$89.66	3.59%	\$2,500.71
2006	5.13%	0.55%	4.80%	7.38%	19.09%	17.21%	22.24%	2	0.00	\$80.74	3.21%	\$2,512.42
2005	0.29%	1.40%	4.41%	0.86%	7.09%	6.40%	7.05%	4	0.00	\$97.12	6.89%	\$1,409.66
2004	2.44%	1.59%	0.13%	11.34%	15.95%	15.26%	16.49%	1		\$0.11	0.02%	\$444.67
2003	-5.63%	15.66%	2.77%	15.31%	29.36%	28.41%	30.03%	1		\$0.11	1.20%	\$9.17
2002	4.36%	-6.72%	-17.59%	6.93%	-14.22%	-15.04%	-15.52%	1				
2001	-5.67%	6.15%	-10.52%	8.38%	-2.89%	-3.79%	-5.59%	1				
2000			10.69%	10.69%	20.34%*	19.84%*	11.74%*	1				

*June 30, 2000 to December 31, 2000

Annual Compound Rates of Return as of June 30, 2010

1 Year	11.48%	10.75%	16.91%
3 Years	-12.92%	-13.50%	-12.31%
5 Years	-2.00%	-2.64%	-1.63%
7 Years	3.39%	2.73%	3.49%
Since Inception (6/30/00)	3.29%	2.53%	2.37%

Notes:

Integrity Asset Management has prepared and presented this report in compliance with the Performance Presentation Standards of the Association for Investment Management and Research (AIMR-PPS), the U.S. and Canadian version of the Global Investment Performance Standards (GIPS). AIMR has not been involved in the preparation or review of this report. Integrity Asset Management is an independent investment management firm established in 2003. Integrity Asset Management manages a variety of equity assets for primarily institutional clients. All performance presented in this report is preliminary.

The performance data for Small Cap Value Equity included herein for the period from April 30, 1999 to June 26, 2003 reflects the performance of the Armada Small Cap Value Fund (AMRIX), which was advised and managed by National City Investment Management Company. During that period, various current employees of Integrity Asset Management were employed by National City Investment Management Company and were responsible for the management of the Armada Small Cap Value Fund. Please note that this performance history is gross of all fees charged to investors in the funds. The performance numbers are derived from a simple averaging of the monthly returns as reported by Morningstar. Performance following June 26, 2003 reflects that performance linked to the composite of Small Cap Value Equity portfolios managed by Integrity Asset Management.

The performance data for Mid Cap Value Equity included herein for the period from June 30, 2002 to June 26, 2003 reflects the performance of the Armada Mid Cap Value Fund (ARVIX), which was advised and managed by National City Investment Management Company. During that period, various current employees of Integrity Asset Management were employed by National City Investment Management Company and were responsible for the management of the Armada Mid Cap Value Fund. Please note that this performance history is gross of all fees charged to investors in the funds. The performance numbers are derived from a simple averaging of the monthly returns as reported by Morningstar. Performance following June 26, 2003 reflects that performance linked to the composite of Mid Cap Value Equity portfolios managed by Integrity Asset Management.

The performance data for Large Cap Value Equity included herein for the period from June 30, 2000 to June 26, 2003 reflects the performance of the Armada Large Cap Value Fund (AEIIX), which was advised and managed by National City Investment Management Company. During that period, various current employees of Integrity Asset Management were employed by National City Investment Management Company and were responsible for the management of the Armada Large Cap Value Fund. Please note that this performance history is gross of all fees charged to investors in the funds. The performance numbers are derived from a simple averaging of the monthly returns as reported by Morningstar. Performance following June 26, 2003 reflects that performance linked to the composite of Large Cap Value Equity portfolios managed by Integrity Asset Management.

Performance results are presented in US dollars and are gross of investment management fees.

The Small Cap Value Equity composite was created in April 1999 and is benchmarked against the Russell 2000 Value index. The Small/Mid Cap Value Equity composite was created in January 2004 and is benchmarked against the Russell 2500 Value index. The Mid Cap Value Equity composite was created in June 2002 and is benchmarked against the Russell Mid Cap Value index. The Large Cap Value Equity composite was created in June 2000 and is benchmarked against the Russell 1000 Value index.

Past performance does not guarantee future results. Investments are subject to risk and may lose value. To receive a complete list and description of Integrity Asset Management's composites and/or a presentation that adheres to the AIMR-PPS standards, contact Shannon Burnett at sburnett@integrityasset.com.