



GCM Core Equity

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Background & Experience



Dan McAdams
Chief Investment Officer



David Hodge, CFA
Security Analyst

1977 Northern Michigan University
B.S. Finance with Honors

1977-1981 Old Kent Bank & Trust
Credit Analyst

1981-1985 Top Line Packing Co.
Controller

1985-1990 Old Kent Bank & Trust
Commercial Lender

1990-1994 Family Office
Business & Portfolio Manager

1995-2000 Harding Energy
Chief Executive Officer

Gimbal Capital Management
President, Chief Investment Officer

1994

*GCM Founded by Dan McAdams
Pension Consulting Services*

2000

*Current Investment Process Developed
Balanced Strategies Introduced
Axys Portfolio Management Software*

2007

Business Continuity Plan

2011

Core Equity Strategy Introduced

2000 University of Michigan
B.A. Economics

2000-2004 Department of Corrections
Sales Representative

Gimbal Capital Management
Security Analyst, Chief Compliance Officer

2010 CFA Charter



Investment Philosophy

Top Down Concepts	<p><i>Top-Down Objective: Identify preferred asset allocation and industries.</i></p> <ol style="list-style-type: none">1. Economic reality and sentiment can diverge, creating investment opportunities.2. Fiscal policy dominates monetary policy in its effects on specific investments.3. Fiscal policy is less transparent than monetary policy.
Bottom Up Concepts	<p><i>Bottom-Up Objective: Identify attractive investments in our preferred areas.</i></p> <ol style="list-style-type: none">4. Increasing the proportion of total return from dividends decreases the volatility of total return.5. Cash flows should have equivalent valuation among companies with similar operating risk.6. Increasing the holding period increases our chances of realizing the value of our ideas.



Investment Decision-Making Process

Activity:	Philosophy	Process	GCM Core Equity
Monthly Investment Committee Meetings:	<ol style="list-style-type: none"> 1. Economic reality vs. sentiment 2. Fiscal policy changes (2 & 3) 	<ul style="list-style-type: none"> ➤ Review monetary policy, fiscal policy, & world events ➤ Focus on Risk Management 	<ul style="list-style-type: none"> ➤ Review holdings, performance, actions, & opportunities ➤ Set priorities for analysis
Analysis:	<ol style="list-style-type: none"> 4. Dividend preference 5. Cash flow valuation 	<ul style="list-style-type: none"> ➤ Holdings review ➤ Watch list development ➤ CIO reviews & approves recommendations 	<ul style="list-style-type: none"> ➤ Industries with favorable economic trends ➤ Durable demand ➤ Growing, sustainable cash flow ➤ Strong dividend yield ➤ Attractive valuation
Implementation:	<ol style="list-style-type: none"> 6. Long-term holding period 	<ul style="list-style-type: none"> ➤ CIO determines buy & sell timing ➤ Execution by CIO or analyst 	<ul style="list-style-type: none"> ➤ Allocation increase/decrease ➤ Substitution from watch list ➤ Change of industry preference



Process in Action: “A Day in the Life of GCM”

Frequency	Activity
Daily	<ul style="list-style-type: none"> ✓ Review economic releases & earnings pre-open ✓ Review rates, currency, & commodities ✓ Review headlines & company-specific news
Weekly	<ul style="list-style-type: none"> ✓ Performance review: cap, style, sector, rates, currencies ✓ Composite performance vs. benchmark
Monthly	<ul style="list-style-type: none"> ✓ Investment Committee meeting ✓ Composite& benchmark performance
Quarterly	<ul style="list-style-type: none"> ✓ Economic reporting ✓ Institutional update newsletter ✓ Online database updates



Risk Management

Type of Risk:	Market Risk	Industry Risk	Company Risk
Definition:	Systematic risk for equity returns <i>in general</i>	Systematic risk for equity returns <i>in a specific industry</i>	Company-specific risks
How We Identify It:	Unfavorable Developments in Key Economic Conditions: <ul style="list-style-type: none"> • Monetary policy • Fiscal policy • World events <i>Investor sentiment filters economic reality into price movement</i>		Analytical diligence
How We Manage It:	<ul style="list-style-type: none"> ➢ Increase cash allocation (<i>when IPS permits</i>) ➢ Increase allocations to defensive, low-beta holdings ➢ Reduce or sell cyclical, high-beta holdings 	<ul style="list-style-type: none"> ➢ Reduce or sell holdings in weak industries ➢ Substitute watch list items for weakest holdings 	<ul style="list-style-type: none"> ➢ Avoiding unreliable companies ➢ Monitoring key business developments on a daily basis ➢ Watch list for substitution when holdings lose 10% relative to the benchmark



GCM Core Equity

- All-cap core U.S. equity
- Based on the equity part of GCM Income
- Actual equity returns in GCM Income, 12/31/2000 – 3/31/2011 *(no cash attribution)*
- Managed as a stand-alone portfolio effective 3/31/2011



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