SIGNIA CAPITAL MANAGEMENT

A money management firm specializing in value investing.

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Signia Capital Management is a boutique money management firm specializing in value investing. The firm's research process identifies deep value companies that possess high quality capital structures combined with a fundamental catalyst to drive the company toward intrinsic value. Portfolio managers utilize a team approach that integrates the collective insight of each portfolio manager with the objectives of creating a well diversified portfolio that will generate excess returns over the long term. Signia manages money for some of the largest public and private pension funds in the country and was founded by the investment professionals who serve as managing partners. Total assets under management as of December 31, 2011 were $614.9 million.

Portfolio Management Team

Richard Beaven, CFA
Anthony Bennett, CFA
Dan Cronen, CFA

Small-Cap Value Fully Invested

Portfolio snapshot*: 12/31/2011	Signia	Russell 2000 Value
Current Number of Holdings	67	1354
Price to Book	1.06	1.24
Price to Sales (12 month trailing)	0.83	1.00
Price to Cash Flow (12 month trailing)	7.80	10.90
L.T. Debt to Capital	18.0%	41.4%
Weighted Average Market Cap	$1,300 m	$1,090 m
Median Market Cap	$731 m	$412 m
Turnover (last 12 months)	67.1%	-

General Information:
Portfolio Management Strategy - Fundamental, Bottom-up Analysis
Preferred Benchmark - Russell 2000 Value
Maximum Cash Levels - Mandated by client
** Representative Account*

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Fourth Quarter 2011 Portfolio Review

2011 proved to be a challenging year for the markets on several fronts. The European sovereign debt problems & the ensuing austerity measures, the US debt ceiling debate, and the Japanese earthquake/tsunami all contributed to the collective global macro economic headwind that slowed the pace of GDP and depressed equity valuations. In spite of these headwinds, sales and earnings growth for our portfolio in aggregate was very good in 2011, but the market did not commensurately reward our companies as macro events resulted in negative investor sentiment.

Our portfolio strategy at the beginning of 2011 was to take significant profits in the most economically sensitive, early cycle companies which had performed the best in prior quarters. Throughout the first and second quarter, we moved to mid-to-late cycle companies rather than buying into defensive sectors like Utilities and Staples. This strategy was consistent with our view at the time that the economy was gaining momentum and moving from recovery to expansion.

Within our portfolio we continued to see earnings growth in the face of valuation multiple contraction for the year. This tug-of-war is unsustainable over the long term. We expect that risk aversion will moderate as tangible signs of economic improvement combined with solid corporate earnings result in multiple expansion. We expect this will drive stock price appreciation in our portfolio as we move through 2012.

In the meantime, we continue to experience a profound stylistic headwind as a low P/B manager. Signia is consistently, quarter after quarter, year after year one of the lowest P/B value managers in our peer group. Our analysis based on FactSet Research attribution shows an extreme divergence in performance based on P/B value deciles for both the Russell 2000 Value and the Russell 2500 Value. The smaller the average P/B of a portfolio, the worse the performance was for 2011. The data shows an extreme, almost perfectly linear relationship between P/B and performance for the year. The market appears to be paying a premium for companies with dividends and greater certainty in earnings. At the same time the market is heavily discounting cyclical companies with underappreciated earnings power. We believe this negative style bias will reverse as the market becomes more comfortable with the economic landscape and risk appetites increase to more normalized levels.

Valuations for many stocks in our portfolio imply an imminent recession that we believe is unlikely to occur. Stronger than expected economic data in the last quarter continue to contradict the double-dip recession thesis. While we acknowledge the significant global macro risks to the pace of economic growth, we believe those risks are already reflected in many of our company's current valuations. For the first time since June of 2009, Signia's Small Cap Value portfolio traded below book value during the third and fourth quarter of 2011. Expectations have diminished to the point where marginal upside surprises will have a very positive effect on the stock prices. Signia has historically performed very well following market corrections. Many of the tactical shifts we are making in the portfolio are similar to the ones we made during the first quarter of 2009. We are using the current market malaise to rotate into early cycle companies and to upgrade the quality of the portfolio in terms of

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Portfolio Positioning: 12/31/2011

Sector	Signia	Russell 2000 Value
Technology	12.1	9.7
Health Care	7.0	5.5
Consumer Discretionary	10.4	12.1
Consumer Staples	2.1	3.0
Energy	11.4	3.8
Materials & Processing	8.0	6.9
Producer Durables	17.3	14.1
Financial Services	27.1	37.0
Utilities	2.1	7.9
Cash	2.5	0.0
	100	100

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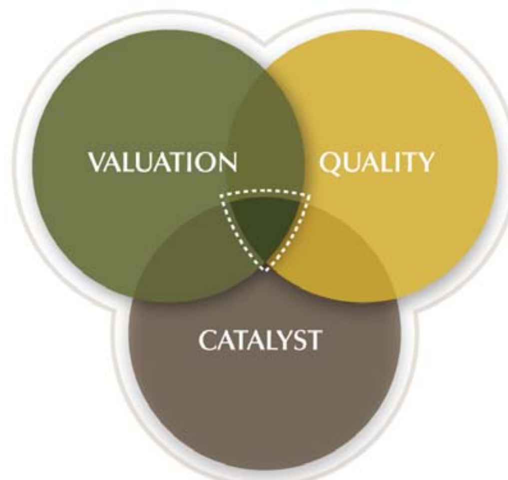
catalysts and competitive positioning. We believe these moves will be rewarded as the economic expansion in the US continues through 2012.

We expect heightened levels of volatility to dominate the market over the next several quarters as non-fundamental traders continue to comprise a larger part of the trading volume. It is very difficult to pick the bottom and equally difficult to pinpoint what exactly will be the macro economic catalyst for the market despite the stimulative efforts of monetary policy. We know that the deleveraging of consumer and government balance sheets is not a one or two quarter event. It will take years and will be a headwind for growth. In the meantime, there is an opportunity for modest economic growth by historical norms with proper monetary and fiscal policy. Investors that wait for tangible signs of an improvement in the economy before taking advantage of today's valuation opportunities run the risk of missing a significant portion of the next rally. We believe the risk/reward scenario for our portfolio is the most attractive it has been in several years. We look forward to updating you again next quarter.

Composite Performance Through December 31, 2011 (Net of Fees)**

	4Q11	1YR	3YR	5YR
Signia Small Cap Value FI	11.77	-13.36	18.56	1.32
Russell 2000 Value	15.97	-5.50	12.36	-1.87



Top 10 Holdings 12/31/2011

Nacco Industries	2.40
Cabot Corp.	2.29
Photronics, Inc.	2.20
Washington Federal, Inc.	2.16
Black Hills Corp.	2.14
Andersons, Inc.	2.09
Electro Scientific Industries	2.07
Boston Private Financial	2.03
Hospitality Pptys Trust REITS	2.00
Biomed Realty Trust, Inc.	1.97

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** Data as of 12/31/11. Source: Signia Capital Management, LLC, The Bank of New York Mellon Corporation, Thomson Baseline., and Russell Investment Group. The information provided in this report should not be considered a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in our composite at the time you receive this report or that securities sold have not been repurchased. Our portfolio characteristics and sector weightings are based on a representative account and may not be indicative of this strategy's current or future investments. It should not be assumed that any of the holdings discussed herein were or will be profitable or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein. This information is shown as supplemental information only and complements the full disclosure presentation (fully compliant GIPS presentation). Past performance is no guarantee of future results.

* Signia Capital Management, LLC ("Signia" or "the Firm") is a registered investment adviser formed in January 2001 and is employee owned. Signia claims compliance with the Global Investment Performance Standards (GIPS) and has prepared and presented this report in compliance with the GIPS standards. Signia has not been independently verified. The firm maintains a complete list and description of composites and a presentation that complies with the requirements of the GIPS® standards, which is available upon request by contacting David Krebs, Chief Compliance Officer at (509) 789-8970 or david@signiacapital.com

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