

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, 2009 were \$520 million.

Portfolio Management Team

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

Small-Cap Value Fully Invested

Portfolio snapshot* : 12/31/2009	Signia	Russell 2000 Value
Current Number of Holdings	73	1393
Price to Book	1.10	1.27
Price to Sales (12 month trailing)	0.86	0.90
Price to Cash Flow (12 month trailing)	11.0	20.7
L.T. Debt to Capital	14.00%	44.25%
Weighted Average Market Cap	\$1,200 m	\$950 m
Median Market Cap	\$883 m	\$363 m
Turnover (last 12 months)	81%	-

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 2009 Portfolio Review

During the fourth quarter, we continued to aggressively trim out of a number of companies that had appreciated a great deal in a relatively short time period. This strategy allowed us to capture gains across a variety of sectors in the portfolio. Many of these companies were early cycle performers in highly cyclical industries that benefited from the incremental improvement in the economy. As the economy continues to show signs of a modest recovery, we have been redeploying portfolio gains into companies that have exposure to mid-to-late cycle end markets and are more attractive from a valuation perspective. Our mid-to-late cycle posture positions the portfolio to benefit from a general global economic recovery, but more specifically from a recovery in the aerospace, automotive, energy, mining and semiconductor capital equipment end markets.

In addition to the cyclical posture in the portfolio, we have a number of companies in the portfolio which will benefit from several thematic trends that will act as a tailwind to earnings for multiple years. Several companies in the portfolio will benefit from the multi-year spending cycle that has commenced to improve the United States' deteriorating and antiquated infrastructure. With only a fraction of the stimulus money spent, we see a large domestic capital spending cycle benefiting several of our companies that have exposure to the "rebuilding of America" in the areas of improving water/sewer infrastructure, roads and bridges, as well as the utility grid. Also, several companies in our Materials sector will benefit from the thematic trends toward higher emission standards, growth in wind energy, and growth in nuclear energy generation. Other thematic trends the portfolio is positioned to benefit from include Homeland Security spending as well as health care demographics.

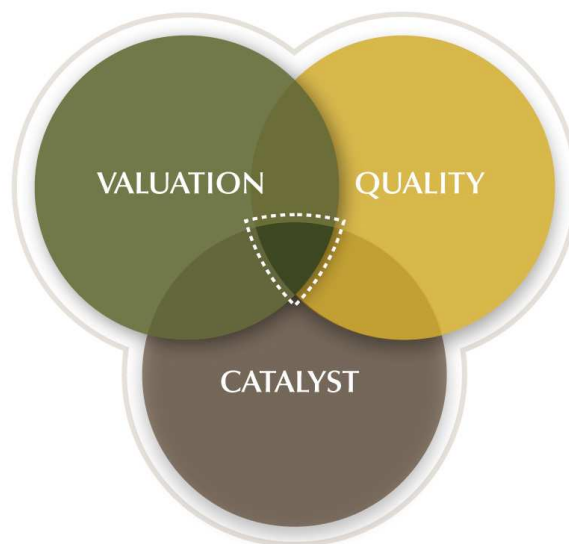
We purchased 11 new names during the quarter and sold ten names to zero. There were no major structural changes to the portfolio during the quarter, although we were net sellers of the Technology, Healthcare, and Utilities sectors. We were net buyers of the Staples, Materials, Durables, and Financials sectors. Our sector over-weights include the Technology, Healthcare, Energy, Materials, and Durables sectors. We maintain a slight underweight in the Consumer and Financial sectors given the fundamental head-winds these sectors are still facing.

Signia's Small Cap Value FI Composite (net of fees) performance was 4.83% for the fourth quarter and 49.43% for full year 2009 versus 3.63% and 20.58% for the Russell 2000 Value respectively. Portfolio performance for the quarter was driven primarily by the Materials, Healthcare, and Consumer sectors while the Utilities, Energy, and Financial sectors were slight detractors.

Looking ahead to 2010, the portfolio is well-positioned to benefit from the cyclical and thematic trends we see playing out through the course of the year. As the junk-driven rally is showing signs of abating, our investment strategy focusing on companies with very strong balance sheets and solid underlying asset values should perform favorably as investors begin to refocus their attention toward risk. Historically, Signia has performed well relative to the benchmark in a modest economic recovery, low-return environment (2005 as an example). Good luck to all in the New Year. We look forward to updating you again next quarter.

Portfolio Positioning: 12/31/2009

Sector	Signia	Russell 2000 Value
Technology	15.4	9.24
Health Care	12.2	4.93
Consumer Discretionary & Services	8.4	12.55
Consumer Staples	1.0	2.66
Integrated Oils	0	0
Energy	9.1	5.27
Materials & Processing	10.8	9.81
Producer Durables	16.9	14.80
Autos & Transports	0	0
Financial Services	22.8	33.98
Utilities	0	6.76
Cash	3.4	0
	100	100



Performance Update Through December 31, 2009 (Net of Fees) **

	Q409	YTD	1YR	3YR
Signia Small Cap Value FI	4.83	49.43	49.43	-1.44
Russell 2000 Value	3.63	20.58	20.58	-8.22

Top 10 Holdings 12/31/09

Electro Scientific Inds Inc	2.2
Vishay Intertechnology Inc	2.1
LaSalle Hotel Properties	2.1
Franklin Street Properties Corp	2.1
Ares Capital Corp	2.0
DiamondRock Hospitality	1.9
Key Tronic Corp	1.9
Pennantpark Investment Corp	1.9
Insituform Technologies Inc	1.9
Electro Rent Corp	1.8

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** Data as of 12/31/09. 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®). 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

