

SIGNIA CAPITAL MANAGEMENT

A money management firm specializing in value investing.

ISSUE 05 | 2Q | 2010

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 June 30, 2010 were \$474 million.

Portfolio Management Team

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

Small-Cap Value Fully Invested

Portfolio snapshot* : 06/30/2010	Signia	Russell 2000 Value
Current Number of Holdings	72	1300
Price to Book	1.05	1.13
Price to Sales (12 month trailing)	0.86	0.90
Price to Cash Flow (12 month trailing)	9.9	11.0
L.T. Debt to Capital	17.00%	43.15%
Weighted Average Market Cap	\$1,100 m	\$870 m
Median Market Cap	\$751 m	\$378 m
Turnover (last 12 months)	70%	-

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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Second Quarter 2010 Portfolio Review

Following large outperformance in 2009 and continued outperformance through the first quarter of 2010, Signia's Small Cap Value FI composite underperformed the Russell 2000 Value index by approximately 200 basis points.

Top contributors to relative performance during the quarter came from the Energy and Materials sectors. All other sectors were detractors from performance with Financial Services, Durables, and Technology having the greatest negative impact.

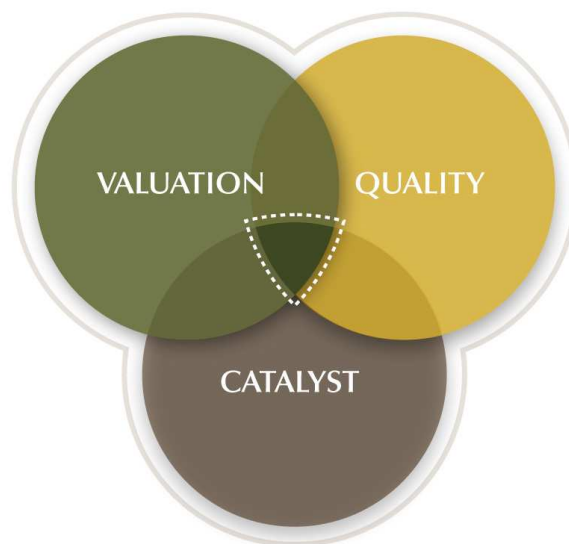
There were no major changes to the portfolio at the sector level during the quarter although we were net sellers of the Technology, Materials, and Durables sectors and were net buyers of the Healthcare, Consumer Discretionary, Energy, and Financial Services sectors. The largest shifts to sector weights occurred in the Technology sector and in the Financial Services sector. Our Technology sector weight declined from 16% to 12.7% as one of our larger holdings in that sector was acquired and we continued profit taking early in the quarter. Our Financial Services sector weight increased from 23.1% to 25.4% as we added another regional bank to the portfolio and increased our weightings in several existing names within the sector.

Our exposure to economically sensitive companies particularly in the Financial Services, Durables, and Technology sectors put downward pressure on portfolio performance amid fears of a double dip recession. While we acknowledge a slowing rate of growth in the economy, we do not believe the economy is headed for another recession. With the market discounting a scenario that we think is unlikely to occur, we are seeing more companies meeting our very stringent valuation criteria. Many companies across sectors are trading close to their tangible book values despite an economy that continues to grow, albeit at a more modest pace than what was previously forecast. The recent downward volatility has created more compelling bottom-up valuation opportunities than we have seen in many months.

Our sector overweights relative to the benchmark include the Technology, Healthcare, Energy, Durables and Materials sectors. We continue to be underweight the Staples, Utilities, Consumer Discretionary, and Financials sectors. The portfolio is positioned well with a collection of bottom-up valuation opportunities that should exhibit strong performance even in a very modest, slow growth, economic recovery. We look forward to updating you again next quarter.

Portfolio Positioning: 06/30/2010

Sector	Signia	Russell 2000 Value
Technology	12.5	8.3
Health Care	11.8	5.8
Consumer Discretionary & Services	8.6	10.0
Consumer Staples	1.5	3.2
Energy	11.7	5.5
Materials & Processing	8.7	7.0
Producer Durables	16.2	14.1
Financial Services	25.5	38.8
Utilities	0	7.3
Cash	3.5	0
	100	100



Performance Update Through June 30, 2010 (Net of Fees) **

	Q2 10	YTD	1YR	3YR	5YR
Signia Small Cap Value FI	-12.62	-1.62	25.13	-4.86	4.44
Russell 2000 Value	-10.60	-1.64	25.07	-9.85	-0.51

Top 10 Holdings 06/30/2010

Electro Scientific Industries	2.7
Pennantpark Investment Corp	2.3
DiamondRock Hospitality	2.2
Patterson UTI Energy, Inc.	2.1
LaSalle Hotel Properties	2.0
Franklin Street Properties	1.9
Exterran Holdings, Inc.	1.8
Raymond James Financial	1.8
Stellarone Corp.	1.8
Ares Capital Corp.	1.7

For additional information, please contact:

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 ** Data as of 06/30/2010. 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

