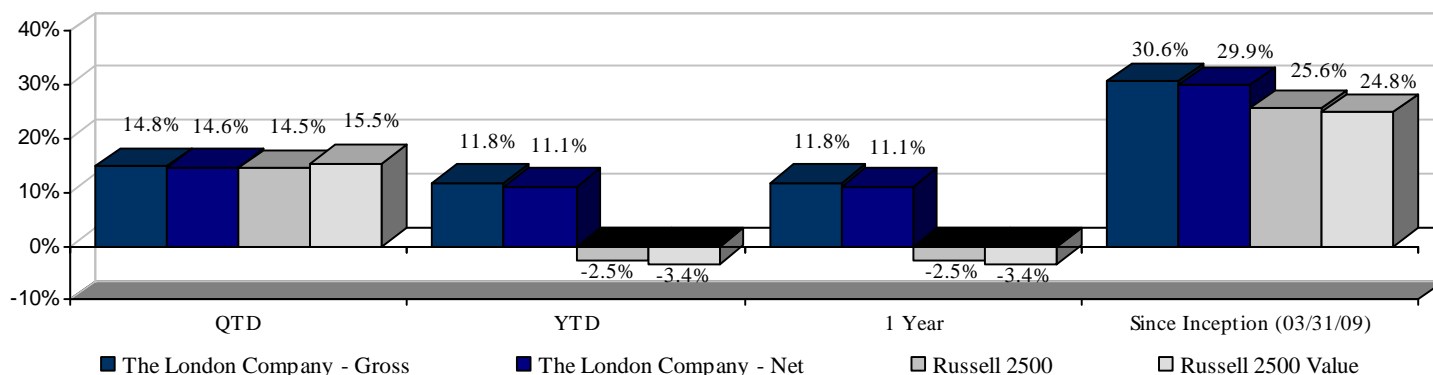


# THE LONDON COMPANY

## SMALL-MID CAP Q4 2011

1801 Bayberry Court, Suite 301 • Richmond, Virginia 23226 • Phone (804)-775-0317 • www.tlcadvisory.com

### Composite Returns (Annualized through December 31, 2011)\*



### Investment Philosophy

The London Company's Small-Mid Cap portfolio invests in its best, conservative, low-beta ideas with above average downside protection. We seek profitable, financially stable, quality companies that consistently generate free cash flow and high returns on unleveraged operating capital, trade at rational valuations, and are run by shareholder-oriented management.

### Firm Update

The London Company continues to experience increasing interest and growth, with total firm AUM over \$2.5 billion (\$5.0<sup>1</sup> billion total entity assets). Our reputation has spread globally, presenting us with larger opportunities to accelerate the firm's growth. As we grow, we continue to add quality staff to the team. We are pleased to announce Andrew Wetzel has been promoted to the firm's Chief Compliance Officer effective 1/1/2012. In addition, Robin Taylor, Operations & Compliance Administrator, has rejoined our firm. Robin has 30+ years of experience in the investment industry.

<sup>1</sup> Includes model program assets \$2.5 billion as of 12/31/2011. This is a supplement to the fully compliant presentation on back.

### Portfolio Managers

#### Stephen M. Goddard, CFA

- 25+ Years Experience; Managed Portfolio Since Inception

#### Jonathan T. Moody, CFA

- 22+ Years Experience; Managed Portfolio Since 2002

#### J. Wade Stinnette, Jr.

- 25+ Years Experience; Managed Portfolio Since 2008

#### J. Brian Campbell, CFA

- 11+ Years Experience; Managed Portfolio Since 2010

#### Mark E. DeVaul, CFA, CPA

- 15+ Years Experience; Managed Portfolio Since 2011

### Portfolio Characteristics

12/31/11

	TLC SMID		TLC SMID		Russell 2500
# of Holdings	33	Price/Earnings (Fwd)	15.8x		15.0x
Beta (2.75 yrs)	0.84	Price/Book	2.1x		1.7x
Alpha (2.75 yrs)	7.80	Price/Cash Flow	9.0x		6.0x
Sharpe (2.75 yrs)	1.60	Yield	1.9%		1.5%
Up/Down (2.75 yrs)	95/79	Wtd. Avg. Mkt. Cap.	\$4.4		\$2.6
Std. Dev. (2.75 yrs)	19.03	Median Mkt. Cap.	\$2.7		\$0.6

Source: eVestment Alliance & FactSet 12/31/11

### Portfolio Review & Outlook

The London Company's Small-Mid Cap portfolio ended the quarter and the year ahead of the Russell 2500 index. The Russell 2500 returned 14.5% during the quarter and was down 2.5% for the year. Positive stock selection continued through the fourth quarter and enabled us to gain further ground on the index despite the seasonal year-end rally. Specifically, we benefitted greatly from our top weighted positions performing well and meaningfully contributing to returns. The risk-averse environment was a welcome tailwind and a reversion from the year prior, benefitting our conservative, lower-beta portfolio.

The best performing sectors of the Russell 2500 Index for the quarter were Energy, Industrials, and Consumer Discretionary. The three worst sectors for the Russell 2500 Index were Telecom, Consumer Staples and Utilities. Our greatest alpha was generated through stock selection in the Materials, Health Care, and Consumer Staples sectors. Our sector allocation was down slightly for the quarter and notably ahead for the year due to our Consumer Staples overweight. From a portfolio construction viewpoint, the heightened volatility allowed us to add to our highest conviction holdings during periods of distress. Abrupt market dislocations tend to favor our long-term time horizon. The correlation of equity returns remained high, but positive stock selection offset that market factor.

Current equity valuations are compelling and the risk of waiting for the skies to clear appears great. Our investment horizon looks beyond the near-term uncertainty and finds future returns for equities to be favorable. We expect volatility to stay elevated and the market to benefit managers that differentiate themselves from the index. The London Company has historically done well in uneven markets and periods of distress.

\* The London Company's performances are size weighted and annualized based on calculations for the period ending December 31, 2011. The characteristics above relate to a representative account and not every client's account will have these exact characteristics. As TLC manages its client portfolios according to each client's specific investment needs and circumstances, TLC cannot affirm that the characteristics of the account shown above are similar to all accounts participating in the strategy. This is due in part to the timing of trades by the Adviser, market conditions, cash availability, and the timing of client deposits and withdrawals. Therefore, prospective clients should not assume that similar performance results to those shown would have been achieved for their accounts had they been invested in the strategy during the period. None of the information contained herein should be construed as an offer to buy or sell securities, or as investment recommendations. Performance results shown should, under no circumstances, be construed as an indication of future performance. An investment in a London Company strategy is subject to risks, including the loss of principal. Data, while obtained from sources we believe to be reliable, cannot be guaranteed. All are encouraged to read and understand the Disclosure notes found on the next page.

# SOLID CONVICTION IN ANALYSIS • OPTIMAL DIVERSIFICATION

## Top Ten Holdings

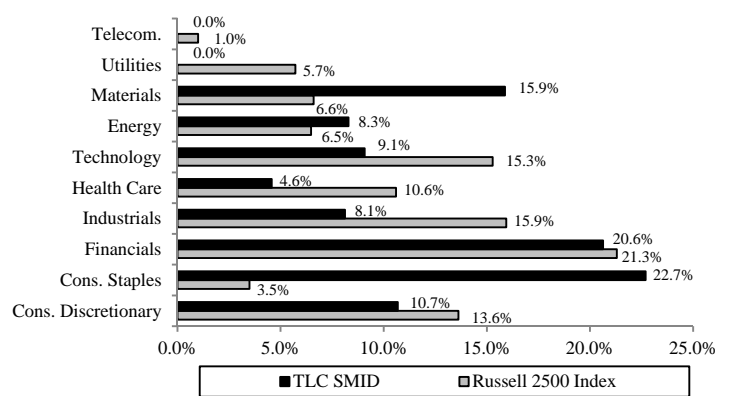
12/31/11

NewMarket	5.6%	Atwood Oceanics	4.1%
PriceSmart	5.6%	Kinder Morgan	4.1%
Albemarle	5.2%	Montpelier	4.0%
Nu Skin	4.8%	White Mountains	3.6%
Eaton Vance	4.6%	Tenet Healthcare	3.6%

This is supplemental information to the fully compliant GIPS presentation. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that securities sold have not been repurchased. The securities discussed do not represent an account's entire portfolio and in the aggregate may represent only a small percentage of an account's portfolio holdings. It should not be assumed that any of the securities transactions or holdings discussed were or will prove to 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. Data, while obtained from sources we believe to be reliable, cannot be guaranteed. All are encouraged to read and understand the disclosure notes found below.

## Sector Weightings

12/31/11



## The London Company

## SMID Composite

03/31/09 – 12/31/2011

Year Ending <sup>1</sup>	Net Size Weighted Composite	Gross Size Weighted Composite	Gross Size Weighted Composite 3-yr Standard Deviation	Russell 2500 SMID Cap Index	Russell 2500 SMID Cap 3-yr Standard Deviation	Russell 2500 Value Cap Index	Russell 2500 Value SMID Cap 3-yr Standard Deviation	Number of Accounts in Composite	Gross Size Weighted Dispersion <sup>2</sup>	Total Composite Assets (\$ M)	Total Product Assets (\$ M)	Total Firm Assets (\$ M)	Total Entity Assets (\$ M) <sup>3</sup>
12/31/2009	51.82%	52.26%	N/A	34.39%	N/A	27.68%	N/A	3	N/A	8.2	8.7	1069.3	1634.2
12/31/2010	21.81%	22.59%	N/A	26.71%	N/A	24.82%	N/A	5	0.36%	12.0	12.0	1943.0	3252.9
<i>Qtr Ending</i>													
03/31/2011	7.04%	6.88%	N/A	8.70%	N/A	7.68%	N/A	5	N/A	13.5	13.5	2276.7	3922.9
06/30/2011	4.25%	4.41%	N/A	-0.59%	N/A	-1.47%	N/A	5	N/A	14.1	14.1	2313.2	4254.5
09/30/2011	-13.05%	-12.90%	N/A	-21.22%	N/A	-21.10%	N/A	5	N/A	12.5	15.4	2073.3	4023.6
12/31/2011	14.63%	14.80%	N/A	14.52%	N/A	15.45%	N/A	5	N/A	14.2	22.6	2529.7	5029.4
Year-to-Date	11.06%	11.76%	N/A	-2.51%	0.22%	-3.36%	0.23%	5	0.46%	14.2	22.6	2529.7	5029.4

<sup>1</sup> Year ending 12/31/2009 represents nine months of returns.

<sup>2</sup> Dispersion measures are deemed not meaningful when a composite contains five or fewer portfolios and for periods shorter than one year.

<sup>3</sup> Starting in 2008, total entity assets include model assets. We do not have final trading authority on model accounts and as a result, they are excluded from our GIPS AUM. These assets includes model assets managed by London and are presented as supplemental information.

The London Company claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. The London Company has been independently verified for the periods 6/30/94-6/30/11. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The SMID Composite has been examined for the periods 3/31/09-6/30/11. The verification and performance examination reports are available upon request.

## DISCLOSURE NOTES

- Definition of Firm:** The London Company was founded in 1994 in Richmond, Virginia and provides equity, balanced and convertible portfolio management services to pension, profit-sharing, foundation, corporate, and individual investors. The firm, which is 100% employee-owned is an independent, autonomous investment management organization. More information about the advisor, including its investment strategies and objectives, can be found by visiting [www.TLCadvisory.com](http://www.TLCadvisory.com).
- Composite Creation Date:** March 31, 2009.
- Composite Definition:** Accounts in this product composite are fully discretionary, taxable and tax-exempt portfolios with a minimum of \$100,000 in assets. They are managed under our small/mid cap style, which invests primarily in SMID companies with high cash returns on capital. The benchmark for the product is the Russell 2500 Index which measures the performance of the small to mid-cap segment of the U.S. equity universe. There is no use of leverage, derivatives or short positions. All actual fee-paying discretionary portfolios are included in one or more composites that have been managed for a full calendar quarter with no restrictions and similar objectives. A complete list and description of composites that adhere to the GIPS standards, is available by calling (804) 775-0317.
- Benchmark Description:** Russell 2500 Index measures the performance of the small to mid-cap segment of the U.S. equity universe, commonly referred to as "smid" cap. The Russell 2500 is a subset of the Russell 3000 Index. It includes approximately 2500 of the smallest securities based on a combination of their market cap and current index membership.
- Composite Construction:** Composite calculations use monthly time-weighted total returns using monthly valuations to calculate monthly returns and geometric linking of period returns. Composite dispersion is calculated using an asset weighted standard deviation methodology that incorporates only the accounts that were present in the composite for the entire year. Dispersion measures are deemed not meaningful when a composite contains five or fewer portfolios and for periods shorter than one year.
- Performance and Fees:** Gross of fee returns are calculated gross of management and custodian fees and net of transaction costs. Net of fee returns are calculated net of actual management fees and transaction costs and gross of custodian and other fees. Returns are calculated and stated in US dollars. Returns are calculated gross of withholding taxes on foreign dividends and interest. The gross figures do not reflect the deduction of investment advisory fees. For example, an account that earned 15% per year for 10 years would have an accumulated return of 305% before fees and 270% after fees, assuming a 1% fee. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.
- Composite Accounts:** The accounts represented in the composite reflect actual fees paid on the particular account which may be different from the fee normally offered to other clients, and dividends were reinvested. Fees are normally 1.00% on the first \$100 million of assets, negotiable thereafter or a performance fee option. The fee schedule options are described in greater detail in Part 2 of Form ADV and can be provided upon request.
- Past performance should not be taken as a guarantee of future performance.