

ValueWorks

quality assets. compelling valuations.

Monthly Update

June 1 2009

These moves happen FAST.

The only thing as dramatic as a market meltdown is the market rebound that follows it. And these market rebounds can be built on and enhanced by a good money manager.

The recent rally has been very sharp. Many will propose that this move is overdone and cannot be sustained; that a pullback and a new bottom is imminent. While we do believe that the current rate of ascent is unsustainable and that downward moves are inevitable, our view of the coming period is generally positive.

And while the market has rallied 16% points this quarter, as of this writing it is still down more than 35% from its 2007 high.

We believe that from these levels the market is evaluating the American economic engine. If the consensus view is that the US economy will work through its current problems and regain its position of strength, then the market will trend generally higher; if the opinion is that our best days are behind us or that we are likely to lose a decade to Japan-like stagnation then the market will trend flat to down. We fall firmly in the first camp—due in large part to the resilience we have seen in our financial markets.

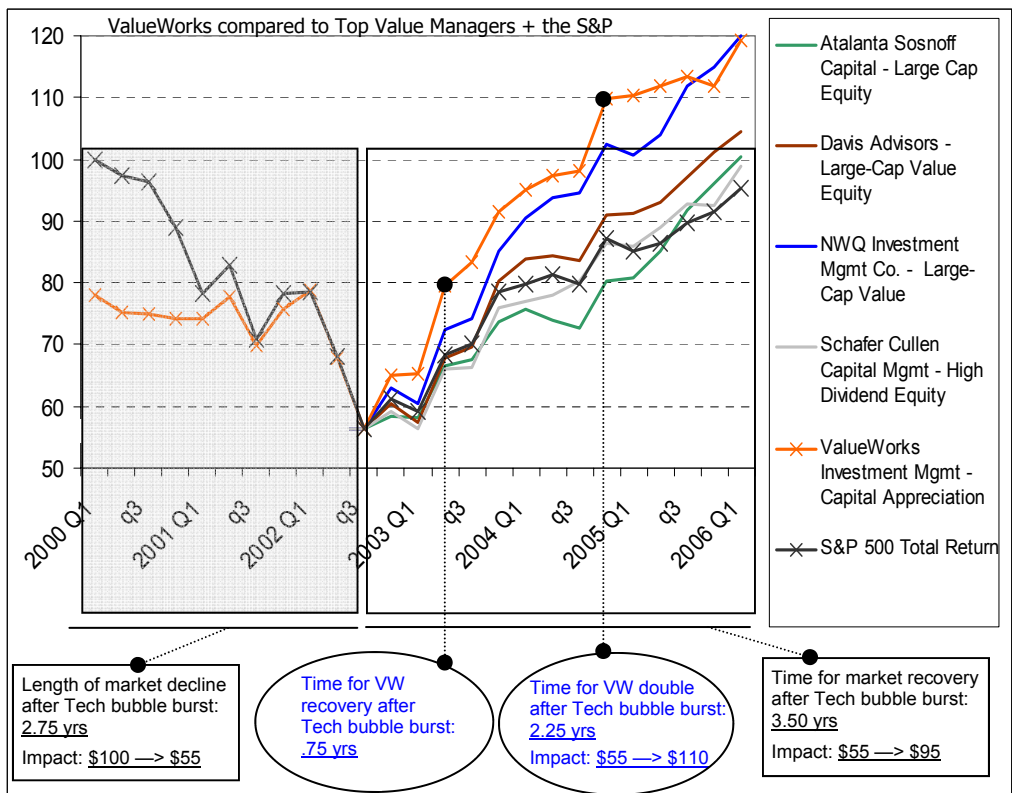
From these levels we expect the general market rise to be surprisingly sharp and dramatic. And we believe that buying quality names now, will translate to even larger upside than will be realized by the broader market—which means that this opportunity will be easy for the average investor to miss. But for bargain hunters and value shoppers the opportunities being offered right now are extraordinary. Like similar swings in the past, the move so far has already been dramatic, but it is only a fraction of what we expect to see over the coming periods as our economy takes corrective action and resumes course.

—Charles Lemonides

Recent Performance

	YTD (through May 31 2009)	QTD	May	Apr	Mar	Feb	Jan
Capital Appreciation (gross)	20.15	28.61	12.13	14.70	11.25	-12.37	-4.17
Balanced (gross)	17.26	26.20	11.75	12.93	9.44	-11.31	-4.27
S&P 500	3.56	16.33	6.18	9.56	8.74	-10.61	-8.42
Russell 1000 Value	-2.71	16.89	5.59	0.17	8.53	-13.31	-11.48
Blended Index*	2.57	8.47	3.44	4.87	5.02	-5.43	-4.68

A look at the Market Meltdown of 2000—2002 and the time required for recovery



Capital App Perf: Since Inception (Q1 '96—Apr 2009)

	Gross of Fees	Net of Fees	S&P 500
Cumulative Total	185.23	131.05	89.88
Annualized Total	7.82	6.20	4.72

Balanced Perf: Since Inception (Q1 1996—Apr 2009)

	Gross of Fees	Net of Fees	Blended Index*
Cumulative Total	221.46	156.93	117.27
Annualized Total	8.75	7.02	5.73

*The Blended Index is comprised of 50% S&P 500 and 50% Merrill Lynch Domestic

Past performance is not a guarantee of future results. See reverse for additional information and disclosures. This information is for use by Investment Professionals only and not intended for wider distribution.

Capital Appreciation Composite

Year End	Total Firm	Composite Assets		Annual Performance Results			
	Assets (in Millions)	USD (in Millions)	Number of Accounts	Composite: Gross	Composite: Net	S&P 500	Composite Dispersion
2008	112	58	311	-47.02%	-47.74%	-36.96%	8.72%
2007	295	178	515	1.50%	0.15%	5.49%	5.93%
2006	267	159	411	19.08%	17.44%	15.79%	4.22%
2005	209	119	340	1.81%	0.31%	4.91%	3.73%
2004	165	78	158	20.03%	18.42%	10.88%	4.20%
2003	121	49	93	40.27%	38.25%	28.69%	4.71%
2002	75	33	58	-14.06%	-15.23%	-22.10%	3.53%
2001	85	36	51	2.05%	0.64%	-11.88%	8.31%
2000	80	35	69	2.28%	0.68%	-9.11%	6.64%
1999	81	36	79	32.56%	30.46%	21.04%	15.60%
1998	66	26	78	11.60%	9.68%	28.58%	6.03%
1997	39	9	30	35.65%	32.96%	33.36%	3.84%
1996	26	6	20	19.77%	17.13%	22.96%	4.06%

Balanced Composite

Year End	Total Firm	Composite Assets		Annual Performance Results			
	Assets (in Millions)	USD (in Millions)	Number of Accounts	Composite: Gross	Composite: Net	Blended Index	Composite Dispersion
2008	112	33	91	-40.29%	-41.20%	-18.18%	4.33%
2007	295	76	128	4.06%	2.51%	6.45%	3.78%
2006	267	74	113	17.37%	15.61%	9.98%	3.26%
2005	209	65	120	2.29%	0.73%	3.80%	3.29%
2004	165	65	104	19.71%	18.04%	7.70%	4.01%
2003	121	52	84	39.07%	36.86%	16.16%	5.68%
2002	75	33	63	-13.69%	-15.24%	-6.15%	3.52%
2001	85	37	62	4.87%	3.10%	-1.29%	7.36%
2000	80	34	72	6.28%	4.35%	1.02%	5.50%
1999	81	36	73	31.32%	28.89%	9.95%	11.30%
1998	66	37	93	9.13%	7.15%	19.33%	7.63%
1997	39	24	54	34.81%	32.51%	21.18%	4.33%
1996	26	15	29	18.66%	16.54%	12.96%	3.60%

DISCLOSURES

Past performance is not indicative of future results.

The Capital Appreciation Composite contains all Accounts with a Capital Appreciation mandate. For comparison purposes the composite is measured against the S&P 500 index. Balanced Composite contains all accounts with a balanced mandate. For comparison purposes the composite is measured against a 50/50 blend of S&P 500 and Merrill Lynch Master Bond Indices. The blended benchmark is calculated on a quarterly basis.

ValueWorks has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®).

ValueWorks is a separate registered investment adviser. Prior to September 30th, 2001, ValueWorks was a subdivision of M&R Capital. The firm maintains a complete list and description of composites, which is available upon request.

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Past performance is not indicative of future results.

The U.S. Dollar is the currency used to express performance. Gross returns are shown as supplemental information and are stated gross of all fees and transaction costs; net returns are reduced by all fees and transaction costs incurred. Wrap accounts pay a fee based on a percentage of assets under management. Other than brokerage commissions this fee includes investment management, portfolio monitoring, consulting services, and in some cases, custodial services. Wrap accounts make up 100% of the composite for all periods shown. Wrap fee schedules are provided by independent wrap sponsors and are available upon request from the respective wrap sponsor. The annual composite dispersion presented is an asset-weighted standard deviation calculated for the accounts in the composite the entire year beginning December 31, 2001. From January 1, 1996 to December 31, 2001 dispersion reflected an equal weighted dispersion. Additional information regarding the policies for calculating and reporting returns is available upon request.

The investment fee schedule for the composite is as follows: Low and high rate for wrap sponsors: 1.25% and 2.75%, respectively. Fee schedules from individual wrap sponsors are available upon request. Actual investment advisory fees incurred by clients may vary.

Both the Capital Appreciation and the Balanced composites were created December 31, 1995. Performance presented prior to October 1, 2001 occurred while the Portfolio Manager was affiliated with two prior firms and he was the only individual responsible for selecting the securities to buy and sell. ValueWorks' is in compliance with the GIPS standards for the period October 1, 2001 through December 31, 2007. In addition, a performance examination was conducted on the Balanced Composite beginning October 1, 2001.