EQUITY STRATEGY FOCUS

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IN FOCUS:

We've prepared this update in an effort to provide our clients with a macro overview of our investment program, as well as offer a timely discussion on specific market sectors/industries and the implications relative to portfolio strategies.

- Information Technology
- Credit Markets
- Energy
- Utilities

We hope that this will help you better understand our investment strategy. For further information and discussion, please don't hesitate to give us a call.

IN BRIEF: U. S. EQUITY INVESTMENT STRATEGY

- **During the 3rd quarter, the S&P 500 gained 10.74% with the greatest contribution coming from the Consumer Discretionary segment and the least contribution coming from Utilities.** With respect to the Consumer Discretionary sector, we have outlined the negative macro trends relative to the domestic employment and consumer leverage. With respect to our underweight position during the quarter in the Utility sector, operating in an extended low cost of fund environment should be beneficial as 2011 unfolds.

- **Recent macro data supported the market's rise as U.S. GDP grew 2%, in-line with consensus, and manufacturing ISM was 56.9, a strong upside surprise.** Market performance also reflects positive 3Q 2010 earnings results, albeit on modest expectations. As much as 61% of companies in the S&P 500 beat consensus sales estimates during the quarter. Exhibit I outlines the aggregate sector performance during the 3rd quarter for the Standard and Poor's 500.

- **During the third quarter our greatest contributor to performance came from the Energy sector, primarily as a recovery from the selloff in shares that was coincident with the Gulf tragedy.** Our slight overweight position added a full percentage to overall results. However, the total year to date performance was still negatively impacted by the weakness in energy shares overall. The other noticeable percentage gainer in the S&P 500 sector results came from the Material or Basic Industry companies. Despite our overweight at close to 6% versus 3.5% for the S&P 500, our large position in International Paper detracted from the overall performance. We have since liquidated the position, based on our expectation of new headwinds associated with input costs and our disappointment with prolonged restructuring initiatives. Other positive contributors to quarterly performance came from Phillips Electronics and McDonalds. Despite our overall cautious stance on a U.S. consumption lead recovery, the Consumer Discretionary sector on average beat the average S&P 500 results by almost 50%. We however did not lose much traction by owning the right companies in our mix.

- **Our biggest disappointment came from the Information Technology Sector which we delve into in more detail later in the report.** As you may be aware 2009 was a very strong year for technology stock performance in general. Our decision not to chase the group this year, despite our conclusion that we are in front of a strong capital spending cycle, was based upon our view of an overvaluation associated with a secular trend. This resulted in our underweight position. Unfortunately the deeper cyclical companies in the semiconductor space took a back seat to the mobile technology beneficiaries. Our participation in Hewlett Packard stock during their board room fiasco also contributed to relative performance results shaving as much as 165 basis points from the overall portfolio's quarterly record. However we expect in both instances that the market overreaction to short term issues should set up these companies to exceed their sector easily in the coming quarters.

EXHIBIT I

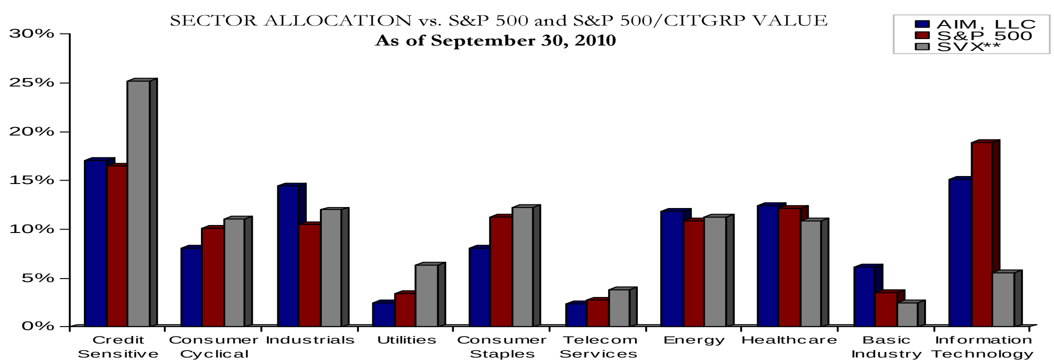
Sector	Sector Weight as a % of the S&P 500 6/30/2010	% Return 6/30/2010 - 9/30/2010	Contribution 6/30/2010 - 9/30/201
Energy	10.64	12.30	1.31
Materials	3.45	17.25	0.59
Industrials	10.33	13.65	1.41
Consumer Discretionary	10.14	14.72	1.49
Consumer Staples	11.50	9.76	1.12
Health Care	12.06	8.22	0.99
Financials	16.33	4.06	0.66
Information Technology	18.79	11.50	2.16
Telecommunication Services	3.01	19.10	0.58
Utilities	3.74	11.11	0.42

Source: Bloomberg& Standard and Poor's

EXHIBIT II

ALTMAN INVESTMENT MANAGEMENT

CORE VALUE EQUITY PORTFOLIO



AIM,LLC	17%	6.1%	14.8%	4.9%	8.4%	2.8%	11.9%	12.9%	4.6%	13.1%
S&P 500	15.6%	10.4%	10.8%	3.6%	11.3%	3.2%	10.9%	11.6%	3.6%	18.8%
SVX **	23.8%	10.9%	12.0%	6.9%	12.2%	4.4%	10.4%	10.7%	2.5%	5.3%

Source: Bloomberg as of 9/30/10 consolidated into the GICS sectors. Numbers rounded to the nearest hundredth.
Note: Numbers reflect portfolio allocation, not returns.
* Percentages do not total 100% due to rounding, and equity sector weights take into consideration the composite's cash allocation.
** S&P Citigroup Value Index

1

EXHIBIT III

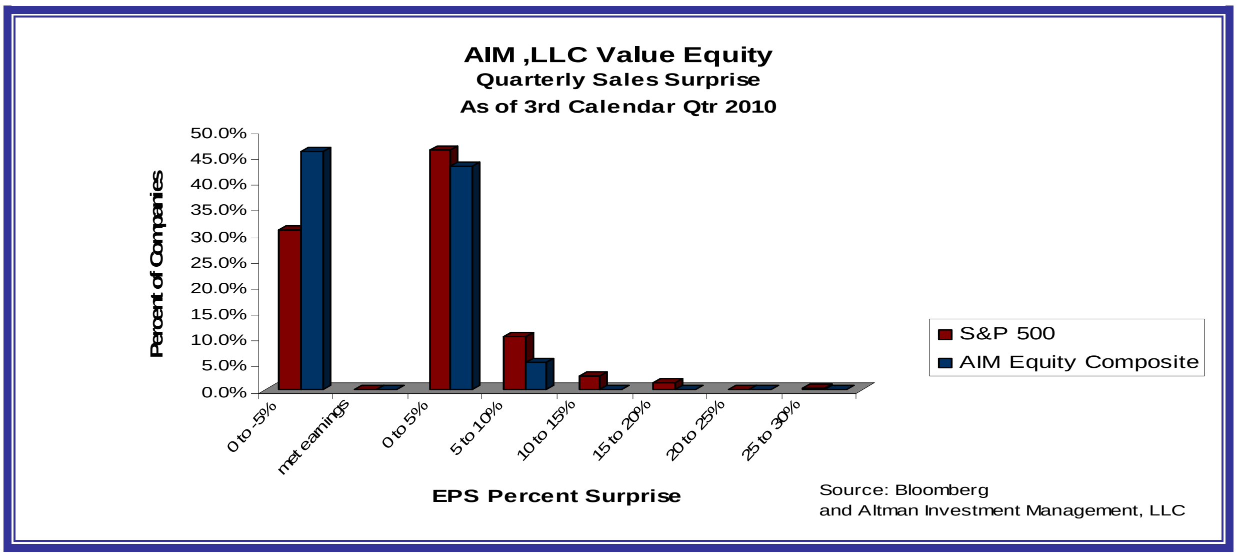
S&P 500 -SECTOR VALUATION CHARACTERISTICS

	SPX	Energy	Materials	Industrials	Con. Desc.	Staples	Healthcare	Financials	Technology	Telecom	Utilities
# holdings	1	39	32	57	81	41	51	86	76	9	34
Beta	1.00	1.13	1.23	1.11	1.21	0.59	0.75	1.85	0.91	0.81	0.70
P/B	2.12	1.85	2.64	2.66	2.70	3.48	2.41	1.08	3.48	1.93	1.46
TTM P/E	14.45	13.45	17.10	17.06	16.52	14.94	11.91	12.77	15.92	13.98	12.85
P/E cur	13.53	12.13	16.35	15.74	15.47	14.53	11.54	12.72	13.60	14.04	12.55
P/E FY1	11.95	10.68	13.00	13.48	13.55	13.23	10.71	10.54	12.24	13.21	12.29
P/S TTM	1.17	1.01	1.20	1.17	0.96	0.93	1.17	0.98	2.41	1.13	1.12
Div yield	2.01%	2.20%	1.93%	2.24%	1.51%	3.05%	2.24%	1.15%	1.00%	5.37%	4.35%
P/CF	6.63	6.81	9.38	8.77	8.60	10.33	10.57	2.92	11.22	4.01	5.40

Source: Altman Investment Management Research, Sept 30, 2010

THE QUARTERLY COMPANY PERFORMANCE RECORD

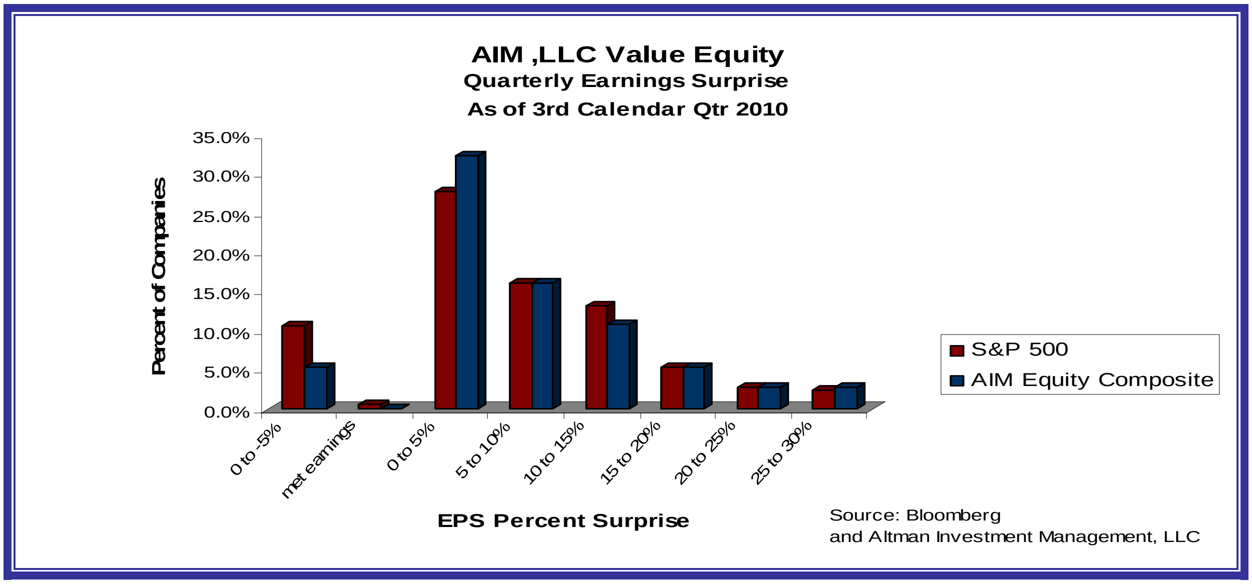
EXHIBIT IV



As of November 10th, 201, 91% of the AIM composite and 91% of the S&P companies have reported.

- **The chart above (<u>Exhibit IV</u>) illustrates the percentage of investment holdings within our value portfolio that exceeded street sales estimates during the 3rd calendar quarter of 2010.** Most notably, 49% of our investments exceeded street estimates for top line sales versus 62% of the companies in the S&P 500 exceeded street sales estimates. This relative top line disparity is the result of a heavier weighting in the portfolio with cyclical companies. However, year over year growth in sales was indeed better at 10.5% for our composite vs. 9.4% for the S&P on a share weighted basis.

EXHIBIT V



As of November 10th, 2010 91% of the AIM composite and 91% of the S&P companies have reported

- **The chart above (Exhibit V) illustrates the percentage of investment holdings within our value portfolio where earnings exceeded street estimates during the 3rd calendar quarter of 2010.** Most notably, 76% of our investments exceeded street estimates a comparable result for the companies in the S&P 500 as well. Year over year growth in earnings comparisons were a positive 34.3% for our composite versus an increase of 32.7% for the S&P 500 on a share weighted basis. As you can surmise from these aggregate reports, the cyclical/value oriented companies took a back seat to their secular growth counterparts. The growth companies tended to do better as investors rotated positions to companies with more predictable earnings records, rather than participate in an economic upswing. We believe this trend will begin the process of reversing itself as 2011 unfolds and the economic recovery gains traction.

CLOSE UP ON SECTORS/INDUSTRIES:

◆ *INFORMATION TECHNOLOGY-*

"Are the Cyclical Technology Beneficiaries going to follow the normal Cyclical Recovery Patterns or is Mobile Exposure the Only Game in Town?"

Secular as opposed to cyclical trends are driving the market momentum in technology. This year analysis shows as of October 29th that the Information Technology Sector, in aggregate, was dominated by valuations aligned to the GARP (growth at reasonable prices) stock selection as opposed to a value oriented style. The overriding positive secular trends were highlighted by cloud computing and a transition to tablets from traditional notebooks and PCs. As a leader in this secular trend, Apple (APPL) is now the second largest company by market capitalization in the S&P 500 with a 2.67% position. The premium to own shares of APPL is illustrated in Exhibit VI by comparing its trailing twelve months (TTM), price to sales (P/S) and price to earnings (P/E) multiples to that of the S&P 500 and S&P technology sector.

EXHIBIT VI

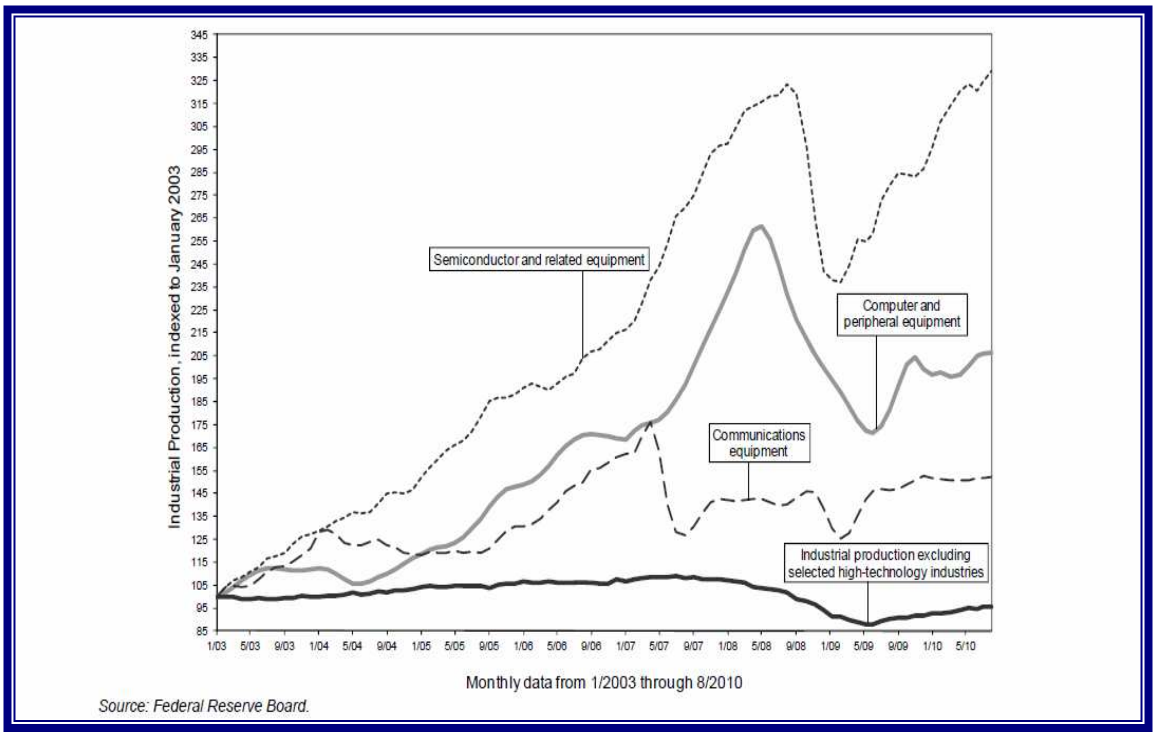
	Apple	S&P 500	S& P Tech Sector
P/S TTM	4.4x	1.16x	2.41x
P/E TTM	22.7x	14.4x	15.9x

Source: Bloomberg and Altman Investment Management Research

Other pure plays benefiting from this secular trend include software (i.e. virtualization and software as a service) and wireless communication tower operators. On a price to sales basis, these companies are trading from 4 -14x sales. Companies with any kind of an earnings history have P/E multiples of 39x-185x. (2)

Conversely, the bearish outlook looming over the semiconductor segment reflects a negative cyclical bias stemming from concern over inventory trends across the supply chain and end demand throughout 2010. While there is data supporting decreased demand in PCs, we believe the lack of excess capacity in the sector in conjunction with inventory discipline presents an opportunity in this space. See our "*Research Industry Insights: Technology*" a technology overview published in March 2009 highlighted the semiconductor cycle. Technology and Capex weakened sharply after mid 2008 and is now recovering.

EXHIBIT VII

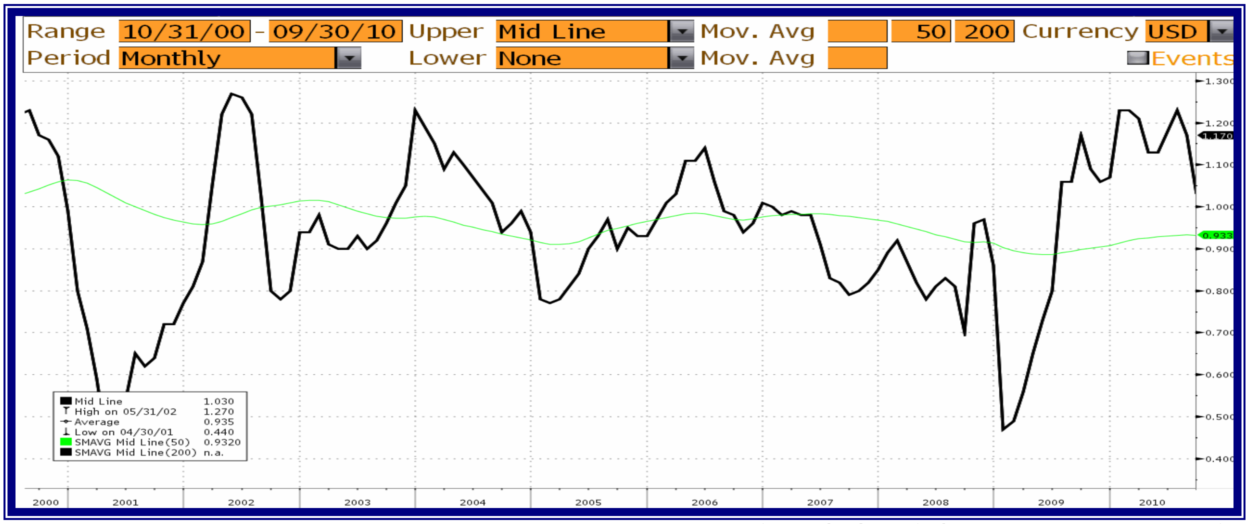


Source: Goldman Sachs Research

2. The companies referred to include: SBA Communications, Crown Castle, Citrix, WMware, Salesforce.com, Success Factors, Inc., Taleo, Limelight Networks.

EXHIBIT VIII

SEMICONDUCTOR BOOK to BILL RATIO

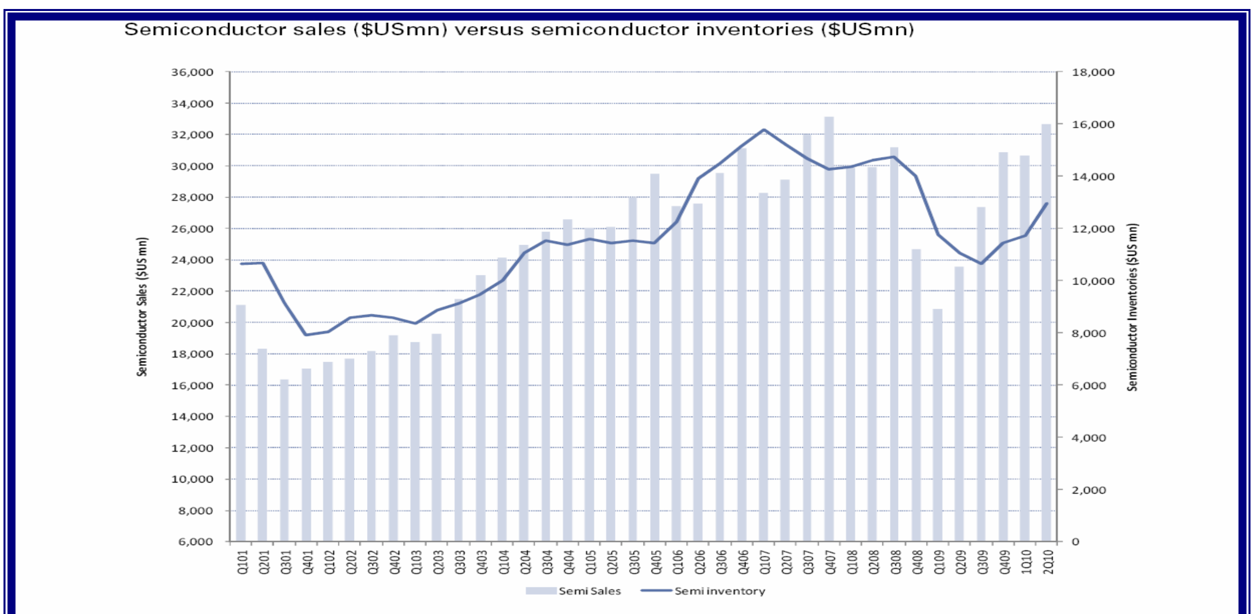


Source: Bloomberg and Altman Investment Management Research.

Typically, after excess supply is built up during an uptrend in the semi sector segment, a correction is due to follow. When the book to bill ratio exceeds 1, demand is outstripping supply and generally is a bullish indicator. The recent slid in the book to bill ratio from 1.2 to current levels does not yet indicate that the market is extended.

EXHIBIT IX

SEMICONDUCTOR SALES vs. SEMICONDUCTOR INVENTORIES

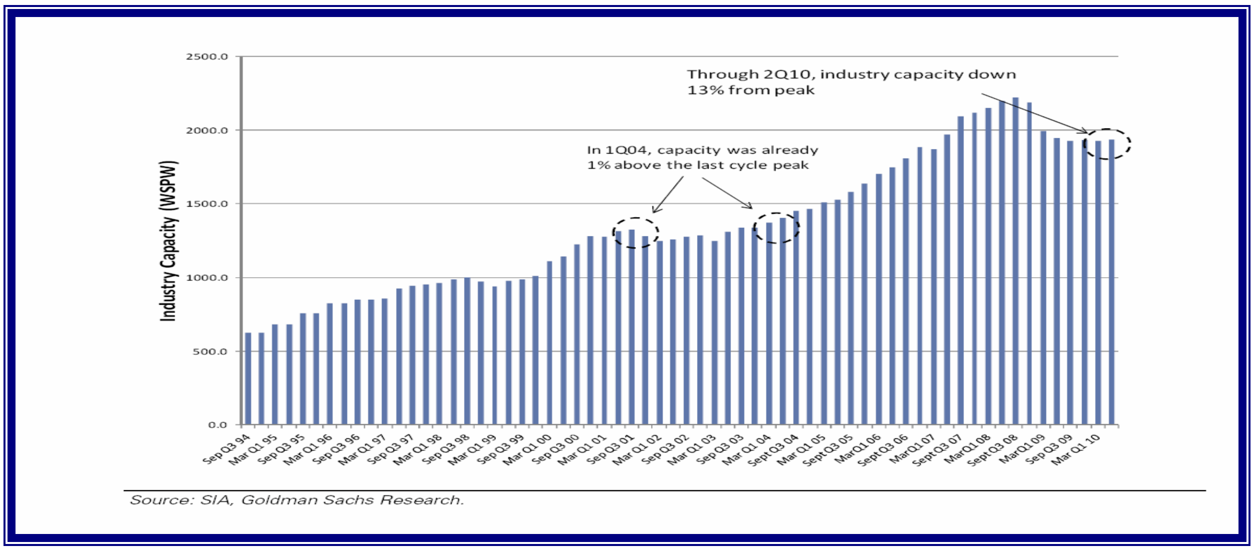


Source: Goldman Sachs Research estimates.

The semi conductor unit shipment trends are also not indicating a correction is imminent. Additionally, revenue growth has been outpacing inventory growth since bottoming in 2009, not only in the semi industry but in most of the other technology sub sectors as well**.** Moreover, the overall level of inventories is well below peak levels achieved in 2008. Exhibit X illustrates that industry wafer capacity, down 13% from prior peak levels, is also not indicating the semi market is headed for a correction at this time. Exhibit IX shows that semiconductor revenue growth has outpaced inventory growth off the cycle bottom. September Semiconductor revenues were up +15.5% month over month, but still below the 10-year average of +24.0% month over month. September quarter posted a +6.5% versus the second quarter and a gain of +20.8% versus the year over year comparison. Overall shipments were also up nicely +13.2% versus results a year ago.

EXHIBIT X

SEMICONDUCTOR INDUSTRY CAPACITY



According to Barclays industry analyst, inventory levels have moved up again for semis with inventory dollar levels still below the cycle highs seen in 2H08 (though still ~9% below 1Q07 peak) and days of inventory are broadly in line with the 5 year average at 73 days. They have concluded that the inventory restocking process appears largely complete in most segments with some areas such as Microprocessors in the process of trying in 4Q10 to work back down from more elevated 3Q10 levels. In communications, Cisco's higher inventory levels (+15% quarter over quarter) just highlighted the rapid transition from shortages to modest overbuild in some segments. Most of the semi vendors that have reported results so far have described the supply chain as now operating near normalized levels with previously extended lead times being quickly worked lower and approaching more traditional levels.

Total semi inventories increased 6.8% quarter to quarter in the third quarter in dollars, though, as we pointed out earlier, inventories still remain roughly 9% below the first quarter of 2007 peak levels. Days of inventory are up modestly at 73 vs. 72 prior and slightly above the 5 Yr average level of 72 days. In general, while distributor inventories moved up again quickly in the third quarter (+13% quarter over quarter), but when considering the broad component inventory levels most segments remain at reasonable levels.

Specifically on Applied Materials (AMAT), NAND or next generation flash memory technology is driven by the growth in tablet demand. AMAT's bill of materials is 60% higher in iPad vs. Netbook. Goldman Sachs expects NAND capital expenditures to double in 2011. In the third quarter of 2010 earnings call, management stated they expect NAND to be just shy of 20% of orders. AMAT also stands to benefit from increased logic and chip foundry (outsourcing).

The cyclical bias weighing on shares of Hewlett Packard (HPQ) in 2010 was intensified by the scandal in August surrounding HPQ's then CEO, Mark Hurd. It is our view that the pricing of HPQ shares is inefficient and a buying opportunity exists for those investors with a longer term time horizon.

Despite Microsoft (MSFT) gains footing in the mobile device market with smart phone and tablet technology, investors have remained on the sidelines over the past several quarters. Its Windows 7 phone is due for release this month. Since Apple's iPhone and Google's Android are already established, we may not see the Windows version gain traction until 2011. MSFT is also in a very good position to be a leader in cloud computing with their Windows Azure Platform. They are just behind VMware in a list of companies gaining share of IT spending dollars according to a recent Goldman Sachs survey.

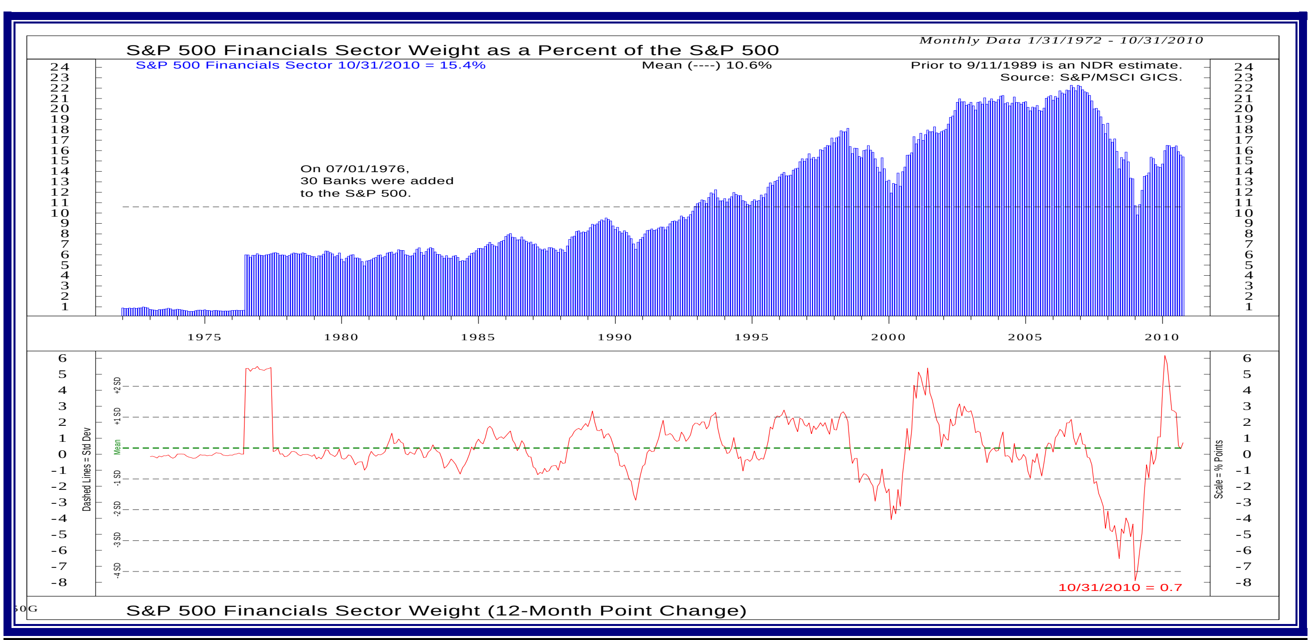
CREDIT MARKETS

"Is It Too Early to Overweight the Cyclical Banking Recovery in this Post Recession Period: A closer look at Bank of America"

Our current exposure in the financials (See Exhibit XI for the current S&P 500 sector weight) hindered performance results during the quarter, as investors focused on put-backs that overshadowed the banks core earnings potential. This was despite reporting third quarter earnings results ahead of expectations. As a good example of investor sentiment, our most recent purchase in Bank of America (with core EPS of $0.30 ex. reserve release), was pushed under yet another cloud of uncertainty on fears of elevated private label put-backs(PLS), particularly those of several large investors who were trying to force the bank to repurchase $47 billion of these PLS. We recognize that there are still a large number of unknowns in assessing the ultimate liability from put-backs, but have concluded that the decline in the company's share price has more than offset the worst case scenario. We are using as our base-case analysis that losses from mortgage put backs is around $11 billion versus a total market capital loss of $17 billion since the issue has come into focus.

EXHIBIT XI

FINANCIALS AS % OF THE S&P 500



Source: Ned Davis Research

Importantly, we believe that put-back costs will be spread over a number of years, making this issue more of an earnings versus a capital issue. As we update aggregate loss estimates, we conclude that total losses could reach around $25 billion (with $6 billion from GSEs, $3.5 billion from monolines, and $15 billion from private label investors). However this number has already been partially offset by $7.1 billion of losses which has either been provisioned for or charged off to date. Tax affecting the loss reduces the amount to about $11 billion.

We calculated total private label losses to include municipal bond insurance, covered by third parties (monoline wraps). We pegged these insurance losses at just under $20 billion. While investors are focusing on the $450 billion of exposure to whole loan/PLS, almost half of the exposure is in prime jumbo loans, which should experience lower loss severity and hence lower potential put-back risk. While the remaining exposure is potentially susceptible to repurchase requests, we believe losses will remain manageable. The bottom line is that we continue to like BAC shares that are now trading at less than 7X our 2011 EPS estimate of $1.66. And, after reporting core EPS (ex. reserve releases) of $0.30 in 3Q, the stock is trading at less than 10X its current earnings run-rate. While the put-back issue is expected to remain a headwind in the near term, we believe the recent move represents implied losses well above our current estimates. While we recognize the uncertainty over the final impact, we believe that the market is more than discounting significant risk.

This Is Not 2008. The market is concerned that the cost of mortgage-related representations and warranties will be as large and disruptive to the banking system and economy as the mark-to-market losses and plummeting asset prices were in 2008/09. We take issue with these conclusions in that potential losses are much lower. We estimate mortgage representations and warranties will cost large and mid-cap banks approximately $55 billion in total, with $17 billion already expensed and $38 billion still to go. This is much lower than the $416 billion in losses recognized by the banking and brokerage industry in 2008. Additionally, we expect banks will recognize remaining reps and warranties and foreclosure costs over the next 2-4 years, not over 12 months. While mortgage reps and warranties will persist and foreclosure costs will likely rise, concerns that we are heading into another 2008/09 period are inaccurate, in our view.

Reps and warranties have already been a part of the earnings run rate for the past 2-3 years and are embedded in our forward estimates. Foreclosure costs could rise but would have a small impact on the money center banks (a 5% decrease in servicing income lowers EPS 1% for JPM, WFC and BAC). A 10% increase in housing net charge-offs lowers EPS by 2-5%.

We have modeled the bullish and bearish case in our estimates for mortgage reps and warranties for financial investments, and would be happy to furnish these models to our investors upon request. We worked through the issues with Goldman Sachs Research and believe that in the base case total losses for the industry will approximate $105 billion, with an $87–164 billion bull/bear range. For the large and mid-cap banks, estimates of $55 billion total base case with $49-79 billion bull/bear range seem reasonable. Given that an estimated $17 billion has already been expensed, we believe the universe of banks according to Goldman Sachs has another $38 billion in expenses to go. The vast majority of this $38 billion is already in our EPS estimates.

Earnings announcements have helped investors to see the light at the end of the tunnel, as managements discuss credit improvements and provide clarity on mortgage reps, warranties and foreclosures. With respect to Bank of America, we estimate that $20 billion in losses from reps and warranties have pushed the bank further through the liability (we estimate ~19% has been written down). The $16.9 billion in remaining losses are embedded in our earnings assumptions. We expect this coming quarter and the next to be big quarters for BAC in terms of mortgage banking revenues, with large gains on sales, which the bank can use to write off the losses. In terms of valuation, BAC stock looks attractive in terms of tangible book relative to estimate ROE in 2012.

Although Bank of America and Wells Fargo are the large-cap banks with the largest exposure to mortgage-related losses, relative to their earnings power, we don't believe any potential downgrades in credit ratings should have a material adverse impact on the share prices at this juncture.

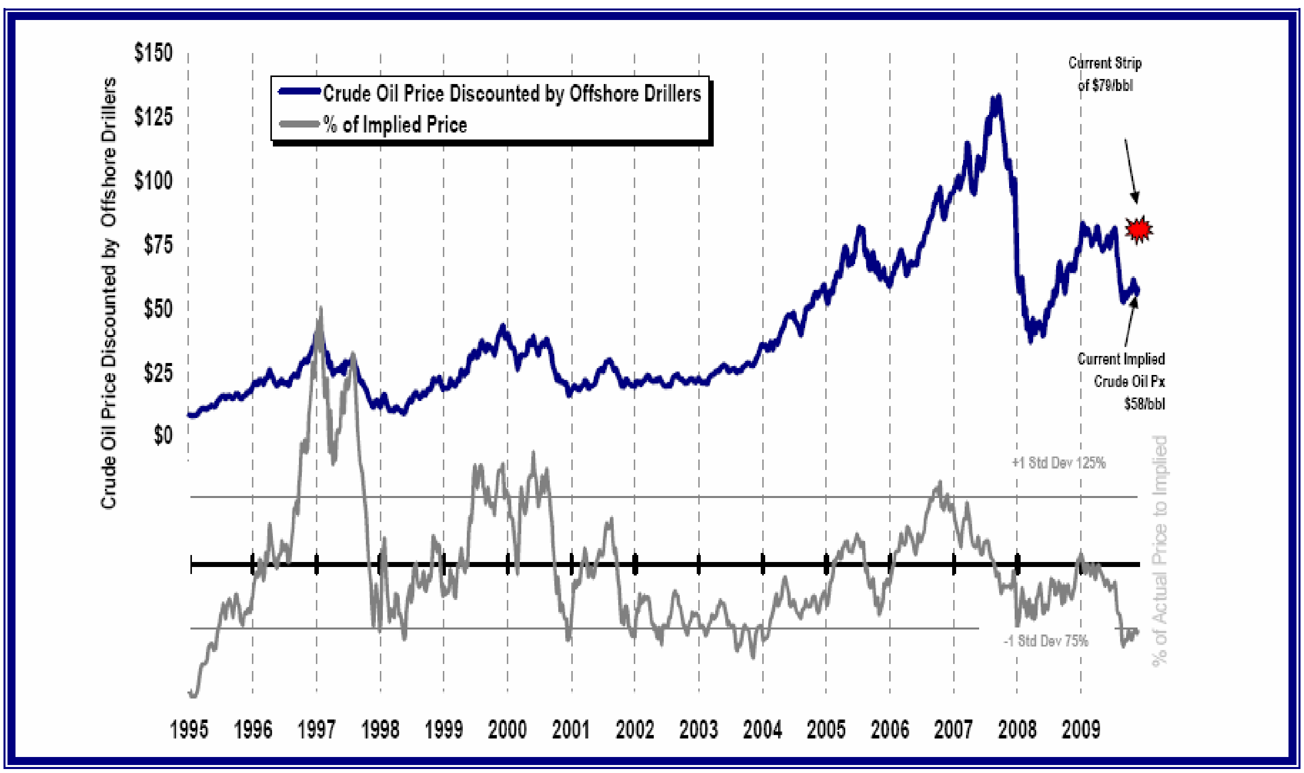
◆ *ENERGY*

"Does Our Over-weighted Energy Exposure still Warrant Offshore Drilling Exposure?"

In mid-October, the Obama Administration lifted the deepwater drilling moratorium which left 33 deepwater rigs idle in the Gulf of Mexico. Going forward, tougher standards will be imposed on everything from blowout preventers (BOPs) to employee training. Companies will also be required to develop more comprehensive risk management plans throughout their entire drilling process. Now that the ban has been lifted, in order to proceed with drilling, new permits must be granted. Therefore we are expecting that it may take a few months before we see the resumption in offshore drilling activity.

Since the Macondo well explosion in April 2010, crude oil is down -2% vs. Transocean (RIG) down -31%. The offshore drilling group as a whole is discounting much lower crude oil prices in the area of $63 a barrel. As the uncertainties surrounding new procedures and equipment regulations moderate with increased clarity, we believe shares of offshore oil drillers will trade more in line with oil prices above $75. The gap is closing. Offshore drillers are now discounting crude oil at $63 up from $58 in September.

EXHIBIT XII



Source: Howard Weil Research September 2010.

In the absence of company disclosure, Howard Weil released its own estimates on the impact of higher RAM (design) requirements for blow out preventers (BOPs). Of RIG's 13 rigs in the Gulf of Mexico, 7 are already operating with 6 RAM configurations. A move to this 6 RAM mandate would impact RIG's cash flow by 1-8%.

At its current valuation, RIG earns a very favorable equity score of 11 (a high number on our proprietary screen). In our view, the risk/reward to owning shares of RIG is skewed to the upside. However, part of our strategy in the composite portfolio over the last few months has been to lower the portfolio beta and raise the yield. The near term headwinds from drilling resumption timetables, the uncertainty of new regulatory mandates, and headline risk specific to RIG regarding its ultimate liability in the Macondo rig disaster, led us to our decision to hold shares rather than to add to our position.

UTILITIES

"A Low Interest Rate Environment Focuses Attention on the Utility Sector"

In early September, we initiated a position in Edison International (EIX) bringing our composite weight in the Utility sector from a modest market underweight (-.75) to a slight overweight (+1.26). This purchase was made to enhance our portfolio yield and lower its beta.

During the first calendar quarter of 2010, utility stocks as a whole (as represented by the Standard & Poors Utility sector) posted earnings growth of 4.1% as compared to 53.1% for the overall market. Additionally, utilities posted actual aggregate earnings that beat consensus estimates by only 5.6% versus a 13.8% beat for the overall market.

In the second calendar quarter of 2010, conditions began to improve for the Utility sector which posted earnings growth of 8.2% with actual aggregate earnings beating consensus estimates by 7.4%. The out-performance of the Utility sector beginning in the second quarter of this year reflected this positive trend in earnings. The increase in utility usage was due in part to warmer summer temperatures and also rising industrial demand. As the economy continues to recover, increasing industrial demand should support growth among the Utility sector.

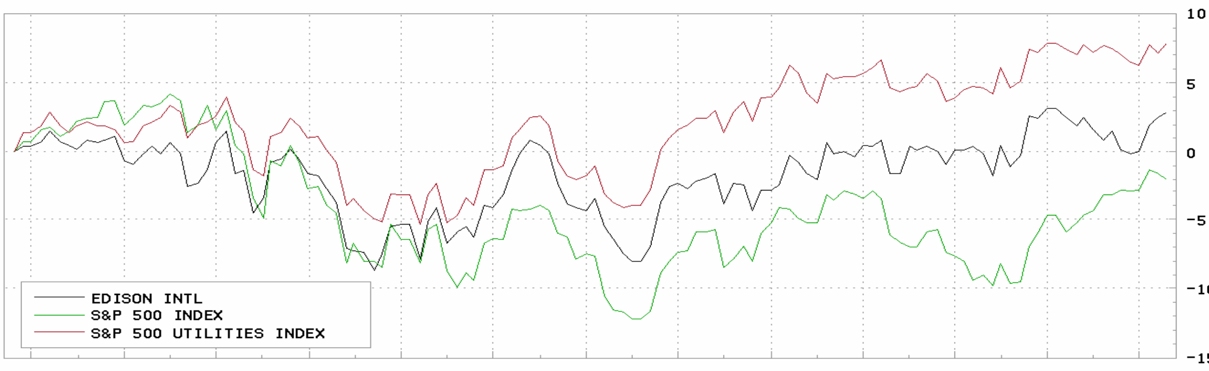
EXHIBIT XIII

EDISON INTERNATIONAL
RELATIVE PRICE PERFORMANCE VERSUS PEER UNIVERSE

Range 3/31/10 - 9/22/10 Period D Daily 175 Day Period

Securities	Crncy	Prc Appr	Total Ret	Difference	Annual Eq
1 EIX US Equity	USD	1.87 %	2.85 %	4.90 %	6.05 %
2 SPX Index	USD	-3.01 %	-2.05 %		-4.23 %
3 S5UTIL Index	USD	5.59 %	7.87 %	9.92 %	17.11 %

(* = No dividends or coupons)



Source: Bloomberg

We expect the Utility sector to experience less volatility than the market due to its relatively higher dividends, strong cash flow generation, and low multiples. Utility companies are heavy borrowers and are beneficiaries of this current low interest rate environment. With respect to Edison International, the company stands to benefit from higher authorized ROE levels and higher rate bases. Additionally, demand decoupling is working to elevate the economic risks associated with more efficient energy.

EXHIBIT XIV

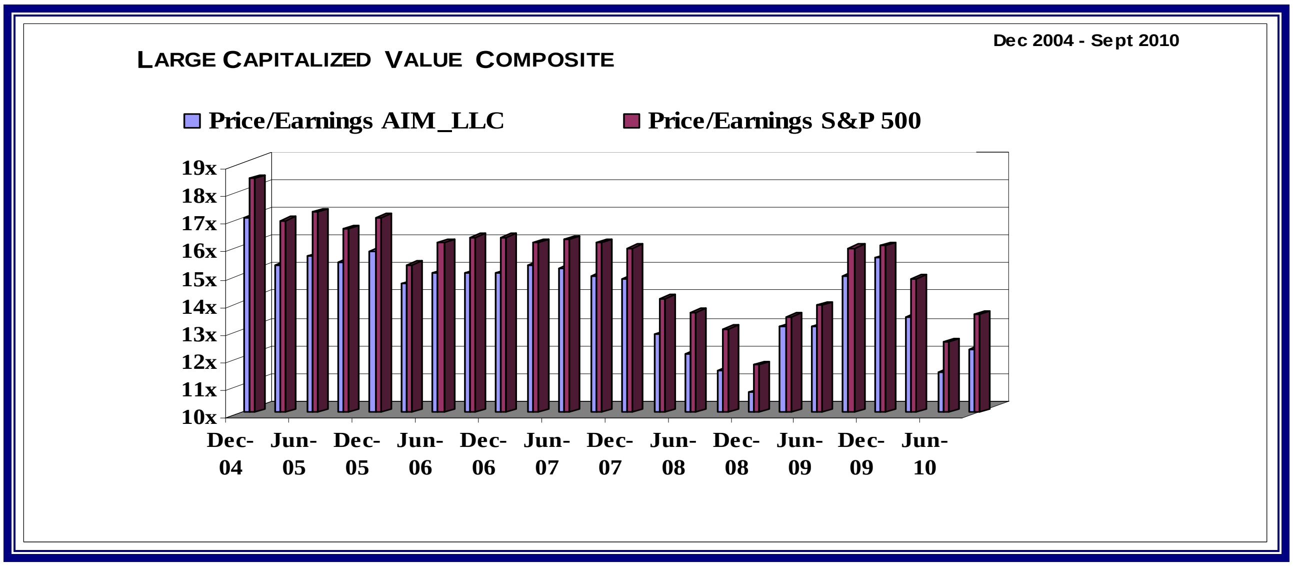


EXHIBIT XV

AGGREGATE PORTFOLIO ANALYSIS

ALTMAN INVESTMENT MANAGEMENT

AIM PORTFOLIO CHARACTERISTICS

As of September 30, 2010

	Value Equity	S&P 500
# of Holdings	47 stocks	500 stocks
Portfolio Beta	1.06	1.00
Wtd. Avg. Price to Book	1.69x	2.12x
Wtd. Avg. Price-Earnings (Current)	12.26x	13.5x
Wtd. Avg. Price-Earnings (FY1)	10.56x	11.94x
Wtd. Avg. Price/Sales Latest 4 Qtrs	1.08x	1.16x
Wtd. Avg. Dividend Yield	2.6%	2.0%
Price to Cash Flow	5.95x	6.6x
Market Cap.	$71.8 Billion	$81.8 Billion
Ten Largest Holdings (% total)	34%	--
Approx. Portfolio Turnover	30%-40% per annum	--
Maximum Cash Position	10%	--

Sources: AIM, LLC and S&P 500 characteristics are utilizing a Bloomberg as of September 30, 2010 for weighted average book value, price/earnings, price/cash flow, and price/sales figures.

1