

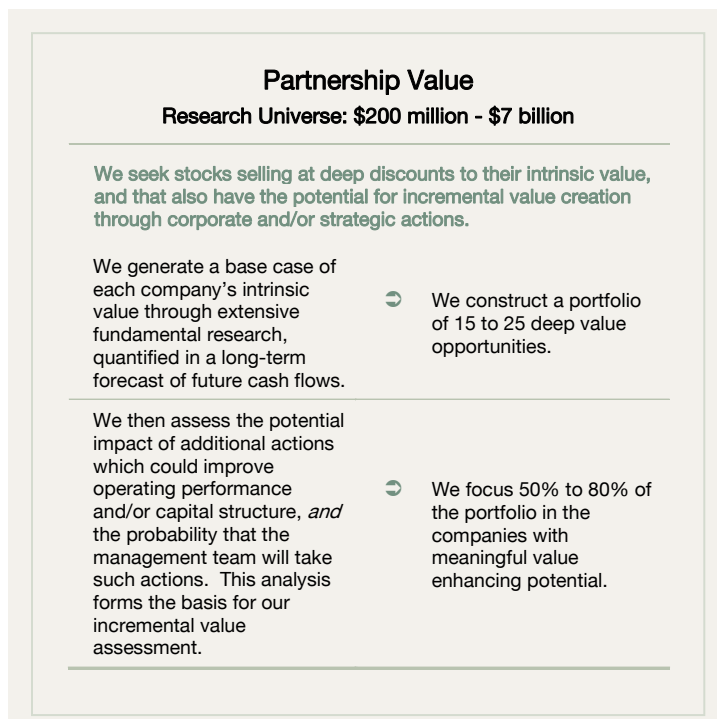
First Quarter 2007 Investment Update

We are pleased to say that our performance track records for Small-Cap Value and SMID-Cap Value reached the one-year mark at the end of March. Investing, of course, is a long-term venture, but hitting the one-year mark is none-the-less an important milestone. We closed out the 12-month period with strong absolute returns this quarter, reinforcing our commitment to original fundamental research. At least as important, our investment team has been managing portfolios together for many years now, consistently applying our disciplined value approach. This history together and our experience with similar investment mandates have led to new business. This quarter we were hired for a Small-Cap Value and a SMID-Cap Value assignment, bringing assets under management to \$458 million.

We began managing a Small-Cap Value account for the Teachers' Retirement System of the State of Illinois (TRS) at the end of February. We view this as a very important assignment because TRS hired us through their Emerging Manager Program. Emerging manager programs have progressed in recent years, recognizing the broadened return opportunities that newer firms offer to institutional investors' portfolios. As a result, many plans have established a comprehensive due diligence system specifically designed for managers in the early stages of their development.

We also went through a very thorough due diligence process with Harbor Capital Advisors, Inc. In February, following many months of research, Harbor chose us to subadvise their new Harbor SMID Value Fund, which is currently in registration. Harbor offers an attractive product concept – single manager subadvised funds – and has assembled a top-tier group of sub-advisors; we are proud to be included with this distinguished group.

In addition to our Small-Cap Value and SMID-Cap Value portfolios, we have been managing a more concentrated portfolio – Partnership Value. Our objective in this portfolio is to identify companies with both attractive value investment attributes and potential catalysts for incremental value creation (e.g., corporate and strategic actions such as recapitalizations, divestitures, and asset redeployments). Through our relationships with company management, we often identify opportunities for additional return enhancement. The insights we gain from these relationships, combined with our on-going research, allows us to concentrate the portfolio in the opportunities which, we believe, have the highest return potential. Further, as a well-informed, long-term shareholder we may attempt to influence value creation by working constructively and collaboratively with management and the board. The portfolio typically comprises 15 – 25 investments, the top 10 accounting for 50% – 80%.



Portfolio Overview

Performance*	1Q2007	Six Months	One Year
Small Cap Value	7.5%	17.3%	5.7%
SMID-Cap Value	8.8	17.9	18.5
Partnership Value	5.4	15.9	n/a
S&P 500	0.6	7.4	11.8
Russell 2000®	1.9	11.0	5.9

*Periods ending March 31, 2007; Net of fees

Material developments related to our portfolio holdings this quarter centered around Lear Corp., which announced that it agreed to a buyout offer from Carl Icahn at a price we believe significantly undervalues its long term earnings power; Beckman Coulter, Inc., which announced its intention to acquire a diagnostic products maker at a price we think is much too high; and PXRE Group Ltd., which announced a merger agreement that makes sense for both buyer and seller. Below we have provided a more detailed account of these events and their impact on our thinking about these investments going forward. We have also discussed our investments in two title insurers whose stock prices have been affected by reactions to news related to the recent housing market downturn.

Lear Corporation – LEA

On February 5, Carl Icahn, through his American Real Estate Partners LP (AREP), announced a \$36 per share buyout offer for Lear. On February 9, a special committee of Lear's board announced that it was in shareholders' best interests to accept the bid, which included a break-up fee of \$85 million - \$100 million. Our estimate of fair value is significantly higher, based on normalized earnings power of approximately \$4 per share. LEA is a dominant player in seating, holding approximately 40% market share in North America and has recently undertaken a series of restructuring efforts to improve earnings, including divesting its interiors business. Growth overseas, particularly in Asia should offer LEA the opportunity for additional earnings growth. Management believes that an offer valued at 9.0x forecasted 2007 core operating earnings is fair, but fails to acknowledge that the core operating earnings forecast is about 30% below normal. In our opinion the Icahn bid significantly undervalues the business and we have undertaken steps to protect our rights as shareholders. We have shown our analysis of the company to other potential bidders, communicated our point of view to both management and members of the board, and have had conversations with the proxy voting firm Institutional Shareholder Services in an effort to achieve a majority vote against the offer. Clearly, we are not alone; interestingly, at least seven court actions have been filed, seeking to block the deal on the basis that it undervalues the company. We intend to vote against the deal, and we encourage other shareholders to do the same.

Beckman Coulter, Inc. – BEC

In late March, portfolio company Beckman Coulter, which makes products for biomedical testing, announced its intention to buy Biosite Inc. (BSTE) to expand its presence in the market for the diagnosis and assessment of heart failure. The price, at about \$1.55 billion – or \$85 per share – represents a significant (53.5%) premium to Biosite's previous day close, and, we believe, is too high. The \$480 million premium puts BSTE at 4.8x book, 4.0x sales, 36.0x earnings. BEC trades at 3.4x book, 1.9x sales, 20.0x earnings. Company management pointed to opportunities to enhance BSTE's earnings through distribution synergies, as well as the company's pipeline of new tests, to justify the acquisition. However, the synergies required to earn back the premium seem to be a stretch. BEC believes the deal will be additive to earnings in 2008, but the earnings accretion is the result of the use of low-cost debt to finance the acquisition, which could have been used instead to buy back BEC stock. Our investment thesis in early 2006 suggested that BEC, with its strong market positions in each of its operating segments, had solid organic growth prospects which were hidden by a change in the company's revenue recognition procedure – switching from capital to operating leases – which had the effect of reducing top-line revenue growth. We also expected, and have seen, improved reported financial results in the second half of 2006 as BEC passed the one-year anniversary of its lease transition. Revenue rose 6.4% year over year in the third quarter and 8.6% in the fourth; reported earnings were strong. We are dismayed to find the BEC management team squandering the fruits of its operational success with such a poor capital allocation decision. Not surprisingly, similar market sentiment pushed the company's share price down. As an example of how we think about these types of events, oftentimes when a stock we already own declines, we will buy more, provided our opinion of the company's earnings power has not changed. In this case, however, BEC was already trading near our estimate of fair value, which we revised downward based on this deal. As a result, we have sold the stock.

PXRE Group Ltd. – PXT

PXRE is a reinsurance company that we purchased after losses resulting from 2005's hurricane season devastated the company's balance sheet. Subsequent rating agency downgrades prevented the company from writing any new premiums. As a result, PXT had two alternatives – proceed to full liquidation, or be acquired. In our initial assessment, we believed that the company's newly bolstered reserves provided significant coverage against future claims, and the high cancellation rate of the company's in-force business would limit exposure to further catastrophe losses. Consequently, we began purchasing PXT at 63% of book value in February 2006. In mid-March, PXT announced it will merge with insurance underwriter Argonaut. We sold PXT at the end of the quarter at a value approximating 80% of book value.

The First American Corporation – FAF
Stewart Information Services Corp. – STC

First American and Stewart are both financial services firms focused on title insurance and real estate information services. Title insurance protects a home buyer against the risk that someone else may have ownership rights to the property. Helped by the fact that homeowners must have title insurance in order for banks to sell mortgage loans to the likes of Fannie Mae and Freddie Mac, it is purchased by nearly every home buyer. Business was especially strong for these companies in recent years, as low interest rates drove strong home sales and high levels of mortgage refinancing. Our buying opportunity came when both companies' share prices were impacted by expectations that higher interest rates and the cyclical downturn in the housing market would likely reduce margins and impair profitability. While a slowdown in property sales has had an impact on near-term profits, normalized earnings power is strong. Title insurance is an industry characterized by significant barriers to entry based on the fixed cost economies of scale achieved in maintaining local title plants, and where the top five competitors control 92% of the market. We believe that both FAF and STC will not only benefit from long-term growth in homeownership, but continued investments in technology. FAF, for example, has established itself as a leading provider of real estate information services to financial institutions and real estate agencies, including property tax monitoring, mortgage loan analytics, real estate appraisals, and flood zone certifications. Due to the high fixed cost leverage and low capital intensity nature of these products, we believe the growing contribution of the information services business will help improve corporate returns.

Portfolio Characteristics

	Small-Cap Value	SMID-Cap Value	Partnership Value
P/E (ex. negative earnings)	20.0x	17.1x	18.2x
P/B	1.7x	1.8x	1.6x
Dividend Yield	1.5%	1.9%	1.2%
Wtd. Avg. Market Cap. (mm)	\$1,354	\$3,845	\$1,669

Disclosures:

- 1. The Small-Cap Value, SMID-Cap Value and Partnership Value composites comprise discretionary accounts with no material investment restrictions. Net of fee performance results reflect the deduction of advisory fees and brokerage commissions. The results also include the reinvestment of all interest, dividends and capital gains and were computed on a trade date (as opposed to settlement date) basis. Accounts that are open and fully invested for one full month are added to the composite at the beginning of the following month. Weighted performance measures the average performance of all portfolios in the composite weighted by size. The performance returns reflect the deduction of fees according to the applicable investment advisory fee schedule. Performance results for individual accounts vary due to the timing of investments, additions/withdrawals, length of relationship, fee schedule and size of positions, among other reasons. Past performance is no guarantee of future results. All investments involve risk including the loss of principal. The performance and volatility of an index may be materially different from that of a client's account. In addition, a client's holdings may differ significantly from the securities that comprise an index. The indexes have not been selected to represent an appropriate benchmark to compare the advisor's performance, but rather are disclosed to allow for comparison of the advisor's performance to that of a well-known and widely recognized index.*
- 2. The securities discussed above were holdings during the quarter ended March 31, 2007. The stocks we elect to highlight each quarter will not always be the highest performing stocks in the portfolio, but rather will have had some reported news or event (e.g. new contract, acquisition/divestiture, financing/refinancing, revenue or earnings, changes to management, plant strike, product recall, court ruling, etc.) of significance. They do not represent all of the securities purchased, sold or recommended by the advisor, and the reader should not assume that investments in the securities identified and discussed were or will be profitable. All information is provided for informational purposes only and should not be deemed a recommendation to buy the securities mentioned.*
- 3. The clients noted above represent newly acquired accounts during the quarter which have given us permission to disclose the use of their name and the investment mandate.*
- 4. All information provided in this presentation is for informational purposes only and should not be deemed as a recommendation to buy or sell the securities mentioned. We believe this is a balanced presentation of the performance of the portfolio, including a general summary of certain investments effected by the services that have both over and under performed the expectations of our portfolio managers. Past performance is not necessarily indicative of future results. Evercore Asset Management closely monitors the securities held in the portfolios. If a company's underlying fundamentals or valuation measures change, Evercore Asset Management will reevaluate its position and may sell part or all of its holdings.*