

Q2 2010 INVESTMENT NEWS



INVESTMENT COMMENTARY

The second quarter of 2010 turned out to be “give-back” time after a big bull run off of the market low in March of 2009. The popular averages fell approximately 12% in what proved to be the most difficult quarter since the height of the financial crisis in late 2008. During market corrections, nearly all news is interpreted as bad news, and there was plenty of it. From the fiscal calamities in Europe, the BP oil mess, fears of a slowdown in China and declining US consumer confidence, there were plenty of excuses to sell stocks. Interestingly though, earnings estimates for the second quarter have been creeping higher prior to their release. We will see if the recent sell-off is an overreaction based on fear as opposed to economic fundamentals as earnings and guidance are released in the coming weeks.

FRANTZEN GROWTH & INCOME – Once again, the portfolio experienced relatively low turn-over as a majority of the holdings held up well in the difficult quarter. We added B&G Foods (BGS) for essentially two reasons. First and foremost, this company possesses the growth rates, valuation and dividend characteristics that we demand. Secondly, as a producer of shelf-stable food products, the stock adds a measure of defensiveness should the economy falter in its attempt at recovery. One of our long-held existing positions, Ship Finance International (SFL) performed well enough to lead us to increase our exposure to the oil and natural gas tanker market as we entered the third quarter. As such, we have taken a position in Teekay Tankers (TNK), which recently raised its dividend.

FRANTZEN SMALL CAP GROWTH – Last quarter we noted that “consumer discretionary stocks ruled the roost in our small cap portfolio”. Surprisingly, despite sluggish (if any) job growth and slackening consumer confidence, these stocks once again outperformed the overall market in Q2.

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PERFORMANCE HIGHLIGHTS

FRANTZEN GROWTH & INCOME			
	Gross	Net	Russell 3000 Growth
Q2 10	-4.63 %	-4.88 %	-11.32 %
YTD	1.93 %	1.42 %	-6.05 %
1 Year	25.98 %	24.45 %	13.95 %
3 Year	-6.43 %	-7.85 %	-6.97 %
5 Year	3.68 %	2.08 %	0.44 %
Inception*	7.11 %	5.41 %	0.93 %
FRANTZEN LARGE CAP GROWTH			
	Gross	Net	Russell 1000 Growth
Q2 10	-14.28 %	-14.62 %	-11.74 %
YTD	-11.60 %	-12.29 %	-7.65 %
1 Year	8.94 %	7.20 %	13.62 %
3 Year	-11.53 %	-12.99 %	-6.91 %
5 Year	-2.06 %	-3.58 %	0.38 %
Inception ^{††}	2.15 %	0.77 %	-4.86 %
FRANTZEN SMALL CAP GROWTH			
	Gross	Net	Russell 2000 Growth
Q2 10	-7.90 %	-8.18 %	-9.22 %
YTD	-0.48 %	-0.95 %	-2.31 %
1 Year	13.35 %	12.49 %	17.96 %
3 Year	-14.43 %	-15.34 %	-7.54 %
5 Year	-3.72 %	-4.99 %	-1.14 %
Inception [†]	10.91 %	9.31 %	8.25 %



Aeropostale (ARO) and Jos. A Bank (JOSB) led the way in apparel retailing and rural-oriented Tractor Supply (TSCO) had a particularly notable performance. After the quarter ended, Tractor Supply raised its forward guidance and PriceSmart (PSMT) reported quarterly earnings ahead of expectations. PriceSmart is an American-based operator of a fast growing chain of Costco-style membership clubs in Latin America and the Caribbean. Late in the second quarter we added St. Petersburg, Florida-based HSN (HSNI), commonly known as Home Shopping Network, to our stable of retailers.

FRANTZEN LARGE CAP GROWTH – Our decision to increase our exposure to the media provider industry in the first quarter proved to be a value preservation proposition in the second quarter. As a group, these stocks, Cablevision Systems (CVC), DirecTV (DTV), News Corp (NWS) and Time Warner Cable (TWC) were flat to up slightly in what was certainly a difficult market environment for large cap stocks. Perhaps the perceived defensive nature of this group came into play as TV and Internet are considered vital services by consumers. We note, however, that media stocks outperformed the overall market after the last two recessions, so it would appear that there is an offensive component to this group as customers upgrade their services during better times. Also, one of our long-term holdings, Apple (AAPL), was boosted by a successful launch of both the iPad and the iPhone 4.

INVESTMENT STRATEGY SUMMARY

Strategy	Frantzen Small Cap Growth	Frantzen Large Cap Growth	Frantzen Growth & Income
Objective	Capital Appreciation Through Small Cap Growth Equities	Capital Appreciation Through Large Cap Growth Equities	Capital Appreciation Through Growth & Income Equities
Benchmark	Russell 2000 Growth	Russell 1000 Growth	Russell 3000 Growth
Investable Universe	Capitalizations of > \$250 mm and < \$2.5B	Capitalizations > \$10B	All Capitalizations
Holdings	30-40	30-40	25-35
Inception Date	January 31, 2003	April 30, 2000	March 31, 2004

*Frantzen Growth & Income invests in equity securities of all market capitalization and is measured against the Russell 3000 Growth Index. The Russell 3000 Growth Index measures the performance of the broad growth segment of the U.S. equity universe. It includes those Russell 3000 companies with higher price-to-book ratios and higher forecasted growth values. *Inception Date: March 31, 2004. Since inception results shown for Frantzen Growth & Income and Russell 3000 Growth Index represent the period of April 1, 2004 through June 30, 2010. Net of fee results shown are calculated based on actual fees charged to clients.*

*Frantzen Large Cap Growth invests in large cap growth oriented equity securities with market capitalizations greater than \$10 billion at the time of purchase and is measured against the Russell 1000 Growth Index. The Russell 1000 Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. *Inception date: April 30, 2000. Since inception results shown for Frantzen Large Cap Growth and Russell 1000 Growth Index represent the period from May 1, 2000 through June 30, 2010. Net of fee results shown are calculated based on actual fees charged to clients.*

*Frantzen Small Cap Growth invests in small cap growth oriented equity securities with market capitalizations between \$250 million and \$2.5 billion at the time of purchase and is measured against the Russell 2000 Growth Index. The Russell 2000 Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price to value ratios and higher forecasted growth values. *Inception Date: January 31, 2003. Since inception results shown for Frantzen Small Cap Growth and Russell 2000 Growth Index represent the period from February 1, 2003 through June 30, 2010. Net of fee results shown are calculated based on actual fees charged to clients.*

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3. The U.S. Dollar is the currency used to express performance. Returns are presented gross and net of fees and include the reinvestment of all income.
4. This is not a recommendation to buy or sell securities. Past performance is not indicative of future results.

To request more information, a fully compliant presentation, and/or a list of all firm composites, you may contact us at info@frantzencapital.com, or by calling us at (866)-844-9199.

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