

November 14, 2010

NARUC/UMAP

The Investment Case for Emerging Managers

Changing the Face of the Investment Management Industrysm



Progress Presenter:

Johnita W. Mizelle

Head of Corporate, Endowment & Foundation Sales

PROGRESS INVESTMENT
MANAGEMENT COMPANY

A Snapshot View of Progress

Mission

We craft innovative alpha strategies by discovering, developing, combining and empowering dynamic teams of highly skilled investment professionals to deliver excellence for all stakeholders.

Vision

To be the company most known for "Changing the Face of the Investment Management Industry"

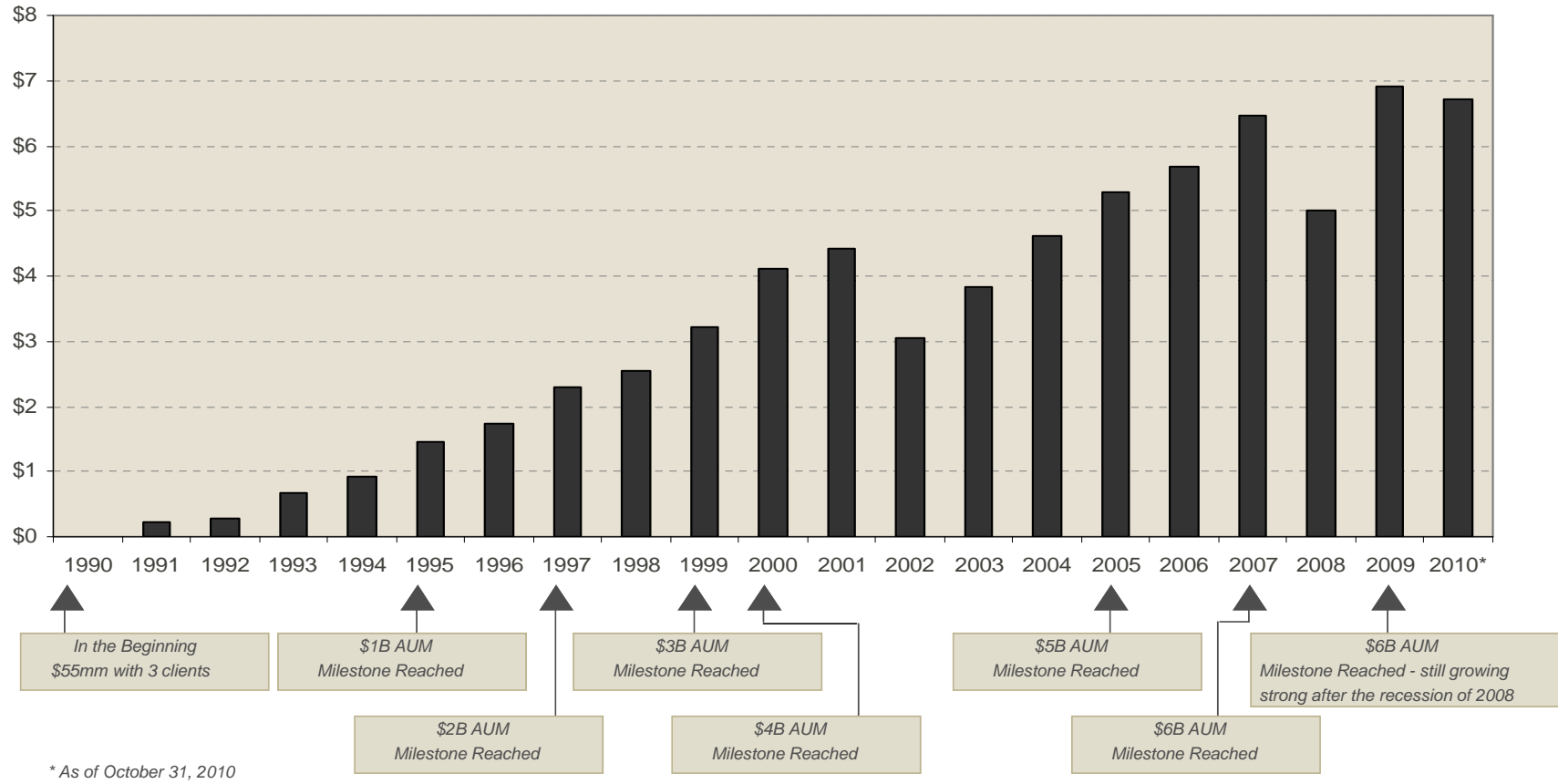
Values

Excellence
Integrity
Leadership
Diversity
Teamwork

- Independent, 100% employee-owned MBE-certified registered investment adviser with \$6.9 billion in AUM as of October 31, 2010
- Pioneer and leading manager of emerging managers
- What differentiates our firm and will benefit our clients:
 - **Culture:** Bold Vision for "change", empowerment and inclusion. Value-centric leadership model to set high performance expectations.
 - **Depth and Breadth of Experience:** 20 years 7 different asset classes, customized client investment models, hired/fired over 125 emerging managers and graduated 33 managers to direct hire assignments.
 - **Organizational Scale and Resources:** Intellectual capital, research, diligence, systems and analytic tools, client reporting and monitoring oversight to manage multiple mandates on behalf of our clients.
 - **Knowledge Advantage:** Manager diligence and selection. Portfolio construction and risk management. Manager assistance to mitigate emerging manager business and investment risks/empower managers.
 - **Consultative and Adaptive to Broad Range of Client Needs:** Extension of staff and responsive high touch service. Knowledgeable of various public policy requirements and environments.
 - **Alpha Focus:** Fiduciary mindset. Performance matters.
 - **Non-Investment Alpha:** Thought leader. Share "best practices" with all stakeholders: clients, managers, consultants and MWBE brokers.
 - **People:** Experienced and committed employee/owners.

Progress' Assets Under Management Growth Since Inception

Year-End Assets Under Management (in \$ Billions)



The Investment Case for Emerging Managers

Characteristics / Fundamentals

- Small, entrepreneurial and independent firms promote return, not fee, driven cultures and decisions
- Alignment of personal, professional and economic interests
- Absence of bureaucracy allows them to move quickly
- New Products

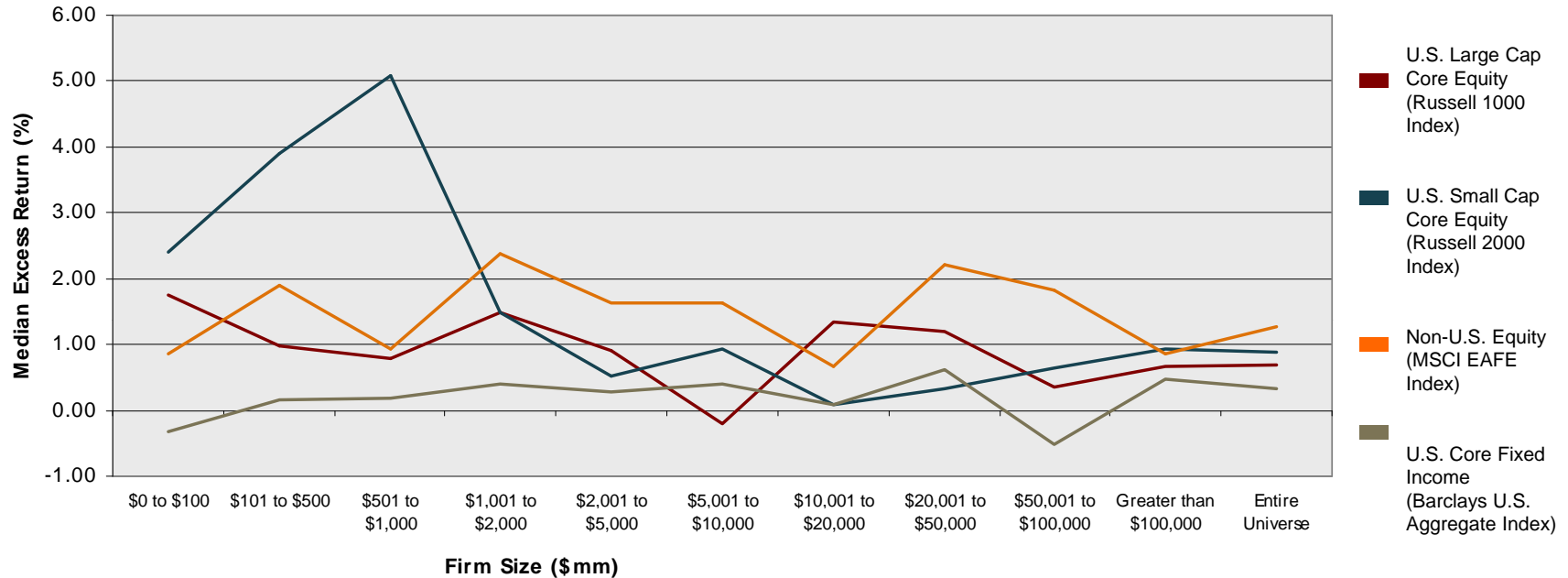
Performance Advantage

- Greater returns for early stage investors: Research indicates that younger funds outperform older funds by 250 to 400 bps (annualized)
- Smaller firms have demonstrated a performance advantage during both bull and bear periods
- Limiting opportunity set to large firms can eliminate as much as 40% of top quintile performers
- Trading and Liquidity Advantage: Smaller positions allow emerging managers to trade efficiently and with less market impact
- Capacity Advantage

The Value of Manager Diversity by Firm Size

The Passion and Conviction that Comes with Size:

eVestment Alliance Universe Median Excess Return by Firm Size 7 Years Annualized through Period Ending December 31, 2009.



Median Excess Return	\$0 to \$100	\$101 to \$500	\$501 to \$1,000	\$1,001 to \$2,000	\$2,001 to \$5,000	\$5,001 to \$10,000	\$10,001 to \$20,000	\$20,001 to \$50,000	\$50,001 to \$100,000	Greater than \$100,000	Entire Universe
U.S. Large Cap Core Equity	1.74	0.98	0.78	1.49	0.90	-0.21	1.35	1.19	0.34	0.67	0.70
U.S. Small Cap Core Equity	2.41	3.89	5.09	1.49	0.52	0.94	0.09	0.32	0.63	0.93	0.88
Non-U.S. Equity	0.86	1.90	0.94	2.37	1.64	1.63	0.66	2.20	1.82	0.85	1.26
U.S. Core Fixed Income	-0.33	0.15	0.18	0.41	0.29	0.41	0.08	0.62	-0.51	0.48	0.32

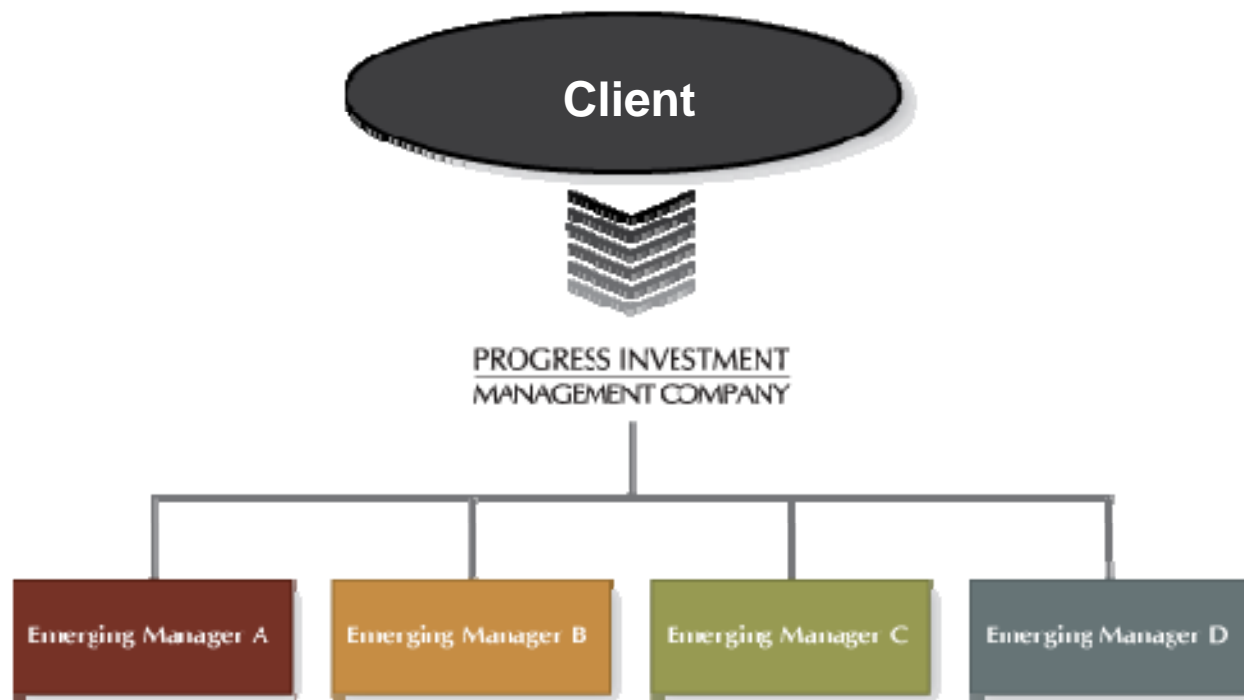
Disclaimer: Progress Investment Management Company, LLC has prepared this report incorporating information provided by eVestmentAlliance, a third-party market data source. Although Progress believes this information to be reliable, it cannot be held responsible for inaccuracies in such third-party data or the data supplied to the third-party by the participating investment managers. Progress cannot and does not make any claim as to the accuracy of this analysis.

Source: Peer ranking data was run as of 5-19-10 using period ending 12-31-09 using eVestment Alliance eASE Analytics System.

Our Role as an Emerging Manager-of-Managers

- Identify the best, most talented and promising emerging investment management firms—many of whom are owned by minorities, women, or persons with disabilities—in the industry today, focusing on smaller firms that are often excluded from direct hire consideration;
- Construct a portfolio based on a client's larger asset allocation, using prudent processes and high fiduciary standards, and actively manage and monitor the portfolio with the policy objectives and program goals in mind;
- Provide hands-on manager assistance in order to develop graduation-ready candidates (annually) and over time, develop a pool of managers who have demonstrated a capacity to become viable, long-term partners for our clients;
- Create an “evergreen” platform, giving new firms the opportunity to participate in the spaces vacated by the graduated firms; and
- Assist clients in implementing and complying with the legislation requirements related to emerging manager and brokering participation and inclusion
- Be ever focused on the two measures of a successful program: excess alpha generation and successful graduates; we have built our business by demonstrating that these two things are not mutually exclusive.

The Manager of Managers Structure | Diversification Through a Single Point of Contact



- Enhance risk-adjusted returns
- Manage tracking error
- Reduce monitoring load
- Mitigate business risk
- Streamline hiring and firing
- Provide business assistance and coaching

Our Role as an Advocate & Source of Information



PROGRESS INVESTMENT
MANAGEMENT COMPANY

Celebrating 20 Years of Emerging Manager Excellence

EM

EMERGING MANAGERS

Investment Leadership Defined

FOR A NEW ERA

Plan Sponsor and Emerging Manager Conference

Alpha-Generation | Product Innovation | Culture | Risk Management | Compliance | Ethics
| Operations | Strategy Execution | Strategic Relationship Management | Human Capital |
World-Class Client Service | Client-Centric Product Development | Marketing & Distribution

Save the Date:

November 21-23, 2010 | Four Seasons Resort and Club Dallas at Las Colinas, Irving, Texas

How We Define Success



Disclosure

The analysis provided is property of Progress Investment Management Company, LLC and is not for distribution without prior permission. Best efforts were made in the interpretation, illustration, and presentation of the findings. Progress does not guarantee complete accuracy of this report.