



CORNERSTONE
CAPITAL MANAGEMENT, INC.

Large Cap Growth Strategy Review June 30, 2009

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This presentation book contains verbal descriptions, charts, and diagrams intended to describe the investment process used at Cornerstone Capital Management, Inc. The descriptions, charts, and diagrams contained herein are intended to describe how the investment process works in most circumstances. Nothing herein should be interpreted as applying to every situation. In fact, Cornerstone reserves the right to modify its team or process as it deems appropriate to protect and grow the assets of its clients.

Second Quarter 2009 Investment Review



Andrew S. Wyatt
Chief Executive Officer

My career in investment management is now 23 years old, and over that period I have learned that a successful investment management firm must have four things: People, Philosophy, Process, and Performance. I believe if you get the first three right, the fourth will follow. Over the last three years since Tom Kamp and I decided to transform Cornerstone into a world class investment management firm, all four Ps have come together nicely. Year to date through June 30, 2009, our portfolios are up approximately 19.9%. This performance is 831 bps ahead of the Russell 1000 Growth Index (RLG), our primary benchmark and 1,673 bps ahead of the S&P500 Index.

Our people, our philosophy and our process have combined to produce strong outperformance. In addition those results have created a level of activity unlike I have ever experienced. Over the last quarter we have seen the interest level of plan sponsors and the consultant community increase significantly with a steady stream of prospective clients visiting us to meet with and to interview our team.

We have also seen steadily increasing cash flows into our own Keystone Large Cap Growth fund, which will celebrate its third anniversary on 8/7/09. This fund has now grown to over \$100 million in assets and has recently been placed onto several platforms making it even more accessible to investors.

Finally, our large cap growth client list has grown to include three major public funds, two Fortune 125 companies and four major platforms.

Tom Kamp's Investment Perspective and Outlook, "V-Factor Trading", on the following pages highlights one of Cornerstone's key differentiators and one of the reasons why we have done so well over the last nine months. This provides confidence that we will continue to outperform in the uncertain days ahead.

Thank you for your confidence in us. If there is any way we can serve you I hope you will not hesitate to contact us.

Sincerely,

Andy Wyatt

Investment Perspective and Outlook (July 2009)



*Thomas G. Kamp, CFA
President, Chief
Investment Officer*

“V-Factor Trading”

In each of the last two quarterly reports, we stated that “the opportunity for profit in the period ahead seems particularly large for those of us who are investing in the equity market”. While many of our peers were moving defensively last fall, we kept our focus on individual stock selection and concentrated the portfolio into the best opportunities we could find. We positioned the portfolio aggressively into the market bottom. This allowed us to significantly outperform the market indices and our peer group as the market has climbed.

Year to date through June 30, 2009, our portfolios are up approximately 19.9%. This performance is 831 bps ahead of the Russell 1000 Growth Index (RLG), our primary benchmark and 1,673 bps ahead of the S&P500 Index.

As many of you know, Cornerstone manages a mutual fund which is invested similarly to our institutional separately managed accounts. From the low NAV that our mutual fund, the Keystone Large Cap Growth Fund[®] (“KLGAX”), reached on November 20, 2008 through June 30, the fund is up 46.24% , net of fees and has outperformed the unmanaged RLG and S&P500 Indices by 1,313 bps and 2,196 bps, respectively. In the next few paragraphs, I will describe some of the things we have done to account for this strong performance and how we have the portfolio positioned today.

Cornerstone’s investment style is correctly categorized as “US Large Cap Growth” in that our investment performance over time tracks most closely with large cap growth indices such as the Russell 1000 Growth Index. Our clients know that we are best described as “short term contrarians within the context of being long term fundamental investors.” We are stock pickers based on intensive research of industry and company specific fundamentals within the macro-economic framework we are in. However, we are short term contrarians in that we actively trade around a core position. We use short term bits of bad news to aggressively buy into weakness, concentrating the portfolio into a smaller number of names with larger position sizes, assuming the long term fundamentals have not changed or have changed less than the prices offered in the market. In doing so, we reduce the correlation (the R^2) with the rest of the market and increase the volatility (the Beta, β). We do the opposite in periods of strength when the market or a given stock moves ahead of the long term fundamentals. In this manner, we build risk into the portfolio during periods of anxiety and take risk out during periods of euphoria. We call this active trading methodology “V-Factor trading”.

Investment Perspective and Outlook (July 2009)

During the recent housing and credit crisis which reached a crescendo last November, the long term fundamentals certainly declined. Stock prices, however, declined even more than the long term fundamentals due to fears of a widening financial crisis. This was evident in stock prices that traded well below the value of a given firm's assets. Since we did not know where the market would bottom, we positioned the portfolio (as a general rule) with companies that were generating strong cash flows and were not facing a liquidity pinch. We concentrated the portfolio into just 38 names by the time the market found a bottom. The top 25 names represented 80% of the portfolio; the top 10 represented 43%. The β of the portfolio rose to 1.21. (Contrast these numbers with the 65 names I owned for my clients at the market peak in March of 2000 and a portfolio β of 1.02 – almost index-like and the lowest in my career!)

The disconnect between prices and long term value last November was greatest in financial stocks. Consequently, we had 9% in financial stocks vs. just 4% in the Index. If MasterCard and Western Union (which are classified in the technology sector, but could reasonably be called financial stocks) and a position in Wells Fargo (acquired in the first quarter of 2009) were included, we had nearly 17% of the portfolio in financial stocks!

Based on our fundamental research, we believed that Goldman Sachs, Intercontinental Exchange, and Wells Fargo would survive the downturn with manageable, if any, dilution and would dominate their industries in the aftermath of the crisis. We concentrated into these names and others like them where the stock prices had disconnected from the fundamentals. As the stocks rallied sharply, we significantly paired back our positions, removing risk from the portfolio.

We found many attractive stocks within the Technology sector due to the record 7+% free cash flow yield of the sector overall vs. the market at a 5% FCF yield. As a result, the technology sector became our largest sector weight at over 35% (but again, that includes MA and WU). Qualcomm, Corning, and Apple Computer have been significant contributors to our outperformance.

This active trading around core positions and the concentration of the portfolio into periods of weakness significantly aided performance in the last 7 months, just as it has in prior significant downturns. As the market has moved higher, we have trimmed back some of the aggressiveness in general and exposure to financial stocks in particular, in order to prepare for what could be a choppy summer trading environment.

Outlook

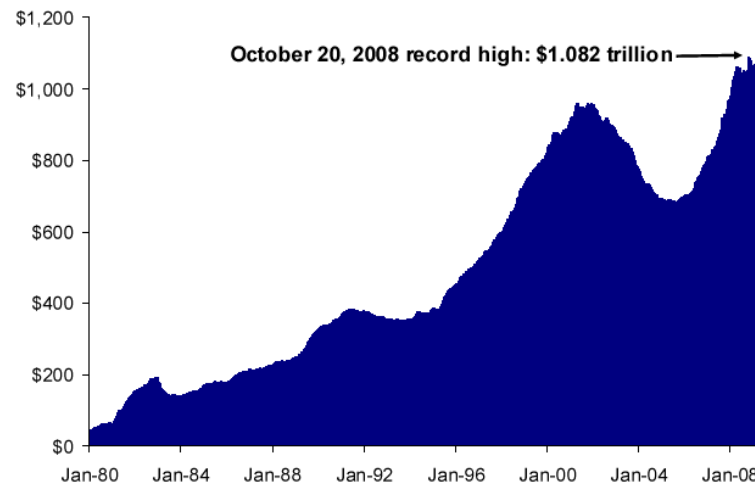
The economy is entering a long work out phase where consumer expenditures and industrial production will start to grow again, but off of very depressed levels. The consumer credit contraction of over \$2 trillion will have long lasting effects on everything from consumer electronic purchases to major purchases such as autos and home improvement. Consumers will live more simply and save for years in order to rebuild their balance sheets. Wage inflation should be quite contained due to the high unemployment rate. However, minimum wage rate changes, proposed card check legislation, and new healthcare mandates could cause employment costs to climb. Industrial production at 65% of capacity is at a 60 year low. Consequently, we do not expect finished goods price inflation for some time. On the positive side, companies have cut costs such that significant operating leverage should be present with any rebound in demand.

Investment Perspective and Outlook (July 2009)

Unlike in the past 50 years when easy credit allowed US consumers to be the engine of global growth, we believe that the global economic recovery in the next few quarters will be led by demand from developing nations. A rise in commodity prices, which will benefit resource rich developing countries, will allow these countries to further invest in their infrastructure, broadening their middle class. Demand for consumer electronics, industrial equipment, and entertainment will lead the recovery. Most of our investments are beneficiaries of this theme.

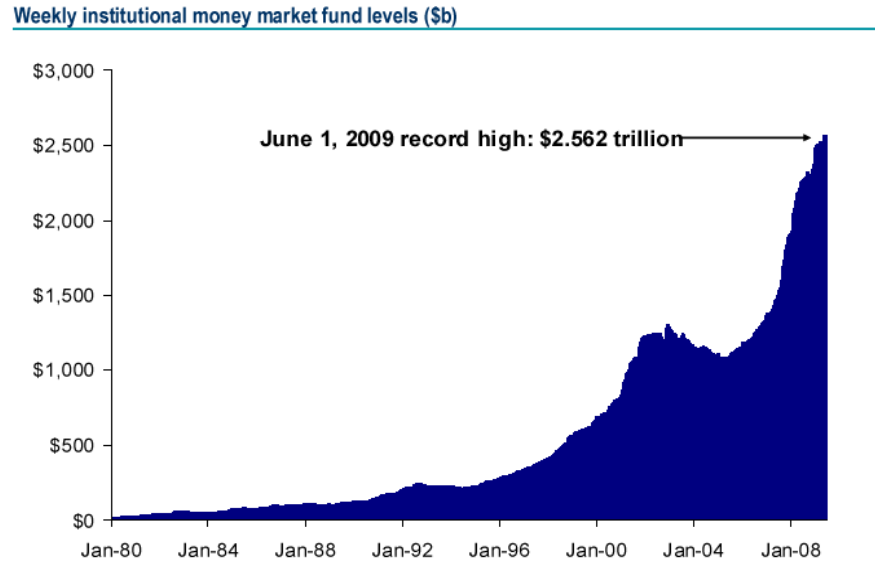
Money market fund data continues to show extreme risk/aversion with total money market funds at a record high of \$3.55 trillion as of June 1. While retail investors have begun to come back into the market since their portion of money market funds peaked last October, institutional money market funds are at record levels of \$2.56 trillion. We don't think investors will be content with sub 1% yields. Consequently, these assets will find their way back into the equity market before long.

Weekly retail money market fund levels (\$b)



Source: Banc of America Securities-Merrill Lynch Market Analysis, Federal Reserve

Investment Perspective and Outlook (April 2009)



Source: Banc of America Securities-Merrill Lynch Market Analysis, Federal Reserve

We have also maintained the barbell approach in our portfolio. At one extreme we have invested in large, industry dominant companies with large cash balances that are able to cut costs and weather what could be a very slow economic recovery (i.e. HPQ, TEVA, QCOM, SLB, ORCL, TGT, and ABB). At the other extreme, we have invested in some smaller, more volatile names that would benefit from a cyclical upturn in the economy. These names are generally more focused companies that dominate a particular segment of the market (i.e. AAPL, ADBE, UNP, GS, GES, HES, PM, HK, WU, NKE, ICE, FSLR). These companies also have their net income confirmed by strong cash flows.

We continue to believe that some of the companies in the portfolio are attractive acquisition targets. Like Schering Plough and Genentech earlier this year, other holdings in the portfolio have strong industry positions, exciting product pipelines, healthy cash flows, and a low enough valuation that they are attractive to potential acquirers. We expect industry consolidation to accelerate in the months ahead as management teams begin to sense some stability in order patterns and credit markets allow further capital additions.

Thank you for the confidence you have placed in us. Please call if you would like to discuss our active trading strategy further. We look forward to speaking with you.

Thomas G. Kamp
Chief Investment Officer

Attribution of Returns

Reconciliation of Returns <i>(Representative Account)</i> March 31, 2009 – June 30, 2009		
RLG Index Return*		16.32%
Sector Allocation Effect	0.54%	
Interaction Effect	0.38%	
<u>Security Selection Effect</u>	<u>0.81%</u>	
Excess Return (“Alpha”)		1.72%
Cornerstone Return <i>(Gross of Fees)</i>		18.05%

Attribution Source: FactSet

*Data Source: FactSet. Numbers may not add due to rounding or interaction effect. Slight differences are occasionally noted between this data source, used for attribution, and that data from Interactive Data Corp which is used for composite performance reporting. Such differences are generally less than 5 bps.

Sector Allocation Effect is the portion of portfolio excess return attributed to taking different sector bets from the benchmark. (If either the portfolio or the benchmark has no position in a given sector, allocation is the lone effect.) A sector's allocation effect equals the weight of the portfolio's sector minus the weight of the benchmark's sector times the total return of the benchmark sector minus the total return of the benchmark in aggregate.

Interaction Effect is the portion of the portfolio's excess return attributable to combining the allocation decisions with relative performance. This effect measures the strength of the manager's convictions. The Interaction Effect is the weight differential times the return differential. A sector's Interaction Effect equals the weight of the portfolio's sector minus the weight of the benchmark's sector times the total return of the portfolio's sector minus the total return of the benchmark's sector.

Security Selection Effect is the portion of portfolio excess return attributable to choosing different securities within sectors from the benchmark. A sector's Security Selection Effect equals the weight of the benchmark's sector multiplied by the total return of the portfolio's sector minus the total return of the benchmark's sector.

Attribution of Returns by Sector (03/31/09 to 06/30/09)

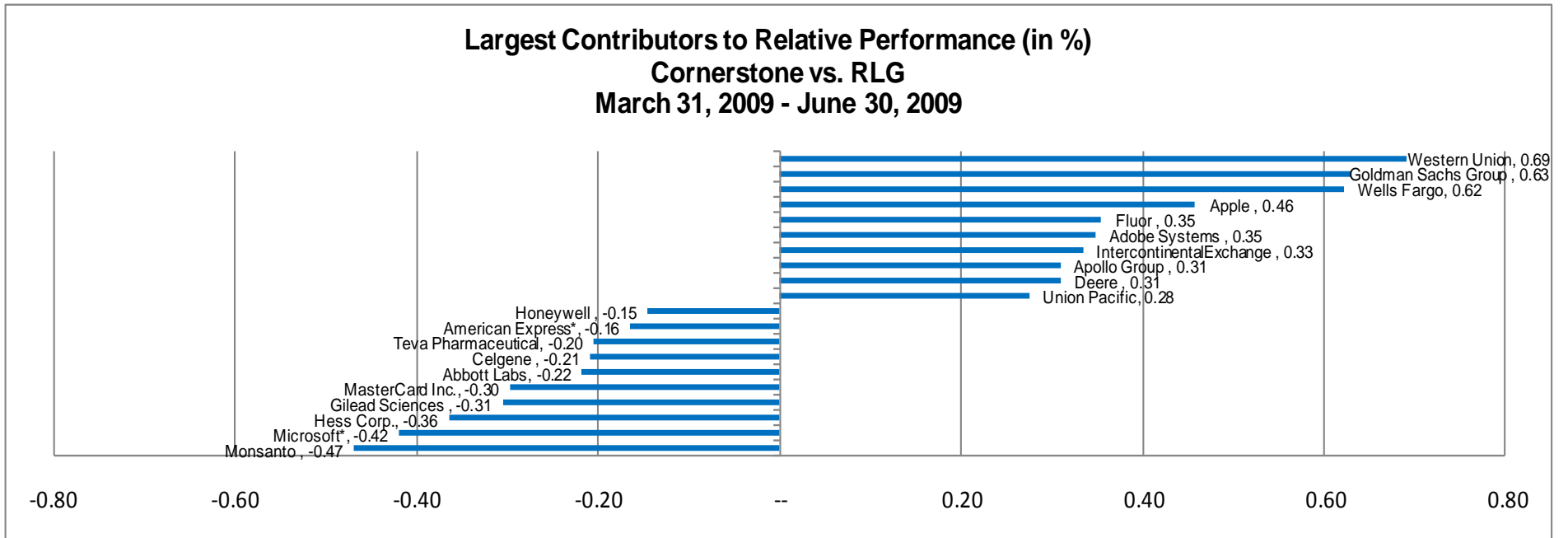
Cornerstone vs. RLG

<u>Sector</u>	<u>Sector Allocation Effect</u>	<u>Interaction Effect</u>	<u>Security Selection Effect</u>	<u>Total Effect</u>
Consumer - Discretionary	-.13	.02	.15	.04
Consumer – Staples	.50	.06	-.05	.51
Energy	.01	-.04	-.65	-.68
Financials	.44	.02	.57	1.03
Healthcare	.12	.08	-.35	-.15
Industrials	-.21	-.28	.92	.43
Information Technology	.16	.28	.98	1.42
Materials	.06	.17	-.65	-.42
Telecommunications Services	.00	.00	.00	.00
Utilities	-.04	.07	-.12	-.09
Cash	-.41	.00	.00	-.41
Total	0.54	0.38	0.81	1.72

Attribution Source: FactSet

Numbers may not add due to rounding or interaction effect. Slight differences are occasionally noted between this data source, used for attribution, and that data from Interactive Data Corp which is used for composite performance reporting.

Largest Contributors to Performance



* Not owned by Cornerstone Capital during this time period

Attribution of Returns

Reconciliation of Returns <i>(Representative Account)</i> December 31, 2008 – June 30, 2009		
RLG Index Return*		11.53%
Sector Allocation Effect	1.15%	
Interaction Effect	1.56%	
<u>Security Selection Effect</u>	<u>5.74%</u>	
Excess Return (“Alpha”)		8.62%
Cornerstone Return <i>(Gross of Fees)</i>		20.15%

Attribution Source: FactSet

*Data Source: FactSet. Numbers may not add due to rounding or interaction effect. Slight differences are occasionally noted between this data source, used for attribution, and that data from Interactive Data Corp which is used for composite performance reporting. Such differences are generally less than 5 bps.

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Attribution of Returns by Sector (12/31/08 to 06/30/09)

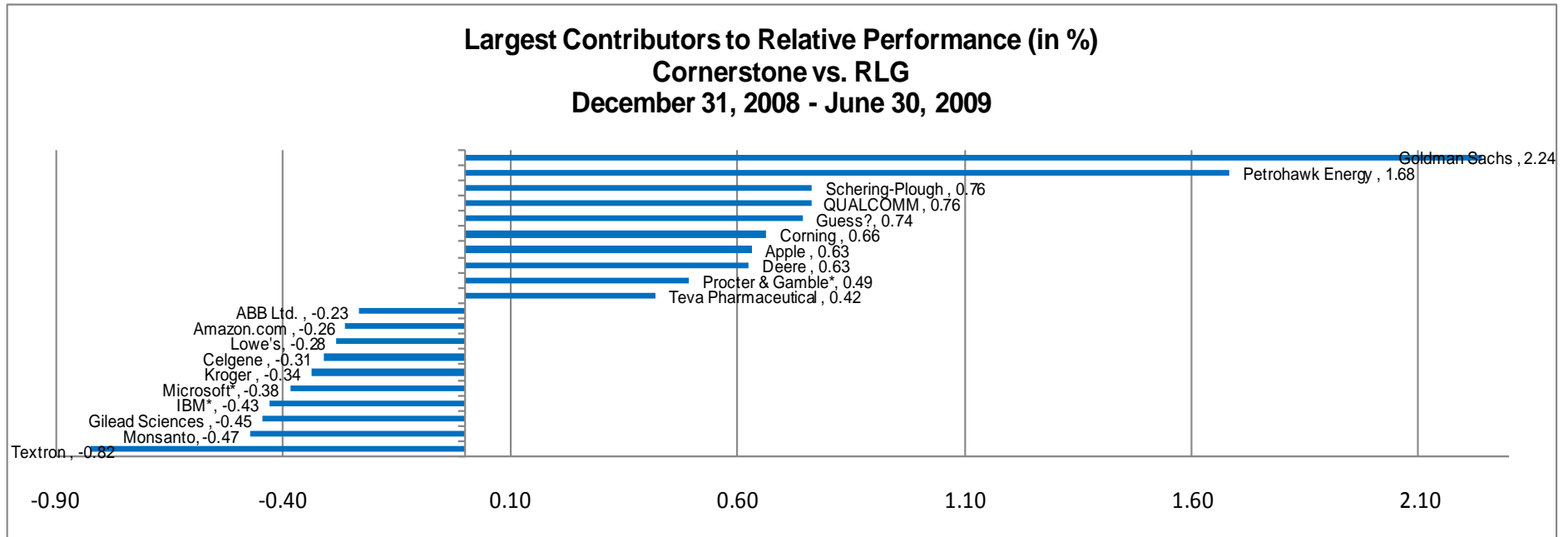
Cornerstone vs. RLG

<u>Sector</u>	<u>Sector Allocation Effect</u>	<u>Interaction Effect</u>	<u>Security Selection Effect</u>	<u>Total Effect</u>
Consumer - Discretionary	-.10	-.06	.48	.34
Consumer – Staples	.85	.10	-.40	.57
Energy	.20	.47	1.27	1.95
Financials	-.38	1.84	1.20	2.68
Healthcare	-.05	-.38	1.65	1.23
Industrials	.52	-.71	1.02	.85
Information Technology	.69	.24	.98	1.92
Materials	-.28	.14	-.72	-.85
Telecommunications Services	.00	.00	.00	.00
Utilities	-.01	-.08	.27	.19
Cash	-.22	.00	.00	-.22
Total	1.15	1.56	5.74	8.62

Attribution Source: FactSet

Numbers may not add due to rounding or interaction effect. Slight differences are occasionally noted between this data source, used for attribution, and that data from Interactive Data Corp which is used for composite performance reporting.

Largest Contributors to Performance



* Not owned by Cornerstone Capital during this time period

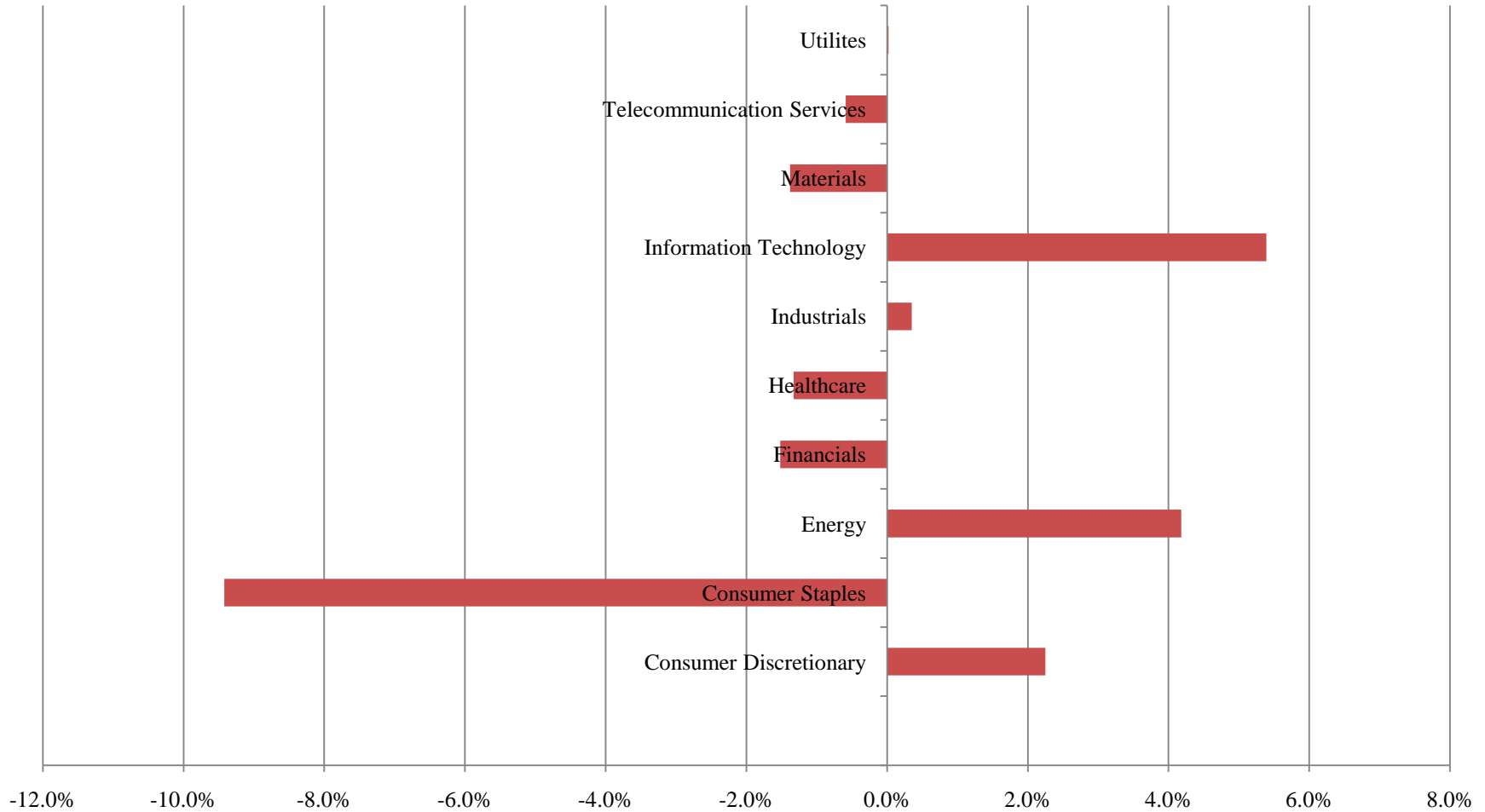
Portfolio Characteristics (As of 06/30/09)

	<u>Cornerstone</u>	<u>Russell1000 Growth</u>
EPS Growth Rates		
▪Long-term	13.66%	12.27%
P/E Ratio		
▪Trailing 4 Quarters	22.91x	18.75x
▪Forward 4 Quarters	18.26x	16.15x
PEG Ratio		
▪Trailing 4 Quarters	1.89x	1.63x
▪Forward 4 Quarters	2.21x	1.47x
Dividend Yield	1.06%	1.78%
Market Capitalization (weighted avg.)	\$47,084	\$65,139
Market Capitalization (median)	\$25,080	\$3,568
Number of Holdings	47	628

Source: FactSet, IBES, Reuters

Sector Weight vs. Russell 1000 Growth (As of 06/30/09)

Relative Weight



Current Holdings (As of 06/30/09)

Security	Pct Assets	Security	Pct Assets
CASH & EQUIVALENTS		HEALTH CARE	
Money Market Fund	2.0	Abbott Laboratories	2.8
		Celgene Corp.	3.9
CONSUMER – DISCRETIONARY		Gilead Sciences, Inc.	3.7
Amazon.com, Inc.	0.7	Medtronic, Inc.	1.6
Apollo Group, Inc.	2.2	Teva Pharm Inds Ltd.	<u>3.9</u>
Best Buy, Inc.	0.9		15.9
Disney Walt Holding Co.	1.5	INDUSTRIALS	
DreamWorks Animation SKG, Inc.	0.5	ABB Ltd.	1.4
Estee Lauder Companies	0.9	Fluor Corp	1.6
Guess? Inc.	0.6	Honeywell International, Inc.	1.9
Lowe's Cos.	1.4	Joy Global, Inc.	1.6
Nike, Inc.	1.7	Union Pacific Corp.	3.8
Scripps Networks Interactive, Inc. CI A	0.9	VistaPrint Ltd.	<u>0.5</u>
Target Corp.	2.0		10.7
Tractor Supply Co.	<u>0.2</u>	INFORMATION TECHNOLOGY	
	13.5	Adobe Systems, Inc.	5.0
CONSUMER– STAPLES		Apple Computer, Inc.	5.0
Colgate Palmolive Co.	0.6	Brocade Communication Systems, Inc.	1.9
Diageo PLC	1.6	Corning, Inc.	1.8
Philip Morris International, Inc.	2.3	First Solar, Inc.	1.2
Wal-Mart Stores, Inc.	<u>1.3</u>	Google, Inc. Class A	3.9
	5.8	Hewlett-Packard Co.	3.6
ENERGY		MasterCard, Inc. Class A	1.7
Hess Corp.	3.2	Oracle Corp.	2.1
Petrohawk Energy Corp.	2.2	Qualcomm, Inc.	4.2
Schlumberger Ltd.	<u>3.1</u>	Research In Motion Ltd.	1.7
	8.4	Salesforce.com, Inc.	1.4
FINANCIALS		Western Union Co.	<u>2.3</u>
Goldman Sachs Group, Inc.	3.1		35.8
Intercontinental Exchange, Inc.	<u>0.9</u>	UTILITIES	
	4.0	FPL Group, Inc.	<u>1.0</u>
MATERIALS			1.0
Monsanto Co.	<u>2.8</u>	TOTAL PORTFOLIO	100.0
	2.8		

Investment Results

Total Return As of 6/30/2009

	Q3'08	Q4 '08	Q1'09	Q2'09
Cornerstone Large Cap Growth	-18.29%	-20.80%	1.67%	17.88%
Russell 1000 Growth Index	-12.33%	-22.79%	-4.12%	16.32%
S&P 500 Index	-8.37%	-21.94%	-11.01%	15.93%

	2006**	2007	2008	YTD 2009
Cornerstone Large Cap Growth	5.62%	17.71%	-42.68%	19.85%
Russell 1000 Growth Index	7.36%	11.81%	-38.44%	11.54%
S&P 500 Index	12.50%	5.49%	-37.00%	3.16%

	Since Inception 02/28/06*	3 Years*	2 Years*	1 Year
Cornerstone Large Cap Growth	-4.62%	-3.73%	-13.80%	-22.44%
Russell 1000 Growth Index	-5.63%	-5.44%	-15.73%	-24.49%
S&P 500 Index	-7.49%	-8.22%	-19.93%	-26.21%

*Annualized

**Inception 2/28/06

Note: Performance is based on monthly data and includes all discretionary Large Cap Growth Equity accounts over \$1,000,000. The Inception date of this composite is 2/28/2006. The composite is calculated in U.S. \$'s. Performance is calculated on a time weighted, capitalization-weighted, trade date basis, reflects the reinvestment of dividends and other earnings, is shown net of any foreign withholding tax or trading expenses and gross of other expenses and investment management fees which approximate 0.85% on the first \$20 million invested, 0.60% on the next \$20 million, 0.45% on the next \$20 million, 0.37% on the next \$40 million, 0.30% on the next \$100 million and 0.25% thereafter. A client's actual return would be reduced by these advisor fees and other expenses that may be incurred in the management of their account. As of 06/30/09, this composite includes 14 portfolios with \$518 million in assets, which is approximately 86% of all assets under management (\$600MM) and 95% of all assets under management in this style. Composite dispersion is calculated using the equal-weighted standard deviation of all portfolios that were included in the composite for the entire year, and is 0.17% YTD*. Cornerstone is an autonomous investment firm. Cornerstone has prepared and presented all time periods of this report in compliance with the Global Investment Performance Standards (GIPS). A complete list and description of all composites is available upon request. Past results are not indicative of future performance.

1 Data Source: Interactive Data Corp

Tom Kamp Pre-Cornerstone Investment Results

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Tom Kamp	41.4%	28.2%	33.8%	53.8%	32.8%	-15.2%	-17.2%	-29.7%	25.0%	9.5%	16.0%
Russell Large Cap Growth	37.2%	23.1%	30.5%	38.7%	33.2%	-22.4%	-20.4%	-27.9%	29.8%	6.3%	5.3%
S & P 500	37.6%	23.0%	33.4%	28.6%	21.0%	-9.1%	-11.9%	-22.1%	28.7%	10.9%	4.9%

	11 Years	10 Years	9 Years	8 Years	7 Years	6 Years	5 Years	4 Years	3 Years	2 Years	1 Year
Tom Kamp	13.1%	10.6%	8.8%	6.1%	0.6%	-4.0%	-1.6%	2.8%	16.7%	12.7%	16.0%
Russell Large Cap Growth	9.2%	6.7%	5.1%	2.2%	-2.1%	-7.0%	-3.6%	1.2%	13.2%	5.8%	5.3%
S & P 500	11.4%	9.1%	7.6%	4.8%	1.8%	-1.1%	0.5%	3.9%	14.4%	7.9%	4.9%

Tom Kamp represents performance generated for the accounts within Thomas Kamp's composite from 1/1/1995 to 12/31/2005. Mr. Kamp's composite includes all fee-paying discretionary tax-exempt accounts with assets over \$10 million in US dollars. The composite includes the equity segment of balanced accounts. In these portfolios, the asset-allocation mix is generally determined by client guidelines and cash flows are allocated in accordance with these guidelines. Mr. Kamp was a senior member of the Alliance Capital US Large Cap Growth team and the performance represented herein was generated through the support of that team, its investment process and Alliance's growth equity research team. In addition to the assets included in the composite, Mr. Kamp managed a variety of mutual funds including the AllianceBernstein Large Cap Growth Fund, the Alliance Premier Institutional Fund, the AllianceBernstein Variable Products Fund, the ACMGI American Growth Portfolio (Luxembourg based), the ACM Funds, Inc. American Growth Fund (UK based), and the Alliance American Premier Growth Fund (Japan based).