



CORNERSTONE
CAPITAL MANAGEMENT, INC.

Large Cap Growth Strategy Review March 31, 2008

First Quarter 2008 Investment Review



*Andrew S. Wyatt
Chief Executive Officer*

I am pleased to present the Cornerstone's First Quarter Large Cap Growth Strategy Review. In a quarter that was the most difficult that capital markets have seen since the third quarter of 2001, our Large Cap Growth Composite was down 11.75% and the Russell 1000 Growth was down 10.18%. I am disappointed that we did not add alpha this quarter, but I am gratified that as I write this on April 18, 2008, the two stocks that caused the majority of our underperformance, Schering-Plough and Merck, have snapped back from their March 31, 2008 lows and are contributing positively to the portfolio once again. (Please see Tom Kamp's discussion of this in his Investment Perspective and Outlook in the Strategy Review.)

March 31, 2008 also marked the end of our Large Cap Growth Team's second full year and I am very pleased that over that period our composite has gained 4.35% annually compared to the Russell 1000 Growth Index 3.08%. I am very proud of Tom and his team. Our current portfolio characteristics, our sector exposure and our individual holdings lead me to believe we are positioned very positively as we look to the rest of this year.

As you read Tom's first quarter letter, you will get a strong sense of the effort that goes into our research process as well as gain insight into the underappreciated opportunities in some of our current holdings.

We currently have several significant institutional investors in their final stages of due diligence with us and have been included in several new searches started in the first quarter. We expect this to result in significant growth in assets under management this year. We believe this is the result of the strong results that our team has generated over the last two years, and the belief among many in the consulting community that Cornerstone has one of the most exciting stories in a long time.

Thank you for the confidence and trust you have placed in us, we look forward to speaking with you. If there is any way we can serve you, please don't hesitate to give us a call.

Sincerely,

Andrew S. Wyatt

Investment Perspective and Outlook (April 2008)



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

“Modest Decoupling”

Last quarter we wrote about the “Choppy Waters” that occur when large hurricanes are in the vicinity. While we have largely been correct in anticipating the size and location of the current financial storm, we have been surprised at how choppy the financial markets have been – even in areas far removed from the storm. We have been surprised by an 18% peak-to-trough pull back in the broad market (as measured by the S&P500 Index) from October’s high to March’s low.

The storm has grown in size such that Standard & Poor’s recently estimated that the ultimate financial sector losses could approach \$1 trillion, including \$285 billion in Residential Mortgage Backed Security and Collateralized Debt Obligation write-offs.¹ Residential housing, where the storm began, is currently experiencing falling prices and accelerating foreclosures due to an inventory of unsold homes at a 17-year high. Job growth has turned negative and consumer credit is tightening. All of this is happening at a time when the US dollar is weak, causing the trade deficit to rise to over \$700 billion per year (half of which is due to oil which has risen to record prices).

Understandably, the stocks of financial companies have been under significant pressure as many have taken write-downs and earnings expectations have been revised lower. Some companies with heavy debt loads or financial guarantees have been thrown into distress in trying to refinance their obligations. We have begun to selectively re-enter financial stocks as these companies write-off their problem assets and as we find attractive entry points.

Earnings revisions also have been negative for many consumer discretionary stocks. Yet, these stocks which performed poorly in 2007, have outperformed the broader market in 1Q2008 due to investor perception that this sector will be the first to experience an economic recovery that many believe should begin to emerge by year end. We have begun to selectively add to our retail holdings as well.

Earnings revisions for industrial stocks, on the other hand, have generally been positive as operating margins have expanded and backlogs have increased. Despite this good news, many industrial stocks have been under pressure as investors fear that sooner or later, these late cyclical stocks will be forced to succumb to the broader economic weakness.

1. Mollenkamp, Carrick and Whitehouse, Mark. “Banks Fear a Deepening of Turmoil.” *Wall Street Journal*. March 17, 2008, p. A13.

Investment Perspective and Outlook (April 2008)

Healthcare stocks performed worse than the broader market despite their economic insensitivity. A variety of setbacks to new product pipelines occurred and investors are anxious regarding political change later this year. We were stung with our holdings of Schering-Plough and Merck on the last day of the quarter due to the Zetia/Vytorin fiasco. Schering-Plough management led us to believe that the efficacy of the drug would be cleared up at the American College of Cardiology meeting when the complete results of the ENHANCE trial was released. Unfortunately, the data did not clear up the controversy and both stocks were hammered on the last day of the quarter. (If not for these two stocks, we would have had pretty strong relative performance.) Both stocks have since begun to recover as rationality begins to prevail and prescription trends show that the reduction in usage is not precipitous.

For some months now, we have been asking ourselves if the traditional view of global economic coupling is still valid. Specifically, when the US economy sneezes, does the rest of the world still catch a cold?

Our view is that the global economy is no longer as tightly coupled as it once was to the US economy. While US consumers continue to be a major force in global demand, those emerging economies based on petroleum, metals, mining, and outsourced manufacturing are showing significant growth. The growth in many of these emerging economies is likely to slow, but these economies are not likely to suffer the boom and bust of past cycles due to the diversity of global demand beyond the US. Said differently, while US consumers are still a powerful force, they are no longer the only consumers. According to ISI economics, the share of world GDP coming from developing economies has grown from 21.7% to over 29% from 1995 to 2007.² A few pictures will illustrate the point.

This first picture is one of Dubai in 1991. Notice the one main road with just six buildings visible, surrounded by desert and dirt roads.



Now look at the picture on the right; this picture taken in 2005. It shows the same main road surrounded by a major bustling metropolis as far as the eye can see. No more desert. Now look at the picture below, this one was taken elsewhere in Dubai just a couple months ago. Notice all the cranes.

2. Trahan, Francois. "ISI Portfolio Strategy." International Strategy & Investment Group. April, 2008, p.6.

Investment Perspective and Outlook (April 2008)



Think of the infrastructure that has to be installed to make this city a reality – from heavy construction to high-speed internet connections. This infrastructure theme is one reason why we are investors in Terex (one of the largest manufacturers of cranes, aerial work platforms, and mining equipment worldwide and our largest holding), ABB (a global provider of electrical power and automation technologies), and Cisco Systems (the world leader in data networking and telecommunication equipment) among others.

Take a look at the picture below of the undeveloped Marina Bay area of Singapore taken in 2006. The government of Singapore has exclusively contracted with Las Vegas Sands to develop this area into a resort, convention, and gaming destination that will define Singapore in much the same way that the Sydney Opera House defines Sydney. The second picture shows the state of construction as of December 2007.



Investment Perspective and Outlook (April 2008)

The final picture shows what the completed \$3.5 billion project will look like by the end of 2009. The complex will include 1.2 million ft² of convention space, 850,000 ft² of high end designer retail shops, a large casino and museum, and three 50 story hotel towers with rooftop parks.



This robust economic activity outside the United States is also driving demand for business jets and commercial aircraft. Both Textron and Boeing (two of our holdings) report that over 50% of their multiyear backlog is coming from outside the United States. This is unprecedented. Furthermore, they have not received any cancellations or push outs.

We continue to have the portfolio positioned with large exposure in industrials, aerospace/defense, technology, pharmaceutical/biotech and medical technology companies. In each sector, we have favored those companies with significant international exposure.

In closing, while I am disappointed with our performance during the difficult market of Q1 2008 where we modestly underperformed our peer group, I am encouraged by how the portfolio performed since the market bottomed in late February even including the fiasco with Schering-Plough and Merck. I am also quite pleased with the positioning of the portfolio. As I have said before, "America is For Sale" and believe that we have only just begun to see foreign investment into the United States driven by the enormous wealth that has been created outside the US and by the attractive valuations present here. Corporate and investor cash levels are high and leverage ratios are low. We believe the portfolio is in a strong position for strong absolute and relative performance in the months ahead.

Thank you for the confidence you have placed in us. We look forward to meeting with you in the coming weeks.

Thomas G. Kamp
Chief Investment Officer

Attribution of Returns

Reconciliation of Returns <i>(Representative Account)</i>		
December 31, 2007 – March 31, 2008		
RLG Index Return*		-10.17
Sector Selection	-1.39	
<u>Individual Stock Selection</u>	<u>-.11</u>	
Excess Return (“Alpha”)		-1.51
•Cornerstone Return <i>(Gross of Fees)</i>		-11.68

Attribution Source: FactSet

*Data Source: FactSet. 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.

Attribution of Returns by Sector (12/31/07 to 3/31/08)

Cornerstone vs. RLG

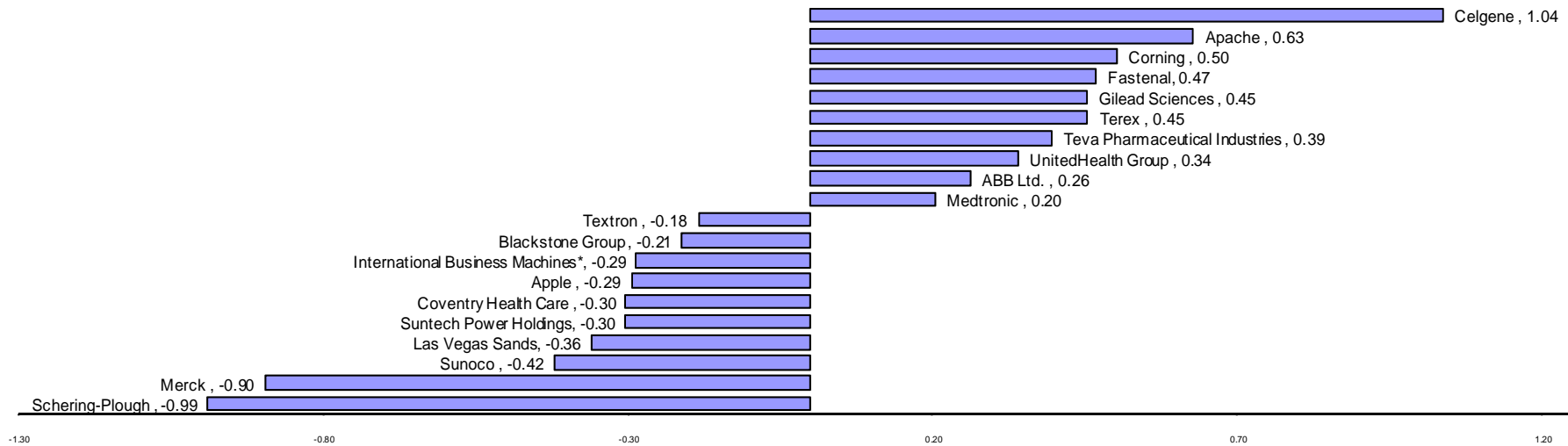
<u>Sector</u>	<u>Sector Allocation</u>	<u>Security Selection</u>	<u>Total Effect</u>
Consumer - Discretionary	-.29	-.67	-.96
Consumer – Staples	-.47	.14	-.33
Energy	-.08	.02	-.06
Financials	-.01	-.10	-.11
Healthcare	-.09	.19	.10
Industrials	.09	-.13	-.04
Information Technology	-.55	.41	-.14
Materials	-.19	.00	-.19
Telecommunications Services	.04	.00	.04
Utilities	.00	.04	.04
Cash	.16	.00	.16
Total	-1.39	-.11	-1.51

Attribution Source: FactSet

Numbers may not add, due to rounding. 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

Largest Contributors to Relative Performance (in %)
Cornerstone vs. RLG
December 31, 2007 - March 31, 2008



*Not owned by Cornerstone Capital during this time period

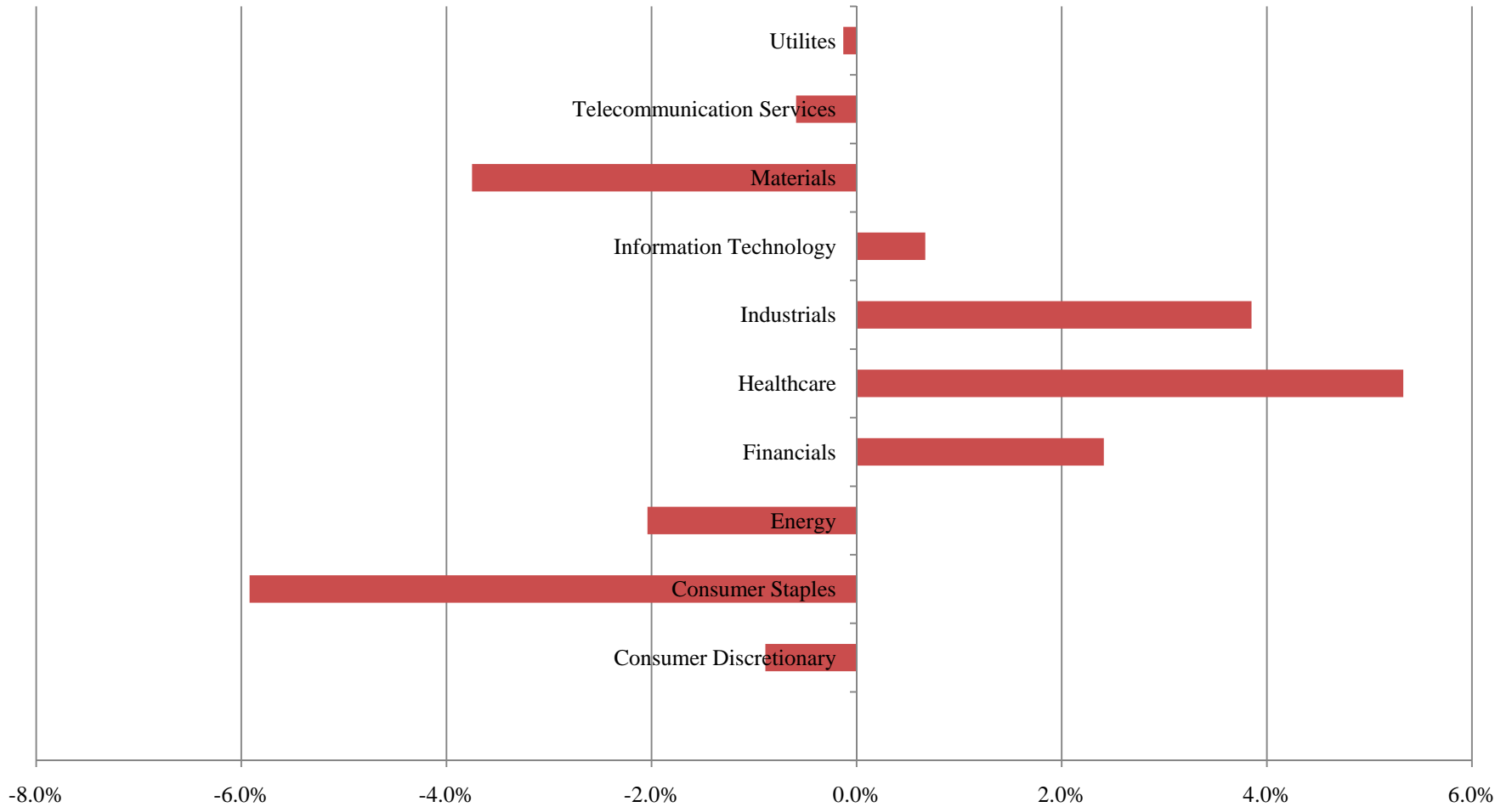
Portfolio Characteristics (As of 03/31/08)

	<u>Cornerstone</u>	<u>Russell1000 Growth</u>
EPS Growth Rates		
▪Long-term	16.69%	15.57%
P/E Ratio		
▪Trailing 4 Quarters	26.25x	25.25x
▪Forward 4 Quarters	16.20x	17.48x
PEG Ratio		
▪Trailing 4 Quarters	1.45x	1.69x
▪Forward 4 Quarters	1.02x	1.22x
Dividend Yield	0.99%	1.24%
Market Capitalization (weighted avg.)	\$50,947	\$66,751
Market Capitalization (median)	\$29,661	\$5,257
Number of Holdings	49	687

Source: FactSet, IBES, Reuters

Sector Weight vs. Russell 1000 Growth (As of 3/31/08)

Relative Weight



Current Holdings (As of 03/31/08)

Security	Pct Assets	Security	Pct Assets
CASH & EQUIVALENTS		HEALTH CARE	
Money Market Fund	1.1	Celgene Corp.	2.9
		Coventry Health Care, Inc.	1.4
CONSUMER – DISCRETIONARY		Gilead Sciences	2.7
Amazon.com, Inc.	0.4	Medtronic, Inc.	3.7
Dick's Sporting Goods	1.3	Merck & Co., Inc.	3.8
Disney Walt Holding Co.	0.9	Schering Plough Corp.	1.7
Guess? Inc.	0.8	Teva Pharm Inds Ltd.	3.5
Las Vegas Sands Corp.	1.9	Wyeth	<u>1.1</u>
Lowe's Companies	0.9		20.8
News Corp.	0.7		
Nordstrom, Inc.	0.5	INDUSTRIALS	
TJX Companies, Inc.	0.3	ABB Ltd.	2.7
Target Corp.	0.9	Boeing Co.	2.4
Tiffany & Co.	0.6	Fastenal Co.	1.0
Wynn Resorts Ltd.	<u>1.1</u>	Precision Castparts Corp.	1.0
	10.4	Suntech Power Holdings ADR	0.9
		Terex Corp.	5.6
CONSUMER– STAPLES		Textron Incorporated	<u>3.6</u>
Coca Cola Co.	1.0		17.2
Colgate Palmolive Co.	1.2		
Diageo PLC	1.7	INFORMATION TECHNOLOGY	
Wal-Mart Stores, Inc.	<u>1.4</u>	Adobe System, Inc.	1.5
	5.4	Apple Computer, Inc.	4.3
		Cisco Sys, Inc.	3.1
ENERGY		Corning, Inc	4.9
Apache Corp.	3.1	Intel Corp.	3.4
Schlumberger Ltd.	1.9	MEMC Electronic Materials Inc.	2.5
Sunoco, Inc.	<u>2.0</u>	Oracle Corp.	5.1
	7.0	Western Union Co.	<u>2.6</u>
			27.5
FINANCIALS		UTILITIES	
American Express Co.	0.9	FPL Group, Inc.	<u>1.4</u>
Blackstone Group	1.0		1.4
Endurance Specialty Holdings Ltd.	1.8		
Goldman Sachs Group	1.2		
Intercontinental Exchange, Inc.	2.3		
Morgan Stanley	<u>2.0</u>		
	9.3	TOTAL PORTFOLIO	100.0

Investment Results

Total Returns As of 03/31/08

	Q2 '07	Q3 '07	Q4 '07	Q1 '08
Cornerstone Large Cap Growth	5.23%	7.22%	0.88%	-11.75%
Russell 1000 Growth Index ¹	6.86%	4.21%	-0.77%	-10.18%

	One Year	Two Years*	2007	Since Inception 02/28/06 – 03/31/08*
Cornerstone Large Cap Growth	0.45%	4.35%	17.71%	4.55%
Russell 1000 Growth Index ¹	-0.75%	3.08%	11.81%	3.68%

*Annualized

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 .82% on the first \$25 million invested, 0.50% on the next \$25 million, 0.40% on the next \$50 million, 0.30% on the next \$100 million and 0.25% thereafter. A client's actual return would be reduced by these advisory fees and other expenses that may be incurred in the management of their account. As of 03/31/08, this composite includes 10 portfolios with \$578 million in assets, which is approximately 90.3% of all assets under management (\$640MM) and 97.3% 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%

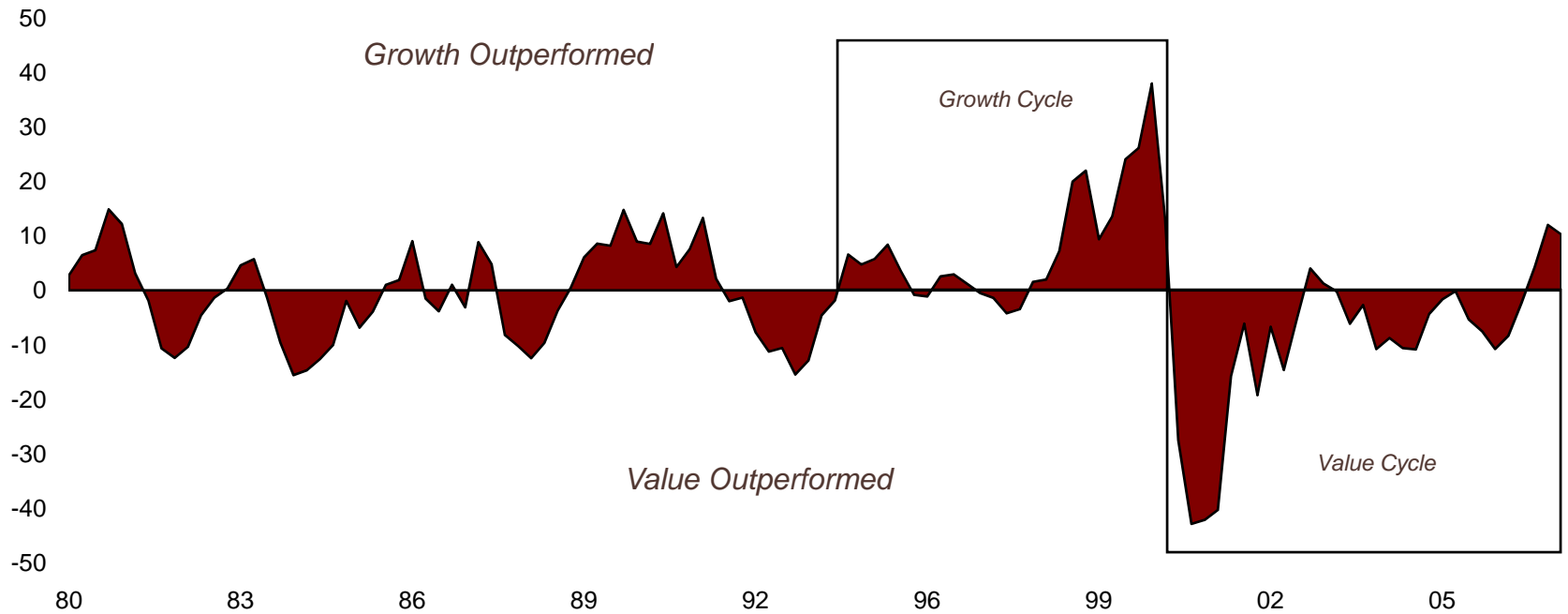
	11 Years	10 Years	9 Years	8 Years	7 Years	6 Years	5 Years	4 Years	3 Years	2 Years	1 Year
Tom Kamp	13.1%	10.6%	8.8%	6.1%	0.6%	-4.0%	-1.6%	2.8%	16.7%	12.7%	16.0%
Russell Large Cap Growth	9.2%	6.7%	5.1%	2.2%	-2.1%	-7.0%	-3.6%	1.2%	13.2%	5.8%	5.3%
S & P 500	11.4%	9.1%	7.6%	4.8%	1.8%	-1.1%	0.5%	3.9%	14.4%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

Growth, as a style, beginning to come back into favor

Macro Perspective	Quantitative
Current Market Environment	Qualitative

Russell 1000 Growth Index Vs. Russell 1000 Value Index*
(Trailing 1 year relative performance)

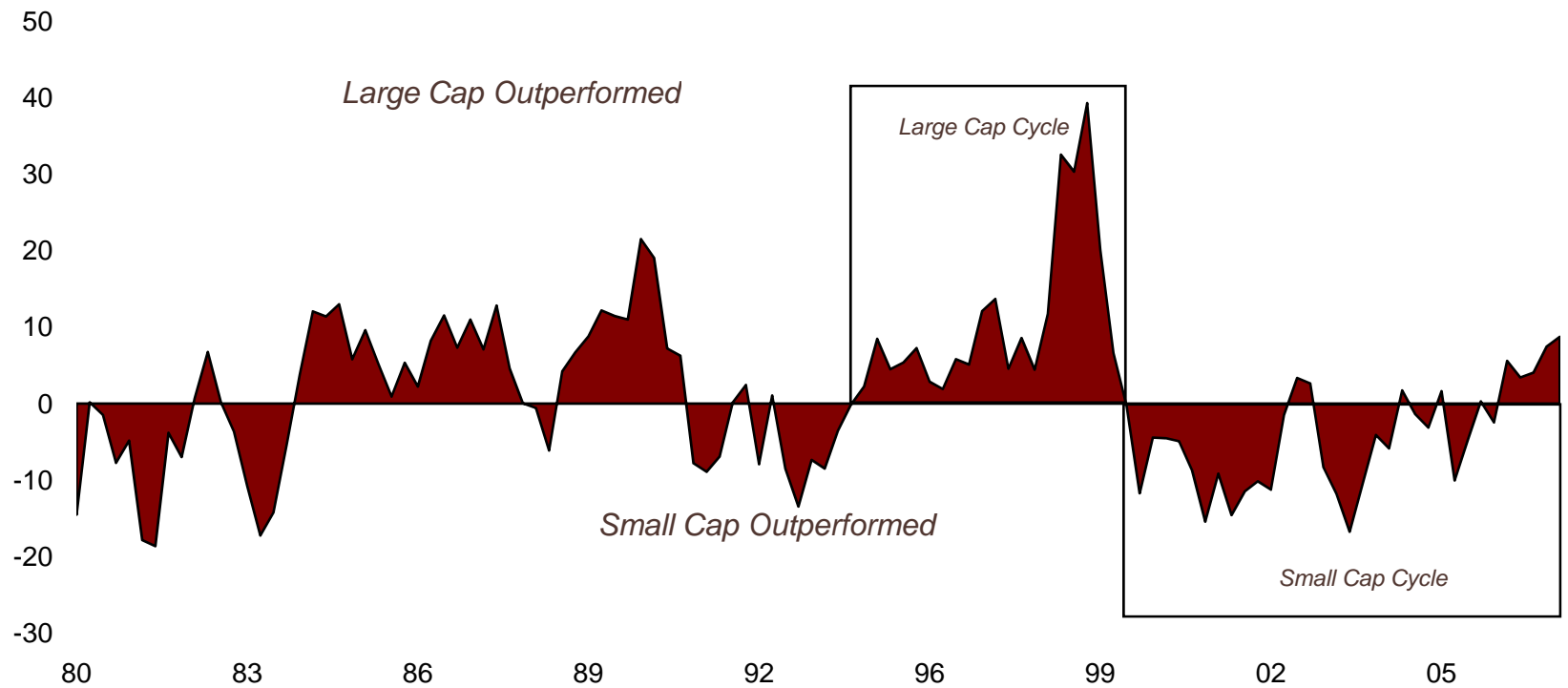


*This chart graphs the one year performance differential on a trailing twelve month basis between the Russell 1000 Growth Index and the Russell 1000 Value Index through March 31, 2008. Source: FactSet

Large Cap, as a style, has endured an unprecedented correction

Macro Perspective	Quantitative
Current Market Environment	Qualitative

Russell 1000 Index Vs. Russell 2000 Index*
(Trailing 1 year relative performance)

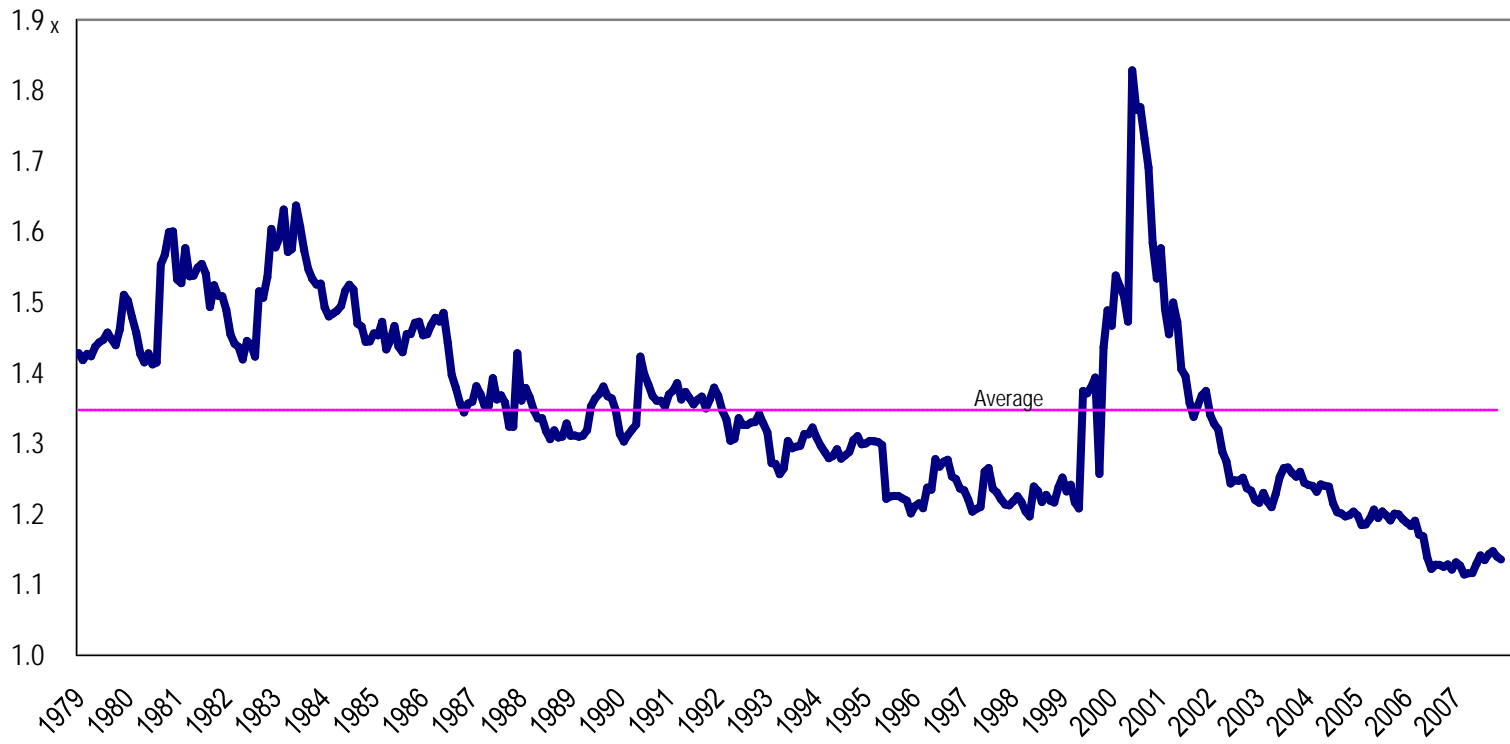


*This chart graphs the one year performance differential on a trailing twelve month basis between the Russell 1000 Index and the Russell 2000 Index through March 31, 2008. Source: FactSet

Large Cap Growth stocks are trading at their most attractive valuation ever!

Macro Perspective	Quantitative
Current Market Environment	Qualitative

Russell 1000 Growth Stocks vs. S&P 500
Relative Valuation Composite*
1979 through December 2007



* Composite is 33.3% Price-to-Cash Flow, 33.3% Forward P/E and 33.3% Price-to-Sales.