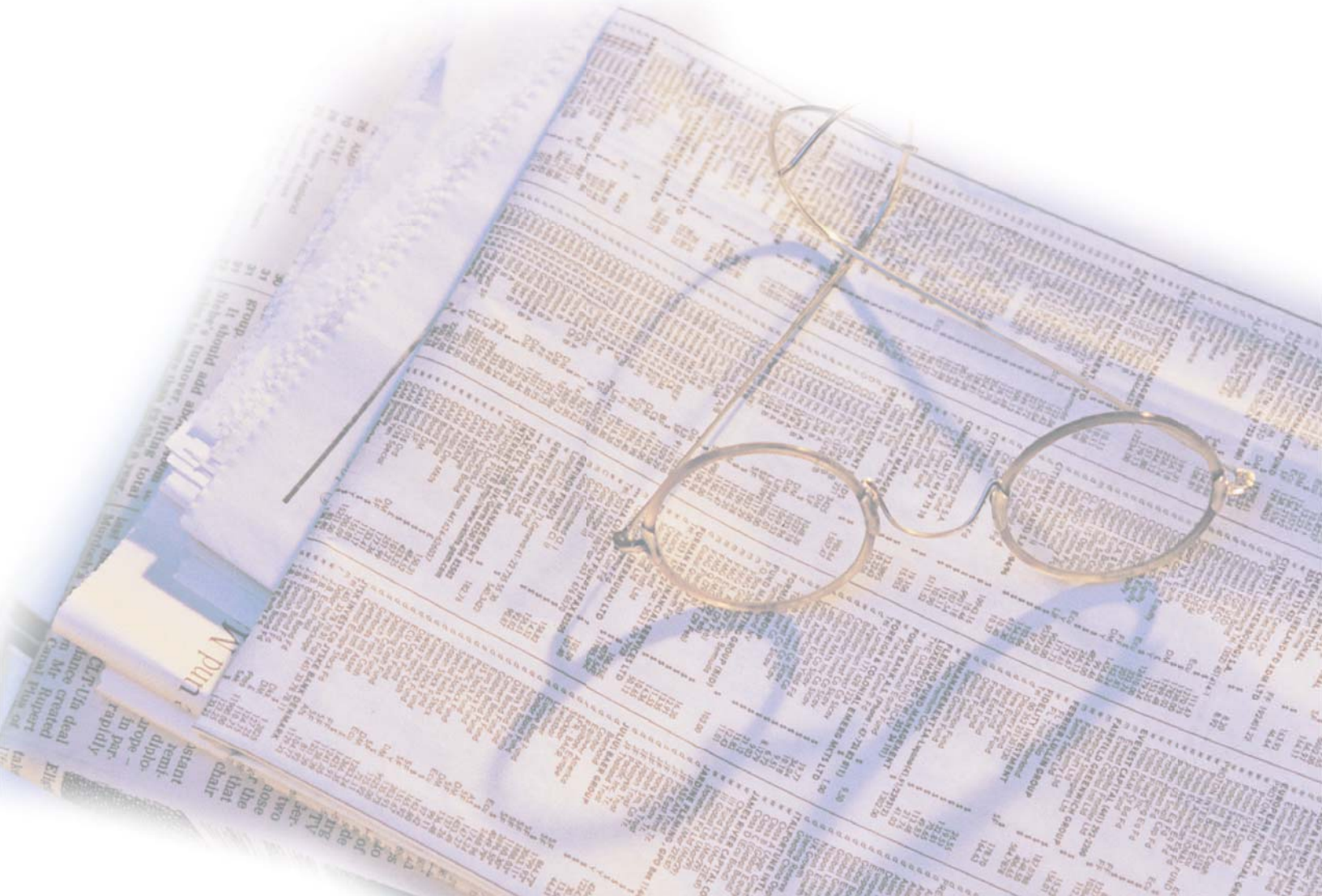


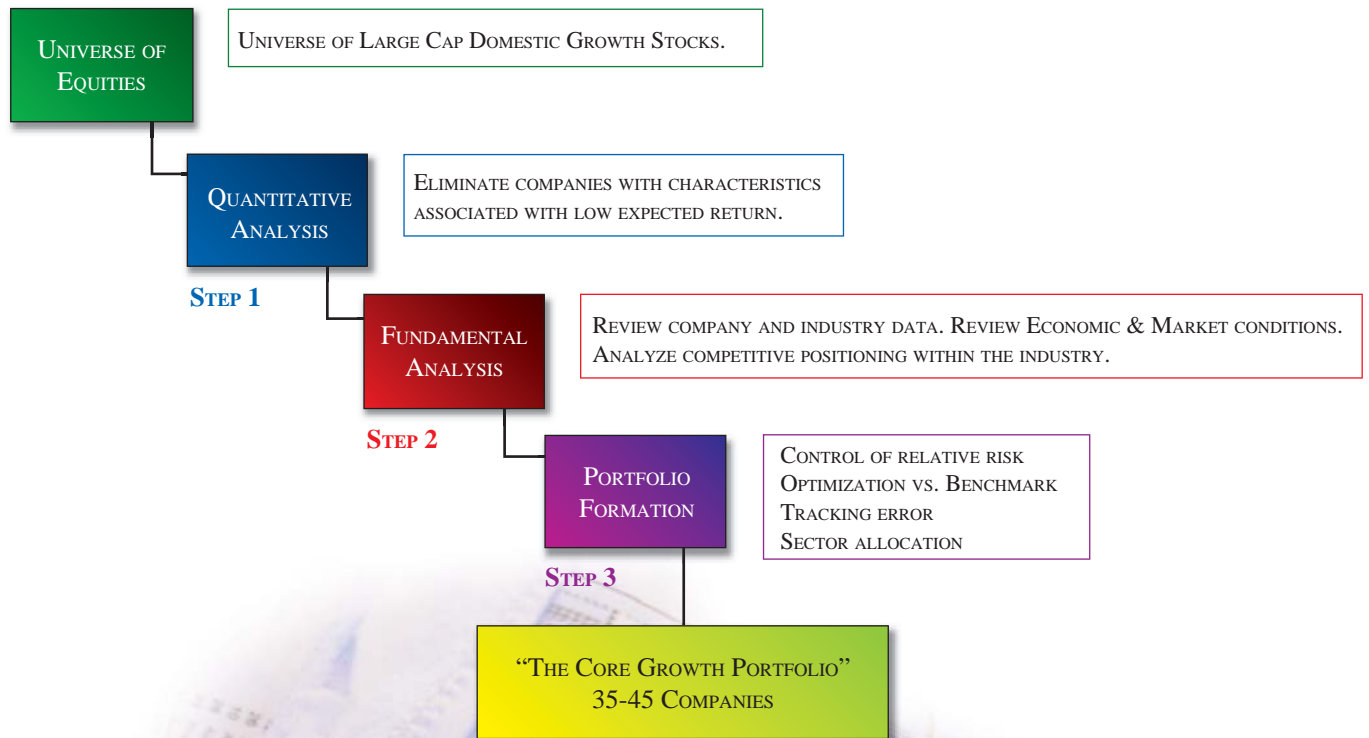
CORE EQUITY LARGE CAP GROWTH PORTFOLIO

Portfolio Objective:

To provide consistent, above average long-term growth with controlled risk through the management of diversified growth-oriented portfolios and to consistently outperform the Russell 1000 Growth Index.



CORE EQUITY LARGE CAP GROWTH PORTFOLIO INVESTMENT PROCESS



Product Facts

- The Benchmark is the Russell 1000 Growth Index.
- Same process, philosophy and management since 1981
- Large capitalization growth stocks
- Lower volatility relative to other growth managers
- Investment team averages over 20 years experience
- Customized equity portfolios

High Quality, Large
Cap Domestic
Growth Stocks.

Bottom-Up selection
drives sector and
industry allocation.

Quantitative and
Fundamental
Analysis.

Stable growth
holdings with
sustainable,
competitive
advantage seeks long
term appreciation.

Opportunistic
trading seeks to
capture near-term
catalyst for above
average appreciation.

Active bets
reflect the level of
confidence in each
name and sector
from a risk and
return perspective.

Sales triggered
by changes in
fundamental
expectations, rapid
price change or
to make room
for brighter
opportunities.

PORTFOLIO STRATEGY

Capstone's Core Equity Large Cap Growth Portfolio offers investors a separately managed account consisting of high quality, large capitalization growth stocks. We believe that our disciplined, bottom-up approach which combines objective quantitative work with subjective stock evaluation, will provide above average long-term growth in our clients' portfolios, while at the same time explicitly controlling for portfolio risk. This universe is screened using several measures which fall under four basic criteria as follows: historical growth, growth prospects, valuation, and price momentum.

For example historical growth measures include factors such as changes in measures of earnings and cash flows; growth prospects include factors such as earnings trends and earnings volatility; valuation includes traditional measures of price relative to earnings and sales; and momentum considers relative price performance over periods as long as the previous 12 months.

A company's relative ranking by each measure is combined to create a composite ranking which identifies those names most likely to outperform their peers.

A THREE STEP INVESTMENT PROCESS

STEP ONE: QUANTITATIVE ANALYSIS

Equity portfolio management is a winnowing process of reducing a large universe of stocks to the 35 to 45 names that are used in clients' portfolios.

Beginning with a database of large capitalization stocks (generally with a market capitalization no smaller than \$5 billion), this universe is screened against four basic criteria as follows: historical growth, expected growth, valuation, and relative price performance/momentum. Each of these four criteria contains sub-measures which are indicative of favorable or unfavorable performance.

For example, some of the measures used for historical growth include improved earnings per share over the previous year and improved return on assets. Expected growth criteria include the trend in earnings estimates and earnings surprise. Valuation measures include the stocks price-to-earnings ratio, in relation to the market and the company's own growth rate. Momentum measures include relative stock performance over the past year as well as the relative performance of the industry in which the company participates.

The end result of this quantitative step is a smaller universe which includes only those stocks representing characteristics associated with outperforming the market. It is this group on which we conduct fundamental analysis.

STEP TWO: FUNDAMENTAL ANALYSIS

The heart of Capstone's fundamental equity analysis focuses on the competitive position of the company within its industry. Extraordinary returns do not arise from ordinary companies. We search for companies which have a demonstrated franchise value. This might arise from a technological edge relative to competitors, better management, or brand recognition.

In addition, we seek out companies for whom the threat of new competition or product substitutes is relatively low. Companies that can, to the greatest extent, control product pricing and production costs are most desirable. We have found that industry leaders tend to remain in that position for extended periods of time and pay handsome rewards to patient investors.

Unlike years past when obtaining general company-related information was the difficult part of fundamental research, one of the more difficult fundamental tasks today is the ability to distinguish the useful information from the flood of all the other data which is now so easily obtainable.

STEP THREE: PORTFOLIO FORMATION

After completion of the quantitative and fundamental work lies portfolio formation. At this stage in the process, we generally have more candidates for purchase than places available in the portfolio. Quantitative risk analysis is used to help select the best stocks and the best weighting of each stock. This is done in order to construct a portfolio the relative risk of which is precisely measured and which is within acceptable risk tolerances. By selecting the best candidates through our quantitative and fundamental steps, we can build portfolios which are superior to the market because they offer more return than the market for every unit of risk taken. Moreover, because our process generates multiple candidates for entry into the portfolio, an ongoing competition exists between companies which are held in the portfolio and those which are candidates for entry. This assures that the clients' account is always assessed not only by the measure of what is owned, but also by what is not owned. In addition, alternate ideas are always available.

SELL DISCIPLINE:

Capstone's sell discipline is the opposite of its buy discipline. If stock held in the portfolio is not one which our buy discipline would lead us to own today, it is sold. We have no "hold" category.

In addition, if a stock is down 30% relative to the market and fails our quantitative tests, it is sold.

Capstone Asset Management Company
3700 West Sam Houston Parkway South #250
Houston, Texas 77042
Phone: 713.260.9000
Toll Free: 800.262.6631
Fax: 713.260.9050
E-mail: info@capstonefinancial.com
www.capstonefinancial.com