Cramer Rosenthal McGlynn

Fourth Quarter 2010 Newsletter

Cramer Rosenthal McGlynn, LLC is a leading value-oriented investment firm with more than $14 billion in assets under management. Since our firm was founded in 1973, our client list has grown to include corporate and public pension plans, endowments and foundations, hospitals, community and religious organizations, Taft-Hartley and multi-employer funds as well as individual and family trusts. The intellectual coherence of our investment philosophy is a genuine strength. Companies we buy and hold are characterized by three attributes: ***change***, ***neglect*** and ***valuation***. The hunt for this trio of attributes provides a solid foundation for every stage of our investment process.

Current News

We have once again soft-closed our Small Cap Value, Small/Mid Cap Value and Mid Cap Value separate account strategies to new investors in order to properly manage liquidity and asset growth for our existing clients.

We are pleased to announce the additions of Adriano Almeida, Brittain Ezzes and Ian Bitner to the CRM Research Team.

Adriano has twelve years of investment experience and is focused on the energy, industrials and utility sectors. Adriano joins us most recently from Louis Dreyfus Highbridge Energy LLC, an industrials/energy hedge fund. Previously, he spent five years at Dalton, Greiner and five years at The Dreyfus Corporation. He is a graduate of Embry-Riddle Aeronautical University and received an MBA from Columbia Business School.

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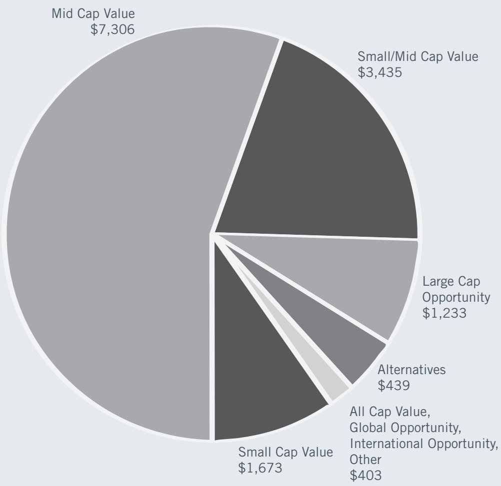
Fourth Quarter 2010 Newsletter

Assets Under Management as of December 31, 2010 (In Millions)



Assets Under Management (In Millions)

Total Assets.................................$14,489

Representative Clients

Archdiocese of New York
Archer Daniels Midland Company
Arizona State Retirement System
BAE Systems North America
City of Phoenix Employees' Retirement System
Cedars-Sinai Medical Center
Electrolux Home Products, Inc.
Foresters
Indiana University
International Paper
Highmark, Inc.
Kentucky Workers' Comp. Funding Commission
Manchester Capital Management, LLC
The McGraw-Hill Companies, Inc.
Mississippi State University
NiSource Corporate Services Company
Prudential Financial, Inc.
United States Holocaust Memorial Museum
University of Cincinnati
Western Union Financial Services, Inc.

CRM selected the clients listed above based on a variety of objective criteria including the size of the account, type of account, management style and geographic location of the client. CRM does not know whether the listed clients approve or disapprove of CRM or the advisory services provided by CRM.

Market Commentary

When everything goes right, it always looks easy. Whether landing an airplane in bad weather or winning a sports championship, the participants develop a quiet confidence and the spectators inevitably take for granted that the positive trends will persist. This past quarter, the equity markets had practically everything go right. Although, the Federal Reserve's announcement of further quantitative easing was well telegraphed in August, commentary around "easier for longer" more than offset any initial disappointment regarding the $600 billion figure. The eventual side effects and ability to unwind the entire monetary stimulus were not a current concern. The markets also began to discount a Republican Party stampede in the late summer and they were not disappointed by the results. President Obama has projected a more conciliatory tone since the election. In early December, the administration's support for the extension of the Bush tax cuts provided clarity on tax policy for the next two years as well as some additional fiscal stimulus which has led most economists to raise their 2011 GDP forecasts.

Beyond what went right, just as significant were the things that did not go wrong. There has been troubling news out of the Eurozone nearly every day (sovereign debt, bank debt, fiscal austerity); however, none was significant enough to have mattered this quarter. Municipal bond markets declined as the Build America Bond program ended and spreads widened over fears of state and local budgetary crises. However, there were no headline grabbing defaults. Housing data continued to be tepid. There was a brief scare for the money center banks as the magnitude of the liability for mortgage put backs soared, but, again, the issue receded. Most commodity prices continue their upward climb, but oil has not yet reached a level that is considered overly taxing to consumers. China has a more immediate inflation problem, mostly driven by food costs. The country continues to be the world's growth engine and there now seem to be as many professional "China Watchers" as there are "Royal Watchers!" Their government is once again trying to slow their economy without upsetting their key growth pillars, namely infrastructure investment and exports. We hope that they get it right, but interestingly the Shanghai stock market was down 14% in 2010. Most other emerging countries are also pursuing tighter monetary policies to likewise stem inflation. In the fourth quarter, all of these issues were topical and well discussed in many op-ed sections, but none were able to derail the equity market momentum which culminated in the best December for the S&P 500 in nearly twenty years.

Although not consistently evident in the consumer confidence surveys, the markets have created a greater sense of confidence on the part of investors and corporate managers. Investor confidence is, of course, concerning as equities always seem to do best when there is ample uncertainty, fear and doubt. Investor surveys reveal a heightened level of bullishness and most prognosticators have rather tight ranges on their forecasts. C-suite confidence is critical for the U.S. economy to sustain a more robust recovery as it inspires more capital investment and hiring. Capital spending has accelerated and there are signs of improvement in the employment statistics. Sadly, however, we are probably not going to re-establish the former employment levels with the continued housing/construction drag and globalization. Corporate managers are incentivized to achieve the highest return on their investments and those are mostly being made overseas. So, the tug of war continues between the quarter to quarter trends propelled by the ebb and tide of government support versus the intermediate/longer term structural challenges that are not easily resolved and which can become unsettling to markets at any time. As we have noted for the past two years, we continue to expect heightened volatility across most asset classes and economic measures for the foreseeable future.

Complacency inevitably comes back to haunt investors so we remain vigilant about these exogenous issues and focused on a number of key themes, one of which is corporate overcapitalization. We have discussed many times our expectation that merger & acquisition activity will continue to build and exceed the 2007 record this cycle. One of the factors in our belief is the massive overcapitalization of most publicly traded companies. Much has been written about the estimated $2 trillion of cash on U.S. non-financial corporate balance sheets. Some pundits have challenged that figure as being gross cash and simply reflective of the cheap debt that has been readily available. Other naysayers point to the cash being “trapped” overseas and, therefore, not easily accessed. We think investors are underestimating the magnitude of the overcapitalization and the many ways in which that “surplus” can be utilized to generate favorable shareholder returns. In a universe of U.S. companies with market capitalizations over $1 billion (excluding financials and utilities), approximately 40% had net cash balances as of their third quarter reports. As the fourth calendar quarter is typically one of the highest cash generative quarters, we expect this percentage to grow. Furthermore, most of these companies are also producing a very high level of free cash flow so by year end 2011, we would estimate that nearly half of this universe would be net cash positive. If we take it a step further and look at what percent had a debt/ebitda ratio of less than one on a trailing 9/30/10 basis (typical leverage ratio calculation), nearly 60% of the universe would look overcapitalized and that figure will also continue to increase.

In 2010, there was a 23% increase in global M&A ($2.8 trillion) and stock buybacks more than doubled for S&P 500 companies. While dividend increases were modest in 2010, there were over 100 companies who declared “special” dividends as prospective dividend tax treatment was unclear for most of the year. We expect the pace of these actions to accelerate as corporations become even more overcapitalized and their leaders more self-confident. As we are further into the cycle, there will be a developing risk of managements destroying capital by overpaying for acquisitions or becoming less diligent about capital and other expenditures. Activists have had some notable successes in compelling managements’ to be better stewards of capital and we have seen the return of hostile offers from corporate buyers which provide some check and balance. Nevertheless, we believe M&A will be a significant driver for continued equity performance, particularly for smaller caps which might otherwise face headwinds relative to larger caps based upon relative valuation and their outperformance. While there will continue to be bouts of volatility that impact the equity markets in 2011, the massive overcapitalization and redeployment of capital should provide a sufficient buffer to produce favorable returns for patient shareholders.

Strategy Inception: January 2002
Assets in Strategy: $257 Million
As of December 31, 2010

Composite Characteristics[2]

	Composite	R3000V	R3000
Wtd Avg Mkt Cap (m)	$30,640	$65,620	$72,270
Wtd Median Mkt Cap (m)	$8,727	$27,371	$30,154
P/E '11	15.6x	12.9x	14.2x
Price/Book	1.7x	1.6x	2.2x
Dividend Yield	1.1%	2.2%	1.7%
Number of Holdings	47	1,965	2,952

Top Ten Holdings[2]	% of Composite
Tyco International Ltd.	3.9
Viacom Inc.	3.5
CVS Caremark Corporation	3.5
General Motors Company	3.2
St. Jude Medical, Inc.	3.1
Stanley Black & Decker, Inc.	2.9
Intermec, Inc.	2.8
Avery Dennison Corporation	2.7
Google Inc.	2.6
TFS Financial Corporation	2.6
Total	**30.8%**

Sector Allocation[2]

	Composite	R3000V	R3000
Consumer Discretionary	16.2	8.8	12.9
Consumer Staples	10.3	8.7	8.0
Energy	8.2	12.0	11.2
Financial Services	16.8	28.7	17.4
Health Care	12.7	11.9	11.1
Materials & Processing	1.6	3.7	4.8
Producer Durables	14.1	9.7	12.0
Technology	14.8	4.9	16.7
Utilities	5.3	11.6	5.9

All Cap Value

Portfolio Commentary[1]

The leading contributors to the fourth quarter were Monster Worldwide, Art Technology Group, Hertz Global Holdings, Baker Hughes Incorporated and CommScope. Monster delivered a solid third quarter earnings report, and laid out fourth quarter and 2011 guidance above the Street's expectations. We continue to believe the Street underestimates the earnings potential of the company given the substantial investment in technology and restructuring efforts of the current management team. Further, the company remains well positioned for any cyclical recovery in employment. Art Technology Group announced its acquisition by Oracle Corporation and we subsequently exited our position. Hertz continued to demonstrate momentum as pricing and volumes are accelerating in both its rental car and equipment rental businesses. In addition, Hertz raised its cost reduction targets for the year and refinanced its debt maturities, taking advantage of the low interest rate environment. Baker Hughes was able to finally close and take full management control of its BJ Services acquisition. We believe the timing of this acquisition is superb, as pressure pumping assets have quickly recovered into strong demand with the industry sold out and prices accelerating. Further, Baker Hughes' international restructuring also appears to be well timed with forecasts for worldwide energy capital expenditures accelerating into 2011. The Carlyle Group announced its acquisition of both CommScope and Syniverse, within the same week. As a result of this news, we sold both positions.

The leading detractors were Visa, Omnicare, Prudential Financial, Republic Services and American Electric Power Company. Visa suffered from the Street's disappointment regarding the Federal Reserve's plans to regulate debit card interchange fees. We believe this is an overreaction as the company has numerous ways to mitigate any lost fee revenue. The impact of increased regulation is more than discounted in the share price and we remain attracted to Visa's long-term growth prospects. It became evident that the transformation of Omnicare's business into an operating company, made possible by the removal of the prior CEO, would take longer than previously expected. In addition, several key reimbursement and regulatory risks arose, which precipitated our sale of the stock. Prudential Financial announced its long-anticipated acquisition of AIG's Star and Edison life insurance businesses in Japan, as management provided initial earnings accretion guidance for the acquisition that was lower than market expectations. We initiated a position in Republic Services, a provider of waste collection services, as its successful integration of Allied Waste, disciplined industry pricing growth (with about 50% tied to CPI inflation), and a substantial return of capital should drive significant earnings. The stock relatively underperformed given weaker than expected guidance, mainly due to the lagging effect of CPI growth on pricing. American Electric Power was impacted by a new round of regulatory uncertainty in Ohio resulting from the unexpected retirement of the utility commission chairman. Utility stocks, in general, were also relatively poor performers with the steepening yield curve.

We participated in the much anticipated IPO of General Motors Company and increased our position size post offering. We believe the dramatic extent of GM's restructuring during bankruptcy is not widely understood by investors. GM has cut its operating and healthcare costs significantly, parted with underperforming brands and dealerships, and significantly restructured its balance sheet. Further, we believe the Street does not fully appreciate the strength of GM's international operations, including its China operation. The majority of its production is now outside of the U.S. and European regions. We believe the Street overly discounted the potential impact of TFS Financial Corporation's home equity regulatory action brought on by the Office of Thrift Supervision. This uncertainty created an opportunity to establish a position in this quality thrift at a significant discount to fully converted book value. PepsiCo's reported results demonstrated strong organic revenue improvement, however management elected to reinvest much of the earnings upside back into future growth initiatives. Over the next few quarters the company should begin to realize strong bottler acquisition synergies, which appear to remain on track. We continue to believe Pepsi's best in class organic growth profile in its packaged food businesses, stabilizing beverage growth trends and strong emerging markets growth are broadly under appreciated. We purchased shares of NYSE Euronext as we believe the Street has yet to embrace the evolution of the company into a top derivative exchange and technology provider. We expect NYSE to drive improved operating margins through targeted expense savings programs and improved top line growth. Harman International Industries, a new position in the quarter, delivered better than expected earnings results due to its continued focus on cost control. Longer term, we believe this audio and infotainment company should have material earnings potential given a positive mix shift dynamic to next generation scalable platforms for mid-market vehicles.

In addition to CommScope, Syniverse Holdings, Art Technology Group and Omnicare, we elected to sell our positions in Crown Holdings and Air Products and Chemicals and redeployed the proceeds into higher conviction ideas.

Fourth Quarter 2010 Dollar[1]

TOP CONTRIBUTORS	TOP DETRACTORS
Monster Worldwide, Inc.	Visa Inc.
Art Technology Group, Inc.	Omnicare, Inc.
Hertz Global Holdings, Inc.	Prudential Financial, Inc.
Baker Hughes Incorporated	Republic Services, Inc.
CommScope, Inc.	American Electric Power Company

Year to Date 2010 Dollar[1]

TOP CONTRIBUTORS	TOP DETRACTORS
Syniverse Holdings, Inc.	Schweitzer-Mauduit International
Monster Worldwide, Inc.	Roche Holding AG
Art Technology Group, Inc.	Seagate Technology plc
Group 1 Automotive, Inc.	Regions Financial Corporation
Hertz Global Holdings, Inc.	Manpower Inc.

PRELIMINARY PERFORMANCE

Through December 31, 2010

	Gross	Net	R3000V	R3000
4Q	17.86%	17.62%	10.92%	11.59%
YTD	20.21	19.20	16.23	16.93
1-Yr	20.21	19.20	16.23	16.93
3-Yr	1.56	0.68	-3.91	-2.01
5-Yr	5.22	4.33	1.45	2.74

Past performance is not a guarantee of future results.

The information presented for the Composite relates to a composite of CRM client separate accounts. CRM manages each component included in this composite using the same strategy. For information regarding this composite, please reference Important Disclosures, Performance Disclosure on page 16.

[1] *It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities in this commentary/list. Please reference Important Disclosures, Product Disclosure on page 17.*
[2] *Please reference Important Disclosures, Product Disclosure on page 17.*

Strategy Inception: January 2005
Assets in Strategy: $1,233 Million[3]
As of December 31, 2010

Composite Characteristics[2]

	Composite	R1000	R1000V
Wtd Avg Mkt Cap (m)	$47,040	$78,710	$71,380
Wtd Median Mkt Cap (m)	$22,634	$37,099	$36,555
P/E '11	13.0x	14.0x	12.8x
Price/Book	1.8x	2.2x	1.6x
Dividend Yield	1.3%	1.8%	2.2%
Number of Holdings	47	978	668

Top Ten Holdings[2]	% of Composite
Tyco International Ltd.	4.0
Viacom Inc.	3.7
CVS Caremark Corporation	3.5
General Motors Company	3.2
St. Jude Medical, Inc.	3.2
Stanley Black & Decker, Inc.	3.0
Hewlett-Packard Company	2.7
Occidental Petroleum Corporation	2.5
Baker Hughes Incorporated	2.5
NYSE Euronext	2.5
Total	**30.8%**

Sector Allocation[2]

	Composite	R1000	R1000V
Consumer Discretionary	18.8	12.7	8.7
Consumer Staples	12.9	8.4	9.2
Energy	9.3	11.7	12.4
Financial Services	17.5	17.0	27.9
Health Care	11.8	11.0	12.5
Materials & Processing	1.6	4.5	3.4
Producer Durables	11.4	11.8	9.3
Technology	13.2	16.7	4.6
Utilities	3.5	6.2	12.0

Large Cap Opportunity

Portfolio Commentary[1]

Hertz Global Holdings, Baker Hughes Incorporated, Occidental Petroleum Corporation, Harman International Industries and Talisman Energy were the top quarterly contributors for the strategy. Hertz continued to demonstrate momentum on all main aspects of our established Investment Case. Its rental car pricing and volumes are accelerating, as well as its equipment rental pricing. In addition, Hertz raised its cost reduction targets for the year and refinanced its debt maturities, taking advantage of the low interest rate environment. Baker Hughes was able to finally close and take full management control of its BJ Services acquisition. We believe the timing of this acquisition is superb, as pressure pumping assets have quickly recovered into strong demand with the industry sold out and prices accelerating. Further, Baker Hughes' international restructuring also appears to be well timed with forecasts for worldwide energy capital expenditures accelerating into 2011. Occidental benefited from the rally propelled by oil prices pushing over $90 per barrel. Occidental is a nearly "pure play" oil production levered company with compelling growth opportunities domestically, as well as internationally. We believe its actions to appoint a successor CEO and reform corporate compensation practices will provide investors with another opportunity to evaluate and purchase the stock. Harman, a new position in the quarter, delivered better than expected earnings results due to its continued focus on cost control. Longer term, we believe this audio and infotainment company should have material earnings potential given a positive mix shift dynamic to next generation scalable platforms for mid-market vehicles. Talisman Energy announced a joint venture with Sasol Ltd. for the development of a part of its Canadian Montney shale acreage. Not only will Sasol contribute cash to the development of the acreage, but the companies will also jointly study the feasibility of building a natural gas to diesel fuel plant, which would serve to provide an effective end market for the produced natural gas. Apart from this announcement, the Street embraced the highly oil price correlation nature of Talisman's worldwide production profile.

Cisco Systems, NextEra Energy, Sempra Energy, Visa and PepsiCo were the top detractors for the quarter. Cisco Systems announced disappointing second quarter guidance and we subsequently sold our position as we believe management is grappling with company specific issues that will take time to resolve. The Street became concerned over the future earnings profile of NextEra Energy's unregulated power subsidiary, which is highly dependent upon wind farm tax credits and forward power prices. Sempra Energy provided lower initial 2011 earnings guidance following a delay in the construction of a new solar farm, the failure to acquire one of its joint venture interests and lower gas prices. While the stock is discounting some of the benefits of exiting its commodities venture, we expect the company to have a favorable growth rate in its core regulated utilities and be aggressive in returning capital to shareholders. Utility stocks, in general, were also relatively poor performers with the steepening yield curve. Visa suffered from the Street's disappointment regarding the Federal Reserve's plans to regulate debit card interchange fees. We believe this is an overreaction as the company has numerous ways to mitigate any lost fee revenue. The impact of increased regulation is more than discounted in the share price and we remain attracted to Visa's long-term growth prospects. Pepsi's reported results demonstrated strong organic revenue improvement, however management elected to reinvest much of the earnings upside back into future growth initiatives. Over the next few quarters the company should begin to realize strong bottler acquisition synergies, which remain on track. We continue to believe Pepsi's best in class organic growth profile in its packaged food businesses, stabilizing beverage growth trends and strong emerging markets growth are broadly under appreciated.

In addition to our new position in Harman, we participated in the much anticipated IPO of General Motors Company and increased our position size post offering. We believe the dramatic extent of GM's restructuring during bankruptcy is not widely understood by investors. GM has cut its operating and healthcare costs significantly, parted with underperforming brands and dealerships, and significantly restructured its balance sheet. Further, we believe the Street does not fully appreciate the strength of GM's international operations, including its China operation. The majority of its production is now outside of the U.S. and European regions. We established a position in CareFusion Corporation, a leading provider of medical equipment and consumables to hospitals. Following its recent spin-off from drug distributor Cardinal Health, the company announced its first round of significant restructuring actions, which should dramatically improve profitability to a level more in line with its peers. Over the next few quarters, we expect the company to profit from accelerating sales in its leading infusion pump franchise, due to a competitor's product recall. Furthermore, we believe CareFusion will benefit from improved spending as hospitals begin to loosen capital budgets following several difficult years. We initiated a position in Anheuser-Busch InBev, the largest global brewer with a portfolio of well over 200 beer brands. We believe the merger of InBev and Anheuser-Busch presents numerous earnings growth opportunities, such as initiating the expansion of Budweiser brand products into global markets, growing premium brands (i.e. Stella Artois) in the U.S. and removing inefficiencies from the combined manufacturing and distribution network. We purchased Avery Dennison, a leading manufacturer of pressure sensitive materials for packaging, tickets, tags and labels for retail apparel, and office products. We believe its valuation does not reflect either the current level of free cash flow or the earnings growth profile. The company is enjoying strong volume growth in its pressure sensitive materials business and a recovery in margins in the tickets and tags division. We expect Avery to increase its dividend and re-initiate a stock buyback during the next six months. We initiated a position in ON Semiconductor Corporation, a leading provider of standard and custom semiconductors focused on industrial, automotive, personal computer and networking applications. The company recently completed the acquisition of Sanyo's semiconductor business and we believe the transaction will be meaningfully accretive to its earnings.

Within this strategy we sold our position in C. R. Bard as we identified better risk/reward ideas within healthcare. In addition to Cisco, we sold our positions in United Technologies, Air Products and Chemicals and Baxter International as warranted by our Investment Cases and redeployed the proceeds into higher conviction ideas.

Fourth Quarter 2010 Dollar[1]

TOP CONTRIBUTORS	TOP DETRACTORS
Hertz Global Holdings, Inc.	Cisco Systems, Inc.
Baker Hughes Incorporated	NextEra Energy, Inc.
Occidental Petroleum Corp.	Sempra Energy
Harman International Industries	Visa Inc.
Talisman Energy Inc.	PepsiCo, Inc.

Year to Date 2010 Dollar[1]

TOP CONTRIBUTORS	TOP DETRACTORS
Viacom Inc.	Seagate Technology plc
Stanley Black & Decker, Inc.	Cisco Systems, Inc.
Hertz Global Holdings, Inc.	Roche Holding AG
Google Inc.	The Charles Schwab Corporation
Tyco International Ltd.	QUALCOMM Incorporated

PRELIMINARY PERFORMANCE

Through December 31, 2010

	Gross	Net	R1000	R1000V
4Q	13.22%	13.08%	11.19%	10.54%
YTD	12.30	11.76	16.10	15.51
1-Yr	12.30	11.76	16.10	15.51
3-Yr	-2.68	-3.30	-2.37	-4.42
5-Yr	3.97	3.21	2.59	1.28

Past performance is not a guarantee of future results.

The information presented for the Composite relates to a composite of CRM client separate accounts. CRM manages each component included in this composite using the same strategy. For information regarding this composite, please reference Important Disclosures, Performance Disclosure on page 16.

[1] *It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities in this commentary/list. Please reference Important Disclosures, Product Disclosure on page 17.*
[2] *Please reference Important Disclosures, Product Disclosure on page 17.*
[3] *Please reference Product Summary, Large Cap Opportunity on page 18.*

Mid Cap Value

Strategy Inception: January 1998
Assets in Strategy: $7,306 Million
As of December 31, 2010

Composite Characteristics[2]

	Composite	RMidV	RMid
Wtd Avg Mkt Cap Nlog (m)	$9,760	$6,420	$6,700
Wtd Median Mkt Cap (m)	$10,726	$6,980	$7,268
P/E '11	13.7x	14.0x	15.7x
Price/Book	1.9x	1.6x	2.2x
Dividend Yield	1.4%	2.0%	1.4%
Number of Holdings	53	541	785

Top Ten Holdings[2]	% of Composite
Tyco International Ltd.	4.0
Viacom Inc.	3.8
St. Jude Medical, Inc.	3.5
Stanley Black & Decker, Inc.	3.0
Avery Dennison Corporation	2.6
Zimmer Holdings, Inc.	2.6
Baker Hughes Incorporated	2.5
NYSE Euronext	2.5
Fifth Third Bancorp	2.5
Comerica Incorporated	2.2
Total	**29.2%**

Sector Allocation[2]

	Composite	RMidV	RMid
Consumer Discretionary	13.4	11.3	16.2
Consumer Staples	6.9	6.7	5.4
Energy	10.5	11.0	8.9
Financial Services	21.8	29.9	20.2
Health Care	12.1	5.3	8.4
Materials & Processing	4.5	6.1	6.7
Producer Durables	12.1	11.0	14.1
Technology	11.8	4.5	12.0
Utilities	6.9	14.2	8.1

Portfolio Commentary[1]

The top contributors to fourth quarter's performance were Baker Hughes Incorporated, LSI Corporation, Weatherford International, Tyco International and Fifth Third Bancorp. Baker Hughes was able to finally close and take full management control of its BJ Services acquisition. We believe the timing of this acquisition is superb, as pressure pumping assets have quickly recovered into strong demand, with the industry sold out and prices accelerating. Further, Baker Hughes' international restructuring also appears to be well timed, with forecasts for worldwide energy capital expenditures accelerating into 2011. LSI Corporation benefitted from posting better than expected quarterly results and highlighting strengthening demand for hard disk drives. We believe the Street is overly focused on the hard disk drive semi business and underestimates the value of LSI on the sum of its parts basis. We expect significant new design wins to drive revenue and profits over the next 18 months and help to close this value gap. Weatherford International profited from higher oil prices, improving signs of international drilling activity and increased investor confidence that exploration spending will rise in 2011. Tyco International announced strong fourth quarter organic earnings growth, conservative guidance for 2011 and the 50% divestiture of its electrical and metal products division. The company continues to exceed targeted cost savings from its recent Brinks acquisition, as well as work aggressively towards multi-year structural margin improvements. Management has stepped up its near term $1bn buyback program and foresees continued opportunities to return capital to shareholders and complete accretive bolt-on acquisitions. Fifth Third Bancorp announced better than expected results and an improvement in its commercial lending production, particularly in the Midwest. In addition, we expect the company to finally payback TARP in early 2011.

The Allstate Corporation, Republic Services, Public Service Enterprise Group, Sempra Energy and Amdocs Limited were the top detractors. Allstate announced a weak third quarter earnings report in which underwriting margins deteriorated and policies-in-force growth remained negative. We subsequently exited our position as we believe an improving economy could further pressure underwriting margins as increased driving activity by policyholders potentially causes an increase in accident frequencies. In addition, we became concerned that the company could continue to suffer market share losses to direct marketing competitors, such as Progressive and Geico. We initiated a position in Republic Services, a provider of waste collection services, as its successful integration of Allied Waste, disciplined industry pricing growth (with about 50% tied to CPI inflation), and a substantial return of capital should drive significant earnings. The stock relatively underperformed given weaker than expected guidance, mainly due to the lagging effect of CPI growth on pricing. We believed concerns over earnings at PSE&G's merchant power division were already discounted in the stock. Additionally, we expected the company to complete the sale of its Texas power plants and return the capital to shareholders. However, we elected to sell our holdings as we think the outlook for a recovery in power prices in the Mid-Atlantic region will likely take longer to realize. Sempra Energy provided lower initial 2011 earnings guidance following a delay in the construction of a new solar farm, the failure to acquire one of its joint venture interests and lower gas prices. While the stock is discounting some of the benefits of exiting its commodities venture, we expect the company to have a favorable growth rate in its core regulated utilities and be aggressive in returning capital to shareholders. Utility stocks, in general, were also relatively poor performers with the steepening yield curve. The new CEO of Amdocs lowered forward guidance during the fourth quarter call, as the company decided to increase its investment spending to be better positioned for future growth. Subsequently, we sold our position and reinvested in higher conviction ideas.

In addition to Republic Services, we took advantage of Comerica's sell-off following the company's weaker than expected results to initiate a position. We believe this financial services company remains well positioned to benefit from the improved commercial lending opportunities in 2011 and will be less impacted from the new regulatory changes than most of its peers. We believe Principal Financial's core 401(k) business should experience stronger asset inflows in an improving economy given the company's leading market position in the small/mid-case employer market. In addition, the company recently sold the renewal rights for its health insurance business as part of a continued effort to de-emphasize capital-intensive insurance operations in favor of less capital-intensive asset management businesses. We favor this capital allocation strategy and established a position in the company, as it should free up capital to deploy into accretive uses like share buybacks or acquisitions. We initiated a position in Activision Blizzard as we believe the Street underestimated the electronic entertainment provider's current release of its Call of Duty franchise. Longer term, we believe this franchise could offer substantial upside through the release of an MMO (massively multiplayer online) version to complement its success with World of Warcraft. Further, Activision's significant cash flow generation, combined with its substantial cash reserve, should provide both downside support and upside opportunity as management continues to buyback stock and pay a dividend. Linear Technology Corporation, a leading provider of analog semiconductors, should benefit from a number of meaningful design wins that were awarded during the recession and are poised to turn into revenue in 2011. We established a position in the company as we believe the revenue potential inherent in these designs will cause its revenue to grow faster than expectations.

In addition to Amdocs, we exited our position in FMC Corporation as warranted by our Investment Case. We also sold Omnicom Group and Eastman Chemical Company and reinvested the proceeds into higher conviction ideas. We sold our Check Point Software Technologies position, as the company benefited from increased speculation regarding M&A in the software industry following several high profile acquisition announcements.

Fourth Quarter 2010 Dollar[1]

TOP CONTRIBUTORS	TOP DETRACTORS
Baker Hughes Incorporated	The Allstate Corporation
LSI Corporation	Republic Services, Inc.
Weatherford International Ltd.	Public Service Enterprise Group
Tyco International Ltd.	Sempra Energy
Fifth Third Bancorp	Amdocs Limited

Year to Date 2010 Dollar[1]

TOP CONTRIBUTORS	TOP DETRACTORS
Viacom Inc.	Seagate Technology plc
Baker Hughes Incorporated	Brocade Communications Systems
Fifth Third Bancorp	Regions Financial Corporation
Stanley Black & Decker, Inc.	People's United Financial, Inc.
Cooper Industries plc	Unum Group

PRELIMINARY PERFORMANCE
Through December 31, 2010

	Gross	Net	RMidV	RMid
4Q	12.74%	12.58%	12.24%	13.07%
YTD	19.40	18.69	24.75	25.48
1-Yr	19.40	18.69	24.75	25.48
3-Yr	0.54	-0.08	1.01	1.05
5-Yr	5.99	5.34	4.08	4.66

Past performance is not a guarantee of future results.

The information presented for the Composite relates to a composite of CRM client separate accounts. CRM manages each component included in this composite using the same strategy. For information regarding this composite, please reference Important Disclosures, Performance Disclosure on page 16.

[1] *It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities in this commentary/list. Please reference Important Disclosures, Product Disclosure on page 17.*
[2] *Please reference Important Disclosures, Product Disclosure on page 17.*

Small/Mid Cap Value

Strategy Inception: April 1973
Assets in Strategy: $3,435 Million
As of December 31, 2010

Composite Characteristics[2]

	Composite	R2500V	R2500
Wtd Avg Mkt Cap Nlog (m)	$3,830	$1,980	$2,040
Wtd Median Mkt Cap (m)	$3,693	$2,458	$2,461
P/E '11	15.6x	14.5x	16.3x
Price/Book	1.9x	1.5x	2.0x
Dividend Yield	1.0%	1.8%	1.3%
Number of Holdings	60	1,646	2,462

Top Ten Holdings[2]	% of Composite
Stanley Black & Decker, Inc.	3.0
Avery Dennison Corporation	2.6
Monster Worldwide, Inc.	2.4
Harman International Industries	2.3
CIGNA Corporation	2.3
EQT Corporation	2.2
Equifax Inc.	2.1
CareFusion Corporation	2.1
Hertz Global Holdings, Inc.	2.1
Cytec Industries Inc.	2.1
Total	**23.2%**

Sector Allocation[2]

	Composite	R2500V	R2500
Consumer Discretionary	18.8	10.8	15.6
Consumer Staples	2.7	3.4	3.0
Energy	5.0	7.9	7.0
Financial Services	21.5	32.9	21.6
Health Care	10.1	5.9	10.5
Materials & Processing	9.2	8.4	8.1
Producer Durables	14.5	11.6	14.1
Technology	9.7	7.3	13.2
Utilities	8.5	11.8	6.9

Portfolio Commentary[1]

The leading stock contributors for the fourth quarter were Monster Worldwide, CommScope, Hertz Global Holdings, Syniverse Holdings and Harman International Industries. Monster delivered a solid third quarter earnings report, and laid out fourth quarter and 2011 guidance above the Street's expectations. We continue to believe the Street underestimates the earnings potential of the company given the substantial investment in technology and restructuring efforts of the current management team. Further, the company remains well positioned for any cyclical recovery in employment. The Carlyle Group announced its acquisition of both CommScope and Syniverse, within the same week. As a result of this news, we sold both positions. Hertz continued to demonstrate momentum as pricing and volumes are accelerating in both its rental car and equipment rental businesses. In addition, Hertz raised its cost reduction targets for the year and refinanced its debt maturities, taking advantage of the low interest rate environment. Harman, a new position in the quarter, delivered better than expected earnings results due to its continued focus on cost control. Longer term, we believe this audio and infotainment company should have material earnings potential given a positive mix shift dynamic to next generation scalable platforms for mid-market vehicles.

The leading detractors were Fidelity National Financial, Ashland, Omnicare, Live Nation Entertainment and Jones Lang LaSalle. Fidelity National Financial's Board of Directors recommended to cut the common stock dividend in half and announced CEO succession plans. The company has since restarted its buyback program and we believe remains well positioned to deal with a further housing slowdown given its industry leading reserving and expense management. We initiated a position in global specialties company Ashland, as we believe the divestiture of its European distribution assets is underappreciated by the Street. The proceeds should greatly improve its balance sheet and the absence of this low margin operation should serve to focus attention on the significant restructuring and margin improvements Ashland has undertaken. Finally, we believe the Street will re-raise earnings estimates as the company deploys its divestiture proceeds into acquisitions, repurchases and debt reduction. The stock appears as a minor detractor, as it pulled back while we were building our position. It became evident that the transformation of Omnicare's business into an operating company, made possible by the removal of the prior CEO, would take longer than previously expected. In addition, several key reimbursement and regulatory risks arose, which precipitated our sale of the stock. We initiated a position in concert promoter and ticketing provider Live Nation Entertainment, as we believe the company has unique opportunities in 2011 to grow profitability given re-pricing of artist guarantees for concerts and increased merger synergies from its TicketMaster deal. Longer term, initiatives such as dynamic/tiered ticketing, e-Commerce bundling and increased ticket conversion from improved seating maps should drive growth. This stock also appears as a minor detractor, as the position was established after the market's rally in late December. Jones Lang LaSalle's third quarter earnings report demonstrated strong revenue trends but somewhat weaker-than-expected operating margins. A portion of the operating margin shortfall was timing related, and we remain believers in the still-early recovery in commercial real estate markets that should positively impact both top and bottom-line performance at the company.

In addition to Live Nation Entertainment, Harman International Industries and Ashland, we established new positions in Cytec Industries and OGE Energy. We purchased global specialty chemicals and materials company Cytec Industries with both short and mid-term catalysts in sight. In the short term, we believe the company's extensive restructuring and cost cutting efforts in its chemicals divisions will produce upside to both margins and cash flow. Secondly, Cytec should be a major beneficiary of the launch of the Boeing 787, as it is the leading carbon composite supplier for the platform. We identified significant potential rate base growth in both OGE Energy's electric and gas divisions. In its utility operation, OGE is rapidly building out is transmission assets, which we think should increase earnings over the next several years. In its Energex natural gas processing division, OGE has partnered with a private equity firm to accelerate the build out of midstream natural gas processing and transportation assets, which should also accelerate earnings growth.

In addition to CommScope and Syniverse, we sold our position in FMC Corporation as warranted by our Investment Case. We exited our positions in Brady Corporation and Quanta Services and reinvested the proceeds into higher conviction ideas.

Fourth Quarter 2010 Dollar[1]

TOP CONTRIBUTORS	TOP DETRACTORS
Monster Worldwide, Inc.	Fidelity National Financial, Inc.
CommScope, Inc.	Ashland Inc.
Hertz Global Holdings, Inc.	Omnicare, Inc.
Syniverse Holdings, Inc.	Live Nation Entertainment, Inc.
Harman International Industries	Jones Lang LaSalle Incorporated

Year to Date 2010 Dollar[1]

TOP CONTRIBUTORS	TOP DETRACTORS
Syniverse Holdings, Inc.	Brocade Communications Systems
Monster Worldwide, Inc.	TFS Financial Corporation
Albemarle Corporation	People's United Financial, Inc.
Hertz Global Holdings, Inc.	Popular, Inc.
Stanley Black & Decker, Inc.	MeadWestvaco Corporation

PRELIMINARY PERFORMANCE

Through December 31, 2010

	Gross	Net	R2500V	R2500
4Q	16.02%	15.84%	13.84%	14.86%
YTD	25.40	24.62	24.82	26.71
1-Yr	25.40	24.62	24.82	26.71
3-Yr	3.80	3.15	2.72	2.48
5-Yr	8.16	7.49	3.85	4.86

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[1] It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities in this commentary/list. Please reference Important Disclosures, Product Disclosure on page 17.
[2] Please reference Important Disclosures, Product Disclosure on page 17.

Small Cap Value

Strategy Inception: October 1995
Assets in Strategy: $1,673 Million
As of December 31, 2010

Composite Characteristics[2]

	Composite	R2000V	R2000
Wtd Avg Mkt Cap Nlog (m)	$1,250	$900	$1,000
Wtd Median Mkt Cap (m)	$1,261	$1,027	$1,127
P/E '11	17.8x	14.8x	16.8x
Price/Book	1.9x	1.4x	2.0x
Dividend Yield	0.7%	1.8%	1.1%
Number of Holdings	65	1,297	1,974

Top Ten Holdings[2]	% of Composite
CONMED Corporation	3.2
Intermec, Inc.	2.4
Jo-Ann Stores, Inc.	2.3
Ciena Corporation	2.3
The GEO Group, Inc.	2.2
Atmel Corporation	2.1
Monster Worldwide, Inc.	2.1
The Cooper Companies, Inc.	2.0
G-III Apparel Group, Ltd.	2.0
BioMarin Pharmaceutical Inc.	2.0
Total	**22.6%**

Sector Allocation[2]

	Composite	R2000V	R2000
Consumer Discretionary	19.5	10.4	15.1
Consumer Staples	3.4	2.7	2.7
Energy	5.1	6.6	6.0
Financial Services	15.8	37.0	21.1
Health Care	9.2	5.6	12.4
Materials & Processing	5.7	8.1	8.1
Producer Durables	17.1	14.6	14.1
Technology	22.7	8.1	16.7
Utilities	1.5	6.9	3.8

Portfolio Commentary[1]

Monster Worldwide, Verigy, Atmel Corporation, Art Technology Group and CommScope were the top quarterly contributors for the strategy. Monster delivered a solid third quarter earnings report, and laid out fourth quarter and 2011 guidance above the Street's expectations. We continue to believe the Street underestimates the earnings potential of the company given the substantial investment in technology and restructuring efforts of the current management team. Further, the company remains well positioned for any cyclical recovery in employment. While in the midst of acquiring a smaller competitor, Verigy itself became a takeover target as Japan-based Advantest made a formal offer to acquire the company. Though the Board of Directors is still endorsing Verigy's acquisition of LTX-Credence, they continue to have discussions with Advantest which may lead to a superior offer for shareholders. The Street began to appreciate Atmel's opportunity in smart phones and tablet PCs, as the company is a clear leader in touch screen technology and is widely believed to be designed into most new Android handsets and tablet PCs. Art Technology Group announced its acquisition by Oracle Corporation and we subsequently exited our position. The Carlyle Group announced its acquisition of both CommScope and Syniverse, within the same week. As a result of this news, we sold both positions.

The leading detractors were Talbots, SMART Technologies, ArvinMeritor, MB Financial and CEC Entertainment. Talbots experienced weaker than expected third quarter sales as its management team worked to reposition and reinvigorate the brand. Retail turnarounds require some patience and we expect it will take time to align the older store environment with the new and improved product. We are encouraged by the latest store refresh strategy, as well as the launch of a new marketing campaign for spring 2011. We continue to believe there is significant earnings power at Talbots based on store productivity growth and operating leverage, as well as gross margin expansion through supply chain initiatives. The Street became concerned about the financial budgets of educational institutions, Smart Technology's primary end-market. We believe the company has significant growth prospects given the low international penetration rate of interactive white boards in schools. Further, the company is the only player in the nascent enterprise whiteboard market, which could offer substantial growth potential. We recently purchased ArvinMeritor due to the company's exposure to the commercial truck cycle, as production ramps cyclically, and to emerging market's secular growth. The company completed the divestiture of its light vehicle segment and, as a result, ArvinMeritor should show improved margins relative to both historical averages and current consensus expectations. MB Financial experienced a disappointing third quarter earnings report in which the company reported a large deterioration in credit quality in its core Chicago-land markets. We subsequently sold the position as we expect credit quality to remain an ongoing challenge and believe it will take the company longer to achieve normalized profitability than initially expected. We initiated a position in CEC Entertainment, the owner of Chuck E. Cheese family restaurants. Shares were a slight detractor this quarter; however we believe the revamped birthday party offerings and menu changes bode well for this restaurant chain's revenue and earnings growth.

We initiated a position in Jo-Ann Stores, the largest fabric retailer and second largest crafting retailer in the U.S., on the heels of a new and more profitable real estate strategy as well as a re-engineered product assortment. We believed the Street was under appreciating the operating margin potential of the business as the company increased its store productivity on a newly streamlined expense base. We were also attracted to its reasonable valuation and strong balance sheet, and anticipated more aggressive stock repurchases. In late December, the company received a bid to be taken private by investment firm Leonard Green & Partners and the deal is expected to close in the first half of 2011. NetLogic Microsystems, a leading provider of semiconductors for networking and communication applications, was also added as the Street became overly concerned about its near-term growth prospects due to company specific challenges at its largest customer Cisco. We believe growth at other key customers, several new product introductions and continued expansion in bandwidth consumption will more than offset Cisco's business and allow NetLogic's revenue growth to exceed expectations. We initiated a position in Wright Medical, an orthopedic device company with a broad portfolio of large and small joint replacement implants, as we believe the company is strategically well positioned in several key orthopedic surgical markets. Overall this matches our broader thesis in the orthopedic device industry, which has suffered from a temporary slowdown in procedure volumes. We see a nearer term rebound in procedures, as base and baby boomer demands accelerate. We repurchased Susquehanna Bancshares following the stock's recent pull back as the company exited TARP with minimal dilution and positioned itself to take advantage of the improved lending environment. We established a position in HSN Inc., which includes the Home Shopping Network, as well as a branded catalog and e-commerce business, based on the assumption this multi-channel retailer is uniquely positioned to benefit from the secular migration toward direct-to-consumer shopping. The business also produces strong free cash flow and, in the near term, should be in a position to deploy the cash through accretive acquisitions, buybacks or dividends. In addition, we believe the Home Shopping Network business is a highly attractive asset for a potential strategic acquirer.

In addition to CommScope, Art Technology Group, Syniverse Holdings and MB Financial, we exited our positions in National CineMedia and Charming Shoppes in favor of higher conviction ideas.

Fourth Quarter 2010 Dollar[1]

TOP CONTRIBUTORS	TOP DETRACTORS
Monster Worldwide, Inc.	The Talbots, Inc.
Verigy Ltd.	SMART Technologies Inc.
Atmel Corporation	ArvinMeritor, Inc.
Art Technology Group, Inc.	MB Financial, Inc.
CommScope, Inc.	CEC Entertainment, Inc.

Year to Date 2010 Dollar[1]

TOP CONTRIBUTORS	TOP DETRACTORS
Atmel Corporation	SMART Technologies Inc.
Syniverse Holdings, Inc.	Euronet Worldwide, Inc.
Art Technology Group, Inc.	Charming Shoppes, Inc.
G-III Apparel Group, Ltd.	Artio Global Investors Inc.
Monster Worldwide, Inc.	TNS, Inc.

PRELIMINARY PERFORMANCE
Through December 31, 2010

	Gross	Net	R2000V	R2000
4Q	22.40%	22.17%	15.36%	16.25%
YTD	29.78	28.79	24.50	26.85
1-Yr	29.78	28.79	24.50	26.85
3-Yr	5.82	5.01	2.19	2.22
5-Yr	5.92	5.10	3.52	4.47

Past performance is not a guarantee of future results.

The information presented for the Composite relates to a composite of CRM client separate accounts and one registered mutual fund managed by CRM. CRM manages each component included in this composite using the same strategy. For information regarding this composite, please reference Important Disclosures, Performance Disclosure on page 16.

[1] *It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities in this commentary/list. Please reference Important Disclosures, Product Disclosure on page 17.*
[2] *Please reference Important Disclosures, Product Disclosure on page 17.*

Investment Philosophy & Process

Our track record, spanning more than 38 years, is testament to our success in serving clients and providing strong investment performance. Clients benefit from consistent application of one cohesive philosophy and process, implemented by a team with diverse experience in appraising the intrinsic value of companies.

Investment Philosophy

Investing at the Intersection of Change and Neglect

The intellectual coherence of our investment philosophy is a genuine strength. Companies we buy and hold are typically characterized by three attributes: **change, neglect and valuation.**

Change

The financial markets are rich with change. Every day the markets present investors with mergers, divestitures, restructurings, new management teams or new products and expanded markets.

Neglect

Especially in its early stages, change tends to be greeted with uncertainty, expressed as investor neglect — manifested through behavioral finance, low analytical coverage, negative to neutral stock ratings and low institutional ownership.

Valuation

When change meets neglect, the intrinsic value of a company may exceed the current stock price. At the intersection of change and neglect with attractive valuation, CRM finds the potential for substantial outperformance.

The conviction to invest before the rewards of change are realized requires an investment process grounded in intensive original research.

Investment Process

Identify change

CRM seeks to identify change at an early stage that is material to the operations of a publicly traded company, capitalizing on the opportunity to invest while others wait for certainty. Based on the experience of our research team, we excel at "connecting the dots", - that is, we identify many situations where positive change in one company may lead to a broader set of investment opportunities. A divestiture in one industry, for example, may lead to a new opportunity in another industry. Or a supplier of a company turns out to be an attractive investment in its own right.

Appraise the business

Once potential positive change is identified, we appraise the business by producing a financial model based principally upon projected cash flow. We evaluate the business in the context of what the market is willing to pay for comparable companies, and also what a strategic buyer would pay for the entire company. CRM further measures institutional ownership and tracks the degree of recognition by investors and sell-side analysts.

Conduct research

We visit companies on site and cross reference management claims about future profitability through an extensive network of research contacts built over decades. We amass information from numerous sources, looking for evidence of a catalyst or critical variable that will bring a stock out of the shadows into the mainstream of investor enthusiasm. Our goal at this stage of the investment process is to build a solid investment case, ensuring that future buy and sell decisions are driven by clear milestones as opposed to human emotion.

Take action

Intensive due diligence enables us to move swiftly in situations where change and neglect coincide to create attractive valuations. Every CRM portfolio reflects a series of separate, well-reasoned decisions to invest in individual companies. We are cognizant of benchmark structure, but this awareness does not drive portfolio construction. Our investments seek to capture underlying fundamental change at the company level—hinging not on variables that can spiral out of control, such as commodity prices, interest rates or geopolitical events, but on developments that company management can control and execute. This strategy allows us to define clear milestones, providing guidance in sell discipline implementation.

Sell

Clearly defined investment milestones — an earnings target met or missed, a new product unveiling precisely when anticipated or still languishing on the drawing board long past the deadline — make it possible either to sell without emotion or take advantage of price declines to increase holdings. CRM's entire process is focused not only on building the investment case but also on understanding how the case might deteriorate. Virtually on the day we identify a new idea, we start thinking about our exit strategy.

Brittain has fourteen years of investment experience and is focused on the industrials and technology sectors. Brittain joins us most recently from MissionPoint Capital Partners, an equity hedge fund. Previously, she spent over six years at Iridian Asset Management and five years at SG Capital Partners in merchant banking. She is a graduate of Brown University.

Ian has nine years of investment experience and joins us most recently from BroadArch Capital, an equity hedge fund where he spent six years. Previously, Ian worked at Bank of America in investment banking. He is a graduate of Indiana University.

Important Disclosures

Performance Disclosure
Past performance is no guarantee of future results.

The performance information for each portfolio relates to composites of client accounts with particular investment strategies. Valuations and returns are computed and stated in U.S. Dollars, are dollar-weighted and reflect the reinvestment of dividends and other earnings. Performance is calculated monthly, and the gross performance results for each portfolio are presented before management fees but after all trading commissions. The net performance results are presented after deducting a management fee based on the management fee schedule that is listed in the Product Summary section. In addition, the composite for the Small Cap Value includes the performance of a registered mutual fund, and the fees for the fund are listed in the Product Summary section.

The performance information includes a comparison to various benchmarks, which are rebalanced annually. The benchmarks used for each portfolio are as follows:

- Small Cap Value: Russell 2000 Value Index and the Russell 2000 Index
- Small/Mid Cap Value: Russell 2500 Value Index and the Russell 2500 Index
- Mid Cap Value: Russell Midcap Value Index and the Russell Midcap Index
- Large Cap Opportunity: Russell 1000 Index and the Russell 1000 Value Index
- All Cap Value: Russell 3000 Value Index and the Russell 3000 Index

The Small Cap Value composite consists of all fully discretionary, fee-paying, taxable accounts by CRM managed using the same strategy as the other accounts in the composite. The Small/Mid Cap Value, Mid Cap Value, Large Cap Opportunity and All Cap Value composites consist of all fully discretionary, fee-paying, tax-exempt accounts managed by CRM using the same strategy as the other accounts in the composite. Accounts which were active during the quarter but are no longer with the firm are included in each composite.

Product Disclosures

Portfolio Commentary & Contributors/Detractors
The views expressed in this newsletter represent our opinion, which is based upon research and information available to us at time of publication. The views expressed in this newsletter should not be relied upon as fact and are subject to change at any time based upon a change in market conditions, a company's profile or other factors. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities mentioned.

Upon request, CRM will furnish a list of all securities purchased, sold or held in any of the portfolios referred to in this newsletter during the twelve month period preceding the date of the list of securities for that portfolio included in this newsletter. The methodology for calculating the top contributors and detractors is based on an absolute dollar basis over the specified time period (i.e. quarterly) within the portfolios. The methodology for selecting the initiated and fully exited positions during the quarter is based on the absolute dollar basis over the specified time period (i.e. quarterly) within the portfolios.

Composite Characteristics
Information pertaining to Composite Characteristics includes weighted average market capitalization, median market capitalization and other preliminary numbers that have been derived from FactSet Research Systems and The Bank of New York Mellon Corporation. As these numbers are preliminary, they are subject to change.

Top Ten Holdings
It should not be assumed that the Top Ten Holdings presented for each portfolio in this newsletter will, in the future, be profitable or will equal any references to performance in this commentary. Upon request, CRM will furnish a list of all securities purchased, sold or held in any of the portfolios referred to in this newsletter during the twelve month period preceding the date of the list of securities for that portfolio included in this newsletter. Holdings are subject to change at anytime.

Sector Allocation
The Sector Allocation presented for each portfolio in this newsletter may not be representative of the portfolios" current or future investments. The source of the information for all Sector Allocations is FactSet Research Systems, Russell Sectors. Holdings are subject to change at anytime.

Product Summary

PRODUCT/INCEPTION	ASSETS 12/31/2010 (In Millions)	VEHICLE	MINIMUM INVESTMENT	ANNUAL MANAGEMENT FEE/EXPENSE RATIO[1]	STATUS
All Cap Value	$257	Separate Account	$10 Million	1.00% on the first $25m	Open
January 2002				0.75% thereafter	
		Mutual Fund, CRIEX (Institutional)	$1 Million	1.25% on all assets	Open
		Mutual Fund, CRMEX (Investor)	$2,500	1.50% on all assets	Open
		CRM US Equity Opportunities UCITS			
		A Shares, ISIN IE00B5ZXDG51	$1,000	1.20% MF; 2.25% TER	Open
		B Shares, ISIN IE00B3PZWY82	$100,000	1.20% MF; 1.95% TER	Open
		S Shares, ISIN IE00B43N7R95	$100,000	1.60% MF; 1.90% TER	Open
Large Cap Opportunity	$1,233	Separate Account	$10 Million	1.00% on the first $10m	Open
January 2005				0.75% on the next $15m	
(includes assets of				0.65% on the next $25m	
PCG Large Cap Opportunity)				0.55% on the next $50m	
				0.50% thereafter	
		Mutual Fund, CRIGX (Institutional)	$1 Million	0.90% on all assets	Open
		Mutual Fund, CRMGX (Investor)	$2,500	1.15% on all assets	Open
Mid Cap Value	$7,306	Separate Account	$10 Million	1.00% on the first $10m	Soft-Closed
January 1998				0.75% on the next $15m	
				0.65% on the next $25m	
				0.55% on the next $50m	
				0.50% thereafter	
		Mutual Fund, CRIMX (Institutional)	$1 Million	0.79% on all assets	Closed
		Mutual Fund, CRMMX (Investor)	$2,500	1.04% on all assets	Closed
Small/Mid Cap Value	$3,435	Separate Account	$10 Million	1.00% on the first $25m	Soft-Closed
April 1973				0.70% on the next $25m	
				0.60% on the next $50m	
				0.40% thereafter	
		Mutual Fund, CRIAX (Institutional)	$1 Million	0.87% on all assets	Open
		Mutual Fund, CRMAX (Investor)	$2,500	1.12% on all assets	Open
Small Cap Value	$1,673	Separate Account	$10 Million	1.00% on all assets	Soft-Closed
October 1995		Mutual Fund, CRISX (Institutional)	$1 Million	0.85% on all assets	Open
		Mutual Fund, CRMSX (Investor)	$2,500	1.10% on all assets	Open
Global Opportunity	$93	Separate Account	$10 Million	TBD	Open
January 2009		Mutual Fund, CRIWX (Institutional)	$1 Million	1.25% on all assets	Open
		Mutual Fund, CRMWX (Investor)	$2,500	1.50% on all assets	Open
		CRM Global Opportunities UCITS			
		A Shares, ISIN IE00B5QLZN93	$1,000	1.20% MF; 2.25% TER	Open
		B Shares, ISIN IE00B5LDGW66	$100,000	1.20% MF; 1.95% TER	Open
		S Shares, ISIN IE00B3WKDY34	$100,000	1.60% MF; 1.90% TER	Open
International Opportunity	$18	Separate Account	$10 Million	TBD	Open
January 2009		Mutual Fund, CRIIX (Institutional)	$1 Million	1.25% on all assets	Open
		Mutual Fund, CRMIX (Investor)	$2,500	1.50% on all assets	Open
Long/Short					
All Cap – February 1993	$74	Limited Partnerships	$1 Million	1.00%+20% carried interest	Open
Windridge – April 2002	$333	Limited Partnerships	$1 Million	1.00%+20% carried interest	Open
Global Opp. - February 2010	$6	Limited Partnerships	$1 Million	1.00%+20% carried interest	Open

For more information regarding investing in any one of these current products please contact the CRM Marketing Team at 212.326.5325.

Shares of CRM Funds are distributed by ALPS Distributors, Inc. Please note that shares of a mutual fund may only be offered through a prospectus. Investors should carefully read a prospectus and consider the investment objectives, risks, charges and expenses before investing. Investing in non-U.S. securities involves special risks such as, greater social, economic, regulatory, and political uncertainties, and currency fluctuation. To request a copy of a prospectus for any CRM Mutual Fund product, please call 800.276.2883 or visit www.crmfunds.com.

[1]**Expense Ratio Disclosure**

The net expense ratios for the CRM Small Cap Value Fund, CRM Small/Mid Cap Value, CRM Mid Cap Value Fund, CRM Large Cap Opportunity Fund, CRM All Cap Value Fund, CRM Global Opportunity Fund and the CRM International Opportunity Fund are the ratios listed in the CRM Funds Prospectus, dated October 28, 2010. Expense ratios will fluctuate over time. CRM has a contractual obligation to waive a portion of fees through November 1, 2011 and to assume certain expenses. In addition, CRM has also voluntarily agreed to waive or cap certain fees for the CRM Large Cap Opportunity Fund. This agreement may change or end at any time. Excluding the Small Cap Value, Small/Mid Cap Value and Mid Cap Value Funds, performance would have been lower in the absence of fee waivers and expense reimbursements.