



ATLANTIC TRUST
PRIVATE WEALTH MANAGEMENT

1Q 2011 Multi Manager Update

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PRIVATE WEALTH MANAGEMENT

MMIP – Hedge Funds

MMIP Hedge Funds 1Q 2011 Performance

- Equity related strategies underperformed
- US Equity Long/Short was the best regional group
- Event driven strategies outperformed
- Credit L/S and RV managers did very well
- CTA and macro strategies had a very tough quarter

	1Q 2011	3 Yr Return	3 Yr Sharpe
Average MMIP Fund of Funds Manager	1.9%	1.4%	(0.26)
Average MMIP Directional Equity Manager	2.3%	7.0%	0.15
Average MMIP Non-Directional Equity Manager	2.5%	4.1%	(0.09)
Average MMIP Credit Manager	2.6%	5.7%	0.26
S&P 500 Index	5.9%	2.4%	0.01
Barclays Government-Credit Bond Index	0.3%	4.8%	(0.01)
Barclays Aggregate Bond Index	0.4%	5.3%	0.09
ML High Yield Master II Index	3.9%	12.7%	0.44
HFRI Fund of Funds Composite Index	0.9%	-0.8%	(0.51)

Source: Bloomberg, StyleADVISOR, Atlantic Trust.
Total returns are net of fees, and past performance is not a guarantee of future results.

MMIP – Hedge Funds

Investment Themes

- Risk on / risk off trades dominated
- Higher dispersion, lower correlation, **BUT lower volatility**
- Lower correlations has allowed short stock selection to finally contribute positive alpha
- Long EM vs. Short DM trade did not work
- Higher dispersion in Europe, but short positions in weak European countries did not work

MMIP – Hedge Funds

What are we hearing from our managers?

Equity

- Focusing on event related strategies
- Adding to single name short positions, but accounting for takeover risk
- Holding their positions in EM, as EM is expected to outperform DM
- Bullish on technology and financials, globally, and expect these sectors to do well
- Should continue to benefit from country and stock specific dispersion
- Implied volatility is cheap, so adding more put protection

Credit

- Investing in more relative value and event related strategies
- US distressed continues to pay dividends as the opportunity set winds down
- European distressed opportunities are fertile and expected to increase

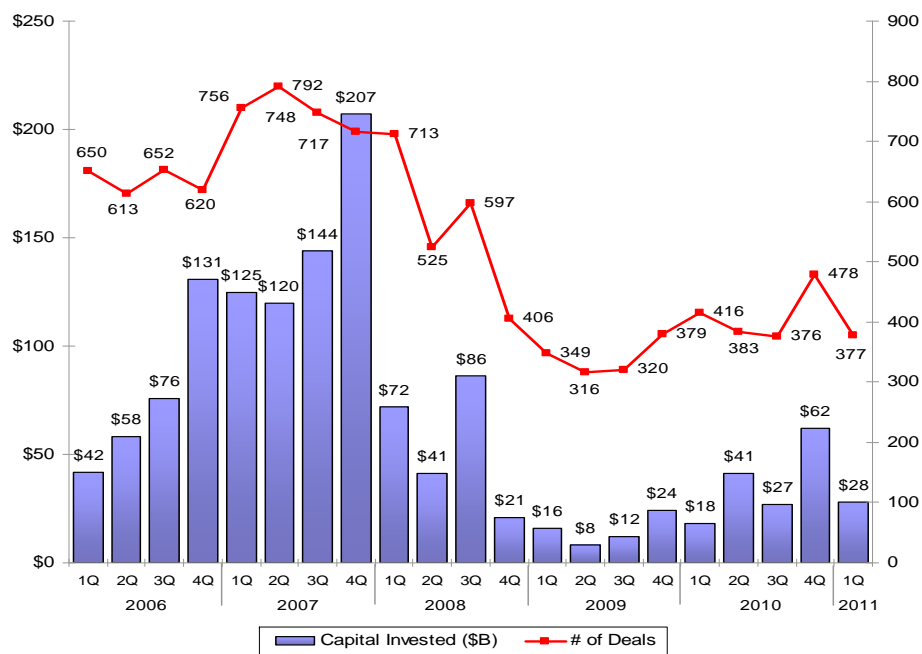
Macro/Fx/Commodities

- Increased opportunity set with divergence among developed Fx and EM Fx
- Should benefit from greater divergence among various commodities (i.e. metals, agriculture)

MMIP – Private Equity

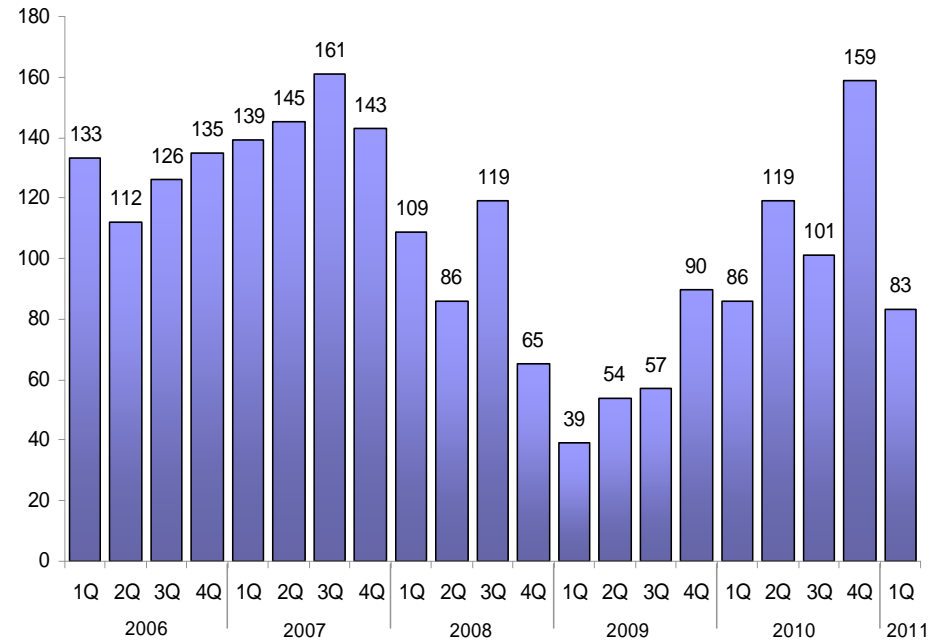
U.S. private equity deal activity and exits are showing tentative signs of recovery

Total Private Equity Deal Flow



Source: Pitchbook

Exit Activity



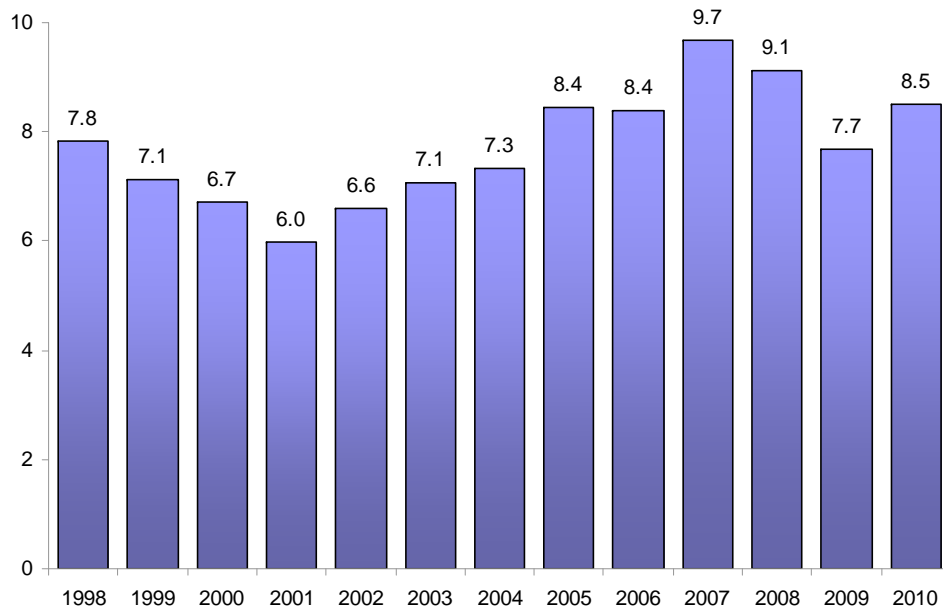
Source: Pitchbook

MMIP – Private Equity

Recent trends in the market...

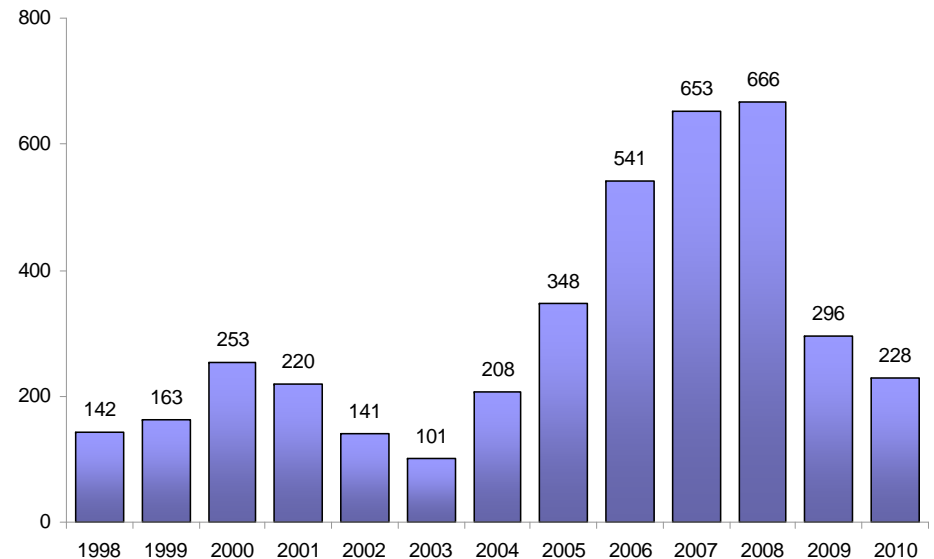
- Elevated purchase multiples
- Fundraising has been difficult

EBITDA Multiples on Transactions



Source: S&P LCD

Fundraising

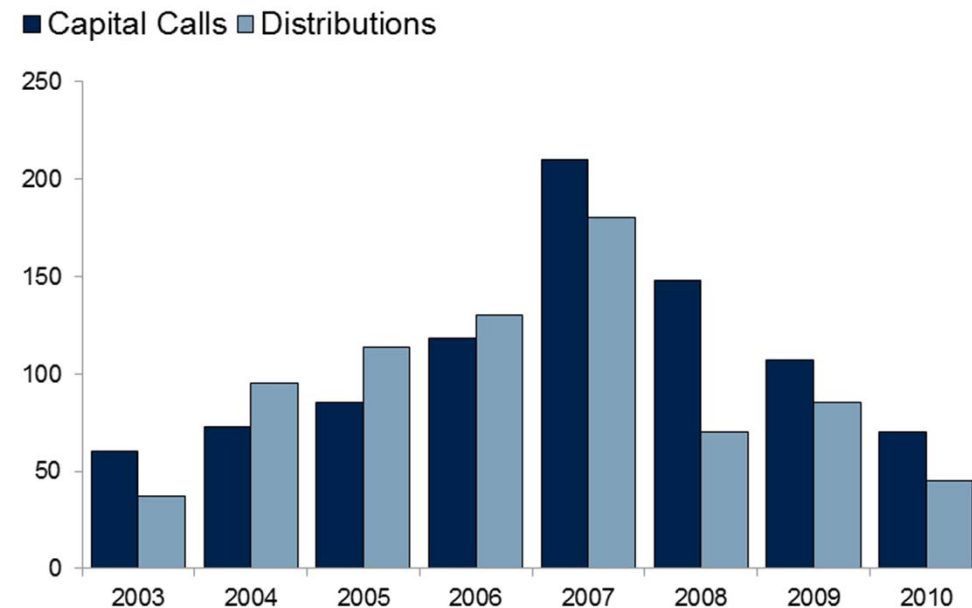


Source: Pitchbook

MMIP – Private Equity

Recent trends in the market and what we expect in 2011...

Capital Called and Distributed by Global Buyout Funds



Source: Preqin

Concluding Thoughts

- 2011 should see an increase in deal and exit activity
- Fundraising may remain challenged
- We expect GPs will drive alpha via value creation versus financial engineering
- Continue to allocate capital to niche funds with opportunistic strategies

MMIP – International Markets

Tale of Two Markets

- In **January and February**, developed international equity markets sharply outperformed emerging equity markets
 - The MSCI EAFE (developed) appreciated 5.7% while the MSCI EM (emerging) fell 3.6%
 - Investors believed positive developed market momentum would continue while high inflation (and corresponding tightening measures by emerging market central banks) and Middle East political events would derail emerging market growth

- In **March**, the above trend reversed
 - The MSCI EM (emerging) rallied 5.9% while the MSCI EAFE (developed) fell 2.2%
 - News out of developed countries disappointed:
 - Challenges in the UK continued while periphery European debt problems re-entered the spotlight
 - A major natural disaster in Japan lowered future growth expectations for the world's third largest economy
 - First quarter GDP growth in the U.S. fell below consensus estimates, partly due to poor weather
 - Meanwhile, prices of agricultural commodities (major components of emerging market CPI baskets) peaked in early March
 - Additionally, EM equity markets have already priced-in some degree of negative earnings revisions

MMIP – Diversified International Managers

Diversified International Manager Name	2011 Performance (%)			
	Jan	Feb	Mar	1Q 2011
Harbor International	1.4	2.6	0.1	4.1
Dodge & Cox Stock	0.5	3.0	-1.0	2.5
Tweedy Browne Global Value	0.6	1.7	-0.9	1.4
American Century Int'l. Disc.	-0.2	2.2	1.1	3.1
First Eagle Overseas	-0.4	2.2	0.3	2.1
MSCI EAFE (NET)	2.4	3.3	-2.2	3.4

Detractors

- **Harbor International (HAINX):** EM exposure; Uranium miner; Overweight Consumer Staples
- **Dodge & Cox Stock (DODGX):** EM exposure; Overweight IT
- **Tweedy, Browne Global Value (TBGVX):** 100% USD dollar hedge detracted approximately 2.4%
- **American Century Int'l. Discovery (TIDIX):** Underweight Financials; Underweight UK
- **First Eagle Overseas (SGOIX):** >15% Cash; Overweight Japan

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MMIP – Emerging Market Managers

Emerging Market Manager Name	2011 Performance (%)			
	Jan	Feb	Mar	1Q 2011
Lazard Em. Markets	-5.4	-0.5	5.5	-0.8
Harding Loevner Em. Markets	-4.7	-1.3	4.5	-1.7
Matthews Pacific Tiger	-4.4	-3.0	6.9	-0.9
MSCI EM (NET)	-2.7	-0.9	5.9	2.1
MSCI AC Asia ex-Japan	-1.3	-1.7	5.2	2.0

Detractors

- **Lazard Em. Markets (LZEMX):** Overweight Egypt, Consumer; Underweight Energy, China
- **Harding Loevner Em. Markets (HLMEX):** Overweight Consumer; Underweight Energy/Materials, China
- **Matthews Pacific Tiger (MAPTX):** Domestically-oriented companies; Underweight Energy/Materials
- We continue to support emerging market allocations due to structurally better balance sheets, growth and currency characteristics

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MMIP – Domestic Equity Managers

Active Management

- Large Cap Managers continued to underperform their respective benchmarks
 - Turner lone outperformer
- Mid Cap
 - TS&W, Columbus Circle and T. Rowe topped their bogey and CRM fell just short
 - JPMorgan & TimesSquare trailed during the period but still have desirable longer-term records
- Small Cap
 - The Boston Co. and Aston/TAMRO led all small cap approved managers gaining 8.95% and 8.29%, respectively versus the Russell 2000 G in 1Q 2011
 - Touchstone/The London Company Small Cap Core trailed the Russell 2000 G, gaining 5.97%

	Annualized Returns				
	1Q11	1 Yr	3 Yr	5 Yr	10 Yr
Russell 1000 Index	6.24	16.69	2.98	2.93	3.83
Russell Midcap Index	7.63	24.27	7.25	4.67	8.52
Russell 2000 Index	7.94	25.79	8.57	3.35	7.87
S&P 500 Index	5.92	15.65	2.35	2.62	3.29

MMIP – Domestic Equity Managers

Active Management

- Showing signs of positive momentum
 - Small & Mid Cap active managers are looking better, having outperformed passive managers in 4 of 6 style buckets
 - Large Cap active management performance has been much better in 1Q11 versus 2010

Exhibit 1: Small and Mid Cap Mutual Fund Track Records – Percent Beating Benchmarks

Percent of Funds Beating Benchmark					
Benchmark	2010	Jan-11	Feb-11	Mar-11	1Q11
Russell 2000 Core	39%	75%	28%	48%	50%
Russell 2000 Growth	38%	79%	28%	41%	49%
Russell 2000 Value	62%	61%	31%	70%	59%
Russell Midcap Core	31%	40%	64%	67%	51%
Russell Midcap Growth	52%	20%	63%	67%	53%
Russell Midcap Value	22%	54%	52%	37%	43%
Russell 2500 Core	15%	50%	35%	61%	41%
Russell 2500 Growth	38%	48%	45%	62%	59%
Russell 2500 Value	41%	45%	59%	55%	50%
Russell 1000 Core	20%	41%	39%	48%	43%
Russell 1000 Growth	40%	12%	57%	52%	36%
Russell 1000 Value	22%	54%	36%	42%	40%
S&P 600 Small Cap	50%	56%	50%	13%	25%
S&P 400 Mid Cap	23%	26%	30%	26%	21%
S&P 500 Large Cap	37%	30%	43%	60%	38%
MSCI World Small Cap	25%	21%	13%	63%	17%
MSCI World	38%	22%	17%	78%	28%
MSCI EAFE Small Cap	64%	43%	71%	57%	50%

Source: Credit Suisse Small/Mid Cap US Equity Strategy, Lipper

Exhibit 2: Small and Mid Cap Mutual Fund Track Records – Median Returns

Median Absolute Performance					
Benchmark	2010	Jan-11	Feb-11	Mar-11	1Q11
Russell 2000 Core	25.5	0.4	4.9	2.5	7.9
Russell 2000 Growth	27.3	0.5	5.0	3.6	9.1
Russell 2000 Value	25.5	0.1	4.6	2.0	7.1
Russell Midcap Core	21.9	2.1	3.9	1.9	7.9
Russell Midcap Growth	27.3	1.3	4.3	2.4	8.2
Russell Midcap Value	20.8	2.3	3.2	1.5	7.1
Russell 2500 Core	24.1	1.6	3.7	2.2	7.0
Russell 2500 Growth	27.7	1.1	5.4	3.5	10.1
Russell 2500 Value	24.3	1.5	4.7	1.8	7.9
Russell 1000 Core	13.4	2.3	3.3	0.2	5.9
Russell 1000 Growth	15.7	1.8	3.4	0.2	5.5
Russell 1000 Value	13.3	2.4	3.5	0.3	6.1
S&P 600 Small Cap	26.3	0.2	4.4	2.9	7.4
S&P 400 Mid Cap	26.9	1.5	4.4	1.8	7.9
S&P 500 Large Cap	13.6	1.9	3.3	0.3	5.5
MSCI World Small Cap	23.5	(0.3)	2.1	1.5	3.6
MSCI World	10.9	1.1	2.7	-	3.7
MSCI EAFE Small Cap	22.8	0.4	2.5	0.4	2.7

Source: Credit Suisse Small/Mid Cap US Equity Strategy, Lipper

MMIP – Domestic Equity Managers

Quality Performance Spread is Shrinking

High Quality vs. Low Quality: January 2011 through March 2011

Index	High Quality	Low Quality	% Difference
Russell 1000	5.6	7.1	(1.5)
Russell 1000 Growth	5.4	6.8	(1.4)
Russell 1000 Value	5.8	7.4	(1.6)
Russell Midcap	7.4	7.7	(0.3)
Russell Midcap Growth	7.7	7.9	(0.2)
Russell Midcap Value	7.1	7.6	(0.5)
Russell 2000	7.2	8.1	(0.9)
Russell 2000 Growth	9.2	9.2	0.0
Russell 2000 Value	5.2	7.0	(1.8)

Source: Atlanta Capital Management

High Quality vs. Low Quality: January 2010 through September 2010

Index	High Quality	Low Quality	% Difference
Russell 1000	10.1	13.9	(3.8)
Russell 1000 Growth	10.7	16.4	(5.7)
Russell 1000 Value	9.5	11.2	(1.8)
Russell Midcap	11.4	14.5	(3.1)
Russell Midcap Growth	12.9	15.9	(3.0)
Russell Midcap Value	9.7	13.4	(3.7)
Russell 2000	8.5	11.9	(3.5)
Russell 2000 Growth	9.8	13.5	(3.6)
Russell 2000 Value	7.3	10.3	(3.0)

The Gap Has Narrowed

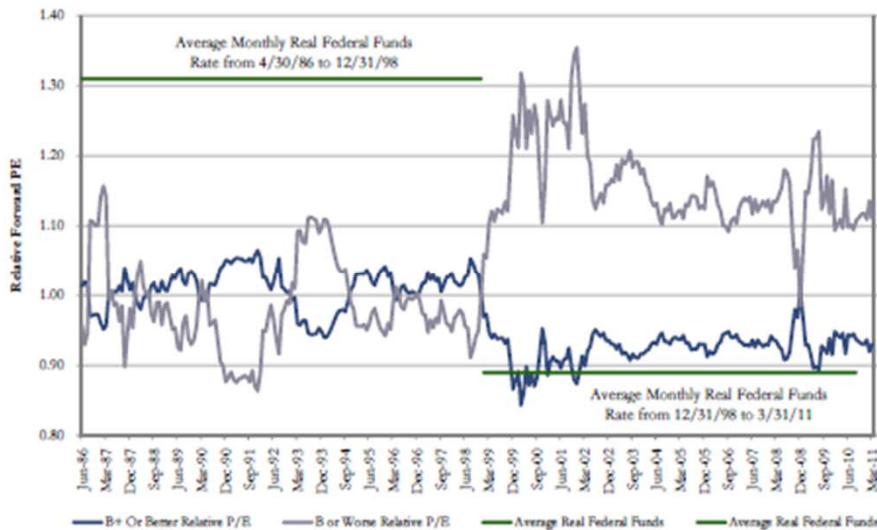
- High Quality and Low Quality portfolios compare the aggregate of all companies with B+ or Better S&P rankings to those with B or below S&P rankings respectively.

MMIP – Domestic Equity Managers

Signs of a more favorable environment in the winds?

- Quality is trading at a large discount
- Large/Mega Cap valuation at generational lows
- Growth to slow

When Will the Free Pass on Risk End?



Relative P/E of the Largest 25 S&P 500 Companies



Source: Bank of America Merrill Lynch US Quantitative Strategy "Performance Monitor." "Quality Index" is based on Bank of America Merrill Lynch US Universe of approximately 1600 stocks using S&P Common Stock Rankings. Real Federal Funds Rate is Nominal Federal Funds minus CPI. PE Ratios are next 12 months relative to the S&P 500 index. Data as of March 31, 2011.

Source: FactSet, as of March 31, 2011.