



LATEEF

I N V E S T M E N T
M A N A G E M E N T

3Q 2009 Review

Discussion Topics

- Market Update
- Portfolio Activity
 - New Buys / Sells
- The New Normal
- Outlook



Lateef vs. S&P 500

as of 9/30/09	3Q 09	YTD	1 Year	3 Year	5 Year	10 Year**	15 Year
Lateef*	15.2%	20.0%	-2.7%	-3.4%	3.4%	8.8%	12.7%
S&P 500	15.6%	19.2%	-6.9%	-5.4%	1.0%	-0.1%	7.6%

* Lateef Non-Taxable All-Cap Growth Equity composite (net of fees) as of September 30, 2009

** Lateef is ranked in the top 1% for all U.S. domestic managers over 10 years ending 12/31/08 by the Plan Sponsor Network
2,000 managers in its database.



Source: Strategas



3Q 2009 Activity

BUYS

Accenture

Teradata

SELLS

Costco Wholesale

The Walt Disney Company



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Accenture (ACN)

Investment thesis: Accenture provides management and technology consulting services and solutions. We believe that over the next 3-5 years, Accenture's consulting business will accelerate as their clients invest for growth.

Valuation: At \$36, Accenture is selling at 13x '09 and 12.5x '10 calendar EPS estimates of \$2.69 and \$2.86. Assuming a ROIC of 50%, the market implied growth for Accenture is 2% at current prices. We believe Accenture will grow much faster. A 10% growth rate, below historical norms, would generate a \$60 value.

What we like:

- **Low capital intensity** – Accenture provides services and doesn't require a lot of capital to run their business. Their ROIC has averaged over 100% since 2002.
- **High FCF yield** – Accenture's current FCF yield is greater than 9%
- **Strong balance sheet** – Net cash of \$5 / share or 15% of its market value
- **Recurring revenue** – Over 50% recurring with 87 Diamond clients each generating over \$100 mm annual revenues
- **Shareholder friendly** – Since going public in 2001, the company has generated \$15.2B of free cash flow and has repurchased \$13.5B of stock



Teradata (TDC)

Investment thesis: Teradata Corporation provides data warehousing solutions, including enterprise analytic technologies and services. Solutions comprise of software, hardware and related business consulting and support services. Teradata helps their clients obtain an integrated view of their business and helps them make better decisions. Teradata was spun out of NCR in 2007. We believe that Teradata's revenue and operating margins will accelerate due to their investments in their sales force, new products, and new partnerships.

Valuation: At \$27, TDC is selling at 21x '09 and 19x '10 EPS estimates of \$1.28 and \$1.45. We believe TDC can grow operating profits in the mid to high teens over the next 3-5 years which would generate a \$52 value.

What we like:

- **High FCF yield** – Teradata's current free cash flow yield is over 10%
- **Increased sales force and partnerships** – Teradata plans to add 90 new sales territories by 2010 from a base of 385 in 2007 (a 23% increase). TDC also as deepened their partnership with SAS & SAP which should strengthen their product offering.
- **Operating margins** – Goal of increasing from 18% to 23% by 2010
- **Strong balance sheet** – No debt, cash of \$3.67/share or 13% of market value



Costco (COST)

Sell Rationale

Violates our original investment thesis:

We were attracted to Costco because of 1) Margin expansion with increased private label and higher priced seasonal items and 2) Growth model driven by ~5% same store sales and ~5% new store expansion

Over the past few quarters, Costco has unnecessarily lowered prices which has eroded their earnings and, despite cheaper real estate prices, Costco has chosen to slow their new store expansion. We believe Costco should be taking advantage of the current environment rather than retreating.

The Walt Disney Company (DIS)

Sell Rationale

Heavy capital spending over the next 2-3 years – Disney has committed to purchasing two additional cruise ships (we estimate at \$1B each), revamping California Adventure, expanding Hong Kong Disney, building a new 800 unit hotel/timeshare resort in Hawaii, and further investments in DisneyWorld over the next 2-3 years. We believe Disney’s capital expenditure will more than double from ~\$1.6 B over the last 3 years, to over \$3 billion over the next few years. During this period, we believe the returns on these incremental investments will not be attractive and that the company may need to access the capital markets to fund these projects.

Acquisition of Marvel Entertainment – We believe Disney overpaid for Marvel and by Disney’s own admission, Marvel will be dilutive for two years.

Valuation – We believe Disney is fairly valued at current prices and we have other opportunities at this time.

The New Normal

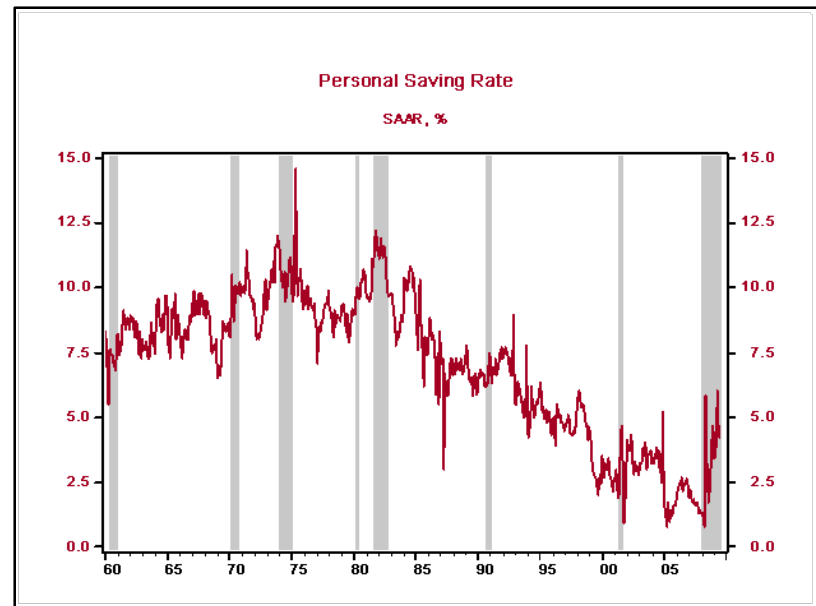
With the worst of the financial crisis and recession potentially behind us, we believe that growth will resume but could be at a slower pace than normal. This “new normal” may last for a number of years.

The new norm has not changed our investment processes and we believe actually favors the types of companies that we invest in.

The New Normal

Theme – Consumers are deleveraging and spending less. With savings rate increasing and credit tightening, how are we benefiting?

Visa and Mastercard are seeing growth in debit card usage. Debit swipes are now over 50% of total swipes (for Visa) in the U.S. Credit and debit card growth globally are still strong as plastic continues to replace cash and checks secularly.



Source: Strategas



The New Normal

Theme – Consumers are spending less money on discretionary items.
How are we benefitting from that trend?

Scripps Network (SNI) owns cable channels like The Food Network, Home and Garden TV, and Do It Yourself (DIY) TV. Scripps is benefitting from a nesting phenomenon where consumers are enjoying less expensive forms of entertainment. SNI's channels are generating record ratings which will lead to higher affiliate fee contracts with cable and satellite distributors and advertising revenue.

The New Normal

Theme – Businesses need to work smarter and more efficiently to retain and grow their businesses. Companies will need to adjust and exploit new, still unclear profit models. How do we capitalize on that need?

Companies like **Accenture** and **Teradata** help their clients save money, work more efficiently and grow their businesses. Using technology and analytics can give companies an edge to thrive.



The New Normal

- The new normal is not new to Lateef. We've always strived to find companies that are leaders in their business and provide value to their customers.
- Over the past year, we have been able to take advantage of stock market disruption and added some very attractive businesses. We believe these companies will generate superior returns in the years to come.

Outlook

Compelling Portfolio of Companies

- Superior profitability
 - Lateef ROE of 33% vs. S&P 500 of 3.7%
- Attractive return potential
 - 40% return to our estimate of fair value
 - Free cash flow yield of 6%
- More nimble companies with faster growth
 - Lateef's market cap \$28B vs. S&P 500 \$70B
- Priced on par with the S&P 500
 - Lateef's PE of 16x vs. S&P 500 PE of 16x
- With less risk
 - Beta of 0.88

Outlook

Contrarian's Note-U.S. Large Cap Growth

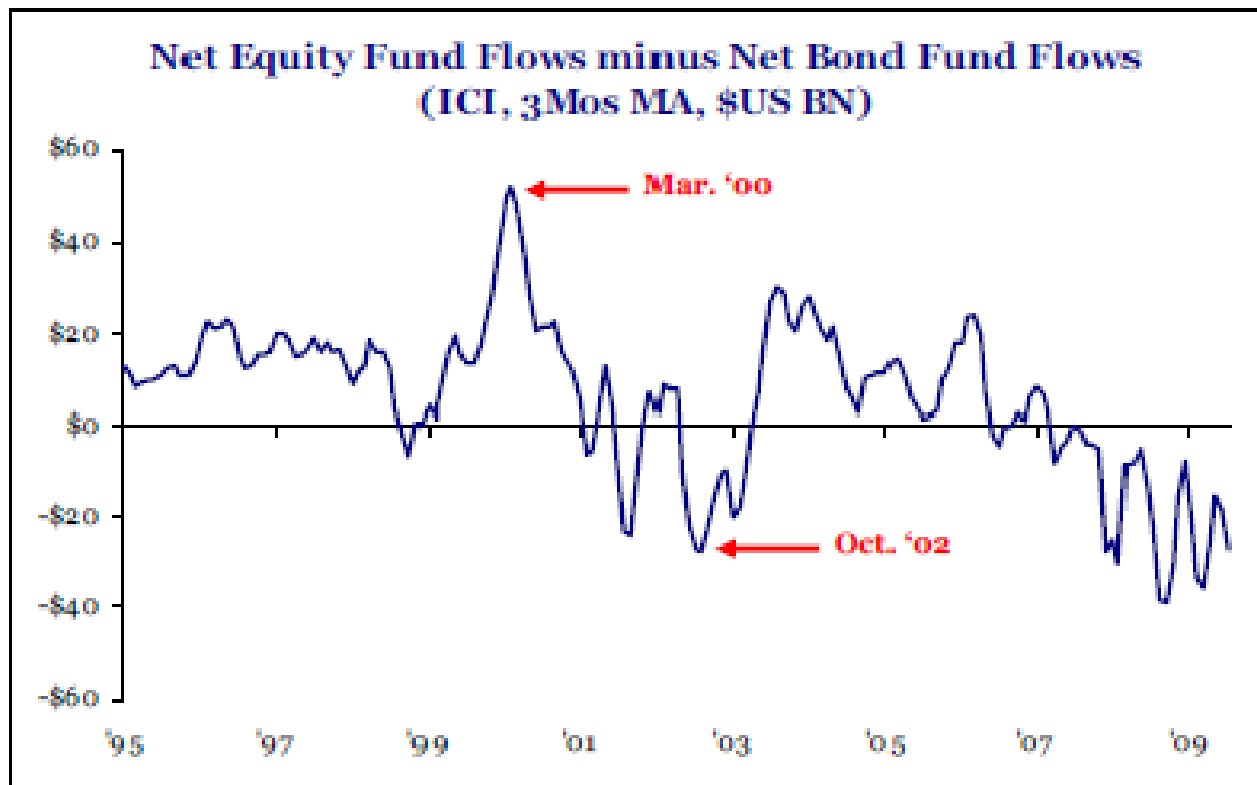
Asset Class	1970s	1980s	1990s	2000s
Long-Term Government	5.5	12.6	8.8	10.5
Long-Term Corporate	6.2	13.0	8.4	8.2
Intermediate-Term Government	7.0	11.9	7.2	7.2
Small-Cap Stocks	11.5	15.8	15.1	4.1
Treasury Bills	6.3	8.9	4.9	3.1
Inflation	7.4	5.1	2.9	2.5
Large-Cap Stocks	5.9	17.5	18.2	-3.6

Style	1970s	1980s	1990s	2000s
Small-Cap Value	15.0	20.4	14.5	8.0
Mid-Cap Value	12.7	19.0	14.3	5.2
All Value	8.8	18.4	15.6	-0.3
Large-Cap Value	7.7	18.1	15.8	-1.7
Mid-Cap Growth	5.7	15.3	16.5	-2.7
Small-Cap Growth	8.5	14.2	13.0	-2.8
All Growth	3.3	15.3	19.9	-6.0
Large-Cap Growth	2.4	15.6	21.4	-6.8

Region	1970s	1980s	1990s	2000s
Canada	11.0	11.7	9.9	4.8
Europe	8.6	18.5	14.5	-0.8
EAFE (Europe, Australia, Far East)	10.1	22.8	7.3	-1.4
World	7.0	19.9	12.0	-2.7
Pacific	14.8	26.4	0.5	-2.7
United States	5.9	17.6	18.2	-3.6

Source: Strategas

FUND FLOWS ONE REASON TO STAY BULLISH FOR NOW



Source: Strategas

HISTORICAL BEAR & BULL MARKETS IN CONTEXT

S&P 500 <u>Bear</u> Markets					
Start		End		Duration (Months)	Percent Change
Date	Price	Date	Price		
9/7/1929	31.92	6/1/1932	4.40	33	-86.2%
3/6/1937	18.68	4/28/1942	7.47	62	-60.0%
5/29/1946	19.25	6/13/1949	13.55	37	-29.6%
8/2/1956	49.64	10/22/1957	38.98	15	-21.5%
12/12/1961	72.64	6/26/1962	52.32	6	-28.0%
2/9/1966	94.06	10/7/1966	73.20	8	-22.2%
11/29/1968	108.37	5/26/1970	69.29	18	-36.1%
1/11/1973	120.24	10/3/1974	62.28	21	-48.2%
11/28/1980	140.52	8/12/1982	102.42	20	-27.1%
8/25/1987	336.77	12/4/1987	223.92	3	-33.5%
7/16/1990	368.95	10/11/1990	295.46	3	-19.9%
3/24/2000	1527.46	10/9/2002	776.76	31	-49.1%
10/9/2007	1565.12	3/9/2009	676.53	17	-56.8%
Average				21	-39.9%

Source: Strategas

Will March 9th, 2009 end up marking the end of one bear market and the start of a new bull?

S&P 500 <u>Bull</u> Markets					
Start		End		Duration (Months)	Percent Change
Date	Price	Date	Price		
6/1/1932	4.40	3/6/1937	18.68	57	324.5%
4/28/1942	7.47	5/29/1946	19.25	49	157.7%
6/13/1949	13.55	8/2/1956	49.64	86	266.3%
10/22/1957	38.98	12/12/1961	72.64	50	86.4%
6/26/1962	52.32	2/9/1966	94.06	43	79.8%
10/7/1966	73.20	11/29/1968	108.37	26	48.0%
5/26/1970	69.29	1/11/1973	120.24	32	73.5%
10/3/1974	62.28	11/28/1980	140.52	74	125.6%
8/12/1982	102.42	8/25/1987	336.77	60	228.8%
12/4/1987	223.92	7/16/1990	368.95	31	64.8%
10/11/1990	295.46	3/24/2000	1527.46	113	417.0%
10/9/2002	776.76	10/9/2007	1565.12	60	101.5%
3/9/2009	676.53	Present	1057.08	7	56.3%
Average				57	164.5%

Source: Strategas



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