Munder Capital Management

Pinnacle International Small to Mid Cap Value Equity Fund
First Quarter 2009

Market Environment

Equity markets around the world rallied significantly towards the end of March, reversing the worst nine-month period for international small-cap equities in over 20 years. Whether a sign of better times ahead or just a bear market rally, the recent run-up boosted both stock prices and investor confidence in taking risk again. After falling 16.1% during January and February, the S&P® Developed ex-U.S. Small Cap Index produced a positive return of 6.5% in March. This pales in comparison to the surge that occurred from March 9 to March 27 when the Index jumped 16.9%. Although all markets were up across the board, movement within the Index was bifurcated. A large number of stocks that were beaten down over the last nine months had returns over 50%, while the majority of stocks in the Index increased only modestly. Even with the strong positive performance for March, the Index was down 10.6% for the full quarter.

Given the continued signs of economic weakness, including growing unemployment, most stock markets posted a negative return for the quarter. Europe and Japan, which accounted for more than 60% of the Index, were impacted by the global synchronized slowdown and their markets declined 14% and 15%, respectively, during the quarter. The only three countries with positive returns were South Korea (+4.2%), Hong Kong (+1.5%) and Norway, whose stock market rose 5.2% as the price of oil began to climb back from recent lows. In fact, of the ten economic sectors in the Index, only the energy sector delivered a positive return for the quarter. Although generally considered the most defensive sector, consumer staples had the weakest performance, with a -16% return.

Portfolio Commentary

Although the Fund had an impressive lead relative to the Index through early March, its relative performance faltered as many of the depressed stocks, which had fallen precipitously in prior months, outperformed a majority of the strategy's holdings during the market surge in the latter part of March. The strategy's focus on companies with better earnings prospects than their peers did not serve the strategy well during the market surge. This period, characterized by strong bottom-fishing by investors, produced spectacular returns, at least in the short run, for many companies that had poor earnings prospects. These included ailing banks, companies in need of capital to stay solvent, and commodity-based companies whose stock prices fell significantly during the sell-off that stretched from June 2008 through February 2009.

While security selection was mixed, the final result was dominated by Japan. Security selection was challenging among Japanese consumer companies. Both Mandom Corp. and

ABC-Mart, Inc. fell over 40% due to a combination of lower domestic demand and a general shift toward export-oriented names that would benefit from a weakening yen. Positive stock selection in the U.K., with some standout performers in the Energy sector, partially offset the negative impact of these Japanese holdings. Venture Production rose 87% after receiving a takeover offer. Another U.K. energy company, Petrofac Ltd., is an engineering and procurement company whose stock rose 54% for the quarter, because of strong order in-take due to continued strength from exploration and production company contracts.

Outlook

This has been an exceptionally difficult period in which to execute our process. The recent performance of global stock markets is typical of a recovery period, with different parts of the market reacting in different ways to economic stimulus plans and government intervention. We anticipate that stock returns will continue to show wide dispersion in this environment, making it a challenge to provide a consistent level of excess return in the short run. As we have stated in the recent past, there is most likely to be at least one more quarter of volatility as investors re-establish their own baseline for the fundamentals that drive long-term value. We are confident that the strategy is positioned to capture value-added returns as the market environment becomes more rational.