



# PERIMETER

CAPITAL MANAGEMENT

www.perimetercap.com

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## Third Quarter 2011

## U.S. Extended Small Cap Growth Update

### Firm Overview:

100% Employee-Owned Investment Boutique

Established June 2006 in Atlanta, Georgia

Total Assets Under Management: \$1,446.6M \*

Strategies Managed:

- U.S. Small Cap Growth Equities
- U.S. Extended Small Cap Growth Equities
- Global Long/Short L.P.

### Strategy Overview:

#### U.S. Extended Small Cap Growth

- Seek to Invest in High Quality Stocks Exhibiting Strongest Relative Earnings Growth Momentum Across Any and All Market Sectors
- Experience & Bottom-Up, Fundamental Analysis Uncovers Pricing/Valuation Inefficiencies Inherent in Undiscovered Small and Mid Cap Stocks
- 90 - 110 stocks
- Portfolio Managers: Mark Garfinkel, CFA, Patrick W. Kirksey, CFA, Brian Crawford, CFA
- Strategy Inception: January 2008
- Strategy Assets: \$27.1M \*

\* As of 9/30/2011

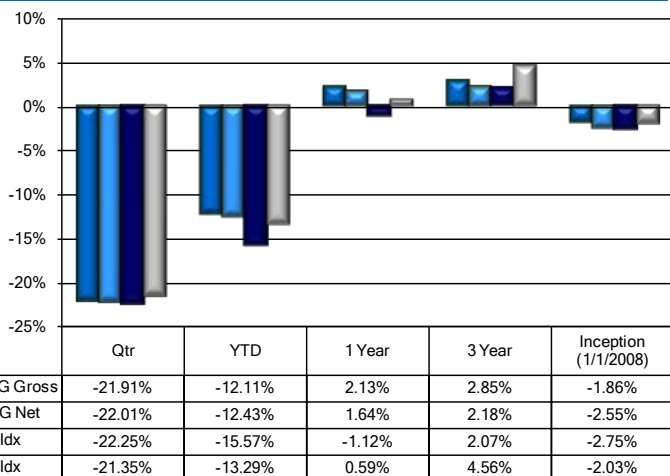
The Perimeter U.S. Extended Small Cap Growth Equity composite posted a return of -21.9% gross of fees for the most recent quarter, versus the -21.4% return of the Russell 2500 Growth Index. Uncertainty during the quarter given numerous negative headlines such as the U.S. debt ceiling debate, the European financial crisis and slowing emerging market economies sent investors running for safety. While the Russell 2500 benchmark experienced one its worst declines since inception, 10-year U.S. bond yields declined to 1.90% (the lowest since 1953), a real demonstration of the "risk-off" trade and the severity of economic fears. While we had been calling for an economic slowdown, we did not believe we were headed for a recession. However, amidst the debate of U.S. fiscal austerity and the escalating financial crisis in Europe, the economic landscape abruptly shifted and re-ignited prospects for a double-dip recession.

These fears caused massive flight-to-safety and anti-cyclical trades in recent weeks, where stock prices of companies with any exposure to economic cyclicality fell, regardless of any positive fundamental trends. The market's attempt to look ahead inordinately impacted the most economically sensitive sectors, as investors priced in slower or negative economic growth. Conversely, the most defensive and least economically sensitive sectors and industries were the beneficiaries of the flight to safety, led by Consumer Staples, Healthcare and Real Estate Investment Trusts (REITs). Consumer Staples stocks within the Russell 2500 Growth Index outperformed the broad index by 15%. The REIT industry has become a 4% weight within the benchmark after the June rebalance and became a favorite hiding place this quarter, outperforming by over 9%. The Perimeter portfolio was underweight these most defensive areas as we had been positioned for continued - albeit modest - global growth, not for recession fears. In the quarter, stronger performance from the higher quality companies we hold was offset by our economic exposure/beta, particularly within the Industrials and Technology sectors.

For the quarter, the portfolio saw a strong benefit from solid selection in the Healthcare sector, led by top performers **Seattle Genetics**, **Immucor** and **Jazz Pharmaceuticals**. Energy was another area of strength for the quarter, as selection in the portfolio fared better than that of the benchmark. On the other hand, the list of bottom contributors reflected economically sensitive companies from the Industrials, Technology and Materials sectors. The most significant negative contributor in the quarter was the Industrials sector, particularly within the Machinery and Electrical Equipment industries. Several companies we own such as **Robbins & Myers** and **WABCO Holdings** saw their share prices tumble despite little to no change to their business fundamentals.

## Performance Results

As of 9/30/2011



## Performance by Sector

	Perimeter ESCG	Russell 2500 Growth Index	Russell 2000 Growth Index
Consumer Discretionary	-19.59%	-19.39%	-21.38%
Consumer Staples	-3.62%	-6.00%	-7.58%
Energy	-27.36%	-29.66%	-32.91%
Financials	-20.12%	-18.67%	-16.28%
Health Care	-12.71%	-16.45%	-17.27%
Industrials	-27.00%	-23.62%	-22.82%
Information Technology	-25.61%	-23.43%	-24.50%
Materials	-29.37%	-23.76%	-32.39%
Telco Services	-30.63%	-26.90%	-24.43%
Utilities	--	-0.31%	-6.82%

\* Supplemental Information

See Important Disclosures provided on last page.

***Contributors to Performance\****

Company	Total Return (Quarter)
<b>Immucor (BLUD)</b> U.S. market leader & third in the world in providing automated systems/supplies used by hospitals & other healthcare service providers to identify blood group & types, as well as other critical blood properties. During the quarter, Immucor announced agreement to be acquired by a private equity firm at a 30% premium to prior trading day's price, unlocking the company's value.	<b>+32%</b>
<b>Jazz Pharmaceuticals (JAZZ)</b> Specialty drug maker with main drug, Xyrem, the only FDA-approved drug for treatment of excessive sleepiness & cataplexy in patients with narcolepsy. As an "orphan" class disease (i.e. very rare), FDA has granted special pricing allowances to incent drug companies to develop treatments. JAZZ continues to implement price increases, along with stronger prescription volume growth, driving strong sales & earnings growth.	<b>+24%</b>
<b>Seattle Genetics (SGEN)</b> Biotech company recently received FDA approval for lead drug candidate to treat refractory & relapsed Hodgkin's Lymphoma & Anaplastic Large Cell Lymphoma. Phase II trials results were very strong, prompting company to submit request for approval early, which was granted by the FDA. Accelerated approval should drive rapid adoption of drug among target patient population, given these patients have few options left.	<b>+24%</b>
<b>American Campus Communities (ACC)</b> A REIT and one of the largest private owners, developers & managers of student housing in U.S. ACC is benefiting from growing college student population & limited access to funding for universities/colleges to expand & update aging student housing. Company has a strong track record of cash flow & dividend growth.	<b>+7%</b>
<b>ULTA Salon (ULTA)</b> All-in-one specialty retail store for premium & mass merchant cosmetics, fragrances & premium salon products. Ulta currently has a relatively small store base with an attractive multi-year store growth track & has been exceeding expectations with strong same store sales results. Attractive store layout & design is helping drive high traffic, which combined with tight inventory controls are leading to expanding margins & strong earnings growth.	<b>-3.6%</b>

***Detractors from Performance\****

Company	Total Return (Quarter)
<b>Stillwater Mining (SWC)</b> Largest mining, processing, refining & marketer of Platinum and Palladium in North America. Demand remains strong with low supply but fear of recession and peaking precious metal prices along with aggressive expansion plans have devastated the share price. We have since sold the position.	<b>-61%</b>
<b>WABCO Holding (WBC)</b> Global leader in braking, stability & suspension control systems for commercial vehicles. Similar to other industrial manufacturers with meaningful European exposure, WBC underperformed this quarter due to macroeconomic concerns. Based on a recent call with management, WBC has not seen changes in end market demand or strong fundamentals. Increased safety regulations & new customers should allow WBC to grow more quickly than the industry as a whole. While we continue to monitor end market demand, we believe the market has already priced a material reduction in 2012 earnings. We continue to hold.	<b>-45%</b>
<b>Tenneco (TEN)</b> Largest global manufacturer of emissions and ride control products for light & commercial vehicles. Benefiting from increases in emission standards in key markets including U.S., Europe & China. More than 50% of sales are generated outside of U.S., with significant exposure to Europe & emerging markets. Share price declined more than 40% this quarter on global economic concerns & uncertainty in Europe. However, fundamentals at TEN remain strong. We will likely add to the name once the market gets more clarity on economic prospects for 2012 as valuation & long-term growth prospects are very attractive.	<b>-42%</b>
<b>Patterson - UTI Energy (PTEN)</b> Oil & gas services company providing onshore drilling rigs & pressure pumping equipment enabling producers to drill & complete new oil & gas wells. Patterson has been seeing strong gains in demand, driving higher utilization of their assets, as well as allowing modest pricing power. The recent fear that a double dip recession may drive oil & gas prices down & negatively impact future demand, has weighed on the shares & raises the risk 2012 estimates are too high. Given this risk we have recently exited our holding.	<b>-41%</b>
<b>General Cable (BGC)</b> Manufacturer, distributor & installer of copper, aluminum & fiber-optic wire to wide base of industrial end users worldwide. As industrial cycle gained momentum following 2008 recession, BGC benefited from new infrastructure projects in emerging markets as well as increased volumes in developed countries. Despite strong momentum through 2nd quarter, recent soft patch led to a sharp slowdown in industrial activity, causing project delays & an EPS miss, prompting us to exit the holding.	<b>-40%</b>



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Third Quarter 2011

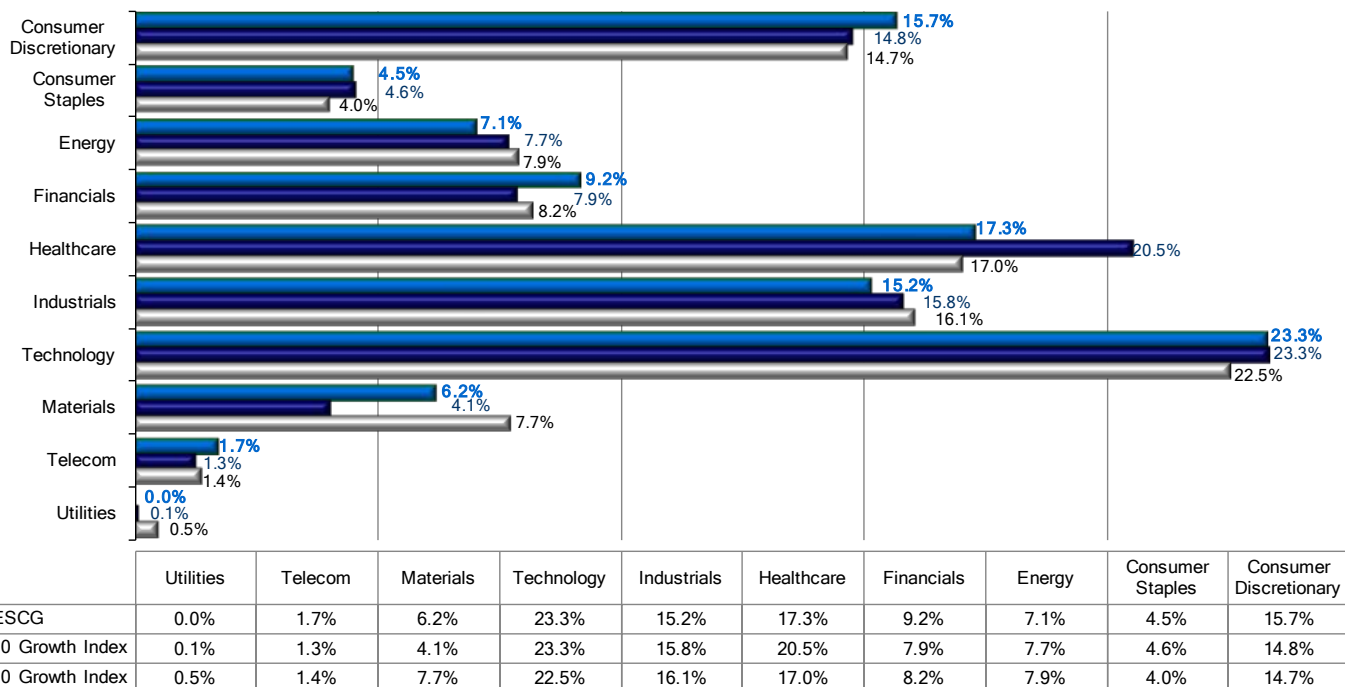
U.S. Extended Small Cap Growth Update

## Performance Characteristics\*

	Perimeter Extended SCG	Russell 2500 Growth Index	Russell 2000 Growth Index
Price/Earnings	17.6x	16.9x	16.7x
Estimated EPS Growth	22.5%	22.1%	19.6%
Return on Equity	15.2%	11.4%	10.1%
LT Debt/Capital	21.0%	28.7%	23.9%
Market Capitalization (in \$M)	\$2,590.7	\$2,487.8	\$1,179.8

Source: FACTSET

## Sector Weightings\*



## Current Top Holdings\*

As of 9/30/2011

Company	Ticker	Perimeter Portfolio	Description
Tractor Supply Co.	TSCO	1.45%	Speciality Retail
Henry Schein Inc.	HSIC	1.43%	Medical / Veterinary Distribution
Solera Holdings Inc.	SLH	1.37%	Insurance Software
Church & Dwight Co.	CHD	1.33%	Household Products
Wright Express Corp.	WXS	1.32%	Commercial Services
Catalyst Health Solutions Inc.	CHSI	1.31%	Pharmacy Benefit Manager
Ezcorp Inc. CI A	EZPW	1.29%	Pawn Shops / Lending
DFC Global Corp.	DLLR	1.29%	International Pawn Shops
NICE-Systems Ltd. ADS	NICE	1.24%	Enterprise Software
Herbalife Ltd.	HLF	1.22%	Consumer Products

## Manager Outlook & Positioning

While the second quarter marked an initial shift in leadership in the market toward high quality companies, this third quarter resembled more of an outright flight to safety and away from economic cyclicality. Nonetheless, we believe the transition to quality companies with high returns on invested capital that began in earnest in early May will persist for the foreseeable future, though valuation will be a more important contributor after the market drop. Price-to-earnings (P/E) multiples have decreased by 25% over the past five months, matching the average contraction seen during recessions of the last 80 years. As a result, we feel the market has largely priced in a slowdown and view a more neutral positioning between defensive and higher beta areas is appropriate. What this market weakness has presented is an opportunity to add to our favorite companies as we take advantage of dislocations between the market perceptions and fundamental reality.

At this point, the jury is still out on whether a recession does in fact occur, versus just a slowdown in growth. We will be monitoring key items in the fourth quarter, such as Europe's response to the sovereign debt crisis, domestic employment data and industrial production statistics for clues as to which scenario is most likely to occur. As always, we are assessing the core drivers behind a company's growth, with a preference for those companies whose growth can be generated by factors under the company's own control and less dependent upon the overall economy. The most significant change has been reducing our Industrials exposure versus the benchmark by roughly 8%, with proceeds going to the Staples, Financial and Healthcare areas. In the latter three areas, recent additions to the portfolio are companies who have displayed a strong history of growing earnings in all types of markets, and who should deliver consistent results even in the current uncertain environment.

An important characteristic of the quarter was record high correlation among the returns of U.S. equities, where stock performance was fueled more by macro market fears and economic anxiety than company fundamentals. Correlations spiked to levels higher than either the Great Depression or the more recent Great Recession. Periods of peaking correlations make it extremely difficult for active and diversified managers to differentiate and outperform the market. While there is much debate about the impact of exchange traded funds on stock correlations, it is clear to us that this environment will not persist forever and that stock correlations will subside when we begin to see a resolution to some of the previously discussed macro issues. At that point, we expect the level of uncertainty and fear among investors will abate and with it, the current high correlations among stocks. In the meantime, our stock selection will continue to focus on the overarching themes of quality, growth, stability and sustainability. We remain optimistic that higher quality companies, able to sustain growth and offer an ample risk reward opportunity, will reap the greatest market reward.

- Mark D. Garfinkel, CFA, *Chief Investment Officer, Co-Portfolio Manager*
- Patrick W. Kirksey, CFA, *Co-Portfolio Manager & Senior Research Analyst*
- Brian Crawford, CFA, *Co-Portfolio Manager & Research Analyst*

## Important Disclosures

### INVESTMENT PERFORMANCE

Past performance is not indicative of future results. Inherent in any investment is the possibility of loss of all or substantial amount of such investment. Performance data is presented for the Perimeter U.S. Extended Small Cap Growth Equity Composite. Perimeter makes no assurance that investment objectives will be achieved. Performance results presented off calendar month end are not reconciled and are subject to revision. This information should not be evaluated independent of or without reference to the investment advisory agreement that more specifically addresses applicable investment advisory fees. Advisory fees charged by Perimeter are described in Part II of Perimeter's Form ADV. For a free copy of Form ADV, please contact Perimeter Capital at (770) 350-8700.

Performance results include the reinvestment of dividends and other similar income. The Perimeter U.S. Extended Small Cap Growth Equity Composite primarily invests in U.S. small to mid cap stocks and is managed according to a growth objective. The returns of both the Russell 2500 Growth Index and Russell 2000 Growth Index are presented along side those of the Perimeter U.S. Extended Small Cap Growth Equity Composite for illustrative purposes only. The Russell 2500 Growth Index is a broad based index comprised of 2500 U.S. based small to mid capitalization stocks and the Russell 2000 Growth Index is a broad based index comprised of 2000 U.S. based small capitalization stocks. Although the Perimeter U.S. Extended Small Cap Growth Equity Composite primarily invests in small to mid capitalization stocks, its portfolio composition may be materially different than that of both indices. The eVestment Small to Mid Cap Growth universe discussed encompasses advisers that report data to eVestment and are categorized as Small to Mid Cap Growth portfolios. eVestment does not independently verify the data, which forms the basis for rankings, provided by advisers.

This material is supplemental to GIPS compliance requirements and is provided for your information. This supplemental material complements the GIPS compliant composite presentation which is available upon request or provided with this brochure in one-on-one presentations. Contributors & Detractors - These holdings were selected based on their performance being the five (5) best and five (5) worst in terms of percentage change during the period.

### SECTOR WEIGHTINGS AND PORTFOLIO CHARACTERISTICS

The sector weightings and portfolio characteristics are presented as 9/30/2011, and may change without notice. A complete list of sector weightings and individual security positions for any specific period are available upon request. The top ten individual securities presented represent the ten largest positions in the Perimeter U.S. Extended Small Cap Growth Equity Composite based on aggregate dollar value. The specific securities identified do not represent all of the securities purchased, sold or recommended and should not be assumed that the investments or the securities identified were or will be profitable. All information presented is for informational purposes only and should not be deemed as a recommendation to buy the securities mentioned. We believe that the material contains an objective, balanced presentation of the performance of the Perimeter U.S. Extended Small Cap Growth Equity Composite, including a general summary of certain holdings that both over- and under-performed the expectations of our portfolio management team.

### FORECASTING

Forecasting is based on current economic and market information, which may be revised at any time.

### FINANCIAL TERMS

**Total Return** - All performance calculations are total returns. Total return is comprised of dividend and interest income, realized and unrealized gains and losses.

**Estimated Annual Income** - An estimate of the dividends and interest to be received over the next twelve months based on current asset allocation and information.

**Russell 2500 Growth Index** - Measures the performance of those Russell 2500 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 2500 is comprised of the smallest 2500 companies of the Russell 3000.

**Russell 2000 Growth Index** - Measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 2000 is comprised of the smallest 2000 companies of the Russell 3000.



**Important Disclosure**

Year End	Total Firm Assets (millions)	Composite Assets		Performance Results			
		USD (millions)	Number of Accounts	Composite Gross	Composite Net	Russell 2500 Growth	Composite Dispersion
YTD 2011*	1,446	27.1	Five or fewer	(12.11%)	(12.43%)	(13.29%)	N/A
2010	1,785	31.0	Five or fewer	26.95%	26.22%	28.86%	N/A
2009	1,207	3.3	Five or fewer	31.29%	30.23%	41.66%	N/A
2008	746	0.15	Five or fewer	(36.37%)	(36.94%)	(41.50%)	N/A

\*N/A - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year. For purposes of this presentation, 2011 returns represent the period of January 1, 2011 through September 30, 2011.

**U.S. Extended Small Cap Growth Equity Composite** contains all discretionary, fee-paying, equity only accounts that invest primarily in small to mid cap domestic companies with compelling earnings and growth characteristics. For comparison purposes the composite is measured against the Russell 2500 Growth Index.

Perimeter Capital Management claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Perimeter Capital Management has been independently verified for the periods June 26, 2006 through March 31, 2011.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The US Extended Small Cap Growth Equity Composite has been examined for the periods January 1, 2008 through March 31, 2011. The verification and performance examination reports are available upon request.

Perimeter Capital Management is an independent registered investment adviser. The firm maintains a complete list and description of composites, which is available upon request.

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. For the period January 1, 2008 through April 30, 2009, non-fee-paying accounts represent 100% of composite assets. Beginning May 1, 2009 there are no non-fee-paying accounts included in the composite. Past performance is not indicative of future results.

The U.S. Dollar is the currency used to express performance. Returns are presented gross and net of management fees and include the reinvestment of all income. Net of fee performance was calculated using actual management fees for fee paying accounts or by using the maximum applicable management fee for non-fee paying accounts. Additional information regarding policies for valuing portfolios, calculating performance and preparing compliant presentations is available upon request.

Accounts in this composite may invest in ADRs. Many foreign countries impose a withholding tax on ADR dividends which results in a net dividend payment below 100% of the dividend amount that is declared by the company. This net dividend is reinvested in the composite accounts without further deduction of taxes.

The management fee schedule is as follows: First \$25MM, 90bps; next \$75MM, 80bps; over \$100MM, 70bps. Actual investment advisory fees incurred by clients may vary.

The U.S. Extended Small Cap Growth Equity Composite was created January 1, 2008.