
Fund Reports**Turner Spectrum Fund**by **Nadia Papagiannis, CFA**

Advisor

Turner Investment Partners

Advisor Location

Berwyn, Pennsylvania

Assets Under Management

\$19.5 million (fund)

Inception Date

May 7, 2009

Investment Type

U.S. open-end mutual fund

Morningstar Category

Long-Short

Management

Turner Investment Partners is a 20-year-old investment-management firm that employs more than 120 people. It runs traditional long-only mutual funds as well as long-short and market-neutral equity hedge funds (since 2005). In November 2008, Turner launched a private fund that combined several of its long-short strategies into one equally weighted fund. Turner then launched this multimanager approach in mutual fund format in May 2009. The fund is intended to exploit the best equity research teams at Turner, and the equal weighting helps to promote performance competition among managers. While there is no single portfolio manager, and each of the underlying funds is allowed to operate independently, a committee of operations, trading, legal, and compliance managers oversees the fund.

Strategy

This fund of six equally weighted, internally managed strategies is intended to produce equitylike returns at a lower volatility than traditional long-only equity funds. One of the six strategies, Turner Market Neutral, is run by firm's founder, Bob Turner, and is a concentrated portfolio of 21 long and 21 short stocks, including each of the firm's 21 analysts' best-idea long and short stock picks (updated weekly). Turner Select Opportunities is a small-cap strategy run by Frank Sustersic, who has also managed the long-only, 4-star Turner Emerging Growth **TMCGX** since its 1998 inception. Turner Long/Short Equity is a multisector, mid- to large-cap strategy run by Christopher McHugh. David Honold manages Turner Global Financial Services, having worked at the New York Federal Reserve. Vijay Shankaran runs Turner Global Medical Sciences, having previous experience in this sector at a hedge fund firm, Caxton. Finally, Jason Schrotberger manages Turner Global Consumer Equity, which boasts one of the longest track records of strategies in the Spectrum lineup (incepted in January 2005), along with Turner Global Financial Services strategy.

Process

Management does not tactically allocate among managers. The managers are given equal weightings at the start of each year, and the weightings are allowed to drift within a large range (up to 30%) to encourage competition, although the weightings don't fluctuate significantly in practice (15%–18%). The six internal strategies were selected based on past performance and correlation with each other so as to maximize returns but reduce risk. Each strategy must work within equity exposure parameters of 20% net short to 60% net long, and each is capped at 200% gross exposure. On the long side, only one strategy approaches the long directional limit, Turner Long/Short Equity. This strategy performed the worst of the six in 2008. In 2009, Turner Global Financial Services Equity, which favors high-quality financial-services stocks with solid balance sheets, underperformed in 2009 as the strategy took on a low market exposure and low-quality stocks outperformed.

Risk Management

Besides portfolio exposure parameters, each strategy limits individual positions to 5% of assets. Only four of the six teams have taken on positions of this size, and not in the same stocks, so the overall impact of these positions on the portfolio has been small. The total portfolio holds approximately 330 stocks, both long and short. The quantitative research team runs a daily risk report on the dollar, beta, and delta-adjusted exposures of the overall portfolio, which is distributed to 23 members of the firm. The fund's exposure currently runs at about 119% gross and 26% net long. The fund uses two different risk-management software packages to assess the real-time risk and performance of the portfolio, including scenario analysis and stress testing. The fund's goal is for low volatility, which it has achieved (approximately a 7% annualized weekly standard deviation through Nov. 28, 2009), but it has done so at the expense of much lower returns (also about 7% since inception) than the equity markets that have rallied since March. Because this fund exhibits midrange correlation to equities (0.6 weekly correlation to the S&P 500 through Nov. 28) with a low beta exposure, it will likely move with the equity markets, but it should outperform in poor stock market conditions. ■■■

The Turner Spectrum Fund is a multi-manager mutual fund that seeks long-term capital appreciation through investments in a number of long/short equity strategies offered by Turner Investment Partners. The Turner Spectrum Fund invests primarily in common stocks and other equity securities of U.S. and foreign companies that the Turner's portfolio management teams believe have superior (in the case of long positions) or inferior (in the case of short positions) return prospects.

Average Annual Returns as of December 31, 2009

	Year- to-Date	1-Year	5 Years	10 Years	Since Inception*
Turner Spectrum Fund - TSPEX - Institutional Class	N/A	N/A	N/A	N/A	9.74%

**Inception 5.7.09*

Expense Ratio (Gross) 2.15% Expense Ratio (Net) 1.95%

Turner has contractually agreed to waive fees and reimburse Fund expenses to keep the Fund's "Net Total Operating Expenses" from exceeding 1.95% through May 6, 2010. Turner may discontinue this arrangement at any time after May 6, 2010.

The Turner Funds are distributed by SEI Investments Distribution Co., Oaks, PA 19456. The performance data quoted above represents past performance. The principal value and investment return will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Furthermore, current performance may be higher or lower than the performance data shown here. Please call (800) 224-6312 or visit our website at www.turnerinvestments.com to obtain performance data current to the most recent month-end. Past performance is no guarantee of future results. Mutual fund investing involves risk, including potential loss of principal.

Returns shown, unless otherwise indicated, are total returns, with dividends and income reinvested. Returns spanning more than one year are annualized. Fee waivers are in effect; if they had not been in effect performance would have been lower. The index mentioned is an unmanaged statistical composite of stock market performance. You cannot invest directly in an index. An index does not have an investment adviser and does not pay any commissions, expenses or taxes. If an index had expenses, its performance would be lower. S&P 500 Index tracks the performance of 500 widely held large-cap US stocks in the industrial, transportation, utility, and financial sectors. The index mentioned is an unmanaged statistical composite of stock market performance. Investing in an index is not possible.

The investor should consider the investment objectives, risks, charges and expenses carefully before investing. This and other information can be found in the prospectus. A free prospectus, which contains detailed information, including fees and expenses, and the risks associated with investing in this fund, can be obtained by calling 800.224.6312. Read the prospectus carefully before investing. Mutual fund investing involves risk, including potential loss of principal.

Gross exposure is calculated by adding the percentage of the Fund's equity invested in short sales to the percentage of the Fund's equity used for long positions. **Net exposure** takes into account the benefits of offsetting the long and short positions and is calculated by subtracting the percentage of the Fund's capital invested in short positions from the percentage of the Fund's capital used for long positions.

Information about Risk

As with all investments, there are associated inherent risks. The investment risks of the Turner Spectrum Fund are increased by the Fund's ability to focus its investments in one or more economic sector, to invest in smaller and medium capitalization companies, foreign companies, and IPOs.

The Fund is subject to the risks associated with selling securities short. A short sale involves a finite opportunity for appreciation, but a theoretically unlimited risk of loss.

The Fund is subject to risks associated with the use of options, including: (1) the success of a hedging strategy may depend on an ability to predict movements in the prices of individual securities, fluctuations in markets and movements in interest rates; (2) there may be an imperfect correlation between the movement in prices of options and the securities underlying them; (3) there may not be a liquid secondary market for options; and (4) while the Fund will receive a premium when it writes call options, it may not participate fully in a rise in the market value of the underlying security.

Also, the Fund's use of short sales, option strategies, and leverage may result in significant capital loss. There can be no assurance that the fund will be successful in limiting volatility. Diversification does not eliminate the risk of experiencing investment losses.

Turner Investment Partners, founded in 1990 and based in Berwyn, Pennsylvania, is an investment management firm that's employee-owned. As of December 31, 2009, we managed approximately \$17.7 billion in separately managed accounts and mutual funds for institutions and individuals.