

# Quarterly Report

July 31, 2013

**Roumell** Asset Management, LLC

## Second Quarter Summary

### Performance Summary

	ANNUALIZED AS OF 6/30/13							CUMULATIVE RETURN SINCE INCEPTION*
	2Q 2013	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR	SINCE INCEPTION*	
<b>Roumell Total Return (Net)</b>	<b>1.58%</b>	<b>12.87%</b>	<b>19.89%</b>	<b>9.85%</b>	<b>9.54%</b>	<b>9.13%</b>	<b>10.60%</b>	<b>330.92%</b>
S&P 500	2.92%	13.83%	20.60%	18.45%	7.01%	7.30%	3.76%	70.73%
Russell 2000	3.08%	15.85%	24.19%	18.66%	8.77%	9.52%	7.37%	180.58%
Russell 2000 Value	2.47%	14.39%	24.77%	17.33%	8.59%	9.30%	8.95%	246.44%
<b>Roumell Balanced (Net)</b>	<b>1.00%</b>	<b>10.02%</b>	<b>14.97%</b>	<b>8.71%</b>	<b>7.87%</b>	<b>7.52%</b>	<b>7.96%</b>	<b>203.59%</b>
Thomson US Bal Index	-0.05%	5.46%	11.44%	10.86%	5.09%	5.49%	3.89%	73.85%

*\*Inception of Roumell Total Return and Roumell Balanced is 1/1/99. Prior to 1/1/13, Roumell Total Return was known as Roumell Equity.*

*Roumell Asset Management, LLC claims compliance with the Global Investment Performance Standards (GIPS®). Ashland Partners & Co. LLP, our independent verifier, completed its examination of the composite performance returns for the period of 1999 (inception) through March 31, 2013. All returns include reinvested dividends and interest. Please refer to the annual disclosure presentations at the end of this letter.*

In the second quarter, an insurance company holding was bought out, which contributed to a reasonable return for the quarter. Our year-to-date investment results continue to reflect an overall allocation that is cash-heavy given our inability to find a sufficient number of securities possessing an exceptional price. However, recently our opportunity set has grown. Our allocation in the quarter averaged roughly 53% equity, 15% bonds, and 32% cash. On a rolling three-year basis since inception, calculated quarterly (47 discrete periods), we have now outperformed the S&P 500 75% of the time with an average stock market exposure of just 60%.

### Price Trumps Economic Forecasting

In July 2009, the very popular macroeconomic investment strategist Marc Faber predicted that the United States was about to enter a period of hyperinflation approaching the levels of Zimbabwe. PIMCO's Bill Gross in May of 2009 expressed his belief in "accelerating inflation" and low market returns because of subdued growth. Inflation has been modest, at best. Nouriel Roubini, the widely regarded NYU economist who correctly predicted the housing collapse, rightly indicated in 2009 that the economic recovery would be anemic; unfortunately for those who may have taken his advice, he recommended investors keep all their assets safely in cash, thereby missing the past few years' dramatic market rise. Columbia University Professor Edmund Phelps, winner of a Nobel Prize in economics in 2006, predicted in 2009 that it may take as long as 15 years for U.S. households to restore the wealth lost in the financial crisis. It actually took four years, having recently climbed to \$70 trillion, above the 2008 peak of \$67 trillion.

There's no shortage of examples of "the dismal science's" dismal record in predicting the economy's future. In July 2005, the same month that home-builder stocks peaked, soon-to-be Federal Reserve chairman Ben Bernanke disputed the existence of a housing bubble. Bernanke said, "We've never had a decline in house prices on a nationwide basis. So what I think is more likely is that house prices will slow,

maybe stabilize.... I don't think it's going to drive the economy too far from its full employment path, though." A few months later, his predecessor, Alan Greenspan, said, "We're not about to go into a situation where prices will go down.... There is no evidence home prices are going to collapse." Moreover, macroeconomic conditions do not foretell market responses, as Roubini's correct economic forecast, but dead wrong market prediction, well illustrates. If the best trained, most highly educated economists, possessing the best information, cannot reasonably predict the future or, more importantly, markets' reactions, why do investors keep trying to use economics as an investment tool?

Readers of our letters know that we have weighed in over the past few years with our own economic observations. Like many investors, we have wrestled with how much time we should allocate to understanding macroeconomic trends. We have noted—as points of concern—economic growth rates that seem to be perennially reset down, in both the United States and Europe, persistently high real unemployment levels, and overleveraged consumers. Particularly in the aftermath of the financial crisis, we focused more time on these issues. However, three factors appear to undermine the utility of economic forecasting as an investment tool: the absence of price in the equation, the scarcity of original thinking, and the difficulty of predicting human behavior.

As investors, we have come to appreciate that an economic perspective is useless if not viewed in relation to security prices. And prices, in turn, must be viewed in relation to a reasonable range of earnings and/or asset values through the entirety of an economic cycle. To wit, in January of 2000, the economy was doing quite well: a budget surplus coincided with a sub-5% unemployment rate and robust GDP growth. The market fell more than 40% in the following 30 months. By March 2009, the country's deficit climbed to \$1.5 trillion, unemployment shot above 10%, and GDP was declining. The market has risen by more than 100% since that time. The most prescient variable seems to have been price. Prices in 2000 were high (while the economy was quite strong), and prices were cheap in 2009 (while the economy was abysmally weak).

What you pay (price), in relation to what you get (value), is the most important determinant of investment results over time, period. A superior price occurs when it occurs. It can happen in any market environment. Certainly, markets themselves get overvalued, in aggregate, and finding a great price is more difficult during those times, such as now, in our opinion. The simple question for us has always been: would we take this company private in a heartbeat at the price being offered? Intrinsic value is determined by a company's cash flows and/or asset values (e.g., non-core real estate, salable divisions, intellectual property, or oil and gas reserves), regardless of how those things are measured in the stock market at an arbitrary point in time. Private market value is what steadies us, keeps us focused and reasonably sane during periods of market volatility and economic uncertainty. It will always be our North Star.

The second reason economic forecasting has limited investment appeal to us is the challenge of noting something that isn't widely recognized and thus already incorporated in prices. We often end up hearing what John Maynard Keynes referred to as "the average opinion of the average opinion." Following are some of the headlines in 2009, precisely when security prices were superior, that give the strong impression of an echo chamber. There is an absence of truly variant views, which is more often than not a prerequisite to making money.

- "2009 Will Be Very, Very Bleak," Nouriel Roubini, *Forbes*
- "U.S. Foreclosure Filings Up 81% in 2008," Yahoo News
- "Gloom Deepens among Executives, Economists at Davos," Bloomberg
- "Bad News: We're Back to 1931. Good News: It's Not 1933 Yet," *Telegraph*
- "Morgan Stanley Says S&P 500 to Drop 25%, Cuts Outlook," Bloomberg

Morgan Stanley's claim was made on March 13, 2009, four days after the S&P 500's 13-year bottom. What was the utility to investors of rehashing widely known information that was likely fully incorporated into stock prices?

The last reason that makes forecasting's investment efficacy wanting is the human actor—he or she is very difficult to predict. Yale professor Robert Shiller, a superb economist in our view, who in fact correctly predicted the housing collapse, has written extensively about why economic modeling will always remain a big challenge, ranging from estimating a housing recovery to predicting savings rates. “Animal spirits,” so important to economic growth, seem to happen when they happen and what triggers them remains a mystery, like much of human behavior. Shiller doesn't look for economists' batting average to rise, noting, “The rational expectations models will be tweaked to account for the current crisis. The basic curriculum will not change.”

We believe that an investor's time is best spent deepening his or her understanding of a specific company's dynamics, and the less followed a company is by the broader investment community the better because less information is likely to be “priced-in.” If you focus on securities with the least amount of information priced-in, detailed, exhaustive research can provide a significant investment edge, in our opinion. Time spent talking to a company's customers is more valuable than time spent trying to gauge the direction of interest rates. Recently, in Birmingham, Alabama, we met with a significant customer of one of our holdings and learned that this client's satisfaction and loyalty to our company were quite high, but that the client had nonetheless used new competition in the marketplace to extract much better pricing. Our investors will be far better served by that interview than had we attempted to forecast interest rates. Information pertaining to specific securities beats musing about overall economics, in our view.

Notwithstanding such observations, compiling reported economic data to form a general view on the economy is useful. We simply believe economic data must be considered in the context of price, while the usefulness of economic *forecasting* must be discounted. Our view is that current growth levels in the United States are insufficient to absorb population and productivity gains, and although the headline unemployment number has come down, 2.8 million of the 5.3 million employment gains since June 2009 are low-paying part-time jobs. In Europe, bank liabilities are 3x GDP, compared to 0.8x in the United States, making credit expansion in Europe all but impossible. China's economic growth appears to be slowing, and countries around the world seem to be ready to use their currencies to compete for market share by driving their values down and thus making their exports cheaper. The unforeseen U.S. energy boom exemplifies the diversity of this economy and is Exhibit A as to why this country should never be likened to Greece. With those general views, among others, we go about searching for value wherever we might find it. We might invest in a retailer despite consumer deleveraging, or in a company leveraged to copper despite a slowing Chinese economy, if those particular securities are adequately priced to compensate us for risk attributed to the economic headwinds.

This general discussion shouldn't lead one to believe that dedicated bottom-up company investors, in contrast to macroeconomic ones, are in the clear. Hardly. We make mistakes selecting securities. In 2011, our individual security holdings diverged from the market as we were early on a number of investments and we experienced a period of negative returns when the overall market advanced. We put a high focus on extracting lessons from our mistakes.

Peter Lynch, the famed 1980s manager of the Fidelity Magellan Fund, once said, “If an investor spends fifteen minutes a year studying the economy, he's wasted ten.” Essentially, the cost to relying on macroeconomic data to determine investment allocation will likely be many missed opportunities, as fear about the world supplants the facts of a well-priced particular security. Similarly, a booming economy can instill false confidence when price doesn't warrant investment. There are a handful of successful

macro-oriented investors, such as George Soros, who has been particularly adroit at trading currencies. A. Gary Shilling deserves recognition for his persistent and quite contrarian investment call in long-term treasury securities. The odds of success, however, are decidedly in favor of bottom-up investors. The lack of wealthy economists seems instructive. A reading of our quarterly investment letters over the past 15 years underscores our company-specific focus. After an introductory topic, our letters have long focused on detailing the investment thesis behind our top three purchases because of our conviction that particulars are more important than generalities.

Finally, we want to recognize our two-time intern William Gbelee, a rising senior at Wright State University. William did a wonderful job synthesizing seven years of economic headlines, which contributed immensely to our second quarter letter.

### **Top Three Purchases**

**Resolute Energy Corporation, 8.50% Bonds Due 2020, REN.** Resolute, based in Denver, is an oil-weighted company whose primary asset is the Aneth field in Utah. Aneth is an oil play using Enhanced Oil Recovery (EOR), a technique by which carbon dioxide is injected into older oil fields and results in dependable long-lived production. The company also owns significant property in the Permian Basin of Texas.

REN's Aneth field is a mature, long-lived asset well-situated to provide steady cash flows for many years. Resolute was formed in 2004 by seasoned energy investors and purchased its Aneth assets from Chevron, Texaco, and ExxonMobil, which deemed them too small for their portfolio. Peak production of the field is estimated to occur in 2017, upon which Aneth will experience a slow annual decline rate of 7%, less than other traditional plays and significantly less than shale plays. Aneth represents 65% of REN's 87 million barrels of oil equivalent (MMBoe) of proved reserves. As debt investors, we are focused on securing sufficient cash flows, while maintaining a margin of safety on asset coverage as opposed to ensuring a certain level of production growth. REN's cash flow currently covers interest expense by more than 4x, and the company has in place a hedging program, providing significant downside protection. More than 70% of 2013 oil production is hedged with a commodity floor of \$78 per barrel, and more than 50% of 2014 production is hedged with a floor of roughly \$85 per barrel.

REN's organic growth prospects are meaningful; the company estimates its resource growth potential over the next several years to range from 64 to 233 MMBoe. REN's Permian Basin asset accounts for 27% of the company's proved reserves and will account for more than 40% of its capital expenditures in 2013 as the company seeks to diversify its acreage. On June 27, 2013, the company announced the sale of significant Bakken assets to Halcón Resources for \$75 million; proceeds will be used to reduce debt.

Jim visited with REN in Denver in October 2012 and was impressed with the management team and their commitment to allocating capital prudently. At that time, the 8.50% bond was unregistered. We waited patiently for it to be registered, but when that finally occurred in April 2013 the bond was trading at upward of \$107, a price we did not want to pay. With the sell-off in the debt market in June, we bought our REN debt at under \$103 with a yield to maturity of roughly 8% and consider that a strong annual return for the next several years. Collectively, management and the board own more than 20% of REN's common stock. SPO, an original investor, owns more than 20% as well, having doubled its ownership since the company's IPO.

**Apple Inc., AAPL.** Apple's stock has declined as much as 28% from our initial purchase price of \$544/share, and we have used the price declines to reduce our average cost by 13% to \$473. Excluding the \$154/share in cash on the balance sheet, AAPL trades for less than 7x estimated earnings for 2013. The

loudest concern we hear is that Apple has saturated the high end of the smartphone market, so the company can only grow by developing lower-priced phones, which will generate lower gross margins than its current offering. So how low can Apple's margins go? We think Samsung and Nokia are both interesting comparisons. Samsung's phone margins are well north of 30%. Nokia's revenues have fallen by nearly half, and yet its gross margins are 28%. Given Apple's enormous scale, at a 28% gross margin, the company would generate \$30/share in earnings. That in our view is a reasonable bear case.

We also assume in this scenario that revenues don't grow from 2013 levels, an assumption we believe is conservative. Smartphones only account for 10% of handsets worldwide, and unit sales were roughly 700 million last year. Estimates from various market research firms range from 1 billion to 1.5 billion annual unit sales by 2016. Apple is well positioned to continue to ride the secular wave. In addition, Samsung's success has not come at the expense of Apple. Since 2009, Apple's share of the global smartphone market has grown from 15% to 20%. Samsung has taken share primarily from Nokia and BlackBerry, whose collective market share has fallen from 60% in 2009 to 13% last year.

For the sake of conservatism, we will stick with our bear assumption that Apple's earnings fall to \$30/share. In that scenario, by the end of 2015 Apple will have generated another \$80/share in cash, bringing the total cash pile to \$234, before dividends and stock buybacks. At the current price, excluding the cash, the stock would trade for 6x our bear case earnings estimate of \$30/share. The company has also announced that it will return \$105/share in cash to shareholders by the end of 2015. Subtracting cash in our valuation exercise, therefore, becomes much more tangible.

Michael Dell's recent offer and Carl Icahn's stated interest to take Dell private presents a good private market comparable. Michael Dell has offered a multiple of earnings, excluding the cash, that is 40% higher than where the market is currently valuing Apple's earnings. Apple operates in a growing industry; Dell's primary business is in decline. Apple's return on equity is nearly twice that of Dell. And Apple generates five times the amount of free cash flow per dollar of revenue than does Dell. Does anyone actually believe Dell is worth a higher multiple of earnings than Apple?

This analysis says nothing about the potential for new products. Apple was the most innovative company in the world under the leadership of Steve Jobs. With his passing, has that culture completely disappeared? Jobs may be gone, but his designers and engineers remain: Jony Ive, Eddy Cue, Craig Federighi, Bob Mansfield, Dan Riccio. These names may not resonate as much as that of Jobs with the investment community, but within the technology community these men are rock stars. What might be created if you combine some of the world's best tech minds with the \$35 billion that Apple will spend over the next two and a half years on research and development and capital expenditures? Of course, the company will periodically upgrade its existing line of iPhones, iPads, and Macs, all of which will drive healthy recurring cash flows. But the company will forge new paths as well. Apple has recently been filing for "iWatch" patents all over the world, and it has likely been working on a television for some time. CEO Tim Cook recently stated that television is "an area of intense interest." Apple has also been beefing up on content deals with companies including Time Warner Cable and Disney. We will happily grab a front-row seat, our pockets stuffed with cheap shares, and watch the show.

**Digital Generation Inc., DGIT.** Digital Generation is a leading ad management and distribution firm, which "touches 128+ million households in North America approximately 84 times per day," according to the company. We began accumulating shares in late 2011. With pressure from activist shareholders, late last summer the company hired Goldman Sachs to assist in a sale process. In February 2013, the company announced that the process ended without the consummation of a deal. The stock quickly fell from \$10 to \$7, and we took a step back to reassess our investment thesis. We held numerous calls with

senior management, attended a five-hour analyst session with the company's division heads, gathered more information from the company's clients, and our technology consultant conducted a deep-dive on the state of DG's technology integration of its TV and internet assets. We ultimately decided to add to our position, and we have reduced our average cost by 27% from our initial purchase price. It is also noteworthy that founder and Chairman Scott Ginsburg and CEO Neil Nguyen have made open market purchases of \$2.6 million and \$200,000, respectively, since the deal fell through. The company's three largest outside shareholders have all increased their stakes as well.

Over the past two years, DGIT has had many distractions as a result of several acquisitions. Focus has been on integrating the acquired businesses onto one converged technology platform. The executive team has been significantly upgraded, and our technology consultant thinks very highly of the company's technology team and its progress with products and architecture. The company intends to roll out several new products this year and about 10 more in 2014. Products include a merging of online and TV analytics through the company's relationship with Nielsen, a tool to measure the effectiveness of ad campaigns, and a tool to help ad agencies develop ads. Digital Generation will be the only ad management and distribution company in the world that can leverage data and distribution capabilities that span both TV and the internet. We believe the company's vision and product development already have the attention of the marketplace, as they have recently won business from major clients including GE, Wells Fargo, Samsung, and Vodafone.

A primary concern in the market is that DGIT's TV business is losing share to Extreme Reach, a privately-held company founded in 2008. However, we do not believe it is well understood in the market that half of Extreme Reach's 2012 revenue is from the acquisition of a talent distribution firm, a business in which DGIT does not compete. So the amount of revenue Extreme Reach is taking from Digital Generation is much more limited than is perceived in the stock market. Moreover, Extreme Reach is competing solely on price, and does not have nearly the breadth of offerings of DGIT. Extreme Reach has very limited internet distribution and analytics capabilities. Ultimately, we think Digital Generation wins that race.

DGIT's free cash flow has remained remarkably stable despite the company's transition. Its \$56 million of free cash flow translates to a yield of 10% on enterprise value and 27% on market cap (\$200 million market cap plus \$350 million net debt equals \$550 million enterprise value). Management has stated that its primary use of cash will be to reduce debt. Therefore, even if the enterprise value remains the same, the equity value will grow as debt declines. DGIT is one of the few portfolio holdings with a leveraged balance sheet. However, the company's net debt is a relatively modest 3x EBITDA and the debt does not mature until 2018. We do not believe the leverage is a meaningful risk given the company's consistent free cash flow generation, market dominance in its core business, emerging platform, and compelling price.

Our DGIT investment demonstrates our commitment to do thorough work, remain patient, and advance our goal by averaging down. It makes sense to us that out-of-favor, overlooked, and misunderstood securities can get deeply mispriced. Our job is to find and embrace those mispriced opportunities.

The three purchases in the second quarter—an asset-backed piece of debt with a compelling yield issued by a small energy company, a deeply out-of-favor mega-cap with a fortress-like balance sheet and an ignored micro-cap that disappointed takeout speculators and is poorly understood in the marketplace—underscore our eclectic security selection process to pursue value wherever it may be found.

Disclosure: The specific securities identified and described do not represent all of the securities purchased, sold, or recommended for advisory clients, and the reader should not assume that investments in the securities identified and discussed were or will be profitable. The top three securities purchased in the quarter are based on the largest absolute dollar purchases made in the quarter.

**Roumell Asset Management, LLC**  
**Balanced Composite**  
**Annual Disclosure Presentation**

YEAR END	COMPOSITE ASSETS			ANNUAL PERFORMANCE RESULTS			3-YR ANNUALIZED STANDARD DEVIATION	
	TOTAL FIRM ASSETS (MILLIONS)	USD (MILLIONS)	NUMBER OF ACCOUNTS	COMPOSITE NET	THOMSON US BALANCED MUTUAL FUND	COMPOSITE DISPERSION	COMPOSITE NET STANDARD DEVIATION	THOMPSON US BL MF STANDARD DEVIATION
2012	286	82	156	10.50%	11.71%	3.02%	6.50%	9.79%
2011	306	79	173	-5.19%	0.53%	4.28%		
2010	311	83	167	12.25%	11.75%	2.59%		
2009	249	55	124	33.19%	23.19%	5.79%		
2008	166	40	121	-22.82%	-26.97%	5.01%		
2007	270	75	154	-7.58%	5.76%	3.71%		
2006	280	87	158	14.00%	10.47%	3.69%		
2005	199	73	142	8.56%	4.22%	2.67%		
2004	123	66	119	16.48%	7.79%	3.82%		
2003	66	42	100	28.26%	18.60%	3.94%		
2002	41	27	79	-9.70%	-11.36%	3.77%		
2001	31	17	39	21.18%	-4.19%	4.75%		
2000	19	10	23	8.47%	1.95%	4.53%		
1999	16	9	22	12.53%	8.35%	2.63%		

**Balanced Composite** contains fully discretionary balanced accounts (consisting of equity, fixed income, and cash investments). Roumell Asset Management, LLC (Roumell) is an opportunistic capital allocator with a deep value bias. On average, Balanced accounts have a target of 65% equity (provided an appropriate number of securities are found that meet Roumell's deep value investment criteria), with the remaining 35% in fixed income and cash. The equity allocation is all cap with a focus on smaller companies. In selecting bond investments, Roumell exercises its value discipline and buys only fixed income securities that it believes represent value on a risk-adjusted basis. It may buy individual government agency, investment grade and high-yield corporate, municipal, and foreign bonds and closed-end bond funds. When fully invested, accounts will hold about 25 to 30 positions. Roumell will hold cash in the absence of sufficient investment opportunities. For comparison purposes, the Balanced Composite is measured against the Thomson US Balanced Mutual Fund Index. In presentations shown prior to March 31, 2006, the composite was also compared against the Lipper Balanced Index. Additionally, in presentations prior to December 2006, the composite was measured against the Vanguard Balanced Index Fund. The Thomson US Balanced Mutual Fund Index is a blend of more than 500 balanced mutual funds and is therefore deemed to more accurately reflect the strategy of the composite. The Balanced Composite was created January 1, 1999.

Roumell Asset Management, LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Roumell Asset Management, LLC has been independently verified by Ashland Partners & Company LLP for the periods January 1, 1999 through March 31, 2013. 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 Balanced Composite has been examined by Ashland Partners & Company LLP for the periods January 1, 1999 through March 31, 2013. The verification and performance examination reports are available upon request.

Roumell Asset Management, LLC 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. Past performance is not indicative of future results.

The U.S. dollar is the currency used to express performance. Returns are presented net of management fees and include the reinvestment of all income. Net of fee performance was calculated using actual management fees. Beginning in 2010, for certain of these accounts, net returns have been reduced by a performance-based fee of 20% of profits, paid annually in the first quarter. Net returns are reduced by all fees and transaction costs incurred. Wrap fee accounts pay a fee based on a percentage of assets under management. Other than brokerage commissions, this fee includes investment management, portfolio monitoring, consulting services, and in some cases, custodial services. Prior to and post 2006, there were no wrap fee accounts in the composite. For the year ended December 31, 2006, wrap fee accounts made up less than 1% of the composite. Wrap fee schedules are provided by independent wrap sponsors and are available upon request from the respective wrap sponsor. Returns include the effect of foreign currency exchange rates. Exchange rate source utilized by the portfolios within the composite may vary. Composite performance is presented net of foreign withholding taxes. Withholding taxes may vary according to the investor's domicile.

The annual composite dispersion presented is an asset-weighted standard deviation calculated for the accounts in the composite for the entire year. Dispersion calculations are greater as a result of managing accounts on a client relationship basis. Securities are bought based on the combined value of all portfolios of a client relationship and then allocated to one account within a client relationship. Therefore, accounts within a client relationship will hold different securities. The result is greater dispersion amongst accounts. The 3-year annualized ex-post standard deviation of the composite and/or benchmark is not presented for the period prior to December 31, 2012 because 36 monthly returns are not available. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

The investment management fee schedule for the composite is as follows: for Direct Portfolio Management Services: 1.75% on the first \$200,000, 1.50% on the next \$300,000, and 1.00% on assets over \$500,000; for Sub-Adviser Services: determined by adviser; for Wrap Fee Services: determined by sponsor. Actual investment advisory fees incurred by clients may vary.

**Roumell Asset Management, LLC**  
**Total Return Composite**  
**Annual Disclosure Presentation**

YEAR END	COMPOSITE ASSETS			ANNUAL PERFORMANCE RESULTS					3-YR ANNUALIZED STANDARD DEVIATION			
	TOTAL FIRM ASSETS (MILLIONS)	USD (MILLIONS)	NUMBER OF ACCOUNTS	COMPOSITE NET	S&P 500	RUSSELL 2000	RUSSELL 2000 VALUE	COMPOSITE DISPERSION	COMPOSITE NET STANDARD DEVIATION	S&P 500 STANDARD DEVIATION	RUSSELL 2000 STANDARD DEVIATION	RUSSELL 2000 VALUE STANDARD DEVIATION
2012	286	157	367	13.92%	16.00%	16.35%	18.05%	1.86%	8.63%	15.09%	20.20%	19.89%
2011	306	175	466	-9.51%	2.11%	-4.19%	-5.49%	2.17%				
2010	311	189	479	14.71%	15.06%	26.85%	24.49%	2.17%				
2009	249	153	414	42.19%	26.47%	27.18%	20.57%	5.57%				
2008	166	104	413	-27.35%	-36.99%	-33.79%	-28.93%	3.40%				
2007	270	178	549	-7.67%	5.49%	-1.57%	-9.78%	2.68%				
2006	280	176	458	16.89%	15.79%	18.37%	23.48%	2.18%				
2005	199	111	312	12.38%	4.91%	4.55%	4.71%	2.59%				
2004	123	47	125	20.18%	10.88%	18.33%	22.25%	2.69%				
2003	66	15	46	32.13%	28.69%	47.25%	46.03%	4.04%				
2002	41	8	44	-10.15%	-22.10%	-20.48%	-11.43%	4.33%				
2001	31	5	30	32.76%	-11.89%	2.49%	14.02%	6.33%				
2000	19	2	12	7.97%	-9.10%	-3.02%	22.83%	4.05%				
1999	16	2	9	26.02%	21.04%	21.26%	-1.49%	3.92%				

**Total Return Composite** contains fully discretionary equity accounts. Roumell Asset Management, LLC (Roumell) is an opportunistic capital allocator with a deep value bias. Total Return accounts can have up to 100% of their assets invested in stocks in the ideal situation where an appropriate number of securities are found that meet Roumell's deep value investment criteria. Historically, these accounts have emphasized common stocks (all cap with a focus on smaller companies). However, Roumell will also selectively purchase a mixture of high yield bonds and discounted closed-end bond funds if it is believed that these offer a favorable risk/reward profile. When fully invested, accounts will hold about 25 to 30 positions. Roumell will hold cash in the absence of sufficient investment opportunities. For comparison purposes, the Total Return Composite is measured against the S&P 500, Russell 2000, and Russell 2000 Value Indices. The S&P 500 Index is used for comparative purposes only and is not meant to be indicative of the Total Return Composite's performance. In presentations shown prior to March 31, 2005, the composite was also compared against the Nasdaq Index. The benchmark was eliminated since it did not represent the strategy of the composite. The Total Return Composite was created January 1, 1999. Prior to January 1, 2013, this composite was known as the Equity Composite.

Roumell Asset Management, LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Roumell Asset Management, LLC has been independently verified by Ashland Partners & Company LLP for the periods January 1, 1999 through March 31, 2013. 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 Total Return Composite has been examined by Ashland Partners & Company LLP for the periods January 1, 1999 through March 31, 2013. The verification and performance examination reports are available upon request.

Roumell Asset Management, LLC 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. Past performance is not indicative of future results.

The U.S. dollar is the currency used to express performance. Returns are presented net of management fees and include the reinvestment of all income. Net of fee performance was calculated using actual management fees. Net returns are reduced by all fees and transaction costs incurred. Wrap fee accounts pay a fee based on a percentage of assets under management. Other than brokerage commissions, this fee includes investment management, portfolio monitoring, consulting services, and in some cases, custodial services. Wrap accounts are included in the composite. As of December 31, 2006, 2007, 2008, 2009, 2010, 2011, and 2012, wrap fee accounts made up 33%, 36%, 31%, 33%, 41%, 40%, and 44% of the composite, respectively. Wrap fee schedules are provided by independent wrap sponsors and are available upon request from the respective wrap sponsor. Returns include the effect of foreign currency exchange rates. Exchange rate source utilized by the portfolios within the composite may vary. Composite performance is presented net of foreign withholding taxes. Withholding taxes may vary according to the investor's domicile.

The annual composite dispersion presented is an asset-weighted standard deviation calculated for the accounts in the composite for the entire year. Dispersion calculations are greater as a result of managing accounts on a client relationship basis. Securities are bought based on the combined value of all portfolios of a client relationship and then allocated to one account within a client relationship. Therefore, accounts within a client relationship will hold different securities. The result is greater dispersion amongst accounts. The 3-year annualized ex-post standard deviation of the composite and/or benchmark is not presented for the period prior to December 31, 2012 because 36 monthly returns are not available. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

The investment management fee schedule for the composite is as follows: for Direct Portfolio Management Services: 1.75% on the first \$200,000, 1.50% on the next \$300,000, and 1.00% on assets over \$500,000; for Sub-Adviser Services: determined by adviser; for Wrap Fee Services: determined by sponsor. Actual investment advisory fees incurred by clients may vary.