



Asset Management, Inc.

# HGK International Equity

As of 6/30/10

## Firm Overview

- Founded in 1983
- 100% employee owned
- Low professional turnover
- Located in Jersey City, NJ
- Approximately \$4 Billion AUM

## Equity Discipline

- Bottom-Up research approach
- Fundamental analysis
- High quality companies
- Strict sell discipline

## Strategy Characteristics

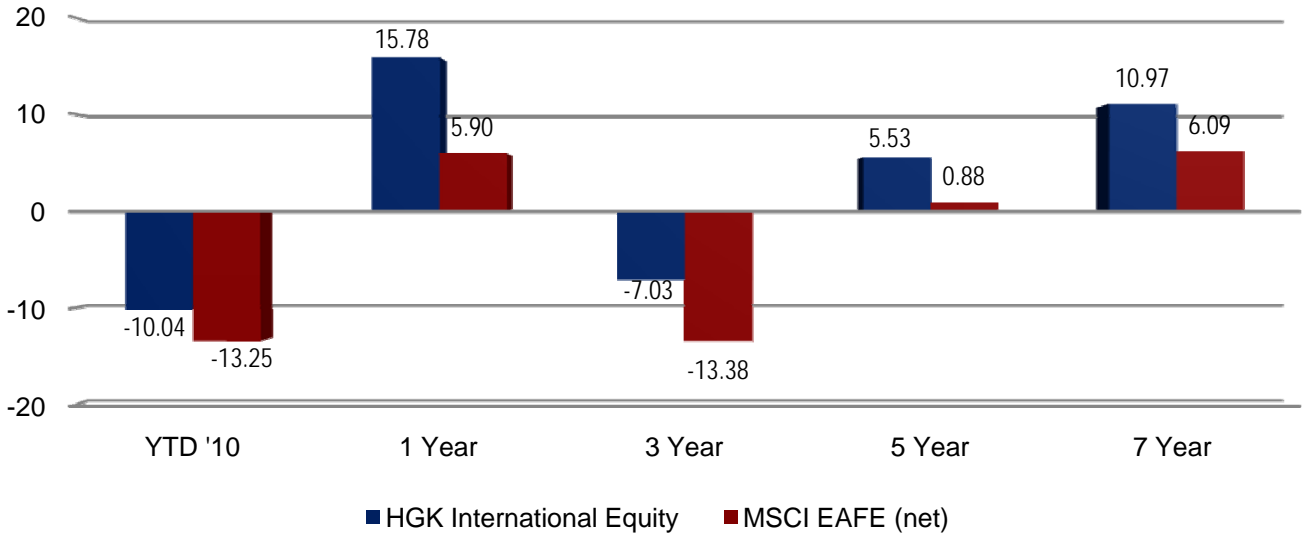
- \$232 million AUM in International Equity composite
- 32 Holdings
- Fully invested at all times

### Calendar Year End Performance

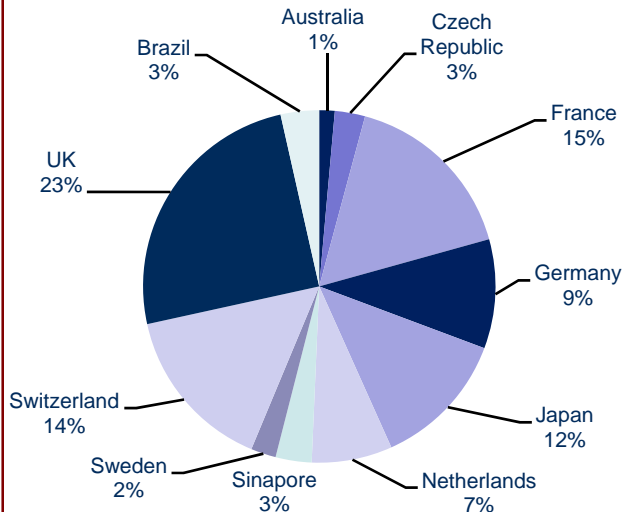
### Benchmark Comparison

	2009	2008	2007	2006	2005	2004	2003	P/E	P/B	EV/EBIT	Beta	Dividend Yield
HGK International Equity	47.06	-41.19	12.54	29.13	18.08	18.55	43.69	10.4	1.5	11.4	1.0	3.1
MSCI EAFE (net)	31.78	-43.39	11.21	26.40	13.60	20.20	33.40	11.0	1.3	11.5	1.0	3.8

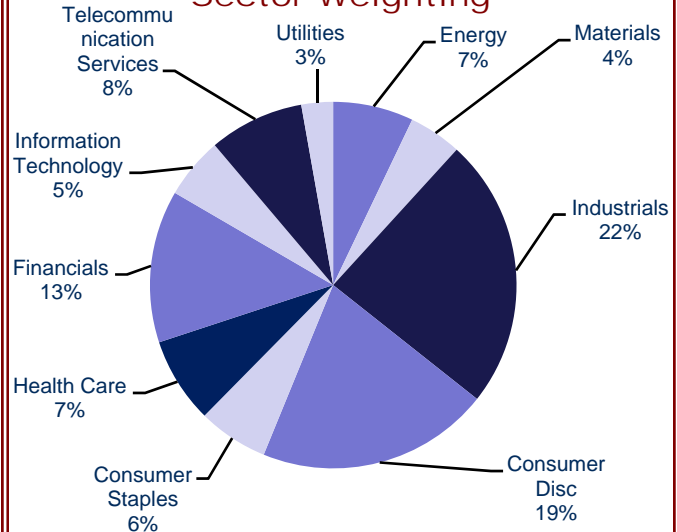
## International Equity Annualized Performance



## Geographic Distribution



## Sector Weighting



## Global Insight

After seven years we have decided to change the format of our publications at Trinity Street starting this quarter. Every month we will send out datasheets for our long-only global fund and our long-short global fund which will include basic data on performance and attribution, including some stock specific commentary. In addition every quarter we will send out an extended version of what was previously the monthly newsletter. The idea is to step back from much of the short term macro-economic 'noise', which has become even more obvious in the last 18 months, and focus on what companies around the world are telling us. We focus our research on individual stocks where we believe fundamental change is taking place either because of factors specific to the company or because of a change in the company's operating environment. We believe that such change can often be misunderstood or under-recognized by the market and this gives rise to mispricing. As investors have become increasingly nervous following the collapse of Lehman, and as many lack the longer

term perspective which suggests that setbacks have usually been an opportunity to invest rather than the beginning of something more sinister, the global equity markets have surged up and collapsed based on short term headlines. In the latest quarter there has been no shortage of these, the tightening in China, worries about European sovereign debt and the Euro, and the bigger challenge facing companies of how to respond to the rapid rebound in demand in Q1 2010 which followed the dramatic collapse in early 2009. Part of the quarterly publication will include a focus on a particular area of interest to us, and, we believe, to our investors; we start, this quarter, with a review of the telecoms market in Scandinavia and the insights it brings to the opportunities in data traffic.

The German managements had smiles on their faces. Amidst the biggest crisis in the Euro zone since its inception there were few signs of pain among the companies which your managers met in late May, and on the contrary when asked the question as to whether they were worried about the Euro they struggled to contain their glee. After endless years of cost cutting to help offset the competitive disadvantage coming from the appreciating Euro the currency had suddenly reversed course and was offering a major windfall for both competitiveness and profits. The CFO of Volkswagen admitted to a private level of optimism far greater than the company was talking about publicly because the demand situation had recovered faster than expected and order books were good. Daimler confirmed the upbeat tone, noting that toll traffic for trucks had recovered to peak levels and that the order books were now above the August 2008 levels. It would be incorrect to attribute the recovery in demand just to currency, however. In the US we found a universal improvement in the operating environment facing manufacturers, with the demand based on end sales and not just inventory restocking, and in Japan, where exporters have faced major headwinds from the strength of the Yen particularly against the Euro. The Director of Sumitomo Heavy Industries who last November needed Prozac had by June rediscovered his youth and optimism, a trait which was common among all the companies exposed to the international markets. The recovery in top line sales growth is a vital component in any long term economic upswing.

Where has the demand come from? The most obvious source was the continuation of the surge in global order books following the collapse of early 2009, in other words a mechanical rebound whose longevity would inevitably come into question as time rolled on. Beyond this, however, what has been impressive is the ongoing structural growth in certain areas of the world and also the strength of demand in new product areas. Over the last 13 years equity markets in the US, Europe and Japan have made virtually no return for investors. However in areas of ongoing change and growth there have been major returns generated. Emerging markets are the most obvious example, and we anticipate that where such changes are ongoing we will continue to be able to generate returns. In the current quarter the most dynamic developments have been in the technology sector, particularly due to the success of the Apple products but also due to the ramp of new Intel platforms and the acceleration of corporate adoption of Windows 7 as well as the surge in demand for 3-D televisions. In Japan Murata, the leading producer of capacitors worldwide, reported that its order flow in March and April was so strong (from PCs and smart phones) that it believed the rate to be unsustainable: in PC orders it was experiencing demand increases year-on-year of 20-30% by value, compared to its full year expectations of +17%, and it welcomed the May/June slowdown as this was more in line with its forecasts; Murata has benefitted from the increase in number of capacitors per PC, the latest Intel driven machines requiring 800 units, which compares to 400 units in a machine built 18 months ago.

## Top 10 Holdings

Issue	Sector	Country	%	Issue	Sector	Country	%
1 Sumitomo Heavy	Industrials	Japan	4.25%	6 Koninklijke	Information Technology	Netherland	4.01%
2 Mtu Aero Engines	Industrials	Germany	4.23%	7 Vonafone Group	Telecom	UK	3.85%
3 Nestle	Consumer Staples	Switzerland	4.20%	8 UBS	Financials	Switzerland	3.82%
4 WPP	Consumer Discretionary	UK	4.16%	9 Nikon	Consumer Discretionary	Japan	3.72%
5 Christian Dior	Consumer Discretionary	France	4.10%	10 Rhoen-Klinikum	Health Care	Germany	3.58%
						Total	39.92%

Disclaimer:

HGK Asset Management, Inc. claims compliance with the Global Investment Performance Standards (GIPS®).

\*Calculations are gross of fees. The effect of fees on a compounding basis will effect net returns as follows: \$1000 compounded annually at a gross return of 10% per year over a 5-year period will return \$1610.51. \$1000 compounded annually at a gross return of 10% per year over a 5-year period net of a 50 basis point annual fee will return \$1574.25. Past performance does not guarantee future results.

To receive a complete list and description of HGK Asset Management, Inc.'s composites and/or a presentation that adheres to the GIPS standards, contact Adam Gerentine at 201 659 3700 or email him at Performance@hgk.com.