



GLOBAL EMERGING GROWTH CAPITAL

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GEGC SECOND QUARTER 2010 US SMALL CAP HIGHLIGHTS

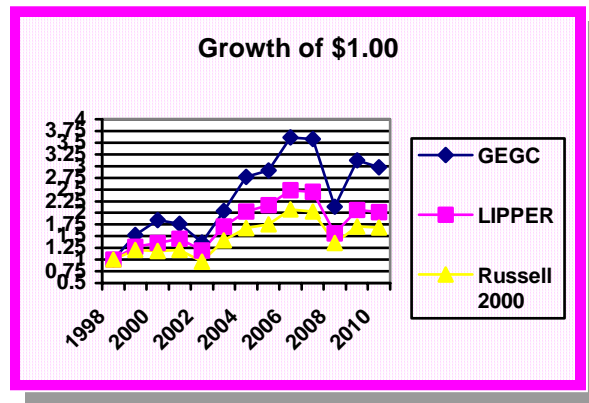
Background: Since 1990, Global Emerging Growth Capital (GEGC) has invested in global small-cap stocks. US Small Cap was started in 1998 to invest predominantly in the United States. It is felt that over longer periods of time, small -cap stocks provide the potential for attractive gains and perform better than large- cap stocks. The investment strategy is bottoms up by seeking companies with above-average growth and balance sheet characteristics, purchased at favorable price-earnings ratios. The companies are special: either key players in their markets or even one-of-a-kind. GEGC use its proprietary Fusion investment discipline that blends fundamental, technical, behavioral, and quantitative analysis. GEGC US Small Cap is managed by V. John Palicka, CFA, CMT who managed over \$1.5-billion in growth stock accounts, mostly in smaller- cap stocks in his 11 years at The Prudential Insurance Co. The small cap stock portfolios significantly outperformed the index and the competition, as shown in the table below. Please visit GEGC's above website for more information.

Prudential Small Cap Record, p.a. (12/31/79-1/31/91)		
Prudential	Russell 2000	Lipper Small Cap
18.4%	12.5%	14.0%

Performance

Since Inception: Since inception 11 1/2 years ago, GEGC's US Small Cap return of 9.9% *per annum* (8.8% net of fees) has compared favorably against comparable competitor (Lipper) and index (Russell 2000) returns, shown below. GEGC's good performance has been due to several reasons: Foremost, good stock picks, including New Age (Economy) companies (growth companies in new industries) which can return handsome premiums to the small-cap index; being focused on promising good valued small-cap stocks that are discovered ahead of competitors, whose more sizable assets make them less able to maneuver; and, not overindulging in the manias that permeate this asset class. For example, GEGC sidestepped the "dot com" massacre by taking some good profits, near the apex, in companies whose stock prices were inflated by this craze.

TIME PERIOD	GEGC US SMALL CAP	LIPPER SMALL- CAP CORE FUNDS	RUSSELL 2000
2010 Q2	-11.3%	-9.3%	-9.9%
2010	-4.9%	-2.1%	-2.0%
11 1/2 Years, Since 12/31/98			
TOTAL RETURN	196.8%	102.2%	67.9%
GROWTH OF \$1.00	\$2.97	\$2.02	\$1.68
ANNUALIZED RETURN	9.9%	6.3%	4.6%



(Source: Reporting organizations and Barrons). Past performance is no guarantee of future results. Investment results should be read in conjunction with GEGC's US Small Cap and Prudential's performance footnotes.

Q2 2010 Performance - Investors sold stocks in the second quarter, thus reversing the gains of the first quarter. Concerns over the strength of the economic recovery, poor employment progress, and debt issues with the PIGS caused sharp market drops in the second quarter. For the first half, the S&P 500 Index decreased by 6.7%. Falling commodity prices, made the material and energy stocks were the worst performers. The NASDAQ decreased by 7.0%. Large cap value stocks did better than growth stocks. US Small-cap stocks, as evidenced by the Russell 2000 Index negative return of 2.0%, led large cap stocks. The small-cap stocks outperformed large-cap stocks over the past five years, even though both small and large cap stocks hovered near zero returns during this period. For the first half, small-cap value stocks showed a return of -1.6%. This was better than growth's -2.3% return, although for the past 5 years, growth did slightly better than value. However, both showed only nominal positive returns.

GEGC Small Cap had negative returns and lagged the performance of the competition and the Russell 2000 Index for the first half. GEGC's underperformance was mainly due to negative returns in some of its financial stocks. Offsetting positive factors included:

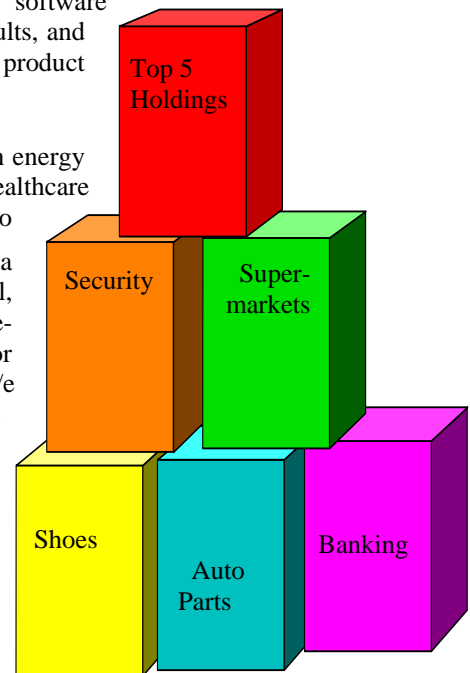
Reasons Contributing positively to GEGC US Small Cap's performance for the first half:

GEGC FACTOIDS	
Mkt cap	1334 mm
P/E	15.6x
Growth	15.1%
P/Book	1.9x
P/Self Fin	0.8x
Tech	30%
MPT Measures	+

◆ Among the larger holdings in its portfolio, GEGC got strong positive returns from a shoe firm and a software company. They produced good operating results, and gained market share with their differentiating product niches.

◆ Purchases were made in an energy company, a strategic mining company, healthcare provider, and a specialty retailer. GEGC also

realized profits from some of its financial stocks, a shoe company, and a call service firm. In general, GEGC's buy discipline includes acquiring above-average growth companies that have a unique or dominant market position, and are trading at a p/e discount to the market. The stocks tend not to be well known by analysts.



Strategy, Industry Trends, and Outlook

Strategy- Over three years ago, GEGC warned of market euphoria and its subsequent fallout. Calamity hit the economy in 2008, highlighted by the near demise of the financial sector. At the end of the third quarter of 2008, GEGC felt that the market was finally recognizing its economic problems. Subsequent government actions helped to stabilize the economy. However, here GEGC differed from the consensus, in that it believed that these actions would not spur long-term growth. This is what is happening now as the training wheels from the stimulus programs are off, with little to show for it. They have been mostly defensive in nature and not likely to stimulate good economic growth. In GEGC's opinion, growth will come from new companies that innovate new products and services. It will not come from trying to revive the sunset companies with more funds. Therefore, GEGC does not feel that buying the market in the hope of a rally will be as rewarding as

cherry picking true growth companies. GEGC expects the smaller companies to provide the better returns over the coming years.

The AI evaluator of GEGC's portfolio finally turned attractive in the fourth quarter of 2008, with a BUY rating. As mentioned, it had been mostly unattractive for about the prior 1½ years. In April 2010 the portfolio has been downgraded to a Sell/Hold rating. In early July, 2010 upon the market drop, the portfolio was upgraded to a Buy/Hold rating. Persistence of an upgrade would be desirable in order to give a better indication of longer-term outperformance potential. Some investment factors indicate continued underperformance of GEGC returns. For example, the p/e paid for the growth rate of GEGC's stocks is not particularly attractive. Thus, GEGC continues to feel that investors with both short and long term horizons should **not** be thinking of adding money to GEGC's accounts at this time. **In 2007 and the first three quarters of 2008, GEGC correctly turned away assets from prospective investors, and actually liquidated positions with cash disbursements.** This strategy correctly safeguarded capital. **Therefore, GEGC is no longer accepting funds and has actually been liquidating some of the portfolio and distributing the cash.**

For the longer-term, US Small Cap will continue to concentrate on niche leaders. Some offer products and services that were not around only a decade ago. Yes, New Age companies. These New Age companies are not to be confused with the flaming "dot com" speculations that had little in terms of assets, sales and earnings. It is expected that the niche leaders should eventually provide very satisfactory returns. The analytical requirements for small-cap stock analysis have met new challenges in the past few years. Traditional valuation measures are still necessary for the vast majority of companies, but are less appropriate for New Age companies. GEGC has adapted and is on the leading edge, especially with its proprietary Fusion investment discipline. GEGC intends to balance its investments between traditional and New Age companies, yet not get caught up in the latest fads. The fact that GEGC has significantly done better than its performance measures over its history is encouraging for its investment strategy.

Trends- US Small Cap was started at a point in time when small cap stocks showed one of the largest discounts to large cap stocks in terms of valuation and performance. GEGC took advantage of this opportunity and produced good results. GEGC now feels that the market is providing again another such opportunity in small-cap stocks.

MPT Measures- GEGC US Small Cap's long-term outperformance is due to Alpha on an attribution analysis. It continues to have a very high positive Information Ratio, and various other good comparisons that evaluate risk/reward. These include Sharpe, Jensen, Treynor, M^2 , and T^2 measures.

Outlook- As predicted, economic expansion has greatly slowed, given the weakness in housing and a debilitated consumer. Lingering overseas US military action creates a war risk premium. This should continue to pressure stocks in an unpredictable manner. Still, this premium is a worthwhile burden given the potential loss that the world can suffer from terrorism. GEGC expects increases in social unrest in a long period of anemic economic growth. This should result in changes in political systems that most likely will invite more radical economic policies. Investors have been jumping from one bubble to another and reckless investing methods are expected to continue, as bankruptcy is not a priority for government action. This should create an uncomfortable euphoria that should lead again to reckless investing and high levels of market volatility upon market rebounds. Most likely, the current hangover now foreshadows a longer market correction than expected by investors. While GEGC expects the choice small-cap stocks to be bid the best as they tend to prosper in economic expansions, the current scenario will be challenging for them. Consequently, while GEGC will continue to buy the best small-cap stocks it can find, it expects to get further bruises in near future.

Performance outlook can be measured in two ways: absolute dollar returns, and relative returns against an index and competitors. The above GEGC Factoids still indicate the need for better values in order to give an investor more comfort of achieving good long-term gains. Given GEGC's expectation of low longer-term economic growth, a good undiscovered small-cap growth stock should

produce good returns; although not necessarily in the near future, as the economic environment that would foster the development of such companies has been diminished. In GEGC's most recent survey of competitor holdings, a fair number of its stocks were not in their beaten-path portfolios (as has been the case since our inception). Therefore, these factors should further favor GEGC's absolute and relative return prospects over the longer term.