

# CNI Charter Multi-Asset Fund

## ABOUT THE FUND

The Multi-Asset Fund seeks to generate a positive total return in excess of inflation in a manner consistent with capital preservation in all market environments.

We invest in a diversified portfolio, including but not limited to direct investments in many diversified asset classes and investments in mutual funds and exchange traded funds (“underlying funds”).

## COMMENTARY

The Multi Asset Fund returned 2.25% in the fourth quarter and advanced 14.51% for 2009. The one-year return is more than commensurate with the risk exposure the Fund employed, and we finished the year over 600 basis points ahead of our return target (CPI+5%).

## EQUITIES

Domestic equity markets continued their upward trend in the fourth quarter, gaining 6% and advancing 26.5% for the year. International and emerging equities fared even better, up 32% and 79% for the year respectively. Drilling down further, growth stocks outperformed their value counterparts in 2009. However, as Wayne Gretzky once famously said, “I skate to where the puck is going to be, not where it has been.” While value oriented stocks did not fully participate in the rebound of 2009, we have begun tilting towards them because we consider value stocks to be better performers in a rising economy. With this in mind, we initiated a 10% position in a large-cap value ETF.

The conversation surrounding global economic growth has shifted from ‘if’ and ‘when’ to ‘how much.’ The U.S. economy typically has generated sustained growth of 5-7% following deep economic downturns. However, stubbornly high unemployment and deleveraging by the consumer and throughout the financial sector make a near-term resumption of our hyper-capitalist ways unlikely. The average unem-

ployment rate for 2009 was 9.3%, the highest since a 9.6% reading in 1983, and the average duration now stands at 29 weeks. Improvement will be sluggish with underemployment at 17%, the average workweek near an all-time low of 33 hours, and six workers for every job opening. The base of a “new normal” economy may be forming.

## FIXED INCOME

During the quarter we initiated a 10% position in an international bond fund that has exposure to corporate and sovereign debt, in both developed and emerging markets. Foreign yield spreads had become quite attractive and we embraced the currency diversification from a fundamental and risk perspective. Our cash allocation began the quarter at 20% and settled at 16%. This is in stark contrast to our conservative 50% allocation at the beginning of 2009, and a good temperature gauge for the Fund’s risk appetite.

When a building is on fire, one should not fret about water damage. The Fed has used all tools at its disposal to help extinguish the financial and economic fires that raged earlier this year. As the fires subdue, we will have to take stock of the damage and take steps to mitigate their effects. The bet here is that the Fed will be loathe to undercut the recovery in its infancy by raising rates. The bond market has certainly reacted to the incipient recovery as the yield curve continues to steepen. While deficit spending is clearly helping our economy regain its footing, such largesse is rarely rewarded if left unchecked indefinitely. Our declining currency is also the gift that keeps on taking when determining our ultimate purchasing power.

## OTHER ASSETS

The Fund continued to benefit from its exposure to international real estate. Commodities finished the year up 19% but we remain on the sidelines until a more attractive entry point appears.

## ABOUT THE FUND MANAGERS

**Barbara Bruser, CFA** serves as Director of Equities for City National Asset Management, the investment management group at City National Bank, where she oversees equity investment policy, portfolio construction and stock selection. Ms. Bruser has over 30 years of professional experience in the investment and financial industries. She is a Chartered Financial Analyst, and has been nationally recognized as the “Best of the Buy Side,” by Institutional Investor Magazine, and has been honored as one of “The Top 250 Financial Advisors,” by Worth Magazine.

**William C. Miller, CFA** serves as Senior Fixed Income Portfolio Manager for City National Asset Management. In this capacity, he is responsible for the management of fixed income portfolios, as well as performing corporate credit analysis. He also serves as co-manager of the CNI Charter Corporate Bond and Limited Maturity Fixed Income Funds, specializing in the research, selection and trading of taxable fixed income securities. Mr. Miller is a Chartered Financial Analyst with over 12 years of professional experience in investment management.

### *CNI Charter Multi-Asset Fund*

Total Return as of Dec. 31, 2009	1-month	3-month	YTD	1-year	Since Inception (October 1, 2007)
Class N	.085%	2.29%	14.23%	14.23%	-2.27%
Institutional Class	0.82%	2.25%	14.51%	14.51%	-2.05%

*The performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance quoted. For performance data current to the most recent month end, please call (888) 889-0799, or visit our website at [cnicharterfunds.com](http://cnicharterfunds.com).*

*Investment performance may reflect voluntary fee waivers in effect. In the absence of such fee waivers, total return and yield would be reduced. Fee waivers may be discontinued at any time. As of December 31, 2009, total annual operating expenses for the Fund are 1.62% for the Institutional Class and 1.87% for Class N.*

*Investing involves risk including loss of principal. Current and future holdings are subject to risk. Holdings are subject to change. Bonds and bond funds will decrease in value as interest rates rise. An investment in the Fund is subject to the risks of the underlying funds.*

*The Fund is a “fund of funds,” which is a term used to describe mutual funds that pursue their investment objectives by investing all or substantial portions of their assets in other mutual funds or other types of funds. The cost of investing in the Fund will generally be higher than the cost of investing in a mutual fund that invests solely in individual stocks and bonds. By investing in the Fund, an investor will indirectly bear fees and expenses charged by the underlying funds in addition to the Fund's direct fees and expenses. In addition, the use of a fund of funds structure could affect the timing, amount and character of distributions to the Fund's shareholders and may therefore increase the amount of taxes payable by shareholders. The underlying funds in which the Fund may invest include other funds in the CNI Charter Funds family as well as funds unaffiliated with CNI Charter Funds.*

*To determine if this Fund is an appropriate investment for you, carefully consider the Fund's investment objectives, risk factors, and charges and expenses before investing. This and other information can be found in the Fund's prospectus, which may be obtained by calling (888) 889-0799, or by visiting our website at [cnicharterfunds.com](http://cnicharterfunds.com). Read the prospectus carefully before investing.*

*CNI Charter Funds are distributed by SEI Investments Distribution Co., which is not affiliated with the investment manager.*

#### **Shares of CNI Charter Funds:**

- are not FDIC insured
- are not Bank guaranteed
- may lose value

**CNI CHARTER FUNDS™**

