HEWINS
FINANCIAL
ADVISORS

August 31, 2009

Dear Client:

We thought you might be interested in hearing a little bit more about one of the holdings in your portfolio. TCW Small Cap Growth has been in client portfolios for more than a year now, as a mutual fund or separate account, but had been on our radar for some time before that. We were attracted to the fund by its strategy (which produces a true "growth" portfolio without forsaking quality and valuation), its discipline, and the management team headed up by Husam Nazer.

The fund was not a winner at first glance. A free-fall in the fund's performance after the tech bubble burst in 2000 resulted in longer-term results that didn't pass many investors' screens. A prior manager had concentrated the fund in a limited number of economic sectors, and the fund fell sharply along with the rest of the tech sector at that time. But digging a little deeper with the help of Callan Associates, we discovered that the current manager, Nazer, had turned the fund around, diversified across industries and was about to pass the three-year tenure mark with an impressive record.

TCW became our small cap growth holding of choice in early 2008 once our due diligence process was complete, with pleasing results thus far. The fund is well ahead of most of its small growth peers since then and has rallied strongly this year—up 30.18% through June 30. Others have started to notice. Schwab picked TCW up as a Select manager. Morningstar, which suspended analysis of the fund in 2003, has reinstated coverage with the attached analyst write-up. Investor's Business Daily featured the fund in a July article entitled, "TCW Fund Scores Big With Small Caps."

Our depth of resources allows us to find specialty active managers like this one to complement the passive exposure we have in other more efficient areas of the market. You've heard a lot from us about the passive strategies of our DFA funds, which provide continuous exposure to the size and value factors that have been shown to outperform over the long-term but can exhibit volatility in the short run. We thought you'd enjoy hearing about the other side of the coin--pockets of the market where modest allocations to well-vetted active managers can add value, especially in times of turmoil where passive strategies follow the market. Combined, the two approaches result in a well-diversified, low-cost portfolio, with the goal of achieving the best of both worlds.

Sincerely,

Martha R. Post

Martha Post
Chief Investment Officer

Enclosure

TCW Small Cap Growth I TGSCX

Analysis

Morningstar Rating™	**Morningstar Category™**	**Net Assets** (Mil)
★★★	Small Growth	143.12(USD)

Analysis by Ryan Leggio 7/17/2009

The current management team should keep TCW Small Cap Growth ahead of the pack. This fund is a tale of two management teams. The previous team liked high-flying tech stocks, which enabled the fund to post a 126% return in 1999. But they crashed and burned when the dotcom bubble burst and later had a terrible stretch. That led TCW to bring in a new management team in early 2005. Then newly installed manager Husam Nazer made two big changes as soon as he took over. First, he increased the fund's concentration from 110 to about 60 stocks so that he owned only his best ideas. Second, he diversified the fund among all sectors so that it would not experience a dramatic decline like it had in the past and so that stock-picking, rather than sector allocation, would drive results. Indeed, Nazer has turned the fund around. It has not been outside the top third of the small-growth category any calendar year since his arrival in 2005 and has crushed his benchmark--the fund is up 21% while the Russell 2000 Growth Index is down 9.7% through July 16. We do not think the fund's results are an accident and attribute much of Nazer's success to his strict buy-and-sell discipline. For every company he owns he estimates cash flows three to five years out and typically discounts those cash flows back to present value using a discount rate of around 10%. Based on this, he then sets a range of price targets. Whenever a stock hits his worst-case price, he is forced to either sell the position or buy more. When the market was crashing in March he added to 47 of his holdings and sold only a handful, which has since paid off. On the other side of the trade, he is quick to sell when a stock reaches intrinsic value even if there is momentum that may push the price up more. All told, there is a lot to like here, including reasonable fees.

Kudos

- Reasonable fees.
- Strong performance.

Risks

- Management has no track record through a full market cycle.

Management

Husam Nazer took over this fund in early 2005. He joined TCW in 1995 as a health-care and retail analyst and became a manager on a small/mid-cap growth strategy in 2003. He is assisted by more than six analysts.

Strategy

This relatively concentrated but diversified fund looks for companies that can grow revenues by at least 15% a year. For every company management estimates cash flows three to five years out and typically discounts those cash flows back to present value using a discount rate of around 10%. They arrive at three valuation scenarios: best case, base case (estimate of the firm's intrinsic value), and worst case. Whenever a stock hits his worst-case price, management is forced to either sell the position or buy more. They will normally trim a position once it reaches the base case price and sell the position outright when it hits its best case price. The fund will usually own 60 stocks and is diversified by having exposure to most of the Russell 200 Growth sectors.

Inside Scoop

Manager Husam Nazer loves growth stocks. In fact, if a company isn't posting revenue growth greater than 10% (usually closer to 15%) annually, he isn't interested no matter how cheap the company might be.

Role In Portfolio	Supporting
Fund Family Score for Domestic Stock	2.92
Number of Funds Scored	9