

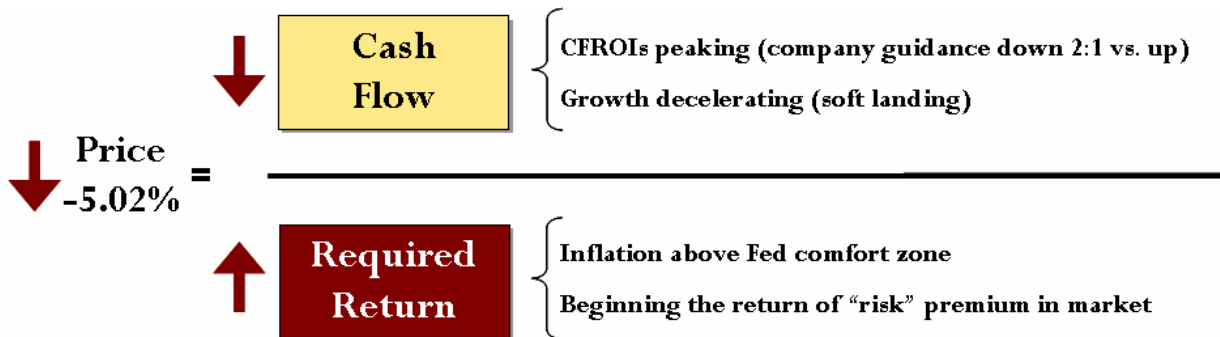


July, 2006

***IronBridge Capital Management, L.P.
Second Quarter 2006 Small Cap Core Review***

Dear Fellow Investor,

The IronBridge Small Cap Core product declined approximately 4% for the quarter compared to the 5.02% decline of the Russell 2000 Index. The relatively modest 5% quarterly decline of the index fails to capture the dramatic 14% sell off from the peak on May 5 to the low on June 14. The 14% correction was caused by an increase in the investors' discount rate and expectations of a cyclical peak in CFROI®.



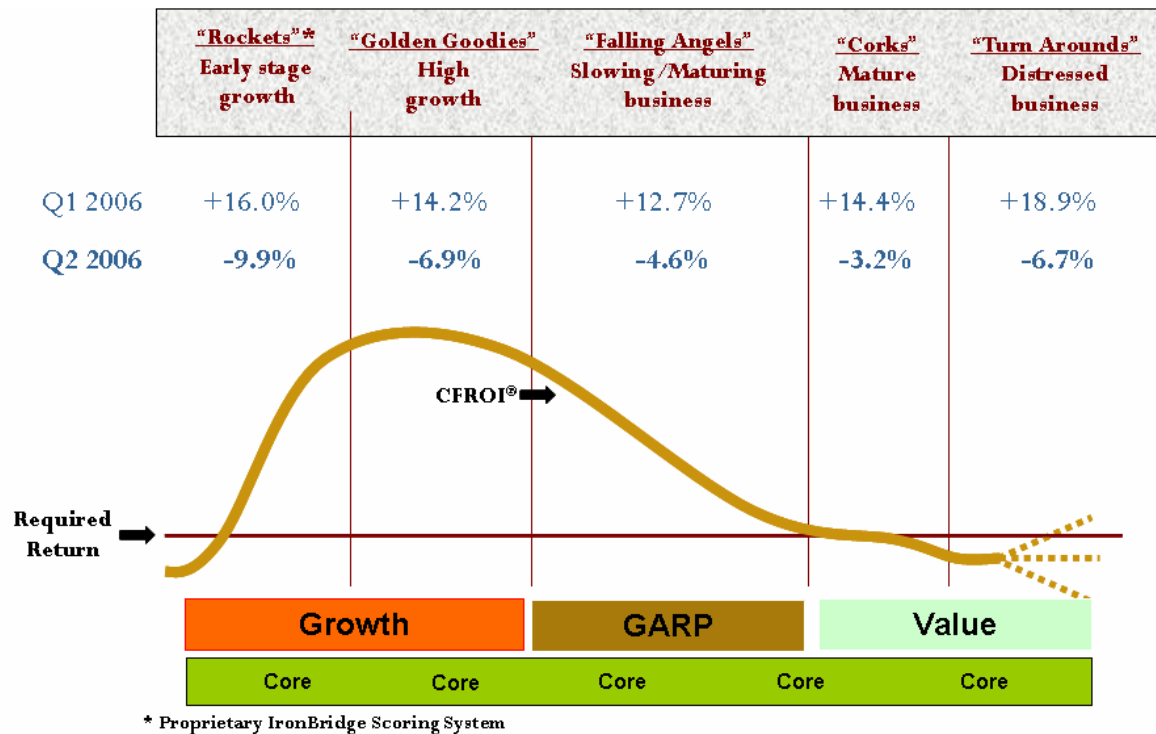
Inflation and investor taxes impact the discount rate. The second quarter produced a core inflation rate of 2.4%, which is above the Federal Reserve's stated comfort zone. This caused investors to increase their required return by 25 basis points. From a CFROI perspective, fundamentals remain strong. Most companies met or exceeded first quarter earnings' forecasts, and many companies increased guidance. However, more recent data compiled by Thomson Financial indicates that company guidance is shifting downward with two companies guiding down for every one company guiding up. This suggests that the Fed's 17th consecutive interest rate increase to 5.25% is starting to take a bite out of

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economic growth and corporate earnings. An environment where the discount rate is rising and CFROIs are falling may prove challenging to investors who have experienced nothing but positive surprises and falling discount rates over the last few years.

At IronBridge, we stick to our highly disciplined process and believe that this environment is likely to produce a lot of opportunities to buy companies with managements who are doing the right thing to create shareholder value and have a high probability of beating expectations implied by their share price.

Risk aversion seems to be another feature driving performance this quarter. For example, small, riskier companies underperformed large companies by 3.6%. Additionally, the performance of the Rockets, which were down 9.9% versus 3.2% for the Corks, suggests that markets are beginning to price risk more rationally. We are pleased that our refusal to chase the riskier, lower-quality stocks (that led the market's first quarter performance) helped us outperform this quarter.



Note: Q2 2006 Financials -1.6%

Second Quarter Attribution:

During the quarter, our portfolio continued to be more cautiously positioned remaining underweight Rockets and Turn Arounds and overweight Corks and Golden Goodies.

Stock selection contributed the majority of the excess return for the quarter while sector and life cycle allocation detracted only marginally. Cash (in the falling market) added modestly.

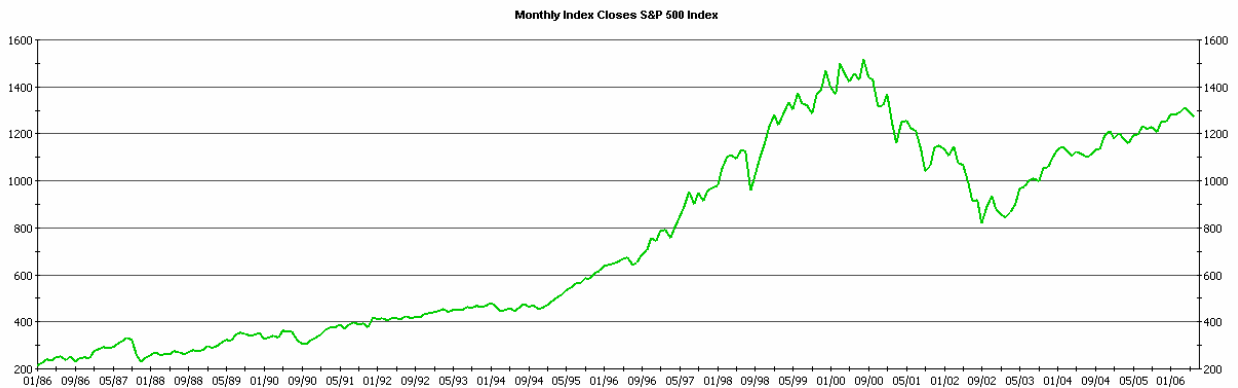
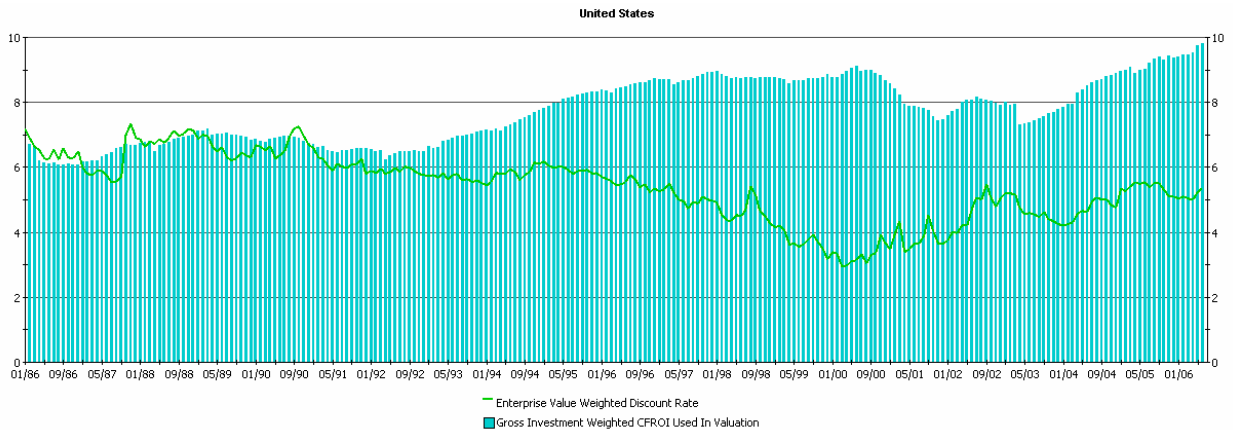
Stock selection was very strong among our Energy, Materials, Financials, Information Technology and Utilities sector holdings. Within the Russell 2000 Index, Energy was the best performing sector advancing 4.09% for the quarter, and our stocks performed well by increasing 15.95%. Leading the way was Oceaneering International, which was up 51% after reporting a blow-out quarter as demand for the firm's offshore niche drilling products soared in what appears to be a period of secularly higher oil prices. Our Materials stocks outperformed because we owned very few "pure play" commodity stocks, which corrected sharply with the market in the second quarter. Stock selection for Financials was aided by two takeovers: Texas Regional up 28% and Commercial Capital up 12.3%. Our lower beta Information Technology holdings held up relatively better than the 10.59% decline in the Russell 2000 Technology sector. Tech went into a tailspin when over 100 companies received subpoenas from the SEC regarding "backdating of options." We find it ironic that, as we close the Enron chapter with guilty convictions for Ken Lay and Jeff Skilling, a new chapter of corporate malfeasance opens with options backdating scandals. Tech may remain under pressure until this scandal sorts itself out. Our qualitative grading system helped us disproportionately avoid a number of significant backdating blowups, but we did get caught with Openwave, which fell 44% during the period.

Our stock selection could have been better among our Health Care and Industrials holdings. We had an unusually high number of thesis violations among our Health Care holdings this quarter. Health Care is the worst performing sector this year and is in jeopardy of losing its "safe haven" status during times of market turmoil. We avoided several torpedoes by making prudent sales during the last quarter. For example, Merge Technologies is now 40% below our selling price and Thoratec is 30% lower than where we sold it. We did, however, get caught off guard when American Medical Systems unexpectedly overpaid for Laserscope and issued a convertible to do the deal causing a 26% decline in the shares. We had a few other "unforecastable" nasty surprises in the group that resulted in poor stock selection for our Health Care holdings this quarter. Such an occurrence is highly unusual, and we expect a reversal. That said, we are currently reviewing our Health Care positions to ensure that we have our best Health Care ideas represented in the portfolio. One bright spot among our Health Care holdings was Intermagnetics, a recent purchase last quarter, which was up 32% when Philips announced its intention to acquire the company.

Stock selection within our Industrials was a bit of an anomaly this quarter. In general, there were hardly any negative surprises, thesis violations or overvaluations, but the stocks fell regardless of whether the company reported strong or poor results. For example, JLG has a great track record of wealth creation and is currently earning a sustainable 12% CFROI. JLG reported a great quarter by beating analyst earnings expectations by a wide margin and raising guidance. Although the company's report confirmed our thesis and valuation targets, the shares fell 40% from peak to trough during the quarter! Based on the price behavior of Industrials compared to their corporate performance, growth and guidance, we infer that the market is looking forward 12 months and is forecasting a dramatic slowdown in global growth. If growth proves more robust than implied by current share prices, the Industrials may have a strong finish at year end. We anxiously await the latest round of quarterly results and conference calls to get a sense of which outcome is most probable.

Current Investment Environment:

Last quarter, we reported that, as defined by the spread between CFROI and the investors' Discount Rate, "The environment for wealth creation has never been better." We wondered, "How much longer will it last?" We know that over the long term "economic returns must approach the cost of capital." We did/do not want to bet against this economic axiom and, therefore, remain cautious in our portfolio structure to the degree to which our risk controls allow.



Source: Credit Suisse HOLT

During the second quarter, investors got a hint that perhaps the virtuous cycle of growth might be coming to an end as CFROIs may have peaked and the discount rate may be rising due to inflation. Perhaps this is a head fake, but if this is truly the case, then the environment may prove challenging to investors who have grown used to positive earnings surprises and falling discount rates. Certain investors have been ignoring risk and valuation for several years now, making it more difficult for those who employ disciplined valuation approaches to outperform. In such an environment, we would expect those investors who lack insight into wealth creation and valuation to indiscriminately sell, providing many more buying opportunities for IronBridge.

Strategy:

Our strategy remains steadfast. We continue to buy companies that are doing the right thing to create shareholder value and have a high probability of beating market expectations. To that end, we feel great about our stock selection process.

This quarter we bought twelve new companies. Of the twelve new buys for the quarter, eight outperformed their global industry code groups (GIC), two were neutral and two underperformed, yielding a 67% hit rate on new buys.

This quarter we sold eight companies. Of the eight sells, two were sold due to tendering shares to an acquiring company, four were sold due to thesis violations and two were sold based on full valuation. Of the six active sells, four underperformed their GIC groups and two outperformed, yielding a 67% hit rate on sells. In addition, we have identified four other companies that we are strategically selling given liquidity and opportunistic exit prices.

Overall, we continue to be pleased with our stock selection discipline. We remain diversified by Industry and by Life Cycle. Given the 14% intra-quarter correction in the Russell 2000 Index, we put some cash to work by buying a few Rockets to structure the portfolio less defensively at the margin.

Since risk premiums are beginning to resurface, but have a long way to go before returning to “normal”, we remain modestly overweight the relatively less risky Corks and Golden Goodies. We are reducing our maximum underweight in the more risky Rockets and Turn Arounds.

Thank you for your continued support.

Kind regards,

A handwritten signature in black ink, appearing to read 'Christopher C. Faber', written in a cursive style.

Christopher C. Faber
IronBridge Capital Management, L.P.