



# Mariner Concentrated Value Composite 1st Quarter 2009—Perspectives

## Product Overview

The Mariner Concentrated Value Composite is an all-cap classic value product that invests primarily in the equity or equity-linked securities of United States based companies. The product will typically maintain 10-25 positions in the securities of companies that in the opinion of the MVC team, have leading and sustainable market share positions, above-average financial strength, and are trading at prices materially below our internally derived view of intrinsic value. The product's primary benchmark is the S&P 400 Mid Cap Value Index. Clients may also compare the product to the Russell Mid Cap Value Index and the S&P 500 Index.

## 1st Quarter 2009

Unfortunately, just as there was nowhere to hide in the public equity markets in 2008, the first quarter of 2009 continued this trend. Stock markets around the globe continue to face the pressure of an unprecedented credit crisis and a global economic slowdown. Needless to say, your Mariner Value team was not immune to the difficulties. While it is nothing to brag about given the declines of our products for the quarter, we did hold up better than most of our competitors and our most comparable indices.

## Performance Discussion

The Mariner Concentrated Value Composite ended the quarter down -4.23 percent versus the S&P 400 Value Index -12.12 percent, the Russell Mid Cap Value Index -14.68 percent, and the S&P 500 Index -11.01 percent. Those of you are new to our product should be aware that your Marine Value team is not a fan of quarterly data as we don't particularly believe that short investment time horizons provide anything except irrelevant data points. As such, as this product matures, these discussions will focus on longer and longer time horizons to provide better performance context for our clients. Regardless, we are pleased to be outperforming our competitors and indices in our first full quarter as part of the Mariner team.

Although investment successes were difficult to find, Beckman Coulter, Charles Schwab Corp., International Flavors & Fragrance Inc., HCC Insurance Holdings, Inc., AptarGroup Inc., and Wisconsin Energy Corp. all were positive contributors during the quarter. Our worst performing securities included the common stocks of Littelfuse Inc., Kimberly Clark Corp., Genuine Parts Co., and Stryker Corp. All of these securities, with the exception of Genuine Parts Co., are still in the portfolio and we maintain our belief in their potential to provide positive returns. We exited Genuine Parts Co. as we found better opportunities elsewhere, but continue to monitor the company for future investment.

## Discussion of the Future

As we will likely opine in most of these quarterly commentaries, we have no idea how the stock market will perform for the remainder of 2009 or any other shorter time horizons. Rather, our team focuses on one company at a time and one security at a time, always in search of the leading business franchise with above-average potential for returns for our clients. We would expect, however, that the market will be characterized by ongoing volatility given the negative economic and corporate earnings news. Importantly, we continue to believe that our portfolio is trading at a significant discount to our internal view of intrinsic values for each company we own. Frankly, in the over 15 year of studying leading business franchises and valuations, rarely has there been a more attractive risk versus reward profile than has existed since the 4<sup>th</sup> quarter of 2008. While psychologically challenging to most investors, the most attractive investment opportunities typically come at times of market stress as the extraordinary volatility translates into impressive opportunity. How long this challenging period lasts will only be known after the pain is complete. For now, your portfolio consists of the securities of 25 companies that together comprise leading market share positions across the globe, have above-average financial strength, and trade at prices well below what we think they are worth.

Thank you for your continued confidence and support.

The Mariner Value Strategies Team