Mariner Concentrated Value

Perspectives
June 2009 Discussion
with Scott A. Moore, CFA—Partner, Chief Investment Officer and Senior Portfolio Manager

Product Overview
The Mariner Concentrated Value Composite is an all-cap classic value product investing 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 our opinion, 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 MidCap 400/Citigroup Value Index. Clients may also compare the product to the Russell Mid Cap Value Index and the S&P 500 Index.

The First Six Months of 2009
The Mariner Concentrated Value Composite ended the first six month of 2009 up 12.76 percent (net of fees) versus the S&P MidCap 400/Citigroup Value Index up 4.36 percent, the Russell Mid Cap Value Index up 3.19 percent, and the S&P 500 Index up 3.16 percent. While clearly pleased with this performance, your team was even more gratified as it occurred during a time period when growth stocks outperformed value stocks and lower quality outperformed higher quality stocks. Those of you who are new to our product should be aware—as a classic value investment product— both of those factors are typically negative toward our near-term performance. Fortunately, good old-fashioned stock picking was enough to overcome these "winds in our face" and helped us outperform.

2nd Quarter 2009
The Mariner Concentrated Value Composite ended the second quarter up 17.74 percent (net of fees) versus the S&P MidCap 400/Citigroup Value Index up 18.75 percent, the Russell Mid Cap Value Index up 20.94 percent, and the S&P 500 Index up 15.93 percent. We are certainly pleased to see a positive quarter for our clients. Fears over the potential for a depression type of economic scenario subsided after corporate earnings were reported in March and April and economic data seemed to suggest that the economy was bottoming. Many companies are now reporting earnings and cash flows below their true potential as a direct result of the economic slowdown. Historically, below-trend earnings and cash flows coupled with attractive valuations have led to significant market performance going forward. It should be emphasized that the timing of when the market will improve is beyond our ability to forecast. Whether we achieve our performance over one year, three years, or five years, we believe each company within your portfolio of leading companies is trading materially below our internal view of fair value.

Stocks we recently added to your portfolio
Lowe's Cos. (LOW) - The world's second largest home improvement retailer, has materially underperformed the market's rally (since early March) and has created an attractive valuation entry point. With, in our view, the best footprint in this duopoly industry structure, a very strong balance sheet versus its consumer cyclical peers, and negative sentiment among investors due to housing woes, LOW's valuation is too inexpensive to ignore.

Vulcan Materials Co. (VMC) - The nation's largest producer of construction aggregates has seen its stock go from a high of over $120 in June 2008 to a recent low near $40 as fears of an economic recession, lower construction related spending, and an ill-timed acquisition resulted in lower earnings, lower cash flows, and debt levels that were higher than normal. For the value investor there is a lot to like as the company's leading market position in fast growing states, the potential to benefit from the federal government stimulus plan, an improving balance sheet going forward, and a very attractive valuation lead to a positive risk versus reward profile.

Stocks we recently sold from your portfolio
Kraft Foods Inc. (KFT) - We sold this leading food company as it approached our internal view of fair value and other opportunities provided more attractive . We will continue to monitor KFT for opportunities going forward.

Discussion of the Future
As we have discussed in previous commentaries, our team continues to focus on studying one company at a time, always in search of leading business franchises with above-average potential for returns for our clients. We would expect, however, that the market will continue to be characterized by ongoing volatility given the negative economic and corporate earnings news that accompanies economic downturns. Importantly, we continue to believe that your portfolio is trading at a significant discount to our internal view of intrinsic values for each company we own. We also continue to believe—and as we have been saying—that while psychologically challenging to investors, the most attractive investment opportunities typically appear at times of market stress as the exaggerated 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 securities of companies that, together, comprise leading market share positions around the globe, have above-average financial strength, and trade at prices well below what our work suggests they are worth.

Thank you for your continued confidence and support.

Scott A. Moore, CFA

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