Mariner Concentrated Value

Perspectives
September 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 Russell Midcap Value Index. Clients may also compare the product to the S&P MidCap 400/Citigroup Value Index and the S&P 500 Index. We should note that we have changed our primary index from the S&P MidCap 400/Citigroup Value Index to the Russell Midcap Value Index. This change is a direct result of feedback and our own internal studies suggesting the Russell Indices are the preferred indices for most consultants and institutional investors around the world. From our perspective, the indexes are very similar. As a point of reference, the year-to-date performance of the Russell Midcap Value Index is up 27.56 percent while the S&P 400 MidCap/Citigroup Value Index is up 26.74 percent. For further information, feel free to contact us.

The First Nine Months of 2009
The Mariner Concentrated Value Composite ended the first nine months of 2009 up 32.35 percent (net of fees) versus the Russell Midcap Value Index up 27.56 percent, the S&P MidCap 400/Citigroup Value Index up 26.74 percent, and the S&P 500 Index up 19.26 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 stocks outperformed higher quality stocks. Those of you who are new to our product should be aware that —as a classic value investment product— both of those factors typically make it difficult to outperform our primary and secondary benchmarks. This is because we believe that value outperforms growth over the long-term and higher quality stocks will outperform lower quality stocks over the long-term.

Third Quarter 2009
The Mariner Concentrated Value Composite ended the third quarter up 17.37 percent (net of fees) versus the Russell Midcap Value Index up 23.62 percent, the S&P MidCap 400/Citigroup Value Index up 21.44 percent, the and the S&P 500 Index up 15.61 percent. As most of you know who are becoming regular readers of ***Perspectives***, we do not emphasize quarterly return data due to the short-term nature of the performance. However, we clearly do not like underperforming any of our chosen benchmarks over any time horizon. In this instance the reason, in our opinion, was primarily due to the market's continued emphasis on lower quality and higher beta stocks during the quarter. The emphasis does not exactly fit with our more conservative stock selection process that emphasizes higher quality value stocks.

Stocks we recently added to your portfolio
Analogic Corporation (ALOG) - A world leader in the development and manufacturing of advanced medical imaging, security imaging systems and subsystems. ALOG's stock has recently underperformed as increased uncertainty surrounding the hospital industry's ability to invest in medical imaging products has pressured the earnings and cash flow of ALOG. Beneath these near-term issues is a leading market share medical technology company with excellent returns on capital, stable market share, and approximately $13 per share of cash on its balance sheet. We entered this stock in the mid $30 range.

Stocks we recently sold from your portfolio
Vulcan Materials Co. (VMC) - The nation's largest producer of construction aggregates has been an excellent performer for your portfolio as we purchased stock in the mid $40's and recently sold the last of our stock in the mid $50's as it approached our internal view of fair value. It is important to remember that your team tries to optimize your portfolio with the best value opportunities each and every day. When one stock achieves our view of its value, we move on to other opportunities that show better potential for upside for you and your portfolio. In this case, we owned the stock for only three months, but achieved multiple years of performance during that period. While this is not necessarily a normal occurrence, it does happen and your team is ready to act on these price movements for your benefit.

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. In the last two quarters the S&P 500 is up 34.02 percent and since the market lows on March 9th, the S&P 500 is up 58.25 percent. As a result of this dramatic upturn in the market, our portfolio clearly does not have the upside potential that we have written about in previous commentaries. Further, the downside risk has clearly risen as well. However, and 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. Remember that your team does not attempt to make short-term market or economic calls, but rather looks for leading companies to purchase at excellent prices. As of this writing, it is your team's opinion that your portfolio consists 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.

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