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

Product Overview

The Mariner Value Composite is a classic value product that invests primarily in the equity or equity-linked securities of United States based companies. The product will typically maintain 60-100 positions in the securities of companies that, in the opinion of the Mariner Value Strategies 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 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 27.57 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 Value Composite ended the first nine months of 2009 up 26.96 percent (net of fees) versus the Russell Midcap Value Index was 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 modestly disappointed to be performing "in-line" with our primary benchmark, we are gratified as our performance 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.

3rd Quarter 2009

The Mariner Value Composite ended the third quarter up 17.22 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 information due to the short-term nature of the performance. However, we clearly do not like underperforming any of our chosen benchmarks. In this instance, in our opinion, the reason for the underperformance was primarily due to the market's continued emphasis on lower quality stocks during the quarter. This emphasize does not exactly fit with our more conservative stock selection process that emphasizes higher quality value stocks.

Year to Date Performance Attribution

Our best performing sector this year has been the Healthcare sector as above-average stock selection (MTD and BEC) and an overweight stance for the period led to significant outperformance. The Financial sector was also an excellent contributor as our underweight stance in Banks and Real Estate Investment Trusts -due to a lack of good value ideas- helped us versus the index. Also materially contributing was the Utility sector due to above-average stock selection and a neutral sector weighting. Information Technology (LFUS), Materials, and Energy were also positive contributors. The Industrial, Telecommunications, and Consumer Staples sectors were basically neutral performers. Our worst performing sector was clearly the Consumer Discretionary sector as below average stock selection and an underweight stance hurt performance. This Ruselll Midcap Value Index portion of this sector is up 60.63 percent for the first nine months of the year versus the Russell Midcap Value index up 27.58 percent. Your team did not anticipate the market beginning to discount improvement in consumer spending so rapidly in this economic environment and frankly did not find the number of positive stock situations to justify an overweight stance. We continue to be underweight in this sector.

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.

Scott A. Moore, CFA

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