



Perspectives

December 2009 Discussion

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

Product Overview and Performance

The Mariner Value Composite is a classic value investment product investing 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. Since our inception on 11/3/2008, Mariner Value is up 27.52 percent (APR and net of fees) versus the Russell Midcap Value Index up 22.65 percent, the S&P MidCap 400/Citigroup Value Index up 24.17 percent, and the S&P 500 Index up 16.14 percent.

The Year 2009 in Review

The Mariner Value Composite ended 2009 up 38.25 percent (net of fees) versus the Russell Midcap Value Index up 34.20 percent, the S&P MidCap 400/Citigroup Value Index up 33.77 percent, and the S&P 500 Index up 26.47 percent. We are pleased to have outperformed our primary and secondary benchmarks during 2009. For your team, 2009 was about stock selection and taking advantage of clear mispricing of individual companies due to the enormous volatility that marked the first half of the year. Frankly, stylistic considerations were not favorable as growth (as a style) beat value this year and lower quality stocks (as a group) beat higher quality stocks. Those of you who are new to our product should be aware that 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. As such, the outperformance for the year is even more gratifying.

4th Quarter 2009

The Mariner Value Composite ended the fourth quarter up 8.89 percent (net of fees) versus the Russell Midcap Value Index up 5.21 percent, the S&P MidCap 400/Citigroup Value Index up 5.54 percent, and the S&P 500 Index up 6.04 percent. As most of you know, we do not emphasize quarterly information due to the short-term nature of the time period.

2009 Performance Attribution

Our best performing sector in 2009 was 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 due to an underweight position in Banks and Real Estate Investment Trusts. Also materially contributing was the Utility sector due to above-average stock selection (AWK and SO) and a neutral sector weighting decision. Information Technology (LFUS), Industrials (RSG), Materials (IFF), Consumer Staples, and Energy (EQT) sectors were also positive contributors. The Telecommunications sector was a modest detractor from performance. Our worst performing sector was Consumer Discretionary as below-average stock selection and an underweight stance hurt performance. The Russell Midcap Value Index portion of this sector was up approximately 68.89 in 2009 versus the Russell Midcap Value index up 34.20 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 this sector going into 2010.

Discussion of the Future—2010 Outlook

As we look forward to 2010, your team continues to focus on studying one company at a time, always in search of leading business franchises with above-average return potential for our clients. Remember we do not make short-term market or economic calls, but rather focus on buying leading businesses, one company at a time, at excellent prices based on the long-term fundamentals of each company.

In our view, and as a result of the meaningful positive performance for our Mariner Value product and the market in 2009, we do not anticipate a repeat of the abnormally large upside potential that existed during the first half of 2009. Further, the downside risk of the market and our portfolio has clearly risen as well. However, and most importantly, it is our 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

