HAHN CAPITAL MANAGEMENT, LLC

MARKET COMMENTARY 1st QUARTER 2008

Equity Market Review

Continuing concerns about the health of the American economy and in particular, the financial services industry, weighed heavily on equities during the first three months of 2008. It was the second worst stock market performance for the months of January and February in history!

There were several "events" that served to add a measure of panic selling of stocks during the first quarter of the year. Clearly, the headline story was the near failure of investment firm Bear Stearns. J.P. Morgan saved the day by offering to buy the company for $10 per share—a stunning number since the stock was priced at $170.00 only twelve months prior.

Further write-offs in the first quarter of non-performing mortgage loans and other securitized debt by major banks and other financial institutions added to investor fears over the period that the credit crisis seems likely to expand over the coming months.

Additionally, the price of oil continued its upward trajectory and moved past $100 per barrel with 'the greatest of ease.' The impact on consumer wallets was felt not only in the form of higher gasoline prices, which reached $3.00 per gallon, but also in rapidly rising food prices as the costs of energy and other commodity inputs were passed through.

On March 18, the Federal Reserve lowered interest rates an additional 50 basis points to 2.25% in recognition of the fact that the economy was weakening further. But this action did little to improve the generally negative investor sentiment for the balance of the first quarter.

HCM Portfolio Performance

As shown in the table below, our portfolio return for the first quarter of 2008 declined by 8.28%, gross of fees. While we were disappointed with our absolute return this period, we outperformed our two primary benchmarks during the period, achieving a positive relative return of .36% against the Russell Mid Cap Value index, which lost 8.64% and 1.70% against the Russell Mid-Cap Index, which declined by 9.98%.

The market decline during the first quarter of 2008 was widespread, with all indices down for the period. In addition, all economic sectors posted negative returns.

Our portfolio benefited during the quarter from being over-weighted in the Energy and Industrial Sectors. Our exposure to Financials, Information Technology and Utilities detracted from our performance. Interestingly, despite all the negative headlines associated with financial stocks, the financials services sector component of the Russell Mid-Cap Value Index had a negative return of -7.91%, better than the index as a whole and was the fourth best(of 9) economic sectors in the index.

Performance Returns As of 03/31/08	1Q 2008	1 Year	3 Years	5 Years	10 Years	Since Inception 01-01-88
HCM Gross of Fees	-8.28%	-7.20%	8.70%	14.80%	8.91%	15.53%
HCM Net of Fees	-8.53%	-8.15%	7.63%	13.75%	7.88%	14.43%
Russell Mid Cap Value Index	-8.64%	--14.12%	6.57%	16.77%	8.16%	13.42%
Russell Mid Cap Index	-9.98%	-8.92%	7.36%	16.31%	7.65%	12.96%

Performance calculations are on a time-weighted, asset-weighted return basis and are before management fees and after commissions. Hahn Capital Management's advisory fees are described in Part II of SEC Form ADV. The equity segment returns of multiple-asset portfolios are included in the value equity strategy composite. Hahn Capital Management's returns from January 1988 to December 1998 reflect the equity segment of multiple-asset portfolios plus an allocation of cash in the amount of 5%, consistent with maximum cash level guidelines established by our institutional clients. Non-discretionary portions of an otherwise discretionary portfolio have been excluded when constructing composites. It should not be assumed that past performance is indicative of future results.

Individual stocks which contributed positively to our return during the quarter included Brinks Company. The company continued its recent trend of excellent execution, particularly in its core home security business and announced a strategic review of its options with regard to selling its Cash Management business.

Other positive contributors were Ross Stores, which continues to benefit from customers trading down to its less expensive merchandise and excellent inventory management and Chart Industries, a leader in manufacturing infrastructure equipment for the global liquefied natural gas business.

On the negative side, Euronet Worldwide pre-announced a lower-than-expected profit result for the fourth quarter 2007 due to a disruption in its money transfer business relating to the U.S./Mexico immigration debate. In general, our industrial stocks fell during the period, including Jacobs Engineering, Southern Union and Hexcel. We remain very positive on the long-term outlook for each of these companies.

Portfolio Activity

New Positions

Global Payments, Inc. (GPN) – During the 1st quarter, we initiated a position in Global Payments, Inc. Global Payments provides payment processing and consumer money transfer services worldwide. It operates in two segments, Merchant Services and Money Transfer. The Merchant Services segment provides credit and debit card transaction processing, including VISA, MasterCard, and online and off-line debit card processing; and check-related services, including check verification, recovery, and guarantee services.

Our investment in Global Payments is due to the enormous long-term opportunities that the company is singularly well positioned for; providing its core merchant processing services to foreign customers. It is a dominant provider of such services to small and mid-size businesses in the United States and Canada and has arguably greater opportunities in Asia and Europe ahead of it.

Global Payment's stock is selling well below our conservative estimate of its long-term value and we believe that its growth opportunity could span multiple years.

Key Energy Services (KEG) – We recently initiated a position in Key Energy Services, the largest and most profitable provider of well services to oil and gas producers in the onshore domestic market. Key has an approximately 40% market share in the United States with unparalleled scale and profitability. Key is just winding down a massive capital investment program and is set to start generating significant amounts of free cash.

We believe the longer-term outlook for onshore oil and gas markets remain extremely promising due to a sustained high commodity price environment and the higher service intensity of average wells going forward. In addition, Key is in the process of re-purchasing $300 million of its own stock over the next 12 months, which at current prices, represents over 15% of its outstanding shares.

Positions Increased

Chart Industries, Inc (GTLS) – We increased our position in Chart Industries during the 1st quarter, as we continued to build out a full position. Chart continues to demonstrate excellent growth prospects, superior execution and a very long-term market opportunity with respect to the build-out of the global liquefied natural gas business.

Euronet Worldwide (EEFT) - We added to our position in Euronet Worldwide in order to build-out an average sized position for our portfolio. Euronet continues to invest dramatically in its business and has many large opportunities to leverage its infrastructure and customer base to drive above average earnings growth over the next several years.

Hexcel Corporation (HXL) - We added to our position in Hexcel Corporation. Hexcel recently became the subject of a proxy battle with OSS Capital out of New York City. O.S.S. has argued, with some justification, that Hexcel's operating margins should be comparable to peer-group and that the current board is not effectively maximizing shareholder value. We are reviewing the details of their argument and will respond accordingly, but we remain very bullish on Hexcel's long-term opportunities in the carbon composites business. We believe that the current commercial aerospace expansion cycle, the increased use of composites in both commercial and defense aerospace applications and other emerging opportunities in carbon fiber composites provide a very strong foundation for strong growth over the next three-to-five years.

Positions Reduced

There were no positions reduced during the quarter.

Positions Sold

Avid Technologies, Inc. (AVID) – We sold our position in Avid after reviewing the management's most recent plan to restructure its operations.

We found the plan to lack both detail and substance and recognized that our value creation thesis, while still possible, was no longer strong enough to continue to commit our clients' capital in light of this lack of specifics.

Market and Investment Outlook

A number of market observers now expect that 1Q 2008 GDP will be below the 0.7% reported in the fourth quarter of 2007 levels, and could possibly be negative. While this may occur, we observe that in the past, it has taken about 6-9 months to see the benefits emerge from a sequence of interest rate cuts. If history is a guide, we then could see the beginning of an upturn in economic conditions sometime in early summer, given that the Federal Reserve started cutting rates last fall.

However, as we write this newsletter, the price of oil has gone from $100 per barrel in March to $118.00 per barrel. This does not bode well for an improvement in consumer discretionary spending, so we are closely watching this indicator for signs of further economic distress.

We are more optimistic about the growth prospects on the corporate side of the economic ledger. In particular, we see that many companies whose fortunes are tied to the growing global demand for goods and services seem to be holding up fairly well and in some sectors such as agriculture, energy and industrials, are flourishing. The decline in the dollar has helped support business sales in a number of market sectors.

Over the next few months, we expect to see credit markets stabilize somewhat. Consumers and businesses that have sound financial structures will likely have greater access to credit as the tide of mortgage defaults subsides. In addition, we expect to see the beginning of a greater level of regulatory oversight of our financial institutions designed to restore confidence in the credit markets.

While the economic backdrop for stocks may improve in the months ahead, we believe that volatility will remain a constant in the financial markets, both here and abroad, until there is a clearer sense of the full magnitude of the outstanding credit problems.

The unanswerable question is: what's behind Door # 2 and Door # 3?

With this uncertainty in mind, our portfolio strategy will be to continue to focus on managing *stock-specific* and *portfolio* risks. These are the risks that we can take tangible actions to mitigate. In this regard, we will be making frequent assessments of the fundamental health of each of the companies in our portfolio. As new information becomes available, we will examine how it will influence our measure of the intrinsic value of each of our stocks.

Another feature of our risk management process is to establish the appropriate portfolio weight for each economic sector and for each security. This process is called "rebalancing". We use a risk matrix to measure the relative risk of each of our companies, and with this information we make adjustments to the weights associated with each sector and stock in the portfolio to best match their risk characteristics.

At this juncture, we are continuing to hold higher weightings in energy and industrials companies with sales and profits that are growing faster outside the U.S. Should the global markets begin to slow; we would make adjustments in these position weightings.

At the same time, we are ramping up our research in market sectors that have experienced the biggest price declines in recent months, such as financial services, consumer discretion and technology, with the view that there soon will be "once in a blue moon" opportunities to buy excellent companies in these sectors.

As we look ahead to the second half of the year, we are confident that our portfolio is well-positioned to manage the current risk and at the same time benefit from the coming economic and market recovery.

As always, we welcome any comments you may wish to share with us.

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