HAHN CAPITAL MANAGEMENT, LLC

MID CAP VALUE
EQUITY STRATEGY

2ND Quarter 2008 Commentary

EQUITY MARKET REVIEW

During the second quarter of 2008, the U.S. equity markets managed to recover some ground lost in the first quarter. Still, the gains were concentrated in just a few economic sectors, namely energy, materials, and industrials. The financial sector continued to be under considerable pressure as investors worried about the possibility of further credit losses by major financial institutions.

The consumer side of the economy also struggled during the period as gasoline and food prices rose sharply, brought about by growing supply-demand imbalances, inclement weather, and geo-political tensions. Against a backdrop of slowing economic growth, most of the U.S. equity indexes remained in negative territory by the end of June. Notably, large-cap stocks underperformed small and mid-cap stocks over the first half of the year, defying forecasts earlier in the year that bigger capitalization stocks would hold up better in a more sluggish economic environment.

PORTFOLIO PERFORMANCE

As shown in the table below, our Mid Cap Value composite **gained 13.7% gross of fees** for the second quarter of 2008. We were very pleased that we out-performed **all** of the U.S. equity market indexes for the period, including our primary benchmark, the Russell Mid Cap Value Index, which gained .07% in the quarter.

For the year-to-date period, we achieved a **positive return of 4.3%,** compared with a negative return of 8.6% for our benchmark. We believe that our intense focus on risk management is the primary reason why we were able to stay in positive territory during this very challenging market environment.

Our sector selection and our stock selection contributed nearly equally to our relative return. 7 sectors made positive contributions to our return for the quarter, most notably in energy and industrials, where we have been over-weighted relative to our benchmark index.

Annualized Returns As of 06/30/08	2Q 2008	YTD 2008	1 Year	3 Years	5 Years	10 Years	Since Inception 01-01-88
HCM Gross of Fees	13.69%	4.28%	0.67%	12.97%	14.60%	10.55%	16.05%
HCM Net of Fees	13.44%	3.76%	-0.33%	11.69%	13.50%	9.51%	14.95%
Russell Mid Cap Value Index	0.07%	-8.58%	-17.09%	4.97%	13.00%	8.45%	13.25%
Russell Mid Cap Index	2.67%	-7.57%	-11.19%	6.84%	13.07%	8.10%	12.94%

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.

Hahn Capital Management LLC has entered into a written agreement with Cedar Partners, ltd., which requires Cedar to provide sales and marketing services to Hahn, including the introduction of prospective advisory clients to Hahn. Cedar is not affiliated with and has no relationship with Hahn other than a contractual relationship governed by the agreement between Cedar and Hahn. Hahn compensates Cedar by the payment of an Annual Retainer equal to $75,000 and an Account Fee equal to 20% of the investment management fees paid to Hahn by clients introduced by Cedar. The retainer is paid during the term of the Agreement between Cedar and Hahn. The Account Fee is paid for as long as the client's account is managed by Hahn. . Hahn has a standard fee schedule and does not charge any additional amounts to clients who were solicited by Cedar to cover the amounts Hahn pays to Cedar.

Among the companies in the portfolio that boosted our return were independent oil and gas producer, **Pioneer Natural Resources**, which rose 59.4%, and **Chart Industries**, which gained 43.7% during the period. Chart is a leading provider of equipment for the compressed gas industry. The major detractor from performance this past quarter was **PMI Group**, which we removed from the portfolio, and **Principal Financial Group**, which lost 24.7 % in value along with the overall decline in the financial services sector.

PORTFOLIO ACTIVITY

New Positions

There were no new positions added to the portfolio during the 2nd quarter

Positions Increased

Valeant Pharmaceuticals, Inc (VRX) – We increased our position in Valeant Pharmaceuticals during the second quarter, as we gained greater confidence in the company's ability to cut costs, focus on a few core therapeutic areas, and shepherd along its very valuable research pipeline. All three of these efforts gained significant traction during the quarter. Valeant announced favorable results for one of its most important new drugs, Retigabine, for treatment of epilepsy and announced its intention to file an application with the FDA for commercialization of this new drug. In addition, Valeant announced a significant cost cutting plan, as well as a strategic review of its existing portfolio of drugs, which will re-focus the company around its most profitable products and geographies, allowing for significant margin expansion.

Euronet Worldwide (EEFT) - We added to our position in Euronet Worldwide, as temporary issues in its global money transfer business have caused investors to sell-off its shares despite what we view as a great long-term business opportunity. Euronet continues to invest heavily in Europe and Asia in its ATM outsourcing, prepaid card and money transfer divisions, each of which has multi-year growth opportunities. Euronet's U.S. to Mexico money transfer business has suffered as illegal immigrants have reduced their usage of money transfer networks to repatriate their earnings.
This has caused Euronet margins to be temporarily depressed and has negatively affected its stock price despite what we view as excellent long-term fundamentals.

HCC Insurance Holdings, Inc. (HCC) - We added to our position in HCC Insurance as its valuation had dropped to a five year low during the quarter. HCC has an enviable market position and track record of profitability in the specialty insurance business, which we believe it will continue to possess in the years ahead.

Positions Reduced

Jacobs Engineering, Inc. (JEC) – We reduced our position in Jacobs Engineering during the quarter as its shares reached our near term price target and the position size had increased considerably during the past 12 months as a result of market appreciation. Jacobs continues to execute extremely well on its business model of being the engineering and construction partner-of-choice to many of the world's best companies.

IDEX Corp. (IEX) – We reduced our position in IDEX during the quarter as its shares reached our near-term price target. IDEX remains among the best run industrial companies we have ever come across, leveraging its product innovation skills into new, high margin, niche end-markets and creating new categories of customer demand. IDEX is a highly skilled acquirer of complementary companies, driving higher margins through its continuous improvement programs and cross selling opportunities.

Wabtec Corp. (WAB) – We reduced our position in Wabtec Corp as its shares have appreciated by more than 40% in 2008 and reached our near-term price target. Wabtec is one the best practitioners of "lean" manufacturing, striving to continuously reduce costs and improve productivity at its core business of manufacturing locomotives and other railroad and rail transit related components. Wabtec continues to expand overseas and has considerable opportunities to use its excellent balance sheet to finance future acquisitions that are complementary to its core business.

Pioneer Natural Resources, Inc. (PXD) – We reduced our position in Pioneer Natural Resources during the quarter because the size of the position exceeded our 5% limit on individual holdings. We remain very positive on the long-term outlook for Pioneer, as it has a huge base of low risk, undeveloped energy reserves on its books and is continually improving the efficiency with which it removes those reserves from the ground, a powerful combination in today's high energy price environment. Pioneer has already appreciated more than 60% so far in 2008.

Positions Sold

Union Pacific Corp, Inc. (UNP) – We sold our position in Union Pacific Corporation after having held this investment for almost 10 years. During this period, we experienced many periods of frustration with Union Pacific, but having recognized its advantage in cost and scalability over the trucking industry, particularly during a period of generally rising energy prices, we were able to reap significant gains, averaging just over 16% annualized during that holding period. We view investments like Union Pacific as a validation of our investment strategy of buying superior franchises at discount prices and holding them until the value creators that we have identified emerge.

PMI Group, Inc. **(PMI)** – We sold our position in PMI during the quarter as a result of continuing and unabated deterioration in real estate fundamentals. In contrast to Union Pacific, PMI was a very unsatisfactory investment, and in retrospect, we misjudged the risks we were taking by continuing to hold its shares while the fundamentals in the real estate and mortgage-backed securities markets continued to deteriorate. We decided to sell PMI to protect our remaining capital and to reinvest in other opportunities we viewed as more attractive on a risk-adjusted basis.

MARKET OUTLOOK / PORTFOLIO STRATEGY

At the end of the first quarter of the year, we predicted that the economy would continue to slow over the next few months, but we did not believe that a full-blown recession would emerge. Our view has not changed; however, the unrelenting rise in food and energy prices puts further pressure on the economy, particularly the consumer side of the ledger. Since this segment represents 70% of the GDP, slow growth is likely to continue until there is some relief from the inflationary impact of the rising cost of basic goods and services. In addition, the unemployment rate is rising, particularly in the areas of the economy hit hardest by the credit crisis and the housing contraction.

It remains to be seen whether the government stimulus checks sent out in May will boost discretionary spending in the months ahead. We expect a very modest positive impact, as recent surveys show that many Americans are using the extra funds for essential purchases or to reduce credit card debt.

As we have said in our prior commentaries, our portfolio is particularly well-positioned to take advantage of the global infrastructure development taking place in the emerging markets as well as in more developed areas such as Europe and Canada. While we might see some slowdown in the rapid pace of growth within the developing countries, particularly China and India, we are unlikely to see a material downshift in the energy and industrialization requirements of these regions any time soon. As a result, we expect our portfolio holdings to continue to hold up well against the headwinds of the current U.S. economic slowdown.

Finding good quality companies at attractive prices is always challenging, but it is particularly difficult at a time when corporate earnings in many sectors of the economy are slowing. We remain very wary of the earnings outlook within the financial services sector and therefore have been underweighted in this area for some time now. Many industries within the consumer discretionary sector also are likely to produce sub-par profit growth over the remainder of the year, and thus we see fewer near-term opportunities in this market segment as well. We will continue to monitor these sectors and identify high-quality businesses that we want to own when the fundamentals improve.

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

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