



MID CAP VALUE EQUITY STRATEGY

2nd Quarter 2009 Commentary

THE ECONOMY AND EQUITY MARKETS

The New Normal

The U.S. economy began to show further signs of stabilization as the second quarter progressed, following late first quarter positive data points. During this period, we observed improvements in consumer confidence, durable goods orders, existing home sales and the resumption of more normal functioning of the capital markets.

The FED is continuing to hold interest rates at historically low levels, providing a critical backstop to the proper functioning of banks, securitization markets and more recently the insurance industry. While these measures reflect the severity of the environment facing these institutions, we view the backstop as being vital until confidence in the underlying value of assets on the balance sheets of these crucial financial industry participants returns to a point that these backstops are no longer needed. The reason why the economic stimulus package is such an important part of the equation is that it should jump start economic activity at the exact time when business and consumer confidence remains very low. If successful, the stimulus spending will create employment, expand personal incomes and ultimately stabilize asset values.

What does this all mean for the economic and equity investing landscape? We have come to the conclusion that the current environment is what we have recently started to call "the new normal". The important characteristics of this environment are: persistent deleveraging of consumer and corporate balance sheets, slower economic growth but subdued inflation of products and services as well as asset prices.

The absence of economic growth that is based on asset bubbles and easy credit will be a tough and long adjustment for the U.S. economy but one that is long overdue and good for the long-term health of our nation.

Dr. Nouriel Roubini, the NYU economics professor who has been given the moniker Dr. Doom by the popular press for his dire warnings about the economic impact of the credit crisis, has been amongst the most vocal supporters of the Obama administration's coordinated policy efforts in response to the economic crisis. One of the foremost critics of the Federal Reserve Bank and its Chairman, Ben Bernanke, Dr. Roubini is among those who now believe the worst potential outcomes of the crisis have been averted by the diligent work of the treasury secretary, Timothy Geithner, lawmakers and the Obama administration. The plan, which includes recapitalizing the banking industry, a massive dose of fiscal stimulus and the sale of toxic assets from bank and insurance company balance sheets so these institutions can resume normal lending, is a work-in-progress but appears to be achieving its stated goals.

There are still serious economic challenges that must be addressed, among them a huge unemployment problem, with the level expected to exceed 10% this year. The transition back to a healthier mix of export growth rather than domestic consumption will be challenging and slow but ultimately necessary and healthy. Finally, the Federal and State government systems need to restore some fiscal sanity to their budgeting processes to insure that chronic deficit spending does not rob a future generation to pay for this one.

We admit to being long-term optimists about the U.S. economy. As a nation, we enjoy unprecedented economic freedom, private property protection rights and a generally unrivaled standard of living. As a result, we believe that the seeds for the next great wave of prosperity are being planted even though many observers continue to bemoan the economic disruption caused by the excesses of the past few years.

The broad market achieved its largest quarterly gains since 1998. The rally was broad-based across market capitalization and investment style. However, small and mid cap stocks in both growth and value styles delivered the best performance

HCM PERFORMANCE

As the Table below illustrates, we produced strong performance in the second quarter of 2009. **Our Mid Cap Value Composite portfolio increased 26.90% gross of fees**, during the period. This was a gain of 5.96% over the return of our primary benchmark, the Russell Mid Cap Value Index, which rose 20.94%. The Russell Mid Cap Index, another index against which we are compared, gained 20.80%. In addition, we outperformed all U.S. common equity market indexes during this period. For the first half of 2009, **our Mid Cap Value Composite portfolio gained 18.94% gross of fees**, versus a return of 3.19% for the same period for the Russell Mid Cap Value Index. Our year-to-date total return was 15.75% over our benchmark return.

Our portfolio return for the six-month period exceeded all U.S. common stock indexes except the Nasdaq 100 Index. During the latest quarter, both sector selection and stock selection contributed to our quarterly return. Our biggest gains this period came from strong rebounds in our energy and our industrial companies. These issues had experienced significant reductions in value over the past several months as the recession worsened, but were very oversold going into the second quarter. We also saw significant contributions to performance during the period from our Financial Services and Information Technology sector holdings. Detracting slightly from performance this past quarter was our single holding in the Consumer Staples sector, and our slightly higher than normal level of cash holdings.

HAHN CAPITAL MANAGEMENT, LLC **Performance History**

| % Annualized Returns As of 06/30/09 | 2Q 2009 | YTD | 1 Year | 3 Years | 5 Years | 10 Years | Since Inception 06-30-88 |
|--|----------------|---------------|----------------|----------------|----------------|-----------------|-------------------------------------|
| HCM Gross of Fees | 26.89% | 18.94% | -21.18% | -1.96% | 4.22% | 6.80% | 13.91% |
| HCM Net of Fees | 26.64% | 18.38% | -22.03% | -2.95% | 3.19% | 5.75% | 12.81% |
| Russell Mid Cap Value Index | 20.94% | 3.19% | -30.52% | -11.07% | -0.43% | 4.00% | 9.89% |
| Russell Mid Cap Index | 20.80% | 9.96% | -30.36% | -9.25% | -0.11% | 3.15% | 9.71% |

Performance results are determined with monthly valuations geometrically linked for period returns. The U.S. Dollar is the currency used to express performance. It should not be assumed that past performance is indicative of future results. Results are based on fully discretionary accounts under management, including accounts no longer with the firm. Returns are presented both before (Gross) and after (Net) of all fees, which may include management fees, legal, audit, tax and withholding tax on foreign dividends, where applicable and include reinvestment of all income. Net of fee performance are calculated using the highest advertised management fee. Gross of fee performance calculations are on a time-weighted, asset-weighted return basis and are before management fees, after commissions and after custodian fees. Net of fee performance are on a time-weighted, asset-weighted return basis and are after management fees based on an Annual Model Fee of 1.00% (100 Basis Points), after commissions and after custodian fees. 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 June 1988 to December 1998; reflect the equity segment of multiple-asset portfolios and includes manager initiated cash flows. Non-discretionary portions of an otherwise discretionary portfolio have been excluded when constructing composites. HCM Composite has a start date of June 30, 1988.

The Index information contained herein has been obtained from sources that we believe to be reliable, but its accuracy and completeness are not guaranteed. It has been prepared solely for informative purposes. It is made available on an "as is" basis and should not be viewed as solicitation for business. The information contained herein may not be reproduced, in whole or in part, in any form, other than for your own personal, noncommercial use.

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.

2nd QUARTER PORTFOLIO ACTIVITY

New Positions

No new positions were initiated during the second quarter.

Positions Increased

Covanta Holdings, Inc (CVA) – We increased our position in Covanta Holdings during the second quarter in order to build out a full-sized position in the portfolio. We had initiated the position in the first quarter of 2009. Covanta is a worldwide leader in the waste-to-energy business. It builds and operates combined waste management/power generation facilities in partnership with municipal, state and federal governments, both in the U.S., Europe and Asia. Just last week, Covanta announced a significant asset acquisition of the U.S. renewable energy assets of the French firm Veolia Environmental. This acquisition will be accretive to earnings in 2010 and supports our original investment thesis on Covanta, demonstrating its significant financial flexibility, operating expertise and overall potential to continue to consolidate the domestic renewable energy business.

The Brinks Co., Inc. (BCO) – We increased our position in the Brinks Company, the world's largest supplier of cash logistics, as we gained further conviction that Brinks is continuing to enhance its competitive advantage in the security industry despite difficult business conditions. Several of Brink's domestic and foreign competitors are experiencing severe financial difficulties in the face of deteriorating financial markets and severe business conditions. This is enabling Brinks to gain new customers, increase prices and consolidate the industry on an accelerating basis.

SEI Investments Corp. (SEIC) – We increased our position in SEI Investments as we continue to believe in the strength of SEI's core business model, believe that it is gaining market share in a difficult environment and remains exceptionally well-positioned for a long-term recovery in the capital markets.

Positions Reduced

General Cable, Inc. (BGC) – We reduced our position in General Cable during the quarter as we reached our near-term target price.

Positions Sold

National Oilwell Varco, Inc (NOV) – We sold the remainder of our National Oilwell Varco position during the second quarter. National Oilwell Varco was a stub investment that was the residual of NOV's acquisition of Grant Prideco (GRP), which closed in the second quarter of 2008.

MARKET OUTLOOK /PORTFOLIO STRATEGY

A Return to "POSP"

We believe that the market correctly perceived the success of the government response to the credit crisis, with the S&P 500 rallying almost 40% from its March 9 low through the middle of June. Did the market come back too far too fast? Was the government's stimulus plan optimally structured for the best possible bang for the buck? What can be done to solve budget deficits in excess of \$1 trillion annually? These seem to be the hotly debated subjects at the current time. We think they miss the bigger picture, which is that the worst possible outcomes, debt deflation and a deep contraction in GDP, are now highly unlikely, which is why the market responded so positively from the March 9 low.

There are persuasive arguments that can be made both ways that the market is slightly over or undervalued at the current time, and we wouldn't quibble with either side because we believe there is a larger, less well-understood opportunity emerging in the equity markets. In the 5 or 6 years leading up to the credit crisis, the availability of credit (and equity as well) was so abundant and so easy that it seemed as if there was little or no differentiation by the stock market between high quality companies and the rest of the market.

There was no reason to have a quality balance sheet, a durable business model and to execute effectively when cheap money could cure just about everything. This led fairly predictably to excessive risk taking, de-emphasis on fundamental execution and effectively, a real economic penalty (at least in the short term) for being conservative; on the part of both companies and investors. We believe that this environment has been structurally changed for the better.

The cost of capital, for both debt and equity, has risen dramatically since the credit crisis began, the use of financial leverage is on the decline (slowly but inexorably) and the need to manage for an environment with a more modest growth outlook, are all factors that we believe will result in quality companies once again outperforming their peers, but this time for a much longer period and in to a much more significant degree.

Currently, we believe the market is significantly underestimating the prospects for high quality companies to outperform over the next full market cycle (typically 5-10 years depending on how you measure it). The degree to which capital availability has become constrained and risk appetites have been curbed is a very positive development for the astute and aggressively-managed, cash-generating, well-financed and generally superior business models which we choose to invest in on behalf of our clients.

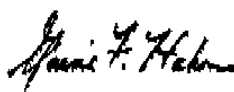
In what we believe will be an uneven and slower-growth economic environment, we expect that there will be large divergences in stock performance among companies, and thus investors who “buy the market” will struggle to achieve their investment objectives. Even within specific industries and sectors, it will be difficult to identify themes that apply to a broad array of companies.

In our opinion, we have entered a period when it will be critical for investors to differentiate between the “haves” and the “have-nots” in terms of a company’s ability to navigate their ship through difficult economic waters. The best investment results, in our view, will now come from **POSP, or “Plain-Old-Stock-Picking”**.

In the challenging equity market environment of the past 12 months, we have been intensely focused on managing portfolio risk using this time-tested investment strategy. We cannot predict the direction of the market or the trajectory of stocks in the aggregate. However, we believe that *our* **POSP** investment style, which is focused on picking high quality, mid cap companies with well-defined ‘value creators’, provides protection of capital during difficult market periods, and in better times, results in above-market returns for our clients over our long-term time horizon.

As we look ahead, we believe that our portfolio is well-positioned to continue to outperform as the economy slowly recovers.

We welcome any comments or questions from our clients and colleagues.



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