MID CAP VALUE

EQUITY STRATEGY

3rd Quarter Market Commentary

THE ECONOMY AND EQUITY MARKETS

Following signs of stabilization during the second quarter, the U.S. economy showed additional signs of recovery in the third quarter as well as improving trends in credit availability. During the third quarter, we saw continued improvements in the credit markets, retail sales, durable goods orders, and existing home sales. Some economists are now predicting a return to positive GDP by the end of the year, due in part to the acceleration of the government stimulus funding and the Federal Reserve's efforts to keep interest rates at very low levels.

Very low interest rates and associated yields have frustrated investors who moved out of stocks and into money market funds or bank deposit accounts during the market decline. As more positive economic data emerged during the quarter, investors began to feel more optimistic about the outlook for corporate profits and, as a result, many re-entered the stock market and pushed stock prices higher on the heels of a strong second quarter rebound.

Similar to earlier periods when the economy was emerging from recession, the broader market's advance was led by lower-quality companies, many with little or no earnings (even losses), more leveraged balance sheets, as well as low-priced companies.

The advance in lower-quality, higher-risk stocks was particularly noteworthy this past quarter in the performance of the Russell Mid Cap Value index, which is the primary benchmark against which we are measured. This index includes many deep-cyclical issues as well as a large number of financial companies that were most adversely affected by the economic downturn of the past 18 months.

In a recently-published attribution analysis of the third quarter performance of the Russell Midcap Value Index, the following observations were noted:

- **The smallest capitalization quintile of stocks** outperformed the mid and larger capitalization quintiles by 1390 to nearly 1700 basis points.

- **The lowest ROE quintiles**, quintiles Q4 and Q5, outperformed quintiles Q1-Q3 by at least 1000 basis points

- **Based on P/E ratio**, the most expensive (highest P/E) quintile of stocks outperformed lower PE stocks. Combined with non-earners, the highest PE quintile returned 34.3% in the quarter, outperforming the lower quintiles by more than 800 basis points to nearly 1700 basis points.

- **Low-priced stocks** (those priced between $5 and $10 per share), outperformed all other stock price ranges by at least 1500 basis points, returning 43.6% in the quarter. Notably, stocks priced **under** $5 per-share returned more than 125% for the year-to-date period through September 30.

HCM PERFORMANCE

As illustrated in the chart below, our **Mid Cap Value Composite portfolio increased 11.76% gross of fees** for the third quarter of 2009.

Since we buy and own **only** high quality companies, our performance lagged our benchmark during the quarter, as it did in early 2003 when the economy emerged from the 2002 recession. However, for the year-to-date period through September, our **Mid Cap Value Composite portfolio achieved solid performance in both absolute and relative terms, gaining 32.92%,** which was over 500 basis points above our benchmark index. Our strong performance was broad-based in terms of economic sectors, with particular strength coming from the energy, consumer and industrial sectors.

HAHN CAPITAL MANAGEMENT, LLC
Performance History

% Annualized Returns As of 09/30/09	3Q 2009	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception 06-30-88
HCM Gross of Fees	11.76%	32.92%	0.28%	1.62%	7.61%	9.50%	14.3%
HCM Net of Fees	11.51%	32.01%	-0.74%	0.60%	6.55%	8.43%	13.23%
Russell Mid Cap Value Index	23.62%	27.57%	-7.12%	-5.65%	3.53%	7.43%	10.87%
Russell Mid Cap Index	20.62%	32.63%	-3.55%	-4.07%	3.89%	6.05%	10.57%

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.

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.

3rd QUARTER PORTFOLIO ACTIVITY

New Positions

Western Union (WU) – We initiated a position in Western Union during the quarter. Western Union is the undisputed global leader in the money transfer business, at least three times the size of its nearest competitor. Western Union continues to leverage this core business into adjacent money transfer opportunities such as an on-line business to business (B-to-B) money transfer system that will compete directly with the stodgy, expensive and inefficient bank letter of credit industry. Western Union has a very strong balance sheet, very low capital intensity and generates prodigious amounts of free cash flow, which it has used to re-purchase stock and acquire additional assets. Western Union sells at only 14 times expected 2010 earnings per share.

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.

Neustar, Inc. (NSR) – We increased our position in Neustar during the third quarter in order to build out a full position in the portfolio. Neustar's core database management business serving the telecommunications industry continues to execute very well and appears to be relatively insulated from overall economic activity. Neustar is also investing in new growth initiatives that should gain traction and produce excellent returns when economic conditions start to improve.

Key Energy Corp. (KEG) – We added to our position in Key Energy during the quarter as depressed business activity in many Key's important markets caused the stock to trade well below what we consider to be its long term intrinsic value. Key Energy is a dominant provider of well servicing equipment and associated services to the U.S. on-shore market with close to a 40% market share in this core market. The long-term importance of domestic sources of oil and natural gas as a strategic resource for our economy is almost assured, despite the currently depressed price levels for both of these commodities (particularly natural gas). We have a high degree of confidence in the long-term outlook for Key and for the energy sector more broadly.

PartnerRe (PRE) – We increased our position in PartnerRe during the 3rd quarter. PartnerRe is a company we have owned in the portfolio for approximately 7 years, during which time we have had multiple global terrorist events, heightened product liability cases and a huge run of natural disasters including Tsunamis, Earthquakes and of course Hurricane Katrina. During that period of time, PartnerRe has compounded book value at greater than 13%, while taking mucjh less risk than the average re-insurance company. We were able to recently purchase additional shares of PartnerRe at approximately book value, one of the easier decisions we have made in recent months.

Roper Industries (ROP) – We recently increased our position in Roper Industries, at one of the rare moments since we first purchased the company in 2003, that the stock traded at approximately a market multiple. Roper is one of the most skillfully managed industrial companies we have come across, earning superior returns on incremental capital, generating a superior free cash flow stream and re-investing that cash wisely and astutely.

Positions Reduced

Carter's Inc. (CRI) – We recently reduced our position in Carter's as it crossed our risk threshold as a 5% position in the portfolio. We remain very positive about Carter's long-term market position, growth prospects and management acumen.

Broadview Security (CFL) – We recently reduced our position in Broadview Security (formerly known as Brinks Home Security), as it had reached our near-term price target. Broadview continues to maintain the premier home security business in the United States due to its focus on quality customers, highly rated customer service and superior business model. It should be in a position to continue to grow and take market share from small and regional competitors for many years to come.

Euronet Worldwide (EEFT) – We recently reduced our position in Euronet as it had reached our near-term price target. Euronet is poised to grow its business dramatically in the coming years due to high demand for its industry leading ATM management, prepaid card and money transfer solutions.

Charles River Labs (CRL) – We recently reduced our position in Charles River Labs in order to lower our overall portfolio risk profile relative to the Health Care sector, where we remain significantly over-weighted.

Omnicare (OCR) – We reduced our position in Omnicare during the quarter as we have become increasingly frustrated with management missteps during our ownership tenure. Omnicare is clearly THE dominant provider of institutional pharmacy services in this country but has been persistently frustrating as an investment due to repeated stumbles by management in attempting to convert this market position into shareholder returns.

Ross Stores (ROST) – We reduced our position in Ross Stores during the quarter as it had reached our near-term price target.

Positions Sold

There were no positions sold during the 3rd quarter.

MARKET OUTLOOK /PORTFOLIO STRATEGY

While numerous economists, along with the Federal Reserve chairman, have called an end to the recession, history suggests that sustainable economic recoveries do not take hold until job growth resumes and consumer spending improves. To date, we have not seen the end to rising unemployment, and the American consumer remains reluctant to spend on non-essential goods and services. Most experts expect that job losses will continue well into the second half of 2010. In addition, state and municipal employee furloughs and cuts are likely to become even more commonplace in view of growing state and county budget deficits. The fact that that the administration is floating the notion of a second round of stimulus, including still more spending programs and potential tax cuts, suggests the recovery is still a serious work in progress. Clearly, there is merit to the concern that once government stimulus measures end, the economy will struggle to maintain the recent positive momentum.

Against this backdrop of uncertainty, we remain highly attentive to the evolving economic landscape. We believe that the rapid move in equity prices over the past few months presents some emerging challenges for the broader stock market. Since the market bottom in early March of 2009, the rising tide of investor optimism has floated most of the boats. In other words, a large number of U.S. stocks have moved upward without much empirical evidence that company fundamentals support that move. The improving economic environment does not equally favor all companies in all sectors. So stock valuations must soon be supported by tangible evidence of growth in revenues and profits, or valuations will correct to levels that reflect more realistic fundamentals.

We believe we are at a juncture where the rubber meets the road, where companies reveal themselves to be *value-creators* or *value traps.*

To this point, many banking institutions have seen their stock prices surge in recent months, but remain burdened by troubled assets on their balance sheets that have yet to be marked to market. And despite being given substantial funds from the federal government, many banks remain reluctant to make credit available to support business investment or to aid consumers in the purchase of a home.

Even though business conditions have stabilized for many of these companies, we believe that current stock prices in this sector are well ahead of sustainable improvements in profitability. It is for this reason that we remain cautious towards the banking industry and other lending institutions.

Similarly, we see a large number of overvalued stocks in the retail sector, as investors seem to be anticipating a much stronger recovery in spending than is supported by the rising unemployment rate and other predictors of consumer behavior.

As we look ahead to the final quarter of the year, we are encouraged by the positive economic data that has emerged in recent months, as well as the stabilization of the U.S. financial markets. However, we are appropriately concerned that many investors are expecting more than the economy can deliver, at least in the near term. With this backdrop in mind, we remain intensely focused on risk management.

We observe that many stocks are at relatively full valuations, and thus we are finding fewer companies at the present time that meet our strict purchase criteria. But we believe that as currently structured, our portfolio is well positioned to continue to perform well in this challenging market environment.

As always, we welcome any comments or inquiries from our clients and colleagues.

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