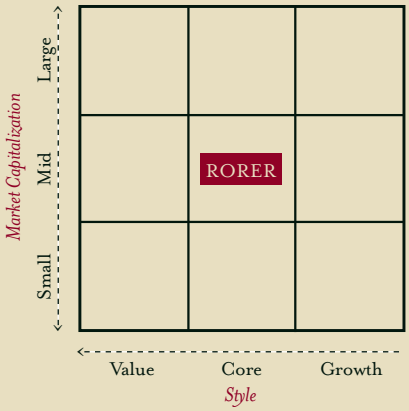
MID CAP EQUITY

PORTFOLIO SUMMARY:



Investment Objective:

The cornerstone of Rorer's investment philosophy is to purchase high quality companies with strong fundamentals that are exhibiting both attractive relative valuation and strong potential for growth. The firm has found that this approach provides competitive risk adjusted returns across investment cycles.

Product Inception:

1996

Benchmark:

S&P 400

RORER
ASSET MANAGEMENT, LLC
www.rorerasset.com

MID CAP EQUITY SECTOR WEIGHTINGS

SECTORS	RORER	S&P 400
Consumer Discretionary	6.7%	11.7%
Consumer Staples	1.9%	3.0%
Energy	15.2%	11.0%
Financials	13.0%	14.7%
Health Care	11.2%	10.2%
Industrials	21.0%	17.2%
Information Technology	20.9%	14.6%
Materials	5.8%	8.5%
Telecommunication Services	0.0%	0.6%
Utilities	0.0%	8.4%
Cash	4.5%	0.0%
Total	100.0%	100.0%

TOP TEN HOLDINGS:

Bucyrus International Inc. (BUCY)
Cleveland-Cliffs Inc. (CLF)
Cognizant Technology Solutions Corp. (CTSH)
Dresser-Rand Group Inc. (DRC)
Dril-Quip, Inc. (DRQ)
Nabors Industries Ltd. (NBR)
Psychiatric Solutions Inc. (PSYS)
Reliance Steel & Aluminum Co. (RS)
Synaptics Inc. (SYNA)
TD Ameritrade Holding Corp. (AMTD)

MID CAP EQUITY PORTFOLIO CHARACTERISTICS

	RORER	S&P 400
Number of Stock Holdings	42	400
Average Dividend Yield	0.5%	1.5%
Price to Earnings: Expected	16.9	15.1
Price to Book	3.3	2.3
Debt to Capital	26.5%	31.7%
Projected 1-year Earnings Growth	24.4%	20.0%
Projected 5-year Earnings Growth	16.7%	12.7%
Weighted Average Market Cap ($ billion)	$6.2	$4.1
Average Beta (5 year)	0.7	1.0

The data represents the aggregate characteristics of all companies held in the Rorer Mid Cap model portfolio and is intended for informational purposes only. The Top Ten Holdings are not investment recommendations and may no longer be held in the account's portfolio.

MARKET REVIEW

While the equity markets remained volatile in the second quarter, mid-cap stocks as defined by the S&P 400 Index delivered a healthy 5% return. The mid-cap space continues to significantly outperform both large-cap stocks, which have declined, and small-cap stocks, which have been flat, during these tumultuous times. Mid-caps are once again displaying their beneficial role in both mitigating risk and enhancing returns within a broader investment portfolio. Only the financial sector, which of course has been most negatively impacted by the credit crunch, and the consumer-discretionary and staples sectors, which are suffering the most from rising commodity costs, posted negative returns for the quarter. This is not to ignore the unpleasant fact that the Index is now 12% below its all time high reached about a year ago. The persistent rise in commodity prices, ranging from energy to steel and even food crops such as corn, is increasingly defining the economy and equity markets in 2008. A powerful stock market rally from the March lows was reversed as energy prices crossed a threshold that the consensus believes will hurt the global economy. Unfortunately, predicting the top in commodities is a near impossible task, in our opinion. Instead we intend to focus our investments on businesses that can handle the rise in input costs via their pricing power, and we will carefully maintain some exposure to the energy, industrial, and materials stocks directly benefiting from the rise in prices. At the same time, we continue to search for company-specific growth catalysts that we believe will endure an uncertain domestic economy. Our focus is on identifying superior business models with competitive advantages and the support of long-term secular growth themes. The recent pullback has allowed us to initiate new positions in many stocks that previously did not meet our strict valuation parameters. We believe our emphasis on high-quality companies, trading at low relative valuations, will help us to continue outperforming the market in the years ahead.

Negative sentiment towards stocks has been driven by the well-publicized losses incurred by large banks and brokerages, which began with the decline in the housing market. While mid-caps have little direct exposure to this issue, mid-cap banks and consumer stocks are hurt by the deteriorating ability of the consumer to spend and pay back loans. For the second straight quarter, these were the only mid-cap sectors posting an earnings decline, while the rest of the Index overall posted healthy earnings growth. Commodity inflation means that economic risks have risen, so that many industrial cyclical stocks have fallen despite their robust current earnings performance. We will adjust our positioning based on incoming data but continue to believe that this is a space well-positioned for appreciation. We also believe that the Fed's stimulative stance can endure given the lack of inflation seen in the "core" statistics, particularly wages. When food and energy prices stabilize, the economic and stock market outlook should positively reverse. In addition, we acknowledge that stocks will begin to discount the recovery in the financial and consumer sector well ahead of the fundamentals. However, we believe that predicting such a bottom is also a near impossible task, so we continue to patiently await hard evidence to reverse our skepticism, which continues to pay off in our relative performance results.

PORTFOLIO REVIEW

The Rorer Mid Cap Equity Portfolio posted strong appreciation in the quarter and outperformed the Index substantially for both the quarter and the trailing 12-month period. The success this quarter was aided by strong stock selection in both the materials and financials sectors. While our underweight in materials detracted from performance, our accurate forecast of a substantial rally in steel prices enabled us to benefit from the earnings momentum at Cleveland Cliffs and Reliance Steel. Similarly, we avoided credit-exposed banks, but enjoyed the recovery of stock market driven financials such as Janus and Ameritrade, where new client and asset growth have been robust. Also beneficial was our accurate economic forecast, which led to our underweighting in the consumer sector and overweighting in the energy sector. Consol, Nabors, and Bucyrus rose substantially along with coal and natural gas prices. Another notably strong performer was Synaptics, which sells touch screen components into the rapidly emerging smartphone market. Rising jet fuel prices took their toll on BE Aerospace, and fears of a decline in construction spending hurt Terex, despite strong earnings performance from both companies. Sales at Gamestop are booming, but the market is predicting an early end to the gaming cycle, a sentiment with which we strongly disagree.

TRADE ACTIVITY

We found several attractive new stocks this quarter, including Cerner and Healthways, which should benefit from accelerating investment in technology and disease management, respectively, as the global effort to better control health care costs intensifies. In addition, we feel Geo Group is well-positioned to fill the shortage of prison beds in the country, while AGCO will see robust demand for its farm equipment as crop prices soar. We increased our technology exposure by adding to existing positions in Cypress Semiconductor, Synaptics, Lam Research, and Cognizant Technology Solutions, and increased our consumer gaming exposure by adding to Gamestop and Activision. While our price targets increased substantially alongside the earnings prospects for some of our energy and steel holdings, we did take partial profits in Consol Energy, Cleveland Cliffs, and Bucyrus after strong appreciation. Meanwhile, we added to Dresser-Rand when the stock fell on what we believe are unfounded concerns over the spending intentions of the oil refiners that are the largest customers of its specialized equipment. Funds were raised when Oshkosh Truck, Hologic, Euronet Worldwide, Jones Lang LaSalle, and BE Aerospace exited the Portfolio upon hitting our 20% relative downside stop-loss limit. Furthermore, Sotheby's was sold when the balance sheet deteriorated at the same time that the art market appeared to be losing its luster.

Purchases	Sales
Cerner Corporation (CERN)	Oshkosh Corporation (OSK)
Healthways Inc. (HWAY)	Sotheby's (BID)
GEO Corporation (GEO)	Euronet Worldwide Inc. (EEFT)
AGCO Corporation (AG)	Hologic Inc. (HOLX)
	BE Aerospace Inc. (BEAV)
	Jones Lang LaSalle Inc. (JLL)

Any sectors, industries, or securities discussed herein should not be perceived as investment recommendations. The views expressed represent the opinions of Rorer Asset Management as of July 1, 2008 and are not intended as a forecast or guarantee of future results. The securities discussed in this commentary may no longer be held in an account's portfolio. It should not be assumed that any of the security transactions listed were or will prove to be profitable, or that the investment recommendations we make in the future will be profitable.