FIRM UPDATE
1st Quarter 2010

Huber Capital Management completed another strong quarter as we continued our momentum into 2010. With less than 90 days before we hit our three year track record, we reflect on some of our accomplishments.

Highlights from our organization and performance include:

- A consistent and dedicated team
- A consistent, repeatable, and unbiased process that has served well through many market cycles
- A 100% employee owned firm
- Principals with experience exceeding 65 years
- A firm with a well capitalized balance sheet
- For the quarter ending 3/31/10, our Small Cap Value product outperformed its benchmark by 159 basis points gross of fees, and by 129 basis points net of fees[1]
- For the quarter ending 3/31/10, our Equity Income product outperformed its benchmark by 145 basis points gross of fees, and by 106 basis points net of fees[2]
- Since inception, our Small Cap Value product has outperformed its benchmark by 469 basis points gross of fees, and by 352 basis points net of fees annually[1]
- Since inception, our Equity Income product has outperformed its benchmark by 504 basis points gross of fees, and by 362 basis points net of fees annually[2]
- Beta for both products less than 1.0

"Sometimes the light's all shining on me;
Other times I can barely see.
Lately it occurs to me what a long, strange trip it's been."
-- Grateful Dead

The last three years since we started Huber Capital Management has certainly been full of periods of both cloudiness and clarity. We are proud of our accomplishments, humbled by the market and excited about our opportunities. We are focusing our attention on companies that are taking advantage of the opportunities that have arisen as a result of the dislocation of the economy, whether by buying discounted stock or debt, streamlining operations, investing in growth initiatives or making cheap acquisitions. We believe these companies should come out on the other side in a much stronger competitive position.

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"I can calculate the motion of heavenly bodies, but not the madness of men."
-- Sir Isaac Newton

Newton wrote this quote in reference to the vast amount of financial losses his family suffered by investing in the South Sea Bubble during the 18th century. We have written often about the behavioral decision-making flaws that all humans make (especially when it comes to decisions of finance) and how we attempt to exploit those flaws through our process. Since these heuristics are both predictable and consistent, we believe they can be exploited through misevaluations of securities. What we have not written about is the poor capital decision flaws by both management and boards that greatly detract from a theoretical fair value of a security.

In 1973 Nobel Prize economist Robert Merton introduced the Intertemporal Capital Asset Pricing Model (ICAPM). The main difference between ICAPM and standard CAPM is the addition of factors that acknowledge the fact that investors hedge against changes in the future investment opportunity set. This theory has been used to explain the capital decision paradigm that most management teams of established companies face: the time when a business is most aflush with cash correlates strongly to points in time when their set of reinvestment opportunities is the least (and vice versa). This is the corporate equivalent of the "save for a rainy day" adage. Roughly speaking, it states that when a company faces the dilemma of too much cash and too few reinvestment opportunities, it should forgo the "optimal reinvestment" at the time and build cash for the proverbial rainy day. By giving up some economic return today, the business can more than make up for it by holding off reinvestments until they can get a much greater return per unit of risk. The irony of the ICAPM model is that because of poor decision making, most boards and managements do the exact opposite of what ICAPM is intended to model! Instead of hedging against changes in a future opportunity set, they tend to be the most aggressive with what limited opportunities exist.

While there is no clear metric for how aggressive the market is with respect to reinvesting capital, there is plenty of anecdotal evidence. In 2007, companies in the S&P 500 Index repurchased over $412 billion of their own stock at relatively peak prices (low cost of equity), yet those same companies repurchased less than $215 billion in 2009 even though the market from peak to trough was down over 50%! Had these companies followed the ICAPM approach they should have used twice as much capital to reinvest at twice the returns for the same opportunity set (their own stock!).

ICAPM AT WORK

As you drive down Main Street in the sleepy little town of Georgetown Massachusetts you can't help but miss the facade of a building with white aluminum siding that is indistinguishable from that of the mom and pop stores that dot the New England landscape. I certainly did (twice) in 2007, the first time I went to visit the corporate headquarters of UFP (United Foam Plastic) Technologies. UFP Technologies (NASDAQ: UFPT) was a standout performer for us during the first quarter with the stock appreciating over 59%. The company produces high performance cushion packaging products that are made primarily from polyethylene and polyurethane foams mainly used in the automotive, computer and electronics, medical, aerospace and defense, and industrial and consumer markets. It is difficult to go through a day without utilizing products from their industry. From the dashboard in your car, to the insoles in your shoes, to the underside of the cap on your pharmaceutical bottle, their products are important components of everyday life. As you might imagine, their business is quite fragmented, consisting of hundreds of competitors from across the globe. The company has competed effectively, taking market share, developing long-term relationships, and streamlining productivity. For the five years preceding the recession the company grew revenues (almost all organic) at 13.2% annually, while increasing earnings from breakeven to $0.71 per share. During this period, they built up a war chest of cash on their balance sheet. While they received the usual amount of pressure to properly level the balance sheet, through buybacks and acquisitions, they patiently waited and did nothing. In late 2007 as the economy started to slide and retailers began to pull back on inventory, the manufacturing sector, with all its operating leverage, got hurt badly. While one might expect a firm like theirs to continue with their ultraconservative ways, they acted quite the opposite, making a series of ultra cheap acquisitions of their competitors. In total, they acquired four of their competitors at fire sale prices as they, with the benefit of their war chest of cash, became the only buyer in town. How cheap were these acquisitions? They were able to purchase all four companies without any increase to goodwill at all. In other words, they were able to buy strong competitors at or below the cost of the net tangible assets acquired.

The fourth quarter of 2009 was a very difficult quarter for manufacturers. This was no different for UFP Technologies. However, when they reported fourth quarter earnings, having now integrated all their acquisitions, they produced a record $0.45 in quarterly earnings. At the trough of the economic cycle, they are now able to earn 50% more per share than they did at the peak of the last cycle. Not bad for a company that was trading at $7.88. In the words of Jeff Bailey, CEO, "the positive impact of our now fully integrated acquisitions enabled us to generate record profits. These results are a testament to our company's depth and our responsiveness to changing market conditions and growth opportunities. Early in 2009, we scaled back the business in the face of significantly reduced customer demand. Yet we maintained the ability to identify exciting acquisition candidates, quickly close the transactions and efficiently integrate those businesses. We finished the year in excellent financial condition. With $2.50 per share, we are well positioned to grow our business both internally and through additional strategic acquisitions. This, combined with improving customer demand, leaves me optimistic about 2010 and beyond."

It was only through following a proper hedging approach theorized by Robert Merton in his ICAPM model that has allowed UFP Technologies to thrive in a period where their peers are failing. We believe that as the economy recovers the operatory leverage of UFPT will produce substantially higher earnings than they currently receive.

At Huber Capital Management, we are very focused on investing in businesses such as UFP Technologies that we believe have a high likelihood of coming out of the economic abyss in a much stronger competitive situation than when they went in. If ICAPM theory holds, and we believe it does, many of our investments should be well positioned for the future. Indeed, what a long strange trip it's been.

"Performance is the output of a consistency of process, people, philosophy and product."
-- Joe Huber

Keep Trucking,

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HUBER CAPITAL MANAGEMENT VALUES

10) Bigger is not necessarily better.
9) Act with honesty and integrity. Be straightforward always.
8) Be innovative, creative, and flexible.
7) Admit mistakes. Learn from them and don't repeat them.
6) Work hard. Your competitors are trying to catch up.
5) Treat others as you would like to be treated.
4) Remember that you have the onus of investing for the well-being of others.
3) Fight complacency. Your past successes are in the past.
2) The best investing styles are timeless, not timely.
1) Clients come first. Think of them and you will always be successful.

FOOTNOTES

[1]Returns for our Small Cap Value Product vs. its benchmark:

	Gross of Fees	Net of Fees	Russell 2000 Val
2007*	-16.23%	-17.02%	-13.08%
2008	-46.03%	-46.63%	-28.92%
2009	85.98%	84.12%	20.58%
1st Qtr 2010	11.61%	11.31%	10.02%
ITD Annualized*	-2.29%	-3.46%	-6.98%

*Inception date of composite returns is 07/01/07. ITD composite returns are ending 3/31/10.

[2]Returns for our Equity Income Product vs. its benchmark:

	Gross of Fees	Net of Fees	Russell 1000 Val
2007*	5.94%	5.16%	-6.03%
2008	-52.97%	-53.72%	-36.85%
2009	63.32%	60.99%	19.69%
1st Qtr 2010	8.23%	7.84%	6.78%
ITD Annualized*	-4.52%	-5.94%	-9.56%

*Inception date of composite returns is 07/01/07. ITD composite returns are ending 3/31/10.

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Compilation (composite) performance for both products reflects performance returns of multiple accounts managed by Huber Capital Management in that particular investment style during that particular investment period, commencing 7/1/07. These compilations, prepared by a third party vendor and believed to be accurate, consist of two accounts in the small cap style and one account in the equity income style, and are not GIPS compliant. Compilations may exclude certain accounts for certain periods of time to the extent such accounts deviate significantly from the particular investment style.

From time to time the portfolios may invest in shares of companies through initial public offerings (IPOs). IPOs have the potential to produce substantial gains. There is no assurance that the portfolios will have continued access to profitable IPOs and as a portfolio's assets grow, the impact of an IPO investment may decline. Therefore investors should not rely on these past gains as an indication of future performance.

Gross performance returns are time-weighted rates of return based on the Daily Valuation Method, and are presented before advisory fees, but after custodial fees and brokerage commissions. Performance returns include cash, cash equivalents, accrued income and reinvestment of dividends and income. A client's return will be reduced by the advisory fees and other expenses incurred as a client. Our fees are described in Part II of our Form ADV. Advisory fees will have a compounding effect, over a period of years, on the value of a client's portfolio. For example, an annual fee of 50 basis points charged quarterly for 5 years will result in a compounded aggregate investment advisory fee of 252.5 basis points.

The S&P 500 Index is a broad based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general. The Russell 2000 Value Index (RV2000) consists of the small-cap value segment of the U.S. equity universe. The Russell 1000 Value Index (RV1000) consists of the large-cap value segment of the U.S. equity universe. Performance of these indexes does not reflect any fees, expenses, or taxes. Investors cannot directly invest in the indexes.

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