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Second Quarter 2009

We are pleased to report that each of Vulcan Value Partners' four investment strategies turned in exceptional absolute, and even more exceptional relative returns, during the first six months of 2009. All four portfolios delivered double digit gains compared to low single digit or negative returns for their relevant indices. Performance details and information about portfolio holdings is detailed below.

Directory

For more information about Vulcan Value Partners, visit www.vulcanvaluepartners.com or call 205.803.1582

Portfolio Review

General

Returns since we began operations in March of 2007 are also solidly ahead of relevant indices but our absolute returns remain negative. Over our five year time horizon we expect to meet our long term absolute return goal of 15% and to continue to add value versus passive indices. By focusing on the building blocks of absolute returns relative returns will take care of themselves. We base our expectations on the strong underlying competitive strengths of the businesses we own and the substantial discounts to intrinsic worth that we paid for them. If the value growth of these businesses approaches our estimates and the stock price rises to reflect intrinsic value we should exceed our 15% absolute return goal over our five year time horizon.

It is very important to understand that the returns we expect to achieve result from taking on less risk, not more. If we paid a fair price for a business compounding its value at 10% and we sold it at fair value we would receive a fair rate of return, but we would have no margin of safety to compensate us for risk. We do not want a fair rate of return nor are we satisfied with merely adequate compensation for risk. We want a substantial reduction in risk created by a price to value discount in everything we buy. Furthermore, we want to reduce risk further by owning competitively entrenched businesses that can take advantage of current weak economic conditions to gain market share, strengthen their balance sheets and emerge in an even stronger position when the upturn inevitably arrives. The excess returns we expect to realize are the reciprocal of the price to value discount or margin of safety we enjoy (to be precise it is the reciprocal minus one). Value investing, at its core, is about reducing risk through investment discipline. Just as attractive relative returns are a result of focusing on the building blocks of absolute returns, exceptional long term returns are a result of managing risk through valuation.

Large

Cap

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Vulcan Value Partners Large Cap Review

Vulcan Value Partners Large Cap's absolute performance in the first six months of 2009 was well ahead of our long term goal of 15% and exceeded benchmark returns by an even wider margin. Returns since inception at March, 2007 were well below our long term goal of 15% but meaningfully better than the S&P 500 and also exceeded value benchmarks by a substantial margin.

Investment Strategy	Inception Date	Year To Date 2009	Annualized Since Inception
VVP Large Cap	03/31/2007	23.5%	-9.3%
S&P 500 Index		3.2%	-15.7%
Russell 1000 Value Index		-2.9%	-20.0%

We are pleased with virtually all of our investments but Discovery Communications deserves special mention. Discovery Communications was the best performing stock in Vulcan Value Partners Large Cap with a 59% return and was the second largest contributor to our returns. What is even more impressive is that its value grew much faster than our estimates at the time of purchase so that it is still extremely attractively priced. Discovery Communications grew its value through robust free cash flow production and improved margins on moderate top line growth. It is one of the few companies in the media world we know of that actually increased advertising revenues during the first half of 2009. It was able to do so because of strong ratings and expanded distribution of its cable network programming. Discovery Communications owns a valuable franchise of cable networks including The Discovery Channel, The Learning Channel, and Animal Planet. It is one of the few family oriented network providers that produces content that truly appeals to both mom and dad and the kids. Always enjoying fifty cent dollars and 2 for 1 specials our family pulls double duty enjoying their programs as consumers and doing due diligence as business analysts to make sure their quality is up to par!

Our worst contributor to performance was also a cable related media company – Comcast. Unlike Discovery Communications, who is a content provider, Comcast is a content distributor. They also are leveraging their core cable system to provide broadband and phone services. While Comcast's results are not as spectacular as Discovery Communications they have also produced strong free cash flow and grown their bottom line during the worst recession since the 1930's. We are pleased with Comcast's progress and think its stock is woefully undervalued.

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Vulcan Value Partners Focus Review

Vulcan Value Partners Focus's absolute performance in the first six months of 2009 was well ahead of our long term goal of 15% and exceeded benchmark returns by an even wider margin. Returns since inception at November, 2007 were well below our long term goal of 15% but substantially better than the S&P 500 and also exceeded value benchmarks by an even wider margin.

Investment Strategy	Inception Date	Year to Date 2009	Annualized Since Inception
VVP Focus	11/05/2007	25.8%	-13.6%
S&P 500 Index		3.2%	-25.1%
Russell 1000 Value Index		-2.9%	-28.0%

The largest contributor to returns was Liberty Media Entertainment Group with a 57% return. We applaud Liberty Media Entertainment Group's efforts to both grow intrinsic value and realize value for shareholders. In my entire career as a professional money manager spanning two decades I cannot remember a stock as discounted as Liberty Media, especially one with virtually no financial leverage. Liberty Media Entertainment Group's primary asset is a 54% stake in Direct TV. In fact, we owned Direct TV and were very happy with it but traded it for Liberty Media Entertainment Group because we could purchase Direct TV's already discounted shares at an even greater discount by owning Liberty Media Entertainment Group. In effect, we got a double discount. We could own Direct TV through Liberty Media Entertainment Group at less than half the price we would have had to pay by purchasing Direct TV's stock! The double discount that existed would make a great case study for why markets are not always efficient.

Realizing Liberty Media Entertainment Group's severe discount the company announced a merger with Direct TV so that Direct TV will be the surviving entity thus forcing the valuation gap to narrow. In the meantime Direct TV's value has continued to compound at a solid double digit rate, despite the recession. When all is said and done, we will once again own Direct TV but at an even greater discount than we could have realized through direct purchase of its shares.

The worst performing stock we own in Vulcan Value Partners Focus was Comcast, which is discussed above in the Vulcan Value Partners Large Cap section. We are very pleased with Comcast's results and expect it to be a strong contributor to our future compounding.

Vulcan Value Partners Focus Plus Review

Vulcan Value Partners Focus Plus's absolute performance in the first six months of 2009 was well ahead of our long term goal of 15% and exceeded benchmark returns by an even wider margin. Returns since inception at March, 2007 were well below our long term goal of 15% but meaningfully better than the S&P 500 and also exceeded value benchmarks by an even larger margin.

Investment Strategy	Inception Date	Year to Date 2009	Annualized Since Inception
VVP Focus Plus	03/31/2007	23.2%	-11.9%
S&P 500 Index		3.2%	-15.7%
Russell 1000 Value Index		-2.9%	-20.0%

Vulcan Value Partners Focus Plus mirrors Vulcan Value Partners Focus's portfolio except that we sell options instead of using limit orders to buy and sell stocks. Specifically, we sell options at strike prices equal to the limit orders we would otherwise use to buy or sell. The premium we collect provides additional compensation to do something we would do anyway. We always hold cash equal to the amount of capital we would need to purchase stakes in companies we want to own if the options are exercised. Our rule of thumb is that we use options to make purchases if the annualized yield we receive exceeds our estimated returns from buying the stock directly. During the first six months of 2009 our options yield averaged approximately 28%.

Because Vulcan Value Partners Focus Plus mirrors Vulcan Value Partners Focus the largest contributor to returns was Liberty Media Entertainment Group and the largest detractor was Comcast. See discussion of these investments above.

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Vulcan Value Partners Small Cap Review

Vulcan Value Partners Small Cap delivered double digit absolute returns and exceeded benchmark returns by a wide margin in the first six months of 2009. Returns since inception at March, 2007 were well below our long term goal of 15% but meaningfully better than the Russell 2000 Index of small cap stocks and exceeded value benchmarks by an even greater margin.

Investment Strategy	Inception Date	Year to Date 2009	Annualized Since Inception
VVP Small Cap	03/31/2007	10.2%	-12.1%
Russell 2000 Index		2.6%	-17.1%
Russell 2000 Value Index		-5.2%	-20.4%

Our largest contributor to performance during the first half of 2009 was Janus Capital with a 62% return. We never make an investment in a company that we would not be comfortable owning for five years. We prefer to make long term investments at a substantial discount to intrinsic value and hold our investments as value compounds until price reaches value. In Janus's case its extremely discounted shares rallied much more rapidly than its value so that it reached our appraisal well before our five year time horizon. No matter how much we admire management or appreciate the economics of the businesses we own, we sell when price equals value and there is no longer a margin of safety. Consequently, we sold our stake in Janus and re-deployed the capital into more discounted companies.

Our worst performing company was Heartland Payment Systems, an extremely well run credit card processor that was the victim of a very sophisticated network of computer hackers who stole credit card information from merchants as they processed credit card transactions. Heartland follows industry standards and has since strengthened its network to what we believe to be the most stringent security standards in the industry. We think we have fully accounted for their potential liability related to the data breach. With the stock trading at lower levels we increased our stake in Heartland Payment Systems substantially because its price to value ratio improved, even on a lower value. The key question we asked is whether or not the company had suffered a permanent impairment to their franchise or whether the data breach was a discrete event. We believe the latter to be the case. Subsequent to our additional purchases Heartland Payments System's stock has recovered nicely and is trading well above levels we paid for our incremental shares.

Closing

While we are pleased with our results and optimistic about the strong foundation we have laid for future compounding we caution you that short term results will, in all likelihood, be volatile. As we said in our first letter we welcome volatility because it creates opportunities for us to improve our margin of safety and buy wonderful businesses at discounted prices that would not otherwise be available. We appreciate your stable capital because it allows us to have a long term time horizon, which is a significant competitive advantage in the investment management business. Furthermore, we applaud those of you who, like us, added capital in 2009.

Vulcan Value Partners has added significant human resources as we prepare to open to outside investors in 2010. You will hear more about them in our next letter but we all have already benefitted from the contributions of Bruce Donnellan, Hampton McFadden, Scott Sanfratel, and Adam McClain. Allen Cox, who was our first full time analyst continues to contribute well above his years and pay grade but please do not tell him or he might ask for a well-deserved raise.

We look forward to updating you again in early 2010.

Sincerely,

C.T. Fitzpatrick

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Second

Quarter

2009