

# CM Advisors Small Cap Value Fund

September 30, 2011



**CM Advisors**

Family of Funds  
www.cmadvisorsfunds.com

## Investment Strategy

The CM Advisors Small Cap Fund seeks to provide long-term growth of capital by investing in the stocks of small-cap companies that the Fund believes are undervalued, as measured by assets, earnings, cash flow, and/or business franchises. The Fund primarily invests in companies with a market capitalization that is within or below the market capitalization range of the companies in the Russell 2000 Value Index.

## Fund Facts as of September 30, 2011

<b>Investment Style:</b>	Small Cap Value
<b>Inception:</b>	04/15/2011
<b>Total Assets:</b>	\$7.0 million
<b>Ticker Symbol</b>	
Class I Shares (Institutional)	CMOVX
Class R Shares (Retail)	CMRVX
Class C Shares	CMCOX
<b>Gross Expense Ratio:</b>	3.12% <sup>1</sup>
<b>Net Expense Ratio:</b>	1.36% <sup>1,2</sup>
<b>Expense Cap:</b>	1.25% <sup>2</sup>

## Fund Performance as of September 30, 2011

	1 Month	3 Month	Inception Return 04/15/2011
CMOVX (Class I Shares)	-8.21	-19.10	-19.50
Russell 2000 Value Index	-10.92	-21.47	-22.36

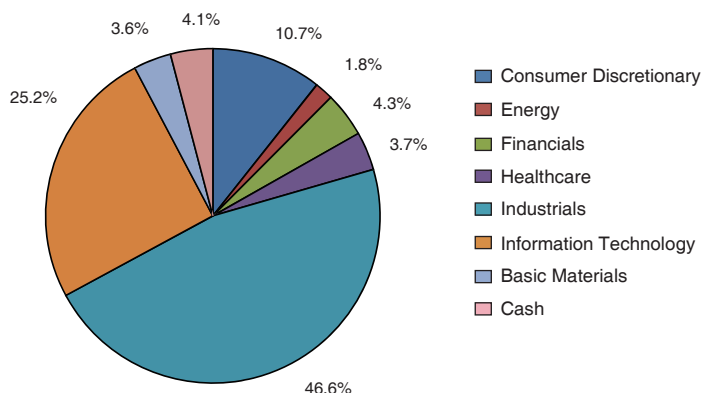
Performance data quoted represents past performance. Past performance does not guarantee future results. All performance assumes reinvestment of dividends and capital gains. The investment return and principal value of an investment will fluctuate so that investors' shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The annual returns of the classes of shares will differ only to the extent that the classes do not have the same expenses or inception dates. The Fund imposes a 1% redemption fee on shares redeemed within 180 days of their purchase. See the Fund's current prospectus for more information on the Fund's redemption fee. The performance information above does not reflect the imposition of the redemption fee. For performance information current to the most recent month end, call 1-888-859-5856.

The Russell 2000 Value Index measures the performance of the small-cap value segment of the U.S. equity universe. It includes those Russell 2000 Index companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2000 Value Index is constructed to provide a comprehensive and unbiased barometer for the small-cap value segment. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set and that the represented companies continue to reflect value characteristics.

<sup>1</sup>Based on estimated amounts for the current fiscal year.

<sup>2</sup>The Advisor has entered into an Expense Limitation Agreement with the Small Cap Value Fund under which it has agreed until July 1, 2012 to waive its fees and to reimburse other expenses of the Fund, if necessary, in an amount that limits the Fund's annual operating expenses (exclusive of interest, taxes, brokerage commissions, acquired fund fees and expenses, extraordinary expenses and payments, if any, under a Rule 12b-1 Plan) to not more than 1.25% of its average daily net assets. The Expense Limitation Agreement cannot be terminated prior to July 1, 2012 without the approval of the Board.

## Sector Weighting as of September 30, 2011



## Portfolio Characteristics as of September 30, 2011

<b>Price/Earnings using FY1 Estimated Earnings</b>	14.54
<b>Price/Cash Flow</b>	7.50
<b>Price/Free Cash Flow</b>	13.50
<b>Price/Book</b>	0.91
<b>Price/Sales</b>	0.43
<b>Long-Term Debt/Capital</b>	12.49%
<b>Net Profit Margin</b>	3.20%
<b>Number of Securities</b>	74
<b>Weighted Average Market Capitalization</b>	\$592.9 Million
<b>Weighted Median Market Capitalization</b>	\$405.6 Million



### Portfolio Manager Commentary

For the third quarter of 2011, the CM Advisors Small Cap Value Fund ("Fund") declined 19.10%. However, its benchmark, the Russell 2000 Value Index, declined 21.47% for the same period. Thus, during this difficult quarter for stocks, on a relative basis, the Fund outperformed its benchmark by 237 basis points, or 2.37%.

As we expressed in our commentary for the quarter ending June 30, 2011, a core focus of our Fund is to invest in companies with low financial leverage (i.e. strong balance sheets), high operating leverage (i.e. potential for margin expansion), and depressed valuations (i.e. potential for P/E, EV/Sales, Price/Book and other multiples to expand). As of September 30, 2011, the weighted long-term debt-to-capital ratio of the 74 securities in the Fund is 12.5% compared to 38.4% for the benchmark. Furthermore, 52 of our 74 companies have no net debt, when adjusting for the cash on their balance sheets.

To further highlight the values we believe we have accumulated, we can compare three data points that have been accumulated by Factset.<sup>1</sup> First, the Fund has an average weighted enterprise value to sales ratio of 0.49 versus 0.95 for the benchmark. Second, the Fund's price-to-book ratio is 0.9 times versus 1 times for the benchmark. Third, the consensus estimated 3- to 5-year earnings growth for companies held in the Fund is 12% versus 10.6% for the benchmark.

To date, we have found most of our values in the smaller deciles within the small-cap universe, though this is sure to change over time. For example, as of September 30, 2011, the weighted average market cap for the Fund is \$592.9 million versus \$916.3 million for the benchmark. The weighted median market cap for the Fund is \$405.6 million versus \$801.5 million for the benchmark.

From a defensive perspective, while the Fund was down for the quarter, we feel we are well positioned to weather the near-term volatility. From an opportunity perspective, we continue to do our best to take advantage of the difference between discounted stock prices and our appraisals of intrinsic values. Thus, by using our internal reward-to-risk metrics and valuations on the Fund's current portfolio holdings, as well as new names we have in our inventory of ideas, we continue to average into existing positions, as well as add new names that we believe, over time, will help provide the Fund with very good returns.

A bright spot for the Fund this quarter is that two of its stocks, Immucor and Global Industries Ltd, were bought out. Due to their weightings in the portfolio, they added 0.70 basis points (i.e. 0.70%) and 144 basis points (i.e. 1.44%) to the total return for the quarter. According to Reuters, Immucor was bought out for a 30% premium when compared to its closing price the day before the buyout was announced, and Global Industries Ltd. was bought for a 55% premium.

Typically, a company board will not approve a buyout unless they are being offered a price that is closer to fair or intrinsic value. Therefore, if a stock is currently trading below these levels, a premium for the company

is usually required. In our opinion, these buyout premiums help to underscore just how cheap many of these small-cap stocks are selling for in the market today.

It is one of our core beliefs that as the Fund's advisor, we invest our own money in the same investments as our clients and shareholders. While there are other private account and fund strategies that we manage, as of September 30, 2011, our employees and principals (of the advisor) have invested approximately \$5.6 million into the CM Advisors Small Cap Fund.

#### Footnotes

1. Factset Research provides one of the premier comprehensive data and analytic tools employed in the financial industry.

### Top Ten Holdings

% of Net Assets  
(subject to change)

1	<b>Wells Fargo Advantage Treasury Money Mkt Fund</b>	4.09%
2	<b>Steelcase, Inc.</b> Provider of furniture systems and interior architectural products in North America, Europe and Asia	2.72%
3	<b>Lydall Inc.</b> Provider of specialty products for filtration, thermal, acoustical and biomedical applications	2.67%
4	<b>Apogee Enterprises, Inc.</b> Designer and provider of glass products, services and systems in North America and Europe	2.49%
5	<b>Benchmark Electronics Inc.</b> Worldwide provider of integrated electronic manufacturing	2.48%
6	<b>CDI Corp.</b> Provider of engineering and IT outsourcing solutions	2.42%
7	<b>Universal Forest Products Inc.</b> Building products manufacturer and provider to commercial and retail segments worldwide	2.41%
8	<b>Newport Corporation</b> Worldwide solutions provider for technology products	2.35%
9	<b>M.D.C. Holdings, Inc.</b> Homebuilding and financial services company	2.35%
10	<b>Toll Brothers Inc.</b> Homebuilding and financial services company targeting luxury residential communities	2.34%

as of September 30, 2011

#### Important Risk Information

Investment in the Fund is subject to investment risks, including, without limitation, market risk, small cap risk, interest rate risk, management style risk, business and sector risk, maturity risk, other investment companies risk and credit risk. For more information about the Fund, including the Fund's objectives, charges, expenses and risks (including more information about the risks listed above), please read the prospectus.

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*An investor should consider the investment objectives, risks, and charges and expenses of the Fund carefully before investing. The prospectus contains this and other information about the Fund. A copy of the prospectus is available by calling 1-800-664-4888 or writing the advisor at 805 Las Cimas Parkway, Suite 430, Austin, Texas 78746. You may also call the Fund directly at 1-888-859-5856. The prospectus should be read carefully before investing. The information presented on this page is not an offer to sell or a solicitation of an offer to purchase the Fund.*