

## **PRINCIPAL INVESTMENT STRATEGIES OF THE VALUE FUND**

To meet its investment objective, the Value Fund invests primarily in equity securities of small cap companies that the Advisor believes are undervalued. In managing the Value Fund, the Advisor seeks to provide a consistent positive return over the long-term. The Advisor will focus on allocating the assets of the Value Fund to those securities and sectors the Advisor believes are best suited to provide positive returns rather than focus on any particular individual security or sector weighting simply because a particular index is modeled a particular way. The Value Fund considers a small cap company to be one that has a market capitalization, measured at the time the Fund purchases the securities, of the greater of (i) \$2.5 billion or less or (ii) the capitalization of the largest company by market cap as reported by the Russell 2000 Index (as reported by the index as of the most recent quarter-end) or less. The Russell 2000 Index is a broad index of small capitalization stocks. At March 31, 2011, the capitalization of the largest company by market cap in the Russell 2000 Index was \$5.68 billion. The market capitalization of a company in the Value Fund's portfolio may change over time, and the Fund will not automatically sell or cease to purchase stock of a company it already owns just because the company's market capitalization increases above this ceiling.

The Value Fund typically invests in common stocks, although it may also invest in other equity securities (e.g., preferred stocks, convertible bonds, convertible preferred stocks, and warrants). In addition, the Value Fund retains the flexibility to invest in other equity securities (including stock of medium or large capitalization companies), fixed income securities (e.g., corporate bonds or U.S. Government securities) or cash or cash equivalents (e.g., shares of money market funds, short-term U.S. Government obligations, commercial paper, and repurchase agreements) when the Advisor believes they offer more attractive opportunities. The Value Fund may, without limitation, purchase fixed income securities of any maturity or yield, provided that corporate debt obligations shall primarily be "investment grade" securities rated in one of the four highest rating categories by any nationally recognized rating agencies or, if not so rated, will be of equivalent quality in the opinion of the Advisor. The Value Fund may also, without limitation, purchase fixed income securities in any sector and issued by any size company, municipality or government body.

In selecting equity securities for the Value Fund's portfolio, the Advisor:

- Applies research models to determine a company's intrinsic value. Intrinsic value is a concept that refers to what a company is "really" worth. Investment advisors that use intrinsic value (like the Advisor) believe that a company's real value can be best determined by analyzing business, financial, and other factors about the company and its market, and that a company's market price gravitates toward its intrinsic value over time. Accordingly, if the market price of the company's securities is above the Advisor's determination of its intrinsic value, the Advisor believes that the market price will, over time, fall. If the market price is below its intrinsic value, then the Advisor believes it will, over time, rise.
- Compares the company's intrinsic value to the market prices of the company's securities; and
- Seeks to purchase equity securities of companies that appear to be "bargains" (i.e., securities that are trading at a significant discount to their intrinsic value).

In an effort to determine a company's intrinsic value, the Advisor's research models utilize various quantitative, qualitative, fundamental, and other factors about a company and its

business. This information can include, without limitation, historical analysis, acquisition analysis, discounted free cash flow models and leveraged buyout models. The Advisor also monitors acquisition prices for companies in various industries, and may communicate with companies, their suppliers and customers as part of its research process. Because a company's business, financial, and market circumstances are always changing, the Advisor evaluates intrinsic value for companies in and out of its portfolio on a regular basis.

The Value Fund may invest in equity securities of companies in any sector and the securities may be traded on a national securities exchange or over-the-counter.