

So, how about some good news?

You already know that the economy is in bad shape and getting worse. Indiscriminate credit standards have sent home prices into decline. Bear Stearns was just taken over at pennies on the dollar. Unemployment is starting to rise sharply. Feeling good yet? Of course not, and neither are we. But as investors it is important to appreciate that *everyone* is more than aware of these ugly headlines. In fact, we believe pessimism about our economic future is at its highest level in recent memory, and this dire outlook has worked its way into stock prices. The broad U.S. market is down more than 18% from its highs, while certain sectors have declined by much more. The good news is that in our opinion this has created the best environment for buying stocks in quite a while. We are using our cash horde, assembled from the sale of certain financial stocks last Fall, to take advantage of the opportunities in a deliberate manner. While we are not buying stocks indiscriminately, we do believe that carefully chosen investments made at this time will produce rich rewards over the next several years. *Please note: no assurance can be given that these favorable results will occur.*

Our own internal valuation model estimates the aggregate appreciation potential for the Fund's holdings is the greatest it has been since the market lows in 2002. While this timeframe predates the inception of the Fund, we feel it will give you a better understanding of the thought processes we utilized for our separately managed accounts during a similarly challenging market period. Our model, which is used for both the Fund and our separately managed accounts, estimates the potential three-year price appreciation of each stock in the Fund by comparing our internal earnings or asset value estimates (depending on the valuation rationale of each investment) to the historical average for such companies. We then calculate a target price by assuming that each stock rises to its average historical valuation based on our three-year-forward earnings or asset value estimates. Finally, we take that target price and compare it to the current market price. The result is the highest three year appreciation potential for Grisanti Brown & Partners since 2002 and the second highest since we started our firm in 1999. At the end of the last bear market in 2002, our portfolio was suffering much like today, but sticking with our investments at that gloomy time led to strong appreciation over our three-year investment horizon and significant outperformance versus the market. *We want to emphasize that this analysis is useful more as a relative tool. It allows us to say that the discrepancy between current depressed prices and our estimation of future value is the largest since the bottom of the last bear market.*

How can we sound so confident when the market -- and the Fund -- had its worst quarter since the Fund's inception in October 2005? We believe that the first quarter of 2008 was a speculator's dream but an investor's nightmare. Speculators focus on short term opportunities and welcome extreme swings in price. They love volatility, and by at least one measure this was the most volatile quarter since 1938.¹ As value investors, we

¹ This quarter had the most 1%-plus daily swings since 1938. One extreme but not unique example of the extreme volatility was the stock of Fannie Mae, which was up 89% in three days [from March 17 to March 19], but still finished the quarter down 33% from January 1st. This volatility was particularly acute in the financial sector.

take a different view. We monitor the long-term value of our portfolio companies not by minute-by-minute price setting but by evaluating the cash they produce over time. After all, if you owned a business, you wouldn't value its true worth by the emotional bids you might get during a financial crisis, but by how profitable it is now and will be in the future. We stand by this investment philosophy even though it did not fare well this quarter. We are looking for investments that will be worth significantly more in three to four years than they are now, even if the current short-term environment is not favorable. In fact, often these companies have become attractive investments *because the short-term environment is unfavorable*. In order to explain how short-term problems can create long-term opportunities, we'd ask you to come with us to the cornfields of Southern Illinois.

The gray-brown, absolutely flat land surrounding Decatur, Illinois, is barren now, but will be planted by the end of April with corn and soybeans. We spent two days there last week with the management of one of our largest investments, **Archer Daniels Midland**. ADM tells us that they 'touch' a third of all the corn and soybeans in the United States, either by actually processing those grains into something else, or storing and delivering them all over the world. A speculator would not like ADM right now, because corn prices are up to record levels. That means that ADM, which buys corn in order to make ethanol and high fructose corn syrup (HFCS), is suffering a margin squeeze. For that reason, the stock was off 11% in the quarter, and was a principal reason we underperformed the market in the quarter.² We think the market reaction is short sighted. Corn prices are skyrocketing because large-scale ethanol production is a new driver of demand, and record corn production in 2007 could not satisfy both the food and biofuel needs. ADM explains that *volumes* of corn are up 30% from three years ago. Over time, either because corn prices decline or (we think more likely) ethanol and HFCS prices increase, margins at ADM will stabilize. If ethanol and HFCS prices increase to relieve the margin squeeze, the effect on earnings is quite benign. If you make, for example, a 5% profit on corn at \$2.25 a bushel (its price in 2005), you make about 11.5 cents. If you earn the same 5% margin at \$6 a bushel (today's price), you make 30 cents. ADM processes 2 million bushels a day, and ships and stores an additional 6 million. When ADM's margins return to normal (and we won't bore you here with the reasons why we are confident they will, but suffice it to say, margins have always normalized in the past), its profit should be more than double what it was three years ago due to both higher prices and higher volumes. When we spoke with members of management -- from the CEO and CFO to the director of corn operations -- they continue to be confident that the long term thesis is intact, and we concur. In the first quarter of 2008, the stock was down as speculators were scared by high corn prices. This hurt the Fund in the short run, but as investors we are staying the course.

In fact, we are pleased not just with the prospects for ADM, but with all of the Fund holdings as well. The stocks that hurt us during this quarter were not credit-burdened issues embroiled in the financial crisis, but were rather the winners of 2007.

² While our ADM investment has adversely affected our quarterly performance, it has been a successful investment since initial purchase about a year ago, up 18%.

We believe these stocks are still cheap and filled with long-term promise, even while they are temporarily out of favor in a market that has been fickle and extremely volatile.

Foster Wheeler, KBR and Archer Daniels Midland were up 105%, 78% and 33% respectively in 2007, but in the first quarter of 2008 they cost the Fund a total of 4.69%. In March, after the rescue of Bear Stearns, financial stocks surged, but virtually all stocks having to do with commodities plunged. For several quarters we have been writing of the virtues of companies like ADM, Foster Wheeler and KBR that are ancillary plays on the scarcity of resources. We don't think that theme is over, and we do not lose sleep over these investments; they just had a bad quarter. As investors we are patient. While our patience is not limitless, the critical question for us is whether our investment thesis for each of the Fund's holdings remains intact. We believe it does.

We have accrued a large cash position as we assess the current market, a by-product of the sale of a number of financial stocks last Fall. We are not afraid to use that cash, and we believe the market will provide opportunities in the near term. Always with the caveat that market conditions can change rapidly, we do expect cash balances to be significantly lower by the end of the second quarter. There is a saying that a good investor should be fearful when everyone is greedy, and should be greedy when everyone is fearful. We believe that over the past six months fear is becoming the dominant emotion, and that very compelling bargains are being created for investors with the cash to take advantage of them.³ In this quarter we have started to deploy the cash by initiating positions in two such investments, **Boeing** and **Ingersoll Rand**.

Boeing is a classic Grisanti Brown investment. It is a well-managed, market leading company that usually trades at an expensive multiple of earnings. At present it is faced with near term uncertainty, and the stock has declined over 30% from recent highs. Yet its long-term future as a jet manufacturer and defense contractor seems strong. The bulls and the bears surrounding Boeing agree on the critical issue: the fate of Boeing rests on its ability to produce its new aircraft, the 787 "Dreamliner". The stock is down because the company has announced delays on the testing and delivery of the 787, and production glitches mean more delays ahead. We purchased the stock after its decline because we believe the new plane will, over time, be seen as a revolutionary new aircraft, as radical a departure from current air travel as the 747 was when it was introduced in 1970.⁴ It already has resulted in the most pre-delivery orders of any large aircraft, and if you want one, you're going to have to get on line, because they are sold out until 2016. The morning this letter "went to press" Boeing announced that the plane would indeed be delayed about six more months, well within expectations, and the stock is up sharply on the news. We now expect first flight to occur in the fourth quarter and first delivery sometime in mid-2009. This new six-month delay is already built into our estimates, and

³ Jamie Dimon, CEO of JP Morgan Chase, was one such investor, who hoarded his cash and pounced at the opportunity to acquire Bear Stearns in a fire sale.

⁴ The 787 Dreamliner is 30% lighter than the 767 it replaces, meaning enormous fuel savings. It's lighter because 50% of the weight, including the wings and the fuselage, is made of composite material, which also delivers much lower maintenance costs than steel or aluminum. The plane has large windows inside, a flatter, more oval shape (no more sitting in a 'tube'), more humidity, and the most up-to-date computer technology for both the flight crew and the passengers. Take a look at www.newairplane.com.

while it will hurt earnings in 2009, when the plane eventually starts to fly and manufacturing ramps up, we think the stock will perform exceptionally well. With the stock in the mid-70s, the company could earn more than \$10 a share by the time it gets back on schedule to deliver over 100 Dreamliners a year in the 2010-2011 time frame. If it sold at 14 times those earnings, a multiple lower than its historical average, the stock would appreciate 86% from current levels. Again, this is an example of short term difficulties providing a long-term opportunity.

As we noted in our last letter, portfolio holding **Trane** announced it entered into a merger agreement with Ingersoll-Rand. This deal was a transformational deal for Ingersoll because Trane will account for 46% of the combined company's revenue. Certain Ingersoll shareholders were not pleased that the company made such a transaction and the shares declined from \$50 to a low of \$35. Being enthusiastic Trane shareholders, we viewed the price paid for Trane as "fair" and used this time of turmoil to do work on Ingersoll. We believe this is an exciting investment opportunity in an otherwise risky market. The new company will have about two-thirds of its revenues coming from the climate control business, which is Trane, Hussmann (refrigerated display cases), and Thermo King (refrigerated transportation). We continue to believe that Trane HVAC (heating, ventilating and air conditioning) is a great business and will continue to improve as "energy efficiency" plays out on a worldwide scale. The other two parts of climate control will benefit as the world continues to develop and there is more need to transport and store food, or build out the "cold chain". Ingersoll has estimated that there are \$300 million of cost savings that the company plans on achieving by 2010. We feel that this is a conservative estimate. Management has given guidance for earnings per share in 2008 of \$3.80 to \$3.90, which is based on the Trane deal closing at the end of May; however, we believe it is important to look at what the company could earn if Trane and Ingersoll operated as a combined company for all of 2008. Under this scenario we forecast earnings of \$4.10. More importantly, we feel the company will earn close to \$5 in 2009. The shares are currently trading at 9x our 2009 estimate, representing a discount to average valuation of more than 50%.

In the last week of the quarter, one of us was lucky enough to attend the swearing-in of new U.S. citizens at the Federal courthouse in New York City. The ceremony was, if anything, more meaningful for its bureaucratic ordinariness. It is a weekly affair held every Friday morning; there was no one famous in a very crowded courtroom. One of us had a friend who was finishing his 12-year odyssey from undocumented alien to legal resident to citizen. The stock market was in turmoil and Bear Stearns had just collapsed. The fate of the U.S. housing market seemed very much unknown. Yet, 352 people from 58 different countries raised their right hands and swore allegiance to the United States -- including an explicit obligation to bear arms in her defense. At that moment even the most cynical among us could not help but be struck by a sense of long-term promise, and, as the poet Thomas Hardy put it, "some blessed hope whereof [they] knew and I was unaware."⁵

⁵ Thomas Hardy, "The Darkling Thrush", written upon the turn of the Nineteenth Century, amid a time of economic gloom. This is a great poem to read for those looking for a little optimism among the bad news. Read the entire 32-line poem at [//rpo.library.utoronto.ca/poem/917.html](http://rpo.library.utoronto.ca/poem/917.html).

We thank you for your support in these trying times. We look forward to continuing our work, which we believe will lead to more profitable reports in the future.

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Before investing you should carefully consider the Fund's investment objective, risks, charges and expenses. This and other information is in the prospectus, a copy of which may be obtained by visiting our website at www.gbpfunds.com or by calling 1-866-775-8439. Please read the prospectus carefully before you invest.

The views presented in the letter were those of the Fund managers as of March 31, 2008 and may not reflect their views on the date this letter is first published or at anytime thereafter. These views are intended to assist the shareholders in understanding their investment in the Fund and do not constitute investment advice. None of the information presented should be construed as an offer to sell or recommendation of any security mentioned herein.

As a non-diversified fund, the Fund may focus a larger percentage of its assets in the securities of fewer issuers. Concentration of the Fund in a limited number of securities exposes the Fund to greater market risk than if its assets were diversified among a greater number of issuers. Investments in smaller companies generally carry greater risk than is customarily associated with larger companies for various reasons such as narrower markets, limited financial resources and less liquid stock.

Top 10 Holdings

as of March 31, 2008

Ticker	Security Description	Percentage of Market Value
ADM	ARCHER-DANIELS-MIDLAND	7.67%
TT	TRANE, INC.	7.15%
HON	HONEYWELL INTERNATIONAL	6.89%
WMB	WILLIAMS COS	6.66%
DYN	DYNEGY INC.	6.38%
CSCO	CISCO SYSTEMS INC.	6.06%
HPQ	HEWLETT-PACKARD	4.88%
BA	BOEING	4.81%
KBR	KBR INC.	4.57%
MSFT	MICROSOFT CORP.	4.50%

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