

An optimist is a person who sees a green light everywhere, while a pessimist sees only the red stoplight. The truly wise person is colorblind.

-- *Albert Schweitzer*

It is hard to find an optimist these days, and we think that's a good thing. Investors of all kinds, from grandmothers in the heartland to sophisticated institutions managing billions have the irrational -- but thankfully reliable -- habit of becoming most optimistic at the *top* of the market, and most pessimistic at the bottom. Recall, if the pain is not too great, the mood of investors in the throes of the technology boom that ended in March of 2000. Optimism abounded. Albert Schweitzer might have said that green lights were everywhere.

The problem with being an optimist is that you sound naïve, if not downright stupid. Imagine if someone at a dinner party blurts out, perhaps after too much wine, that he thinks the economy is just fine, interest rates are eventually headed lower, productivity continues to increase and the unemployment rate seems pretty darn low. After promising yourself not to go to such boring parties in the future, you give a little light-hearted laugh and set this fellow straight – that is if the person to your right or left hasn't already beaten you to it. You might mention (if you're as boring as he) that the dollar is clearly headed lower, China is on the rise, the war has ruined our reputation, and commodity prices have climbed to record highs. What you don't say, partly because you're too polite but more because everyone knows you're thinking it anyway, is that the optimist is a blithering idiot who is simply not intelligent enough to see all the bad factors assailing our nation and its markets. Saying you're optimistic about the current state of economic affairs is like fessing up to being a member of the Dick Cheney fan club – it's just not done, especially in New York City.

For the week ended June 23rd, pessimism about U.S. stocks rose to the highest level since October 2002. Investor pessimism is at its highest point in almost four years. This bears out what many students of the market already know, that pessimism is a contrary indicator. But as prices go down, valuations (that is, the price of a stock relative to what our analysis shows to be its potential) become more attractive. The S&P is at its lowest forward price-earnings ratio (the price of a stock relative to the expected earnings per share of the underlying company) in at least 10 years. It's been said that many an optimist has become rich by buying out a pessimist, which was certainly true in October 2002, as valuations dropped as pessimism rose. But this begs the important question: have we returned to an equally attractive buying opportunity?

Getting back to both Albert Schweitzer and our optimistic dinner guest. In order to be color blind and not see all green lights, we must evaluate the facts both with regard to the market and more importantly with regard to SteepleView Fund investments. Those "naïve" statements by our dinner guest were all factually correct: The economy is growing not contracting; interest rates will eventually peak, though we can all argue over when; productivity (an important restraint to inflation) does continue to increase; and the unemployment rate is near a 45-year low.

To be sure, there are red lights out there too. Maximum pessimism does not mean that stock prices have bottomed. Higher interest rates lead to a danger of economic contraction (which normal people call a recession). Both the budget deficit and the trade deficit are negatives. Commodity price increases have been headline news for some time now, though for two decades they were moribund and greatly lagged appreciation in other sectors like services and financial assets. Finally, we are troubled by the lack of capitulation in the market. Bottoms are usually marked with panic and fear so wide spread that investors sell at virtually any price just to get out.

But trying to be “color blind” we see more long-term positives than negatives, especially in the Fund’s equity holdings. Earnings continue to grow, markets keep expanding and companies continue to use their cash to enhance shareholder value. We have continued the process of reducing the commodity exposure in the Fund, and in the second quarter we sold **Cleveland Cliffs**, the iron ore miner, and **Encana**, the Canadian energy company.

The Fund lagged the market in the second quarter, partly because of the transition we continue to make away from the inflation sensitive commodity stocks and into financial based companies. We wish to be clear: We are not doing this because of our views about either inflation or interest rates. We are doing it based on valuation of the companies we are both selling and buying. We are selling the stocks we view as expensive ones, and buying the ones we view as cheap ones. The consensus view that financial stocks are to be avoided due to higher interest rates creates our opportunity. Interest rates move in cycles of indeterminate length and amplitude. We cannot tell you when they will head back down. We can, however, say with confidence that the financial stocks we are buying we believe to be both well run and extremely cheap. We will stay the course because in the long run ‘value will out’. As the cycle plays itself out investors will return to the shares of well-managed financial companies as the economic environment becomes more favorable for them. When that happens, the Fund will already own those shares. The Fund will be pre-positioned to benefit from both an expected earnings growth rate increase due to the more benign environment and a P/E multiple (or price-earnings ratio) expansion. This combination should give a leveraged effect to share appreciation.

The Fund purchased three stocks in the second quarter, **Legg Mason** and **American International Group**, both financials, and **YRC Worldwide**, a trucking company. Legg Mason is the fourth largest asset manager in the world with \$850 billion under management. In December Legg closed its acquisition of Citigroup Asset Management, nearly doubling the size of assets under management, and the first quarter of 2006 was the first time the company reported operations as one entity. Wall Street was disappointed with how slowly Legg was realizing the cost savings it promised when the merger was announced. This perceived failure drove the stock lower and created what we saw as a buying opportunity for the Fund. We were not overly surprised that it would take more than one quarter for the company to fulfill its goals. After all, this is basically a merger of two \$400 billion companies. (We tried to imagine the combination of two asset management firms, both 130 times the size of the advisor to the SteepleView Fund, Spears Grisanti & Brown LLC) The Fund was able to buy this wonderful franchise at less than 15 times 2007 earnings. That is a sharp discount to other publicly traded asset managers. We believe that over the next year or so, after all of the merger related

issues go away and the company is operating soundly, it will trade closer to 17 times a growing earnings stream.

Another new addition to the Fund during the quarter was American International Group. AIG is one of the largest financial services companies in the world. It has had a cloud over its head since last year concerning New York Attorney General Elliot Spitzer's investigation into its business practices. The result of the investigation was long-time CEO Hank Greenberg's retirement from the company. He was one of those personality-cult CEOs who not only ran the company but also orchestrated a two-decade business plan and built the company into a global powerhouse. We believe Greenberg's departure was a negative, but we also think that the assets left behind are quite valuable and the stock's drop after the CEO's firing was overdone. The man who took over as CEO of AIG was in fact Hank's handpicked replacement. This kept a certain continuity within the organization that was important during and after the investigations. AIG is comprised of personal and commercial insurance companies, life and retirement insurance companies, financial services that include aircraft leasing and an asset management company. AIG stock trades close to 1.5 times its book value (the value per shares of its assets minus its liabilities), a very reasonable multiple for an insurance company, and too low for a global financial services giant. The current valuation implies that AIG is a run of the mill competitor in all of its operating units. We think that's wrong. Also, AIG trades at 11 times 2006 earnings and 9.5 times 2007 estimates, a 14-year low. We think the company's dynamic market position and strong future prospects make it a very attractive investment.

YRC Worldwide is the largest less-than-truckload carrier (LTL) in the US with over \$10 billion in revenues. The company is in the process of integrating two large acquisitions that should enable YRC to become the leading provider of a full suite of transportation and logistic services to its LTL customers. In addition, the company expects to realize \$450 million of cost savings/synergies (over \$4.00 per share) as the integration is completed by 2008. After disappointing investors in the first quarter, the shares were selling at slightly over 6 times estimated 2006 earnings, making it one of the Fund's cheapest stocks. At almost half the multiple of its competitors and with the prospect of material earnings power from cost savings in the next two years, we felt shares of YRC Worldwide were very attractive with significant upside potential.

With the deliberate transformation of the Fund away from commodities and towards more attractive stocks, especially in the financial sector, comes the risk that we are too early, or that we have gotten it completely wrong. We cannot predict the timing of these stocks working out, though we have bought them in the expectation of a more than 50% gain over a three-year period. But we certainly do not believe we have "gotten it wrong". At the very least, the risk of holding commodity-related stocks is now too great. When we sold incredibly over-valued technology stocks like Cisco in late 1998 we were early, but we were ultimately correct. At that time we began to purchase a large position in various financial stocks. These suffered for more than a year before performing excellently in a terrible market in 2000 and 2001. History may or may not repeat itself, but we refuse to continue to own expensive stocks simply because they have strong momentum. Again, we return to our guiding principle: Value will out.

While we don't see *all* green lights, we do remain optimistic, even in a difficult period, and we thank you for your support.

For the period from its inception date of October 21, 2005 through March 31, 2006, the SteepleView Fund's performance was +8.98% (unannualized). *Past performance is not indicative of future results. Investment returns and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Additional SteepleView information can now be found on the Fund's website at www.steepleviewfund.com. or call 1-866-SPL-VIEW.*

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.steepleview.com or by calling 1-866-SPL-VIEW. Please read the prospectus carefully before you invest.

The views presented in the letter were those of the Fund managers as of June 30, 2006, 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.

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. 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.

Spears Grisanti & Brown LLC – Adviser to the SteepleView Fund

Top 10 Holdings as of June 30, 2006

Ticker	Security Description	Percentage of Market Value
ACE	Ace Ltd	5.48%
HPQ	Hewlett-Packard	5.40%
DD	Dupont (E I) de Nemours	5.31%
LM	Legg Mason	5.28%
HON	Honeywell International	5.23%
FNM	Fannie Mae	5.22%
AIG	American International Group	5.06%
BAC	Bank of America Corp.	4.85%
CMCSA	Comcast Corp. Class A	4.80%
FWLT	Foster Wheeler Ltd	4.77%