

October 1, 2009

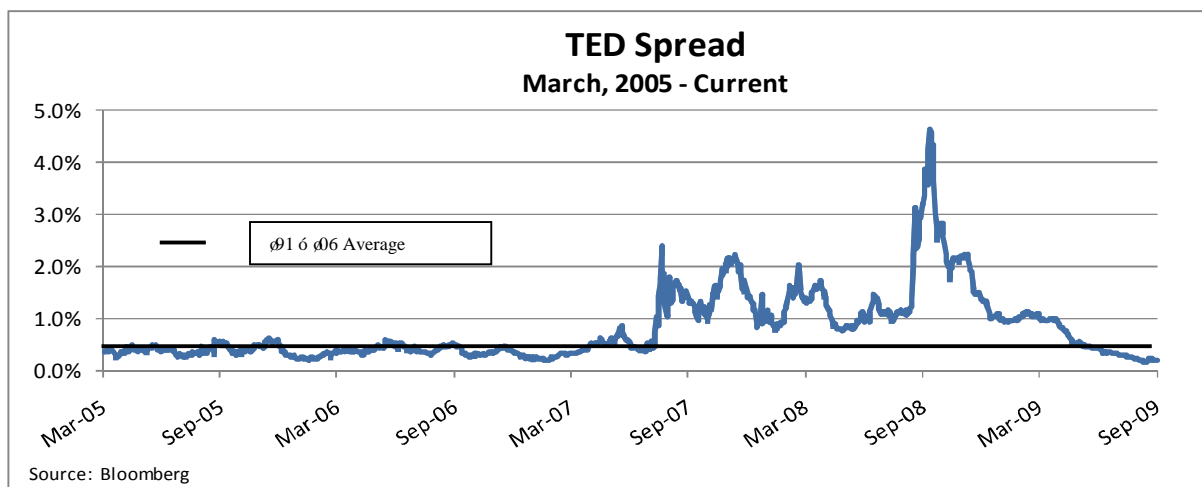
Dear Shareholders,

Sometimes, in order to figure out where you're going, it helps to know where you've been. This letter will explain why we are generally optimistic about the fledgling economic recovery, but have little confidence that the indiscriminate rise in the equity market since March can be sustained. For reasons explained below, we believe that the current recovery will evolve into a slow-growth economy, and equity gains are likely to come from concentrated investments in specific companies rather than the broad market. Grisanti Brown & Partners has experience with stock picking in a sideways market. We believe that a concentrated portfolio of out-of-favor equities will yield outperformance in the future. This brief review of where we've been (with the help of a few charts) helps explain our view of the future and the reasoning behind the current investments in the Fund.

### 1. *The Economy is clearly improving.*

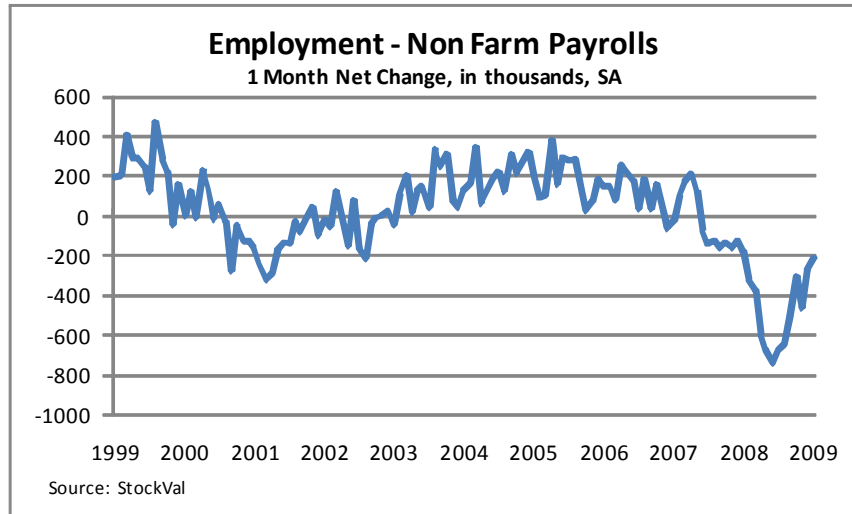
The financial crisis that occurred in late 2008 was unique, but the dynamics of the recovery are not. So far this recovery is following the same multi-step path as other turnarounds over the last 80 years. First, there is a policy response. In October of 2008, this started with the unprecedented bank bailout called TARP. It continued with direct government support for the auto industry and the commercial paper and other financial markets, as well as a massive stimulus program. The second domino is the stock market, which bottomed in March and has risen strongly since then, in anticipation of an economic recovery. Leading economic statistics -- those that *anticipate* or occur prior to economic growth -- then start to improve, like building permits, consumer confidence and deliveries from suppliers to manufacturers. This is the step that is occurring right now. Finally, real economic growth as measured by rising corporate earnings, GDP and employment comes last. This final stage has yet to occur, but the current recovery is actually slightly quicker than past comebacks in terms of the rise of both the stock market and the leading economic indicators. Because there is so much skepticism about a real recovery, we think the following data is both helpful and succinct.

**The TED Spread is back to normal.** We wrote in our 2008 year-end letter that the TED Spread<sup>1</sup> was a reliable proxy for assessing the fear (and resulting lack of liquidity) in the markets. In that letter we included a chart that showed the TED Spread, which has averaged about 0.39% since the early 1990s. During the Lehman Brothers bankruptcy, it soared more than ten times to an unprecedented 4.50%. The following chart shows that the TED Spread has returned to a normal level.

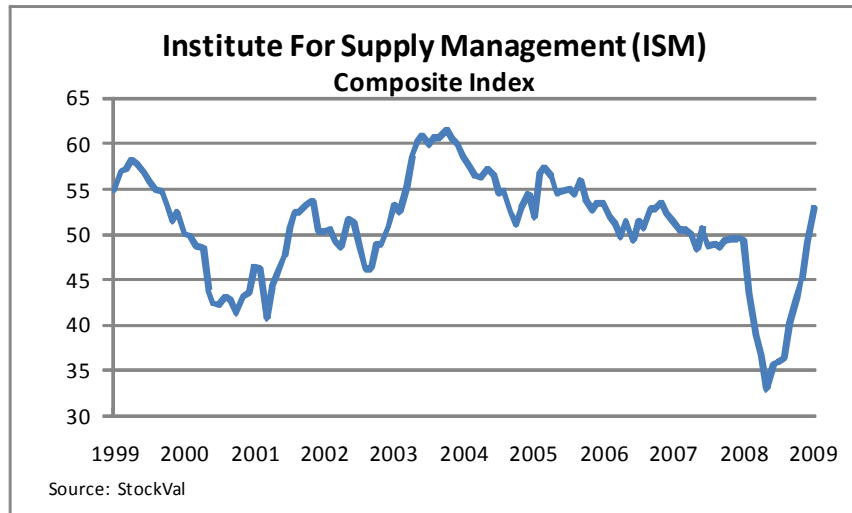


<sup>1</sup> The TED Spread measures the difference between the rate on three month U.S. Treasury bills (the T-bill) versus the rate on loans made among major private banks (the Eurodollar or ED). In times of market calm, major banks will lend to each other at a tiny spread over the government rate. But in times of fear, banks are wary of lending, even to each other, and the TED Spread widens as investors prefer U.S. Treasury debt over private bank obligations.

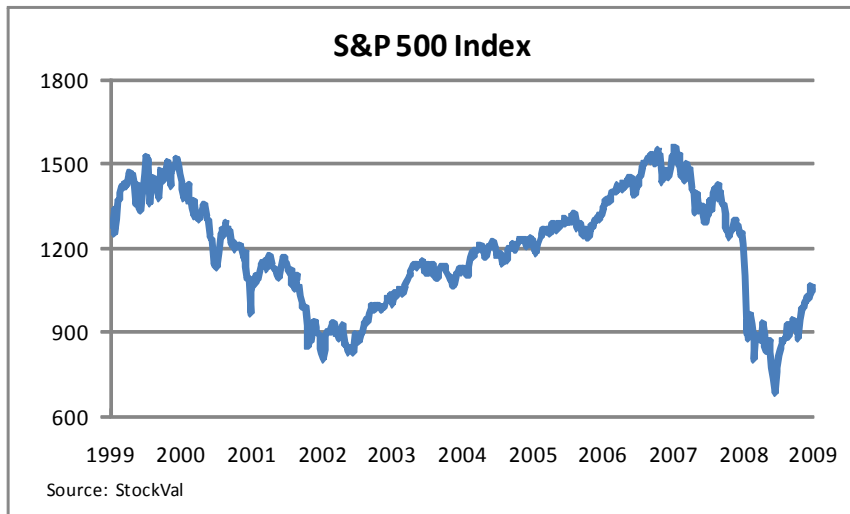
**Monthly job losses have peaked.** Job creation is a *lagging* indicator, in other words, increased employment won't occur until companies feel comfortable enough to hire again. But first, job losses must slow. One sign that has accompanied six of the last seven recoveries is the bottoming out of monthly job losses. This occurred in January.



**Leading (forward looking) business conditions are picking up.** The ISM index is a measure of supply in the manufacturing chain. Supply managers tend to order more inventory as they perceive business picking up. Over the decades this has been an accurate measure of economic growth 6-12 months later. For the first time in more than two years it has had a positive (above 50) reading.



***The stock market has risen sharply.*** One of the most reliable leading indicators over the last 80 years has been the stock market. The 58% rise since the lows in March is a classic recovery indicator.



The preceding charts all cover a period that was extremely painful in terms of economic loss and wealth destruction. While we would not expect the recovery to follow a straight line up, we do have multiple data points that consistently show the patient is recovering.

***2. The Stock Market has risen in anticipation of a normal historical recovery, but this one might be weaker than normal.***

The 58% rise in share prices from March lows clearly anticipates some better earnings growth ahead. While the economy is definitely headed in that direction, we believe at the end of the day earnings will be disappointing for many companies. Two important facts make this recovery different from others. First, the consumer remains over-levered. While we think the death of the consumer is exaggerated, given the historically high debt-to-income levels today, consumers of the future simply cannot be the engines of growth they were historically. This is especially the case when an important source of consumer spending over the past fifteen years -- the home equity line of credit -- is now practically unavailable in many cases.

While the consumer, who represents 70% of economic activity in the United States, will not be able to rise to the occasion, the public sector is just as strapped. Because of the large stimulus program and lower federal tax receipts due to the slowing economy, the federal deficit will reach a peacetime record of 13% of GDP.<sup>2</sup> State and local governments are facing similar high-water marks. While the federal government has passed a large stimulus program, states are simultaneously cutting their spending, effectively muting the effect of the congressional stimulus.

For these two reasons, we believe that this recovery will be less robust than an estimate based solely on historical precedent. That leads to our next point.

<sup>2</sup> It is worth noting, in the interest of full disclosure, that during World War II the deficit did soar to 30% of GDP, with only a mild recession in its aftermath. Thus, a high deficit to GDP ratio does not by itself guarantee impending doom.

**3. The momentum market exhausted--returns from here will depend on concentrated investments in the right companies and industries.**

In the disastrous fourth quarter of 2008 we wrote that stock picking was like choosing among staterooms on the Titanic. In a mirror image of that period, stock selection in the third quarter of 2009 was like picking from a hat filled with winning lottery tickets. As in the fourth quarter of 2008, almost all stocks moved in the same direction, and stock picking did little to justify the time and trouble. Of course, we are pleased to report the Fund did outperform the S&P 500 Index for the 3<sup>rd</sup> quarter and year-to-date through September 30, 2009, but the more important test will come when the market returns to its more deliberative role of weighing winners and losers over time. Looking forward we believe *overall* market returns will be much more subdued, but individual stock selection can still deliver strong performance. In fact, in the coming slow growth environment those companies that can deliver above average performance will stand out even more.

After several quarters of making a number of new investments -- especially the heavy investments in the financial sector over the Winter of 2008-09 ó the Fund's holdings changed very little in the third quarter. A month ago we sent to you our summary of investments, which included an update of all Fund holdings. This remains current, as we have not made a significant new investment since then.<sup>3</sup>

**JP Morgan, Bank of America, Annaly Capital and Chubb** were among our best performers for the quarter, and rank near the top of the list for the year. It's no coincidence that all these investments are in the financial sector. We continue to believe that financials (broadly speaking, including large banks and insurance companies) are among the very few industries where meaningful earnings growth is occurring *this* year instead of in 2010 or 2011. As we have written over the last several quarters, this is because loss reserves at these firms will start to decline several quarters *prior* to the peak in actual losses<sup>4</sup>, and earnings will increase greatly for the simple reason that these reserves were so enormous. Bank of America is perhaps the greatest beneficiary of this peaking of loss reserves. This dynamic, coupled with the fact that it remains one of the few financials selling below book value, is why it remains our largest holding even though it has already performed well.

Other concentrated investments in technology and retail have also helped the Fund to outperform the market this year. **Microsoft** (up 34% this year), **Cisco** (up 44%), **Applied Materials** (up 54% since purchase in February), **Hewlett Packard** (up 31%), and **Fiserv** (up 33%) have all outperformed the S&P 500 by a wide margin, while **Target** (up 37%) and **Walgreens** (up 54%) have also performed better than the market.

Some of these investments, though, are approaching our fair value target, and as the market stops climbing every day we are mindful that taking gains is not a bad habit. (Bernard Baruch once said "I've made a lot of money selling too early.") If the recovery follows its usual historical path, companies in the energy, industrial or materials businesses might start to show stronger growth. We want to be there *before* that happens.

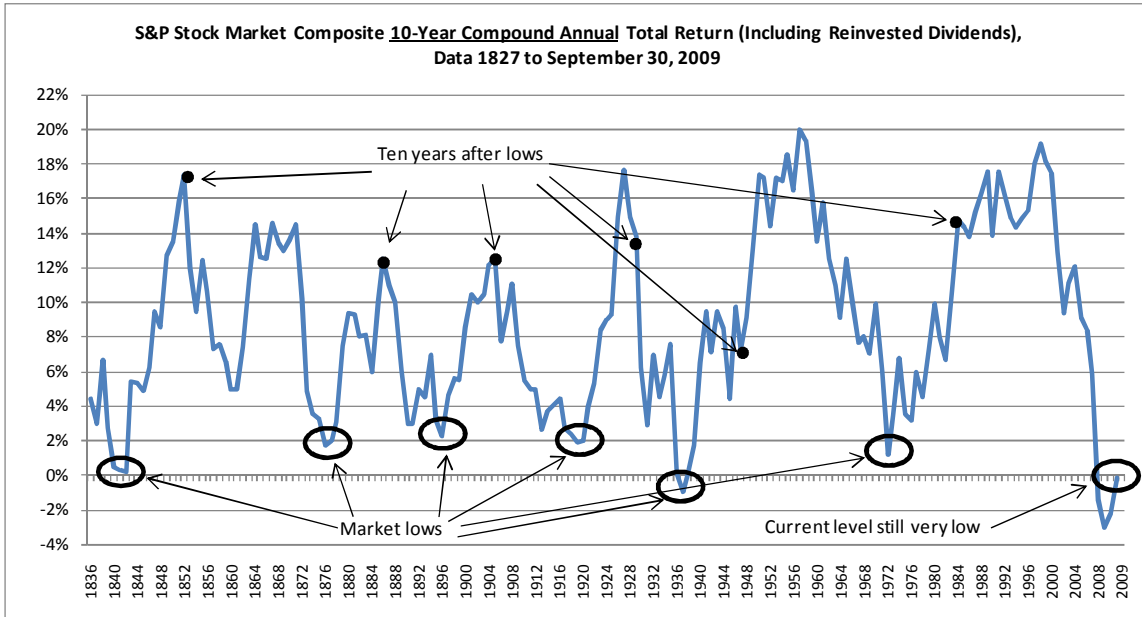
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<sup>3</sup> The Summary of Investments can also be found at [www.gbpffunds.com/letters/mid-3q09.php](http://www.gbpffunds.com/letters/mid-3q09.php).

<sup>4</sup> Banks *reserve* for losses before they actually *incur* them. For example, if a mortgage is 90 days late, a bank may post a loss reserve for that home. The loss is often incurred only upon final disposition of the property, at which time, depending on the sales price, the loss reserve was either adequate (no further charge is taken) or a charge (or gain) is taken to reflect the difference between the incurred loss and the previously posted reserve. Assuming loss reserves are close to accurate -- and we believe, after 2 years of huge reserve-taking, they are -- future "losses" should not burden profits going forward as they have already been reflected in past charges.

**4. The Long-Term View for Equities is still positive, because the last ten years have been miserable.**

In March of 2009 we sent to clients our piece entitled “Long-Term Case for U.S. Equities”. That was an especially discouraging time for investors, and therefore a rather fertile period for investment and potential long-term return. While the market has done well since then, we think it is important to put the recent returns in perspective. Below is an updated version of the 173 year chart that shows the 10-year compound annual return of the S&P 500 Index (and its predecessors).



Source: “A New Historical Database for the NYSE 1815 to 1925: Performance and Predictability,” William N. Goetzmann, Roger G. Ibbotson, Liang Peng, Yale School of Management; 1925-Present is Standard & Poor’s data.

For almost the entire 173 years the 10-year return remains in positive territory. In other words, if you had bought stocks, in good times or bad, ten years later you would at least have had a positive return, sometimes anemic, sometimes quite lucrative. There are, however, some rare, unfortunate points at which, even over a ten-year stretch, your returns would be almost zero or even negative. As might be expected, the end of the Great Depression (1938) is one such point. Significantly, by March 2009, the 10-year return reaches an historic low (worse than 1938). If you had invested in the S&P 500 Index in March of 1999, you would have lost, on average, more than 3% annually ten years later. And, the last six months of wonderful performance has only brought the ten year annualized return back to zero. There are enormous problems in the economy and the world at large right now, but the same was true in 1938 and 1976 (similar low points in equity returns). High pessimism and initial stages of a recovery do make a promising ground for *long-term* investing.

We appreciate your support, and we look forward to reporting back to you at the end of the year.

**Grisanti Brown & Partners LLC- Adviser to the Grisanti Brown Value Fund**

*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](http://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 September 30, 2009 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.

Past performance is no guarantee of future results. All investing involves risk, including the possible loss of principal. 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 September 30, 2009

<b>Ticker</b>	<b>Security Description</b>	<b>Percentage of Market Value</b>
BAC	BANK OF AMERICA CORP.	6.4%
FISV	FISERV INC.	6.4%
HPQ	HEWLETT-PACKARD	5.6%
CB	CHUBB CORP.	5.5%
PFE	PFIZER	5.1%
SCHW	SCHWAB (CHARLES) CORP.	4.7%
WMB	WILLIAMS COS INC.	4.7%
AXS	AXIS CAPITAL	4.7%
WAG	WALGREEN CO	4.6%
WEN	WENDY'S/ARBY'S GROUP	4.5%

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\* Holdings are subject to change