

Fourth Quarter, 2005

We are excited to welcome you to the SteepleView Fund. We are hopeful that your investment during our inaugural quarter will serve you well in the coming years. As you know, the SteepleView Fund was created to be able to offer a mutual fund with the same investment style and disciplines used in the management of our separately managed accounts. What follows is a description of the market actions and portfolio decisions we made over the course of 2005. Some of these portfolio descriptions detail actions taken prior to the launch of the SteepleView Fund on October 21, 2005. However, the general discussions of the stocks recently acquired and currently in the portfolio generally apply to the SteepleView Fund as well.

In 2005 slow but steady won the race. Investments in a broad number of industries, but especially value sectors like energy, construction and metals, led to strong gains, outpacing the S&P 500 Index, which was up 4.9%. Other market measures were also mediocre, with the Dow Jones Industrial Average down 0.6% for the year, its smallest change since Calvin Coolidge was president.

King Solomon once said “There is nothing new under the sun,” and we think that 3000 year old proverb contains some investment wisdom (probably unintentionally). Many people continue to insist that the best way to buy stocks is to predict significant changes in the business world, get ahead of the curve and invest accordingly. For example, if you could forecast the latest advances in technology, healthcare or communications, you could buy shares in the companies that create them before other folks catch on. We do not deny that substantial amounts of money can be made by doing that. (There are, after all, a lot of happy Google shareholders, at least for the moment.) We would claim, however, that King Solomon had it right, and that there is a lot *less* change going on than people realize. And even when there is true change, forecasting invest-able shifts in the business world is extremely difficult, investing on such predictions is exceedingly risky, and by the time some wonderful idea makes it through venture capitalists and other insiders to the public marketplace, so many folks have capitalized on it that, as the saying goes, not much juice is left in that lemon. Instead, over the years our most consistent way of making money has been to identify instances in which investors *wrongly perceive negative long-term change*, while in reality they are witnessing only temporary dislocation. We spend a lot of time analyzing industries and companies that have fallen out of favor, assessing whether circumstances have genuinely gone to hell in a handbasket, or whether the market is being overly pessimistic. This year, stocks in the Steepleview Fund like **Hewlett Packard, CVS, and ACE Limited** performed well because they continued to execute on their business plans, and the market greatly overestimated what turned out to be, in each case, a temporarily unfavorable business environment.

A broader example of how we try to make money by betting that the world remains the same occurred in early 2003. At that time we invested heavily in hard asset categories like oil, gas, steel, iron ore, refining, coal and chemicals. The opportunity arose because investors were giving credence to the deflation stories that were circulating

at the time, causing these companies to sell at deep discounts to their true value. The early 2003 talk of deflation represented a daring prediction by many investors of how the future would differ from the past of the last 70 years. That view led them to strongly discount the value of hard assets, and it proved to be incorrect. Our view of the future was considerably less bold. For a variety of reasons at the time -- higher gold prices; sudden, large budget deficits; imminent war; and a declining dollar -- we thought the more likely scenario was a return to the moderate inflation of the past generation. In such a pricing environment, which in fact did occur, these stocks were substantially undervalued. And sometimes, frankly, we get lucky and the world does not just return to normal but overshoots the mark, as was the case with the oil and gas stocks. We believed oil was too cheap at \$18 a barrel, but never in our wildest dreams did we predict it would sell at \$70.

We prefer to take the lower risk route in most cases by predicting that the *status quo ante* will return. But there are strong exceptions to this general guideline, as any fan of the record player, the ocean liner, the facsimile machine or the blood-sucking leech will tell you. The world does change in startling ways. One wonderful example in this regard was an October news piece about the massive immigration *into* Ireland, which is experiencing severe labor shortages in the lower paying service sector. Poles and Lithuanians comprise most of the influx, which is estimated to be 10% of the entire population within the decade. For those of us with Irish ancestors, it is strange to think that “Irish Need Not Apply” now means the job just doesn’t pay enough.

We have two investments in this ‘Brave New World’ category -- cable stocks -- that depend for their success on a world that is changing. Both **Time Warner** and **Comcast** are in the Steepleview Fund because we believe people will communicate and be entertained differently than before. The thesis depends on people desiring high-speed internet access and changing their phone service to cable-based lines. Even the generation-old cable television service will be considerably different. More than 1000 channels instead of 30, movies on demand, high definition television, and digital video recorders (like TiVo) will change the way people are entertained. Our two investments should benefit directly from these shifts, but as we mentioned, investing on the expectation of change rather than a return to business as usual is a difficult proposition. These stocks so far have been mediocre performers, as the change appears to be coming only slowly. For now we remain convinced of our thesis and will stay the course.

Unlike the cable stocks, our new purchases in the fourth quarter were predicated on the idea that the market has wrongly predicted change for the worse. The best example of this is our recent purchase of **Dell Computer**. Because of market fears that the global PC business is maturing and slowing, shares of Dell have reached a nine year low in valuation. While we agree that U.S. computer growth is slowing to single digits, we also believe that United States stock analysts are too locally focused and do not fully appreciate the continued long-term growth prospects of foreign markets, especially in Asia. Almost one out of every five computers sold in the world is a Dell, far outdistancing its closest competitor. The stock was down almost 30% in 2005, but we believe that market pessimism about a changing PC environment presents an opportunity

to buy shares of a company whose business remains fundamentally sound for the long term. In short, we believe the stock will perform well if the world remains the same.

Two other purchases in the fourth quarter, **Cimarex** and **American Standard**, combined with Dell to use much of the SteepleView Fund's idle cash. Again, these are both bets that current trends remain in place. In the case of Cimarex, a middle-sized, domestic oil and gas company, the company made an acquisition in the middle of the year that prevented it from enjoying the stock appreciation of its peers. Now it is selling well below its intrinsic value, even if oil prices stay where they are now and do not continue their steep ascent. American Standard is a company selling at a large discount to its historical valuation, due to a belief that the business environment for its bath and kitchen segment has dramatically worsened. We believe such fears are overstated, and that the company is easily separable into three parts, the sum of which greatly exceeds the current share price.

The market remains in transition, as it has for the last six months, although now we see the destination from here. We continue to reduce our hard asset exposure, and the purchase of stocks like Dell and specialty chemical maker **DuPont**, and the increase of our position in **Microsoft** show that larger companies with stronger growth profiles are now selling more cheaply than middle-size, asset-laden companies. This is a big shift from the market environment of three years ago. Our low cash position should fluctuate in the first quarter as more asset-based companies are sold. We continue to look for additional names in the financial sector, because as interest rates peak (sooner or later), we believe these companies will perform strongly. However, these stocks are just not as cheap as they were at the top of the last interest rate cycles in 2000 or 1994 and we will remain disciplined in this regard.

All in all, we are pleased with our performance in 2005 and specifically with the performance of the SteepleView Fund since its October 21, 2005 inception. What keeps us up at night, ironically, are those stocks that have performed best and are approaching full valuation. We will continue to employ quantitative sell targets, based on cash flow, earnings or asset value (depending on the investment), and will remain focused on taking profits in sectors that are popular for the moment. If the sales of some of our winners strike you as premature, they probably are. (To quote Bernard Baruch, "I've made a lot of money selling too early.") But discretion is the better part of value, and we look forward to exercising similar restraint in 2006.

*For the period ended December 31, 2005, the SteepleView Fund's since inception performance was 5.08% (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. Current performance may be lower or higher than the performance data quoted. For the most recent month end performance, please 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 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 December 31, 2005, and may not reflect their views on the date this letter is first published or at anytime thereafter. This publication contains a broad discussion of investment techniques and methodologies that Spears, Grisanti & Brown, LLC, the Investment Adviser to the SteepleView Fund, has utilized over the past year in managing the firm's other investment products. 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.

The top 10 holdings of the SteepleView Fund as of December 31, 2005 were:

CLF	Cleveland Cliffs	6.82%
UNH	UnitedHealth Group Inc.	5.87%
HPQ	Hewlett-Packard	5.64%
KRB	MBNA Corp.	5.48%
DD	DuPont (E I) de Nemours	5.44%
FNM	Fannie Mae	5.29%
TWX	Time Warner Inc.	4.87%
FWLT	Foster Wheeler Ltd.	4.87%
HON	Honeywell International	4.83%
LLY	Eli Lilly & Co.	4.40%

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