

*To be interested in the changing seasons is a happier state of mind than to be hopelessly in love with Spring.*

-- George Santayana

Don't get us wrong. We like Spring just as much as the next bunch of financial analysts. The forsythias and the daffodils are already brightening the muddy paths in Central Park, the summer tourists are not yet crowding Fifth Avenue, and the Christmas ones are gone. Only the crustiest contrarian could fail to love New York in the Spring. Santayana, though, was underscoring the downside of being too enamored of any one environment, no matter how wonderful it appears at the time. We agree, and want to focus attention on the change we perceive occurring in the market and in the Fund, and why we think it is so important. We anticipate a valuation shift that threatens the price of certain, long-held equities, while potentially rewarding new investment in others. If we remain 'hopelessly in love' with what has worked so well in 2004 and 2005, the Fund runs the risk of holding assets far beyond their prime. Who, after all, wants a vase of faded forsythias in October, as the maple leaves burn orange and red?

The market had its best opening quarter in six years. More importantly, the Fund performed well in the period, but the performance in both cases was driven by continued appreciation of companies that rely on hard assets and inflation. Reminiscent of 1999, when high-priced technology stocks continued to climb, the first quarter featured continued appreciation by groups that have outperformed for three years now. The two best performing sectors in the U.S. were precious metals (up 52%) and steel (up 44%). Copper stocks, railroads and construction firms continued to exceed record valuation levels. Interestingly, one group that did not perform as well this quarter was Oil and Gas, with returns that underperformed the market. This may seem strange, as underlying energy prices remained quite strong. To us, though, this is an example of the old adage that no investment is so good that it can't be ruined by a high enough entry price. As we have written in the last two letters, the euphoria surrounding energy equities -- leading to three- and four-fold appreciation in some cases -- can't be a good thing from here for long-term investors. For this reason we have reduced energy exposure in the portfolios to approximately 12%. In one of the more significant investment debates of this decade, we are siding with those who believe that the lion's share of the gains have already been made in the energy sector. To put it another way, the days of throwing a dart at a list of energy stocks with the virtual certainty that you will come away a winner is over. The energy companies that remain in the Fund each have a specific investment thesis *other than* merely the high price of oil and gas.

As hard asset investments increase in price their attractiveness as part of the Fund decreases for two reasons: First, by simple mathematics they are closer to their 'fair value' and thus have less appreciation potential. The second, often over-looked, but perhaps more important reason is that appreciation increases risk. For example, as the price of Fund holding **Encana** (a large Canadian energy company) has risen to \$55, the risk of absolute loss increases dramatically. This is especially true for investments that rely on hard assets like oil and gas, because there is little secular growth to drive stock

performance if the underlying commodity price declines. Most oil and gas firms won't extract much more energy from the ground this year than they did in 2005. The stocks are up significantly only because the price of each barrel of oil or cubic foot of gas is much higher than it was three years ago. Contrast this with Dell Computer's or Intel's business model, in which the price of the computers or semiconductors has steadily declined for more than a decade, but the secular growth of computer usage and semiconductor technology has overwhelmed (at least to date) the price declines. We are not advocating pure "growth investing", and there are numerous reasons why technology (or other growth fields like communications or pharmaceutical) stocks may not be good investments right now. But all other things being equal, there is a greater chance that a poorly-timed investment can be saved over time when the underlying company is in a growing industry as opposed to a firm that relies on commodity price hikes to increase its share price.

This principle has had a direct effect on the Fund this quarter. We continue to reduce our reliance on hard asset names, including **Cleveland Cliffs**, the iron ore miner, and **Foster Wheeler**, the construction giant. While we see no clouds in the sky there, Foster Wheeler is obviously not the bargain it once was. While not an asset story, we have also sold our remaining shares of **CVS**, the drugstore chain, a successful investment that is now selling at nearly 20 times earnings (also known as the price/earnings ratio, which is the value of a company's stock price relative to company earnings.).

Recognizing that hard asset investments are approaching full value and taking profits is only half of the transition. The more difficult decision is how to redeploy the money. The answer for us has always been found in bottom-up analysis of individual companies. When we assert that hard asset stocks are "expensive", it's not simply because they have gone up in price. They are expensive because when we compare the cash those companies can produce over the long term -- the measure of worth of any business -- to the price we are required to pay for it, we get too little return on our investment. On the other hand, partially because investment dollars are being siphoned away from other areas and into hard asset businesses, we are finding other companies that are historically inexpensive. (Ironically, hard assets have been such a great investment at least in part because in 1999 and 2000 money was being drawn into technology and communications, leaving hard assets high and dry and cheap.)

Not surprisingly, many of the businesses left behind are the antithesis of hard asset firms. Some are financial companies where the specter of inflation and accompanying higher interest rates has driven shares prices lower. We have increased the financial exposure in the Fund to approximately 27%, and we suspect the weighting may go higher. Although the timing is always difficult to predict, we know that these companies are out of favor and historically have reacted in tandem with interest rates. In short, you want to own them before interest rates peak.

One such company is **Washington Mutual (Wamu)**, the country's largest savings and loan, whose shares we have owned successfully in the past. The company is selling at the same share price as it did five years ago, and near a ten-year low price-to-book valuation (price to book valuation is the ratio of a stock's latest closing price

divided by its book value per share. Book value is the total assets of a company minus total liabilities). In addition, the stock pays a 4.6% dividend, about the same as the current yield on a ten-year U.S. Treasury bond. The reason the stock has underperformed lately is its reliance, like most savings and loans, on mortgage income. As interest rates rise, and as the market worries about a potential housing bubble, the stock has dropped. Investors worry that defaults will rise and the spread between the interest rates that Wamu has to pay to borrow (in the form of deposits) versus what it can earn by lending (as a mortgage) will narrow. Some of this is true, but we feel the issues holding down the stock are overblown, and will fade during our three-year investment horizon. Credit remains strong, interest rates seem to be nearing a peak, and Wamu is as cheap as it's been in ten years. Given the strong dividend, we think this is a compelling investment.

As we mentioned in our last letter, another group of companies that appears inexpensive to us are certain fallen growth businesses. This category would include new additions to the portfolio over the past six months that we have discussed in previous letters: **Dell Computer**, **American Standard** and even **DuPont**, where genetically engineered seeds are now the largest source of profit.

So, out with the old and in with the new, an especially arduous task when the 'old' has treated us so well. We do not know yet if this transition will bear fruit, and we probably won't find out for several quarters or even a year or two. But we do believe that remaining enamored of Spring, in the words of George Santayana, will not serve us well when autumn arrives.

We have had some developments at the firm that we believe will increase the effectiveness of our business, including the appointment of a new Chief Compliance Officer, the first time we have hired someone solely to fill this role. Susan Grant is a compliance lawyer who has worked in the field for over 20 years, and we are thrilled that she is joining us. As always, we appreciate your support and look forward to continuing to serve your interests through thoughtful portfolio management.

For the period ended March 31, 2006, the SteepleView Fund's since inception 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](http://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](http://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 March 31, 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.

The top 10 holdings of the SteepleView Fund as of March 31, 2006 were:

HPQ	Hewlett-Packard Co.	6.37%
ACE	ACE, Ltd.	5.51%
FNM	Fannie Mae	5.44%
HON	Honeywell International	5.42%
DD	DuPont (E I) de Nemours	5.27%
UNH	UnitedHealth Group Inc.	5.20%
FWLT	Foster Wheeler Ltd.	5.12%
BAC	Bank of America Corp.	4.49%
TWX	Time Warner Inc.	4.48%
C	Citigroup, Inc.	4.26%

Distributed by Foreside Fund Services, LLC ([www.foresides.com](http://www.foresides.com))