"In the short run, the market is a voting machine,
but in the long run it is a weighing machine."

-- Benjamin Graham, The Intelligent Investor

It is said that the market is driven alternatively by Greed and by Fear. If that is the case, after sleeping peacefully in the backseat for more than four years, in the third quarter of 2007 Fear woke up, knocked Greed on the head, and grabbed the wheel. Awakening fear is caused by an increased awareness of the possibility of loss. This is the normal process of market cycles, as investors have more and more fun, skating out onto thinner and thinner ice. The first cracks go unheard, and then someone falls through.

The problem with the third quarter of 2007 was that the ice kept breaking in places that were unexpected. Wall Street houses, insurance companies, British banks, and (we suspect) many hedge funds will be the surprise losers in this global game of "Time Bomb". It is a game in which a complex debt security -- one which ultimately relies on subprime residential mortgages for its source of repayment -- blows up, and the final holder is the loser.

In previous mortgage crises, the most recent one having been held in 1991, mortgages never really strayed too far from the home they "liened" on. Local financial institutions such as savings and loans or regional banks bore the brunt of the losses. Recall the terrible state of New England banks in the early 1990s. Now, thanks to Wall Street's matchless combination of innovation and greed, mortgage risk has been repackaged a dozen different ways, and is spread all over the globe.[1] The advantage to the current structure is that the financial institutions in one region of the United States do not bear the entire burden of a weakening local housing market. The disadvantage is that, because of the aforementioned advantage, those institutions continue to make loans they probably should not have made, with the knowledge that they can turn around and sell them all over the globe. (More accurately, they can turn around and sell them to Bear Stearns, and Bear Stearns can sell them all over the globe.) As a rule, the greater the distance between those that initially *assess* the risk and those that end up *bearing* the risk, the more chance that the risk gets *wrongly* assessed. Investors being who they are, in good times that risk will be *under*-estimated, and indeed it was.

The current mortgage crisis was brought about by incredibly low interest rates coupled with this innovative, world-wide liquidity. Low rates made mortgages enticing too many marginal home buyers. That produced great additional demand, which of course produced a glut of new homes. Less obvious, but also contributing to the crisis, the same low interest rates that made mortgages attractive were deeply disappointing to fixed-income investors. The relatively higher rates of mortgage-backed securities were more attractive to many investors craving higher yields. It was a classic boot strapping cycle that went on too long and is ending badly.

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[1] In one of many examples, in August the Bank of China created a scare when it reported that it held nearly $10 billion of securities backed by U.S. mortgages, the most of any Asian bank.

The third quarter of 2007 was dreadful for a lot of people. It was terrible if you were in the credit markets; if you owned equities that had financial exposure of any kind. It was rotten if you were a depositor in the wrong English bank; if you were trying to buy your first home and could no longer get a mortgage at any interest rate; or if you were a homebuilder trying to sell a home out of your ballooning inventory. Finally, it was no fun if you were Federal Reserve Chairman Benjamin Bernanke trying to balance a burgeoning mortgage crisis with inflation concerns, while living in the shadow of Alan Greenspan's 'I-told-you-so' book at the same time.[2]

And the third quarter of 2007 was not a particularly pleasant one for shareholders of the Fund either. While the Fund remains up for the year, it suffered in the quarter, pulled lower by financial stocks that are selling at their cheapest levels in 16 years. The Benjamin Graham quote at the top of the letter speaks to the difference between short term emotional trading (the voting machine) and long-term value creation (the weighing machine). Our investment style is based on the premise that long term capital appreciation is what matters, and that is best achieved by buying those well run companies that are out of favor and holding them until the sun shines again on their long-term promise and profitability. Sometimes that happens quickly, but often our investments are subject to the vagaries of the panic-motivated voting machine before they can prove their ultimate value. This quarter, the voting machine decided that almost any financial stock ought to be worth considerably less than it was at the beginning of July. We think, for the reasons laid out below, that the long term weighing machine will judge their prospects differently, and that shareholders, especially from this level, will make a lot of money over the next three years.

In 1999 we pulled back from a roaring technology market. As we wrote at the time about Cisco, selling at over 100 times earnings, "there is no investment good enough that it can't be ruined by a high enough entry price." Cisco was a wonderful, well-run company. It was also way too expensive. To perhaps overstate the obvious: Price matters. The same point may be made today in the financial sector, but in reverse. We are starting to find prices for companies that appear to greatly *overestimate* the risk involved. We understand and can estimate possible losses from exposure to mortgages or other deteriorating financial markets, and we will not minimize or belittle those risks. But we believe that the price of the shares of those financial companies that we continue to own in your portfolio *more than reflect that risk.* With the exception of **Ambac**, the Fund's newest holding discussed below, there is relatively little mortgage exposure in the companies in your portfolio. But the terrible performance of all these stocks has created a powerful opportunity for long-term return.

Take the example of the Fund's largest holding, **American International Group**, a position in the financial sector that we increased during the weak market in August. After spending the day with the company at its headquarters, we concurred that management's execution plans were intact and that the company should earn over $8.00 in 2009. In this terrible market for financial businesses, AIG's earnings estimates have

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[2] Contrary to the cognoscenti's opinion, we found the book to be a great read for those of us who are financial history nerds. Greenspan does a marvelous (if somewhat self-serving) job of explaining the Fed's behind-the-scenes role during events like the '87 crash, the Fall of the Soviet Union and September 11th.

actually *increased*, but you would not know it from the share price, which is down 6% this year. This stock has traded at an average price/earnings ratio of 13.3 for the last 20 years. At less than 10 times next year's earnings, it has not been this cheap since 1991. It continues to be rated AA by S&P, and it has very little exposure to the mortgage market.[3] If over the next two years AIG returns to its average price/earnings ratio, the stock will sell at $106 (13.3 times $8), a 58% return from current levels. AIG is a complex business that does not lend itself well to a brief explanation, but it is worth offering a synopsis: Roughly 45% of earnings come from property casualty insurance (30% domestic and 15% international), 40% from life insurance (15% domestic and 25% international), 9% from asset management and 6% from financial services. In March 2007 AIG stated that it believes it has excess capital of between $15 and $20 billion or roughly 10% of the market capitalization. It has instituted an $8 billion share repurchase program, of which $5 billion will be deployed in 2007, and pledged to increase its dividend 20% a year for "the foreseeable future." Additionally, the CFO stated that "the overall returns on capital will in our view be considerably increased" after the capital allocation plan is implemented. We believe all this means that the company should be able to produce a return on equity of 20%. Using the current book value, that would soon translate into earnings close to $8 per share which is significantly higher than the $6.70 that analysts expect AIG to earn in 2007. The insurance business in the sectors that AIG competes in remains strong. While owning this stock hurt the Fund in the third quarter, we think our collective patience will be rewarded.

In addition to adding to names unfairly tarnished with the mortgage brush, there are companies that have mortgage exposure that we think is manageable. One of those is **Ambac**, which we purchased in late August *after* it had plunged over 30% in the preceding two months. Ambac guarantees the debt obligations of less creditworthy entities, especially municipalities, so that they can offer AAA debt, and pay a lower interest rate to their creditors. If Bridgeport, Connecticut, for example, wants to borrow money to build a sewage treatment plant, but its BBB rating will mean 5% payments on its bonds, it might have Ambac insure them, making them AAA. Bridgeport would then pay only 3.75%. The 1.25% savings can means tens of millions of dollars over the life of the obligation. Ambac of course collects a fee for this service. In times of financial stress (like now), business actually improves and guarantee fees rise because the value of the AAA guarantee is higher in uncertain times. The stock is down because Ambac has also insured certain issuances of mortgage backed securities. The analysis of these guarantees and the underlying mortgage backed securities is incredibly complex (in fact, it represents the most complicated analysis we have ever undertaken on a portfolio investment). We will spare you the excruciating details, but we are comfortable that the MBS issuances the market is most afraid of will not result in material losses to the company. Over 40% of the subprime mortgages that Ambac insured would have to go into liquidation in order for Ambac to be obligated to pay any amount under its guarantees. The worst level of subprime defaults prior to this cycle was roughly 15%. We expect this cycle to peak at a record 18-19%, but we know of no one who is

[3] Its only mortgage exposure comes via a small mortgage insurance subsidiary that is experiencing "unprecedented losses", according to company management, but the earnings (or losses) generated by the small division are immaterial to the larger earnings picture of the $173 billion market capitalization company.

predicting anywhere near the level of defaults that would result in liability to Ambac. Defaults that would lead to Ambac's liability would exceed the default rate experienced during the Great Depression. To put it rather flippantly, if we reach those default levels, Ambac will be the least of anyone's problems.

Financials represent a third of the Fund's holdings, but more than half of this investment is in insurance and asset management, not lenders. And of course two-thirds of the portfolio remains outside the financial sector. Besides Ambac, our other new purchase in the quarter was **Dynegy**, the 4th largest Independent Power Producer (IPP) in the United States with 20,044 megawatts of power capacity. IPPs typically own unregulated electricity generating assets in deregulated markets in the US (and around the world). Our interest in the shares was sparked by two factors. First, power supply in the United States is extremely constrained and demand continues to escalate. While many power plant expansions have been announced, they face difficult permitting procedures and increasing concern about carbon emission standards and take years to bring on line. In this environment, we strongly believe Dynegy's existing plants will increase in value over time. Second, we calculate Dynegy's shares are selling at a substantial discount to our replacement or " assets-on-the-ground" valuation, which we estimate at between $14 to $18 per share (or 65% above Dynegy's recent market price). This continues the infrastructure theme in the Fund represented by stocks like **Foster Wheeler** and **KBR**, which have already performed well.

Companies in a mostly efficient marketplace generally do not fall out of favor for frivolous reasons. Currently, financial stocks are suffering because there are serious issues in the housing sector. Yet with proper research this is the atmosphere in which to find excellent companies at discounted prices. Our goal is to produce superior returns over the long term, and while we do not like to underperform in any given quarter, we are neither surprised nor worried.

We cannot promise that this coming quarter will be wonderful, but we can assure you that we have not changed our goal of delivering superior returns by picking out of favor stocks. In closing, we remember another quote by Benjamin Graham, father of value investing: "It would be rather strange – with all the brains at work professionally in the stock market – there could be approaches that are both sound and unpopular. Yet our career and reputation have been built on this unlikely fact."

Christopher C. Grisanti	Vance C. Brown	Jared S. Leon
Portfolio Manager	Portfolio Manager	Portfolio Manager

Grisanti Brown & Partners LLC- Adviser to the SteepleView Fund

For the period from its inception date of October 21, 2005 through September 30, 2007, the SteepleView Fund's performance was +12.37% (annualized). Also, performance for the one year period ended September 30, 2007 was +12.20%. *Past performance is not indicative of future returns. Investment returns will fluctuate so that an investor's shares, when redeemed, may be worth more or less at redemption than their original cost. Current performance may be higher or lower than the performance data quoted. Periods shorter than one year are unannualized. For performance current to the most recent month-end, please visit our website at www.steepleviewfund.com or call 1-866-SPL-VIEW. As stated in the current prospectus, the Fund's gross operating expense ratio is 1.67%. The Fund's adviser has agreed to voluntarily waive a portion of its fee and/or reimburse expenses such that the total operating expense ratio does not exceed 0.99%.*

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.steepleviewfund.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 September 30, 2007 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.

Top 10 Holdings

as of September 30, 2007

Ticker	Security Description	Percentage of Market Value
AIG	AMERICAN INTERNATIONAL GROUP	7.55%
HON	HONEYWELL INTERNATIONAL	6.22%
FWLT	FOSTER WHEELER LTD	6.02%
WM	WILLIAMS COS	5.93%
KBR	KBR INC.	5.66%
FNM	FANNIE MAE	5.40%
ADM	ARCHER-DANIELS-MIDLAND	5.38%
ASD	AMERICAN STANDARD COS INC.	4.73%
LM	LEGG MASON	4.72%
HPQ	HEWLETT-PACKARD	4.62%

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