

COMMENTARY

2009 was a tale of two markets. For most of the first quarter, the stock market continued the decline precipitously. The Russell 2000 Growth Index (Russell 2000) bottomed on March 6th at a low of \$190.78 and then rose 45% in the next eight weeks to close at \$277. For the entire second quarter, the Russell 2000 rose 23.38%, closing June 30th at \$285.18. Unfortunately our fund did not keep up with the Russell 2000 Growth Index in 2009. The fund was positioned in a fairly defensive manner as we went into the year: we had a significant weighting in healthcare and we were focused on companies that had very predictable earnings growth. As the market turned in mid-March our fund was still fairly defensively positioned and as such lost substantial ground as the market roared back in the April May time frame. While we had begun to move to a more “procyclical” tilt as we began to see “green shoots” emerging from the 18 month recession that gripped the world and the fundamentals of many industries looked like they could start to improve, quite frankly we did not do it quickly enough and therefore missed most of the six to eight week rally. That rally was quick enough and powerful enough that missing most of it was of great detriment to the fund for the entire year. Why did we miss it? While our process is anticipatory, it is at its heart fundamentally based. While we do not need to see evidence of improvement, we do need to see signs that things can begin to improve before we are comfortable changing our investment tilt. In this case, the stocks seemed to move before it was apparent that things could be getting better, which was a bit problematic for our investment style. Additionally, the greatest move occurred in what we term the liquidity or solvency trade: those companies most close to bankruptcy or whose balance sheets were most impaired, rebounded the most. There were numerous small cap companies with severe fundamental business risks that became extremely depressed during the downturn, as many investors question whether they would survive. These low quality companies rebounded sharply as the ensuing economic recovery took hold, essentially saving these companies. Those kinds of companies are not names in which we would invest in given our investment discipline. During that initial rally we lost substantial performance in the industrials, healthcare, materials, and financials sectors that we simply couldn’t make up the rest of the year. From June on, when the fund was positioned offensively, and the solvency trade ran its course, the market started paying attention to fundamentals more than anything else, our fund started to outperform the benchmark. While the second half of the year showed much improved performance relative to the benchmark, we entered that period with enough of a deficit that we were not able to make up all of the difference between ourselves and the benchmark. We positioned the fund to take advantage of early cyclical market forces, and as such we started to gain back performance by being overweight the technology, consumer discretionary, and energy sectors for the majority of that time frame, a position we still employ today.

While 2009 proved to be a frustrating year for us, we did have some things that went right. Among our stronger contributors to returns during the year were SXC Health Solutions Corp., which saw strong returns due to a transformational acquisition it made early in 2009; Green Mountain Coffee Roasters, Inc., which benefitted from strong adoption of its K-Cup single use coffee systems, Brigham Exploration Co., a smaller exploration and production company which is transitioning for a gas-focused company to an oil-focused company, and LuluLemon Athletica, Inc. , which experienced a strong rebound in demand for its yoga and sports clothing as consumer spending began to pick up.

Among the top ten losers for 2009 we number four healthcare names: LHC Group, Inc., Biomarin Pharmaceutical, Inc., Thoratec Corp., and athenahealth, Inc.. All of these companies suffered more from a general selloff in the group in the wake of Obama’s election and strong focus on healthcare reform, as opposed to any specific fundamental issues.

Our overall outlook for the market for 2010 is mildly positive. We believe we will continue to see positive Gross Domestic Product (GDP) growth which will be somewhat offset by high unemployment, slower state and local government spending, and federal policies that could have a slightly dampening affect on growth (such as raising taxes). Thus, we believe that although nominal GDP will look strong, the recovery will feel a bit like the one in the early 1990s—very slow and somewhat tentative. We have focused on particular companies and themes that we believe will do well even if the economic recovery is anemic. We remain slightly overweight in the consumer sector, focused on companies that have true growth prospects because of their small size and unique product offerings, such as J Crew, Inc. and LuluLemon Athletica, Inc.; companies that are transforming themselves due to new management, such as Chicos FAS, Inc. and companies, such as restaurants and sporting goods companies, which should benefit as employment stabilizes. We are not factoring into our analysis a pickup in consumer spending, as we believe that will remain muted for at least the next several years as the consumers repair their balance sheets. We have increased our weighting in healthcare slightly, and will look to continue to do so opportunistically, as we believe that as more clarity emerges with regards to healthcare reform sentiment will become less negative and investors will focus on identifying winners and losers in reform as opposed to avoiding the group entirely.

Our biggest over weights are in energy and information technology sectors and our biggest under weights are in consumer staples, financials and industrials sectors. We view energy, material and industrial sectors as a group and if treated as a group we are equal weight those sectors. Our underweight in industrials/overweight in energy and materials stems from the fact that many of the companies in the industrial space are tied to housing and construction in some way, shape or form and we are not positive on that sector at this time. Within those three sectors (energy/industrials/materials) we have a strong focus on rebuilding the energy infrastructure through developing the smart grid and furthering clean energy, as well as a focus on global growth. In the technology sector we are focused on several major themes: high value added semiconductors, as we believe semiconductor usage is at the beginning of a secular uptrend, given the smart phones, Windows 7, pc upgrade cycle, increasing use in autos and clean energy, and servers/storage/telecommunications as we move to cloud computing. Cloud computing is another very strong theme that we believe will be a major focus of corporate spending, as it has the potential to significantly lower IT costs. While we are currently underweight in financials, we expect to increase our weighting in that sector as we move through the year. The first phase of the Great Bank Bailout, we believe, was saving the mega banks, which according to analysts' estimates account for as much as 50% of the lending in this country. We believe the second phase will be the focus of regulators in 2010, and we call it "Rebuilding the Core" (or the middle). This will be very similar to what occurred after the Savings & Loan collapse in 1990-1991: the FDIC will force consolidation of the banking system by closing "bad banks" and merging them into stronger banks, creating larger and stronger entities—in effect, rebuilding the major regional sector of the banking system, which had all but disappeared in the last few years. We view rebuilding this sector as key to the stability of the economic recovery—as that sector gets rebuilt, they will be in a position to lend, particularly to smaller and mid sized businesses, which will eventually lift employment prospects. More importantly for your portfolio, we believe that out of this will come some financial companies that will have very strong prospects for renewed growth. We will be closely monitoring this sector for opportunities as we move through the year.

We are growth investors; the major risk to the portfolio in 2010 that we see at this point would be that the economy slips back into recession. If our view is accurate, that will not happen. While the recovery will be enough to sustain the market, corporate profit growth, while good, will not be strong enough to lift all stocks equally. That implies that 2010 could be a stockpicker's market, which should be a better backdrop for our investment style than the 2008-2009 environments.

Sincerely,

Mary Lisanti, CFA

President & Portfolio Manager

The Fund invests in smaller companies which 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. Growth stocks emphasize companies that are believed to offer above-average prospects for capital growth due to their strong earnings and revenue potential. Growth stocks tend to offer relatively low dividend yields.

The Russell 2000 Value Index measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2000 Index is an unmanaged index which measures the performance of 2,000 companies that are between the 1,000th and 3,000th largest in the market. One cannot invest directly in an index.

The Fund's top ten holdings as of 12/31/09 were: Brigham Exploration Co. 2.39%; Aegean Marine Petroleum Network, Inc. 1.89%; Compellent Technologies, Inc. 2.24%; BE Aerospace, Inc. 1.74%; Lululemon, Athletica, Inc. 2.08%; Rosetta Resources, Inc. 1.59%; Salix Pharmaceuticals Ltd. 1.99%; SXC Health Solutions Corp. 1.59%; Rackspace Hosting, Inc. 1.94%; and, Horsehead Holding Corp. 1.58%.

Before investing, you should carefully consider the Fund's investment objectives, risks, charges, and expenses. This and other information is in the prospectus, a copy of which may be obtained by calling (800) 441-7031 or visiting the Fund's website at www.ahlisanti.com. Please read the prospectus carefully before you invest.

The views in this letter were those of the Fund manager as of December 31, 2009 and may not reflect her views on the date this letter is first published or anytime thereafter. These views are intended to assist shareholders in understanding their investments in the Fund and do not constitute investment advice.