

# Adams Harkness Small Cap Growth Fund

CUSIP  
349903229

NASDAQ TICKER  
ASCGX

## PERFORMANCE SUMMARY (as of 06/30/10)

Calendar Year	2Q	YTD	1 Year	3 Year	5 Year	Since Inception (02/27/04) (annualized)
Adams Harkness Small Cap Growth Fund	-8.98%	-0.21%	20.73%	-9.93%	-0.93%	0.17%
Russell 2000 Growth Index	-9.22%	-2.31%	17.96%	-7.54%	1.14%	1.66%

Performance data quoted represents past performance and is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than original cost. The Fund's return assumes the reinvestment of dividend and capital gain distributions. For the period reported, some of the Fund's fees were waived or expenses reimbursed; otherwise, total return would have been lower. As stated in the current prospectus, the Fund's annual operating expense ratio (gross) is 4.01%. Shares redeemed or exchanged within 30 days of purchase will be charged a 1.00% redemption fee. Returns greater than one year are annualized. For the most recent month end performance, please call (800) 441-7031 or visit the Fund's website at [www.ahsmallcap.com](http://www.ahsmallcap.com)

The recent growth rate in the stock market has helped to produce short-term returns that are not typical and may not continue in the future. Because of ongoing market volatility, fund performance may be subject to substantial short-term changes.

## Commentary

### INVESTMENT OBJECTIVE

The Fund seeks maximum capital appreciation.

### Investment Process

Our decision making process is both dynamic and disciplined. It combines sound fundamental judgment with time-tested methodology as we strive to deliver significant alpha to our clients. The key elements of our process are:

Position early in the highest-potential emerging growth companies. Through database screening and fundamental analysis we winnow down the field of small growth companies.

Use themes in portfolio construction to focus and concentrate: Combine top-down market perspective with bottom-up analysis to optimize stock selection and concentrate in the driving investment themes which offer long term opportunity.

Employ a strict sell discipline: We consider the sell decision critical to small cap growth performance. Small changes on the margin in a company's strategic direction can have a big impact on earnings—the Fund's goal is to identify and decipher those clues.

We invest in 90-110 names, with top ten positions comprising no more than 30% of the portfolio. Our goal is to buy a 0.5% to 1.5% position, let our winners run to a bit over 3.0%, and cut our losses early. We maintain a strict p/e to growth valuation discipline.

The second quarter of 2010 saw a significant and quick shift in investor sentiment. April started off strongly, but soon gave way to a myriad of worries that are still plaguing the market today. In late April the market started to sell off over concerns that Greece, Portugal and Spain and their fiscal problems were going to lead Europe into an economic spiral. Next, China's orchestrated economic slowdown had investor's attention, and then came BP's oil spill which made investors wonder how badly the Gulf Coast was going to be economically impacted. By June, everyone started to wonder if the global economic recovery currently underway was going to give way to an economic "double-dip". Due primarily to strong stockpicking, the Fund outperformed the Russell 2000 Growth Index for the quarter, though absolute performance was negative.

As you know, our discipline is to focus on companies that have the strongest earnings prospects, driven in part by secular trends (which we call themes) and also in part by internal events such as strong new product cycles. Companies of this type, we believe, should be able to drive earnings growth despite economic headwinds or mounting concerns over the direction of policy, particularly when these concerns are more global than domestic in nature. Having said that, the most economically sensitive sectors did suffer the most in the quarter, and our healthcare holdings fared the best in the second quarter. Some of this was sector rotation to less economically sensitive sectors, but again, the biggest factor was stock selection. Our healthcare holdings accounted for the majority of the outperformance in the quarter. Our biggest detractor for the quarter was our consumer discretionary holdings, which was our largest overweight sector within the portfolio. Both the overweight and the underperformance were due, we believe, to the fact that the sectors had had outstanding performance in the first quarter and were hit with profit taking during a tough tape in the second quarter. Our technology holdings also pulled back and caused some minor underperformance as many investors sold this group due to its economic sensitivity; concerns about Europe and China created some earnings worries within the semiconductors for the back half of 2010, but again, stockpicking helped to mitigate the damage.

While we believe a double dip will be avoided, this could be a very slow recovery. This implies that earnings growth might be a bit harder to come by in the coming quarters; it also implies that those companies that can grow earnings will likely receive premium valuations. Thus, we continue to see a stockpicker's market. We see many companies among the smaller growth company universe that have strong prospects for growth despite "slow" GDP growth, due to particular internal events such as strong product cycles, acquisitions, new managements, etc. and thus we believe that we can continue to find stocks that have the potential to outperform the broader general market.

Currently, we are modestly overweight consumer and technology; our healthcare weighting continues to increase (partly due to historically good performance) and we anticipate being modestly overweight healthcare. Our underweights continue to be financials, energy, and industrials.

The biggest risk to our investing strategy appears to be a severe, broad based, global economic downturn such as we witnessed in the 2008-2009 timeframe. At the current moment, we do not see that as a likely outcome.

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. Please read the prospectus carefully before you invest.



AH Lisanti Capital Growth  
Investing in Growth

228-FS-0610

**CURRENT THEMES:**

- The Greying of America
- The Biotech Revolution
- Productivity Enhancement
- The Ubiquitous Semiconductor
- The New Consumer
- Managing the Information Age
- America's Changing Leisure Time
- Life in an Uncertain World
- ReEnergizing America
- The Global Industrial Renaissance
- The New Healthcare Paradigm



**Mary Lisanti, CFA**  
Portfolio Manager

**EXPERIENCED**

Mary Lisanti founded AH Lisanti Capital Growth in 2003. She has over 32 years of financial markets experience. With a particular expertise in small growth companies, she is a veteran of several small cap and market cycles. Ms. Lisanti is a Chartered Financial Analyst and received her BA with honors from Princeton University. The AH Lisanti investment team has over 70 years of experience.

**FOCUSED**

Small cap growth is AH Lisanti's only product. The firm employs the process that Ms. Lisanti has used for over 14 years in managing small cap growth portfolios for major institutions. Each member of the four person investment team specializes in several sectors, so that deep domain expertise is developed and maintained. We are independent researchers—we kick the tires ourselves and develop our own dialogues with a company's management team.

**FLEXIBLE**

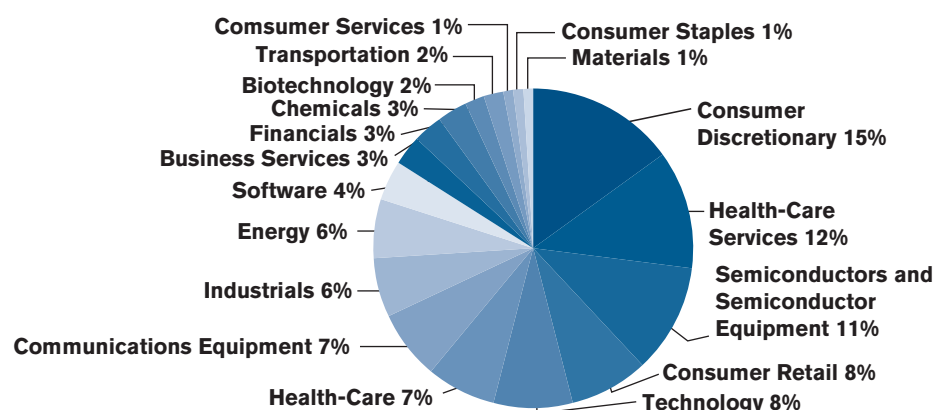
Our small group enables us to be adept at identifying key themes early. Buy and sell decisions are made by Ms. Lisanti—she can quickly respond to changing company dynamics and market conditions.

*Fund Facts*

	<b>Fund</b> (as of 06/30/10)	<b>Russell 2000 Growth Index</b> (as of 06/30/10)
Average Market Capitalization (\$ Billions) <sup>1</sup>	\$1.26	\$.98
Price-to-Earnings Ratio (forward) <sup>2</sup>	22	16.2
Beta (1-year) <sup>3</sup>	1.46	1.31
EPS Growth (current year) <sup>4</sup>	92%	26%
EPS Growth (1 year forward) <sup>4</sup>	38%	25%
Number of Stocks	99	1,291
Expense Ratio	4.01%	N/A
Fund Net Assets (\$ Millions)	\$11.26	N/A

Source: William O'Neil, Advent Axys 3.6, Mellon Analytical Solutions

*Sector Allocation (06/30/10)*



*Top Ten Holdings (06/30/10)*

Polypore International, Inc.	2.68%	Riverbed Technology, Inc.	1.93%
SXC Health Solutions Corp.	2.49%	Aruba Networks, Inc.	1.88%
Thoratec Corp.	2.30%	Lululemon Athletica, Inc.	1.81%
Acme Packet, Inc.	1.97%	Cavium Networks, Inc.	1.81%
Salix Pharmaceuticals, Ltd.	1.95%	Rubicon Technology, Inc.	1.70%

**The Fund invests in smaller companies which carry greater risk than is associated with larger companies for various reasons such as narrower markets, limited financial resources and less liquid stock.**

The Russell 2000 Growth Index measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values. 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. The S&P 500 Index is a market index of common stock. One cannot invest directly in an index. The Russell 1000 Growth Index consists of stocks in the Russell 1000 Index with higher price-to-book ratios and higher forecasted growth values. The Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 25% of the total market capitalization of the Russell 1000 Index. <sup>1</sup>Market capitalization is the total market value of a company or stock. Generally speaking, small-cap stocks have market values below \$1 billion, while large-cap stocks have values in excess of \$5 billion. <sup>2</sup>Price-to-earnings ratio is the value of a company's stock price relative to company earnings. <sup>3</sup>Beta is the measure of a fund's relative volatility as compared to an index. By definition, the beta of an index is 1.00. Accordingly, a fund with a 1.10 beta is expected to perform 10% better than the index in up markets and 10% worse in down markets. Generally speaking, the higher the beta, the more risky the investment. Alpha is the difference between a fund's actual returns and its expected performance, given its level of risk as measured by Beta. The difference is expressed as an annualized percentage. <sup>4</sup>EPS is earnings per share. The PEG Ratio is the P/E ratio relative to the company's earnings growth rate.

Fund holdings and sector allocation are subject to change. The commentary views in this fund profile sheet were those of the portfolio manager as of the issue date and may not reflect her views on the date this profile sheet is first published or anytime thereafter. These views are intended to assist readers in understanding the Fund's investment methodology and do not constitute investment advice. Foreside Fund Services, LLC is the distributor for the Adams Harkness Small Cap Growth Fund.

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