

Mirzam Capital Appreciation Fund  
July 2008 Fund Commentary by Albert Meyer

Mirzam Capital Appreciation Fund was launched on August 14, 2007. The eleven months that followed were among the most volatile in the history of US capital markets. The S&P500 Index declined  $-11.05\%$  for the period August 14, 2007 to July 31, 2008. During this period, the Fund reported a total return of  $+3.67\%$ . Although it is gratifying to report a positive return at the end of this period, the Fund was not able to withstand the sharp sell off in the market during the last three months of the Fund's fiscal period. This was very disappointing to us and no doubt to our shareholders. Even revered investors like Warren Buffet could not avoid the volatility of a market in sharp decline. Buffet's Berkshire Hathaway (NYSE ticker: BRK-A) was down  $-23.7\%$  during the first seven months of 2008.

Two primary factors contributed to our positive performance during this volatile period. First, our initial investments in the energy and commodity sectors helped our performance in the first nine months of the period, providing positive returns in the volatile market. Second, our policy of allocating capital slowly and deliberately (see below) resulted in the Fund holding larger than normal amounts in cash and money market funds during the period. While not our policy, holding a significant portion of our portfolio in cash and money markets did provide stability in the volatile, declining market and helped provide a positive return for the Fund during the period. In addition, our strategy of favoring investments in companies that pay dividends has helped to negate some of the decline in the prices of stocks in the portfolio.

Our investment strategy is neither to sit on cash, nor to time the market, nor to trade in and out of the market. Instead, we allocate capital slowly and deliberately. This approach entails thorough due diligence before we invest in a particular company. The investment process is not driven by the size of our cash holdings. The reason we believe so strongly in this process is not because we are the Fund managers, but because we are shareholders. A substantial portion of our wealth is invested in Mirzam Capital Appreciation Fund.

For the past eleven months, we have been buying stocks at prices we believe are well below their intrinsic values. Determining a stock's intrinsic value is more of an art than a science. Short-term investors trade in and out of names to take advantage of volatility. This strategy does not allow much time for due diligence. On the other hand, long-term investors are rewarded by their due diligence and strict pricing discipline. Buying at the right price is half the battle.

Great fortunes have been made in the past by those who bought with confidence while others sold in panic. The secret of buying with confidence lies in knowing what you buy. Such knowledge comes from a process of exhaustive and rigorous research. The Mirzam portfolio is a collection of securities acquired during a time when the market was in free fall.

In times of market upheaval, the best medicine is to set aside one's emotions and consider the stocks that are held in the portfolio. The value that the market is currently placing on these stocks can be unsettling, but in an environment of panic selling, even great

companies inevitably trade below their intrinsic values. For some companies in the portfolio, it may appear that our timing was off and we should have waited to purchase. Whatever the current state of the market, we believe the Fund's equity portfolio represents a collection of stellar businesses, with superior fundamentals and considerable competitive advantages. We plan to hold onto them for a very long time.

-Albert Meyer

*You should carefully consider the investment objectives, potential risks, management fees, and charges and expenses of the Funds before investing. The Funds' prospectus contains this and other information about the Funds, and should be read carefully before investing. You may also obtain a current copy of the Funds' prospectus by calling (888) 693-8056.*

*The Funds' past performance does not guarantee future results. The investment return and principal value of an investment in the Funds will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Funds may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling (888) 693-8056.*

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