

Mirzam Capital Appreciation Fund  
December 2007 Fund Commentary by Albert Meyer

**Tough Quarter** December rounded off a miserable fourth quarter for the stock market, even though as was the case in October, the first ten days produced a 2.5% surge, but as in October, it soon fizzled out. The S&P500 closed the month with a decline of 0.86% and a fourth quarter decline of 3.82%. The fund bucked this trend with a positive return of 0.56% for December 2007.

**Portfolio** Although we doubled our position in equities, significant inflows of cash during the month meant that our cash position is now 74% of the total portfolio. This is not necessarily a negative in the light of current uncertainties concerning the US economy and the sharp declines in the market experienced during the first three days of trading. The fund actually gained a penny per share during this period. We hope to step up our purchases to ensure that we continue to outperform the market, especially if there is a sharp rebound when such excess cash will hurt performance. We are pleased with the fund's performance, considering the poor market conditions since the fund's inception.

At the beginning of December, the fund's equity holdings were more or less split between foreign and domestic stocks. This has now changed in favor of foreign stocks for a ratio of 56.3%:43.7%. The average dividend yield on the equity portion of the fund's portfolio is currently 4.47% based on the market prices of the equities in the portfolio.

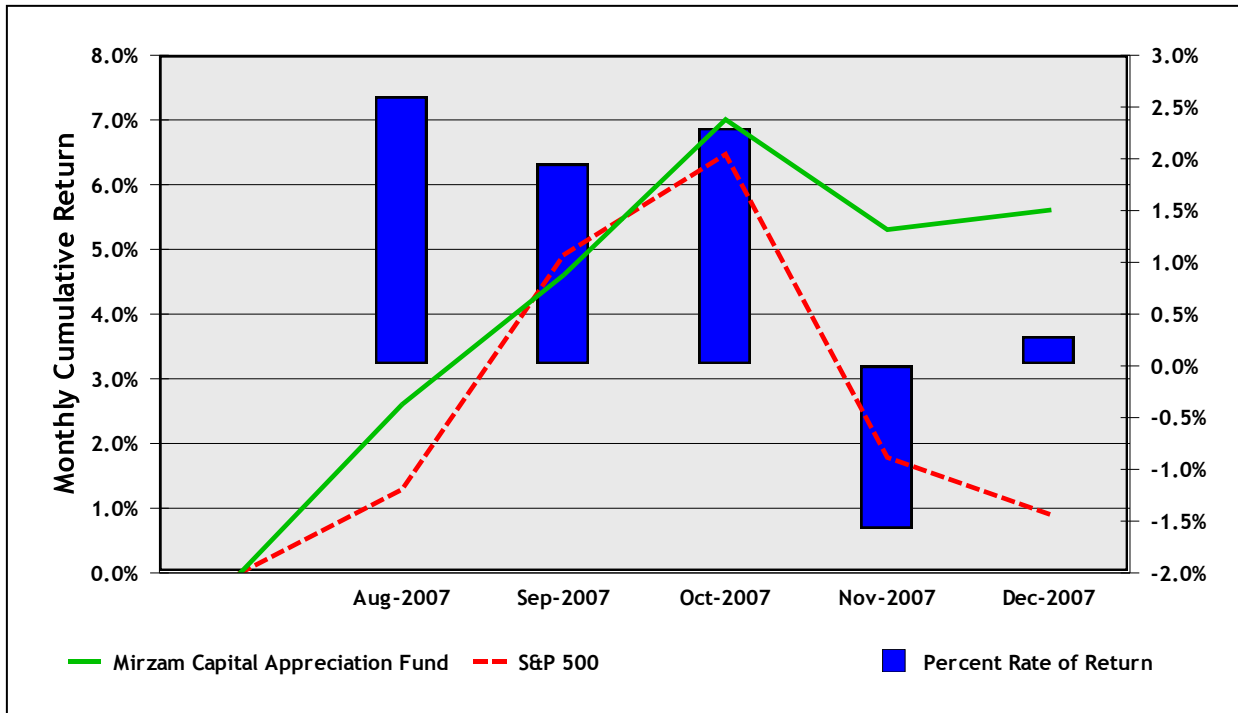
**Performance** The S&P500 was up 1.58% since the inception of the fund to the end of December 2007. The fund's performance during the same period was 5.79%.

**Mirzam's Philosophy** Similarly, Mirzam seeks investments in (a) basic businesses, i.e., businesses that are easy to understand, both with regard to the business model and the financial statements; (b) in good businesses, best exemplified by management's own actions; and (c) in businesses that will deliver over the long-haul, not this quarter or the next. We look for the "buy-and-never-sell" stocks, consistent with Warren Buffett's investment philosophy.

On this score, we are also proud of our nonconformist investment philosophy that shuns companies that dilute shareholders with their stock-based compensation plans. Recently the media reported that a well-known money manager increased his position in a technology-related company. We looked up the said company's stock-option overhang and found that it currently stands at more than 10.2%. The share count increased 4.8% the past three years on account of option exercises. Our view is that this kind of dilution seriously undermines future returns for shareholders. As an aside, this company's stock price declined 94% from its high in October 2000 by December 2002. It has been dead money since then and it doesn't even pay a dividend. It will continue to be dead money for years to come, give or take the occasional and temporary up-tick that will last just long enough for insiders to cash out stock options at the top. An investment in this company beggars belief, other than with the view of profiting from a quick trade; but that's not investing in our book.

Although we have concentrated for the most part on foreign stocks in 2007, which have performed well, in time US companies will again offer compelling value, in which case we will redirect our investment dollars to take advantage of the situation. The coming year will not be a cake walk, but we are confident in our ability to find good businesses in which to invest regardless of what happens on a macro scale. We hope you stay the course with us. We appreciate the opportunity to serve you.

### Mirzam Capital Appreciation Fund vs S&P 500 from August 14 to December 31, 2007



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*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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