

Mirzam Capital Appreciation Fund  
May 2008 Fund Commentary by Albert Meyer

**Here Today, Gone Tomorrow** Here today and gone tomorrow is every retailer's dream, but not if you're an investor exposed to the S&P500. The S&P500 fought its way up from a close of 1,385.59 at the end of April, 2008, to a high of 1,426.63 by mid-month, only to retrace its steps to 1,400.28 by the end of May 2008; up +1.07% for the month. Unfortunately, the next day it was back to 1,385.67, a mere 8 basis-points above its April 2008 close. Thanks mainly to a stellar +4.75% rise in April, the S&P500 slide for the year to date has been contained to -4.63%. The first quarter's decline of -9.9% was a hard pill to swallow.

**Fund Performance** Mirzam [MIRZX] was up +3.33% for the month. Year-to-date, the fund is up +8.82%. Since the inception of the fund, August 20, 2007, to the end of May 2008, the S&P500 declined -3.12%. The fund, on the other hand, shows a positive +14.80% return. We had some decent inflows of cash during the month, but we were able to allocate capital at a rate that made inroads into our cash balances. The fund was 46% in cash at the beginning of the month, a ratio that was brought down to 35% by the end of May. Our investment strategy is not 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 an enormous amount of due diligence before we invest in a particular business. The investment process is not driven by the size of our cash holdings. Our somewhat larger than normal cash holdings are a function of the size and short lifespan of the fund. Favorable investment returns are also attracting healthy inflows of cash. However, we will not make hasty investment decisions that would force us to short circuit an investment approach that has served investors so well in the past. The reason we believe so strongly in this 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,

**Portfolio** We increased our equity holdings by 35% in May. At the end of May 2008, the fund's equity holdings were split 65%:35% between foreign and domestic stocks, respectively. The average dividend yield on the equity portion of the fund's portfolio is currently 3.08%. This compares well against the 1.94% yield of the S&P500. All things being equal, a decline of 37% in the value of the S&P500 would raise the dividend yield to 3.08%.

### **The Transparency of Cash Compensation**

On May 28, 2008, MSN Money, in an article under the title "Make Buck by Shunning Fat Cats," featured our investment strategy. Here is the link for those who haven't seen it:

<http://articles.moneycentral.msn.com/Investing/CompanyFocus/MakeABuckByShunningFatCats.aspx>

In the same vein, everybody knows Mark Cuban as the owner of the Dallas Mavericks, but there is much more to Mark than his love for basketball. He is also a very astute observer of the stock market. This is evident from a guest column that he wrote for the *Dallas Morning News* (May 11, 2008), under the title “With CEO Lottery Ticket, Workers Lose.” It was also published on the newspaper’s website under the title “My 2 Cents on CEO Pay.” Here is the link to this insightful piece that mirrors our longstanding tirade against the excessive compensation of US executives and the use of stock options, or lottery tickets as Cuban calls them:

[http://www.dallasnews.com/sharedcontent/dws/bus/stories/DN-cubancol\\_11bus.ART.State.Edition1.4618495.html](http://www.dallasnews.com/sharedcontent/dws/bus/stories/DN-cubancol_11bus.ART.State.Edition1.4618495.html)

To whet your appetite, here is a quote from Mark Cuban’s column:

“... put CEOs in the cash zone. Make companies generate 100 percent of their compensation in cash that will be 100 percent expensed in the quarter paid.

“That's not to say the CEOs can't own stock. Hell, yes, they can own stock. But make them buy it on the open market or as part of a program that's available to every company employee on the same terms. They are getting paid enough, and if they believe in their ability to run the company, they can put their money where their mouth is.

“Shareholders tend to ignore how much stock goes to management, but they don't ignore cash...”

-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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