

HIGH POINTES — 2ND QUARTER 2005

A quarterly update for institutional investment professionals from High Pointe Capital Management.

High Pointe is an independent equity management firm located in suburban Chicago. Since the firm's inception in 1997, our innovative investment process has proven highly successful at identifying undervalued stocks and has delivered exceptional performance.

Our unique approach to investing incorporates a highly disciplined evaluation of companies' intangible assets. High Pointe's proprietary methodology is a significant step forward in achieving a more complete valuation of corporations and their competitive advantages.

High Pointe manages three separate account products and our Select Value and Small Cap strategies are also offered as mutual funds. We currently manage over \$650MM in assets.

For more information contact:

Sean Clark, Director of Marketing
847-537-7400, ext. 102
sclark@HighPointeCapital.com

Investment Strategy Update

U.S. equity markets staged a modest rebound during the second quarter, trimming some of the losses sustained during the first quarter. The S&P 500 was up 1.4% for the quarter but it remains down 0.8% year-to-date. The markets are concerned about a potential slowdown in corporate profitability, high oil prices, high national and consumer debt, rising short-term interest rates and a potential real estate bubble. On the positive side, long-term interest rates are low, IT-driven productivity is high, global competition is keeping a lid on inflation, and corporations are enjoying historically high levels of profitability.

Our **Select Value** product outperformed its benchmark by 4.0%, net of fees, last quarter. Stock selection was positive as our holdings in healthcare, gaming and financial sectors outperformed the broad market as well as their respective sectors. The outperformance during the last quarter was especially gratifying because it came in the face of relentless headwinds of high oil prices.

- In the hospital industry, bad debt trends continued to improve, lifting earnings and stock prices. As they appreciate, we are trimming our holdings in this industry.
- We are finding good values in high quality, erstwhile growth stocks in retailing and satellite TV industries. Growth/momentum investors have given up on these stocks and moved on to energy stocks, making them available to us at attractive prices.
- Retail sector has suffered from concerns such as spending slowdown related to high gas prices but we view the setback as temporary.
- Satellite TV industry has been impacted negatively by perceptions of higher competition from cable and telephone companies. We like the strong free cash flow generation ability of this business and believe that its cash earnings yield compensates us well for the increased competition risk.
- The opportunity cost of not being invested in energy stocks and utility stocks was 0.5% and 0.4%, respectively during the last quarter.

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Investment Performance

For Periods Ending June 30, 2005

		2 nd Qtr	YTD	1 Year	3 Years	5 Years	Since Inception ¹
Select Value	Gross	5.8%	2.4%	7.6%	14.6%	15.9%	16.8%
	Net	5.7%	2.1%	7.0%	13.9%	15.0%	15.8%
Russell 1000 Value		1.7%	1.8%	14.1%	11.0%	6.6%	6.8%
Select Growth	Gross	4.1%	-1.5%	4.3%	16.2%	-0.3%	11.8%
	Net	3.9%	-2.0%	3.3%	15.0%	-1.3%	10.7%
Russell 1000 Growth		2.5%	-1.7%	1.7%	7.3%	-10.4%	-4.7%
Small Cap	Gross	3.6%	2.4%	15.2%	24.3%	18.9%	14.2%
	Net	3.5%	2.1%	14.3%	23.2%	17.8%	13.1%
Russell 2500		4.5%	1.2%	12.7%	14.8%	7.4%	8.8%

¹Inception Dates: Select Value - January 1, 1998; Select Growth - August 1, 1999; Small Cap - January 1, 1998. Please see page two for additional disclosures.

Organizational Update

As summertime in Chicago heats up, High Pointe continues to enjoy a warm reception from investors. During the past quarter, we added 10 new accounts which helped to push our total assets under management past the \$650 million mark. As always, we sincerely appreciate the trust placed in us and look forward to delivering superior investment services to all our clients.

One of the ways in which High Pointe looks after the best interests of its clients is through our careful attention to trading. We have made significant investments in technology and enjoy the benefits of fully-automated trading. We are careful how we spend our clients' trading dollars and about 80% of our trades are placed at execution-only prices. This has resulted in average trading costs of about 2 cents per share—well below industry norms. Additionally, the firm follows a strict soft dollar policy and has never used trading to acquire computer hardware, software or third-party research. Commission dollars are used only to obtain high quality proprietary research from a few select firms that is beneficial to all of our clients.

—Sean Clark, CFA
Director of Marketing

Investment Strategy Update

Our **Select Growth** offering surpassed its benchmark by about 1.4%, net of fees, during the quarter. Strong performance from healthcare, technology distribution and pharmacy stocks contributed to the positive results.

- Industry consolidation benefited our holdings in institutional and retail pharmacy industries. Reduced competition and better execution led to higher prices for these stocks.
- We sold several of our appreciated positions in medical devices, biotechnology and pharmaceuticals. We also eliminated some weak holdings in retail and mortgage finance sectors.
- Proceeds were invested in growing companies in business services, healthcare, technology, media, and airlines sectors.

Our **Small Cap** strategy underperformed its benchmark by 1.0%, net of fees, during the quarter. Selected holdings in technology, education, auto parts, and radio, had a negative impact on the portfolio that was not completely offset by the positive impact of holdings in biotech, gaming, and medical equipment sectors.

- Continued production cuts at the Big Three auto manufacturers hurt our holdings in the auto parts industry.
- Our holdings in radio broadcasting were hurt by expectations that competition from satellite radio will lead to lower advertising revenue.
- For-profit education stocks suffered from lower than expected enrollment gains.
- Our holdings in medical equipment, gaming, biotech and institutional pharmacy industries appreciated significantly during the quarter.
- New investments were made this quarter in companies with strong competitive positions in railcar manufacturing, biotech, technology and industrial materials sectors.

—Gautam Dhingra, Ph.D., CFA
President & Portfolio Manager

Performance data are shown gross and net of management fees and are based on composites of all fee-paying, fully-discretionary accounts. Returns for the periods presented are time-weighted. Results shown include the reinvestment of dividends, capital gains and other earnings. The currency used to express performance is U.S. dollars. High Pointe's fee schedules are disclosed in Part II of the firm's Form ADV. All fully discretionary, fee-paying accounts have are included in at least one composite, and no accounts have been terminated since the inception of each of the composites. No alterations of the composites as presented in this report have occurred because of changes in personnel or for any other reasons at any time. The composite results portrayed during the period are compared to the performance of their respective indices because the securities purchased for each of the composites are most closely aligned with the securities comprising these indices. The performance shown is that of the separate account strategies and is in no way intended to be representative of the mutual funds. Performance results have been examined through 12/31/04 by an independent verification firm. A complete list of firm composites and performance results is available upon request. Returns represent past performance and are not indicative of future results.

The Russell 1000 Value, Russell 1000 Growth and Russell 2500 Indices are unmanaged indices commonly used to measure the performance of U.S. stocks. You cannot invest directly in an index.

The funds' investment objectives, risks, charges and expenses must be considered carefully before investing. The prospectus contains this and other important information about the investment company, and it may be obtained by calling 800-984-1099, or visiting www.HPFunds.com. Read it carefully before investing.

Mutual fund investing involves risk and loss of principal is possible.

The High Pointe Funds are distributed by Quasar Distributors, LLC (07/05)

