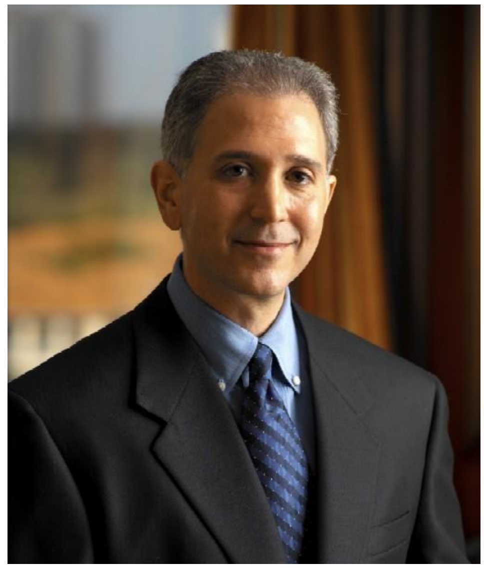
Private Capital Management Value Fund (VFPIX)

Meet A "Rel-Activist" – Gregg Powers

Our industry does not lack for different types of investors – some are growth oriented, some look to fundamental long-term value, while "quant" investors mine data using complex algorithms to ferret out opportunity. The hedge fund world includes long/short investors, market neutral strategies, and macro investors guided by geopolitics, currencies or other factors. Finally, there are activist investors – those who establish positions with an eye toward agitating for management change or forcing a break-up or sale.



Meet Private Capital Management's ("PCM") CEO, Gregg Powers. Gregg is a long-term, high conviction investor who has earned notice for investment insights drawn from his fundamental value methodology and free cash flow focus. As a long-term investor, Gregg also sees it as a part of PCM's job to "get involved" when an investment's management team has lost focus or made significant missteps in operations, sales or strategic decision-making. When we do get involved, we do so reluctantly. **Our activism is situational and reflects a "fallback" stance where we see an investment with great upside potential, that is failing to meet expectations. Because our activism is reluctant, we view ourselves as "Rel-Activists."**

Our activism – when we choose that route – is a closely considered decision. Before investing, we spend time getting to know a portfolio company's leadership. Looking beyond valuation, we ask questions about the strategic direction of the business and look to understand probable paths to shareholder value recognition over the next 2-3 years. When we trust a management team's vision and competence, and view their plans as realistic and rational, we are likely to invest.

After investing, we continually monitor an investment's progress. Ideally, companies remain on target – nothing makes us happier than to watch and cheerlead from the sidelines. However, invariably some investments do not unfold as planned. We may come to see squandered opportunities, a failing strategic focus or lack of operational leadership needed to surface shareholder value. When this happens, we find ourselves with three choices: do we remain on the sidelines and further evaluate over the next few quarters (the "short leash" approach); sell the stock – effectively conceding that the necessary factors failed to materialize to see shareholder value recognized; or finally, do we urge the company to consider an alternative that management has not pursued, which we believe can ultimately surface value. Many investors outside of the hedge fund space are unwilling or ill-equipped to step forward as an activist committed to defending shareholder value when circumstances merit. Gregg, however, sees it as a part of PCM's job to take on a Rel-Activist role when that is the best option for our investors.

What Distinguishes "Rel-Activism" from What We See Today from Traditional Activists?

Where traditional activists may revel in being described as "raiders" or "sharks", our activism starts with an element of humility. We always remain mindful that if our view is already being voiced by other like-minded investors, we need not be the face of that message. We also recognize that there are limits to any outside investor's ability to effect change. In each case the expected upside needs to be worth the journey. Our investment process is highly disciplined and exacting. It requires a committed and closely cohesive (currently four member) research team. Therefore, we have to carefully select the companies we will engage with, remaining realistic and smart about how we allocate our resources. Thus, humility is always an appropriate starting point.

We contrast our point-of-view with today's professional "activist class" – whose activism so often appears to be nearly immediate after their initial purchase of a stock. Frankly, we frequently find ourselves wondering just how such investors can even know enough to declare their strategic opinions as gospel for a company. Of course, activism as done by these investors is often flashy and a very effective gambit for generating publicity for firms that seek this type of notoriety. Public attention can also serve to signal other "sharks" that a particular company is "in-play" for a potential sale and quick profit.

Such is all well and good so long as a high degree of alignment with the company's longer-term shareholders remains. Our most fundamental critique of today's activist class is that they frequently are simply looking for a quick payday. Companies that become vulnerable to activist attention are rarely operating at peak potential, and their current market value is often depressed (sometimes dramatically so). **Thus, experience has taught us that quick answers (and profits) frequently do not align with great long-term shareholder outcomes**. Put another way, any asset sold for less than its true fair value results in a wealth transfer from the selling shareholders to the buyer. Such situations are anathema to us as long-term, valuation driven investors.

So, when PCM does "go active" we move as long-term investors in close alignment with other prudent investors. Alternatively, when we support management against an opportunistic activist encroachment, we look to forestall transactions we see as value-destructive. This is also part of being a "Rel-Activist" and our focus on long-term value creation. There are others like us – patient, prudent, restrained in self-interest and seeking goal alignment with all shareholders. Rel-Activists like PCM – who have the staying power and commitment to see things through – continually look to foster deal activity that is prudent and in each case value accretive for long-term shareholders, the company's ultimate owners.

The performance data quoted represents past performance. Past performance is no guarantee of future results. Investment return and principal value will fluctuate and shares, when redeemed, may be worth more or less than their original cost. The performance shown reflects fee waivers / reimbursements in effect, without which performance would have been lower. Total returns are based on net change in NAV with

reinvestment of all dividends. Current performance may be lower or higher than the performance data quoted. The returns shown do not reflect a 2% fee applied to shares redeemed within 30 days of purchase. For performance current to the most recent month-end, please call 1-800-763-0337.

Investors should consider the relevant objectives, risks, charges, and expenses of the Fund carefully before investing. The prospectus contains this and other important information about the Private Capital Management Value Fund, and it may be obtained by visiting our website at www.pcmvaluefund.com. Read it carefully before investing.

Shares of the Private Capital Management Value Fund are distributed by Foreside Funds Distributors LLC, not an adviser affiliate.

Mutual Fund investing involves risk and it is possible to lose money by investing in a fund. The Fund frequently maintains a more concentrated portfolio than many diversified funds and its value may fluctuate more widely. The Fund maty engage in strategies that are considered risky or invest in stocks of companies that are undervalued which may result in greater volatility. The Fund invests primarily in small-cap companies, which involve additional risks such as limited liquidity and greater volatility. The Fund has a value-oriented approach and is subject to the risk that a security believed to be undervalued does not appreciate as anticipated or experiences a decline in value.

Definitions:

Free Cash Flow: The amount of cash generated each year that is free and clear of all internal or external obligations; the cash a company generates after accounting for cash outflows to support operations and maintain its capital assets.

SOURCE: Investopedia