

Disclosures

Total Returns Through December 31, 2009

For the 12 months ended December 31, 2009, the Akros Absolute Return Fund rose 13.94%, while the S&P 500 Index increased 26.46% and the Lipper Long/Short Equity Funds Average moved up 19.24%. For the three years ended December 31, 2009, the Akros Absolute Return Fund's average annual return was 3.26%, compared to -5.63% for the S&P 500 Index and -3.18% for the Lipper Long/Short Equity Funds Average. From its inception on September 30, 2005 through December 31, 2009, the Akros Absolute Return Fund's average annual return was 2.53%, compared to -0.15% for the S&P 500 Index and 0.80% for the Lipper Long/Short Equity Funds Average.

Net Expense Ratio: 1.99%*

Gross Expense Ratio: 7.59%

**The Advisor has contractually agreed to waive its fees and/or absorb expenses of the Fund to ensure that Total Annual Operating Expenses for the Fund (exclusive of dividends on short positions and acquired fund fees and expenses) do not exceed 1.99% of the Fund's average net assets through August 31, 2010 and indefinitely thereafter.*

Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance data quoted. Performance data current to the most recent month-end may be obtained by visiting www.akrosfunds.com. The Fund imposes a 1.00% redemption fee on shares held for less than 60 days. Performance shown does not reflect the redemption fee. Had the fee been shown, performance would be lower.

The S&P 500 Index is a broad market-weighted average of U.S. blue-chip companies. The S&P 500 Index is unmanaged and returns include reinvested dividends. It reflects no deduction for fees, expenses or taxes. The Lipper Long/Short Equity Funds Average represents the average total returns of all of the funds that as of month end were in the indicated category, as defined by Lipper, Inc. You cannot invest directly in an index.

While the Akros Absolute Return Fund is no-load, management fees and other expenses will apply. Please refer to the Prospectus for further information.

References to other funds should not be interpreted as an offer of these securities.

Mutual-fund investing involves risk. Principal loss is possible. The Fund is non-diversified, meaning it may concentrate its assets in fewer individual holdings than a diversified fund. Therefore, the Fund is more exposed to individual stock volatility than a diversified fund. The Fund may use arbitrage investment strategies whereby the underlying relationships between securities in which the Fund has positions may change in an adverse manner, in which case the Fund may realize losses. The Fund regularly makes short sales of securities, which involve the risk that losses may exceed the original amount invested. The Fund invests substantially in derivatives that may involve a sizable amount of economic leveraging that will cause returns to be volatile. The Fund may also use options and futures contracts, which have the risks of unlimited losses of the underlying holdings due to unanticipated market movements and failure to correctly predict the direction of securities prices, interest rates and currency exchange rates. The use of options and futures contracts is not suitable for all investors. The Fund may hold restricted securities purchased through private placements. Such securities can be difficult to sell without experiencing delays or additional costs. The Fund may invest in foreign securities, which involve political, economic, and currency risks, greater volatility and differences in accounting methods. The Fund may invest in smaller companies, which involve additional risks such as limited liquidity and greater volatility. The Fund may also invest in initial public offerings, debt securities, other mutual funds and other illiquid securities. Please refer to the Prospectus for further details.

The Fund's 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 877-257-6748 (877-AKROS 4 U) or by visiting www.akrosfunds.com. Read it carefully before investing.

The Akros Absolute Return Fund is distributed by Quasar Distributors, LLC. (1/2010)

HEDGES THAT DIDN'T GET HOSED

Mutual funds that mimic hedge funds lost money last year, but most avoided disaster.

BY DAVID LANDIS

HEDGE FUNDS TOOK A BATH in 2008. But some low-cost mutual funds that use hedging techniques turned in respectable performances. None of the funds, which promise to limit losses during severe bear markets, made money, but most did better than Standard & Poor's 500-stock index, which surrendered 37%.

These funds all try to make money in bear markets by betting that stocks will fall. That means shorting stocks—selling borrowed shares in hopes of buying them back later at a lower price—or investing in options and futures that pay off when stocks decline.

We looked at 16 no-load funds in this category that have been around at least a year and found that all but one beat the S&P 500 in 2008. The exception was **ICON Long/Short** (symbol IOLIX), which lost 40%. Six limited their losses to less than 10%, a decent showing in a year in which the average diversified domestic stock fund lost 38%.

Among the top performers were two relative newcomers: **AKROS ABSOLUTE RETURN (AARFX)**, launched in 2005, and **NAKOMA ABSOLUTE RETURN (NARFX)**, which started

in 2006. They lost 3% and 4%, respectively. Others with single-digit losses for the year were **JAMES MARKET NEUTRAL (JAMNX)**, down 5%; **TFS MARKET NEUTRAL (TFSMX)**, off 7%; **LAUDUS ROSENBERG LONG/SHORT EQUITY (BRMIX)**, down 8%; and **HUSSMAN STRATEGIC GROWTH (HSGFX)**, which lost 9%.

We didn't look at so-called bear-market funds, which always bet against the markets, or inverse index funds, which rise in value as the benchmark they track falls. We also didn't examine funds that bet against the market only occasionally. For example, Ken Heebner, manager of **CGM Focus (CGMFX)**, a Kiplinger 25 fund, has produced stellar returns in the past, in part through shorting stocks. But he doesn't promise to cushion bear-market losses, and he certainly didn't in 2008; Focus sank 48%.

Long-short funds, such as **Akros**, **Nakoma** and **Laudus Rosenberg**, usually maintain a "long" portfolio invested in stocks they expect to rise and a "short" portfolio of those they expect to fall. The relative size of each portfolio may depend on market conditions.

Market-neutral funds,

such as **James** and **TFS**, tend to have long and short portfolios of equal size (although in **TFS**'s case, the long portfolio is usually a bit bigger than the short holdings). In theory, market-related movements of one portfolio offset those of the other, leaving performance dependent on a manager's ability to identify winners and losers.

Hedge funds have long pursued strategies like these to benefit investors with million-dollar portfolios. But stock-focused hedge funds lost an average of 26% last year, according to Chicago-based Hedge Fund Research.

Higher costs. To be fair, the average market-neutral hedge fund lost only 6%. But investors pay a much higher price to buy into a hedge fund than they do to buy a mutual fund. Hedge funds typically charge 2% yearly and grab 20% of the investment gains they generate. The six top-performing hedge-like mutual funds, on the other hand, have expenses ranging from 1.1% (**Hussman**) to 3.3% (**Laudus Rosenberg**) and no performance fees.

We like the **Hussman** fund because of its relatively low cost and its fairly long and impressive track record (from the fund's July 2000 inception through January 9, it returned an annualized 8.9%, beating the S&P 500 by 13 percentage points per year). Of the six top performers, **Hussman** is the closest to a tradi-

tional mutual fund. Manager **John Hussman** invests his long-only portfolio in growth stocks. But when conditions appear dire, he tries to cut risk with options and futures.

We're also impressed with **James Market Neutral**, which levies 1.9% in annual fees. Over the past ten years through December 31, the fund gained 2.7% a year compounded, beating the S&P 500 by 4.1 points per year. Managers use computer models to identify the most-promising stocks to buy and to short.

On a roll. The younger **TFS Market Neutral** gained an impressive 8.7% annualized over the past three years (compared with -8.4% a year for the S&P 500). Like the **James** fund, **TFS** relies on computer models to determine which stocks to buy and which to bet against. But **TFS**'s expense ratio is a pricey 2.8%.

Because of their hedging strategies, all of these funds are likely to lag the stock market when the bull returns. Keep in mind, though, that they are not necessarily trying to beat the market. Most are simply trying to produce steady, positive returns that don't swing too wildly. Those that do so successfully have the added advantage of producing returns that don't move in lock step with the broad market. As a result, keeping 5% to 10% of your assets in these types of funds can reduce the overall risk of your portfolio. ■