

Investing Without Borders

In the dynamic world of stock market investing the Utopia Funds take an active approach and look for opportunities everywhere. The four funds, Growth, Core, Core Conservative and Yield Income, invest globally in a combination of stocks and bonds seeking long-term positive total return, independent of the market environment. The Growth Fund is designed for the investor with the most comfort with volatility and the longest time horizon.

Q: What's your investment philosophy?

A: Investing without borders is our core investment philosophy. This applies not only to geographical borders, but also to the asset class, industry, and market capitalization constraints that often limit portfolio managers. We look to generate long-term positive returns in all market conditions, and we believe that through our flexible, active style we can discover under-valued investments globally, avoid over-valued ones and manage our funds for best risk-adjusted return potential in a constantly changing world.

Q: How do your four funds differ?

A: Each of the four Utopia Funds is an actively managed balanced, global fund designed to serve as a complete stand-alone investment portfolio. The key difference between the Funds is the interplay of potential risk and reward and the strategic allocation of equity, fixed income, and cash investments. The Funds were designed to meet a wide range of investor preferences for risk, time horizon, and projected cash flow needs.

Utopia Growth Fund (UTGRX) is designed for the investor with the most comfort with volatility, the longest time horizon and the least amount of portfolio cash flow needs. So that fund will get, in relative terms, slightly larger allocations to equity and other longer-term investment ideas.

Utopia Core Fund (UTCRX) is designed for an investor with a slightly lower appetite for risk. Utopia Core Conservative Fund, (UTCCX) and Utopia Yield Income (UTYIX) are designed for the more risk averse investor, but they are not fixed income funds. They are total return balanced funds that take advantage of all asset classes as appropriate. We typically take smaller equity positions in the Core Conservative and Yield Income funds relative to the Core and the Growth funds.

Q: What are the advantages of the absolute return way of managing money?

A: For investors seeking long-term positive returns, the absolute return approach is consistent with these needs. We don't consider it rational to focus on relative returns to some arbitrary benchmark. We think that losing 15% of the fund's value when the market is down 25% is definitely not investment success. Therefore we focus on generating long-term positive returns in all market environments.

Q: Do you have any certain target for absolute returns?

A: We do not have a stated quantitative target, but we do feel that our funds are appropriate for one expecting to eventually spend five percent of their portfolio value annually in retirement. Assuming 3% inflation, this gives us a minimum return target of 8%. We aim for this minimum target as

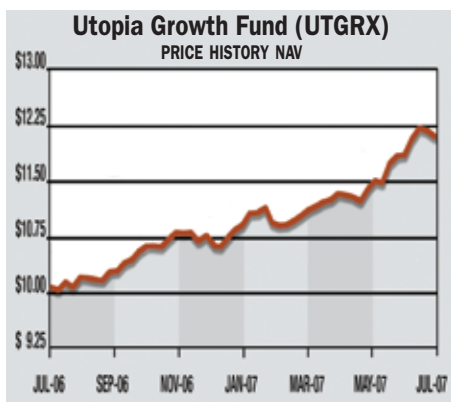


ZACH LIGGETT joined Financial & Investment Management Group Limited (the advisor to the Utopia Funds) in November 2003.

Liggett spent seven years living and working in Japan, most recently as an equity analyst with West LB Securities Pacific, Japan.

Liggett earned his B.A. from Eckerd College and Master of International Business from the University of South Carolina's Moore School of Business.

“We aim to provide a complete risk-managed investment solution with integrity and excellence at a fair price. We focus our funds on an investment objective of long-term positive returns, irrespective of the market environment.”



an annualized number over a minimum three-year time horizon.

Q: What are the key elements of your investment strategy?

A: We are trying to actively manage a global fund of risk-adjusted bargains. We have a team of three portfolio managers and an analyst and we spend significant time investigating and analyzing new ideas and monitoring our existing holdings for the macro and micro factors that could impact our long-term performance.

We look for sustainable businesses that trade below our estimate of intrinsic value and we don't really worry whether they are classified by the market as growth or value. We spend time trying to determine intrinsic value by focusing on the current financial position of the company and the factors that will impact the sustainability of the company going forward. Generally speaking, we are looking for companies that have sustainable cash flow growth potential and management that has a proven track record of growing these flows.

We have a daily investment management committee meeting where we discuss ideas and challenge each other. Then we make group decisions on whether or not to buy or sell and how to best position the Funds for best risk-adjusted return potential.

Q: How is your research process organized?

A: First, we have a medium to longer term global thematic map that helps us focus our research time. We are looking for investment themes that are sustainable

over longer time horizons. One example of a current global theme we are looking at is healthcare IT and service providers that are helping practitioners in hospitals manage their businesses more effectively and efficiently. Asian infrastructure is another broad theme.

Running quantitative screens on certain valuation metrics is the second tool in our blended approach. We travel a lot; we go to industry conferences; we visit companies and their suppliers and competitors. As a small team with limited resources internally, we also do a good deal of networking which helps generate ideas.

Q: Could you illustrate your research process with an example?

A: One of the ideas that we invested in a year ago is a company in Malaysia called Boustead Holdings. We were looking for high Asian dividend payers in the property space and it came up on a screen having an attractive dividend yield, book value growth, and an attractive price relative to its net asset value.

We started looking for more information online. Then we traveled to Asia and met with the management. We felt that the political risks related to Malaysia and to the currency were acceptable and we began building a position. At the time the company market cap was only \$300 million. Then over the year we added to the position.

This company develops and operates palm oil plantations. The palm oil plantation theme is one part of the alternative energy space that we believe has very interesting long-term growth prospects. Boustead also has stakes in financial companies and property development firms which should benefit from positive demographic trends in Malaysia. This is a company that has no analyst coverage and it was fairly unknown outside of Malaysia.

When the stock reached its book value we decided to trim our position even though we felt that the stock had room to potentially go higher. Part of the reason to trim the stock is because the performance has been quite strong and to bring it back in

line with what we consider an acceptable position within the portfolio.

Q: Any other examples?

A: We were looking at Thailand given its very attractive market valuations. We started looking for companies that had not only Thai exposure but also an international angle. We had seen some research and media reports about how Thailand was creating tax incentives and industrial parks geared to international auto manufacturers to come and set up their operations in Thailand.

We started looking for ideas and we came across these industrial estate developers. We found compelling valuations, high dividend yields, strong cash flow yields, and good growth prospects.

We have been to Thailand and we have met with just about every listed industrial estate developer. Stocks of these estates tend to be volatile but we have found a couple that we have invested in. Through a combination of company visits, talking with the management, financial analysis and valuation screens,, we generated a list of industrial estates at attractive prices.

Q: Could you clarify what you mean by 'compelling valuations'?

A: In the case of the estate developers, it was similar to the Boustead example in terms of dividend yields in the 6% to 8% range, price to earnings ratios of under 10X, earnings and cash flow growth in the double digit range. Also what was quite compelling was that the revenues were not just pure development revenues. A lot of it was recurring revenue related to utilities that the developers provided to their clients.

We found that there is an essential oligopoly in the Thai industrial estate space where infrastructure, location, and government incentives are important success factors. So it was not just the pure financial metrics, the dividend yields, the low P/E and the good growth rates, but also a very compelling competitive landscape and decent prospects for sustainable business growth going forward.

Q: How do you go about portfolio construction?

A: Flexibility in selection and decision making is critical to us. We do not place arbitrary barriers on geographies, market caps and industries, but we do actively monitor those exposures to make sure that we are not too exposed to a given currency, industry or geography.

We typically put an estimate on a company's intrinsic value and then try to get at least a 30% discount to that intrinsic value before we buy. Then we look at where the portfolio is every day, where our exposures are and whether or not there's room in the portfolio for this new idea. Oftentimes we'll initiate a position in a stock at half of our overall target position, which we call a starter kit.

Most of our funds will hold all of our equity ideas in different percentages. So we may put on a starter kit which could be a 0.5% position in Utopia Growth and then stagger that down to a 0.25% position in Utopia Yield Income. Then we monitor developments and as conditions permit and if the valuation still looks compelling, we will build that position.

Our biggest position will typically be no more than 2% of the Fund for an individual equity and our position sizes are usually between a 0.5% and a 1.5% in the Utopia Growth Fund. We have over 150 holdings in the Growth Fund right now and quite a few are closer to 0.5%.

Q: What benchmarks do you measure yourself against?

A: Internally, we have never been concerned with relative benchmarks. We respect the fact that some folks would like to compare us apples to apples for what we do, but it is difficult to get a good relative benchmark; and we haven't discovered one that we consider ideal.

Tremont's multi-strategy index, is one that we compare ourselves to and present to our mutual fund board. But at the end of the day given that we are trying to create positive return irrespective of however the market is doing, it's probably more appropriate to look at that long-term absolute

number, that minimum bogey of inflation plus 5% or so.

Q: How do you go about monitoring risk?

A: We operate in a very dynamic world and we use various resources to monitor our exposures. We have a daily internal report that summarizes where we are in terms of currency, geography, industry and asset class exposures.


We monitor multiple variables that could have an impact on each of our holdings. This means following micro factors such as the news flow on companies and the corporate developments to make sure that the corporate management is a good steward of our investment. We also pay attention to macro developments to get a good understanding of the broad political risks, monetary policy risk and other factors that could affect the value of our holdings.

Q: What do you do to mitigate risk?

A: The primary risk we are worried about is the permanent loss of money. Avoiding overvalued assets and protecting against the ongoing threat of inflation are two major ways we aim to mitigate this risk.

Because of our strict buy discipline, we are very price sensitive. The lower the price we pay compared to our estimate of intrinsic value, the less risk we are taking. That's a traditional value investing discipline but for us that would be component number one of risk control.

Component number two would be avoiding concentration on individual stocks or credits. We are very cognizant of our individual exposures and choose to diversify among names to help mitigate the company specific risk.

We also use certain defensive measures and hedging instruments when appropriate. We have used volatility options, shorts, and even some currencies as defensive measures to help protect the overall fund should the market environment deteriorate and expose our Funds to more risk than we are comfortable with. 

Utopia Growth Fund

Symbol	UTGRX
Website	www.utopiafunds.com
Address	Financial & Investment Management Group Ltd 111 Cass Street Traverse City, MI 49684
Tel. No.	888-886-7423
Inception	12/30/2005

PORTFOLIO

Total Net Assets*	\$45.9
Avg Mkt Cap (\$ Weighted)*	\$1,800
Average Price/Earnings Ratio	17.61x
Average Price/Book Ratio	1.41x
Turnover Ratio	53%

INVESTMENT INFORMATION

New Investment	Open
Min Initial Investment	\$500
Min Subsequent Investment	\$25
Min Initial IRA Investment	\$250

RISK (AGAINST DOW JONES MODERATE PORT INDEX - 3 YR)

Alpha	N/A
Beta	N/A
R-Squared	N/A
Ann. Std Deviation	N/A
Sharpe Ratio	N/A

RETURNS VS. DOW JONES MODERATE PORT INDEX

	UTGRX	Index
1 Year (Cum.)	23.03%	13.6%

RETURNS VS. MSCI WORLD NDTR D INDEX

	UTGRX	Index
1 Year (Cum.)	23.03%	22.49%

FEES AND EXPENSES

Max Sales Charge - Front	0.00%
Max Sales Charge - Deferred	0.00%
Max Redemption Fee	0.00%
Total Expense Ratio	1.35%

PORTFOLIO MANAGER

Zach Liggett	12/30/2005
Suzanne Stepan	12/30/2005
Paul Sutherland	12/30/2005

*millions

Data through: 07/31/2007

Source: Company Documents; Lipper

Ticker staff searches for mutual funds for their consistency in performance and durability of investment style.

Our interview covers investment philosophy and strategy, research process, portfolio construction and risk control for funds. Through an interview we uncover long-term strategies and processes that help to generate long-term returns.

You can read more on this and other funds at Ticker.com