

Mid-Cap Leaders

Geneva Growth Fund invests in US based companies with consistent records of performance, experienced management, solid earnings history, superior growth potential and market values within the cap range of the Russell Midcap Index. About 70% of the investment team's new ideas come from conferences and company visits. This bottom-up approach is supplemented with "top-down" considerations—reviewing general economic conditions and analyzing their effect on various industries.

Q: What is your investment philosophy?

A: We are not looking to make short-term trades. We are looking to invest in high quality mid-cap companies with a consistent record of earnings growth that we can hold for a long period of time. We believe that if we do that, over time we can have better performance than the market with less volatility.

Q: What are the characteristics that would designate a high quality company?

A: There are some qualitative and quantitative metrics. One would be a leadership position in the industry. Oftentimes, the companies we are buying are unique companies that serve a niche market and so there aren't lots of competitors. Sometimes they are the leader because they have created the market.

We also like experienced management with a successful record. It gives us confidence that they can continue to execute going forward.

The company has to have a sustainable competitive advantage. For example, a company with a historical earnings growth of 20%, can it sustain this

growth in the future and if it can we will consider it for our investments.

On the quantitative side, we do screening and we're looking for healthy historical and projected earnings growth. The minimum would be earnings per share growth of 15% and revenue growth of 12%, both historically and projected. Our historical earnings per share growth over the past five years has averaged 28% per year versus 26% for the Russell Midcap Growth index. Our companies are projected to grown 18% per year, whereas in the Russell Midcap Growth the average company is projected to grow 16% per year.

Q: Why do you look at revenue growth?

A: Because it ties right into the sustainable advantage. You can only grow company's earnings by cutting costs for a short period of time. In order for it to be an open-end growth story or something that we can hold for a long period of time, there needs to be growth on the top line.

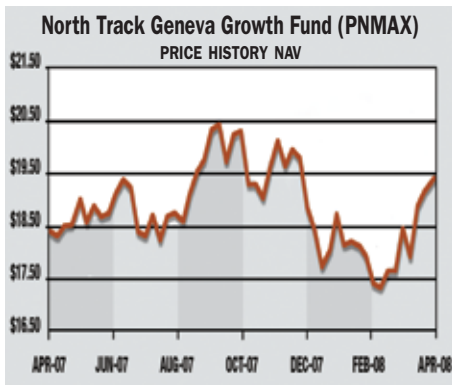
We look for strong financials and low debt level on the balance sheet. We screen on debt to capital ratio. Our com-



MICHELLE J. PICARD joined Geneva in 1999 as Director of Marketing and was promoted to the position of Research Analyst in 2002, Vice President, Portfolio Manager in the first quarter of 2005, and became a Principal of the firm in 2006.

Previously, Picard worked in Strong Capital Management in Milwaukee, WI. She holds a BA degree from the University of Wisconsin, Milwaukee and is a Level III CFA Candidate.

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panies have to have debt ratio of 50% or lower. We like companies with financial flexibility especially in times of economic slowdown when the companies with a stronger financial position are better able to weather economic storms and continue to invest in their businesses during the downturn. That means that they are able to take market share and come out stronger on the other side.

We also look for companies that have high return on equity and return on assets. As a final point we look for companies that have high operating margins relative to their industry and/or margin expansion which allows for even greater earnings growth.

Q: What is your stock selection process?

A: There are four portfolio managers in our investment team. Bill Priebe and Amy Croen, who are the co-founders of Geneva Capital, started this company back in 1987. I've been with the company since 1999. Scott Priebe, who is Bill's son, joined our company four years ago.

The four of us meet regularly to discuss what's happening in the portfolio. The stock selection process starts with idea generation and probably about 70% of our new ideas come from conferences and company visits. We like face-to-face meetings with managements. It's very important for us to understand their long-term vision and strategies.

Q: What is your investable universe that you screen?

A: The market cap range of the Russell Midcap Growth Index is our starting point. Most of the new names that come into our portfolio are between \$1 and \$5 billion. From that standpoint there are a lot of mid-cap managers that will hold larger market cap companies.

We have a higher concentration of stocks within the mid-cap range. Most of the financial advisers and firms that we work with have selected the fund for their asset allocation models because of that commitment.

As companies mature they tend to end up having slower growth rates so we try to buy them in the sweet spot of their lifecycle. Most of the time we identify such companies by face-to-face meetings but we also do screen the mid-cap universe using the William O'Neil database.

We do have another level of screening. It's what we call our 'screening out' process and it helps us avoid unnecessary risk. An example of a high risk idea for us would include IPOs. We like to see generally two years of trading history before we buy a company.

We only buy US-based companies.

Q: How many companies do you generally have in the portfolio?

A: We have about 56 companies in the portfolio now, and generally between 50 and 60 names. We feel we can find those companies here in the U.S. without having to expose ourselves to any risk of investing in international markets.

We don't buy highly leveraged companies. Financial flexibility is very important to us. We don't buy concept issues. Our companies have to have real earnings and proven business models. And we don't buy turnarounds.

Our feeling is that if a company has turned around and is back on a growth path we are happy to invest in it but we will wait until they are back on that growth path. We will not abandon our discipline or process to capitulate to transient market themes.

Q: Once you are through that screening process, how do you do your fundamental research?

A: Our fundamental research includes reviewing the company information. We talk with management and we use sell-side research for information, because they have teams of people that are doing detailed work such as, channel checks. We do keep our own counsel, though, when it comes to determining when to buy and sell. We don't use sell-side recommendations for that. The emphasis for us is traditional hands-on research which allows us to thoroughly understand a company's competitive advantage and their long-term growth potential.

Once we are through the fundamental research, we have a proprietary valuation model that ranks stocks in our universe on performance potential.

We also do a technical review. We look at long-term and short-term charts. These technical and valuation overrides also aid in avoiding significant downside risk in that we are not buying something that's on a valuation basis too expensive, nor are we buying something that on a chart, on a technical basis, looks like it's overextended or conversely looks like it's breaking down.

When we use technical charts, we are looking at longer term three and five-year charts, and in some cases 10-year charts. We are looking for companies that have a nice steady uptrend. We do want all of our companies to fit in with our longer term economic and investment outlook.

Q: Could you describe your sell discipline?

A: There are lots of reasons to trim a stock – when the stock becomes overvalued, extended on a technical basis or becomes a large part of overall percentage of the portfolio. The only reason to sell a stock completely out of the portfolio is because there's a change in the long-term outlook, fundamentals of the company or the industry.

Q: How do you identify a long-term change versus a short-term change?

A: A few things go into play there. One of them certainly is judgment, being around long enough to see some of the signals in the market. I do think you get some warning early on from the technical indicators. So when you see a sustained break in a long-term uptrend in a stock price chart that can be a signal that something is fundamentally changing. If we saw something like that, we would trim the position immediately to reduce risk. And then we would go back and try to identify whether or not it's a longer-term fundamental change or just short-term psychology.

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

A: We added LKQ about a year ago. They are an after-market auto parts recycler. The management had experience in running Waste Management and were looking for businesses with similar characteristics. So they put some of their capital that they made with Waste Management to work in acquiring salvage yards across the country, which primarily were junk yard operations. Recently they acquired Keystone, which does generic-type manufacturing because what they found was they were losing some of their business to generic manufacturer. Customers did not want to buy recycled parts; they'd spend a little more and get a new part, albeit ge-

neric. On that management move the stock has been up about 80% in the last one year.

The thinking behind picking this company was that it is in a heavily fragmented industry and in an area that the returns on capital are very attractive with huge barriers to entry in that fragmented industry. LKQ is already a leader in the field and it would be very difficult to try to replicate what they have done.

Q: How do you mitigate risk?


A: One of the ways that we try to mitigate risk is by continually trimming names. We usually take a 1% to 1.5% position in a stock. We let that position grow to 3% to 3.5% and when it gets that large we're taking profits and trimming our position.

We have no more than 60 stocks, and if our holding period on an average is between four to five years or longer, we are not really looking for more than 10 new ideas every year. We are only bringing our very best new names to the table every year.

Q: How important is diversification for you?

A: We are big believers in diversification. We never have more than 15% in any one industry. We don't hold more than 5% in any individual stock. Once a name gets to 3.5% in the portfolio, we are trimming it back.

In our sell discipline we trim names that get overextended on a technical basis, that become overvalued or that become a larger percent of the portfolio. We do not try to minimize tracking error.

We're adding about 10 new names a year. So we can be patient and let some of these great ideas come to us. That gives more time to do more research on fewer select names and understand them better. 

North Track Geneva Growth Fund

Symbol	PNMAX
Website	www.northtrackfunds.cm
Address	North Track Funds, Inc. 200 S. Wacker Drive, Suite 2000, Chicago, IL 60606
Tel. No.	888-832-3863
Inception	01/04/1999

PORTFOLIO

Total Net Assets*	\$197.3
Avg Mkt Cap (\$ Weighted) *	\$7,800
Average Price/Earnings Ratio	25.61x
Average Price/Book Ratio	4.69x
Turnover Ratio	36%

INVESTMENT INFORMATION

New Investment	Open
Min Initial Investment	\$1,000
Min Subsequent Investment	\$50
Min Initial IRA Investment	\$500

RISK (AGAINST S&P 500 - 3-YEARS)

Alpha	0.17
Beta	1.13
R-Squared	0.67
Ann. Std Deviation	12.17
Sharpe Ratio	0.64

RETURNS VS. S&P 500 DAILY REINV INDEX

	PNMAX	Index
1 Year (Cum.)	5.60%	-4.68%
3 Year (Ann.)	11.68%	8.23%
5 Year (Ann.)	14.16%	10.62%

RETURNS VS. RUSSELL 2000 VALUE TR INDEX

	PNMAX	Index
1 Year (Cum.)	5.60%	-1.93%
3 Year (Ann.)	11.68%	11.81%
5 Year (Ann.)	14.16%	15.29%

FEES AND EXPENSES

Max Sales Charge - Front	5.25%
Max Sales Charge - Deferred	0.00%
Max Redemption Fee**	0.00%
Total Expense Ratio	1.37%

PORTFOLIO MANAGER

Michelle Picard
* millions
Data through: 04/30/2008
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.

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