

Low Multiple, High Interest

The Dreman Contrarian Small Cap Value Fund invests in companies that we believe are trading at earnings multiples below the market. The Fund manager, Mark Roach, looks for stocks that in his opinion are unfairly driven out of favor but still have their permanent long term franchise intact.

What is the investment philosophy?

Our investment philosophy is based on a disciplined stock selection process based on our valuation criteria. We invest in undervalued companies that we feel exhibit strong fundamentals and historic earnings growth, which our analysis indicates will persist over time. Our strategy is to own strong, fundamentally sound companies and to avoid speculative stocks or potential bankruptcies. In addition, we construct our portfolios to have above-market dividends.

Our belief is that the markets are not perfectly efficient and that, in particular, behavioral psychology plays a considerable role in investor decisions and subsequently in stock price movements.

We are looking for those stocks that have been beaten up by the market unfairly. Market sentiment can change and drive stocks in and out of favor. We are looking for those temporarily undervalued situations where we

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believe fear and overreaction have driven the stocks or sectors out of favor. We focus on how to quantify that fear and greed or the over reactions to latest news and events.

Our studies have repeatedly shown that cheap stocks that deliver earnings growth consistently better than consensus analyst forecast are awarded better price appreciation than those stocks that are more expensive and simply meet those expectations. As well, we believe that cheap stocks have better downside protection given their modest valuations relative to the overall market.

What is your investment process? What are your buy and sell disciplines?

We begin with quantitative screens to narrow the universe of small cap stocks to a manageable number for fundamental analysis. First, we identify companies with market capitalizations between \$300 million and \$2.5 billion.

Next, we focus on price-to-earnings ratios, eliminating stocks with above market multiples and then narrowing the list further to stocks with earnings multiples below industry medians. At this point, we begin to differentiate the remaining stocks, each relative to itself and its sub-industry, by examining dividend yield, leverage, price-to-book and price-to-cash flow. We favor stocks that pay dividends and



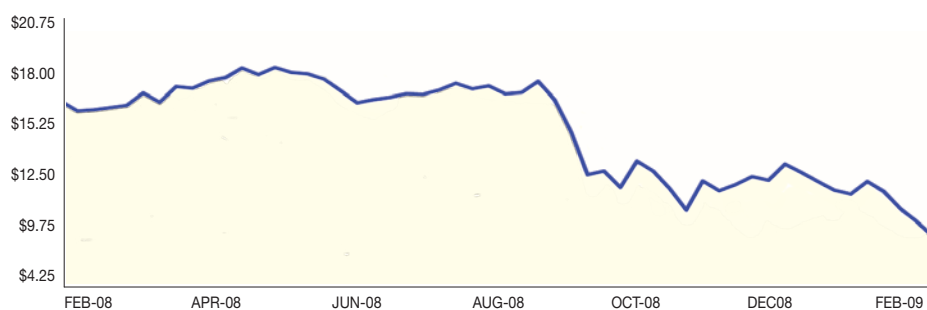
MARK ROACH joined Dreman Value Management in November 2006, as a Managing Director and Portfolio Manager of the Small and Mid Cap products and has over 15 years of investment experience. Today, he is responsible for the management of all Small, Mid and Smid Cap products.

Prior to joining Dreman, Roach was a Portfolio Manager at Vaughan Nelson Investment Management, managing a small cap product from 2002 through 2006. He has significant experience in working with institutions, pensions and endowments and is well known in the consulting and high net worth community. Roach served as a security analyst from 1994 to 2001 for various institutions including Fifth Third Bank, Lynch, Jones & Ryan and USAA.

Roach received his MBA from the University of Chicago's Graduate School of Business and a Bachelors degree from the Baldwin Wallace College.

Performance - Price History N.A.V.

Dreman Contrarian Small Cap Value Fund (DRSVX)



	2006	2007	2008
Russell 2000 Value Index	23.48%	-9.78%	-28.92%
Dreman Contrarian Small Cap Value Fund	30.00%	N/A	-27.00%

have low leverage. This process provides us with a group of three to four stocks in each sub-industry category that are generally out of favor with investors and, based on experience, most likely to outperform over the long term through strong earnings growth.

In our opinion, a successful investment strategy must curb the human tendency to overreact to events, positive or negative. Selling requires strict discipline, since it sometimes involves culling apparent winners out of the portfolio. Our sell discipline is as rigorous as our selection process and benefits from our constant evaluation of the stocks in our portfolio, both relative to themselves and their industries. We will sell or trim positions when the stock valuation rises above the market or industry, when fundamentals do not meet our expectations and when market capitalization crosses \$4 billion.

We have a saying around our office that we rent our stocks. If a stock becomes expensive we sell it, as we believe at that point we have more downside than upside. We look at our companies and don't want to pay for forward earnings. In theory, a stock can trade at a low P/E forever. We certainly don't want to step into value traps and we are interested in earnings but not willing to pay for earnings growth. Our studies have shown that low P/E stocks typically perform better in down markets than in rising, momentum markets.

We're not necessarily looking for a catalyst because a cheap stock price in our mind is the catalyst. We are focused on operating margins at peak or trough of the business cycle and where we are in that earnings cycle and that gives us a better understanding of the . For us it's that stock valuation, what we pay for and what's been priced into that stock. If we can get our arms around where they are in their earning cycles, we can feel comfortable.

No research is infallible. Sometimes we will buy a company that meets all of our criteria and seems to represent exceptional value. If the fundamentals or price momentum of the company should unexpectedly change for the worse, we will generally sell immediately. This helps us to avoid value traps. We have learned that an immediate response is normally the best course of action, even if we sell at a loss.

What is your research process? Can you give us examples of companies you have invested in the past?

After we have narrowed our research list down through our quantitative screening we conduct fundamental analysis of the income statement and balance sheet. Our fundamental research is trying to determine the true economics of the business. Our goal is to identify those companies that are out of favor with Wall Street but in our opinion still have their long term franchise intact.

Much of our work is focused on how to account for certain elements of the business and how to go about looking at the balance sheet. If it's a retailer, you put the leases back on the balance sheets as debt to try and get to the true economics of the business and understand it. Is it a good business? Is it a temporary undervalued situation, or is it permanently undervalued? Do they have a secular decline in their industry or is it just a business cycle that is pronounced?

If a company's stock is out of favor and price reflects the problem in the business operation we like to get involved in details of the business. If the nature of the current operating problems appears that they can be fixed than we like to dig deeper in the historic valuations and fundamental analysis.

For example, Aaron Rents Inc is a company we bought last year. They allow consumers to rent-to-own own plasma TVs, household and office furniture, and computers. Our research indicated that the company's customer base would likely grow during the tough economic times. In addition, the stock was trading at roughly 10 to 11 times earnings. This was a historical low in valuation. We believed that the company's future growth was based more on an increase in consumer base that doesn't want to go to Best Buy and have their credit checked to get that plasma TV. Credit has been difficult to get over the last year and at Aaron Rents there are no credit checks. Our analysis, pointed to this being a temporary undervalued stock as investors fled the consumer discretionary sector due to the weakening economy.

Another example is financial stocks, but here our approach allowed us to avoid the impending disaster. In 2008 we remained under weight the financial sector, mostly in the bank and REIT industries. As the third quarter began much of Wall Street thought that financials represented an under-valued sector as many indicators such as price-to-book were beginning to look attractive as

Dreman Contrarian Small Cap Value Fund

Symbol	DRSVX
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Inception	12/31/2003

PORTFOLIO	
Total Net Assets*	\$42.2
Avg Mkt Cap (\$ Weighted) *	\$1,400
Average Price/Earnings Ratio	10.59x
Average Price/Book Ratio	1.43x
Turnover Ratio	47%

INVESTMENT INFORMATION	
New Investment	Open
Min Initial Investment	\$2,500
Min Subsequent Investment	\$1,000
Min Initial IRA Investment	N/A

RISK (AGAINST S&P 500 DAILY REINV IX - 3 YEARS)	
Alpha	0.34
Beta	1.05
R-Squared	0.86
Ann Std Deviation	18.79
Sharpe Ratio	-0.77

RETURNS VS. S&P 500 DAILY REINV INDEX		
	DRSVX	Index
1 Year (Cum.)	-34.79%	-38.09%
3 Year (Ann.)	-12.00%	-13.06%
5 Year (Ann.)	-0.90%	-4.76%

RETURNS VS. RUSSELL 2000 VALUE INDEX		
	DRSVX	Index
1 Year (Cum.)	-34.79%	-43.03%
3 Year (Ann.)	-12.00%	-18.57%
5 Year (Ann.)	-0.90%	N/A

FEES AND EXPENSES	
Max Sales Charge - Front	0.00%
Max Sales Charge - Deferred	0.00%
Max Redemption Fee**	1.00%
Total Expense Ratio	1.50%

PORTFOLIO MANAGER	
Mark Roach	2003

*millions **12 months after purchase
02/28/2009; Source: Company Documents; Lipper

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the stocks under-performed in the first half of 2008.

We felt these stocks were cheap on the book value measure and many of the banks and REITS were populating our screens. However, our analysis indicated that bad lending practices at the banks over the last few years were still unfolding. We believed that these loans were going to default at a much higher rate and wanted to understand how this might impact book value and earning.

To further understand what a higher default rate meant we looked at the loan portfolios and balance sheets of many banks. We wanted to understand the earning impact and the impact to book value of writing down these loans. Our analysis showed that many banks were still going to have to write down loans which would ultimately reduce the banks earnings and book value. This analysis helped us to remain under weight as the banks continue to struggle with bad loans but we did not sell all our holdings entirely.

How many stocks do you hold and in what increments do you buy? What diversification do you have and what benchmarks you look at?

We hold 95 to 100 stocks with 1% weights. We typically diversify across 50 or more industry groups. Our performance is generally measured against the Russell 2000 Value Index.

The portfolio as a whole will generally have a lower valuation (measured on the P/E, price-to-book, and price-to-cash flow) than the index. Typically the portfolio would have a higher dividend yield but that's not the case recently given our underweight in REITS, banks and utilities. When you look at the fundamental side of the portfolios characteristics, we have higher return on assets, higher earnings growth, higher return on equity and typically lower leverage.

Do you treat cash as an investable asset?

No, cash balances are generally minimal and are typically based on inflows and outflows.

Currently we are sitting on 4% or 5% cash, but that's inflows and outflows. That money is put back to work. We would have, in theory, 3% cash but inflows happen.

When we hit cash at certain level, we would initiate buying. We typically use some parameters and some technical indicators or some price momentum indicators to help us with the purchase or sale of companies.

What is your portfolio construction process?

When the portfolio is constructed what you are going to see is a portfolio that has a lower valuation multiple than the index. With the lower P/E, the typical lower price to book and low-price-to cash flow, more than likely it should have a higher dividend yield but that's not the case given our underweight in various dividend yielding stocks.

In general we diversify across industries and within industries among sub groups. We also control stock holding percentages to near 1% so that no one stock can have a large impact on the portfolio performance.

What are your risk controls?

Our risk controls are inherent in our process and include the diversification of the portfolio across 95 to 100 stocks in over 50 industry groups. We keep individual stock exposure to 1%.

We think using the stock price volatility or beta to measure and control risk is a little backwards. Our research indicates that a low P/E stock or a stock that has been beaten up, has more upside from an earnings surprise than a high P/E stock. They have less downside than a high P/E stock when they miss earnings. A cheap valuation and understanding of what you are paying for, is the risk measure in itself. Using a stock price beta to measure and control risk is not the best way to diversify risk in your portfolio. 