

At the Core of Every Portfolio

The First Focus Core Equity fund seeks to buy high-quality companies that are trading at a discount to their estimated economic value in the domestic large-cap equity universe. Portfolio manager Randall Greer explains how the management team applies its value investment style to create a concentrated portfolio that delivers better returns than the S&P 500 Index.

What is the company's background?

The First National Bank of Omaha is a 150-year-old family-owned institution. It is a subsidiary of the largest privately-owned banking company in the country, which has more than \$20 billion in assets.

We manage in total, including fixed income, about \$4 billion of client assets. Our clients include high net-worth investors and institutional investors as well as a family of mutual funds. We run two proprietary strategies on the equity side, a large cap core strategy and a small company strategy.

The First Focus Core Equity Fund is a large cap value strategy that we have been managing since 1992.

How do you define the investment philosophy behind the fund?

We try to identify high quality securities that are trading at a significant discount to our estimate of their long-term economic value. We define "high quality" as companies that

"This diversified fund of high-quality, large domestic companies can serve as a foundation for any investment portfolio, and around this relatively low-risk "core" one can add other funds including small cap, international, growth and fixed income funds."

generate high returns on investment, have strong balance sheets, capable managements and competitive advantages.

How do you turn this into a successful investment strategy?

There are two key elements to a successful investment strategy. First, one needs to own successful businesses and second, one needs to buy these businesses at attractive (undervalued) prices. We spend the majority of our research effort identifying strong, well-managed companies that are likely to be very successful over the next three to five years. Then we are patient and wait to purchase these businesses when they are offered in the stock market at a very attractive price. While many academicians teach that investors are "rational", our experience has been that, occasionally, investors act very irrationally when it comes to buying and selling securities. This phenomenon creates opportunities for patient investors who can calculate the long-term economic values of businesses.

Can you explain the significance of the word "core" in the fund's name?

That part of the fund's name represents that it could be the foundation of any investment portfolio. This diversified portfolio of high quality, large domestic companies serves as a relatively low-risk "core" for any investment portfolio, and around this core one can add other funds including small cap, international, growth and fixed income funds.



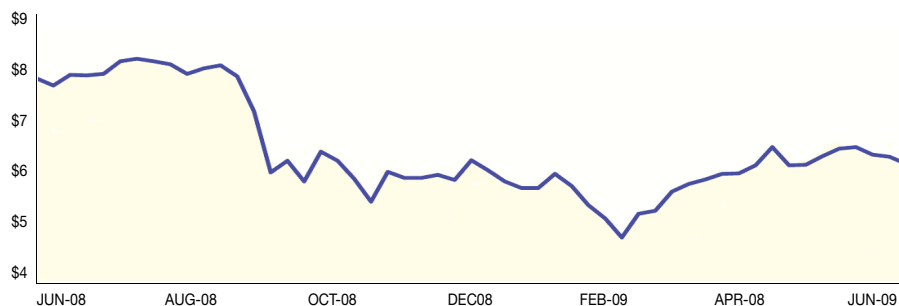
RANDALL D. GREER joined First Investment Group in November of 2006 as Head of Equity Strategy. Randy is also head of the Equity Team that manages the First Focus Small Company and Core Equity Funds. He has over 33 years of experience beginning his career with Kirkpatrick Pettis Smith Polian in 1975 holding titles there such as President and Director. He was Chairman, President, CEO and Director of KPM Management, Chief Investment Officer and Director of Westchester Capital Management and most recently a Senior Vice President at Bridges Investment Counsel.

Greer graduated from the University of Nebraska, Lincoln in 1974 with a Bachelors in Psychology and a minor in Mathematics and Computer Science. He received his MBA from the University of Florida in 1975 with a concentration in Finance and received his Chartered Financial Analyst (CFA) designation in 1980.

Greer served as past Director and Chair at the Durham Western Heritage Museum, has also served on the Nebraska Council on Economic Education, the Board of Opera Omaha, Junior Achievement and the Great Plains Girl Scouts.

Performance - Price History N.A.V.

First Focus Core Equity Fund (FOEQX)



	2006	2007	2008
Russell 1000 Value Index	22.25%	-0.17%	-36.85%
First Focus Core Equity Fund	19.03%	3.04%	-31.82%

What is your research process?

We have a staff of seven people, of which four are sector analysts and are responsible for doing the independent research on our companies. We run monthly screens across the S&P 500 database; screening for valuation and certain fundamental criteria. We look for opportunities in the top 10% to 20% of the companies that result from this screening process. Additionally, we are constantly reading research from sell-side firms and industry periodicals.

For the top candidates from our screens, we thoroughly review the financial filings of the companies, studying the business model, growth and profitability trends, the company's ability to generate free cash flow, past capital allocation decisions and management's strategy. We also study the industry, including major competitors and the supply and demand dynamics.

We have a comprehensive review of statistical information as part of this process where we are looking at everything from the short interest in the stock to insider ownership to historical valuation trends. Then, the idea is presented to our investment team and additional discussions and challenges are made through that process. We also gather questions from our investment team and

then talk to management to get answers to our questions in order to better understand the company.

What are the metrics for your screening process?

We have several valuation metrics because we want to buy the stock at a discount to the intrinsic value. Screens won't always lead you directly to a stock candidate because the data sometimes needs to be adjusted for one-time events. We look at the price to earnings ratio on forward earnings, price to sales, price to book and price to cash flow. These represent the valuation metrics.

In addition, we look at certain fundamental metrics, including long-term debt to total capital ratios, return on equity ratios and growth in earnings per share, both historical and analyst projections for the future.

What is your stock selection process?

After the candidates for purchase have finished the research process, they are discussed and debated at our weekly investment meeting. This is a "peer" challenge where each member of the investment team is given an opportunity to vet their questions and concerns. Each security candidate is

compared with the other securities in the portfolio based on expected total return over the next four years, the relative quality of the company and our confidence level in the investment thesis. The security is also reviewed with respect to how the addition will impact the portfolio's sector weightings. The portfolio managers make the final decision on whether the security is added to the portfolio and the size of the position.

Do you also focus on the macroeconomic view?

We do because we want to understand the economic factors that could be affecting each company over the next three to five years. The results of some of the companies in our portfolio are very sensitive to changes in economic growth so we have to have an understanding of the timing of the economic cycle and how it impacts various sectors and sub-industries.

We usually play the role of a contrary investor and purchase companies when the stocks become cheap during the low point of the cycle, and then sell them when their prices have recovered to our estimate of economic value.

We also try to identify secular trends in the global economy that will impact our investments. For example, we believe that we are currently in a long-term bull market in energy and raw materials due to demand from developing countries like China. We also believe that US consumer spending may recover more slowly than normal due to the need to reduce debt and increase savings for retirement. Over the next few years we expect the primary global economic engine will shift from the US consumer to spending in the developing countries related to infrastructure and a rapidly growing middle class consumer base.

What is your buy and sell discipline?

We make an assessment of economic value at the time we purchase a stock. That economic value is dynamic. We update that value over time based on earnings and book value growth, changes in ROE and other fundamental factors. We will sell a stock if

its price exceeds our estimate of economic value.

Initially, we may buy a stock at a 20% to 50% discount to our assessment of economic value.

We also will sell a stock if we believe the company's long-term fundamentals have deteriorated and our initial investment thesis is no longer valid.

Finally, we will sell a stock if we find another stock that we believe offers significantly better potential risk-adjusted returns.

Could you describe your portfolio construction process?

Our benchmark is the S&P 500 Index. In this strategy we typically hold between 40 and 50 stocks, so it is a relatively concentrated portfolio. Our philosophy is that we'd rather own fewer stocks that we know very well than have numerous stocks that we don't understand as well. We are looking at position sizes of between 1% to 4%, depending on how confident we are about a particular idea, its quality and its relative potential return.

We use the S&P 500 sector allocation as our initial benchmark and we vary from that by plus or minus several hundred basis points (a basis point equals 0.01%) based on our ability to find high-quality, undervalued companies in each sector and our long term macro view on the sector.

Are you considered an enhanced index fund?

No, I don't think so. I believe that our returns from year-to-year would suggest that this Fund is not an index fund. This Fund is more of a stock picker's fund where we have identified a small subset of the S&P 500 that we think will outperform over time. The Fund has also been much less volatile than the S&P 500 index.

How do you mitigate risk in the portfolio?

We have several controls, number one being diversification. The largest single position we have will be about 4% or so of the portfolio. We have 40 to 50 stocks across all sectors so

we have some built-in portfolio construction defenses.


We have some risk control measures on individual security selection because of our philosophy. We want a stronger balance sheet, which was an advantage in the last twelve months. In addition, our buy discipline dictates purchasing securities at a discount to our estimate of economic value, which builds in a margin of safety.

Then, we have our sell discipline. We review all these securities weekly, comparing them to our estimates of economic value and selling any securities that exceed that value. We are constantly monitoring developments regarding each of our holdings and if we determine that we have made a mistake we will sell the stock before it becomes too much of a drag on the portfolio.

It is important to note that we don't make short-term market forecasts. Our cash will probably average 3% to 5% and rarely get much above 5% of the Fund. so we are not doing any market timing We are trying to outperform over multi-year periods. We don't do any hedging in this portfolio and there is no leverage. This portfolio has been much less volatile than the market despite the fact that we have only 40 to 50 securities.

What do you think are the advantages of the team approach?

One thing that we feel is very important to our success is the team we have and our unique incentive program. We are all measured and rewarded financially on how the strategy performs based on a trailing one, three and five-year period relative to our Morningstar and Zephyr institutional peer groups as well as the S&P 500 benchmark.

Despite the fact that each of us makes a specialized contribution to the process, we are all rewarded by the same incentive, and that causes us to work really well as a team. When one of our team members is recommending a stock for the portfolio, we are going to make sure for our own benefit that they have done the research and we have vetted all the issues. In addition, all of the team members have a significant portion of their personal net worths invested in the Fund. 

First Focus Core Equity Fund

Symbol	FOEQX
Website	www.firstfocusfunds.com
Address	First National Bank of Omaha One First National Center Trust Division 1620 Dodge Street Omaha, NE 68012
Telephone	800-662-4203
Inception	12/11/1992

PORTFOLIO	
Total Net Assets *	\$81.3
Avg Mkt Cap (\$ Weighted) *	\$63,300
Average Price/Earnings Ratio	13.95x
Average Price/Book Ratio	3.53x
Turnover Ratio	31%

INVESTMENT INFORMATION	
New Investment	Open
Min Initial Investment	\$1,000
Min Subsequent Investment	\$50
Min Initial IRA Investment	N/A

RISK (AGAINST S&P 500 DAILY REINV IX - 3 YEARS)	
Alpha	0.12
Beta	0.90
R-Squared	0.96
Ann Std Deviation	17.23
Sharpe Ratio	-0.43

RETURNS VS. S&P 500 DAILY REINV IX (AS OF 6/30/09)		
	FOEQX	Index
1 Year (Cum.)	-20.40%	-26.21%
3 Year (Ann.)	-6.11%	-8.22%
5 Year (Ann.)	-0.01%	-2.24%

RETURNS VS. RUSSELL 1000® VALUE IX (AS OF 3/31/09)		
	FOEQX	Index
1 Year (Cum.)	-34.36%	-42.42%
3 Year (Ann.)	-10.45%	-15.40%
5 Year (Ann.)	-2.34%	-4.94%

FEES AND EXPENSES	
Max Sales Charge - Front	0.00%
Max Sales Charge - Deferred	0.00%
Max Redemption Fee	0.00%
Total Expense Ratio	1.24%

PORTFOLIO MANAGER	
Randall Greer	2006

¹millions
06/30/2009; Source: Company Documents; Lipper

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