



# Plumb Funds

## 1st Quarter 2012

### Commentary

Average Annualized Performance as of 03/31/2012	Three Months	One Year	Three Year	Since Inception 5/24/2007
Plumb Balanced Fund	10.32%	4.87%	15.31%	0.28%
Plumb Equity Fund	13.33%	2.88%	17.57%	-1.44%
S&P 500 Index	12.59%	8.54%	23.42%	0.78%
Barclays Capital Interm. Govt./Credit Bond Index	0.61%	6.09%	5.88%	5.86%
MSCI EAFE Index	9.97%	-8.76%	13.72%	-7.31%
Plumb Balanced Fund Blended Benchmark	8.05%	6.19%	16.45%	2.17%
Plumb Equity Fund Blended Benchmark	12.33%	6.71%	22.46%	-0.02%

The gross expense ratios as listed in the prospectus dated 8/1/11 are: Balanced Fund 1.57%; Equity Fund 1.86%. The net expense ratios as listed in the prospectus dated 8/1/11 are: Balanced Fund 1.26%; Equity Fund 1.41%. The advisor has contractually agreed to waive fees through 7/31/12.

*Performance data quoted represents past performance and does not guarantee future results. Investment returns and principal value will fluctuate, and when sold, may be worth more or less than their original cost. Performance current to the most recent month-end may be lower or higher than the performance quoted and can be obtained by calling 866-987-7888.*

U.S. markets posted their best first quarter returns since 1998. The Standard & Poor's 500 stock index rewarded investors with a 12.6% return over the period. Returns were broad based with large, mid, and small capitalization stocks all returning double digits. International markets also fared well. The MSCI EAFE world index was up 10.0%, with strong, positive returns in Europe (9.9%), Japan (11.4%), and Asia (11.3%). In contrast, Treasuries performed poorly, down 1.3% in the quarter, perhaps not surprising given their stellar returns in 2011.

The U.S. economy continues to show slow but important improvements. The unemployment rate ended the quarter at 8.2%, its lowest level since early 2009. Housing affordability is at an all time high, and prices appear to have stabilized. Both of these factors, coupled with historically attractive mortgage rates, bode well for the housing market and the broader economy. Consumer sentiment is strong as is manufacturing. A modest headwind is that national gasoline prices climbed 19% during the quarter. While some of the increase in pump prices is due to a natural increase in demand from

a recovering economy, some of the increase also stems from sanctions against Iran. The price for a barrel of crude oil closed the quarter at \$103, resulting in a national average gasoline price of \$3.86 per gallon. While we are not concerned yet that the current level of gasoline prices is enough to derail the recovery, a continued escalation in gasoline prices can certainly impact discretionary spending and threaten the economy.

The dramatic rise in stock markets in the first quarter may imply that valuations have become less attractive. The U.S. stock market still continues to look fairly attractive on a forward basis. The market ended the quarter with a forward P/E of 13x, up substantially from the beginning of the quarter and relative to an historical average of 14.5x. On a trailing basis however, stocks no longer look cheap. The median P/E for the S&P 500 based on reported trailing earnings is 17.3x, slightly in excess of the historical median of 16.5x. One potential explanation for the discrepancy in the metrics is that near-term earnings growth is expected to be greater than historical averages, an explanation consistent with a recovering economy. The primary

wrinkle in this explanation is that profit margins are also at historical peaks.

The biggest risks to the recovering economy come from overseas macroeconomic challenges. Europe remains particularly challenging. During the quarter, the European Central Bank (ECB) initiated its second round of funding through the Long-Term Refinancing Operation dispensing over €500 billion to more than 800 lenders. The ECB has provided a critical backstop to European financial institutions and ensuring liquidity remains pervasive. Yet European politicians are still promoting austerity over growth. We believe austerity is the path to depression and hope the European Union will eventually pursue a growth oriented agenda. This will likely entail Germany accepting some inflation. Given Germany's history, we are not surprised that they are reluctant to accept inflation; however, some German inflation seems inevitable. In any case, we are not there yet, and wonder how much pain European citizens will need to endure until the politicians accept the obvious.

We believe bond markets, and in particular high quality government bonds including Treasuries and German Bunds, are extremely expensive. Current yields are at levels consistent with recession or

depression. For these investments to perform well in the near to medium term, we would need to see Europe's sovereign debt crisis escalate. While a worsening of the crisis might justify current yields, we believe it is very unlikely that these investments will provide satisfactory returns as the sovereign debt crisis passes. Nor will they perform well if the U.S. economy continues to improve and, in turn the Federal Reserve returns to a more normal monetary policy.

The U.S. continues in a highly uncertain and slow growth economy. We remain conservatively positioned in both our fixed income and our equity selections. Our fixed income portfolio is positioned towards short to medium length maturities to moderate exposure to fluctuations in interest rates.

Our equity selections are weighted towards the highest quality companies with strong cash flows and balance sheets. These investments pay attractive dividends and should be able to maintain their dividends even in a challenging economic environment. We believe that this approach will moderate your risk while participating in businesses that have the strength to develop and extend their franchises.

Opinions expressed are those of Wisconsin Capital Management and are not intended to be a forecast of future events, a guarantee of future results, nor investment advice.

Fund holdings and sector allocations are subject to change at any time and should not be considered a recommendation to buy or sell any security. *Current and future portfolio holdings are subject to risk.*

**Diversification does not assure a profit nor protect against loss in a declining market.**

Must be preceded or accompanied by a current prospectus.

Investment performance reflects fee waivers in effect. In the absences of such waivers, total return would be reduced.

**Mutual fund investing involves risk. Principal loss is possible. The Funds may invest in small and mid-sized companies which involve additional risks such as limited liquidity and greater volatility. The Funds invest in foreign securities which involve greater volatility and political, economic and currency risks and differences in accounting methods. The Balanced Fund will invest in debt securities, which typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investments by the Balanced Fund in lower-rated and non-rated securities present a greater risk of loss to principal and interest than higher-rated securities. Investments in Asset Backed and Mortgage Backed Securities include additional risks that investors should be aware of such as credit risk, prepayment risk, possible illiquidity and default, as well as increased susceptibility to adverse economic developments. Because the Funds may invest in ETFs, they are subject to additional risks that do not apply to conventional mutual funds, including the risks that the market price of an ETF's shares may trade at a discount to its net asset value ("NAV"), an active**

**secondary trading market may not develop or be maintained, or trading may be halted by the exchange in which they trade, which may impact a Fund's ability to sell its shares.**

The Plumb Balanced Fund Blended Benchmark is made up of 55% S&P 500 Index, 35% Barclays Capital Intermediate Government/Credit Bond Index, and 10% MSCI EAFE Index. The Plumb Equity Fund Blended Benchmark is made up of 90% S&P 500 Index and 10% MSCI EAFE Index. The S&P 500 Index is an unmanaged market capitalization-weighted index based on the average weighted performance of 500 widely held common stocks. The Barclays Capital Intermediate Government/Credit Bond Index is an unmanaged market value weighted index measuring both the principal price changes of, and income provided by, the underlying universe of securities that comprise the index. The MSCI EAFE Index is an unmanaged market capitalization-weighted index that is designed to measure the equity market performance of developed markets, excluding the U.S. & Canada. You cannot invest directly in an index.

Cash flow measures the cash generating capability of a company by adding non-cash charges (e.g. depreciation) and interest expense to pretax income. The Price to Earnings (P/E) Ratio reflects the multiple of earnings at which a stock sells.

**The funds may invest in commodities such as gold and silver, which involve additional risks, such as the possibility for substantial price fluctuations over a short period of time.**

The Plumb Funds are distributed by Quasar Distributors, LLC.