Olstein All Cap Value Fund

(Formerly, the Olstein Financial Alert Fund)

A DECADE IN REVIEW

Olstein

Performance data quoted represents past performance. Past performance does not guarantee future results. All performance stated in this document assumes the reinvestment of dividends and capital gains. We caution shareholders that we can never predict or assure future returns on investments. The investment return and principal value of an investment with our Funds will fluctuate over time so that you shares, when redeemed, may be with more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Click the following links for the annual expense ratios and standardized performance current to the most recent quarter and month end periods for The Olstein All Cap Value Fund.

A Decade in Review was originally published in November 2005 to commemorate the tenth anniversary of the Olstein All Cap Value Fund, launched on September 21, 1995. This publication is considered archived material and, as such, contains dated performance, risk and other information. Click here for performance information as of the most recent month end. Due to changing circumstances over time, statements made in archived material may or may not have continued applicability or relevance in today's environment.

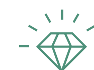
This publication does not constitute an offer or solicitation of any transaction in any securities. Any recommendation contained herein may not be suitable for all investors.

The information in this letter is not intended to be a forecast of future events, a guarantee of future results, or investment advice. Also, please note that any historical discussion of the Funds' holdings, the Funds' performance, and the portfolio managers' views are as of the date of original publication, and are subject to material changes without notice.

The Olstein All Cap Value Fund is offered by prospectus only. The prospectus contains more complete information on advisory fees, distribution charges, and other expenses and should be read carefully before investing or sending money. Past performance is no guarantee of future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than original cost.

Please call (800) 799-2113, or visit our Web site at: www.olsteinfunds.com, for updated information or a copy of our prospectus. Current performance results may be lower or higher than performance numbers quoted in certain letters to shareholders.

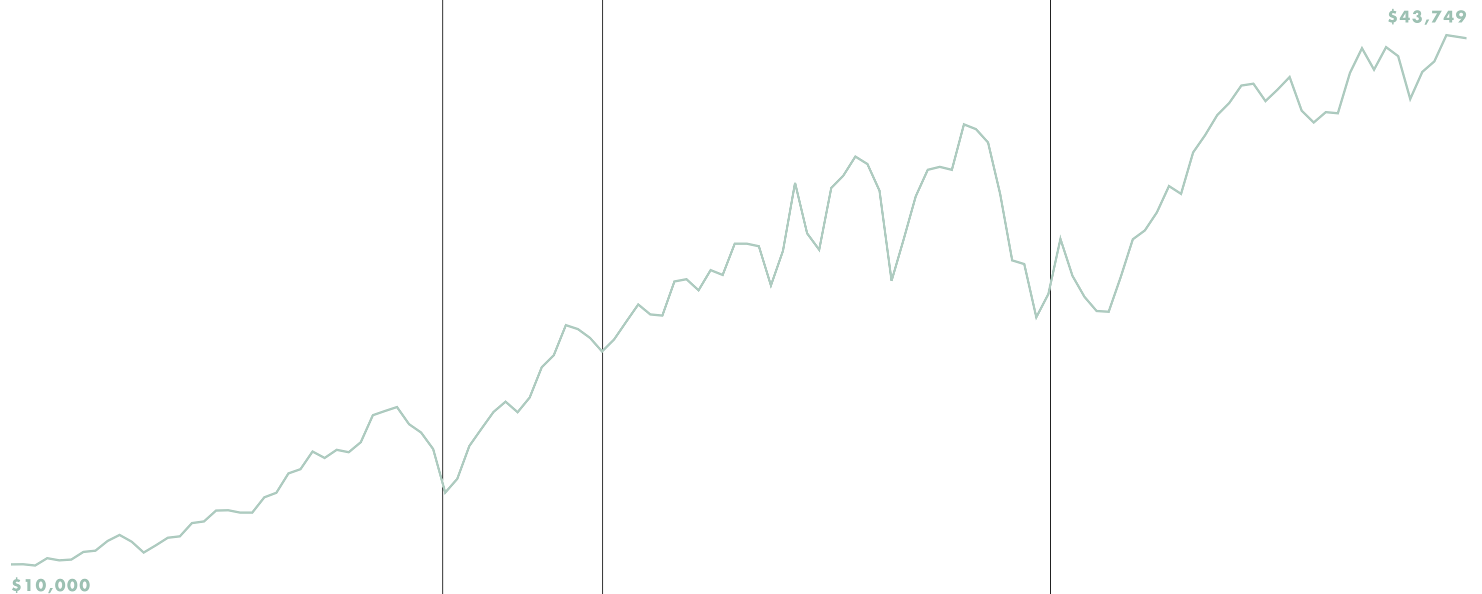
A Decade of Shareholder LETTER EXCERPTS to Celebrate Our TENTH ANNIVERSARY



Predictions, Warnings, Investment Dogma, and Plain Old Pontification.

ON SEPTEMBER 30, 2005,

the Olstein Financial Alert Fund passed a significant milestone as it celebrated its tenth anniversary. We are pleased to report that a hypothetical $10,000 investment made at the Fund's inception would have grown to $43,749 as of September 30, 2005 (see table on the inside back cover, which shows the yearly value of a hypothetical $10,000 investment made at the Fund's inception and also highlights significant market events that we anticipated and addressed in our shareholder letters). We feel a strong sense of accomplishment reporting that our ten-year performance was recently cited in *The Wall Street Journal* Quarterly Mutual Fund Review (for the quarter ending September 30, 2005 – the first quarter in which the Fund was eligible for a ten-year performance analysis), which ranked our Fund 38th out of 1,376 mutual funds eligible for analysis. The Journal reported the Fund had an average annualized return of 15.9% for the ten years ending September 30, 2005[1].



WE ARE EXTREMELY PROUD of the investment organization we have built and the investment performance we have provided our shareholders. Over the Fund's ten-year life, significant events have unfolded in financial markets, such as the Asian Crisis, the Hedge Fund Crisis (Long-Term Capital Management), the Internet Bubble, Corporate Accounting Scandals, Security Analysts Scandal, etc. Our shareholder letters have anticipated and addressed the impact of many of these events, as we shared our thought process while applying our unique value investing philosophy under dynamic conditions. In each excerpt, it is significant to note the date of our analysis of a particular trend and the time elapsed before the eventual outcome. In such an unpredictable business, we find it remarkable how many accurate predictions were contained within these letters to shareholders, despite the fact that it may have taken a long time for our scenarios to play out, especially our discussion pertaining to the investment excesses of the 1990's.

We hope you find these excerpts from previous letters interesting, informative, and insightful. In addition to using our shareholder letters to keep you informed of our investment strategies, Olstein's investment management team also seeks to educate the investing public about aspects of our approach to value investing, including valuation methods and techniques, understanding the quality of reported earnings, and assessing the quality of investment research. We hope that by looking at the enclosed past analyses and eventual outcomes, shareholders will read future letters with a better appreciation of what we're about and what we're trying to accomplish.

Of particular note, we have published articles such as "Fixing the Analyst Problem" (*Bloomberg Personal Finance*, October 2001), in which we not only address research analyst's ethics but also advocate best practices for analysts that focus solely on valuing companies. In a soon-to-be-published article, "Reality Check: Accounting Alerts Every Investor Should Know" (*CPA Journal*, early 2006), we discuss how companies utilize financial accounting and reporting practices to present themselves in the most favorable light and identify the "accounting alerts" every astute investor should look for in order to assess the degree to which a company's financial statements portray economic reality.

We invite you to contact us at (800) 799-2113 or info@olsteinfunds.com to obtain a copy of "Fixing the Analyst Problem".

The above graph illustrates the growth of a hypothetical $10,000 investment made in the Fund's Class C shares at its inception on September 21, 1995 and assumes reinvestment of all distributions. This graph depicts past performance. Past performance does not guarantee future results. Please refer to the table on the inside back cover for more detailed information.

A Review of PREDICTIONS, WARNINGS, INVESTMENT DOGMA, and Plain Old PONTIFICATION

THE FOLLOWING EXCERPTS

from previous shareholder letters, presented in chronological order since our September 21, 1995, inception, highlight how we have viewed an ever-changing investment landscape, as well as the consistency of our thinking. We continue to believe that investing according to our value-based philosophy (see Ten Tenets We Live By in Appendix A) helps investors achieve their long-term capital gains and wealth accumulation objectives, but investors must have the long-term mindset and patience to ride out many of the difficult situations, market fads, and general misperceptions similar to those that have unfolded over the past ten years.

01.24.96 INITIAL SHAREHOLDER LETTER

In our initial communication dated January 24, 1996, we welcomed shareholders to our new family and committed to maintaining a close relationship. Part of that commitment included keeping shareholders informed of our investment strategies. The initial letter went on to say:

> *As described in the prospectus, the Fund invests according to the investment strategy developed over the past 28 years by the manager, Olstein & Associates, L.P. ("O&A"), which involves an unshakable belief in a philosophy of purchasing companies that are found to be good businesses at bargain prices, and selling securities of good businesses that O&A no longer believes are at bargain prices. In practicing this philosophy, it is sometimes necessary to move against the tide, which may result in the Fund's portfolio under performing the market in the short-term. In our opinion, the desire to produce constant instantaneous gratification in the stock market usually results in disappointing long-term results. Buying businesses that have their own niche products or franchises, generate excess cash flow, have sound finances, strong management, and more predictable earnings is the hallmark of the Fund's investment philosophy.*

We went on to discuss our initial investment in Intel and Texas Instruments as leaders in a technological revolution rapidly spreading across our country and just beginning to take hold in overseas markets. We also predicted that the technological and information revolution was spreading into the home market and was also in its infancy. Finally, we highlighted our interest in General Motors because of the unrecognized value derived from its majority position in the leading satellite communication company in the world (G.M. Hughes - DirecTV).

02.28.97 INVESTING ON AUTOPILOT

In our letter dated February 28, 1997, we discussed the pitfalls of "mindless investing" (we used S&P 500® Index funds as a proxy for "mindless investing").

Mindless investing (investing by formula or buying a stock to hold forever) has risks that an investor should be unwilling to accept. As a student of history, I can recall that time after time, mindless investing has proven to be a high-risk investment process. An investor needs only to be reminded of the Penn Central Railroad, once a pillar of the American economic system that went bankrupt in 1970 (shocking hold forever investors).

Exuberant over investment results during the last six years, index funds have grown in popularity. Over the last three years, index funds that track the S&P 500 have performed better for their shareholders than did 93% of stock funds actively managed by investment professionals. Based on these results and press accolades, investment novices have mistakenly reached conclusions about the safety of these investments. In fact, while index funds have recently done well, there have been long periods in the past when actively managed stock funds outperformed the index. For example, in the five-year period ended December 31, 1982, 80% of the actively managed portfolios performed better than the S&P 500.

There is a major difference between a fund matching a market average and a risk-free investment. As more and more money has poured into these vehicles, the individual securities included in the index are purchased automatically with no valuation or assessment. The index becomes higher and higher, individual securities (similar to the early 1970's) within [index] funds, although great companies, begin to reach levels of overvaluation.

Most recent investors have never experienced a bear market. Unlike a general stock fund, an index fund cannot hold cash or other instruments to protect itself against a market decline or overvalued stocks. In addition, index funds are weighted by the market value of companies. Thus, fluctuations in the largest stocks such as General Electric, Coca Cola, Intel, etc. have an oversized effect on the fluctuation in [an index fund]. While Olstein & Associates, L.P. (the "Manager") believes that Intel is still undervalued despite sizable appreciation over the past few years, the Manager believes that the index movement is creating pockets of overvaluation in stocks such as General Electric and Coca Cola that are prominent in the index.

The new breed of mindless investing products such as index funds, the "Dogs of the Dow," and similarly designed products entail risk by the very fact that the financial statements of the companies are not being examined by a professional. The low fees match the input being provided to the investors to assess the values of the companies in the portfolio. On the other hand, shareholders of the Olstein Financial Alert Fund are more interested in playing defense first, having a professional continually monitor the financial health of the companies in the portfolio, and diversifying their risk over a large portfolio of securities rather than take the risk of concentration.

It is significant to note that the average annual return for the Vanguard 500® Index Fund for the five years ending September 30, 2005, is minus 1.60%[2]. The Index's bias toward the inclusion of stocks based on market capitalization resulted in many stocks being added that turned out to be the poster children for the technology and Internet bubble.

02.27.98 INVESTMENT MISCONCEPTIONS

In our letter dated February 27, 1998, we wrote about the pitfalls of speaking to management. We pointed out why we believe it is important to analyze what management is doing through careful assessment of the company's financial statements rather than relying on what management is saying.

Wall Street analysts filter down information from the management of the company that they follow. In order to maintain a friendly relationship and stay "tuned in" as a respected source on a company, it is difficult for the analyst to reach negative conclusions that contradict management's optimism. An industry analyst can ill afford to lose contact with the management of a significant company within an industry the analyst follows.

Minimizing errors is more helpful to long-term investment returns than picking winners. The Olstein Financial Alert Fund believes long-term performance is highly correlated with error avoidance. Throughout my 30-year career, I have yet to find a company's management that warned investors in the early stages of problems that, if not solved, could cause their stock to decline. Looking behind the financial statements is more valuable than talking to management. Many times, signs of impending problems can be inferred through the analysis of a company's financial statements. We also believe that the financial statements provide a valuable

clue as to the capabilities and veracity of management. Talking to management is an overrated function of the investment process. We would rather spend two hours with an annual report looking behind the numbers than listening to company propaganda.

06.30.98 UNDERSTANDING THE INVESTMENT MANAGER'S METHODOLOGY

On June 30, 1998, we warned investors about the importance of differentiating between great companies and good investment opportunities.

The 50 largest capitalized stocks in the S&P 500® Index have made a material contribution to the gain in market indices during the first six months of 1998. However, we refuse to pay what we believe are excess prices for great companies such as Coca-Cola and Microsoft. Great companies may not be great stocks – especially when they rise to excessive valuations. There is no room for error, and we would rather invest in short-term US Government-backed securities than assume the risks of what we believe are overpriced stocks. The large capitalization consistent growth companies are currently leading the pack and producing above-average returns for those funds willing to accept the risks. However, it would be foolish to assume that the continuing momentum in large capitalization growth companies, which in our opinion has created pockets of overvaluation, will continue forever.

In the same letter, we also discussed the subject of pinpointing the exact time to buy a stock.

Although it is 20/20 hindsight to second-guess oneself for not being able to identify the exact point of entry for each stock, we select stocks for the Fund's portfolio based on the potential values we see two years down the road. However, buying value is usually associated with some type of negative psychology surrounding the specific company, the industry, or the stock market in general. We believe that the attempt to pinpoint when gaps between our calculation of a company's private market value and its value in the stock market narrows is virtually impossible. We are very confident in our ability to identify value gaps that should eventually close within a reasonable period of time, and leave market timing to the pundits of the world. When new facts develop that indicate we are incorrect in our assessment of a company, our ego is removed and the stock is sold regardless of whether the price is above or below our initial purchase. We believe that our performance should only be measured over three to five-year time periods.

In terms of investment expectations during periods of disappointing performance, our shareholder letter dated June 30, 1998 states.

It is our opinion that everyone in the securities business eventually goes through periods of disappointing performance. If you do not understand this basic fact, you are probably not dealing with your investment realistically. Unrealistic investment expectations can create panic and lead to decisions that could be detrimental to your financial health. We believe that long-term objectives are only reached by portfolio managers who stick to a successful long-term discipline even when it is out of favor and not working [during the] short-term. No discipline works all of the time. My confidence is built upon 30 years of experience in looking behind the numbers of a company's financial statements, and applying inferential analysis to identify companies that could provide the Fund's portfolio with above-average returns without "betting the shop."

The nature of our methodology, whereby we buy stocks whose prices are experiencing downward momentum (resulting in company market values falling significantly below our calculation of private market value) and sell companies whose prices are moving above our values produces, at times, short-term accentuated movements. We look for good companies that have been beaten up for short-term reasons. We not only look at the companies we are buying, but the price we are paying for them. "The garden looks the sparsest when it is being pruned." After 30 years of experience, each time the portfolio declines, my stomach still feels some pain. However, I manage the portfolio with my head and not my stomach. Remember that the Olstein family also has a significant investment in the Fund.

In our letter dated June 30, 1998, we sounded an alarm about the rapidly building Internet bubble and reminded investors that, especially during a period of investment mania, our mantra is always about valuation.

The latest investment fad, the Internet stocks, has temporarily

created spectacular gains for investors with cast iron stomachs. We believe there is little correlation between the current prices of Internet stocks and their ability to return cash flow to investors. It is our opinion that the investors who overstay the current Internet investment mania are assuming above-average investment risk. It is tempting to jump from investment style to investment style as the landscape changes. However, we believe such attempts are a recipe for failure. You may be at the heart of the action, but we feel it is no different than a dog chasing its tail.

09.30.98 **FALSE EXPECTATIONS**

In our letter dated September 30, 1998, we needed to reassure our shareholders in response to a 21% decline in the Fund over the prior six months. The decline was caused by unsettled stock markets in reaction to the failure of a leading hedge fund in combination with the Fund's typical pattern that occurs as we start to fill the portfolio with what we believe are stocks that are undervalued due to temporary negative psychology. Our letter went on to speak about false expectations and temporary loss of capital as opposed to permanent loss.

False expectations are dangerous to your investment health. Although disdained, volatility is a necessary evil that must be tolerated when committing to a diversified, long-term equity portfolio. While this volatility can create anxiety, it creates potential opportunities for future long-term capital appreciation. A portfolio must be managed with one's head, not with one's emotion. We believe that attempts to control volatility when buying securities that are becoming undervalued in response to some type of pessimism surrounding the company is virtually impossible. Non-recurring events that are not predictable sometimes take the price of a stock far lower than even we imagine. It may take some time to change the negative psychology surrounding a company. However, value cannot exist unless there is some deviation between the market price as assessed by Wall Street and our calculation of a company's private market value.

It is important to understand that, in selecting stocks for the Fund's portfolio, we cannot guarantee against the loss of capital. However, there is a difference between a temporary loss of capital and a permanent loss of capital. The Investment Manager defines temporary loss of capital as market fluctuations, that generate unrealized losses in stocks owned by the Fund during the first two years of ownership and are unrelated to valuation changes caused by fluctuations in our cash flow expectations. Our long-term values are based on an assessment of a company's expected cash earnings over a three-year time period. Market psychology goes through schizophrenic changes in reaction to the latest crisis or economic event, resulting in short-term price fluctuations in individual securities that have no correlation to our long-term valuation of companies. Investors are usually consumed by the events of the moment and rarely look beyond their current feelings of either fear or jubilation. Value needs time to emerge. We define permanent loss of capital as the probability that a stock will be selling below its purchase price three years into the future. Patience is the greatest virtue a value investor can adopt.

02.28.99 **HOW CAN VALUE BE VALUE IF IT IS VALUED?**

In our shareholder letter dated February 28, 1999, we discussed the misperceptions surrounding value investing and gave additional warnings about overvalued large cap and Internet stocks and the dangers of chasing the returns of the current investment mania.

Many mutual funds that invest in large capitalization, growth, and Internet-related stocks are currently receiving a lot of press coverage extolling their meteoric returns. Yet, there is little coverage of the risks taken in order to achieve such high returns. There is also very little press coverage as to what happened to the followers of previous manias that have since proven to be only short-term fads. Human nature tends to be attracted to what is currently working, trendy, and getting the media coverage. Returns on stocks currently in the investment spotlight are driven higher and higher by additional investors seeking their fortune, with little regard for the underlying fundamentals or for the risks taken. As always, when conclusions are reached that a particular investment discipline is the only way to go (e.g., indexing, large capitalization growth stocks, and Internet companies), the mass acceptance of that conclusion leads to classic cases of overvaluation which can eventually result in serious corrections and investor disenchantment.

To repeat, anyone who writes that value is out of favor does not understand how value is created. Stocks are priced in the short run by investor perceptions. When these perceptions are wrong, stocks can become overvalued or undervalued. However, for long periods of time, there can be a disassociation between perception and reality,

both on the upside and downside. The Olstein Financial Alert Fund seeks to take advantage of deviations between investor perceptions (as represented by the current stock price) and reality (the current discounted value of a company's excess cash flow over future periods).

Momentum investors and short-term investors play positive perceptions, regardless of whether or not these perceptions are in accord with economic reality. On the contrary, value investors seek to take advantage of the prices created by investors' unwarranted short-term pessimism. The current investment rage is the Internet and large capitalization growth stocks, which are expected to grow forever. I believe the Internet and related technologies are a real, new, powerful paradigm, producing a major economic revolution. However, some of the perceptions and valuations of the companies associated with the Internet and related companies are not in accord with their ability to produce earnings. We believe investors, in most cases, are confusing the expansion of an industry with profitable growth. Internet commerce currently represents a minute portion of the domestic economy, yet the valuations being placed on companies even remotely associated with Internet commerce are at unprecedented levels.

09.00.99 COMMITMENT TO A LONG-TERM INVESTMENT STRATEGY

One year after hand holding in our September 1998 letter, the Fund had appreciated 50%[3]. Our September 1999 letter spoke about why our Fund is suited for longer-term shareholders who have the ability to balance the periods of exhilaration with the periods of disappointment. We illustrated the need for balance and a long-term outlook by telling the story of one shareholder who bought the Fund after a material upward move, wanted to sell after a short-term move down, questioned our performance relative to styles that were working at the time, and then invested more money after the Fund rallied.

While past performance is not necessarily indicative of future results, it was over the course of these emotional swings that the shareholder was able to adopt a longer-term outlook rooted in a deeper understanding of our investment approach and strategy. While we are happy that, after a year, the shareholder invested more money with the Fund, we are proud that the guidance we gave the shareholder then is the same guidance we give investors now and always. We firmly believe that short-term performance is never a reason to select a fund. The characteristics that we believe are critical to selecting and staying invested with a fund are worth repeating and are listed in the following excerpt:

The facts are that we were never that bad when the Fund dropped far greater than we had ever expected between March and September of 1998. We were also not as good as when the Fund made a rapid 60% comeback between October 1998 and April 1999 as the negative psychology lifted, and many of the Fund's value stocks sprinted to what we believed were realistic prices.

In our opinion, short-term performance is never a reason to select a Fund. The characteristics that we believe are the most important when selecting a fund include:

- A clearly articulated investment philosophy that one believes is sound
- An appropriate investment objective combined with a risk profile that one can tolerate
- Above average 3 to 5- year returns
- Independent thinking and unencumbered decision making within the investment manager's organization
- Personal discipline to follow the articulated philosophy when it is temporarily out of favor
- Flexibility or the ability to reverse wrong decisions, as new information evolves regardless of whether or not the original conclusion was wrong
- A passion for the business
- Although heavily biased, we believe that we possess each one of these attributes.

03.21.00 OLD ECONOMY/NEW ECONOMY...

BLAH, BLAH, BLAH!!

On March 21, 2000, we published a letter of which we are still extremely proud. In this letter we tackled the confusing and lopsided rationale which delineated between the performance and prospects for so-called "New Economy" and "Old Economy" stocks. It is important to note that we published this letter within eleven days of the all time NASDAQ peak (March 10, 2000) and three days before the S&P 500® Index hit an all time high (March 24, 2000). It is hard to believe that such an investment mentality, with little respect for either valuations or risk, actually existed.

Investors have characterized this tale of two stock markets as a divide between the old economy stocks (banks, consumer durables, basic materials, etc.), which are going to be negatively impacted by interest rate increases, and the new economy stocks (the so-called immune super-charged technology stocks, telecommunication stocks, biotech stocks, etc.), which will not be impacted. In our opinion, the split performance between the so-called new economy stocks and old economy stocks is confusing and lopsided. All references to valuation have been repressed. The latest battle cry on Wall Street is that the new economy led by the technology stocks is the only place to invest, regardless of whether or not the current stock prices have expectations built in that either leaves little room for error or, in fact, are not achievable.

The subject of risk has been moved to the background. The new economy stocks are being priced as if there is no risk. The old economy stocks are being priced as if there is no opportunity. We believe that neither is true, and it is our opinion that if the old economy falters because interest rates rise, the resulting cutback in capital expenditures and employment at old economy firms should negatively impact new economy stocks. If old economy companies enter into a downturn, expenditures for computers, cellular telephones, and $90 per month broadband Internet connections would probably be cut back. Although the new economy may be currently ignoring the tenets of Economics 101, the joy will be short lived if the old economy does not come along for the ride.

Many investors, who subscribe to the belief that the old economy will continue to underperform, are deserting mutual funds that hunt bargains based on deviations between stock market prices and private market values. Those who believe the new economy/old economy propaganda because it is currently working (and they do not want to be left at the station), and are making investment decisions on this theory, are further escalating the split stock market. These new economy investors are fleeing funds that value companies on a discounted cash flow and asset model, and running to mutual funds that are loading up on a narrowing base of new technology stocks with high potential growth rates and stock market momentum. The process becomes self-perpetuating, as new cash flow pours into momentum mutual funds that focus on new economy stocks. This causes spike-like price increases in the stocks they buy, attracting more and more momentum investors.

The split between new economy and old economy stocks should eventually narrow. Most rallies go harder and farther than anyone envisions, but they also correct harder and faster than anyone thinks. We are not predicting when this narrowing will occur, but we believe that it should. The catalyst should be when the momentum investors, who have been driving the prices of some technology companies into the stratosphere, realize the inter-relationship of the old and new economies. The more astute investors will begin to exit the overvalued new economy stocks looking for bargains with equal potential and less risk. When investors realize that the old and new economies depend on each other, the rush to the exits from the concentrated pyramid at the top could get ugly.

Although we understand the optimism surrounding new economy stocks, we prefer to calculate the earnings assumptions necessary to justify the prices of these technology stocks, rather than rely on pure stock market momentum and speculation. If we cannot justify the price, as is the case with many new economy stocks, we will pass and wait for our opportunity to pay the right price. Liquidations from conventional value funds are causing price declines in old economy stocks at prices that we believe overdiscounts potential problems. The Olstein Financial Alert Fund is currently purchasing these stocks at what we believe are outstanding prices.

07.15.00 TIMING VALUE

On July 15, 2000, we again discussed the subject of fantasy valuations, timing value, and the importance of sticking to a discipline. We also highlighted the early signs of a return to valuations based on cash flow and business actually being valued based upon operations rather than their business plans.

In our March 21, 2000, shareholder letter "Old Economy, New Economy, Blah, Blah, Blah," we discussed our belief that many stocks, especially those in the Internet sector, would experience sharp declines in their stock prices. Although lucky with our timing, our value philosophy indicated to us that the speculative bubble could not be sustained for much longer. Assuming that a hot sector or group that is currently appreciating rapidly will continue forever, is dangerous to your financial health. Wall Street's history is littered with bubbles that have burst, and I am sure that this is not the last. This phenomenon plays on human nature, which tells us to ignore risk and seek instantaneous gratification. However, sustaining results while playing these investment bubbles requires an exit strategy with precise timing, when and if the bubble bursts.

We believe that Wall Street analysts were too caught up in their own hype machine. Many analysts repeatedly made ridiculous stock prices seem reasonable by tailoring new valuation methods to justify meteoric prices. Stocks should be valued relative to bond yields, cash flow, dividends, etc. However, in an effort to maintain the hype, these analysts created fantasy valuation concepts such as multiples of revenues, earnings before expenses, Web site hits, adjusted earnings, pre-write-off earnings, and multiples of marketing expenses.

We attempt to identify stocks that are selling at a discount to our calculation of their private market values. This discount is usually created by pessimism (either warranted or unwarranted) surrounding a company, an industry, or the markets in general. We look through the pessimism, and seek to purchase companies for the Fund's portfolio that could provide a cash-on-cash return at a premium to lower risk 3 to 5-year US Treasuries. We do not attempt to time when this value will be realized. One never knows when the catalyst is ignited and we believe it is a mistake to time value. Good value is its own catalyst, and our definition of value requires no timing other than paying the right price for a stock. We define the right price according to a proprietary calculation that compares the expected cash yield (cash flow divided by price paid) of a potential investment over a 3 to 5-year period, to the rate of return of lower risk US Treasuries over the same interval. We believe that the

psychology of the stock market is slowly turning back to a cash flow philosophy, especially by investors who purchased speculative securities with little regard to economic fundamentals. Profits are once again being valued more than deficits, and businesses are being deemed more valuable than business plans. Recently, a trend has developed where sophisticated investors and companies are instantaneously closing some value gaps through acquisitions, taking companies private, and aggressive accumulation of stock in the open market.

Value investing is not a simple philosophy to practice. Many investors who attempt to be value players fail to maintain the discipline and patience necessary to be successful. However, it is discipline and patience that allow the Fund to stay focused on its philosophy, and to not get caught up in speculative bubbles even during short-term periods of under performance. Value tends to be scorned and ignored during periods of market speculation, until investors finally realize (sometimes too late) that speculation usually comes to an abrupt and painful end. We continue to believe that equity investments should not be viewed as a no-risk get rich quick scheme, but should be seen as a vehicle in which to build wealth over time. An investor in the Olstein Financial Alert Fund should allow at least three to five years for the Fund's objective of long-term capital appreciation to be realized.

10.03.00 WHY WE DO OUR OWN RESEARCH

In our shareholder letter dated October 3, 2000, we discussed why we do our own research and highlighted the conflicts of interest inherent in Wall Street research that prevent many investors from getting unbiased information. We also discussed Lucent as the poster boy stock exemplifying management misinformation combined with Wall Street affection.

Despite the importance of error avoidance to long-term performance, few research reports emanating from the big Wall Street brokerage houses discuss the importance of downside risk. In fact, less than 1% of the research reports published on Wall Street are sell recommendations. Let us look at the four conflicts of interest that prevent investors from receiving unbiased information from Wall Street.

1 Management

It is to management's advantage to keep their company's stock price high for various purposes including personal compensation, stock options, and financing. During my 33 years in the research profes-

sion, I have yet to hear management warn of an existing problem, that if not resolved, would result in a dramatic drop in their stock's price.

2
Accountants

Although accountants are technically hired by a company's Board of Directors, in reality the accountants answer to management.

3
Analysts

Analysts fear loss of management contact and repercussions from institutional holders of a stock if they dispense negative information about a company.

4
Investment Banking

In most cases, an investment-banking department is the firm's key profit center and generates significant fees from corporate clients. The investment bankers fear the loss of these fees should their research department negatively critique one of their client's stocks.

Because of the conflicts of interest that set up roadblocks to receiving unbiased information, we refer to Wall Street research only to help us gather industry data and product information and to assess what information and opinions the public is receiving. When the conclusions of the Wall Street analysts (which serve as a basis for the decisions made by institutions and the general public) differ from our opinions, it often presents opportunities for the Fund to purchase or sell securities at what we believe are attractive prices.

The recent chain of events with Lucent Technologies is a prime example of why we perform our own research. Wall Street analysts were falling all over each other to recommend Lucent Technologies as a play on the significant build-up taking place in the Internet and telecommunications infrastructure. On the surface, the former AT&T subsidiary would have appeared to be a prime candidate for the Fund's portfolio. However, after performing a detailed analysis of Lucent's financial statements, we concluded that not only was the stock highly overvalued on reported earnings, but we had several questions with regard to the quality of Lucent's earnings. Beginning in March 1999, in interviews on CNBC, the New York Times, and Barron's, I continued to question Lucent's growing receivables relative to sales, excessive inventories, customer financing, continuing non-recurring write-offs, reserve reversals, high levels of pension income, declining backlogs, and acquisition-generated sales and earnings. Our warning not only fell on deaf ears but was also the subject of intense criticism. From the date of our first interview (March 1999), the stock went on to appreciate almost 30%. In January 2000, the other shoe finally dropped. After Lucent announced its first downside earnings alert (two other negative

announcements have occurred since then), the stock dropped 75% from its high in January 2000, and is still down 60% from our first warning. The nine months after our first warning, during which Lucent's stock continued to climb, was lonely. However, when the problems at Lucent became apparent, the subsequent decline was rapid and steep.

01.16.01 TRUTH TELLERS

In our letter dated January 16, 2001, we discussed the importance of minimizing errors and our recognition for our prescient call on Lucent.

We continue to believe there is a strong correlation between long-term above-average performance and minimizing errors. If you do not believe this premise, just ask 1999 converts to the pure Internet and/or technology craze. Whereas the Internet and technology momentum investors enjoyed an exhilarating ride up, the subsequent losses experienced by unsuspecting investors were much more painful.

Maria Bartiromo, the well-known CNBC anchor, wrote an outstanding article in the February issue of Individual Investor magazine titled "The Truth Tellers." We were honored to have our 1999 warnings on Lucent's overstated earnings, as featured in a cutting-edge article by Gretchen Morgenson of The New York Times, included as one of Individual Investor's best early warning calls for 2000. Our warnings were contrary to an overwhelming wave of optimism surrounding Lucent, created by Lucent's management and a biased analytical community. During 2000, Lucent surprised Wall Street analysts and investors with a series of earnings and sales downgrades, causing a precipitous 80% decline in Lucent's stock price. Congratulations to Ms. Bartiromo and Individual Investor for featuring analysts and portfolio managers who have the guts to warn investors about overvaluation, as opposed to featuring analysts and portfolio managers who are treated like rock stars for making calls on stocks or market segments that temporarily go into the stratosphere. The majority of analytical literature on Wall Street is heavily biased toward optimistic calls (only 1% of analyst reports feature "sell" recommendations), yet we continue to believe that the long-term above average performers are the analysts and portfolio managers who make the fewest errors. It is fortunate that some reporters at various business television programs and publications are more skeptical of the Wall Street "hype machine" than the

securities analysts (refer to our previous letter – "Why We Do Our Own Research"), who are purportedly trained to be skeptical.

01.16.01 PREDICTIONS FOR THE FUTURE

In our letter dated January 16, 2001, we predicted lower market returns going forward and the importance of paying the right price in such a lower-return environment to achieve favorable long-term investment returns.

We believe stock market averages over the next three to five years could produce lower average annualized returns than the most recent three to five-year period. Although overall market returns could be lower, we are not reacting to the doom and gloom scenarios currently in vogue as a result of the almost 40% fall in the NASDAQ Composite Index during the year 2000. Just as we did not react to the [unbridled] optimism encountered 12 months ago, we are not reacting to the current pessimism. We believe that the next three to five years will again become a market of stocks in which valuations based on excess cash flow should take precedence over valuations based on hopes and dreams. Many of the excesses have been drained from the marketplace over the past ten months. We look forward to the opportunity to find securities that are being mispriced as a result of misperceptions, and three to five day time horizons.

It is important that our results are analyzed over three to five year time periods. As we have always stated, the three most important factors in selecting securities are Price, Price, and Price. In essence, we have to buy good companies at the right price. If we do not buy good companies at the right price, we will have a portfolio full of good companies with disappointing long-term returns. Cisco was and is a great company. However, the investors who felt the company was a good investment at 125 times estimated earnings in March 2000 are currently suffering the penalties of paying any price for a great company. After the 1972 "nifty fifty" bubble, it took many investors who paid any price for the company leaders of that era, more than ten years to get their money back. Shareholders in Polaroid, who paid one hundred times earnings in 1972 (Polaroid was called "cheap" in 1972) have yet to break even.

01.16.01 NEW YEAR'S RESOLUTIONS FOR OUR SHAREHOLDERS

Since the year ending December 31, 2000, marked the Fund's fifth year in business, we included in our shareholder letter dated January 16, 2001, New Year's resolutions for following the Olstein investment discipline.

1 *Try not to be right all of the time. Investors who want instantaneous gratification in the stock market are usually not right "over time."*

2 *Look at the downside risk of any stock before evaluating upside potential. Long-term performers are those who make the fewest errors.*

3 *Define risk according to financial strength, excess cash flow and predictability of cash flow based on unique fundamentals, rather than defining risk by the volatility of a company's stock.*

4 *Do not buy good companies at ridiculous prices. The price one pays for good companies is just as important as separating good companies from mediocre ones.*

5 *Do not try to time value. The timing is the value itself. There are too many smart and educated investors for true value to not be eventually recognized.*

6 *Have patience. Value is usually found during periods of negative psychology or misperception. These periods usually last longer than one expects.*

7 *Do not value companies relative to other companies. The value of a company comes from comparing the cash flow return to low risk three-year US Treasury Notes.*

8 *Do not judge value by previous prices. Just because an overpriced company has fallen does not mean it is cheap.*

9 *Do not interview management. They are biased. Form your own opinion of management from an inferential analysis of a company's financial statements and the veracity of previous shareholder letters.*

10 *Do not set up artificial barriers to investing such as large cap, small cap, cyclical, growth etc. Growth is a component of value. An investor should not pick a physician by his height, and an investor should not pick a company by its size.*

11 *Do not predict interest rates; react to them.*

12 *Understand the accounting of companies you own.*

13 *Never keep an overvalued stock for tax reasons.*

14 *Do not own a sector fund. Pick managers who move to the right sectors based on valuation.*

15 *Do not own an index fund. An index fund was a great idea that is seriously flawed now because of overuse.*

03.12.01 THE DEFINITION OF A VALUE FUND

In our shareholder letter dated March 12, 2001, we provided shareholders with our definition of a value fund (contrasted with "overvalued funds") while providing guidance on avoiding the "greater fool's game" by investing in companies based on intrinsic business valuations.

The media, the general public, and most investors have a concept of value funds that has more tentacles than an octopus. The thought process of a value investor starts with the basic premise that stocks are not lottery tickets, but represent ownership interests in real businesses. Our simple definition of a value investor is one who attempts to buy stocks selling at a discount to the intrinsic value of the underlying businesses. Good minds may differ as to what that value may be, but any fund not paying attention to value (momentum funds or crowd psychology funds) is relying on the foolishness of other investors to make money. I prefer to call those funds "overvalued funds."

The ability to predict the psychology of crowds that act foolishly for the purposes of consistently making money over long periods of time, is a high-risk endeavor with a minimal chance of success. We believe only a very small minority can be successful at this greater fool's game, with the overwhelming majority of momentum investors becoming the proverbial fool who is left holding the bag. In our shareholder letters dating back to mid 1999, we expressed our concern about the risks being taken by investors participating in the speculative binge in technology and Internet stocks. The fantasy market gave

rise to fantasy companies, where management earned money from investors rather than for investors. Any knowledgeable investment professional looking at the expectations and pronouncements of the "bubble meisters" should have identified the business model as akin to a third-grade fantasy being substantiated by investment bankers who were being compensated for perpetuating the myth. Unfortunately, as usual, greed and emotion overtook sound reasoning resulting in fortunes being flushed down the drain.

01.23.02 OUR PORTFOLIO TEAM

In our letter dated January 23, 2002, we supplemented our normal discussion of investment-related issues to recognize the important contributions of our portfolio management team and briefly described our rigorous decision-making process.

I believe we have assembled the best-trained portfolio management team in the industry. We go through rigorous meetings twice daily, which include educational assignments. You better not attend the Monday morning meeting if you have not done your assignment reading over the weekend. I am proud to announce that Sean Reidy has been promoted to Co-Portfolio Manager, Eric Heyman to Vice President and Research Analyst. The staff is researching more of the ideas and is more heavily involved in the day-to-day decision making. I am spending more of my time on portfolio strategy, training, and developing ideas to be researched by our research and portfolio management team.

We are very pleased to report that Sean Reidy continues to serve as Senior Vice President and Co-Portfolio Manager of the Fund and that Eric Heyman has since been promoted to Senior Vice President and Director of Research. As you may know, Sean has worked with us since 1992 continually offering valuable insight and guidance on the portfolio. Likewise, Eric joined us shortly after the launch of the Fund and has become such an astute investment professional that, in many situations, he now guides me!

04.11.02 LOOKING BEHIND THE NUMBERS

On April 11, 2002, we commented on the accounting scandals

rocking Wall Street and why it is necessary to carefully and inferentially look behind the numbers to avoid these shenanigans. We went on to talk about the economic reality of financial statements, Enron's accounting practices and valuing companies based on an ability to produce excess cash flow rather than smokescreens.

As early as May 2000, Enron's disclosures were sending out red flag alerts. The disclosures clearly stated that Enron's Chief Financial Officer was personally sharing in the profits of the off balance sheet entities being set up by Enron. Although the disclosures about the off balance sheet entities were generally inadequate, the percentage of Enron's profits being derived from these entities were materially increasing. If the security analysts were doing their jobs and demanding more disclosure from management, perhaps Enron's stock would never have reached the lofty stock prices brought about by the analytical community's blind faith in management.

We believe there is nothing wrong or illegal about earnings management within limits. However, some companies exceed these limits. In cases such as Enron, Lucent, Boston Chicken, and Sunbeam, the financial statements may have been in accord with GAAP, but were not in accord with economic reality.

We believe that our practice of adjusting corporate earnings for economic reality in all markets places us at a competitive advantage in our attempts to achieve the Fund's objective of long-term capital appreciation. Although accounting and financial chicanery has always been a part of Wall Street, bear markets create an increased awareness and concern for reform. We doubt that any meaningful permanent accounting reform is achievable, and thus it is imperative for investment professionals to assess the economic reality of financial statements. The art of understanding financial statements must be practiced not only in a bear market, but in all markets. We value companies on the basis of their ability to create excess cash flow, rather than the ability of the company's management to create smokescreens. Failing to adjust reported results for smokescreens, which attempt to hide a company's true cash flow is a ticking time bomb with a high probability of eventually igniting. Cash flow analysis must be done in all markets at all times. GAAP and economic reality can, at times, be worlds apart. An inferential analysis of financial statements is needed to bridge the gap when it occurs.

07.24.02 **PUSHING BUTTONS**

In our letter of July 24, 2002, we explained that the Fund appreciated from March 2000 through March 2002, despite a vicious bear market. The Fund declined in the second quarter of 2002 as we began to purchase stocks that were falling as a result of what we believed were short-term negative perceptions. Our July 2002 shareholder letter dealt with the subject of predicting the direction of stock markets and balanced thinking as opposed to the extreme negative thinking dominating markets at the time.

The ultimate investor's dream is to identify stock market turning points. The ability to call these turns with any degree of regularity and to profit there from, would probably create the first trillionaire. Throughout my 35 years in the industry, I have watched financial advisors, securities analysts, and market technicians who have been right for periods of time, yet there are still no trillionaires. In fact, I have witnessed investors march over the cliff following the latest market-timing guru who eventually proves fallible. I believe it is important to know one's limitations in attempting to achieve long-term business success.

I am admitting to you that I do not possess the ability to predict the psychology of crowds with any degree of regularity. However, I believe our edge is our ability to value companies based on our predictions of the company's estimated discounted cash flow. It is important to buy securities that have sound financial statements, understandable accounting disclosures, and generate excess cash flow. We have practiced this successful discipline for a long period of time, and do not get involved in the ultimate fantasy of picking tops and bottoms of either the stock market or individual stocks, which we believe increases the chances of being wrong over time.

Let me share a story about a close friend of mine who began investing with us in August of 1987. My friend, conservative by nature, had accumulated $500,000 running a successful business. After many years of studying my investment style, my friend and new client entrusted $250,000 to my investment philosophy. Ninety days later, after the crash of October 1987, he was down approximately 25% on his initial investment. I was sick to my stomach, and he was sick to his stomach, but life went on. Fifteen years later, my friend's initial investment has appreciated by a meaningful

amount. After he recouped his initial investment and was on the plus side, I questioned him as to whether he would have invested in November of 1987 (after the crash had taken place). He answered quite honestly that he would have passed based on the pessimism and fear that existed at the time. Although he would have missed the crash of October 1987, he would have also missed the subsequent bull market of the next 15 years and the wealth accumulation that took place as a result.

It was only two short years ago when all the pundits were telling everybody to buy dot.coms and technology stocks. They were predicting 13,000 – 15,000 on the Dow and telling everybody to sell the "Old Economy" stocks. I disagreed with these pundits then, and suggest that you go back and read our March 2000 shareholder letter "New Economy/Old Economy… Blah, Blah, Blah" and earlier shareholder letters warning of a rapidly approaching bubble burst. The same prognosticators are now telling all who will listen to avoid technology stocks, and that the market is going significantly lower and is never coming back. Just as in 1999 when we disagreed with the runaway extreme bull market (we compared the "new era" thinkers to children left alone in a candy store to eat all of the candy they could without regard to repercussions), we disagree with the extreme negative thinking of today. We believe in balanced, as opposed to extreme, thinking.

10.08.02 THIS TIME IS DIFFERENT…WELL, MAYBE NOT.

In our letter published on October 8, 2002 (right before the market was about to bottom from a three-year bear market), we had the following to say about the pervasive pessimism affecting the markets, which included a universally accepted truth that "this time is different" to justify the pessimism.

We believe we are again in a period of disconnect and the mass of investors rocked by corporate scandals, accounting chicanery, talk of war, terrorist activity, and analyst mistrust are not currently seeing the forest through the trees. Again, "this time is different" is used repeatedly to justify the doom and gloom scenario that is forecasted to last forever. We believe earnings direction and interest rate levels are the two main determinants of stock valuation. Investors should be influenced less by the current news and begin discounting the next two years over which we are optimistic about future corporate earnings and cash flow.

The model we use to determine stock valuations demands a 50% to 100% excess cash flow yield versus five-year US Treasury rates. With five-year US Treasury rates under 3%, a stock whose earnings yield provides a 5% to 6% return, (double the rate of five year US Treasuries) may be a worthwhile investment. The economic turnaround we envisioned for 2003 should lead to increased corporate earnings and higher earnings yields for stocks, which is usually conducive to a positive stock market. The Fund's portfolio is invested in companies that we believe have future earnings yields that could exceed US Treasury rates by 100% or more. The non-recurring write-offs and corporate cleansing of the last few years should set the stage for a higher quality of earnings in 2003 as well as some upside earnings surprises.

01.24.03 LONG – TERM PERSPECTIVE

One of our most unique and original analyses appeared in our shareholder letter of January 24, 2003, justifying our purchase of former growth stocks that were no longer growing at rates that analysts required. All of these stocks made material contributions to the Fund's performance over the ensuing 18 months.

We have also recently added three former high-growth, well-known, well-respected companies that we believe are worth more under a no-growth or limited-growth scenario than trying to recreate former growth rates. All three companies have the same trait as other stocks in our portfolio: the ability to generate positive cash flow despite a low-growth scenario. These stocks have been engulfed by an aura of pessimism because of the reported slowdown in their growth rate. The pessimism should lift when the mass of investors realize that Disney, Home Depot, and McDonald's can generate significantly higher excess cash flow under a slow- or no-growth scenario than they could by continuing to invest in low-return projects in their attempts to continue growing. Disney has fallen on some hard times with attendance down at their theme parks and a poor showing at the ABC Television group. In recent months, Disney has already shown its ability to improve ratings at ABC, which in turn drives advertising revenue. They have also passed along price increases at the theme parks. We believe this should translate into improved cash flow and valuation going forward.

McDonald's and Home Depot (a recent portfolio acquisition) are two solid franchises whose stock prices have reached significant lows recently.

Both companies have operational difficulties that can be addressed and rectified over time and should eventually generate big positive cash flow in the near future. We feel the markets time frame is too short in expecting improvements and our patience should be rewarded.

04.17.03 **EXACT TIMING**

In our letter dated April 17, 2003, which approximately marked one year from the Fund's previous top point (and right before the market and the Fund had a material upside move), we had the following to say about the Fund's first down year, timing markets and stocks, our proprietary formula for valuing stocks, sticking to our discipline, and the fact that we were identifying many securities that we believed were materially undervalued.

Although it is difficult for shareholders to make a transition from a period of positive returns to a period of negative returns, it should be noted that we have had prior periods of negative returns, the most recent being between March and August of 1998. During this six-month period, the Fund declined approximately 27% from high to low causing it to trail the major stock averages in 1998, (even though the Fund showed positive returns for the full year). It is just as critical during periods of negative psychology and economic weakness to sort out companies in the portfolio which are declining due to temporary factors, versus those companies where we were too optimistic in predicting future levels of excess cash flow, and therefore may need to be sold. During these negative periods, many hours need to be spent to sort out the stocks most affected by misperceptions and short-term thinking that can produce bargain prices. It is imperative during these periods of negativity, to differentiate between misperceptions caused by extreme pessimism as opposed to permanent change. To reiterate, extreme pessimism produces prices which can set up the potential for future profitable opportunities for the Fund, especially when the pessimism is unwarranted and represents a reaction to short-term factors which are not likely to last.

The crowd normally sees what is directly in front of them as the press accentuates the mood and investment theme of the day. It was only three years ago that one of the senior editors of a well-respected financial publication, debated a colleague in a feature article about how the new economy was the only place to be. He strongly believed that the new economy and the exorbitant P/E ratios associated with these new economy companies were justified by the explosive sales and earnings growth that was in the early stages of a new era. The same writer is now saying that we are still in the early stages of a bear market. In fact, the writer's "boom forever" theory was not true, nor do we believe the market is finished for the foreseeable future. Current extreme negative thinking shall pass.

Nobody can time exactly when to buy securities in general, or [time] the exact top, or bottom, of an individual stock price. We buy a stock when we believe it is selling at a material discount to our calculation of its private market value. The private market value is based on a proprietary formula of discounted excess cash flow expected to be generated over a three to five-year period compared to similar returns from US Treasury securities. We demand excess cash flow premiums from the stocks we purchase. We believe a company's premium cash return over US Treasury securities should be the eventual catalyst to remove any misperception holding a stock price below our calculation of its private market value.

Thus, our timing is based on paying what we believe to be the right price, and envisioning a catalyst which would clear up (within a two-year period) the misperception that created the discount. If you wait for the catalyst to be apparent, you will most likely give up the opportunity to buy an undervalued security. In today's information age, misperceptions are quickly re-priced when the misperception becomes apparent. We believe that attempting a strategy of achieving exact timing and constant performance at the risk of not performing over time, is too big a risk to take. Thus, our objective is to perform over time rather than take the risk of performing all of the time. In fact, it is our opinion that the best time to buy a long-term winning strategy is during a period of short-term underperformance.

We are finding values similar to the 1973-1974 market bottom. While the stock market averages were relatively flat between 1974 and 1982, good portfolio managers who purchased stocks that were wrongfully punished by the extreme negativity of that period, experienced above-average positive returns. The 1974-1982 stock market averages were stagnant as the "Nifty Fifty" stocks that became overvalued in 1971-1972 needed many years for their earnings to catch up to their valuations. However, the vast majority of stocks during the 1974-1982 period experienced price appreciation as they recovered from being wrongfully overpunished by the speculation in the Nifty Fifty stocks. I believe that the investment discipline

we have developed over the past 35 years, although not infallible, should continue to achieve the Fund's objective of long-term capital appreciation over the next three to five-year period despite recent disappointments. We are finding more undervalued stocks than at any time during the past seven years. One bad year is not enough evidence to plan the funeral. This business still excites me, and I have no plans to hang up my cleats.

08.10.03 NOT RESTING ON OUR LAURELS

It was only six months later and shareholders were singing our praises again as the Fund appreciated 20% over the previous six months[4]. Our letter of August 10, 2003, discussed having a long-term perspective, volatility and paranoia.

In light of the Fund's recent performance, short-term investors are once again singing our praises. When investing for the long term it is critical to not overreact to short-term factors (either positive or negative). We believe that long-term success is correlated with error avoidance, and we are hoping to eliminate our next potential error before it happens. The Fund's performance over the past six months is a result of the hard work and the exhaustive research we performed when everything looked bleak and the portfolio was not performing. This research resulted in our changing the portfolio to adapt to the new environment that existed after the bubble had burst. We recently added to positions that we believe were unfairly punished such as the brokers, asset managers, property and casualty insurance companies, and toy companies. We also established new positions in broken down growth stocks such as McDonald's, Disney, ADP, and Tyco, which had reached prices that, in our opinion, gave no respect to their excess cash flow potential.

We believe that the portfolio is back on track, but our paranoia continues. A basic tenet of our philosophy is that portfolio managers who make the fewest errors have the highest probability of above-average performance. Thus, unlike real life, paranoia in the investment business may be a virtue. We are not resting on our laurels or successes, and continue our hard work in identifying themes and stocks to carry the portfolio forward. However, whether it is a bull market or bear market, when considering a stock for the portfolio, we assess downside risk before measuring upside potential. We examine and analyze the numbers in financial statements looking for early warning alerts of impending problems, rather than relying on management to warn us. We continue to value our companies over a three to five-year time horizon, and react against short-term thinking by seeking to take advantage of incorrect market pricing caused by herd mentality. Short-term pessimism caused by temporary problems or misperceptions by crowds sets up potential opportunities for the Fund. The change in psychology or catalyst necessary to result in a reassessment of the price of an undervalued security is usually slow to develop. However, the period of pain is usually worth the gain if we are right about the stock being undervalued. We believe that our "timing" is paying the correct price. If we are wrong but buy at a price that includes a lot of the current negative psychology, the losses are usually far less than buying a company that is priced to perfection (because everything is going right), and disappoints its adulating shareholders. Everybody loves good news and good companies, but it is critical to not overpay for the euphoria. Overpriced securities usually come back to earth! The slightest disappointment or a "reality check" in an overpriced security can create massive selling and sharp losses, which could be detrimental to long-term performance. In essence, whether it is good news or bad news, the present state of crowd psychology, or short-term price momentum, it is more important to pay the right price for a stock and be patient, rather than react to short-term "in your face" factors to achieve long-term performance.

04.16.04 BALANCED THINKING IN THE EYE OF STORMS CREATES PERFORMANCE

In our shareholder letter dated April 16, 2004, we again discussed the need for balanced thinking in the face of difficult circumstances as a way to avoid errors and insulate the Fund from the moods of crowds.

Although we report the Fund's performance to you every six months, our investment horizon continues to be three to five years. It is important to understand that our performance is heavily influenced by how we react to periods of either extreme optimism or extreme pessimism, both of which usually occur during a three to five-year period. We believe that the key to performing over longer periods of time is the ability to limit the size and number of our errors during extreme periods, by buying companies that we believe are unfairly influenced by short-term pessimism, and selling companies that we

believe have become overpriced as a result of short-term optimism.

Balancing future positives against extreme negative short-term thinking is a necessary mental exercise when hunting for undervalued securities. We know how to identify undervalued securities, but have yet to figure out how to determine when crowds will turn their mindset from short-term thinking to valuing companies based on long-term fundamentals. We cannot predict crowd psychology with 100% accuracy. However, we attempt to insulate ourselves somewhat from the moods of crowds by building a position over time.

11.01.05 CONCLUSION: WHAT WILL THE FUTURE BRING?

As we enter our second decade, we remain committed to achieving the Fund's primary objective of long-term capital appreciation. As always, we believe the investment landscape over the next ten years will ebb and flow between optimism and pessimism (what we like to call greed and fear). The next ten years will bring periods of negative psychology which will present the Fund with value opportunities to seize upon, as well as periods of speculative binges and bubbles, which we will avoid (whether or not we are second-guessed). Under all scenarios, new and creative accounting shenanigan's and mirages will be developed (which we plan to be on top of), and we will continue to communicate, educate, and inform our shareholders via our letters and commentary on important trends permeating the investment landscape.

At the very least, we hope we have been successful in communicating through this ten-year anniversary letter that our Fund should only be purchased by investors who:

1. *Understand and buy into our unique long-term investment philosophy, which is based on an inferential analysis of financial statements and the belief that there is a high correlation between above-average long-term investment performance and error avoidance.*

2. *Have a long-term investment horizon and are willing to ride out periods of negative performance during which the Fund is attempting to take advantage of opportunities that develop during periods of negative psychology and/or misperceptions.*

3. *Are willing to judge a fund by whether or not it provides shareholders with absolute returns over three to five-year periods.*

4. *Want a fund that rewards its shareholders for risks taken by investing in a portfolio of equity securities, as opposed to whether or not the fund performs relatively better than artificially created style boxes or market capitalization definitions such as large cap, mid cap, small cap, growth, value, etc.*

Our portfolio management team has and will continue to demonstrate its faith in the Olstein investment discipline by investing a material portion of our equity net worth in the Fund. Happy anniversary, and we look forward to serving you over the next ten years. We are dedicated to continued hard work and achieving our joint investment objectives. We value you and thank you for your trust in us.

appendix A 10 TENETS we LIVE BY

Listed below are the ten most important tenets of our investment philosophy, which we believe differentiate our investment discipline from the mainstream:

1 We believe there is a high correlation between long-term performance and error avoidance. Downside risk should be assessed on each security before upside potential.

2 "Risk" is more than the volatility of the stock. Intrinsic risk is primarily determined by a company's financial strength, its ability to produce excess cash flow, the *quality of its earnings*, and our confidence in the predictability of earnings based on a company's unique business fundamentals. We judge portfolio risk on a stock-by-stock basis. Our main defense against risk is only buying companies capable of generating excess cash flow after capital expenditures and working capital needs.

3 The three most important factors to consider when purchasing stocks are: "PRICE, PRICE, PRICE." The price one pays for a good company is just as important as separating good companies from the mediocre or bad ones. Everybody loves good news and good companies, but it is critical **not** to overpay for this euphoria. Overpriced stocks come back to earth.

4 To be a successful value investor we must have a strict "sell discipline" when a stock exceeds our proprietary calculation of intrinsic value. A sell discipline is difficult to carry out because the sale usually occurs in the face of mass investor optimism or realizing that we were wrong as a result of an unexpected shortfall in cash flow.

5 It is more useful in stock selection and assessing management to spend time with financial statements *looking inferentially behind the numbers*, rather than relying on management contact. Talking to management is an overrated function of the investment process.

6 We associate the quality of the company with its *financial strength*, as opposed to its size or number of years in business.

7 A company should be valued on its ability to generate excess cash flow. "Temporary valuations" (the price investors are currently paying for a stock) should eventually coincide with the discounted value of a company's ability to produce future cash flow (intrinsic value). We compare cash "*internal rates of return*" to a risk-free rate as represented by 5-year US Treasuries, as a benchmark for valuing companies, rather than relative price/earnings ratios favored by most Wall Street analysts.

8 Avoid overall stock market timing, macro-economic analysis and interest rate predictions, and adhere to a "*company by company*" approach by seeking to purchase companies at discounts to a proprietary calculation of private market value that reacts to the interest rates and economic conditions existing at the time. We view "market timing" as a long-term failure process. We attempt to achieve the Fund's investment objectives by seizing upon opportunities produced by the naiveté of people who believe they can predict the future direction of markets and then overreact by driving individual stock prices down to the depths of despair and/or up to the intoxicating heights of optimism.

9 *Value* can occur anywhere in the equity markets. In that vein, we believe that classifying portfolios into categories such as small capitalization, large capitalization, growth, cyclical, technology, etc., sets up unneeded barriers to achieving long-term investment returns.

10 Wealth is built over time. Patience (a three to five-year investment horizon) is required to ride out fluctuations in market psychology. Rather than taking the risk entailed to provide our investors with immediate gratification (with potential negative implications to long-term performance) by chasing the latest investment fad, we prefer to take the risk that well-financed companies selling at a discount to our calculation of private market value will solve the problems that created the discount. We frequently go against the crowd, enabling us to capitalize on temporary valuation opportunities that may develop which we believe can increase the probability of achieving the Fund's investment objectives. Time is required to reverse the pessimism that often creates value. We continue to believe that the tortoise beats the hare.

The performance data quoted represents past performance and does not guarantee future results. The Olstein All Cap Value Fund's (formerly known as the Olstein Financial Alert Fund) Class C average annual return for the one-year, five-year, and ten-year periods ended 3/31/14, assuming reinvestment of dividends and capital gain distributions and deduction of the Olstein All Cap Value Fund's maximum CDSC during the one-year period, was 23.20%, 13.88%, and 5.05%, respectively. As of 10/31/13, the expense ratio for the Olstein All Cap Value Fund Class C was 2.31%. Expense ratios for other share classes will vary. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than performance quoted. To obtain performance data current to the most recent month end please click here. Performance for other share classes will vary due to differences in sales charges and expenses.

As of 3/31/14, the Olstein All Cap Value Fund maintained a position in each of the following securities mentioned, which is subject to change: Cisco Systems (1.34%); Microsoft Corp. (0.59%); Walt Disney (0.41%); McDonalds (0.59%); General Electric (1.50%); Coca-Cola Co. (0.61%) and Intel (0.99%). As of 3/31/14, the Olstein All Cap Value Fund did not maintain a position in the following securities mentioned and is subject to change: Lucent Technologies, Texas Instruments, General Motors, Polaroid, Enron, Boston Chicken, Sunbeam, ADP, Tyco International, and Home Depot. References to individual securities in this publication are intended to be descriptive examples of the Olstein All Cap Value Fund's investment philosophy and are not to be considered buy or sell recommendations. Do not make investments based on the securities referenced above.

A $10,000 initial investment in the Olstein All Cap Value Fund on 9/21/95, the Olstein All Cap Value Fund's inception date, would have a value of $66,867 as of 3/31/14 as compared to $44,512 which would be the value of a hypothetical investment in the S&P 500® Index over the same time period. The S&P 500® Index is an unmanaged index created by Standard & Poor's Corporation that includes a representative sample of 500 leading companies in leading industries of the U.S. economy and is considered to represent the U.S. stock-market performance in general. Investors cannot actually make investments directly in the S&P 500® Index.

The above commentary represents the opinion of the Manager, and is not intended to be a forecast of future events, a guarantee of future results, or investment advice. This information should be preceded or accompanied by a current prospectus, which contains more complete information, including investment objectives, risks, and charges and expenses of the Olstein Funds and should be read carefully before investing. A current prospectus may be obtained by calling (800) 799-2113 or by clicking here. Not FDIC insured / Not bank-guaranteed / May lose value.

The Olstein Funds follow a value-oriented investment approach. However, a particular value stock may not increase in price as the Investment Manager anticipates and may actually decline in price if other investors fail to recognize the stock's value or if a catalyst that the Investment Manager believes will increase the price of the stock does not occur or does not affect the price of the stock in the manner or to the degree that the Investment Manager anticipated. Also, the Investment Manager's calculation of a stock's private market value involves estimates of future cash flow which may prove to be incorrect and, therefore, could result in sales of the stock at prices lower than the Fund's original purchase price.

Olstein Capital Management, L.P. (formerly known as Olstein & Associates, L.P.) – Distributor Member FINRA

1 Source: The Wall Street Journal, Mutual Funds Quarterly Review, October 4, 2005, p. R19. Lipper Performance Analysis Service provides the performance rankings for The Wall Street Journal. The Olstein Financial Alert Fund (Class C shares) ranked 38th out of 1,376 US equity mutual funds (including specialty and/or sector funds) with a ten year track record as of September 30, 2005. The performance data quoted represents past performance. Past performance does not guarantee future results.

2 Source: The Vanguard Group; investment returns cited are for Vanguard 500® Index Investor Shares (VFINX).

3 For the twelve months ending September 30, 1999, the Olstein Financial Alert Fund (Class C shares) provided a return of 52.75%. The performance data quoted represents past performance. Past performance does not guarantee future results.

4 For the six-month period ending July 31, 2003, the Olstein Financial Alert Fund (Class C shares) provided a return of 20.00% (not annualized). The performance data quoted represents past performance. Past performance does not guarantee future results.

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