



1933 - 2006

LOUIS RUKEYSER'S MUTUAL FUNDS

GROWTH

Comeback Story By John Bishop

Concentrated funds can deliver investors handsome returns. But their focused portfolios can also result in painful losses if management bets wrong on a sector or investment theme. Investors should look for managers with a consistent investment strategy and a track record of success.

Author F. Scott Fitzgerald wrote that, “there are no second acts in American lives.” We’ll leave that debate to the philosophers. But sometimes a management shakeup can breathe new life into a flagging fund. In 2006, Mark Oelschlagel became the sole manager of **Pin Oak Equity** (POGSX), a focused growth fund that had punished investors with chronic underperformance. Since then, this concentrated fund has made some impressive gains, though they’ve also come with volatility.

The fund posted a stellar performance in 2009, gaining 79.4 percent and vaulting to the top 1 percent of the Morningstar Large Growth category. The fund’s 9.6 percent return for the trailing three years puts it in the top 1 percent of the category, a distinction also held for the trailing five years, when the fund gained 9.5 percent. However, it hasn’t been a smooth road for the fund. In 2010 Pin Oak Equity returned 15.1 percent, ranking it in the middle of the category. This fund may not be a fund for the risk-averse, but Oelschlagel’s tenure has thus far rewarded those who’ve gone along for the ride.

The mantra at Pin Oak Equity is flexibility. The fund doesn’t adhere to a rigorous top-down or bottom-up stock picking strategy, nor does it employ hard and fast rules for when to buy or sell a holding. These decisions emerge from a holistic approach to evaluating markets and equities, resulting in a concentrated portfolio of about 40 stocks that are held for three to five years. Consequently, the fund’s turnover rate is a low 35 percent.

However, management favors contrarian investment plays that the

market has overlooked. Last year, the fund sold off most cyclical stocks, including consumer discretionary plays HSN (NSDQ: HSNI)—the multi-channel retailer better known to customers as the Home Shopping Network—and women’s clothing retailer ANN (NYSE: ANN), which operates the Ann Taylor chain of stores. The company has also trimmed its exposure to the energy sector after these stocks rallied from depressed levels following last year’s oil spill in the Gulf of Mexico.

Meanwhile, Pin Oak Equity bulked up on shares of financials, including Capital One Financial Corp (NYSE: COF), a segment management believes to be undervalued by the Street. Bank earnings have underwhelmed investors, who are wary of paying rich valuations for lenders while loan growth remains sluggish. But loan growth will eventually return to names like Capital One—which trades below book value and at eight times earnings—and investors who wait before pulling the trigger will end up missing an opportunity.

“If you wait for loan growth to return, it’ll be too late and the stocks will already have moved,” Oelschlagel said.

The fund has also bet on defense contractors Raytheon (NYSE: RTN) and Lockheed Martin (NYSE: LMT) despite market fears that these companies will bear the brunt of US federal budget cuts. Although government spending accounts for a significant amount of these firms’ business, it’s by no means their only source of revenue. Furthermore, these names trade at about 10 times their free cash flow, a sign to Oelschlagel that these

PIN OAK EQUITY

Akron, OH (888) 462-5386
www.oakfunds.com POGSX

Sales fee: none **Assets:** \$73 million
Early Withdraw: none
No. of holdings: 41
Turnover rate: 35% **Expense Ratio:** 1.25%
Assets in the Top 10 Holdings: 42.99%
Min. initial investment: \$2,000
Largest Quarterly Loss*: -28.53%; 4th Qtr. 2008
Largest Quarterly Gain*: 30.13%; 2nd Qtr. 2009
Top Five Positions: Armdocs (DOX), Shaw Group (SHAW), Fair Isaac (FICO), Xilinx (XLNX), Dish Network Corp (DISH)

*Past three years. Source: Morningstar, Oak Associates Funds

companies’ stocks are underpriced.

Although Pin Oak Equity often seeks contrarian investments, management recognizes that sometimes it makes sense to ride with a winner. The fund has long-standing positions in Internet search powerhouse Google (NSDQ: GOOG) and online retailer Amazon.com (NSDQ: AMZN).

Although these stocks command high valuations, the companies have significant competitive advantages.

Underpinning Amazon’s mid-80s price-to-earnings ratio is a business model that has successfully delivered both value and convenience to consumers. The sheer scale of its operations and its iconic status would be virtually impossible for any competitor to replicate in the foreseeable future. Sometimes you have to pay for quality.

Oelschlagel said that the US economy is in a recovery that may prove to be sustainable. Nonetheless, he remains cautious about the US’ ballooning debt burden. If a solution isn’t found to this monumental challenge, the chickens will come home to roost—the only question will be the timing of such an unfortunate outcome.

In such a treacherous investment environment, investors must remain level headed.

“We’ve faced difficult situations in the past and it’s important to avoid getting overwhelmed with negative sentiment,” Oelschlagel said. “Pick an investment plan and stick to it.” ▲

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Total returns as of March 31, 2011

	Latest Quarter	Average Annual Total Returns					
		One Year	Two Year	Three Year	Four Year	Five Year	Ten Year
PIN OAK EQUITY FUND	7.73%	15.81%	48.20%	13.38%	8.20%	7.30%	1.26%
S&P 500 Index	5.92%	15.64%	31.61%	2.35%	.44%	2.62%	3.29%

Fund Inception Date: August 3, 1992. Net Expense Ratio (per current prospectus): 1.25%. Gross Expense Ratio per Annual Report dated 10/31/10: 1.33%.

The performance data quoted represents past performance. Past performance does not guarantee future results. 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 the performance quoted. For performance data current to the most recent month end, please visit www.oakfunds.com or call 1-888-462-5386.

Morningstar Percentile Rankings as of March 31, 2011 based on total returns

	Three Year	Five Year	Ten Year
PIN OAK EQUITY FUND	2	4	83
# of Funds in Category	1,697	1,602	1,304

An explanation of percentile ranks:

POGSX's percentile rank of 2 indicates the Fund's total return was better than or equal to 98% of the funds in its category during the stated period.

To determine if this fund is an appropriate investment for you, carefully consider the Fund's investment objectives, risk factors, charges and expenses before investing. This and other information can be found in the Fund's prospectus, which may be obtained by calling 1-888-462-5386 or visiting www.oakfunds.com. Please read it carefully before investing.

Mutual fund investing involves risk, including the possible loss of principal. The value of the Fund's investments will vary from day to day in response to the activities of individual companies and general market and economic conditions.

The Advisor has contractually agreed for a period of 1 year from the date of the prospectus to waive all or a portion of its fee for the Fund (and to reimburse expenses to the extent necessary) in order to limit the Fund's total operating expenses to 1.25%. The Total Annual Fund Operating Expenses for Pin Oak Equity Fund is 1.33% as of the Annual Report dated 10/31/10.

As of 3/31/11, top ten holdings in Pin Oak Equity Fund were: The Charles Schwab Corp. 4.89%; BMC Software, Inc. 4.86%; Fair Isaac Corp. 4.65%; Amdocs, Ltd. 4.59%; CIT Group, Inc. 4.51%; Noble Corp. 4.18%; Capital One Financial Corp. 3.87%; Google, Inc. 3.87%; Amazon.com, Inc. 3.84%; DISH Network Corp. 3.73%. Percentages are based on Net Assets. Holdings are subject to change.

The S&P 500 Index is a commonly recognized, market capitalization weighted index of 500 widely held equity securities, designed to measure broad U.S. equity performance. One cannot invest directly in an index.

Price-to-Earnings (P/E Ratio) is a valuation ratio of a company's current share price compared to its per-share earnings. Volatile is the term used to describe the size and frequency of the fluctuations in the price of a particular stock, bond, or commodity. A stock may be volatile because the outlook for the company is particularly uncertain, because there are only a few shares outstanding or because of various other reasons. Free cash flow represents the cash that a company is able to generate after paying out the money required to maintain or expand its asset base.

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