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## ONE COMPANY AT A TIME...

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### *The Olstein Strategic Opportunities Fund*

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November 16, 2007

Dear Fellow Shareholder,

The Olstein Strategic Opportunities Fund celebrated its first anniversary on November 1, 2007. During the course of this past year, our quarterly letters to shareholders have allowed us to discuss fundamental elements of the Fund's investment process – in previous letters we have discussed our distinct approach to activist investing; outlined our process for identifying and evaluating potential value-enhancing catalysts and summarized our methods for identifying and developing investment ideas for the Fund's portfolio. In this letter we discuss our process for constructing the Fund's portfolio and address what we believe are the most important considerations for building a portfolio of holdings designed to provide long-term capital appreciation.

While each of our previous discussions illuminate an important aspect of the Fund's investment process, it is important to note that the bulk of Olstein's research efforts focus on valuing companies. Our accounting-driven analysis seeks to identify small to mid-size companies that exhibit considerable potential for a successful turnaround and that are trading at a significant discount to our determination of intrinsic value. To determine a company's intrinsic value, our company-specific, bottom-up approach focuses on understanding a company's potential, ability to generate free cash flow and how that potential free cash flow could be used to create long-lasting shareholder value.

Since company valuations resulting from discounted free cash flow methodologies can be sensitive to slight changes in inputs, Olstein's intensive, forensic analysis of company financial statements adjusts a company's reported earnings to reflect its "economic reality" and seeks to eliminate the management bias inherent in accounting statements. For the Olstein Strategic Opportunities Fund, reliable company valuations based on free cash flow require: an understanding of a company's accounting policies; an assessment of a company's quality of earnings; a strong balance sheet; the potential for appropriate returns on a company's assets, and a quality management team focused on implementing an effective turnaround strategy. It is the thoroughness of Olstein's valuation methodology that serves as the foundation for the Fund's portfolio construction process.

We construct the portfolio with two primary objectives in mind – does the discount (to intrinsic value) at which we can acquire a stock provide adequate downside protection if our investment thesis for a company is wrong? does the weighting of each company in the portfolio provide an optimal risk-adjusted return?

As a result of our stock-by-stock approach, we have constructed a portfolio segregated into two distinct categories, “core” holdings and “farm team” holdings. Core holdings represent stocks we have been able to purchase at significant discounts to our calculation of intrinsic value and have already identified a catalyst that should close the valuation gap within 12 to 24 months. Additional characteristics of core holdings include: strong free cash flow, strong balance sheet, valuable assets, a management team committed to prudent capital allocation, as well as recurring and defendable revenue streams. The second category of companies in our portfolio consists of “farm team” stocks that meet our criteria for investment but have either not yet reached the discount we require to take a full position or we are waiting for a company-specific factor to improve before we increase our investment to the level of a “core holding”. Company specific improvements we like to see before increasing our level of investment to a core holding include: new company management, cut backs in non-productive spending, stronger financial metrics, or a focused turnaround plan. As the discount of a “farm team” company widens or the other factors change in our favor, we add to the position, which could result in the stock eventually becoming a core holding. Since we are extremely price conscious relative to our measured valuations and perceived risk, a “farm team” position may not become a “core” holding in the portfolio for many months, or years, or never at all.

Denny’s Corporation (DENN) is an example of a “core” holding in our portfolio. Denny’s is a highly recognizable restaurant chain, with over 1,500 locations in 49 states, that specializes in casual family dining, offering breakfast, lunch and dinner 24 hours a day, seven days a week. In February 2001, the company hired a new CEO and president at perhaps the lowest point in its 50-year history. Denny’s stock had declined from a June 1998 high of over \$11/ share to a low of \$0.37/share in December 2000 due to its a weak operational infrastructure, unkempt restaurants, low product quality and a massive debt load from years of excessive spending. Beginning in 2002, the company’s new CEO began implementing a turnaround plan that included upgrading restaurants for an improved dining experience, cutting non-productive operating costs, deleveraging the balance sheet, selling

company owned restaurants, selling off real estate and freeing up working capital. By year-end 2002, Denny’s began to show improved net cash flows from operations, demonstrating that management was taking the necessary steps toward a recovery. The company continued on course with its “slow turnaround” and by 2005, Denny’s began to generate sustainable free cash flow. In early 2007, we established an initial position based on our thesis that the company could take more aggressive steps to improve its balance sheet through debt pay-downs and debt restructuring and increase profitability through continued operational improvements.

After establishing our initial position, we became increasingly comfortable with the company and assigned a higher probability that our thesis would work out. When the stock declined below our initial purchase price (widening the discount from our calculation of intrinsic value), we built a position in Denny’s as a “core” holding in the portfolio. We are currently a significant shareholder of Denny’s stock, and are actively engaging with management as a catalyst to realize the maximum intrinsic value of our investment.

An example of a “farm team” stock is Barrett Business Services Inc. (BBSI), a niche human resource management, employer service and worker’s compensation company. In Barrett, we found a compelling business model, a good balance sheet, and a secular growth story that we believe can deliver above-average returns. However, the stock was not selling at a large enough discount to acquire a “core” level stake, but the valuation was attractive enough to establish an initial position. Since we have a long-term investment horizon, fluctuations in the stock price based on short-term negative factors may provide us with additional opportunities to purchase stock at a significantly larger discount, potentially compensating us for building a larger position. Thus, only if Barrett presents us with a larger discount opportunity, which could result from either an increase in our valuation due to new information about the company or a decrease in the company’s stock price because the stock falls further as a result of short-term negative news, would we consider buying additional stock. As such events unfold and buying opportunities arise, we assess whether or not a “farm team” holding will become a “core holding”

As a result of our bottom-up, stock-by-stock approach we typically construct a portfolio of “core” holdings comprised of 10 to 20 different companies representing approximately 50% of the portfolio, with the remaining 50% of the portfolio in “farm team” holdings awaiting potential opportunities to add to our positions. There is no set size to a position of a “farm team” holding and we are perfectly content to sell these stocks at higher prices before they ever become “core positions” should they continue to move into our valuation range.

We believe our emphasis on assessing downside risk first in conjunction with our very strict price discipline when purchasing securities, rather than straddling a particular index weighting, provides us with a competitive advantage in our quest to achieve the Fund’s investment objectives. We value your trust and confidence in us and remind you that we are also shareholders in the fund along side of you.

Sincerely,



Eric R. Heyman  
Co-Portfolio Manager



Robert A. Olstein  
Co-Portfolio Manager

*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. To obtain performance data current to the most recent month end, please go to our website at [www.olsteinfunds.com](http://www.olsteinfunds.com).*

*As of 09/30/07, the Olstein Strategic Opportunities Fund maintained a position in the following securities mentioned, and is subject to change: Denny’s Corporation (8.18%) and Barrett Business Services Inc. (2.31%). Do not make investments based on the securities referenced above.*

*Investing in a non-diversified, narrowly focused fund may entail greater risks than is normally associated with more widely diversified funds.*

*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 visiting the Fund’s website at [www.olsteinfunds.com](http://www.olsteinfunds.com).*

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