Olstein
The Olstein Funds

NOTES ON VALUE INVESTING

HIGHLIGHTS OF AN ACCOUNTING BASED INVESTMENT PHILOSOPHY AND PROCESS

The Philosophy in Brief:

The Olstein Capital Management (OCM) stock selection process is an accounting driven approach that emphasizes looking behind the numbers of financial statements in order to identify companies selling below their intrinsic value.

We focus on the generation and growth of free cash flow to determine intrinsic value.

We inferentially analyze financial statements, footnotes, and related schedules to "read for heat". This means honing in on relevant data (which may not be recognized by the public) that could be indicative of a company's future ability to generate and/or grow normalized free cash flow which determines intrinsic value. Looking behind the numbers to identify sources of unrecognized value provides a competitive advantage.

Financially sound, competitively advantaged, well managed companies enable us to more accurately predict future free cash flow and thus, intrinsic value.

We analyze companies as if we own 100% of the company and focus on the cash flow available to be returned to investors after capital expenditures and working capital needs.

Olstein Capital Management Believes:

There is a strong correlation between above average investment performance and error avoidance. To achieve long-term success, an investor must first consider fundamental risk before considering the potential for appreciation.

Consideration of fundamental risk involves paying strict attention to the strength and conservatism of the balance sheet, the quality of earnings (the economic reality of the financials) and paying the "right price" or in essence getting the appropriate discount from intrinsic value. A good stock bought at the wrong price can be a bad investment.

A company's stock price often falls below its private market value due to temporary problems such as missed earnings estimates, overreaction to short-term results or overall negative market psychology. These short-term deviations may present viable opportunities for the patient, long-term investor.

Excess cash flow is the lifeblood of a business and is the primary determinant of a company's private market value. Companies that generate excess cash flow have the potential to enhance shareholder value by increasing dividend payments, repurchasing company shares, reducing outstanding debt, engaging in strategic acquisitions, or withstanding an economic downturn without adopting harmful short-term strategies.

Forensic analysis of financial statements reveals the impact of management decisions on future cash flow, and is more useful to an investor than management

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forecasts, earnings guidance or personal visits. What management is doing is more important than what management is saying.

It is more important to pay attention to long-term fundamentals as opposed to how a stock performs in the short term. Long–term performance is not affected by short-term volatility.

Although current stock prices can be overly influenced by short term events, prices eventually reflect a company's intrinsic value.

Investment Process Highlights:

Our analysis focuses on how a company's operations generate sustainable free cash flow; how much of that cash is available to investors and the level of ongoing investment required to maintain and grow free cash flow.

Reliable valuations require: determining if a company's accounting policies reflect business reality; making the necessary accounting adjustments to eliminate management bias, and identifying positive or negative factors that may affect future free cash flow.

OCM has a two to three year time horizon. We view market timing as a long term failure process.

The OCM free cash flow valuation process is applied to small, medium and large capitalization companies as well as growth and cyclical companies, and cuts across all style boxes.

A strict sell discipline is critical to achieving above average long term returns. When companies reach our intrinsic value, we sell. When we are wrong about company's normalized ability to produce future cash flow, we sell.

Portfolio turnover and cash levels are determined by available discounts from OCM's calculation of intrinsic value.

Important Disclosures:

The above summarizes certain aspects of the Olstein Capital Management's investment philosophy. It is not intended as a replacement for the prospectus and related disclosure documents for the Olstein Funds. Investors should carefully consider the investment objectives, risks, fees and expenses before investing. A current prospectus, and additional information about the Olstein Funds, may be obtained by visiting our website at www.olsteinfunds.com, or by calling (800) 799-2113. Please read the prospectus carefully before investing.

Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that shares, when redeemed, may be worth more or less than their original cost.

The Olstein Funds follow a value-oriented investment approach. However, a particular value stock may not increase in price as we anticipate and may actually decline in price if other investors fail to recognize the stock's value, or if a catalyst that we believe will increase the prices of the stock does not occur or does not affect the stock price in the manner that we had anticipated. Also, our 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 original purchase price.

The Olstein Strategic Opportunities Fund invests primarily in small and/or midsized companies, and is subject to additional risks as the share prices of small and mid-cap companies are often more volatile than those of larger companies. This is due to several factors including: limited trading volumes, products, financial resources, management inexperience, and less publically available information.

Not FDIC insured / Not bank-guaranteed / May lose value.

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