



OAK VALUE FUND

Investment Adviser's Review – First Quarter 2008



“You don’t need a weatherman to know which way the wind blows.”

-Bob Dylan

Throughout history, soothsayers have been accorded a prominent place in society. After all, being able to predict the future would be a pretty remarkable talent. However, true soothsayers are a rare bunch indeed, as prophesy appears to be a rather tough business over time. It is much easier to ascribe meaning to yesterday’s news than it is to predict tomorrow’s. Fortunately, our investment philosophy is focused on investing in businesses where success is not dependent upon an elaborate set of favorable assumptions. We have spent years searching for good businesses with good management at attractive prices, and it is during times like these when we are especially glad to own them in the Oak Value Fund (the “Fund”). We believe these companies represent a well-diversified set of high-quality businesses with healthy international representation and exposure to attractive markets that generate, on average, superior economic results.

We are human — we feel pain in a down market like most investors, and we are certainly not indiscriminate buyers of assets. We do not know how long the slowdown in the U.S. economy will endure, nor do we know when the housing market in this country will turn around. We do not know the true extent that international economies still depend on the U.S., and we have no idea what the price of oil will be in two weeks, let alone two years. We do know that investment returns in equities are a function of the quality of the economics of underlying businesses and the prices paid for those businesses. As long-term investors, we have found that the recent market environment has continued to present us with a steady flow of attractive opportunities to put capital to work.

The Fund outperformed the declining broader market during the quarter. This performance is largely attributable to better than average results from materials, technology and health care holdings. In the area of materials, the shares of both DuPont and Praxair posted positive returns while the overall materials sector actually experienced a decline. In a bit of a reversal from recent periods, the technology sector was the most significant detractor in the S&P 500 Index results during the quarter. While the Fund’s holdings in technology were not immune to this decline, they

| Quarter-End Performance For Periods Ended March 31, 2008 | | | | | |
|--|---------|--------|---------------------|----------------------|---|
| | 3 Month | 1 Year | 5 Year ¹ | 10 Year ¹ | Since Inception 1/18/93 ¹ |
| Oak Value Fund | -8.22% | -4.93% | 10.44% | 3.39% | 10.17% |
| S&P 500 Index | -9.44% | -5.08% | 11.32% | 3.50% | 9.61% |

1) Annualized.

*The performance information quoted above represents past performance and past performance does not guarantee future results. 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 data quoted. Performance data, current to the most recent month end, may be found at the Oak Value Fund ("Fund")'s website www.oakvaluefund.com. An investor should consider the Fund's investment objectives, risks, and charges and expenses carefully before investing. The Fund's prospectus contains this and other important information. **The Fund's annualized gross expense ratio as of fiscal year-end (6/30/07) was 1.35%.***

The Fund imposes a 2% redemption fee on shares redeemed within 90 days of their purchase date. See the Fund's current Prospectus for more information on the Fund's redemption fee. Please keep in mind the performance information above does not reflect the imposition of a 2% redemption fee. You may obtain a copy of the Fund's prospectus at www.oakvaluefund.com or by calling 1-800-622-2474. Please read the prospectus carefully before you invest or send money.

did outperform their index counterparts as declines in the shares of Oracle, Microsoft and eBay were partially offset by the timely addition of Cisco during the period. Modest declines in the shares of Johnson & Johnson and Medtronic were in stark contrast to the broad based declines in health care companies in general. It is also important to note that shareholders additionally benefited this quarter from opportunistic purchases of Tiffany and Coach.

In the area of hard hit financials, the Fund's results were, on average, only slightly better than those of their market counterparts. Half of the financial holdings added value, while the other half detracted value relative to the market. The outperformance posted by Capital One, AFLAC, Moody's and Berkshire Hathaway was diluted most significantly by the underperformance of American Express and Ambac.

| Top Ten Holdings As of March 31, 2008 | | |
|---------------------------------------|--|------------------------|
| Company | Primary Business | S&P Sector |
| 3M | Manufacturing & Marketing Technology Products/Services | Industrials |
| American Express | Charge Card, Travel, Network, & Global Payments | Financials |
| Berkshire Hathaway | Insurance, Reinsurance & Capital Allocation | Financials |
| Cadbury Schweppes | Confectioneries and Non-Alcoholic Beverages | Consumer Staples |
| Coach | Handbags & Accessories | Consumer Discretionary |
| DuPont | Chemicals | Materials |
| E.W. Scripps | Entertainment & Information/Media | Consumer Discretionary |
| Medtronic, Inc | Medical Device Manufacturer | Health Care |
| Oracle | Database, Middleware, & Application Software | Information Technology |
| United Technologies | Diversified Manufacturing and Service | Industrials |

Update on Largest Holdings...

Berkshire Hathaway – In an environment where financial companies have experienced significant declines in value over the past year, Berkshire shareholders have been rewarded for a pristine balance sheet and an advantaged business model. Shares of Berkshire outperformed the broader market during the quarter as the company's 76 operating businesses performed quite well, overall. Our view of Berkshire continues to balance an awareness of its limited exposure to a troubled housing market and a soft pricing environment in its insurance operations with the company's tremendous cash-generating ability, and the propensity of management to deploy capital in such a way to create long-term shareholder value.

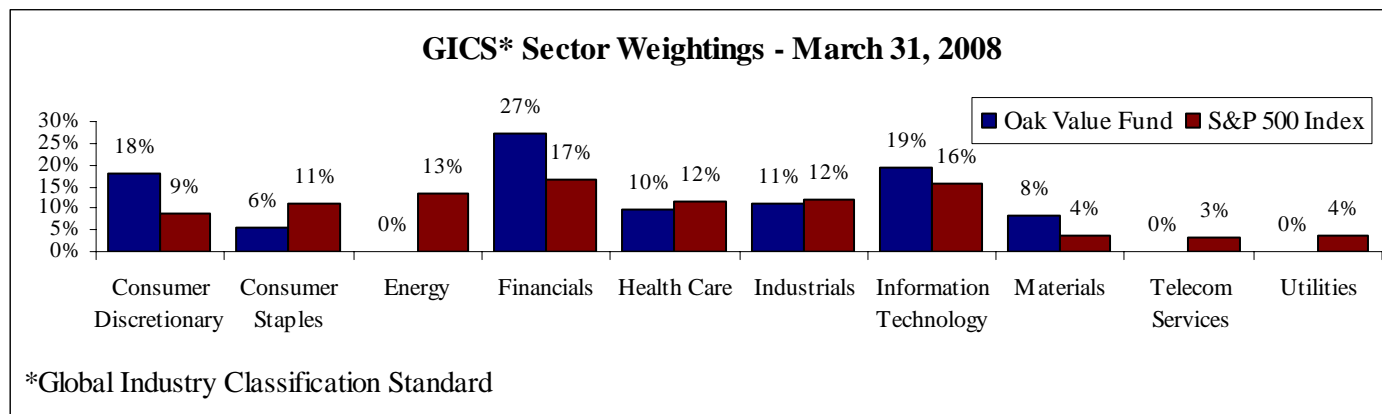
American Express – Shares of American Express declined more than 15 percent during the quarter placing this holding among the most significant detractors from the Fund's performance. The company's demonstrated ability to leverage its network and brand on a global basis has recently been overshadowed by domestic concerns of a significant pullback in consumer spending and concurrent pressure on the consumer's ability to repay debts. While the pressure on the U.S. consumer is real, the company is entrenched among well-heeled spenders and is increasing its revenues generated from small business and corporate spenders. In our view, despite the recent slump in consumer confidence, there have been no adverse changes to the company's long-term competitive advantage.

Cadbury Schweppes - Shares of Cadbury declined by roughly 10 percent during the quarter as the company prepared to spin off its U.S. beverage business. We continue to believe the spin-off will allow investors to focus more clearly on the value of its global confectionary brands and the company's significant opportunities in confectionary markets around the globe. While speculation in the market that a large cash dividend would occur in tandem with the demerger led to disappointment for some investors this quarter, we maintain our focus on the company's strong fundamentals, underscored by great brands and growth opportunities in attractive international markets, which we still really like. We think management is being prudent in its view on leverage and we are sanguine on Cadbury's long-term potential to drive down costs and expand margins in its confectionary businesses.

Medtronic – Medtronic shares continue to be "range bound" from a share price perspective, but its relative contribution in this volatile market has served our shareholders well. We view the company's broad diversified platform and end market focus as significant strategic advantages. More importantly, our investment thesis is largely

based upon the belief that the company's legacy cardiovascular platform will continue to demonstrate growth and profitability, and Medtronic's investments, along with an ability to leverage technology into other product platforms, will eventually be more fully valued by the market. Medtronic is a company focused on addressing chronic illness and the need to enable an aging society to improve the quality of life. As the company continues to be driven by science, we have been encouraged by management's recently renewed focus on improving operating leverage, returns on capital and overall shareholder return.

United Technologies - A strong management team, a focus on improving return on invested capital, and a well-balanced portfolio in terms of products/services and geographical reach continue to characterize the Fund's investment in United Technologies. During the quarter, the company made an unsolicited \$3 billion dollar bid for Diebold that appears opportunistic from a valuation standpoint and more importantly is "trademark" of United Technologies capital allocation prowess. With 62 percent of sales coming from outside the U.S., and with 40 percent of total sales derived from aftermarket products and services, we continue to believe the company is well-positioned to outperform during a period of economic softness in the U.S.



Recent Purchases

Cisco Systems - Cisco is the largest data-networking provider in the world, with products encompassing switches, routers, security, VoIP (voice over internet protocol), video and optical systems. The investment in the shares of Cisco for the Fund is a natural extension of our two decades of work on communications, media, and cable network businesses. While Cisco is clearly in a different place in the technology value chain, it does demonstrate many of the characteristics present in other Fund technology holdings. Perhaps more importantly, the company's business model has attributes that are reflective of the higher quality companies owned in the Fund. Our interest in this company intensified after it purchased Scientific Atlanta in 2006 and in so doing, further strengthened its position as the leading provider of communications equipment throughout the world across most segments of that market.

Cisco dominates its competitive markets and in most product categories enjoys a competitively advantaged business model with global scale. Where possible, we specifically focus on companies that have been able to take their brands abroad and geographically diversify their respective customer bases and growth drivers going forward. Global reach, in our view, can allow a company to achieve scale without having to build out new channels. In many cases, the results are improved returns on invested capital. On this metric, Cisco has performed impressively as its return on invested capital has increased from the mid-teens several years ago to nearly 23 percent last year. During this same time period, the percentage of the company's revenues generated outside the U.S. has increased to nearly 60 percent.

While the domestic economy has certainly slowed, we note that Cisco is a far more global company serving much broader markets than it was during the bursting of the technology bubble back in 2001-2002. Cisco is capitalizing on attractive demand from a number of sources, perhaps none as important for the long term as infrastructure build-out from emerging economies. This is both a secular driver and a near-term offset to a U.S. slowdown. Service providers are continuing to deploy next generation networks – which are needed to support the bandwidth requirements for video and other rich-media applications. The ongoing mix shift in carrier networks to more IP-based traffic means that Cisco captures more market share even in a lower growth environment.

Finally, we believe that the company's current market value reflects a considerable discount to its intrinsic value, given that fears of a U.S. recession have dampened investor enthusiasm for the near term. In recent years, the company has successfully repositioned itself financially and strategically. The net effect of this effort is that Cisco now generates gross margins in excess of 60 percent and operating profit margins in excess of 30 percent. Furthermore, the company continues to demonstrate its ability to produce significant excess cash flow while putting that cash to work for the long-term benefit of shareholders. With approximately \$11 billion remaining under an already approved share repurchase plan, Cisco is projected to generate nearly \$10 billion in cash flow from operations this year.

Praxair - In Praxair, we returned to a high-quality company that we owned as recently as last year. We sold the Fund's positions in this fine company after considerable price appreciation as our margin of safety had diminished.

To review, Praxair is one of the largest industrial gas companies in the world and the second largest in North America. The company produces gases for the health care, food and beverage, chemicals, metal-fabrication, and semiconductor industries and for energy-related products. While we believe there are many manufacturing-related businesses that are to be avoided due to cutthroat price competition and lack of differentiation, Praxair is not one of them. Praxair has shown the ability to produce more stable profits over time than its competitors, separating itself from commodity industrial and specialty chemical producers. There are few players in the global industrial gas market that have such an extended presence in major geographical and product markets. Praxair's returns on capital and its operating margins are evidence that not all industrial gas companies are created equal.

Praxair's business model is based upon lengthy contracts that allow the company to recover the high up-front costs related to production capacity. The company's long-term agreements are designed to safeguard its capital outlays and protect its returns on capital. These agreements, typically 15 years in term, allow Praxair to maintain profit margins by passing along cost increases, including rising energy costs. In addition, the company further augments its economics via by-product lines, whereby the company repurposes derivative gases to additional customers while clustering these new customers in close physical proximity to existing infrastructure.

Praxair's business model has been well documented and consistently communicated by the company's senior management over the past several years. True surprises in this business tend to be few and far between. The company invests in new production when it has customers ready to commit for the product on terms that meet its long-term requirements. The delay between the outlay and the return on that outlay is clearly demonstrated in a long history at the company. During the first quarter, Praxair's shares declined meaningfully as the company announced some short-term delays in projects while also disclosing accelerated growth in long-term demand. As the shares declined, the margin of safety returned – and so did we. We welcome this good business with good management back to the Fund at an attractive price.

Recent Sales

UPS – During the quarter we sold the Fund's position in UPS as competition for capital among investments dictated that we redeploy capital elsewhere. Looking back on the investment in UPS, the shares neither advanced nor declined much during the time they were held in the Fund, and under most circumstances we would have been more patient, given that we believed our long-term investment thesis was intact and that the company's global platform would allow it to continue to distance itself from competitors, putting capital to work at high rates of return. However, as equity prices continued to decline in general during the quarter, we believed that better opportunities were emerging elsewhere.

In Closing...

We appreciate the confidence Fund shareholders have placed in the Oak Value team. We are pleased that our philosophy helped preserve capital during the first quarter, and we look forward to the day when all the oracles announce that the world is once again forever to be a safe and happy place—just as they foretold all along, of course.

Oak Value Capital Management, Inc.

IMPORTANT INFORMATION

| Oak Value Fund Portfolio Top Ten Holdings as of 03/31/08 | |
|---|--------------------------------|
| Security Description | % of Net Assets |
| Berkshire Hathaway, Inc. (CL - A) | 9.21% |
| American Express Co. | 5.79% |
| Cadbury Schweppes plc ADR | 5.70% |
| Medtronic, Inc. | 5.61% |
| United Technologies Corp. | 5.60% |
| 3M Co. | 5.47% |
| E.W. Scripps Co. | 5.22% |
| DuPont EI Nemours & Co. | 5.21% |
| Oracle Corp. | 4.73% |
| Coach Inc. | 4.60% |

Authorized for distribution only if preceded or accompanied by a prospectus. Where shown or quoted, recent company returns (for example calendar quarter or trailing twelve months) are stock price changes only, and reflect neither dividends nor any fees as associated with an investment in the Oak Value Fund (the "Fund"). This Investment Adviser's Review seeks to describe the Fund managers' current views of the market and to highlight selected activity in the Fund. Any discussion of specific securities is intended to help shareholders understand the Fund's investment style, and should not be regarded as a recommendation of any security. Displays detailing a summary of holdings (e.g., Top Ten Holdings, GICS Sector Weightings, etc.) are based on the Fund's holdings on March 31, 2008. "Top Ten Holdings" do not include money market investments.

We do not attempt to address specifically how individual shareholders have fared, since shareholders also receive account statements showing their holdings and transactions. Information concerning the performance of the Fund and our recommendations

over the last year are available upon request. Past performance is no indication of future performance. You should not assume that future recommendations will be as profitable or will equal the performance of past recommendations.

Statements referring to future actions or events, such as the future financial performance or ongoing business strategies of the companies in which the Fund invests, are based on the current expectations and projections about future events provided by various sources, including company management. These statements are not guarantees of future performance, and actual events and results may differ materially from those discussed herein. References to securities purchased or held are only as of the date of this communication to shareholders. Although the Fund's investment adviser focuses on long-term investments, holdings are subject to change.

This Investment Adviser's Review may include statistical and other factual information obtained from third-party sources. We believe those sources to be accurate and reliable; however, we are not responsible for errors by them on which we reasonably rely. In addition, our comments are influenced by our analysis of information from a wide variety of sources and may contain syntheses, synopses, or excerpts of ideas from written or oral viewpoints provided to us by investment, industry, press and other public sources about various economic, political, central bank, and other suspected influences on investment markets.

Although our comments focus on the most recent quarter, we use this perspective only because it reflects industry convention. The Fund and its investment adviser do not subscribe to the notion that three-month calendar periods or other short-term periods are either appropriate for making judgments or useful in setting long-term expectations for returns from our, or any other, investment strategy. The Fund and its investment adviser do not subscribe to any particular viewpoint about causes and effects of events in the broad capital markets, other than that they are not predictable in advance. Specifically, nothing contained in this Investment Adviser's Review should be construed as a forecast of overall market movements, either in the short or long-term.

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Comparisons to benchmarks have limitations because benchmarks have volatility and other material characteristics that may differ from open-end mutual funds. Because of these differences, benchmarks should not be relied upon as an exact measure of comparison. Indices are unmanaged and do not reflect the payment of advisory fees and other expenses associated with open-end mutual funds. Investors cannot directly invest in an index, though index funds designed to replicate the performance of various indices are generally available. The S&P 500 Index is weighted by market value, and its performance is thought to be representative of the stock market as a whole. The S&P 500 Index was created in 1957, although it has been extrapolated backwards to several decades earlier for performance comparison purposes. This S&P 500 Index provides a broad snapshot of the overall U.S. equity market; in fact, over 70% of all U.S. Equity is tracked by it. The S&P 500 Index selects its companies based upon their market size,

liquidity, and sector. Most of the companies in the S&P 500 Index are mid cap or large cap corporations. The S&P 500 Index referenced include the reinvestment of dividends.

Reference to “GICS Sectors” refers to the Global Industry Classification Standard. Descriptions or graphics related to “GICS Sector Weightings” are presented to illustrate the business and portfolio management operations of the Adviser or examples of representative groupings and securities in which the Adviser may invest and are not to be considered recommendations by the Adviser. Categories and groupings in graphs detailing sectors are sourced from Standard & Poor’s and Morgan Stanley Capital International “MSCI.”



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