



OAK VALUE FUND

Investment Adviser's Review – Fourth Quarter 2007



“Overemphasizing the present can distort reality and lead to unwise decisions...”

-Peter Bernstein from *Against the Gods*

Taking care not to overemphasize the present, whether the bulls are running or the bears are growling, is easier said than done, and it seems especially difficult when fear is trumping greed. Turmoil in the credit markets, rising commodity prices, and a slowing economy are real issues that have ushered in a rapid re-pricing of risk. This re-pricing occurred first in the credit markets and is quite obviously happening now in the equity markets. After years when there was virtually no risk perceived in even the most illiquid of asset classes, markets appear to be entering a phase in which the price of risk is likely to be overstated, in our view. For long-term investors, this temporary overshooting of the mean is good news. One of our primary tasks has always been to price risk, and a market in which risks appear abundant is precisely the environment that presents the most attractive opportunities for participants who can accurately parse the real risks from the perceived. We have spent years searching for good, well-managed businesses at attractive prices, and it is in times like these when we are most likely to find them. For this reason, we encourage investors to seriously consider making additional investments in the Oak Value Fund.

We are pleased to report that our decision in recent years to more deliberately diversify the Fund's holdings has proven prudent in this environment, as this collection of “good businesses with good management at attractive prices” now spans a broader array of industries and sectors. The Fund marginally under-performed a declining broader market during the quarter, though it generally outperformed relevant value-style benchmarks and many of our respected like-minded “value” brethren.

While the Fund benefited from diversification during the quarter, it was not immune to the increased volatility of the financial and consumer sectors, areas where we had recently increased exposure. Of course, in retrospect, we would have been better served to have stayed away longer, as the current environment seems to presume an extended financial crisis and a related economic slowdown. On the other hand, being early is sometimes an inevitable outcome of our value-oriented investment process. We believe shareholders would be under-served by a lack of willingness on our part to step in where others fear to tread, or to shy away from risk when we think it is overpriced.

Quarter-End Performance For Periods Ended December 31, 2007

	3 Month	1 Year	5 Years ¹	10 Years ¹	Since Inception 1/18/93 ¹
Oak Value Fund	-4.20%	4.87%	10.99%	5.62%	10.99%
S&P 500 Index	-3.33%	5.49%	12.83%	5.91%	10.50%

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.

The consumer discretionary and financial sectors of the Fund had the best relative performance versus their respective market segments during the quarter (the market's two worst performing sectors for the quarter). In consumer discretionary holdings, market-beating moves by Apollo Group, E. W. Scripps, Viacom and Harley Davidson more than compensated for the lagging results in the shares of Coach and Office Depot. Consequently, this particular segment of the Fund actually posted positive results in a period in which the consumer discretionary sector of the market declined by approximately ten percent. On the financials front, four of the Fund's worst performers (AMBAC, Capital One, American Express and Moody's) were somewhat balanced by the positive contribution of portfolio standout Berkshire Hathaway and solid showings on the parts of AFLAC and AON. In healthcare, the advances posted by Johnson & Johnson were more than offset by the near-term pullback in Medtronic and the decline in the shares of now-departed Omnicare. In technology, the positive side of the ledger includes Microsoft and Oracle while the negative side has Fidelity National Information Services and eBay.

Update on Largest Holdings...

Berkshire Hathaway – Shares of Berkshire advanced during the quarter as the Fort Knox of financial companies continued to demonstrate the merits of its advantaged business model. In recent periods our comments have focused on the significance of the company's capital deployment activities to our long term investment thesis. The company made progress in this regard during the period as it announced several sizable transactions. Amid speculation of some impending significant investment outside the US, the company disclosed a collection of meaningful domestic allocations of capital, including the purchase of additional stakes in railroads, utilities, "nuts and bolts" (the company's \$4.5 billion dollar purchase of Marmon Holdings is its largest non-insurance acquisition) and also declared its intention to enter the municipal bond insurance business.

Cadbury Schweppes – Shares of confectioner Cadbury Schweppes earned their way into the top five portfolio holdings during the quarter as the recently increased position appreciated handsomely in the face of a declining market. Furthering the process the company announced earlier in the year, Cadbury entered the final stages of preparation for the spinoff of its US beverage business allowing investors to focus more clearly on opportunities in its global confectionary brands and markets. In our opinion, the company's plan to leverage these brands and the global market access they provide should continue to drive increased shareholder value.

3M - 3M continues to perform as we would expect given the company's diversified revenue base, exposure to growing overseas markets, and high returns on capital. A year ago, the market was unconvinced that 3M could meet shareholder expectations of growth amid increasing competition in key markets and businesses while executing on a newly avowed plan to more aggressively reinvest for future growth. Since then, the company has demonstrated that the breadth of its business lines and its widening international footprint support robust financial performance even as domestic growth slows and financial markets grow increasingly turbulent. More than half of 3M's revenues come from outside the US, and the company continues to deploy more capital into high-growth markets. The company generates returns on capital of almost 22%, but we expect that future shareholder value creation will also be a function of stronger revenue growth over the course of the business cycle. While 3M is not immune to a global slowdown, we continue to believe that the company will outperform even as global markets gyrate.

Top Ten Holdings As of December 31, 2007

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
DuPont	Chemicals	Materials
E.W. Scripps	Entertainment & Information/Media	Consumer Discretionary
Medtronic, Inc	Medical Device Manufacturer	Healthcare
Microsoft	Computer Software Developer and Manufacturer	Information Technology
Oracle	Database, Middleware, & Application Software	Information Technology
United Technologies	Diversified Manufacturing and Service	Industrials

American Express – The shares of American Express were not immune to the precipitous declines experienced in the broad financials sector during the quarter, which pressured the shares of companies with consumer credit exposure particularly hard. American Express has exposure to consumer credit, but our view is that the company is among the best-positioned of its peers to navigate a more difficult business environment. The company has far less credit exposure than most other traditional card companies and the exposure that it has is to a demographic that is in better-than-average shape financially. The company’s mid-to-high-30s return on equity and its recent history of returning more than 80 percent of cash generated to shareholders is a testament to the extraordinary flexibility of the business model. The company has many levers it can pull that can either accelerate the business or rein it in, and we expect this flexibility will support its achievement of financial goals. Regarding changes in broader consumer credit quality, not only are we cognizant of these changes, but we have been expecting them, as has the company. Our current view is that the recent volatility in the stock price belies the robust intrinsic value of the American Express franchise.

United Technologies - A strong management team, focus on increasing ROIC (return on invested capital), and a balanced portfolio in terms of products/services and geographical reach are all components of the company’s success. The company continues to drive leading market shares and operating margins in almost every business segment. The Otis elevator business continues to benefit around the world from commercial construction, the aerospace aftermarket continues to be robust for Pratt & Whitney and for Hamilton Sundstrand, and government relations continue to bolster the performance of Sikorsky. United Technologies generates more than 60 percent of its revenues outside of the United States, which over the last 12 months has provided a strong currency tailwind. The company’s disciplined focus on capital allocation enables us as shareholders to enjoy return of capital while they continue to sow seeds for growth. Despite its solid results, we believe United Technologies continues to be undervalued relative to its brands, reach and underlying economics.

Recent Purchases

Tiffany & Co. - Once again we purchased the shares of Tiffany & Co., the venerable luxury retailer, during the quarter. Last Spring we sold the Fund’s position in Tiffany as the shares had advanced promptly after our prior purchases. In the period since that sale, the company has announced several developments that we believe further strengthen the brand and expand the franchise. Ironically, the long term benefits of these developments at the company have been overshadowed by investor concerns for the “present” economic uncertainty in the US.

In October, the company disclosed plans to significantly increase its future growth potential with the introduction of the Tiffany & Co. Collections store format. This smaller store format will allow the company to expand into smaller markets and do so with increasingly attractive economics. In December, Tiffany announced a new strategic venture with Swatch Group, the Swiss watch-making giant, which should allow Tiffany to leverage its strong brand across Swatch’s formidable manufacturing and distribution operations. Based in Switzerland, Swatch controls eighteen of the world’s top watch brands and is the world’s largest manufacturer of watch movements and components. While this partnership will clearly benefit both Tiffany and Swatch, we believe the timing and magnitude of the potential impact to Tiffany will be significant.

We have not ignored the “present” concerns of the investment community as fears of economic slowdown have rendered the shares of this great company “out of favor.” In our opinion, the “market” has ignored the *reality* of the significant and perhaps transformational nature of these corporate developments. Our investment thesis in Tiffany is based upon the expectation of increasing returns on invested capital, accelerating revenue and earnings growth and unwavering commitment to the protection of the Tiffany brand by the company management team.

Coach, Inc. - The recent market volatility amid fears over the health of the consumer has resulted in a long-awaited opportunity to invest in the shares of Coach Inc. Coach is a leading marketer and retailer of upscale accessories, especially handbags, for women and men. The company has many of the hallmarks of a great business, including a distinctive brand, a market leadership position with growing share, and a loyal, emotionally connected customer base. Moreover, Coach’s balanced multi-national distribution network is constructed in a manner that minimizes dependence on the performance of a single product, channel, or geographic market. The company’s strong emphasis on consumer

research has helped maintain product freshness and relevance for years, even in the capricious world of “fashion.” Amid a competitive marketplace, Coach has developed an instantly recognizable brand and style.

The company offers a broad assortment of products, but the largest segment is women’s handbags, representing about 64% of sales. In our view, the women’s handbag business has some wonderful attributes. Aside from the gaudy gross margins that are inherent in the handbag business, established participants also enjoy tremendous customer loyalty and high repurchase intent. Young customers have exhibited a tendency to become lifelong customers. The company goes to market via an upscale footprint of retail stores, factory stores (together representing 80% of net sales) and through the wholesale channel (20% of net sales).

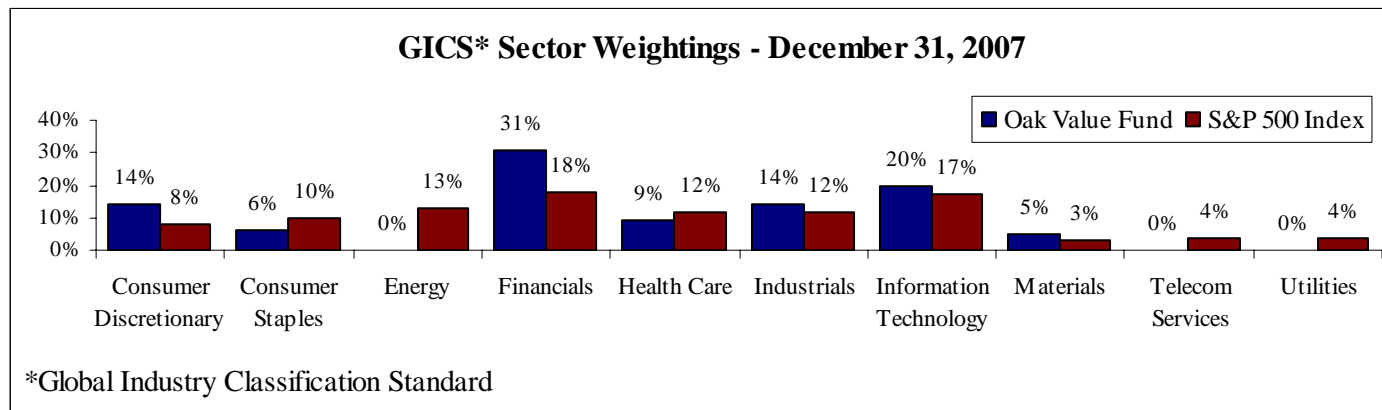
As formidable as the consumer-facing end of the business is, the back-end is equally impressive, in our view. Products are sourced from a global set of independent manufacturers, no one of which represents more than 13% of the company’s total units. Coach maintains sourcing offices in Europe and Asia to ensure the quality of raw materials and to monitor the speed and controls in place during the manufacturing process. As a result of the company’s broad mix of product types, materials, and seasonal styles, the company’s production quantities are limited, which limit exposure to excess and obsolete inventory. About 73% of Coach’s net sales were generated from products introduced within the fiscal year.

Coach’s strong brand and unique network of overseas manufacturing results in high profit margins and high returns on invested capital. What started off as a family-run workshop in a Manhattan loft has evolved into an outstanding business. While we do not expect Coach to be completely insulated from a slowdown in consumer spending, we believe that as a market leader in its category, the company is positioned to be resilient across the business cycle and will outperform over the long term. While we cannot predict Coach’s near-term share price, we believe the long-term *realities* of this advantaged business will reward investors willing to look beyond the “present” macro-economic concerns.

Recent Sales

As we have written before, we typically sell positions for one or more of three reasons: the investment reaches our price target, we have a better opportunity for the capital or we conclude that the basis for our investment decision is no longer valid. In the most recent quarter, we had one of each.

Apollo Group – In just over a year, the shares of Apollo Group have nearly doubled as the investment thesis we established has been fulfilled and our valuation target has been accomplished. We sold the final remnants of this position during the quarter based entirely upon valuation. In our opinion, Apollo remains a sustainably advantaged business. At the time of our original purchases, we believed investors were “overemphasizing” the then “present” challenges facing the company. This distortion of reality resulted in a particularly attractive investment opportunity that we seized. Discipline in selling positions is an often overlooked and extremely important component of good decision-making in the world of investments. It is always difficult to sell such a high quality business but experience and prudence affirm its importance.



Office Depot – We sold the Fund’s position in Office Depot during the quarter. In a relatively short period of time after our initial investment in Office Depot, the key components of our investment thesis were challenged beyond our willingness to maintain the capital commitment. The premise that the office supplies business should be less susceptible to economic swings was proved invalid. The company is experiencing significant adverse results in key markets such as California and Florida in the wake of a slowing real estate market in those areas. Evidently, the only group of people more surprised than the shareholders by the size of Office Depot’s direct exposure to the real estate industry was the company management team. In the end, we concluded that the company’s revenue challenges would severely impact its ability to improve margins and returns on capital, which had been the cornerstone of our thesis. With the benefit of hindsight, this business was neither as advantaged nor as sustainable as we believed. Far better opportunities exist in this environment, and we believe our decision to allocate this capital to investments in higher quality businesses was prudent.

Omnicare – Our decision to eliminate the Fund’s position in the shares of Omnicare was driven as much by a rapidly expanding set of better opportunities as it was by a challenge to our investment thesis. Though we were not pleased with the company’s near-term progress along its stated business plan, our original thesis for this investment anticipated an evolving environment. If the company successfully executes on its plan, we believe the resultant economics will likely prove more attractive than recent metrics.

In Closing...

To paraphrase a story we heard last spring in Omaha as told by a wise investor with a penchant for drinking Cherry Coke and eating at Dairy Queen,

Let’s say a farmer, who is a good, experienced farmer, familiar with all the latest and greatest methods, experiences a lousy crop. A man appears at his door and offers him a sum for his farm that is 50 percent below what a nearly identical farm down the road sold for two months earlier. Due to the lowball offer, has this farm become a riskier business? The answer, of course, is no. In fact, the opposite is true—at the new, lower price, generating investment returns is easier. Market volatility can be frightening in the near-term, but as long as that farmer wasn’t about to sell his farm immediately to a luxury condo developer, he’s fine; in fact, if he’s of a certain disposition, he probably puts on his Sunday best and rides down the road to see if he can buy a nearby tract.

We thank you for the confidence you have placed in the Oak Value team. In the context of this paraphrased story, we are wearing our Sunday best...

Oak Value Capital Management, Inc.

IMPORTANT INFORMATION

Oak Value Fund Portfolio Top Ten Holdings as of 12/31/07	
Security Description	% of Net Assets
Berkshire Hathaway, Inc. (CL - A)	10.09%
United Technologies Corp.	6.25%
American Express Co.	6.17%
Cadbury Schweppes plc ADR	6.14%
3M Co.	5.72%
Microsoft Corp.	5.43%
Medtronic, Inc.	5.22%
E.W. Scripps Co.	5.00%
DuPont EL Nemours & Co.	4.89%
Oracle Corp.	4.89%

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 December 31, 2007. "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 index provides a broad snapshot of the overall U.S. equity market; in fact, over 70% of all U.S. Equity is tracked by the S&P 500. The index selects its companies based upon their market size, liquidity, and

sector. Most of the companies in the 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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