



OAK VALUE FUND

Investment Adviser's Review – Fourth Quarter 2008



“All armies prefer high ground to low and sunny places to dark.”

- Sun Tzu, The Art of War

Quoting history's most widely taught treatise of wartime engagement seems appropriate as we reflect upon the recent quarter, and for that matter, the year that was 2008. There is certainly no doubt that 2008 was a battleground for most investors. The events of the last year challenged numerous fundamental assumptions and theories on investing. In investment parlance, correlation across asset classes turned out to be much higher than imagined, volatility reached levels never seen before, governments responded in unexpected ways, and assumptions regarding expected returns were severely challenged. In everyday parlance, everybody got scared at the same time.

Of course, the paradox is that what would appear to make most investors feel better in the short-term (e.g. safety, cash) is not what drives investment performance over time. To the extent that emotion should be allowed to influence investment decisions, it should be in the context of taking advantage of someone else's emotions. When Mr. Market wants in, he wants in. When he wants out, he wants out. Of late, he has really wanted out!

At Oak Value, we do not invest in a way that just makes us feel better today. We try to minimize the influence of emotions on our investment decisions by always seeking the high ground. After more than two decades in the business of investing, experience has provided us with a good definition of our "high ground." This recent experience has only served to reinforce our longstanding belief that the Oak Value Fund (the "Fund") and its shareholders are best served by focusing our time, resources and capital on advantaged businesses. From this vantage point, we have found that it is much easier to keep emotion out of the decision making.

When asked for our market forecasts, we invariably disappoint. We simply do not attempt to predict the market. Although we know from past experience that when markets change direction, the action can be swift. We do not invest in a way that contemplates catching updrafts or avoiding downdrafts. We focus on businesses. We seek to manage risk the same way that the management teams that run the businesses in the Fund's portfolio manage

Quarter-End Performance For Periods Ended December 31, 2008

	3 Month	1 Year	5 Year ¹	10 Year ¹	Since Inception 01/18/93 ¹
Oak Value Fund	-21.85%	-33.71%	-3.31%	-0.38%	7.46%
S&P 500 Index	-21.94%	-37.00%	-2.19%	-1.38%	6.68%

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 (06/30/08) was 1.37%.***

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.

risk – through a thorough understanding of the underlying businesses. We do not put our faith in a statistical model that shows we have a 95 percent chance of not getting blown up. We do not ignore the economy; we incorporate what we believe ought to happen over the long term, based on highly conservative assumptions. Within this framework, we look for businesses built on the high ground – those with durable competitive advantages. We place ourselves alongside what we consider to be competent management teams whose objectives mirror our own long-term horizons. Once we conclude that we have an attractive margin of safety, we buy.

The Fund narrowly outperformed the sharply declining broader markets during the fourth quarter marginally advancing the outperformance accumulated over the three prior periods. Sizable portfolio positions in Apollo Group at the start of the quarter contributed noticeably. Also posting advances during the quarter were shares of AON as well as those of the three most recent portfolio additions – MasterCard, Syngenta, and Chesapeake Energy. The quarter’s worst performing investments were eBay, American Express and Moody’s. American Express and eBay have clearly been impacted by pressures on the consumer, while the seize-up in the markets has hurt Moody’s near-term prospects. Turning to sector performance, exposures within the consumer discretionary sector boosted the Fund’s performance vs. the broader market, as did holdings in the industrials and materials sectors, while exposures in the health care sector underperformed the market. For the year, the Fund handily beat the broader market averages.

Update on Largest Holdings...

Berkshire Hathaway – Simply put, insurance companies make their money by being paid to take on others’ risk and then investing what they are paid (float) until claims are made or the exposure expires. This is a business where the “high ground” is defined by only taking risk when the price is right and only investing capital when the potential returns are attractive. Success in these activities is highly dependent on having more capital than others when capital is in high demand. Broadly speaking, insurance company valuations were negatively impacted during the quarter by investor concerns over impact of the decline in market value of their investments on their capital adequacy and liquidity. Though shares of Berkshire Hathaway outperformed the overall financial sector, they declined meaningfully during the quarter. The uncharacteristically high volatility of Berkshire shares was due at least in part to concerns regarding a series of long-term insurance contracts (puts) the company has written on various global stock market indexes. As long as global equity markets remain under pressure, there will be headline risk associated with this issue, but we are confident in the long-term value of these contracts. In our opinion, Berkshire remains disciplined in its pricing of risk, opportunistic in its investing and conservative in its capital positioning.

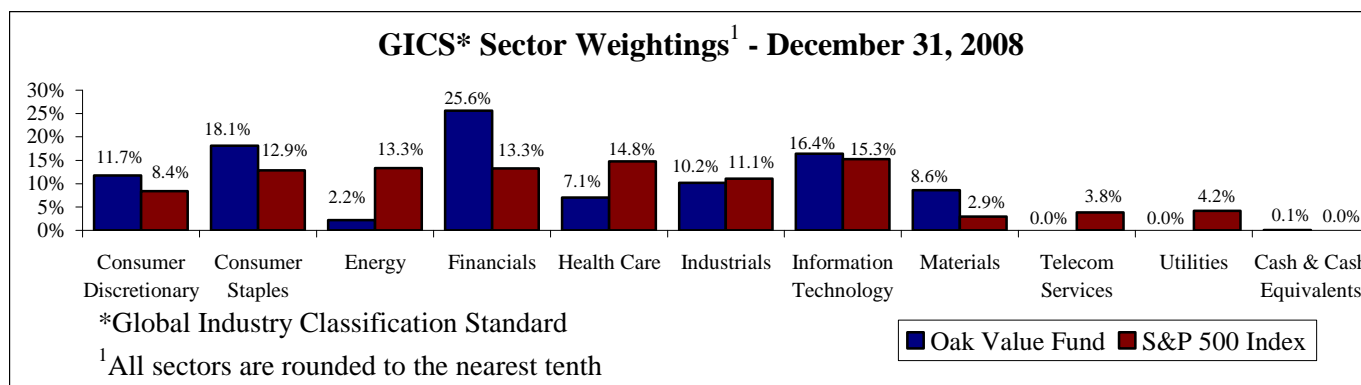
Aflac – For the first time in several years, shares of Aflac have returned to the Fund’s portfolio top five status. Though Aflac shares declined during the period, they generally outperformed their peer sector. As a part of the company’s global investment strategy, Aflac has exposure to numerous financial credits that were under significant stress during the quarter’s tumult. We have continued to carefully monitor the components of Aflac’s

Top Ten Holdings As of December 31, 2008		
Company	Primary Business	S&P Sector
3M	Manufacturing & Marketing Technology Products/Services	Industrials
Aflac	Supplemental Health and Life Insurance	Financials
Avon Products	Cosmetics and Fragrance Manufacturer and Marketer	Consumer Staples
Berkshire Hathaway	Insurance, Reinsurance & Capital Allocation	Financials
Cadbury	Confectioneries	Consumer Staples
Coach	Handbags & Accessories	Consumer Discretionary
Diageo	Global Premium Alcohol Business	Consumer Staples
Microsoft	Computer Software Developer and Manufacturer	Information Technology
Oracle	Database, Middleware, & Application Software	Information Technology
Praxair	Industrial Use Atmospheric & Process Gases	Materials

investment portfolio (and the company has been quite transparent about its exposures). We used the share price decline during the quarter, which resulted from this tumult and stress as an opportunity to add to the position. As credit spreads have narrowed, Aflac shares have largely recovered. In our opinion, the solid fundamentals of Aflac’s insurance business remain intact: strong structural demand for its products (especially in Japan) and predictably high profitability due to disciplined underwriting and consistent aggressive cost management.

Avon Products – After several years, we returned to the shares of Avon Products just a quarter ago and continued to build a meaningful position throughout the fourth quarter as the shares continued to decline. Our attraction to the business is grounded in experience and understanding. Though we commonly reference the fact that the Fund has owned a particular business perhaps several times over a period of years, we are well aware of the potential trap of assuming that the old knowledge is the most relevant knowledge. Just as we attempt to resist the inclination to overreact to short term or most recent information, we must also guard against the risk of being blinded from the present by the shadow of the past. Historically, the company continued to expand its global distribution footprint while broadening its product offering and deepening the value proposition of its brand. Though the company originated and has remained based in the US, the proportion of its business that is derived outside this country has increased over time and now represents more than two thirds of the company revenues. This is a profile that we believe holds promise for the next several years. Meanwhile, our domestic economy has softened and the dollar has strengthened against other foreign currencies. On a short term basis this scenario has resulted in a very challenging battlefield for Avon. In our opinion, the market is ignoring the significant progress the management has made in recent years to move this already very good business to even higher ground. A multi-year restructuring effort has allowed Avon to right-size its cost structure while providing important financial resources to fund incremental investment in its products, its brand and its distribution footprint. We believe this improved positioning will be the foundation for future growth and margin expansion. With solid understanding of the past and a healthy respect for the present, we believe that the true value of Avon is a function of its future – which we believe will reflect both high ground and sunny places.

Diageo – We continue to believe that Diageo deserves a place among the top five holdings based not only on the outstanding collection of brands it represents across the spirits, wine, and beer categories, but perhaps more importantly the price/value relationship that persists in the shares at this time. We find few companies that can, in a weak economic environment, continue to purchase their own shares in the marketplace on a regular basis and maintain a dividend yield in excess of 5 percent. Companies of this quality, in our view, will see their valuation gaps close as the economics and visibility of the underlying business growth unfolds in a more normal marketplace. Diageo updated investors in December on the status of the US market where consumers are trading down somewhat. Meanwhile the company is experiencing just the opposite in Latin America and other emerging markets where its business remains robust. We continue to have a positive outlook about Diageo’s future prospects. In the face of challenging times, Diageo continues to take steps to further widen its moats of superior brands, significant scale and financial strength to the detriment of many of its competitors. In our opinion, Diageo remains a very good business with good management available at a very attractive valuation.



Praxair – In our opinion, Praxair’s lack of dependence on fluctuations in the spot price of a single commodity is a key distinguishing trait. Praxair has enjoyed the protection of their contract business model, which has enabled the company to have almost 100 percent price pass-through of rising input costs. The company has a unique revenue model in that significant portions of its revenues are predictable due to take-or-pay contracts with many of its customers. Meanwhile, the company continues to build on an impressive backlog of new projects as an industrial gas provider to diversified end markets around the globe including energy, healthcare, food and beverage, metals, and electronics. We believe Praxair’s entire culture is focused on productivity for both its customers and its shareholders. Praxair will have some short-term volatility as industrial production around the globe ebbs and flows, though we believe this variability will be more akin to the gentle and gradual rise and falling of the tide than to the tsunami effect that often besets many commodity based businesses. Diversification throughout its customer end markets and its geographic footprint should allow the company to maintain a relatively predictable mid-teens return on invested capital for years to come. Reflective of its financial strength and the long-term predictability of its business model, Praxair has recently implemented a \$1 billion share repurchase program and has increased its per share dividend.

Recent Purchases

MasterCard – MasterCard is one of the largest payment solutions companies in the world. MasterCard processes transactions and provides services for consumers that use electronic payment methods such as credit cards and debit cards through well known brands including MasterCard, Maestro, and Cirrus. The company provides these services to more than 25,000 financial institutions, 750 million cardholders and more than 24 million acceptance locations. MasterCard’s network connects card-issuing banks with card-accepting retailers around the world, and the company earns fees on these transactions based on the number of transactions and on dollar volume.

In our opinion, MasterCard is poised to benefit from several factors including the continued migration away from cash and checks to plastic on a global basis, strong secular growth in emerging economies, long-term trends favoring increasing cross-border travel, and operating leverage. Payment processing networks such as MasterCard possess high returns on capital. We have long had an affinity for these businesses but the valuations are usually rich. The recent pullback in the price of MasterCard shares afforded us the opportunity to add this high quality company to the Fund’s portfolio. We believe the company can potentially grow earnings at a double-digit compounded annual growth rate over the next five years even amid a weakening economic backdrop due to the tremendous operating leverage it possesses.

Syngenta AG – Syngenta is in the business of improving crop yields and food quality. Based in Switzerland, the company is a leader in crop protection and is a strong competitor in the high-value commercial seeds market. The company has a strong portfolio of well-known and branded herbicides, insecticides and fungicides for crop protection and a growing and developing portfolio of genetically modified seeds for field crops, vegetables and flowers.

We believe Syngenta stands to benefit from the increasing secular demand for food production and alternative energy sources. We also think this industry is somewhat of an oligopoly, characterized by rational competitive behavior that supports continued innovation amid a favorable long-term demand cycle. Syngenta has a small but rapidly growing genetic seed portfolio and its unique focus on flowers and vegetables complements the company’s field crops seed business and allows it to leverage its technology and research. Syngenta has well-established crop protection distribution systems in the US and Western Europe and the company is focused on replicating these networks in newer markets. We believe the distribution of higher margin seeds through the company’s crop protection network should yield expanding margins over time.

Syngenta’s crop protection business has grown significantly in recent years as it has benefited from a period of increasing acreage for its customers and increasing pricing for its products. We anticipate more modest growth in the future as this tailwind has moderated, but the company should continue to deliver attractive operating profit margins and returns on invested capital near the recently accomplished 40 percent level. In our opinion these

returns should translated into significant free cash flow to be used to fuel further growth while also rewarding its shareholders by way of a meaningful share repurchase program.

Investor concerns about most agriculture related businesses during the fourth quarter were fueled by declining prices for the commodities produced by the industry's end markets. Our focus on the high return on capital, high value-added segments within the agriculture value chain provided us the framework to take advantage of this weakness and buy a very good business for the Fund's portfolio.

Chesapeake Energy – The purchase of a direct participant in the energy sector in the Fund comes at an interesting crossroad for the industry, the economy and the world. We believe the confluence of events that led to this crossroad has provided us with a unique opportunity. As long-term investors in advantaged businesses, we have historically found investment opportunities in companies that had superior brands, attractive niches, unique and protected technologies and/or significant barriers to entry. Noticeably absent from this shopping list are companies that require investors to predict the price of an underlying commodity or to require a significant movement in the price of that commodity in order to justify their investment decision. Competitive advantages are just more difficult to attain and protect in commodity based businesses and are largely dependent upon the ability to be a low cost producer and/or advantaged provider.

We initiated the Fund's position in Chesapeake Energy, the country's largest producer of natural gas, during the quarter. The company is an industry leader in many ways – whether it is managing wellheads, increasing production, or leading the way to find shale base gas that has the potential to be a bountiful resource for the United States. Their strategic decision to aggressively accumulate shale interests in the form of leaseholds has positioned the company as the largest domestic provider of a valuable resource. To accomplish this objective, the company has employed a wide range of financial and strategic partnerships and ventures over a relatively brief period of time. Consequently, they were able to implement this strategy at a much earlier and faster rate than most of their competitors. The end result is that the company now controls significant natural gas reserves in the key shale areas of Haynesville, Fayetteville, and Marcellus. While we openly acknowledge that we have no ability to predict the future price of natural gas, or for that matter any other commodity in the short term, we feel confident that we have a good understanding of the factors that are likely to influence the pricing over the long term.

Though we have followed Chesapeake for some time as the company has executed its business plan, we remained on the sidelines, as we believed two primary risks were not being appropriately priced in the company's shares. These concerns were primarily related to the potential for declining natural gas prices and the increased balance sheet leverage that had been embraced in order to accomplish their strategically important "land grab." In recent months, both of these risks have been realized and the company has responded to them admirably. The company astutely hedged a majority of its expected 2009 production and a significant portion of its 2010 production at much higher prices providing an increased level of predictability in its operating results in the near term. The company has also been very successful in establishing joint ventures and partnerships, which have served to monetize a portion of the value of the reserves it has proved. Through this transition the company shares were severely punished having declined to the mid teens from more than \$70 per share earlier in the year. In our opinion, this is a good business with good management at an attractive price.

Recent Sales

We eliminated five positions in the Fund during the quarter. Many good and even great businesses were on sale during the quarter and for that matter remain so at this writing. In all cases our goal was to move the Fund's portfolio positioning to higher ground. From a portfolio perspective this higher ground is a function of business quality and valuation. The summary comments on each of these companies and our actions related to their shares during the quarter should be viewed in the context of our having taken advantage of more attractive valuations relative to the quality and long term prospects of the Fund's portfolio overall.

Apollo Group – Shares of Apollo Group, the country's largest operator of for profit colleges and universities significantly outperformed the broader market during the quarter, posting a double digit advance. Our attraction to this business and our respect for its management team has proven profitable for the Fund over the past couple of years. Our sale of this position during the quarter is neither a reflection of concern about its business or its

management. It is always with trepidation that we sell good businesses, but in this case the valuation disparity between it and other alternatives was just too compelling.

Capital One – While we continue to believe Capital One is a good business, there are a number of factors that led us to believe we had better opportunities elsewhere. Most significant among the factors were the continued head winds of slowing consumer spending in the US, mounting challenges in the automobile lending business, and continued stress in the asset-back securitization market. We were not surprised by the potential impact of these factors and we had taken their risk into consideration in our analysis. It is in the context of further deterioration in the domestic economy that the combination of these factors has served to truncate our estimation of the company’s longer term prospects.

DuPont – In the case of DuPont, our attraction to their agribusinesses and our expectations for that business have largely been realized. We sold this position early in the quarter as further weakness in its more domestic and cyclically sensitive businesses related to the automobile and home building industries became apparent. In a cyclical recovery, this company should perform admirably.

Lender Processing Services – Our position in this company was the result of it having been spun out of Fidelity National Information Services. We were attracted to the countercyclical elements of the business as well as the long-term fundamentals of the mortgage processing business. On the other hand, the company’s business is sensitive to the volume of loan originations in the US and carries an increased level of financial leverage after its split from Fidelity.

Viacom – The last of this long-term holding was finally removed from the Fund’s portfolio during the quarter. This was a tough decision for us because we continued to believe the business was significantly undervalued. However, there are many such businesses out there today, in our view. Given the rising pressures on advertising-dependent businesses, we did not want to wait any longer and sold the position.

In Closing...

“One who, fully prepared, awaits the unprepared will be victorious”

- Sun-Tzu, The Art of War

Though the Fund did outperform both the broader market and many of our like-minded peers, the outcome was still very painful. We believe our actions during this difficult battle have served to improve the positioning of the Fund’s portfolio to higher ground in preparation for sunny days.

We thank you for your continued confidence in the Oak Value team.

IMPORTANT INFORMATION

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, 2008. "Top Ten Holdings" do not include money market investments.

Oak Value Fund Portfolio Top Ten Holdings as of 12/31/08	
Security Description	% of Net Assets
Berkshire Hathaway, Inc. (CL - A)	9.22%
Avon Products, Inc.	6.48%
Praxair, Inc.	6.19%
Diageo plc ADR	6.16%
Aflac, Inc.	6.11%
3M Co.	5.59%
Coach Inc.	5.52%
Cadbury plc ADR	5.44%
Oracle Corp.	4.78%
Microsoft Corp.	4.71%

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 (the "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 calendar quarter, we use this perspective only because it reflects industry convention. The Fund and its 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 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 benchmark indices have limitations because benchmark indices have volatility and other material characteristics that may differ from open-end mutual funds. Because of these differences, benchmark indices 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 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 Fund 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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