

## LIGHTSTONE CAPITAL ADVISERS LLC

JOHN B. LIGHTSTONE, PH.D.  
PRESIDENT

(914) 328-4006

[JOHN.LIGHTSTONE@LIGHTSTONECAPITAL.COM](mailto:JOHN.LIGHTSTONE@LIGHTSTONECAPITAL.COM)

July 6, 2012

Dear Investor:

*As President of Lightstone Capital Advisers, portfolio adviser to your MIZAN Fund, I would like to review the performance of the Fund during the second quarter, ending June 30, 2012, and for the life of the fund.*

*In the second quarter, your MIZAN Fund underperformed the market, as measured by its Russell 3000 Index benchmark, by 2.15% after outperforming its benchmark by 2.02% in the first quarter. In the second quarter, the Fund had a net loss of 5.30% versus a loss of 3.15% for its benchmark. (As I write this letter, the Fund has outperformed its benchmark by 1.22% in the first five days of July.)*

*The Fund has now outperformed its benchmark in eight out of the ten calendar quarters since it was first offered to investors. During these ten quarters, the Fund has had a net return of 42.56% versus 29.13% for its benchmark. This corresponds to an average return of 15.24% per year for the MIZAN Fund and 10.77% per year for the Russell 3000 Index. This translates to the Fund outperforming its benchmark by an average of 4.47% per year. It is interesting to note that this is close to the average backtested outperformance of the Fund of 4.67% per year over the past twenty five and a half years, calculated by combining backtested returns from 12/31/1986 with actual returns after the Fund was offered to investors.*

*Your Fund has shown a balanced performance, generally outperforming its benchmark in both up and down markets. Over its lifetime, it has had an Upside Capture Ratio of 111.1% (larger gains in up markets than the benchmark) and a Downside Capture Ratio of 95.4% (smaller losses in down markets than the benchmark.)*

*The market during the second quarter was buffeted by news from Europe and uncertainty about another possible recession in the US. The market seemed to be less focused on the fundamentals of individual stocks, which are the basis behind the stock selection in your MIZAN Fund. As I write this letter, there are cautious signs of a slow recovery.*

*During the quarter, financial stocks strongly underperformed the Russell 3000 benchmark so that the absence of financial stocks in the MIZAN Fund had a positive impact on the Fund's performance relative to its benchmark.*

*Small cap stocks, represented by the Russell 2000 Index, slightly underperformed large cap stocks, represented by the Russell 1000 Index, in the second quarter and had a negative impact on the Fund's performance relative to its benchmark. Small cap stocks represent thirty percent of the MIZAN Fund and contribute thirty percent to the performance of the Fund. However, the underperformance of small cap stocks only has a small impact on the performance of the Russell 3000 Index benchmark as the contribution of a stock to the Index return is proportional to its market capitalization. This imperfect match between the MIZAN Fund and its Russell 3000 Index benchmark may lead to short term positive or negative contributions to the performance of the Fund relative to its benchmark, but this effect will even out over time. This mismatch occurs with all multi-cap funds which are benchmarked against a conventional market cap weighted index.*

*I am always happy to discuss your Fund with investors. Please feel free to call me at 914-328-4006 if you have any questions.*

*Sincerely*

*John Lightstone*

*President, Lightstone Capital Advisers LLC*