

MARKET OUTLOOK OCTOBER 2008

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What's Next After A Big Bad Bear?

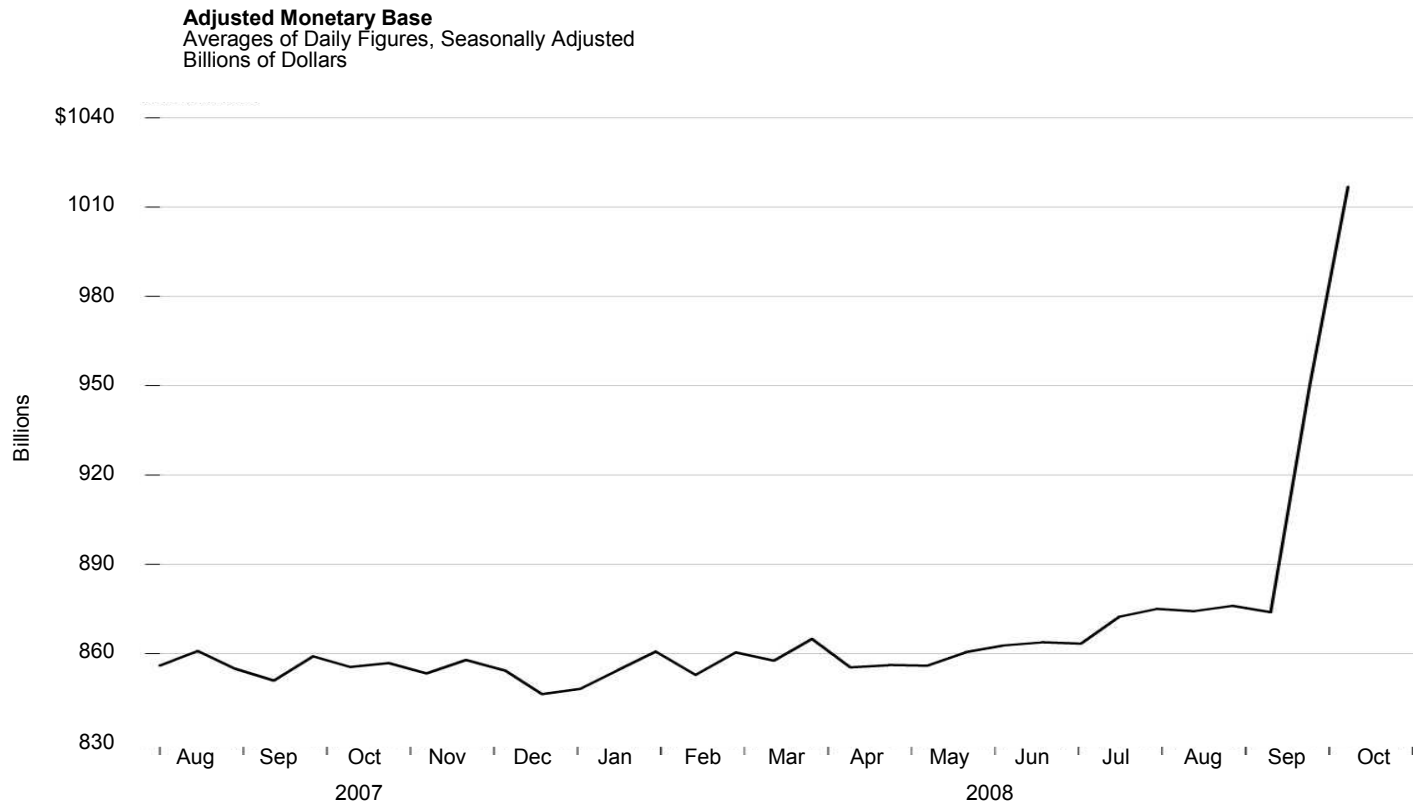


As of 10/14/2008
Source: ISI Group, Inc.

The **S&P 500 Index** is an index of 500 U.S. stocks chosen for market size, liquidity and industry group representation and is a widely used U.S. equity benchmark.



Worldwide Coordinated Monetary and Fiscal Stimulus



Source: Research Division-Federal Reserve Bank of St. Louis



Good News: Oil Has Broken



As of 10/03/2008
Source: ISI Group, Inc.



Market Is Attractively Priced

$$\frac{\text{Price}}{\text{Earnings}} = \frac{\text{P}}{\text{E}} = \frac{1000}{70^*} = 7\% \text{ Earnings Yield}$$

*Heartland estimates earnings of \$70 for 2009 on the S&P 500 Index

Price/Earnings Ratio of a stock is calculated by dividing the current price of the stock by its earnings per share.

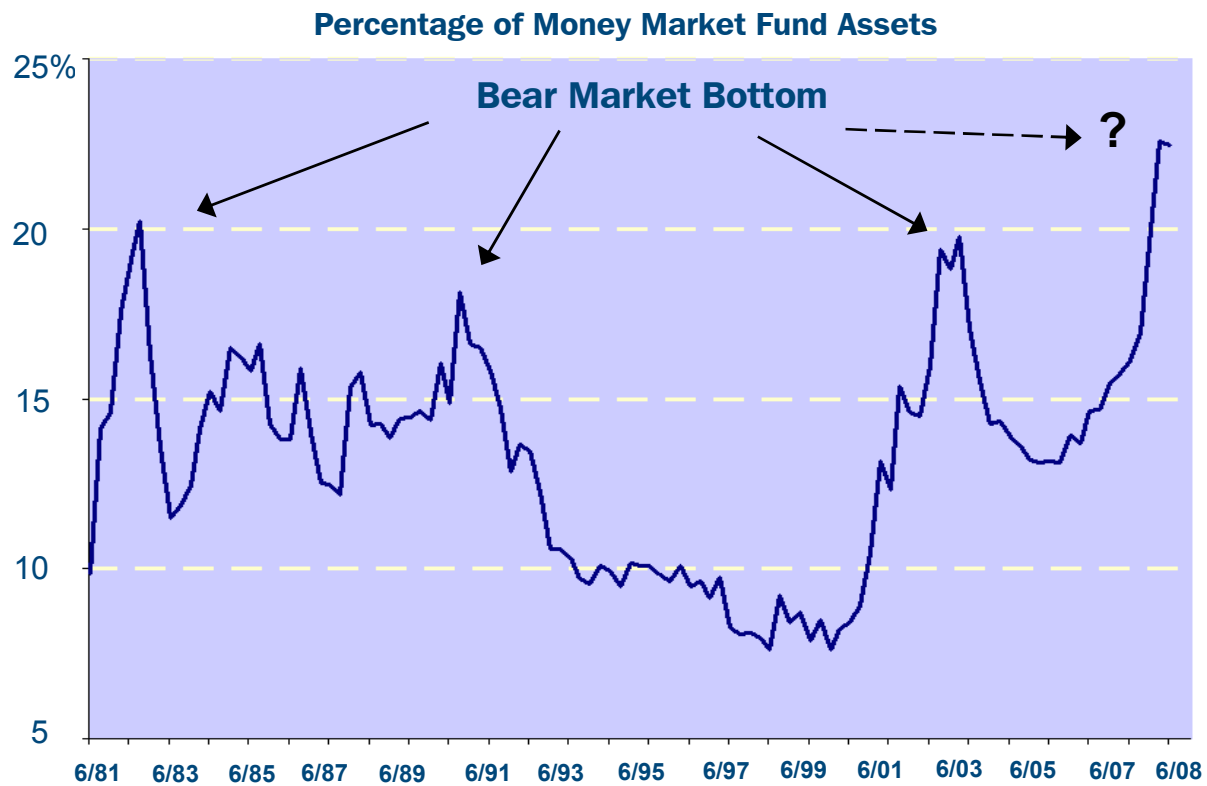
Earnings before interest, tax, depreciation and amortization (EBITDA) may also be used as the denominator.

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Significant Dry Powder

- Investors have record amounts of cash which may be invested in stock market



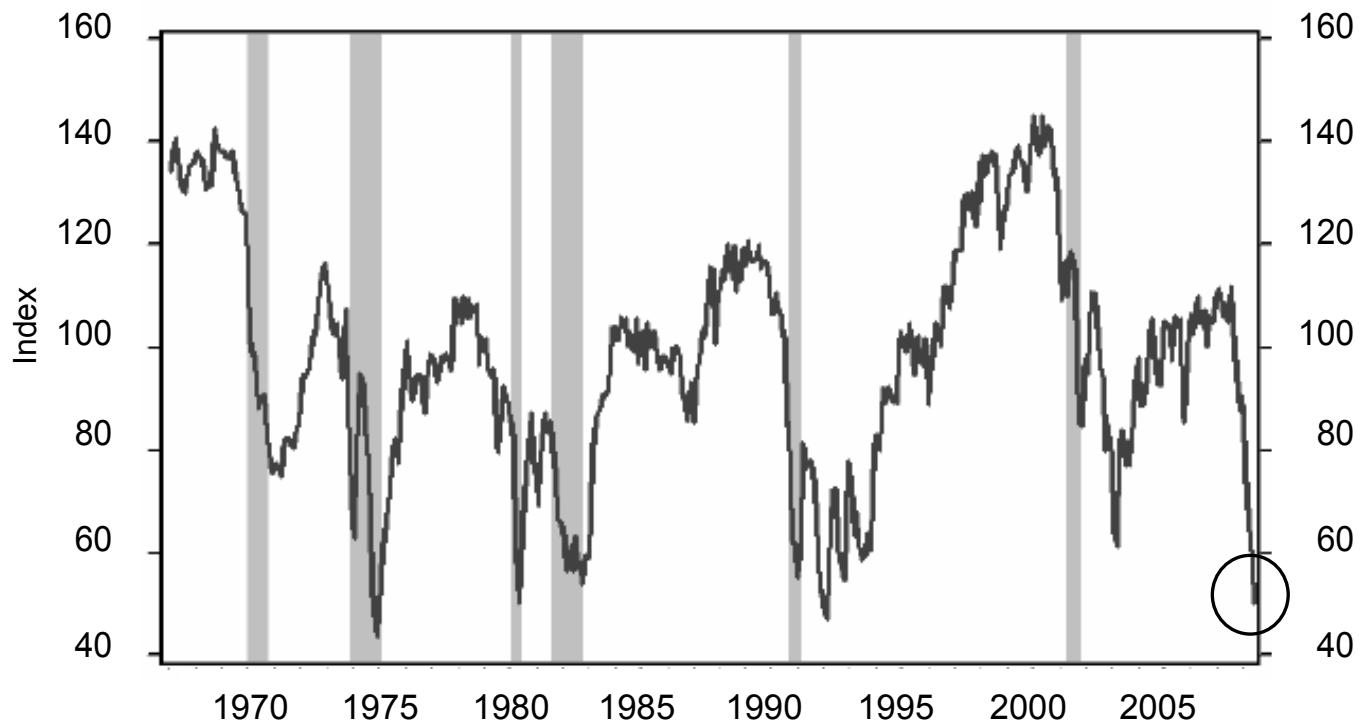
Source: Thomson Datastream and Heartland Advisors, Inc.
 Data from 6/30/81 to 6/30/08



Market Outlook

Low Consumer Confidence Signals Opportunity

Conference Board Index of Consumer Confidence (1968 - 2008)
 (index level, 100 = 1985)

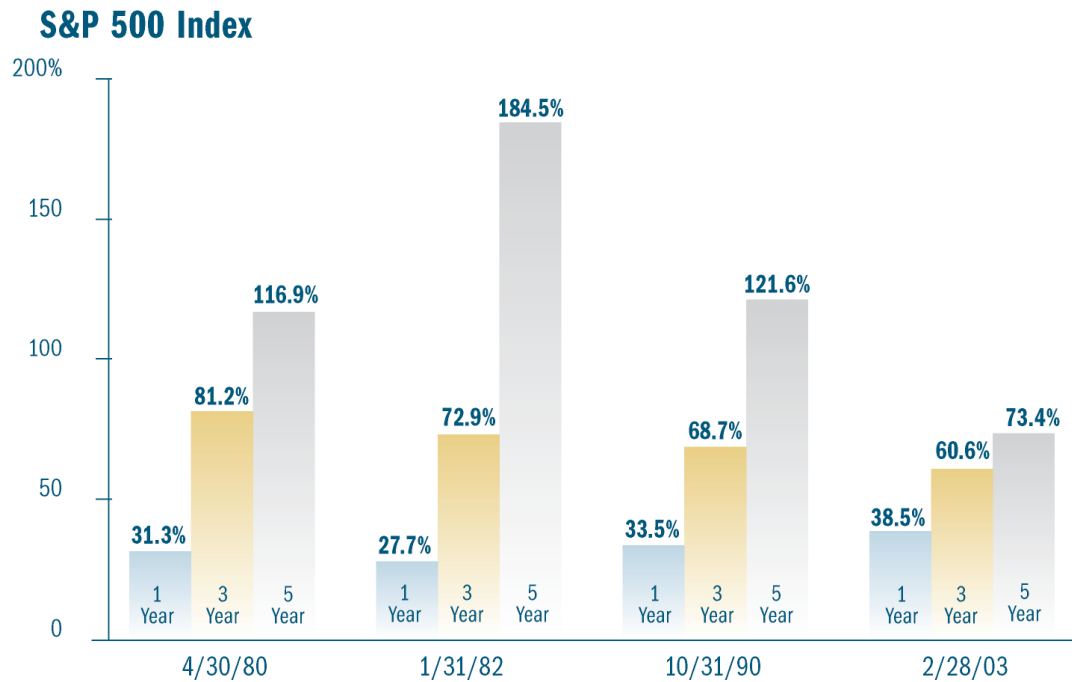


As of June 30, 2008
 Shaded regions represent period of U.S. recession.
 Source: Conference Board, Merrill Lynch



The Prudent Investor Stays the Course

- Market returns after consumer confidence dips below critical level of 65 for more than a month



Source: FactSet Research Systems, Inc., 2008

Past performance does not guarantee future results.

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Heartland's *Bargain Hunting* Investment Process

We utilize our proprietary 10 Principles of Value Investing™ to evaluate stocks for purchase or sale

1. Catalyst for Recognition

To maximize long-term gains, we look beyond simply discovering undervalued stocks. We also identify specific catalysts that we believe will cause a stock's price to rise, closing the gap between a current stock price and the true worth of the underlying company.

2. Low Price in Relation to Earnings

Historically, low P/E stocks have outperformed the overall market and provided investors with less downside risk relative to other equity investment strategies.

3. Low Price in Relation to Cash Flow

Strong cash flows give a company greater financial flexibility – and in the hands of capable management, can be the foundation for stronger earnings and, in turn, higher stock prices.

4. Low Price in Relation to Book Value

Book value is a company's total assets minus liabilities. We believe low Price /Book Value stocks offer investors downside risk protection. A low Price/ Book Value often suggests sentiment about a stock or sector is overly negative.

5. Financial Soundness

We prefer investing in companies that are not encumbered by long-term debt. During difficult periods, such low-debt companies are able to direct cash flow to investments in operations, not interest expense.

6. Positive Earnings Dynamics

Quite simply, we favor companies with improving earnings and upwardly trending earnings estimates. After all, we believe earnings drive stock prices.

7. Sound Business Strategy

To evaluate management's strategy for growing their business, our investment professionals meet face-to-face with hundreds of CEOs, CFOs and VPs. It is also typical for us to speak with customers, suppliers and competitors.

8. Capable Management and Insider Ownership

Capable management means effectively implementing sound business strategies. In addition, we believe meaningful and increasing stock ownership by company officers and directors is tangible evidence of their personal commitment. Moreover, it aligns their long-term interest with the shareholders' interest.

9. Value of the Company

We routinely ask whether each stock is a compelling value relative to others in its industry. To answer this, we use a number of traditional parameters such as Price/Earnings, Price/Cash Flow and Price/Book value, but that is just the beginning of our analysis. We also evaluate the value of a franchise or brand name that cannot be replicated and search for hidden assets not yet recognized by the market.

10. Positive Technical Analysis

Having identified stocks that we believe are undervalued – and have potential for price appreciation – we use technical analysis as a tool for avoiding those investments that may already be subject to undue speculation. We are attracted to stocks that have “bases,” trading within a narrow price range which has typically followed a down trend, or bear market.

Definitions: **Price/Book Ratio** of a stock is calculated by dividing the market price of its stock by the company's per-share book value. **Price/Cash Flow Ratio** represents the amount an investor is willing to pay for a dollar generated from a particular company's operations. It shows the ability of a business to generate cash and acts as a gauge of liquidity and solvency. **Price/Earnings Ratio** of a stock is calculated by dividing the current price of the stock by its earnings per share. Earnings before interest, tax, depreciation and amortization (EBITDA) may also be used as the denominator. **Price/Sales Ratio** is the stock price divided by the sales per share for the trailing 12-month period. **Return on Equity** is a measure of the net income after taxes that a firm is able to earn as a percent of stockholders equity.

Value based investments are subject to the risk that the broad market may not recognize their intrinsic values.