



HEARTLAND FUNDS
AMERICA'S VALUE INVESTOR*

VALUE AT WORK™

The hard work of farmers
across the Midwest earned
this region its nickname as
"America's Heartland."



WELCOME

HEARTLAND FUNDS

QUARTERLY UPDATE

Past performance does not guarantee future results. Performance for the Institutional Class prior to May 1, 2008 is based on the performance of the Investor Class. Performance represents past performance; current returns may be lower or higher. The investment return and principal value will fluctuate so that an investor's shares, when redeemed may be worth more or less than the original cost. All returns reflect reinvested dividends and capital gains distributions, but do not reflect the deduction of taxes that an investor would pay on distributions or redemptions. To obtain performance through to the most recent month end, call 800-432-7856, or visit www.heartlandfunds.com. Subject to certain exceptions, shares of a Fund redeemed or exchanged within 10 days of purchase are subject to a 2% redemption fee. Performance does not reflect this fee, which if deducted would reduce an individual's return.

The 1, 3, 5, 10-year and since inception (10/11/96) average annual total returns for the Select Value Fund Investor Class are -6.68%, 15.07%, 1.73%, 7.04%, and 9.57% respectively. The 1, 3, 5, 10-year and since inception (10/26/93) average annual total returns for the Value Plus Fund Investor Class are -5.37%, 15.40%, 5.74%, 10.15% and 10.72% respectively. The 1, 3, 5, 10-year and since inception (12/28/84) average annual total returns for the Value Fund Investor Class are -6.92%, 17.71%, -1.40%, 7.17% and 12.37% respectively. The 1, 3, 5, 10-year and since inception of the Select Value Fund Investor Class average annual total returns for the Russell 3000 Value Index are -0.10%, 11.62%, -2.58%, 4.08% and 6.90% respectively. The 1, 3, 5, 10-year, since inception of the Value Plus Fund Investor Class and since inception of the Value Fund Investor Class average annual total returns for the Russell 2000 Value Index are -5.50%, 12.36%, -1.87%, 6.40%, 9.07% and 10.85% respectively. Returns are as of December 31, 2011.

In the prospectus dated 5/1/11, the gross expense ratios for the Heartland Select Value, Value Plus and Value Funds Investor Class shares were 1.23%, 1.17% and 1.14%, respectively. Through November 30, 2001, the Advisor voluntarily waived a portion of the Select Value Fund's expenses. Without such waivers, total returns would have been lower.

An investor should consider the Fund's investment objectives, risks, and charges and expenses carefully before investing or sending money. This and other important information can be found in the Fund's prospectus. To obtain a prospectus, please call 1-800-432-7856 or visit www.heartlandfunds.com to download. Please read the prospectus carefully before investing.

In addition to stocks of large companies, the Funds invest in small and mid-sized companies that are generally less liquid than large companies. The Select Value Fund and the Value Plus Fund invests in a smaller number of stocks (generally 40 to 60 and 40 to 70, respectively) than the average mutual fund. The performance of these holdings generally will increase the volatility of the Fund's returns. **Value investments are subject to the risk that their intrinsic value may not be recognized by the broad market.**

Because of ongoing market volatility, fund performance may be subject to substantial short-term changes.

Michael Kops:

Hello Everyone,

I'm Michael Kops, Vice President responsible for three separate channels of distribution at Heartland and I'll be moderating the conversation today. The purpose of the call is to add color to our performance for the 4th quarter as well as 2011 and keep our valued partners in tune with what we are doing and how we are thinking.

A new enhancement for the call today is the inclusion of visual aids via webinar. For those of you viewing the slides along with us, as you sign in, please remember to enter as guest. For those only listening to the call, the slides, transcript and audio replay of portfolio manager commentary will be available on our website in the next few days.

In a year defined by volatility and fear, somewhat reminiscent of 2008, we feel it's as important as ever to keep you abreast of what we are doing and give you the information you need to confidently convey our perspective to your clients.

A theme you'll hear throughout the call is the smaller the, the harder it was punished by the market. As a flight to safety unfolded, large companies were viewed as a safe harbor and smaller companies considered too risky. We'll share our views on this phenomenon throughout our commentary.



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The hard work of farmers across the Midwest earned this region its nickname as "America's Heartland."



WILL R. NASGOVITZ

**VICE PRESIDENT
PORTFOLIO MANAGER**

Investment Experience

Portfolio Manager, Heartland Advisors, Inc. (2006-present)
Research Analyst, Heartland Advisors, Inc. (2004-2006)
Research Associate, Heartland Advisors, Inc. (2003-2004)
Senior Research Associate - Capital Markets Group, Cambridge Associates, LLC (2000-2002)

Education

B.B.A., Finance, University of Wisconsin - Madison (2000)



ADAM J. PECK, CFA

**VICE PRESIDENT
PORTFOLIO MANAGER**

Investment Experience

Portfolio Manager, Heartland Advisors, Inc. (2007-present)
Equity Research Analyst, Heartland Advisors, Inc. (2006-2007)
Senior Investment Analyst, Coral Gables Financial Corporation (2004)
Senior Investment Associate, Northern Trust Bank of Florida (2003-2004)
Investment Associate, Northern Trust Bank of Florida (2000-2003)
Sales Associate, CIBC World Sales Corporation (2000)

Education

M.B.A., Finance, University of Wisconsin - Madison (2006)
B.S., International Relations and Environmental Sciences, University of Wisconsin - Madison (1998)



THEODORE D. BASZLER, CPA, CFA

**VICE PRESIDENT
PORTFOLIO MANAGER**

Investment Experience

Vice President and Portfolio Manager, Heartland Advisors, Inc. (2001-present)
Associate Portfolio Manager, Heartland Advisors, Inc. (2000-2001)
Senior Mutual Fund Accountant, Heartland Advisors, Inc. (1994-2000)
Senior Investment Accountant, Firststar Trust Company (1990-1994)

Education

B.B.A., Accounting/Finance, University of Wisconsin - Whitewater (1990)

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The format for today's call will be similar to our previous calls. Each portfolio manager will summarize the performance drivers for the quarter, and provide an outlook for their fund going forward. After all three funds have been discussed, we'll open up the phone lines for your questions. Please be thinking of questions as we move along.

Let's get started! First I have Will Nasgovitz, Co-Portfolio Manager for the Heartland Value Fund. The Value Fund's "barbell" approach utilizing a combination of small and micro-cap stocks has proven to be a non-correlated source of Alpha for diversified portfolios, generating a 12.37% average annual return since inception. Will.

Will Nasgovitz:

Alright, thanks Mike. And thanks to all of you for joining us today. 2011 was a tough year with many headwinds, especially for those of us focused on small caps. You'll hear this theme from my colleagues as well: Small caps were disproportionately punished and micro caps even more so. We examined the degree to which this was true by analyzing the results across the Russell 2000 Index.

RUSSELL 2000 INDEX MARKET CAP QUINTILE

12/31/2010 - 12/30/2011

| | RETURNS |
|---------------|---------|
| Q1 (Largest) | 11.31% |
| Q2 | -7.53 |
| Q3 | -16.96 |
| Q4 | -26.17 |
| Q5 (Smallest) | -49.44 |

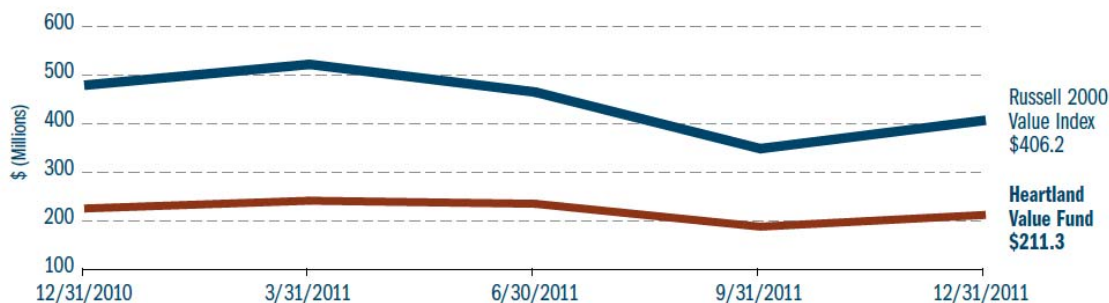
Source: FactSet Research Systems, Inc.

Past performance does not guarantee future results.

For those of you who cannot see the web-based graphics, I am showing a slide that illustrates the annual results of the smallest companies in the index against the largest, broken into quintiles. The smallest companies generated a return of -49% while the largest a return of positive 11%...a remarkable 60% of difference! As another point of data, while the Russell 2000 Value generated a return of -5.50% for the year, the Russell Microcap Value produced -10.33%, further illustrating the point. The Heartland Value Fund delivered -6.92% for the year.

MEDIAN MARKET CAPITALIZATION

VALUE FUND VS. RUSSELL 2000 VALUE INDEX



Index Source: FactSet Research Systems, Inc.

Past performance does not guarantee future results.

Here is another slide that illustrates how the Value Fund compares to these two indices from a market capitalization perspective. You can see that the median market capitalization of the companies in the

Fund has been routinely smaller than the Russell 2000 Value. In this context, we take some comfort that we were fighting some tough headwinds last year.

Why did this occur? It seems that investors had little appetite for stocks last year, as money flowed out of equity funds into bond funds, especially in the second half. The pundits viewed this as risk aversion, and we see no reason to argue with them. We do wonder about the real versus perceived safety of bonds, but that is another matter. We are convinced, however, of the robust opportunity we are seeing in the small and micro cap market today, and I will share more of that with you in a moment.

First, though, a few more comments on 2011. We did a couple things really well, especially in the fourth quarter. While Energy stocks in general underperformed the index, our energy company stock selection was particularly strong, stemming from our focus on equipment and service providers. However, we also made a few mistakes. In particular, our stocks in the Materials sector did not pan out; four of our ten worst performing stocks were precious metals stocks. Their underperformance was primarily due to the weakness in the underlying commodity.

Notwithstanding the Fund's underperformance last year, we do have conviction for the portfolio for 2012, for several reasons. One is this table, which shows the average performance of small cap stocks the quarter, and year, after a negative quarterly return. Based on the 30 worst quarters in small cap stocks since 1940, this study showed that in the year following these negative quarters, small cap stocks generated a median return of 27%. Does this by itself prove that 2012 will be positive for small caps? Of course not, but one reasonable interpretation of this data is that investors tend to over-react, and adjust back to more rational pricing in subsequent periods. Certainly we all have seen enough of human behavior to understand this truth: sometimes people respond more strongly to emotional news than is really called for.

WORST SMALL-CAP QUARTER RETURNS SINCE 1940

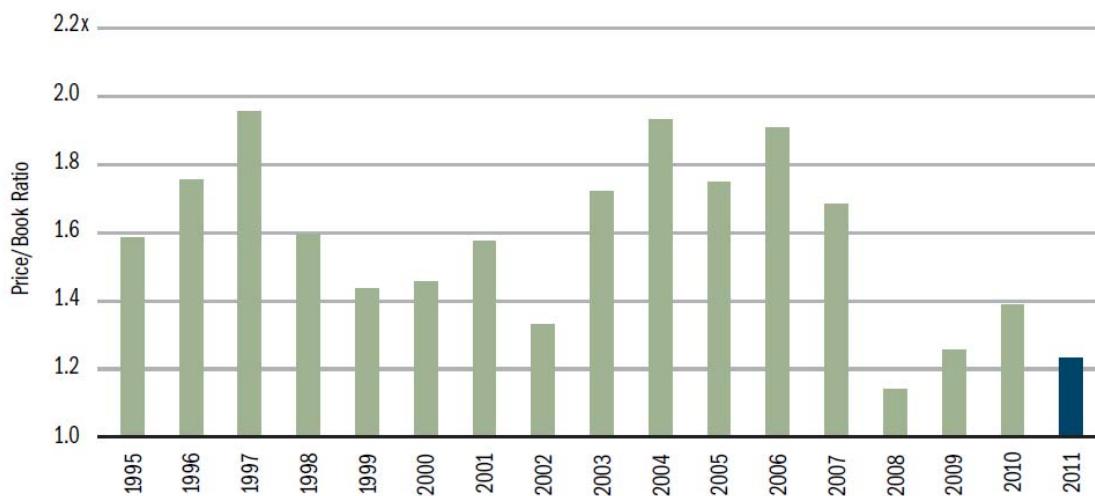
| | Past Quarter | Forward Quarter | Forward 1-Year |
|---------|--------------|-----------------|----------------|
| Average | -17.57% | +6.00% | +24.00% |
| Median | -17.00 | +6.00 | +27.00 |
| Q3 2011 | -22.00 | +15.47 | ? |

Source: Furey Research Partners and FactSet Research Systems, Inc., 1/1/1940 - 12/31/2011
Small Cap Stocks as defined by Furey Research Partners include Ibbotson CRSP 6th to 8th deciles data by market capitalization (CRSP measures all equity securities listed on NYSE, Amex, NASDAQ and NYSE Arca that existed during the time period and with 1 being the largest market capitalization decile and 10 being the smallest.) for all periods before 12/31/78 and Russell 2000 data for all periods after 12/31/78.

Past performance does not guarantee future results.

Historical rebounds aside, what gives us confidence? Companies across the country have been working on their balance sheets since the 2008 financial crisis. Combined with these reduced prices, we have seen some of the best Price to Book Value ratios we've seen in many years, as this slide illustrates.

RUSSELL 2000 VALUE INDEX- PRICE TO BOOK RATIO



Source: Bloomberg, 12/29/1995 to 12/30/2011

Past performance does not guarantee future results.

Now, onto our sector allocation; the Fund's sector overweights are similar to last quarter, with our largest allocation remaining to Healthcare. We believe valuations in Healthcare are really quite attractive relative to historical levels and in comparison to recent M&A activity. To illustrate the ideas we hold in Healthcare, I'd like to tell you about one of the larger positions in the Fund, Accuray. Ticker ARAY, Accuray is the eighth largest holding as of year-end. It is a premier radiation oncology treatment company that offers solutions with the aim of helping patients live longer and better lives. Why do I want to discuss Accuray? I believe it illustrates some important attributes of the Value Fund and our investment process. With a market value of just \$317 million, Accuray is a small cap. I shared with you earlier how small caps suffered last year, but we believe this is a solid company that deserves a higher price. Why do I have this confidence? First and foremost, it has a strong catalyst for growth, both by virtue of an excellent product and the recent news that a competitor is exiting the marketplace. In terms of valuation, Accuray trades at a discount to other small-cap healthcare equipment stocks on both a price-to-book and price-to-sales. The company has a strong balance sheet evidenced by a cash balance that exceeds the amount of debt on the books and a debt-to-capital ratio of 24%. Finally, we are encouraged by the recent insider buying and a basing chart pattern. In all, we believe these attributes; a catalyst, attractive valuation, a solid financial position, an aligned management team and attractive technicals suggest potential alpha generation. Why do we think these attributes are important? Because they represent the qualities we look for in our disciplined process, the Ten Principles of Value Investing™, which we have been utilizing now for well over a quarter century.

Importantly, we believe these attributes are not only illustrated in Accuray, but throughout the entire portfolio. In fact, sector overweights are driven largely by the number of names that flow out of the

analytical process... a bottom up driven discipline, if you will. A couple other overweights include Materials and Energy as the second and third largest after Healthcare. Metals and mining related securities dominate our Materials allocation. We believe valuations combined with uncertain financial and geopolitical outlooks make this an attractive place to invest in 2012. As for Energy, our exposure consists of both Exploration and Production and service related companies with service companies accounting for a larger share of the energy pie. The Energy space offers many catalysts in our view, including increased shale and deepwater production, growth in emerging market demand, and uncertainty regarding future Organization of Petroleum Exporting Countries(OPEC) production.

Thanks again for listening, and with that, I'm going to turn it back to Mike.

Michael Kops:

Thanks Will.

Next we have Adam Peck, Co-Portfolio Manager for the Value Plus Fund. The Value Plus Fund provides investors a rare combination of small companies with a dividend focus. Our goal is to have 80-90% of the assets in the Fund pay a dividend. Since inception, the Fund has an average annual return of 10.72%. The Fund's role is to fit squarely into a traditional small cap value allocation. Adam.

Adam Peck:

Thanks, Mike. Happy New Year to all; thanks for being with us today. During my prepared remarks, I will review the annual and 4th quarter performance for the Value Plus Fund, and then outline how the Fund is currently positioned for the year ahead.

If I had to sum up 2011 performance in one word, that word would be this: frustrating. The markets experienced significant volatility, and we ended down 5.37% vs. negative 5.50% for the benchmark, the Russell 2000 Value Index. While we are always happy to outperform the benchmark, we note that we did not keep pace with dividend paying stocks in the Russell 2000 Value, which were down only 0.3% vs. a negative return of 11.9% for non dividend payers. But we missed for a reason that might not surprise, which is that we were significantly underweight the two best performing areas of the market, which also tend to pay dividends: Utilities and Real Estate Investment Trusts (REITs). Both outperformed the broader index, as REITs were down less than 1% and Utilities were up 12.6%. Why is it not a surprise that we were under-exposed to these sectors? Because they tend to be levered industries, and we are debt averse...more on that later.

Our slight outperformance versus the benchmark was for the most part driven by security selection, as we had neutral or positive relative performance in 7 of 10 sectors. This offset poor allocation effect, with negative performance in 6 of 10 sectors. Our two relatively best performing sectors were Consumer Discretionary and Industrials. The two worst were the aforementioned Utilities and Financials.

Let's move on to our Q4 results. The 4th quarter has historically been one of the best of the year, and this seasonal bias was again true in 2011. For the quarter, the Fund's return was a positive 16.32% versus the Russell 2000 Value return of 15.97%.

At the end of the fourth quarter, the Fund held 66 companies with a median market cap of approximately \$710 million and a weighted average market cap of approx \$1.3 billion. We currently have over 83% of our assets in dividend paying stocks.

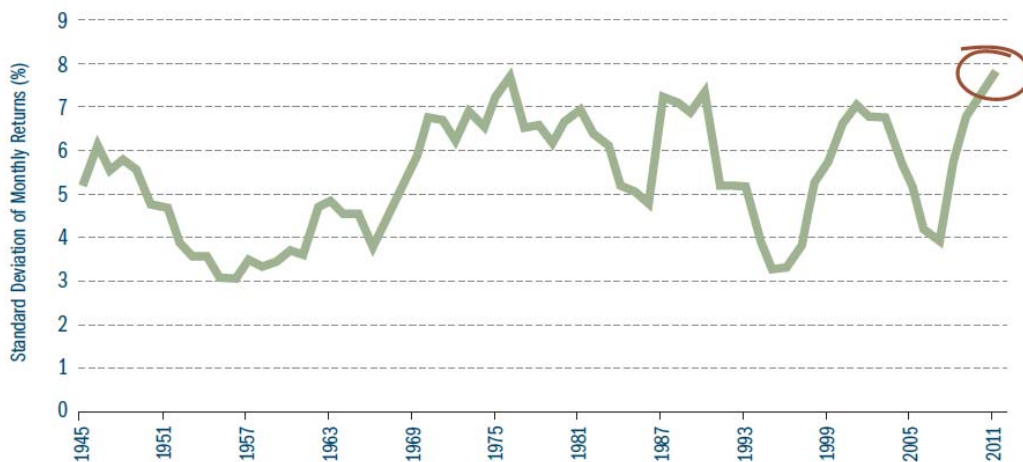
Financial soundness is one of the crucial elements of our stock selection discipline, which we call the Ten Principles of Value Investing™, and our companies continue to have less debt on their balance sheets than those in the benchmark. We strive to keep our long term debt/capital ratio below 25%; currently it is 21% vs. 32% for the benchmark.

Over the past year we had very low turnover versus our historical norms as we only sold 6 names from the portfolio. At the end of the 4th quarter annualized turnover was just over 11%. Sector weightings were also relatively unchanged.

The market's volatility was extreme this past year, as I noted earlier. The Russell 2000 Value had a daily change in either direction of 1% or more 53% of the time, and since August 1st it moved by this amount 73% of the time. My first slide shows how small cap volatility is at a 65 year high going back to 1945. We do not believe most companies intrinsic value changed to the same degree that this volatility would imply.

SMALL-CAP VOLATILITY IS AT AN ALL TIME HIGH

SMALL-CAP TRAILING 4-YEAR VOLATILITY



Source: Furey Research Partners and FactSet Research Systems, Inc., 1/1/1942 - 12/31/2011

Trailing Volatility is monthly standard deviation for a series of four year periods as of the dates provided.

Small Cap Stocks as defined by Furey Research Partners include Ibbotson CRSP 6th to 8th deciles data by market capitalization (CRSP measures all equity securities listed on NYSE, Amex, NASDAQ and NYSE Arca that existed during the time period and with 1 being the largest market capitalization decile and 10 being the smallest.) for all periods before 12/31/78 and Russell 2000 data for all periods after 12/31/78.

An example of how volatility occurred without regard for intrinsic value is the story of one of our holdings, Pharmerica, symbol PMC. Pharmerica is one of the largest institutional pharmacies in the US. It caters to skilled nursing facilities, assisted living centers and hospitals. When we bought PMC in 2011, it had a number of tailwinds we believed would drive earnings irrespective of the broader economy, the most significant of which, in our mind, was the conversion from branded to generics in 2011 and 2012. 30% of branded drugs will become generic in 2012, and generic drugs result in higher margins for the company. With both a favorable outlook and an attractive valuation - it was trading for

less than 1x book value when we bought it, and it had a dominant market position – you can see why someone else would be interested, as Omnicare offered to acquire it in August.

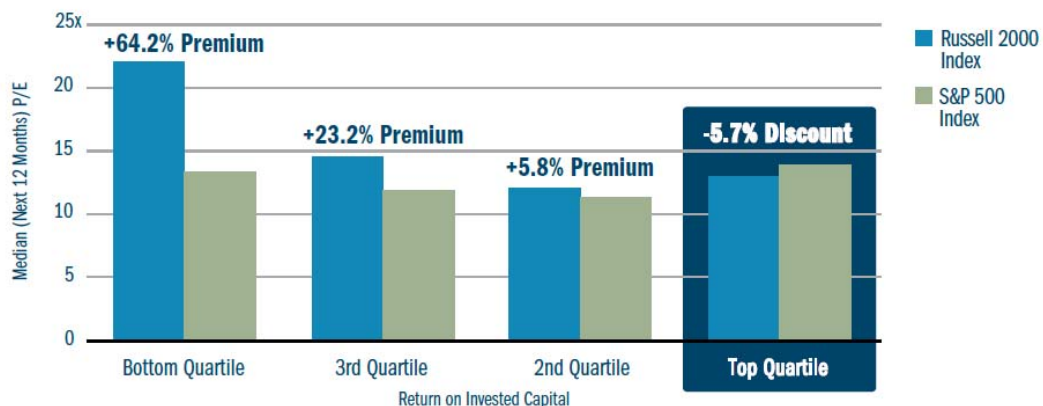
I use this as an example to portray how volatility can occur irrespective of changes in the true value of a company. Before Omnicare made its offer, starting at end of March the stock went up 28% through the beginning of May, then fell 23% through mid June, only to go back up 34% over the next month, to then drop down again 24% into August before finally going up 42% through the end of the year. We do not believe the intrinsic value of the company changed as much as its stock price did, and hope to use this volatility to our advantage to buy mispriced securities.

We feel very good about the prospects for the individual companies in the Fund. The fundamentals which drive our overweights in the Healthcare, Energy, and Materials sectors have not changed. We still see more value in those sectors vs. Utility, REIT and Consumer Staples sectors. Utilities and Consumer Staples have traditionally been the default, go-to sectors during turbulent markets. We think this “flight to safety” has created an opportunity to buy quality companies in more cyclical industries – which is why you have seen our Industrial exposure tick up.

Many pundits cite the relative value of large vs. small, but as you can see in this slide, “quality small caps” - quality defined as return on invested capital - are trading at a discount to similar large caps, and we believe small caps have a greater likelihood of profit margin expansion.

THE HIGHEST RETURN SMALL CAP STOCKS ARE CHEAPER THAN LARGE CAP

SMALL-CAP RELATIVE RETURNS (VS. S&P 500)



Source: Furey Research Partners and FactSet Research Systems, Inc., 12/31/2010 - 12/31/2011
Small Cap Stocks are represented by the Russell 2000 Index.

Past performance does not guarantee future results.

And if you think that small caps already had their time in the sun since they outperformed large caps in the last decade, please pay attention to the last slide which shows small caps have typically enjoyed 2 decades of outperformance with the second being better than the first.

SMALL-CAP CYCLES TEND TO ENDURE

SMALL-CAP RELATIVE RETURNS (VS. S&P 500) BY DECADE



Source: Furey Research Partners and FactSet Research Systems, Inc., 12/31/1930 - 12/31/2010

For this analysis' purposes, a decade's first year is the year that ends in "1" and culminates with the year that ends with "0".
For example, the 1930's include the years 1931 to 1940.

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As always, though, know that whatever else may unfold in 2012 and the coming years, we will continue to use Heartland's 10 Principles of Value Investing™ to find unloved, underfollowed and undervalued securities.

Thank you for your confidence and best wishes for a healthy and prosperous new year.

Michael Kops:

Thanks Adam.

Last we have Ted Baszler, Co-Portfolio Manager for the Select Value Fund. The Select is our all-cap offering, giving the investment team the ability to go where they find the most compelling opportunities, irrespective of size. The Fund is most typically used as a core holding or a value overweight in a diversified portfolio. Since inception, the Fund has an average annual return of 9.57%. Ted.

Ted Baszler:

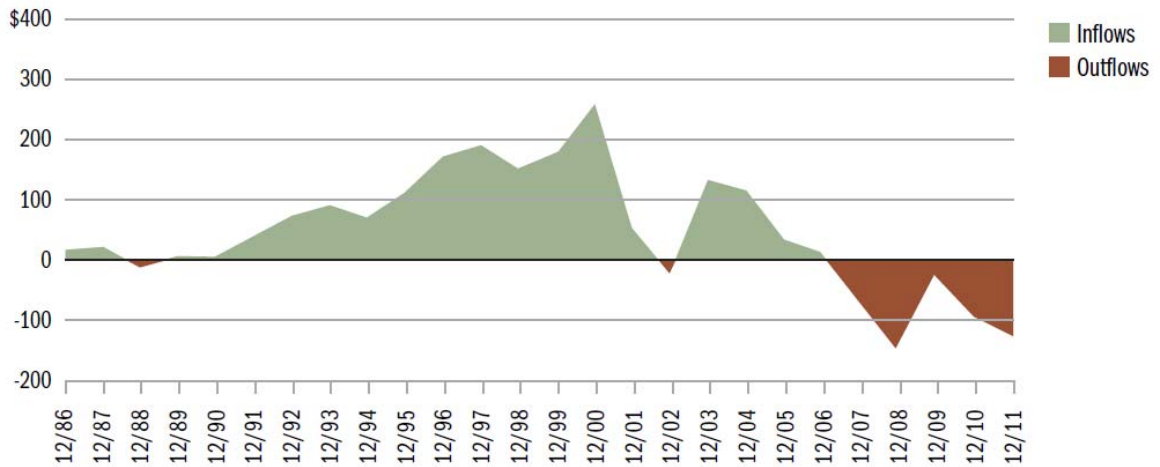
Alright, thank you Michael. Let me join my colleagues in thanking you for tuning in today. The Select Value Fund has the distinction of poor relative performance for the year, and I'd like to explain what happened and why we remain confident.

We finished the year at a dismal -6.68%, versus our benchmark, the Russell 3000 Value which was down just 0.10%. We did have some poor stock picks. But we were also punished in comparison with the benchmark for our small cap exposure, and we believe this relative underperformance will be returned to investors, as rationality and a focus on company fundamentals is restored within the markets. Let me explain.

As we seek to understand the dynamics driving the markets in 2011, investors responded to headline after headline pertaining to sovereign debt risk, by taking what they perceived to be less risky positions within their portfolios. This chart, from the Investment Company Institute, shows net flows in and out of US equity funds for the past few years. As you can see, redemptions from equities have been at historic highs recently.

NET US EQUITY MUTUAL FUND FLOWS (\$ BILLIONS)

1/1/1986 TO 12/31/2011



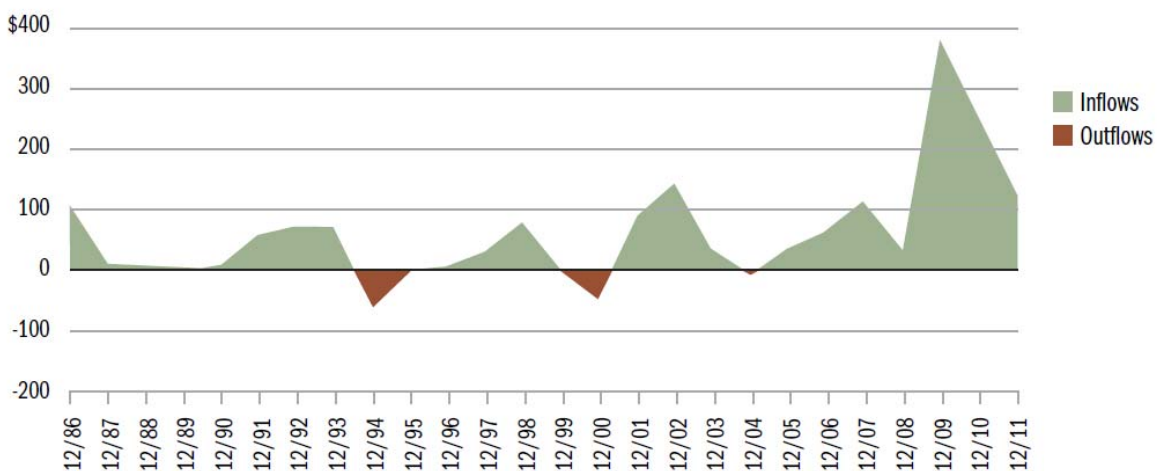
Source: Investment Company Institute

Past performance does not guarantee future results.

Conversely, as this next chart shows, bond funds have been the recipient of significant net inflows.

NET BOND FUND FLOWS (\$ BILLIONS)

1/1/1986 TO 12/31/2011



Source: Investment Company Institute

Past performance does not guarantee future results.

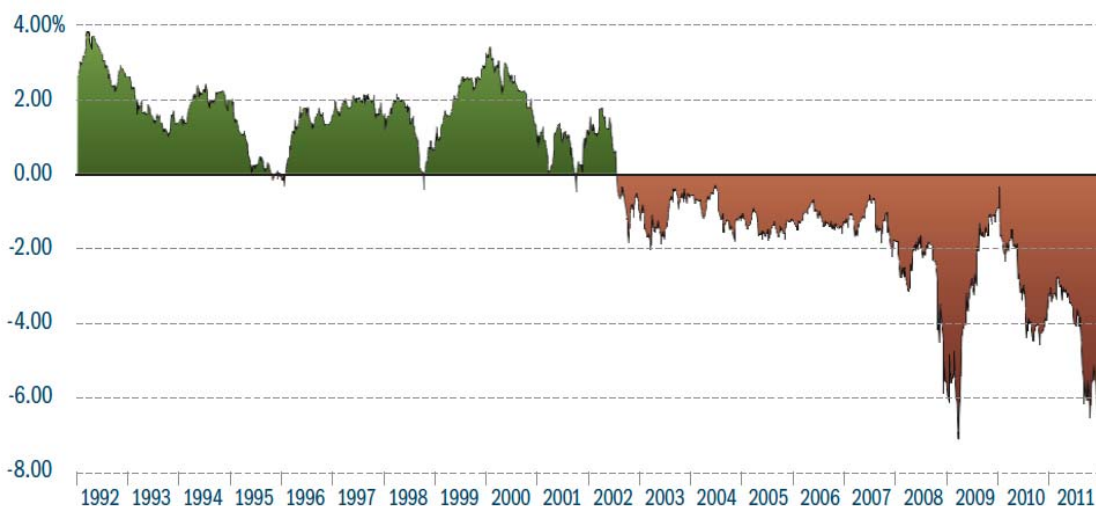
In part due to these flows, the Treasury bull market continued this year, driving yields down on 10-Year Treasuries to 1.87%, even below the level of inflation. Why would an investor knowingly invest at a negative real rate of return? When they have a severe concern for principal safety. Sooner or later this “flight to safety” may become counterproductive, as rates rise and other asset classes prove more compelling.

We believe that today’s stock valuations demonstrate their attractiveness. This chart compares stocks against Treasuries, by subtracting the S&P 500 earnings yield from a 10-Year Treasury yield.

As this number moves into negative territory, it tells you that earnings yields on stocks are greater than the 10-Year Treasury yield. For those who can’t see the chart, the chart shows that the spread between the S&P 500 earnings yield versus the 10-Year Treasury bond is near 20 year highs. Please note this chart does not reference dividend yield, but earnings yield (as you know, earnings may be retained, paid out in dividends, or used for other purposes).

STOCKS VS. BONDS

10-YEAR TREASURY MINUS S&P 500 EARNINGS YIELD - 1/3/1992 - 12/31/2011



Source: Bloomberg

Past performance does not guarantee future results.

So, as investors left stocks, and especially smaller stocks, in favor of other asset classes, the Select Fund has been negatively impacted. This chart shows the performance by market cap for the Russell 3000 Index. It shows the same thing you saw earlier, that the smaller the company, the poorer its performance for the year.

RUSSELL 3000 INDEX MARKET CAP QUINTILE

12/31/2010 - 12/30/2011

| | RETURNS |
|---------------|---------|
| Q1 (Largest) | 2.95% |
| Q2 | -5.54 |
| Q3 | -11.17 |
| Q4 | -19.37 |
| Q5 (Smallest) | -42.48 |

Source: FactSet Research Systems, Inc.

Past performance does not guarantee future results.

The weighted average market cap for the benchmark is \$67.9 billion, while the Select Fund's is just \$21.8 billion. This bias towards small caps has hurt the Fund, but we believe will be recovered as investors return to equities, and especially those companies with the high quality characteristics we believe we are finding throughout our disciplines.

We did make some poor decisions this year, particularly within the Consumer Staples sector, where we missed the run in large cap packaged goods companies. We like the names we own within the sector, but as fears of recession gripped investors in the latter half of the year, our stocks did not move along with the conventional view of recession proof stocks. And, we owned several other stocks where the catalyst was simply too dependent on a continued improvement in the US economy. We have challenged ourselves to be more critical in our thinking about a stock's catalyst, searching for companies whose prospects are bright in a slow or even no-growth economic environment.

Enough about 2011! I am eager to tell you about our outlook; because we are finding ideas we believe show real promise. Specifically, we are overweight both Technology and the Industrial sectors. These sectors underperformed in 2011, but we believe offer significant opportunities as investor risk tolerances normalize. Two stocks that illustrate what we are seeing in each area are URS Corporation and Benchmark Electronics.

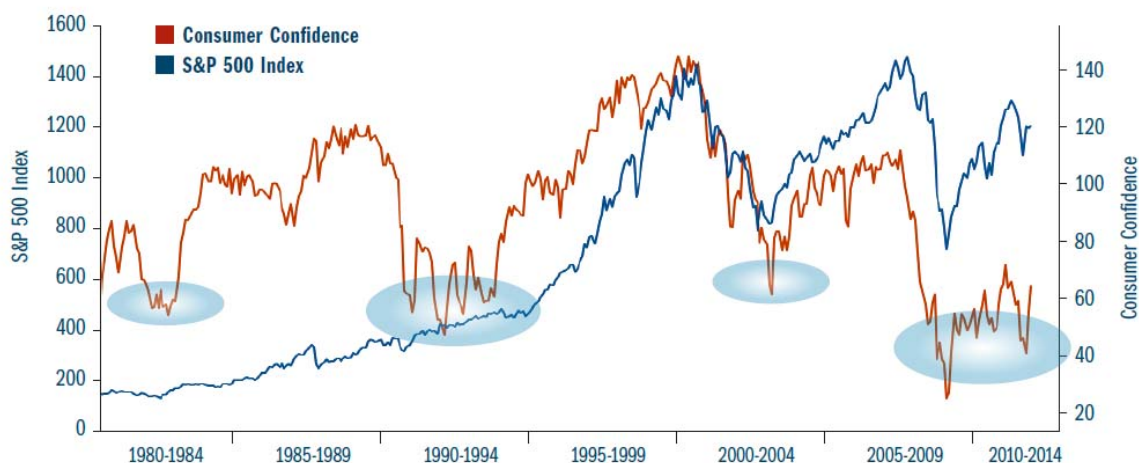
URS is an engineering and construction company that has been pummeled on concerns over their exposure to federal spending in light of budget pressures. Our research suggests otherwise. URS provides services to the government in areas we believe will survive budget cuts – areas like cyber security, drones and chemical weapons decommissioning. We further anticipate growth in other sectors they service, especially power plant construction and pollution controls, where tighter EPA regulations on coal fired power plants should drive demand for URS's services. Our confidence is supported by increasing backlogs for each of the 3 non-Federal sectors. And its valuation is very sound to our way of thinking, as it trades at less than 11x earnings, and only 86% of book value.

Benchmark Electronics provides contract manufacturing and design services to the electronics industry. A production shortfall caused by the Thailand floods has dampened the company's short-term prospects and created a sharp sell-off in the stock. With production expected to start to normalize in 2012, we believe the sell-off is overdone and offers an excellent buying opportunity for long-term value focused investors. The stock ended the year trading at just \$13.47, yet has a book value of just over \$19 a share. The company has no debt, is actively buying back stock and has over \$4 a share in cash. So, I join my colleagues in pointing to recent stock market volatility as a difficult investment environment, but one that offers opportunity for clear-minded, patient investors.

I'd like to leave you with one final, contrarian thought. This slide shows the historical relationship between Consumer Confidence and the performance of the S&P 500 index.

MARKET HIGHS HAVE FOLLOWED CONSUMER PESSIMISM

CONSUMER CONFIDENCE VS. S&P 500 - 6/30/1980 - 12/31/2011



Source: Bloomberg

Past performance does not guarantee future results.

It shows that new market highs are often preceded by an extended period of low Consumer Confidence. It also shows that Consumer Confidence has been at exceptionally low levels for the past several years. Market advances seem to be born out of deep pessimism, and we may be in just such an environment today.

Thanks again, and I look forward to taking your questions momentarily.

Michael Kops

Thanks, Ted,

Some of the big takeaways today are obviously volatility in 2011 was not kind to small caps. In fact, the smaller the company, the greater the punishment from the market. Hopefully the comments from our team today give you confidence that this short term volatility and market disdain for smaller companies can provide long term opportunity when using a time tested bottoms up stock picking process.

The above guidelines are applied under normal market conditions, and may change over time. The returns and charts presented show historical patterns and are not intended to be indicative of any Heartland product, except as indicated. The value of the Fund's investments will vary from day to day in response to the activities of individual companies and general market and economic conditions, which may cause loss of principle. Economic predications are based on estimates and are subject to change.

Small Cap Stocks as defined by Furey Research Partners include Ibbotson CRSP 6th to 8th deciles data by market capitalization (CRSP measures all equity securities listed on NYSE, Amex, NASDAQ and NYSE Arca that existed during the time period and with 1 being the largest market capitalization decile and 10 being the smallest.) for all periods before 12/31/78 and Russell 2000 data for all periods after 12/31/78.

Heartland Advisors, Inc. considers large-cap companies to be larger than \$10 billion in market cap, mid-cap companies to be between \$2 billion and \$10 billion, small cap companies to be between \$300 million and \$2 billion, and micro-cap companies to be less than \$300 million. The above breakdown does not include short-term investments. Portfolio holdings are subject to change without notice.

As of December 31, 2011 Accuray, Inc. represented 1.86% of the Value Fund's holdings As of December 31, 2011 PharMerica Corporation and Omnicare, Inc. represented 1.30% and 3.11% of the Value Plus Fund's holdings, respectively. As of December 31, 2011 URS Corporation and Benchmark Electronics represented 1.81% and 2.26% of the Select Value Fund's holdings, respectively. Portfolio holdings are subject to change. Current and future holdings are subject to risk.

Russell 2000 Index includes the 2000 firms from the Russell 3000 Index with the smallest market capitalizations. **Russell 2000 Value Index** measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. **Russell 3000 Index** measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market. As of the latest reconstitution, the average market capitalization was approximately \$4.8 billion; the median market capitalization was approximately \$944.7 million. The index had a total market capitalization range of approximately \$386.9 billion to \$182.6 million. **Russell 3000 Value Index** measures the performance of those Russell 3000 Index companies with lower price-to-book ratios and lower forecasted growth values. **Russell Microcap Value Index** measures the performance of the microcap value segment of the U.S. Equity market. It includes those Russell Microcap Index companies with lower price-to-book ratios and lower forecasted growth values. **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. All indices are unmanaged. It is not possible to invest directly in an index. **10-Year Treasury (GT10)** measures actively traded U.S. government 10 year issues include Treasury and agency bills, notes, bonds, and strips and is meant to be representative of the broader government market. **Alpha** is an annual measure of a portfolio's return in excess of the market return, both adjusted for risk. It is a measure of the manager's contribution to performance due to security selection. A positive annual Alpha indicates that the portfolio outperformed the market on a risk-adjusted basis, and a negative annual Alpha indicates the portfolio did worse than the market. **Basing Chart Pattern** is a period in which a stock price has very little or no trend: the resulting price pattern is a flat line. **Consumer Confidence Index** measures how optimistic or pessimistic consumers are with respect to the economy in the near future. **Earnings Yield** is the reciprocal of the price to earnings ratio. **Long Term Debt/Total Capital** of a stock is calculated by dividing the long-term debt of the company by its total capital. **Organization of Petroleum Exporting Countries (OPEC)** is an organization consisting of the world's major oil-exporting nations, and was founded in 1960 to coordinate the petroleum policies of its members, and to provide member states with technical and economic aid. **Price/Earnings Ratio (12-month trailing)** of a stock is calculated by dividing the current price of the stock by its trailing 12 months' earnings per share. **Price/Earnings Ratio (Forward)** of a stock is based on actual earnings to date and future estimates made by Heartland Advisors, Inc. Securities with negative earnings or per share earnings greater than or equal to 100 are excluded from the calculation. Estimates made by Heartland Advisors, Inc. are based on factors such as management guidance, historical performance of the company and its peer group, industry growth rates, street estimates and other factors as deemed appropriate. **Price/Book Ratio** of a stock is calculated by dividing the market price of its stock by the company's per-share book value. For the portfolio and indices the price/book ratio is presented as a weighted median. **Price/Sales Ratio** is the stock price divided by the sales per share for the trailing 12-month period. **Return on Invested Capital** is a calculation used to determine a company's efficiency at allocating the capital under its control to profitable investments. **Risk (Standard Deviation)** is a measure of volatility of returns and is computed as the square root of the average squared deviation of the returns from the mean value of the return.

The information presented represents the views of the presenter(s) when made and are subject to change without notice. All information is as of the most recent quarter-end unless otherwise noted.

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