

## COMMENTARY

HEARTLAND  
VALUE FUND

2nd Quarter • June 30, 2010

PORTFOLIO  
MANAGEMENT TEAMWill Nasgovitz  
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## Seeks long-term capital appreciation by investing in small and micro-cap companies

## HEARTLAND VALUE FUND

	Investor Class	Institutional Class
Ticker	HRTVX	HNTVX
CUSIP	422359109	422352831

### QUARTERLY RETURNS (3/31/10 - 6/30/10)

Investor Class	Institutional Class	Russell 2000 Value Index	Russell 2000 Index
-7.77%	-7.70%	-10.60%	-9.92%

### SECTOR WEIGHTS (% OF EQUITY INVESTMENTS)

	Fund	R2V	R2
Consumer Discretionary	6.1%	9.7%	13.8%
Consumer Staples	3.9	3.4	3.3
Energy	12.7	6.8	5.4
Financials	8.0	38.6	21.4
Health Care	27.5	5.8	13.8
Industrials	15.9	14.0	15.4
Information Technology	15.1	9.4	17.9
Materials	7.6	5.2	4.8
Telecommunication Services	0.0	0.6	1.0
Utilities	3.2	6.5	3.2
	100.0%	100.0%	100.0%

Sector classifications are generally determined by referencing the Global Industry Classification Standard (GICS) Codes developed by Standard & Poor's and Morgan Stanley Capital International. Sector allocations are a percent of equity investments and subject to change.

### TOP CONTRIBUTORS FOR THE QUARTER (% PORTFOLIO)

STAAR Surgical Co. (1.52%)  
Virtual Radiologic Corp.<sup>1</sup>  
Encore Capital Group Inc. (1.83%)  
Questcor Pharmaceuticals Inc. (0.97%)  
National Dentex Corp.<sup>1</sup>

### BOTTOM DETRACTORS FOR THE QUARTER (% PORTFOLIO)

Federal Signal Corp. (1.83%)  
Gammon Gold Inc. (2.91%)  
Force Protection Inc. (1.82%)  
Sherritt International Corp. (1.43%)  
FuelCell Energy Inc. (0.42%)

<sup>1</sup> As of June 30, 2010, the company is no longer in the portfolio.

Number above represents percentage of the Fund's net assets. Portfolio holdings are subject to change.

CFA is a registered trademark owned by the CFA Institute.

## QUARTERLY UPDATE

During the second quarter, the Heartland Value Fund declined 7.8%, beating the Russell 2000 Value Index by nearly 3%. **Results such as these have helped the Fund consistently outpace the benchmark over the 3, 5, 10, 20 year and since inception periods.** (see next page).

For more than 25 years, our team has utilized the 10 Principles of Value Investing™ to find underfollowed or misunderstood small and micro-cap companies with low valuations on a price to earnings, cash flow and book value basis. Of these, we seek low-debt businesses priced at a fraction of their intrinsic worth. Our objective is to provide shareholders with a potential margin of safety and upside opportunity.

We believe **Gammon Gold, Inc. (GAM)** meets these criteria. The Canadian headquartered mining company, with two gold and silver mines in Mexico, produced the equivalent of 230,000 ounces of gold in 2009 and is expected to grow production to over 295,000 ounces in 2012.

As of the end of the quarter, the company had \$0.65 per share of cash, net of debt, and traded for less than 8x estimated 2010 cash flow and less than 6x estimated 2011 cash flow, well below peers' ratios of 16x and 13x, respectively.

Even with an excellent balance sheet and attractive valuations, the stock fell 23.7% during the quarter. Gammon recently closed its smaller mine due to labor issues and Wall Street has assumed the mine will not reopen. Based on our research, it could be operational by winter 2010. We believe the stock has been severely discounted; Gammon's senior management and directors seem to agree because they have been buying shares in the open market.

We remain enthusiastic on Gammon Gold, as well as U.S. small and micro-cap equities, due to an encouraging merger and acquisition environment. As the economy improves, attractive valuations of small companies, low interest rates, and the large amount of cash held at larger companies should fuel M&A activity. This could provide a boost to the Heartland Value Fund, as the holdings have historically been ideal buyout candidates.

As of June 30, 2010, the Value Fund holds 161 stocks and has lower price to earnings and cash flow ratios than the Russell 2000 Value. Also, we believe the Fund stands on solid financial footing: Its long-term debt-to-capital of 18.7% is well below the benchmark's ratio of 32.4%. We remain confident that these value investing attributes will be rewarded by the market over the long-term.



HEARTLAND FUNDS  
AMERICA'S VALUE INVESTOR\*

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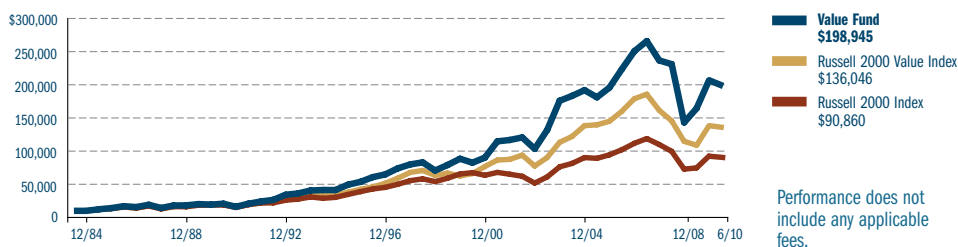
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# COMMENTARY VALUE FUND

2nd Quarter • June 30, 2010

## GROWTH OF A HYPOTHETICAL \$10,000 INVESTMENT

(Investor Class, Since Inception: December 28, 1984)



## AVERAGE ANNUAL TOTAL NET RETURNS AS OF JUNE 30, 2010

	Inception Date	Since Inception	Twenty Years	Ten Years	Five Years	Three Years	One Year	Quarter-To-Date*
Heartland Investor Class	12-28-84	12.44%	11.98%	9.20%	1.89%	-9.22%	21.00%	-7.77%
Heartland Institutional Class	05-01-08	12.47	12.02	9.27	2.02	-9.02	21.26	-7.70
Russell 2000 Value Index	—	10.74	10.28	7.48	-0.51	-9.85	25.07	-10.60
Russell 2000 Index	—	9.01	8.16	3.00	0.37	-8.60	21.48	-9.92

Index Source: FactSet Research Systems, Inc.

\*Not Annualized

**In the prospectus dated 5/1/10, the gross expense ratios for the Investor and Institutional Classes are 1.18% and 0.94%, respectively.** The Advisor has voluntarily agreed to waive fees and/or reimburse expenses with respect to the Institutional Class, to the extent necessary to maintain the Institutional Class' "Net Annual Operating Expenses" at a ratio of 0.99% of average daily net assets. This voluntary waiver/reimbursement may be discontinued at any time. Without such waivers and/or reimbursements, total returns may have been lower.

**Past performance does not guarantee future results. Performance information 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 the most recent month end, call 800-432-7856, or visit [www.heartlandfunds.com](http://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.**

**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](http://www.heartlandfunds.com) to download. Please read the prospectus carefully before investing.**

**The recent rise in the stock market has helped to produce short-term returns for some asset classes that are not typical and may not continue in the future. Because of ongoing market volatility, fund performance may be subject to substantial short-term changes.**

The statements and opinions expressed are those of the author and are as of the date of this report. All information is historical and not indicative of future results and subject to change. Reader should not assume that an investment in the securities mentioned above was or would be profitable in the future. This information is not a recommendation to buy or sell. Past performance does not guarantee future results.

The members of the Portfolio Management Team are registered representatives of ALPS Distributors, Inc.

## DEFINITIONS

**Price/Earnings Ratio** of a stock is calculated by dividing the current price of the stock by its trailing or its forward 12 months' earnings per share.

**Price/Book Value Ratio** 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.

**Debt/Capital Ratio** represents the portfolio's long-term debt as a proportion of the capital available in the form of long-term debt, preferred stock and common stockholder's equity.

**Russell 2000 Index (R2)** includes the 2000 firms from the Russell 3000 Index with the smallest market capitalizations.

**Russell 2000 Value Index (R2V)** measures the performance of those Russell 2000 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 mentioned are unmanaged. It is not possible to invest directly in an index.

**Attribution** provides an in-depth analysis of portfolio return relative to a benchmark.

**Allocation Effect** of the Attribution Analysis is the portion of portfolio excess return attributed to taking different group positions from the benchmark.

**Selection Effect** of the Attribution Analysis is the portion of portfolio excess return attributable to choosing different securities within groups from the benchmark.

**Interaction Effect** of the Attribution Analysis is the portion of the portfolio's excess return attributable to combining allocation decisions with relative performance.

**Total Effect** of the Attribution Analysis is the sum of all three effects. The total effect represents the opportunity cost of your investment decisions in a group relative to the overall benchmark.

**Variation Average Weight** is the portfolio weight minus the benchmark weight; **Variation Total Return** is the portfolio total return minus the benchmark total return; and **Variation Contribution** is the portfolio percent contribution to return minus the benchmark percent contribution to return.

## INVESTMENT CONSIDERATIONS

The Value Fund invests primarily in small companies selected on a value basis. Such securities generally are more volatile and less liquid than those of larger companies and there is risk that the broad market may not recognize the intrinsic value of such securities.

## INVESTMENT GOAL

The Value Fund seeks long-term capital appreciation by investing in small companies.



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# PERFORMANCE ATTRIBUTION VALUE FUND

2nd Quarter • June 30, 2010

QUARTER TO DATE	Heartland Value Fund			Russell 2000 Value Index			Variation			Attribution Analysis			
	Average Weight	Total Return	Contribution to Return	Average Weight	Total Return	Contribution to Return	Average Weight	Total Return	Contribution to Return	Allocation Effect	Selection Effect	Interaction Effect	Total Effect
Consumer Discretionary	6.11%	-11.27%	-0.77%	12.53%	-17.06%	-1.98%	-6.42%	5.79%	1.21%	0.33%	0.67%	-0.36%	0.63%
Consumer Staples	3.69	-9.78	-0.35	2.77	-7.15	-0.23	0.92	-2.63	-0.12	0.03	-0.07	0.00	-0.03
Energy	10.69	0.00	-0.14	5.89	-14.26	-0.90	4.80	14.26	0.76	-0.09	0.80	0.65	1.35
Financials	6.56	-1.47	-0.23	35.43	-10.37	-3.76	-28.86	8.89	3.53	-0.30	2.64	-2.14	0.20
Health Care	25.93	-1.57	-0.50	4.55	-11.00	-0.59	21.38	9.43	0.09	-0.02	0.45	1.91	2.34
Industrials	17.77	-20.84	-3.70	16.41	-9.39	-1.49	1.36	-11.44	-2.21	0.05	-1.90	-0.23	-2.08
Information Technology	16.30	-11.05	-1.77	9.83	-11.59	-1.12	6.47	0.54	-0.65	-0.01	0.05	0.02	0.07
Materials	9.34	-22.08	-2.10	6.58	-15.72	-0.91	2.76	-6.35	-1.18	-0.13	-0.46	-0.22	-0.81
Telecommunication Services	-	-	-	0.41	-5.39	-0.03	-0.41	5.39	0.03	-0.02	-	-	-0.02
Utilities	3.61	0.64	0.05	5.61	-3.95	-0.27	-2.00	4.60	0.32	-0.12	0.36	-0.12	0.12
<b>Total</b>	<b>100.00%</b>	<b>-9.51%</b>	<b>-9.51%</b>	<b>100.00%</b>	<b>-11.28%</b>	<b>-11.28%</b>	<b>-</b>	<b>1.78%</b>	<b>1.78%</b>	<b>-0.27%</b>	<b>2.55%</b>	<b>-0.50%</b>	<b>1.78%</b>

Performance attribution does not incorporate the effects of cash, unclassified securities or expenses. The total impact may not equal the difference between Fund and Benchmark returns.  
Holdings Data: Heartland Value Fund as of 3/31/10 through 6/30/10; Russell 2000 Value 4/01/10 through 7/01/10.

ONE YEAR	Heartland Value Fund			Russell 2000 Value Index			Variation			Attribution Analysis			
	Average Weight	Total Return	Contribution to Return	Average Weight	Total Return	Contribution to Return	Average Weight	Total Return	Contribution to Return	Allocation Effect	Selection Effect	Interaction Effect	Total Effect
Consumer Discretionary	5.60%	15.10%	0.58%	11.86%	35.02%	3.94%	-6.26%	-19.91%	-3.36%	-0.70%	-2.16%	1.16%	-1.70%
Consumer Staples	4.48	28.92	1.71	2.82	18.95	0.56	1.66	9.97	1.15	-0.12	0.32	0.54	0.74
Energy	9.56	79.31	5.49	5.89	21.53	1.21	3.68	57.78	4.28	0.08	2.30	1.45	3.83
Financials	6.02	26.29	1.65	34.28	22.08	7.02	-28.26	4.21	-5.37	0.65	1.91	-1.56	1.00
Health Care	26.09	31.20	7.11	4.81	19.86	0.92	21.29	11.35	6.18	-0.98	0.40	1.60	1.02
Industrials	18.54	-11.35	-2.19	16.70	25.06	4.37	1.83	-36.41	-6.55	0.11	-6.15	-1.43	-7.46
Information Technology	17.30	23.96	4.80	10.57	22.48	2.75	6.73	1.48	2.05	-0.01	0.17	0.03	0.18
Materials	9.08	31.25	2.64	6.54	39.74	2.45	2.54	-8.49	0.19	0.23	-0.05	-0.59	-0.40
Telecommunication Services	-	-	-	0.50	14.78	0.09	-0.50	-14.78	-0.09	0.10	-	-	0.10
Utilities	3.32	21.35	0.67	6.03	13.15	0.83	-2.71	8.20	-0.16	0.65	0.81	-0.44	1.02
<b>Total</b>	<b>100.00%</b>	<b>22.46%</b>	<b>22.46%</b>	<b>100.00%</b>	<b>24.14%</b>	<b>24.14%</b>	<b>-</b>	<b>-1.68%</b>	<b>-1.68%</b>	<b>0.01%</b>	<b>-2.44%</b>	<b>0.75%</b>	<b>-1.68%</b>

Performance attribution does not incorporate the effects of cash, unclassified securities or expenses. The total impact may not equal the difference between Fund and Benchmark returns.  
Holdings Data: Heartland Value Fund as of 6/30/09 through 6/30/10; Russell 2000 Value 7/01/09 through 7/01/10.

THREE YEARS	Heartland Value Fund			Russell 2000 Value Index			Variation			Attribution Analysis			
	Average Weight	Total Return	Contribution to Return	Average Weight	Total Return	Contribution to Return	Average Weight	Total Return	Contribution to Return	Allocation Effect	Selection Effect	Interaction Effect	Total Effect
Consumer Discretionary	5.92%	-35.43%	-2.42%	11.40%	-46.44%	-4.54%	-5.47%	11.01%	2.12%	0.73%	1.42%	-1.03%	1.12%
Consumer Staples	3.83	-31.73	0.29	3.74	-13.43	-0.89	0.09	-18.30	1.18	0.01	0.16	0.46	0.64
Energy	12.17	-13.83	-11.83	5.24	-37.54	-0.97	6.93	23.71	-10.86	-6.05	2.91	0.14	-3.01
Financials	6.74	-30.40	-2.25	34.25	-37.05	-14.82	-27.51	6.65	12.57	2.09	3.40	-2.91	2.59
Health Care	18.37	-27.90	2.29	5.22	-3.16	-1.03	13.15	-24.74	3.32	-0.09	-0.99	1.58	0.50
Industrials	22.30	-41.89	-10.00	14.99	-26.62	-3.27	7.30	-15.28	-6.74	0.40	-4.17	0.16	-3.61
Information Technology	20.95	-10.24	-0.33	11.90	-23.22	-1.58	9.05	12.98	1.25	-0.33	2.21	3.10	4.97
Materials	8.12	-42.99	-3.71	6.03	-3.89	0.84	2.09	-39.11	-4.55	0.34	-2.07	-2.32	-4.06
Telecommunication Services	-	-	-	0.99	-42.41	-0.69	-0.99	42.41	0.69	0.47	-	-	0.47
Utilities	1.61	-14.94	1.01	6.25	-2.25	-0.58	-4.64	-12.69	1.59	-0.28	4.45	-3.22	0.95
<b>Total</b>	<b>100.00%</b>	<b>-26.95%</b>	<b>-26.95%</b>	<b>100.00%</b>	<b>-27.52%</b>	<b>-27.52%</b>	<b>-</b>	<b>0.56%</b>	<b>0.56%</b>	<b>-2.71%</b>	<b>7.32%</b>	<b>-4.04%</b>	<b>0.56%</b>

Performance attribution does not incorporate the effects of cash, unclassified securities or expenses. The total impact may not equal the difference between Fund and Benchmark returns. Holdings Data: Heartland Value Fund as of 6/29/07 through 6/30/10; Russell 2000 Value 7/02/07 through 7/01/10.

Source: FactSet Research Systems, Inc. Holdings are subject to change. Data only represents domestic equity portion of portfolio. Industry and sector classifications for each security held in the account are generally determined by referencing the Global Industry Classification Standard Codes. Performance shown is cumulative.



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