

COMMENTARY

HEARTLAND VALUE FUND

4th Quarter • December 31, 2011

**PORTFOLIO
MANAGEMENT TEAM**

Will 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 (9/30/11 - 12/31/11)

Investor Class	Institutional Class	Russell 2000 Value Index	Russell 2000 Index
10.87%	10.91%	15.97%	15.47%

SECTOR WEIGHTS (% of Equity Investments)

	Fund	R2V	R2
Consumer Discretionary	7.6%	11.7%	13.1%
Consumer Staples	1.9	3.1	3.6
Energy	13.8	4.6	6.7
Financials	5.7	36.8	22.3
Health Care	27.0	5.3	12.7
Industrials	16.2	14.8	15.6
Information Technology	12.5	10.9	17.1
Materials	15.0	4.9	4.4
Telecommunication Services	0.0	0.6	0.8
Utilities	0.3	7.3	3.7
	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
Source: FactSet Research Systems, Inc.

TOP CONTRIBUTORS FOR THE QUARTER (% Portfolio)*

Newpark Resources, Inc. (3.84)
Analogic Corp. (3.53)
Omnicare, Inc. (3.03)
Unit Corp. (3.06)
American Vanguard Corp. (2.34)

BOTTOM DETRACTORS FOR THE QUARTER (% Portfolio)*

AuRico Gold, Inc. (4.24)
Invacare Corp. (0.67)
SearchMedia Holdings, Ltd. (0.07)
BioScrip, Inc. (1.20)
Golden Star Resources, Ltd. (2.17)

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

2011 was a year in US equity markets that was defined by volatility and fear, somewhat reminiscent of 2008. Investors withdrew near record sums from US equity funds, seeking safe harbor in bond funds. Within US equities, small caps were disproportionately punished this year, and micro caps even more so. As the table illustrates, the returns spread between the largest capitalization stocks within the Russell 2000 Index and the smallest was an astonishing 60%.

The Value Fund utilizes a barbell approach to structuring the portfolio, balancing a significant allocation to micro capitalization stocks against larger stocks in the small cap universe. Over time, this has allowed the Fund to earn a liquidity premium on its smaller holdings. However, this dynamic worked against the Fund in 2011, which declined 6.92% for the year versus a decline of 5.50% for its benchmark, the Russell 2000 Value Index. The Russell Micro-Cap Index was off more, declining 10.33%.

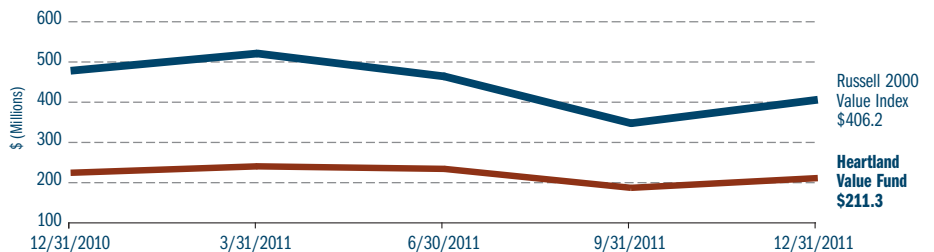
Russell 2000 Index Market Cap Quintile
12/31/2010 - 12/30/2011

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

Source: FactSet Research Systems, Inc.

Median Market Capitalization

Value Fund vs. Russell 2000 Value Index



Source: FactSet Research Systems, Inc.

As the above chart indicates, the Fund maintained a bias toward smaller cap stocks relative to its benchmark over the course of 2011. The median market capitalization of the Fund was nearly half that of its benchmark. Given this bias, we take some comfort in the Fund's underperformance.

During the fourth quarter, the largest area of weakness for the Fund was concentrated within the Materials sector, and in particular, precious metals stocks. We believe the 20% drop in gold spot prices, from \$1,900 per ounce in early September to \$1,534 at year-end, was detrimental to the Fund's gold mining stocks. We view this sell-off as a correction in a bull market for gold, as we believe central banks of developed nations will continue to print money in their bid to combat weakness in the Eurozone, the US and Japan.

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QUARTERLY UPDATE (CONTINUED)

For the year, with the exception of materials, the Fund experienced positive stock selection in other cyclically-oriented sectors, including Energy, Industrials and Information Technology. But one of the strongest contributors to relative performance came from the Fund's exposure to Health Care. We believe valuations in the sector are quite attractive relative to historical levels and in comparison to recent M&A activity. To illustrate our enthusiasm, we'd like to highlight Accuray (ARAY), the eighth largest holding in the Fund at year-end.

Accuray is a premier radiation oncology treatment company that offers solutions with the aim of helping patients live longer, better lives. We believe the company has a strong catalyst for growth, both by virtue of an excellent product and from recent news that a competitor is exiting the marketplace. Accuray trades at a discount to book value and sales in relation to other small-cap health care equipment stocks. The company has a strong balance sheet, with a cash balance that exceeds debt. Finally, we are encouraged by recent insider buying and a basing chart pattern. Taken together, we believe these attributes suggest the potential for alpha generation. Accuray's fundamental qualities are typical of what we look for utilizing the Ten Principles of Value Investing™, a process we have used faithfully for over a quarter century.

As we look into 2012, a couple of datapoints provide some conviction for small caps in general. We reference a study that identified the 30 worst quarterly performances for small caps since 1940, and then examined performance in the subsequent quarter and year. The summary results are shown in the table.

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.

There was variance around the findings, but a reasonable interpretation of this data is that investors tend to over-react to bad news, and adjust back to more rational pricing in subsequent periods. No doubt, the news cycle has been full of negativity this year.

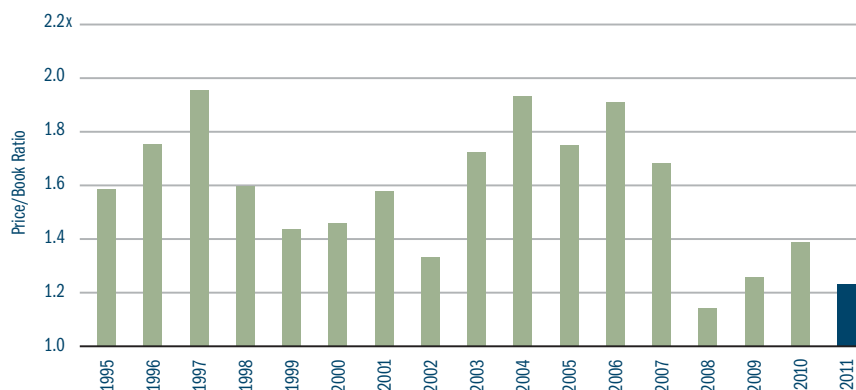
Moreover, the flight to perceived safety has left valuations in equities, particularly small cap equities, at low levels. The price to book value of the Russell 2000 Value Index is near its lows of the last 17 years, second only to the lows of 2008.

These valuations are not viewed without caution, however. As we begin the new year, it appears that broad equity markets may continue to be unsettled, awaiting resolution to Europe's sovereign debt woes, weak economic growth in developed markets and an uncertain political climate here in the US. We believe these macro concerns have captured investor sentiment. When the dust settles, we expect that investors will return their focus to company fundamentals, and those who have selected quality stocks at discounted valuations should ultimately be rewarded for their patience.

With best wishes for a healthy and prosperous New Year,

Your Value Fund Team

Russell 2000 Value Index Price to Book Ratio



Source: Bloomberg, 12/29/1996 to 12/30/2011

PERFORMANCE ATTRIBUTION

VALUE FUND

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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	Total Effect
Consumer Discretionary	7.31%	10.58%	0.81%	11.82%	19.31%	2.29%	-4.51%	-8.73%	-1.48%	-0.05%	-0.65%	-0.70%
Consumer Staples	1.50	0.37	0.01	3.04	13.35	0.42	-1.54	-12.98	-0.41	0.08	-0.21	-0.13
Energy	13.96	33.13	3.98	4.81	18.36	0.85	9.15	14.77	3.13	-0.02	1.74	1.72
Financials	5.52	12.60	0.74	36.36	18.46	6.71	-30.84	-5.86	-5.97	-0.08	-0.31	-0.39
Health Care	25.15	13.19	3.30	5.32	14.62	0.78	19.83	-1.43	2.52	-0.73	-0.52	-1.25
Industrials	16.61	17.56	2.94	14.66	22.87	3.28	1.95	-5.31	-0.34	0.12	-0.85	-0.73
Information Technology	12.61	8.19	1.06	11.25	16.57	1.90	1.36	-8.38	-0.84	0.01	-1.18	-1.17
Materials	16.97	4.80	0.82	4.95	20.50	0.98	12.02	-15.70	-0.16	0.30	-2.59	-2.29
Telecommunication Services	-	-	-	0.61	12.78	0.08	-0.61	-12.78	-0.08	0.03	-	0.03
Utilities	0.37	15.34	0.09	7.18	10.62	0.80	-6.81	4.72	-0.71	0.53	0.04	0.58
Total	100.00%	13.75%	13.75%	100.00%	18.08%	18.08%	-	-4.33%	-4.33%	0.19%	-4.53%	-4.33%

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 9/30/2011 through 12/30/2011. Russell 2000 Value 10/03/2011 through 1/03/2012.

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	Total Effect
Consumer Discretionary	7.32%	-18.92%	-1.35%	10.79%	-9.64%	-1.11%	-3.47%	-9.28%	-0.24%	0.26%	-0.79%	-0.48%
Consumer Staples	2.14	-35.31	-0.99	3.05	2.33	0.09	-0.91	-37.64	-1.08	0.03	-0.93	-0.86
Energy	13.90	-2.09	-0.64	6.52	-13.09	-0.85	7.38	11.00	0.21	-0.89	1.74	0.90
Financials	6.00	-10.08	-0.59	36.64	-3.16	-0.96	-30.64	-6.92	0.37	-0.39	-0.37	-0.71
Health Care	24.36	1.76	0.98	5.55	2.72	0.04	18.82	-0.95	0.94	1.22	-0.40	0.86
Industrials	15.60	-1.16	-0.07	14.37	-7.82	-1.05	1.24	6.66	0.99	0.10	0.71	0.86
Information Technology	13.54	-8.62	-0.90	10.23	-11.90	-1.31	3.31	3.28	0.41	0.01	0.24	0.30
Materials	15.96	-12.67	-2.97	5.79	-7.74	-0.48	10.17	-4.93	-2.50	-0.36	-1.79	-2.10
Telecommunication Services	-	-	-	0.57	-22.21	-0.19	-0.57	22.21	0.19	0.23	-	0.23
Utilities	1.17	27.58	0.32	6.49	16.45	1.06	-5.32	11.13	-0.74	-0.79	0.27	-0.47
Total	100.00%	-6.21%	-6.21%	100.00%	-4.75%	-4.75%	-	-1.46%	-1.46%	-0.58%	-1.32%	-1.46%

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 12/31/2010 through 12/30/2011. Russell 2000 Value 1/03/2011 through 1/03/2012.

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	Total Effect
Consumer Discretionary	7.28%	49.82%	5.73%	11.14%	96.05%	11.22%	-3.86%	-46.24%	-5.49%	-1.65%	-2.73%	-4.20%
Consumer Staples	3.63	40.00	4.71	3.46	37.58	1.04	0.16	2.41	3.67	0.04	3.21	3.43
Energy	11.86	127.26	7.90	5.68	51.25	2.79	6.17	76.01	5.11	2.10	3.51	5.78
Financials	6.44	49.05	4.62	36.55	14.86	3.77	-30.10	34.20	0.86	9.22	3.87	13.26
Health Care	24.72	87.87	20.79	4.80	41.79	1.04	19.92	46.08	19.75	-2.62	9.35	6.91
Industrials	16.41	3.20	-1.32	14.94	35.56	4.85	1.47	-32.35	-6.16	-0.21	-6.02	-6.05
Information Technology	15.63	113.77	19.85	10.10	72.15	8.72	5.53	41.62	11.13	4.73	3.24	8.15
Materials	11.86	164.54	11.15	6.13	108.34	6.03	5.73	56.20	5.12	1.74	1.02	2.94
Telecommunication Services	-	-	-	0.51	2.73	0.00	-0.51	-2.73	0.00	0.44	-	0.44
Utilities	2.18	192.70	3.49	6.70	42.41	1.84	-4.52	150.29	1.64	1.79	3.02	4.98
Total	100.00%	76.93%	76.93%	100.00%	41.29%	41.29%	-	35.64%	35.64%	15.59%	18.48%	35.64%

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 12/31/2008 through 12/30/2011. Russell 2000 Value 1/02/2009 through 1/03/2012.

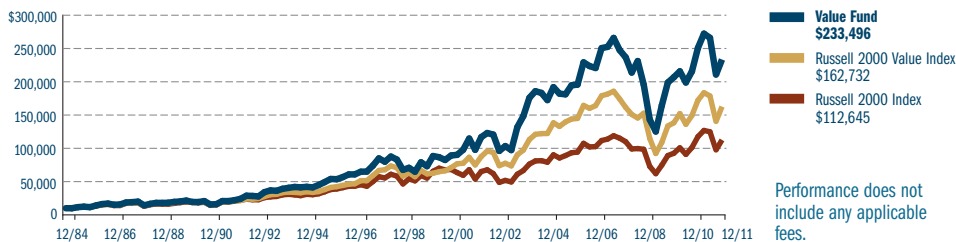
Source: FactSet Research Systems, Inc. Holdings are subject to change. Data represents the equity portion of portfolio. Industry and sector classifications for each security held in the account are generally determined by referencing the Global Industry Classification Standard Codes. Performance shown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

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GROWTH OF A HYPOTHETICAL \$10,000 INVESTMENT

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



AVERAGE ANNUAL TOTAL NET RETURNS AS OF DECEMBER 31, 2011

	Inception Date	Since Inception	Twenty-Five Years	Ten Years	Five Years	Three Years	One Year	Quarter-To-Date*
Heartland Investor Class	12-28-84	12.37%	11.42%	7.17%	-1.40%	17.71%	-6.92%	10.87%
Heartland Institutional Class	05-01-08	12.41	11.46	7.27	-1.23	17.97	-6.73	10.91
Russell 2000 Value Index	—	10.85	10.22	6.40	-1.87	12.36	-5.50	15.97
Russell 2000 Index	—	9.35	8.68	5.62	0.15	15.63	-4.18	15.47

Index Source: FactSet Research Systems, Inc.

*Not annualized

In the prospectus dated 5/1/11, the gross expense ratios for the Investor and Institutional Classes are 1.14% and 0.95%, 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. 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 to download. Please read the prospectus carefully before investing.

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

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.

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 Microcap® Index The Russell Microcap Index measures the performance of the microcap segment of the U.S. equity market. Microcap stocks make up less than 3% of the U.S. equity market (by market cap) and consist of the smallest 1,000 securities in the small-cap Russell 2000® Index, plus the next smallest eligible securities by market cap.

Russell 2000 Value Index (R2V) measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

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.

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.



HEARTLAND FUNDS
AMERICA'S VALUE INVESTOR®