

## Tandem's Investment Philosophy

Tandem Investment Advisors is the sub-advisor to the Castle Tandem Fund. We have been managing our Large Cap Core strategy since 1991. The Castle Tandem Fund is the mutual fund equivalent of this strategy.

Our investment philosophy is grounded in common sense.

We believe that:

- Companies capable of growing earnings regardless of economic circumstances are more likely to reward patient shareholders.
- Companies that consistently grow their dividend as a result of consistent earnings and cash flow growth are even more likely to reward patient shareholders.

We try to buy these companies when they are cheap, take profit when they are expensive and liquidate when they no longer meet our criteria. This is pretty straightforward stuff in our opinion.

We have been doing this for more than a quarter of a century. We want our portfolios to exhibit low volatility versus the overall market. On a few occasions over the course of our history our methodology has been out of favor. The dot-com craze and the real-estate bubble come to mind. We all remember that those frothy periods ended in tears for many investors. Each time we have been out of favor, we have stuck to our discipline and remembered why people have hired us. Sometimes avoiding the big miss is more important than making the big gain.

When stock prices are low, the odds of making a big gain are greatly increased. Of course, the opposite holds true as well. When prices are at or near record highs, the likelihood of big gains going forward is diminished, at least for our type of investing. Our process requires us to play offense and defense simultaneously. When markets are moving up swiftly, playing defense can be penalized.

As we have already stated, we want to own companies that grow, regardless of what the economy does. Most companies do not produce the type of consistency we demand. In markets where optimism is high -- based on great expectations for the future-- consistency is often less rewarded than potential.

When the expectations are high for market gains the odds are typically less in our favor. Likewise, when expectations are low we often find our most compelling investment opportunities. We love taking risks when the odds are in our favor. There is an old Wall Street saying that the trend is your friend. But we cannot buy just to buy. It has to make fundamental sense. We have to follow our process or we face a greater risk than simply making less money than the stock market for a time.

We would rather have our biggest mistake be something we did NOT do, rather than something we did. Buy low and sell high. It's common sense.

*The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The prospectus contains this and other important information about the Fund, and it may be obtained by calling 1-877-743-7820, or visiting [www.castleim.com](http://www.castleim.com). Read it carefully before investing. Distributed by Rafferty Capital Markets, LLC-Garden City, NY 11530.*

*The risks associated with the Fund are detailed in the Fund's Prospectus. Investments in the Fund are subject to common stock risk, sector risk, and investment management risk. The Fund's focus on large-capitalization companies subjects the Fund to the risks that larger companies may not be able to attain the high growth rates of smaller companies. Because the Fund may invest in companies of any size, its share price could be more volatile than a fund that invests only in large-capitalization companies. Fund holdings and asset allocations are subject to change and are not recommendations to buy or sell any security.*

## Tandem's Investment Process

### 2600+ stocks Step 1: Quantitative Analysis



Our process begins with Tandem's proprietary ratio -- a multi-factor model which is applied to a universe of 2600+ stocks. The ratio helps identify companies that meet our fundamental requirements --those companies with consistent earnings growth and sales growth that are trading at a good valuation.

### Step 2: Semi-Quantitative Review



Tandem performs fundamental research of the companies identified in step one. This includes reading company filings and listening to company conference calls. The team eliminates companies from investment consideration for various reasons. While there are several reasons for exclusion, three examples include 1) a dividend cut, 2) inconsistent or lack of growth in cash flow, or 3) the hiring of a CEO from outside of the company. Stocks 'ranked to buy' proceed to the next stage.

### Step 3: Human Intervention



Stocks that have passed through fundamental analysis and are 'ranked to buy' make it to this stage. The investment team analyzes the business for sustainability, assesses business risk, and reviews all of their prior research on the stock. Stocks that pass this step move on to the final stage.

### 30-45 stocks Step 4: Technical Analysis



The team identifies entry and exit points based on a stock's price history (looking at moving averages, support and resistance). Price action determines key entry and exit points.



### Castle Tandem Fund

- A Portfolio of 30 to 45 dividend-growing stocks
- Companies exhibit consistent growth in earnings, revenues and cash flow through any economic environment
- Seeks to provide less volatile returns versus the overall market