

# Grizzly Short Fund

(GRZZX)

January 27, 2010: Report for 4th Quarter 2009

As of 12/31/09, Lipper ranks the Grizzly Short Fund performance in the top 18% on a 5-year basis, top 21% on a 3-year basis, and top 54% on a 1-year basis within Lipper's Dedicated Short Bias classification. This classification contained 49 Funds, 91 Funds, and 153 Funds, respectively, for the 5-year, 3-year, and 1-year time frames measured through 12/31/09.

## Fund Philosophy

*A means for stock market sophisticates to moderate investment risk in down-markets...or possibly profit there from.*

## Investment Objective

The Grizzly Short Fund seeks capital appreciation through identifying stocks expected to decline in price, selling those stocks short.

'Short-Selling' refers to the practice of borrowing shares of a stock, and selling those shares to another party. The 'short-seller' is obliged to eventually buy the shares back ('cover the short sale') to return to the lender.

...The goal of a short-seller is to buy the shares back at a price lower than that received from selling the borrowed shares, profiting from the difference in price. Hence short-sellers attempt to find stocks that may be vulnerable to a price decline.

**Symbol**  
GRZZX

**CUSIP**  
527289300

**Assets under Mgmt.**  
\$103,846,064

## Portfolio Managers

Matt Paschke, CFA  
Greg Swenson, CFA  
Steve Leuthold

## Shareholder Services

1-800-273-6886

## Grizzly Fund Approach

An actively managed Fund, 100% invested in stocks sold-short, regardless of whether the stock market is rising in price or declining in price.

- ◆ This is not an indexed short
- ◆ Futures and options are not employed
- ◆ Targeted Leverage is not a feature (more than 100% short)
- ◆ Positions are monitored on an intra-day basis

## Caveat

- The Grizzly Short Fund endeavors to remain 100% short regardless of the trend of the market.

**Short Selling has additional risks including Market Risk, Short Sale Risk, Rising Stock Market Risk, and High Portfolio Turnover Risk. These additional risks are explained in more detail in Leuthold Funds' prospectus, call Toll-Free 1-800-273-6886.**

## Performance Review

The fourth quarter concluded 2009 on a positive note after what proved to be a very tough year for the Grizzly strategy. While 2008 proved to be the best absolute and relative year, 2009 was the worst on both accounts. It is important to understand that we did nothing different in the strategy, but remained steadfast in our disciplines that have been developed over the last two-plus decades.

The fourth quarter finally broke some of the perverse characteristics that have been driving the market since the March 9th low (we have been eagerly anticipating this). Since March 9th, the best stocks have been those with high debt-to-equity, low book value, expensive multiples and poor fundamentals (i.e. the very stocks we like to short). We questioned last quarter how much longer this could last and argued that a change should be imminent. While this behavior is not unprecedented, the duration with which it lasted was, to some extent. We were relieved to see the change in market dynamics and the reflection on our performance. While the market was still positive in the fourth quarter, our performance was additive from a market inverse perspective. In the three month period ended 12/31/09, the Grizzly Short Fund lost -3.79% total return, while the S&P Mid Cap<sup>1</sup> had a +5.55% total return gain, and the S&P 500<sup>1</sup> had a total return gain of +6.04%.

**Note: Performance data quoted represents past performance. Past performance is no guarantee of future results. Investment returns and principal will fluctuate so that investors' shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than performance data cited. For performance data current to the most recent month-end, please call Leuthold Fund Shareholder Services, toll-free: 1-800-273-6886.**

**Per Prospectus, as of 1/31/09, annual net operating expense (excluding acquired fund fees and dividends on short positions) charged to shareholders was 1.50% (gross operating expense, including acquired fund fees and dividends on short interest, was 3.24%).**

## Grizzly Short Fund Performance Dynamics

The table below highlights sector contributors and detractors for 2008 and 2009. The rally off the March 9th low was strong across all sectors. As shown, as the year progressed, volatility declined, and the negative impact on our performance subsided as well. We think that current trends under development favor our strategy and we look forward to a better year, on both a relative and absolute basis, in 2010.

## SHORT SELLING THE SECTORS (inverse returns)

	2008	Q1	Q2	Q3	Q4	2009
Consumer Discretionary	14.7%	-0.4%	-7.7%	-5.0%	-0.7%	-11.5%
Consumer Staples	2.3%	0.2%	-0.6%	-0.4%	-0.3%	-1.0%
Energy	3.7%	-0.4%	-2.4%	-3.6%	-0.3%	-5.8%
Financials	13.3%	2.6%	-4.4%	-3.8%	0.1%	-5.4%
Health Care	3.7%	-1.1%	-0.5%	-1.2%	0.6%	-1.5%
Industrials	0.9%	1.2%	-1.9%	-3.7%	-0.5%	-4.9%
Information Technology	17.0%	-1.4%	-5.1%	-3.4%	-0.5%	-8.4%
Materials	4.3%	-0.9%	-1.9%	-2.3%	-0.6%	-4.7%
Telecommunication Services	2.3%	-0.9%	-0.6%	0.3%	-0.7%	-1.3%
Utilities	1.3%	0.8%	-0.6%	-0.1%	0.1%	0.0%

<sup>1</sup>The S&P Mid Cap, and S&P 500 are unmanaged indexes and cannot be invested in directly. Gaining short exposure to a benchmark index may be attainable through index funds and ETFs (Exchange Traded Funds).

# Grizzly Short Fund

## Current Broad Sector Short Weights vs. S&P 500 Long Weights

	Fund	S&P 500
Information Technology	20%	20%
Financials	15%	14%
Consumer Discretionary	14%	10%
Industrials	13%	10%
Materials	13%	4%
Health Care	7%	13%
Energy	5%	11%
Utilities	3%	4%
Telecom Services	1%	3%
Consumer Staples	0%	11%
Indexes (temporary)	5%	NA

Data as of 12/31/09

## Equity Characteristics vs. S&P 500

	Fund	S&P 500
Median Market Cap:	\$3,653MM	\$8,982MM
Portfolio Beta:	-1.24x	1.00x
Wt. Median Price/Earnings:	44.2x	17.7x
Price/Cash Flow:	12.0x	10.6x
Price/Book:	2.1x	2.7x
Price/Sales:	1.9x	1.7x
ROA:	-3.2%	6.1%
ROE:	-10.0%	13.9%
Operating Margin:	4.5%	18.3%
Net Margin:	-6.4%	8.0%
LT Debt/Capital:	38.0%	32.1%

Source: FactSet Research Systems and Standard & Poor's  
Data as of 12/31/09

There are no redemption fees in the Grizzly Short Fund. We encourage sophisticated investors to prudently employ the Fund as necessary throughout the year to adjust for intermediate-term portfolio risk. The Fund, however, discourages extremely short-term trading, and may reject any share purchase at any time.

**Performance Disclosure:** Performance data quoted represents past performance. Past performance is no guarantee of future results. Investment returns and principal will fluctuate so that investors' shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than performance data cited. For performance data current to the most recent month-end, please call Leuthold Fund Shareholder Services, toll-free: 1-800-273-6886.

### Total Returns Periods Ending December 31, 2009 (performance for periods longer than 1-year are annualized results)

	Q4	1-Year	3-Year	5-Year	Since	2008	2007	Prior Years' Comparisons				
	2009	(12 mo.)	(36 mo.)	(60 mo.)	Inception <sup>1</sup>			2006	2005	2004	2003	2002
Grizzly Short Fund	-3.79%	-47.17%	-0.73%	-3.64%	-1.52%	73.69%	6.60%	-12.20%	-3.28%	-14.42%	-30.79%	15.46%
S&P Mid Cap Index	5.55	37.39	-1.84	3.26	5.24	-36.25	7.97	10.31	12.55	16.48	35.62	-14.51
Russell 2000	3.88	27.19	-6.06	0.54	3.30	-33.79	-1.56	18.43	4.62	18.44	47.28	-20.48
NASDAQ Composite	7.20	45.35	-1.17	1.70	-5.15	-39.98	10.65	10.38	2.12	9.15	50.72	-31.27
S&P 500	6.04	26.45	-5.63	0.42	-1.17	-36.99	5.49	15.78	4.92	10.87	28.68	-22.09

<sup>1</sup>Annualized performance from Fund's inception date of 6/19/00

- The S&P 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy based on the changing aggregate market value of these 500 stocks.
- The Russell 2000 Index is composed of the smallest 2000 companies in the Russell 3000 Index, representing approximately 11% of the Russell 3000 total market capitalization.
- The NASDAQ Composite Index is a broad-based capitalization-weighted index of all NASDAQ National Market and Small Cap stocks.
- The S&P Mid Cap Index is a capitalization-weighted index measuring the performance of the mid-range sector of the U.S. stock market.

The S&P 500, Russell 2000, NASDAQ, and S&P Mid Cap are indices only and cannot be invested in directly. Fund performance return figures are historical and reflect the change in share price, reinvested distributions, change in net asset value, and capital gains distributions, if any.

**Expense Ratio Disclosure:** Per Prospectus, on 1/31/09 the annual net operating expense excluding dividends on short positions was 1.50%; the annual gross operating expense, including dividends on short positions, was 3.24%.

Please refer to the Prospectus for a more detailed explanation of the expense ratios.

**Symbol:** GRZZX

**CUSIP:** 527289300

### Investment Guidelines

100% Short Equity Exposure

### Minimum Investment: \$10,000

This may be waived to \$1,000 for certain qualified retirement plans and IRAs.

### Account Inquiries & Investor Services:

Call Toll-Free: 1-800-273-6886

Leuthold Funds  
615 East Michigan Street  
P.O. Box 701  
Milwaukee WI 53201-0701

### Questions On Investment Disciplines:

Please contact:

- Ed Favreau
- Paula Mikl
- Hilary Van de Streek

**Telephone: 612-332-9141**

Leuthold Weeden Capital Management  
serves as Advisor to Leuthold Funds.

**The Grizzly Short Fund has additional risks with short selling, such as market risk, short sales risk, rising stock market risk, high portfolio turnover risk, and quantitative investment approach risk. Such risks are discussed in more detail in the Fund's Prospectus. Investors should consider the investment objectives, risks, charges and expenses of the investment company carefully before investing. The Prospectus contains this and other information about the Fund. For current Prospectus, call toll-free 800-273-6886, or go to [www.LeutholdFunds.com](http://www.LeutholdFunds.com). Please read the Prospectus carefully before you invest.**

Not FDIC Insured ~ No Bank Guarantee ~ May Lose Value

Distributor: Rafferty Capital Markets, LLC, Garden City, NY 11530