

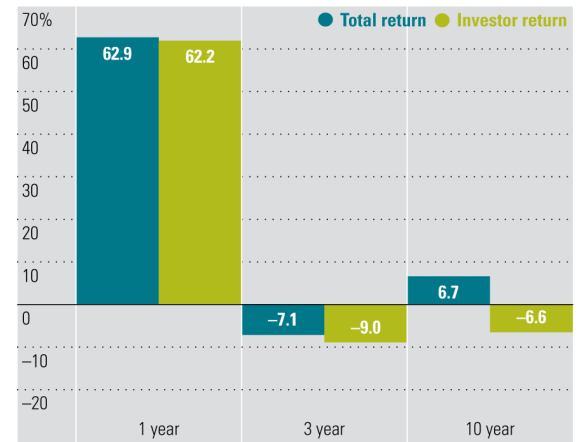


Chasing Performance

Investors often endure poor timing and planning as many chase past performance. They buy into funds that are performing well and initiate a selling spree following a decline. This becomes evident when evaluating a fund's total return compared with the investor return. Overall, the investor return translates to the average investor's experience as measured by the timing decisions of all investors in the fund.

The image illustrates the investor return relative to the total return for a given fund. Over the short term, both the total and investor returns were positive, with the investor return ending slightly lower. Over a 10-year period, however, total return greatly exceeded investor return. Investors who attempted to time the market ran the risk of missing periods of exceptional returns.

Comparison of a Fund's Return Performance Over Time



Past performance is no guarantee of future results. This is for illustrative purposes only and not indicative of any investment. Returns and principal invested in stocks are not guaranteed. Morningstar investor returns measure how the typical investor in that fund fared over time, incorporating the impact of cash inflows and outflows from purchases and sales. It is not one specific investor's experience, but rather a measure of the return earned collectively by all the investors in the fund. Total return measures the percentage change in price for a fund, assuming the investor buys and holds the fund over the time period, reinvests distributions, and does not make any additional purchases or sales. Investor returns are not a substitute for total returns but can be used in combination with them. Data as of February 2010.

Source: The fund illustrated in this example was selected from Morningstar's open-end database.



Joshua Heims
Principal - Portfolio Manager
jheims@neimanfunds.com
(877) 99-NEIMAN
www.neimanfunds.com

About Neiman Funds

Neiman Funds Management, LLC, advisor to the Neiman Funds, provides investment management services through two mutual funds, Neiman Large Cap Value and Neiman Balanced Allocation. Neiman Funds are part of a \$400 million financial management group with offices in NY and California. The firm's five partners have more than 60 years of combined

investment industry experience. We manage according to two styles, large cap value and balanced allocation. Common to both is an approach which is disciplined and fundamental, with a focus on striving to protect on the downside to more quickly reap potential benefits when the market is in an upward phase. Within both strategies, the portfolio

managers strive to produce value for our shareholders, buying investments at economically good prices, and providing access to what we believe are best in breed managers.

The Labyrinth of Financial Statements: The Balance Sheet

Public companies in the United States are required by law to disclose relevant business figures and other information. They do this in the form of financial statements: documents whose purpose is to offer detailed information on the company's financial situation: what the company owns (assets), what it borrowed and therefore has to pay back (liabilities), its stock, profit, cash going in and out, and other figures. All financial statements must follow official accounting rules and must be publicly available. There are three major financial statements: the balance sheet, the income statement, and the cash-flow statement. This article will focus on the balance sheet.

The balance sheet basically lists, in detail, what a company has and what it owes. It is organized into three sections: assets, liabilities, and shareholders' equity. Think of it as an individual sitting down at the end of the year and making a list: 1) Items owned (assets): house, furniture, car, books, and so on.; 2) Items owed (liabilities): mortgage, college loan, etc.; 3) Shareholders' equity can be thought of as total value—an individual's net worth.

1. **Assets:** Assets refer to resources the company owns. They include cash and cash equivalents, accounts receivable (payments the company is waiting for after the sale of products or services), inventories (supply of materials used in operations), and PP&E (property, plant, and equipment). Assets can be current or non-current. Current assets are defined as cash and other items that will be converted to cash within one year. Cash, accounts receivable, and inventories are considered current assets. Property, plant and equipment are considered non-current assets. An important term you may see in this section is depreciation or accumulated depreciation. This represents the decrease in the value of physical resources caused by wear and tear over time. For example, a piece of factory equipment is originally purchased for \$50,000, but after being used for a year, its value decreases to \$40,000. The \$10,000 difference is depreciation.

2. **Liabilities:** Just like an individual, when a corporation does not possess the resources necessary for its operations, it has to borrow (from investors or other corporations). When the company borrows, it owes money and is therefore in debt. Debts owed are called liabilities on financial statements. Liabilities include short-term (current) and long-term debt (obligations lasting longer than one year), accounts payable (what the firm has to pay its suppliers, for example), taxes payable (what the firm has to pay in taxes) and interest payable (interest the company owes to its lenders). Who does the company borrow from? A company usually borrows by issuing bonds, which are bought by investors (either individuals or institutions). When you include a bond in your portfolio, you are, in reality, lending money to the company and receiving interest on that money.

3. **Shareholders' equity:** The third item on the balance sheet is called shareholders' equity (or owners' equity). This represents the total sum of money stockholders have invested in the firm. The shareholders' equity portion of the balance sheet will list the dollar value and the number of shares for the company's common and preferred stock. Total shareholders' equity is composed of paid-in capital and retained earnings. Paid-in capital is the amount the company has raised in the past by issuing stock. Retained earnings represent the sum of past earnings (profit) that have been retained in the business.

A very important point about the balance sheet is what is generally known as the balance-sheet equation: $\text{Assets} = \text{Liabilities} + \text{Shareholders' Equity}$. Also, it is important to remember that the balance sheet shows the company's financial situation at a specific point in time; for example, Dell's balance sheet as of Dec. 31, 2010.

The New Tax Package and Your Portfolio

On Dec. 16, 2010, Congress approved \$801 billion in tax cuts and \$57 billion for extended unemployment insurance. It includes other tax breaks, such as college tuition credit for some families, an expanded child tax credit, and the earned income tax credit. Here is how some of these changes may impact your portfolio.

Social Security Tax: The one-year payroll tax cut would reduce the Social Security tax to 4.2% from 6.2%. Although this was intended to increase consumer spending levels and stimulate the economy, a better option would be to increase your contribution to your 401k plan to match your employer's contribution, at a minimum, if you do not need extra cash in the near future. The contribution limit for 401k plans remains at \$16,500 for those under 50, and \$22,000 for those age 50 or older.

Dividends/Capital Gains Tax Rates: Dividend and long-term capital gains taxes will remain at 15% for the next two years. Many had suggested selling securities in your portfolios that were projected to have huge capital gains before the end of 2010, since the capital gains tax rate was projected to increase to 20%. Now, you can sell your securities if your investment strategy dictates.

Estate Taxes: The new tax package sets new estate tax parameters with an exemption of \$5 million per person, or \$10 million per couple, and a maximum rate of 35% for the next two years. You should speak to your financial advisor about creating an estate plan that will detail how you would like your assets distributed after you are gone, and who should act on your behalf should you become disabled.

Dividends are not guaranteed and are paid solely at a company's discretion. Please consult with your tax professional for specific tax advice.

©2011 Morningstar, Inc. All Rights Reserved. The information contained herein (1) is intended solely for informational purposes; (2) is proprietary to Morningstar and/or the content providers; (3) is not warranted to be accurate, complete, or timely; and (4) does not constitute investment advice of any kind. Neither Morningstar nor the content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results. "Morningstar" and the Morningstar logo are registered trademarks of Morningstar, Inc.



Joshua Heims
Principal - Portfolio Manager

Neiman Funds Management LLC
6631 Main Street
Williamsville, New York 14221

jheims@neimanfunds.com
www.neimanfunds.com

Tel: (877) 99-NEIMAN
Fax: 716-633-1333
