

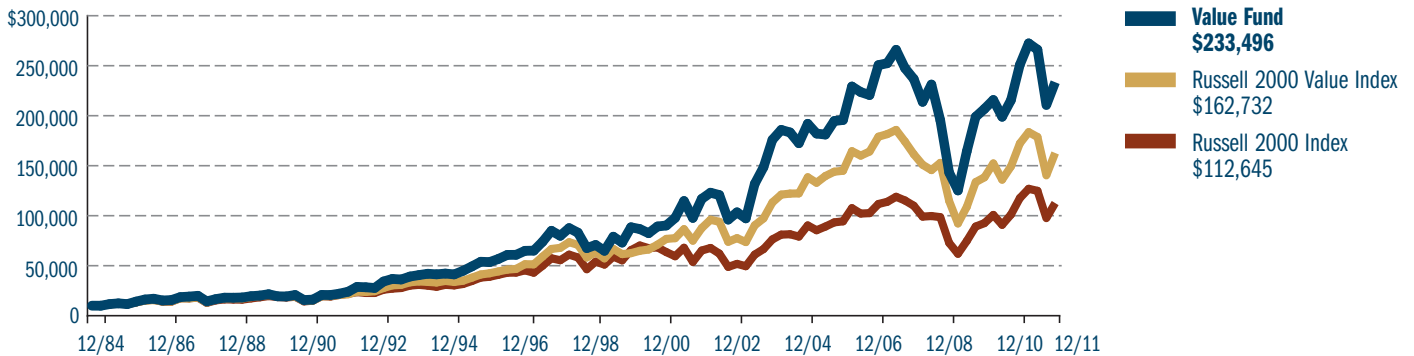
RISK AND RETURN

HOW ACTIVE MANAGEMENT AND NON-CORRELATED RETURNS CAN REDUCE RISK

Passive index funds can be effective and inexpensive vehicles for investors that seek market returns. Advocates of passive strategies often assume that investors cannot expect to outperform the market over the long-term using active strategies.

We disagree. We believe active investment strategies that follow a disciplined approach can provide investors with market-beating returns over long investment horizons. Sometimes the outperformance of active strategies can be significant. To illustrate, the nearby chart shows cumulative performance of the Heartland Value Fund, which utilizes an active investment approach, versus the performance of the Russell 2000 Value and Russell 2000 Indices, which are indicative of the performance of passive index funds.

Growth of a Hypothetical \$10,000 Investment (Investor Class, Since Inception: 12/28/84 – 12/31/11)



Source: FactSet Research Systems, Inc. and Heartland Advisors, Inc.

Past performance does not guarantee future results.

It is not possible to invest directly in an index.

Returns of the Value Fund are presented net of fees and expenses while the Russell returns are not. Passive funds that attempt to mimic the performance of an index typically underperform the index after accounting for fund fees and expenses. Investors cannot invest directly in an index, but must pay a manager to do so for them. Thus, the index performance presented above is actually unattainable for investors in index funds.

There is a healthy debate about whether investors can reliably identify market-beating active managers before making an investment. Most active managers do not outperform their benchmark index after fees and expenses, but we maintain that investors can identify certain manager characteristics that separate better active managers from the rest. Furthermore, we believe active management can play a role in reducing overall portfolio risk.



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AMERICA'S VALUE INVESTOR®

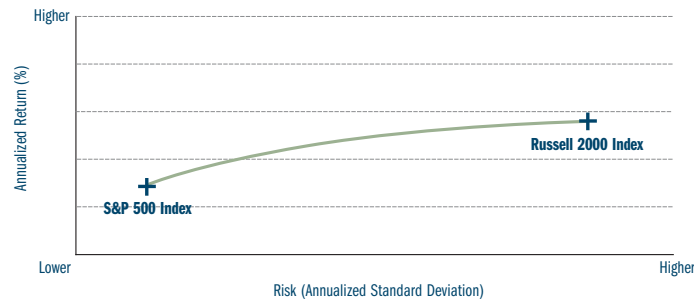
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The chart below plots the historical return of the S&P 500 index versus the historical risk of the same index, as measured by its standard deviation. The same is done for the Russell 2000 Index. If these two indexes represented the only two investments available to investors, the line that connects them would be the efficient frontier. The frontier represents the unique risk and return profile of each of the infinite number of possible portfolio combinations of these two investments.

Efficient Frontier • Hypothetical Example

The efficient frontier illustrates the risk and return characteristics of possible combinations of two index portfolios



Source: FactSet Research Systems, Inc. and Standard & Poor's.

Past performance does not guarantee future results.

An important thing to notice is the curved shape of the frontier: note the convex shape toward the northwest. The shape appears because the two indices are imperfectly correlated, which is to say, they don't move together in lock-step. The curve represents the benefits of diversification. All things equal, the lower the correlation between two investments, the more the curve bends toward the northwest, indicating the availability of higher return, lower risk portfolio combinations.

Moving from a two investment world to a world of millions of possible investments does two things to our simple efficient frontier. First, the frontier now represents the optimal combination of all investments that will result in the highest return for a given level of risk or, equivalently, the lowest risk for a given level of return. Second, the efficient frontier moves north and west, because of the existence of investments with different risk, return and correlations to other investments. Investors therefore seek investments with imperfect correlations to market indices.

Active Management

Returns of active managers are imperfectly correlated to returns of indexes. Therefore, the availability of active management can improve the efficient frontier. We've provided a matrix that summarizes historical correlations among various indexes and the Heartland Value Fund.

Correlation 12/31/2001 - 12/31/2011	Value Fund Investor	Russell 2000 Value	Russell 2000	Citigroup 3-month T-bill	S&P 500
Value Fund, Investor Class	1.00				
Russell 2000 Value Index	0.90	1.00			
Russell 2000 Index	0.93	0.98	1.00		
Citigroup 3-month T-bill	-0.06	-0.05	-0.05	1.00	
S&P 500 Index	0.85	0.88	0.91	-0.02	1.00

Source: FactSet Research Systems, Inc. and Standard & Poor's, calculated on a monthly basis.

A few caveats are in order. First, the return, risk and correlations used to construct the efficient frontier are historical measurements. The future may be different and these factors can and do change over time. Second, the addition of other strategies, from money market funds to international equities, real estate and alternative investments, can also improve the efficient frontier. Finally, some active managers perform poorly over time. The inclusion of such managers may harm an investor's overall portfolio. Said another way, some active managers would not be on the efficient frontier.

Therefore, it is critical that investors attempt to gauge the likelihood of an active manager's ability to outperform its benchmark or other active managers as well the strategy's expected risk and correlations with other investments. We believe there are tell-tale indicators that can help identify viable active managers. While a sizable sector of the financial services is dedicated to just such an endeavor, we believe all investors should utilize the following concepts regarding manager quality:

- Consistency of investment process over time may improve the likelihood of repeating behaviors that led to prior success.
- Clarity of objectives indicate how the manager will attempt to achieve outperformance and how the risk/return profile should correlate with other possible investments.
- A long track record and established management prove the manager has the benefit of expertise and experience.

In sum, passive investment strategies can be thought of as insurance against choosing a poor active manager. The cost of the insurance is the high likelihood of slightly underperforming the benchmark index after passive fund expenses and the likelihood of drastically underperforming some active managers. Passive strategies have their place, but they are not the only viable option.

The Heartland Value Fund

The Heartland Value Fund has utilized the 10 Principles of Value Investing™ since its inception in 1984. The 10 Principles™ are based on the work of Benjamin Graham, often credited as the father of value investing. All investment strategies offered by Heartland adhere to this philosophy, which attempts to identify and purchase securities that we believe are undervalued by other market participants. Bill Nasgovitz has managed the Fund since its inception and works alongside co-portfolio managers, Brad Evans and Will Nasgovitz. Please contact us for information about a potential investment in the Value Fund.

RISK AND RETURN

Average Annual Total Returns Investor Class Shares

As of 3/31/12	Inception Date	Since Inception	Twenty-Five Years	Ten Years	Five Years	Three Years	One Year
Heartland Value Fund - Investor Class	12-28-84	12.65%	11.08%	7.64%	0.34%	27.03%	-5.70%
Russell 2000 Value Index	—	11.19	9.85	6.59	0.01	25.36	-1.07
Russell 2000 Index	—	9.73	8.24	6.45	2.13	26.90	-0.18
Citigroup 3-month T-bill	—	4.20	3.94	1.81	1.12	0.11	0.05
S&P 500 Index	—	10.83	8.95	4.12	2.01	23.42	8.54

As of 12/31/11	Inception Date	Since Inception	Twenty-Five Years	Ten Years	Five Years	Three Years	One Year
Heartland Value Fund - Investor Class	12-28-84	12.37%	11.42%	7.17%	-1.40%	17.71%	-6.92%
Russell 2000 Value Index	—	10.85	10.22	6.40	-1.87	12.36	-5.50
Russell 2000 Index	—	9.35	8.68	5.62	0.15	15.63	-4.18
Citigroup 3-month T-bill	—	4.24	4.00	1.85	1.36	0.12	0.08
S&P 500 Index	—	10.45	9.28	2.92	-0.25	14.11	2.11

Index Source: FactSet Research Systems, Inc. and Standard & Poor's.

In the prospectus dated 5/1/12, the gross expense ratio for the Investor Class is 1.10%.

Past performance does not guarantee future results. 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.

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.

Brad Evans, Bill Nasgovitz and Will Nasgovitz are Registered Representatives of ALPS Distributors, Inc.

The Heartland Funds are offered in Investor Class and Institutional Class shares. See our prospectus for more information.

Footnotes

Standard deviation is a measure of volatility of returns and is computed as the square root of the average squared deviation of the returns from the mean value of the return.

The **Citigroup 3-Month T-Bill Index** is an index of three-month Treasury bills.

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

Russell 2000 Index includes the 2000 firms from the Russell 3000 Index with the smallest market capitalizations.

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.

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. Please read the prospectus carefully before investing.

HOW MAY WE HELP YOU?

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