

## COMMENTARY

HEARTLAND  
VALUE PLUS FUND

4th Quarter • December 31, 2009

PORTFOLIO  
MANAGEMENT TEAMAdam Peck, CFA  
Brad Evans, CFA  
Michael PetroffSeeks long-term capital appreciation by  
investing in small, dividend-paying companies

## HEARTLAND VALUE PLUS FUND

	Investor Class	Institutional Class
Ticker	HRVIX	HNPIX
CUSIP	422352500	422352849

QUARTERLY RETURNS  
(9/30/09 - 12/31/09)

Investor Class	Institutional Class	Russell 2000 Value Index	Russell 2000 Index
5.58%	5.64%	3.63%	3.87%

SECTOR WEIGHTS  
(% OF EQUITY INVESTMENTS)

	Fund	R2V	R2
Consumer Discretionary	4.0%	11.7%	13.8%
Consumer Staples	0.0	2.8	3.5
Energy	14.8	6.0	5.2
Financials	21.1	33.9	20.2
Health Care	27.1	5.0	14.3
Industrials	16.3	16.7	15.8
Information Technology	10.1	10.3	18.3
Materials	6.6	7.0	4.7
Telecommunication Services	0.0	0.5	1.0
Utilities	0.0	6.1	3.2
	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.

TOP CONTRIBUTORS  
IN THE QUARTER (% PORTFOLIO)

IMS Health, Inc.<sup>(1)</sup>  
Cimarex Energy Co. (3.52%)  
CONMED Corp. (3.44%)  
Pall Corp. (3.28%)  
Hill-Rom Holdings, Inc. (3.62%)

BOTTOM DETRACTORS  
IN THE QUARTER (% PORTFOLIO)

Marshall & Ilsley Corp. (1.12%)  
FreightCar America, Inc. (1.68%)  
StellarOne Corp. (0.72%)  
Frontier Oil Corp. (1.45%)  
Federal Signal Corp. (0.91%)

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

(1) As of December 31, 2009, the company is no longer in the portfolio.

## QUARTERLY UPDATE

The fourth quarter is historically one of the strongest for the Russell 2000 Value Index, with December being the best month of the year, returning on average more than 3% over the last 20 years. This year was no different. The Heartland Value Plus Fund was able to gain back some of the ground lost to the benchmark in previous quarters, increasing 5.6% versus a 3.6% return for the benchmark.

The majority of the Fund's outperformance was due to an overweight in the Health Care sector, where the holdings rose 12.9%, while the Index returned 8.7%. At the end of the quarter, the Fund held 61 companies with a medium market capitalization of \$800 million and an average market cap of \$1.4 billion. Our dividend yield was 1.6% and approximately 88% of our assets in the Fund paid dividends. Currently, the debt-to-capital ratio for the Fund is 21% versus 32% for the benchmark.

As shown in the Sector Weights table, Health Care is our largest absolute weighting, followed by Financials, Industrials and Energy, respectively. The greatest change in our weights from the third quarter to the fourth was in Financials, which increased from 17% to 21%. Since 2007, we have avoided Financials as we could not find companies with attractive valuations and improving fundamentals. Over the last two quarters, we found banks with both characteristics, including those trading at stated book value with high capital ratios that have not taken government capital or TARP and can take advantage of distress in the sector.

Our bank holdings are well capitalized and should be at the top of the FDIC's list to acquire failed banks. Acquiring failed banks is typically a prosperous venture as an acquiring bank can pick up deposits and branches, sometimes at no cost, can choose which assets to keep and, often times, will enter into a loss sharing agreement with the government, which will mitigate the risk on the acquiring assets. A number of public banks have done deals in 2009 and the market has looked very favorably upon some of them, revaluing a number of them 50% or higher after the announced deal.

Health Care is our largest weighting, although the weighting has decreased for the second consecutive quarter. We sold our largest holding, IMS Health (RX), as they received an offer to be acquired from a private equity firm. Recently private buyers have discovered the inherent value in Health Care, and we believe there's more to come. In just the last few months, there have been four Health Care deals, including IMS Health, causing Heartland to remain bullish on the space. Additionally, the one-two punch of depressed hospital capital spending and the fear of government reform have led many investors to ignore the sector. These concerns have merit, but we believe they're priced into the current share prices, as many are trading near historically low valuations.

(continued)



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## COMMENTARY VALUE PLUS FUND

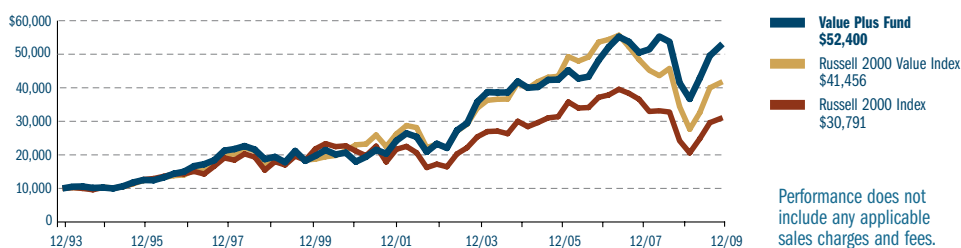
4th Quarter • December 31, 2009

Many market strategists have been predicting what will happen in the coming year. It's dangerous to predict what the market will do in 2010 and it's not our process to forecast macro factors, but many clients and investors have been asking us if 2009's rebound will continue. One piece of data suggests that since 1926, there have been 28 years where small caps increased more than 20%. Further, 74% of the time in the following year, small caps were up on average 14%, with a median return of 17%. So if historical trends hold, small caps should be up in 2010.

Whatever the market does in 2010, at Heartland we will continue to utilize our 10 Principles of Value Investing™ to find unloved, undervalued and under followed companies. In the Heartland Value Plus Fund, we'll continue to build a portfolio focused on low debt companies that pay dividends and have management teams that think and act like owners.

### GROWTH OF A HYPOTHETICAL \$10,000 INVESTMENT

(Investor Class, Since Inception: October 26, 1993)



### AVERAGE ANNUAL TOTAL NET RETURNS AS OF DECEMBER 31, 2009

	Inception Date	Since Inception	Ten Years	Five Years	Three Years	One Year	Quarter-To-Date*
Heartland Investor Class	10-26-93	10.78%	10.27%	4.59%	2.81%	26.37%	5.58%
Heartland Institutional Class	05-01-08	10.81	10.32	4.69	2.97	26.70	5.64
Russell 2000 Value Index	—	9.15	8.27	-0.01	-8.22	20.58	3.63
Russell 2000 Index	—	7.17	3.51	0.51	-6.07	27.17	3.87

Index Source: FactSet Research Systems, Inc.

\*Not Annualized

**As of 5/1/09, the gross expense ratios for the Investor and Institutional Class are 1.27% and 1.19%, 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 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](http://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](http://www.heartlandfunds.com) to download. Please read the prospectus carefully before investing.**

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.

### DEFINITIONS

**Russell 2000 Index (R2)** includes the 2000 firms from the Russell 3000 Index with the smallest market capitalizations.

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

**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.

**Debt/Capitalization 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.

**Price/Book Value Ratio** is calculated by dividing the market price of its stock by the company's per-share book value.

**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.

**Interaction Effect** of the Attribution Analysis is the portion of the portfolio's excess return attributable to combining allocation decisions with relative performance.

**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.

**TARP** - Trouble Assets Relief Program

**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 Plus Fund invests in small companies that are generally less liquid than large companies. The Fund also invests in a smaller number of stocks (generally 30 to 60) than the average mutual fund. The performance of these holdings generally will increase the volatility of the Fund's returns. Value-based investments are subject to the risk that the broad market may not recognize their intrinsic values.

### INVESTMENT GOAL

The Value Plus Fund seeks long-term capital appreciation and modest current income.



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# PERFORMANCE ATTRIBUTION VALUE PLUS FUND

4th Quarter • December 31, 2009

QUARTER TO DATE	Heartland Value Plus 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	Interaction Effect	Total Effect
Consumer Discretionary	3.88%	3.39%	0.11%	11.63%	2.77%	0.28%	-7.75%	0.62%	-0.17%	0.06%	0.04%	-0.02%	0.09%
Consumer Staples	-	-	-	2.87	3.16	0.09	-2.87	-3.16	-0.09	0.03	-	-	0.03
Energy	15.02	8.43	1.30	5.98	5.09	0.28	9.05	3.33	1.02	0.24	0.19	0.31	0.74
Financials	19.29	-1.65	-0.07	33.69	1.83	0.66	-14.40	-3.48	-0.72	0.31	-1.23	0.55	-0.37
Health Care	28.00	12.87	3.54	4.87	8.74	0.43	23.13	4.13	3.12	1.14	0.19	0.95	2.28
Industrials	17.04	3.04	0.53	16.86	3.41	0.59	0.18	-0.37	-0.06	0.02	-0.07	0.02	-0.03
Information Technology	10.05	6.68	0.63	10.72	1.71	0.11	-0.68	4.98	0.52	0.04	0.54	-0.04	0.54
Materials	6.73	1.13	0.06	6.71	10.57	0.73	0.01	-9.44	-0.67	0.04	-0.64	-0.03	-0.64
Telecommunication Services	-	-	-	0.53	6.42	0.03	-0.53	-6.42	-0.03	0.00	-	-	0.00
Utilities	-	-	-	6.14	7.14	0.44	-6.14	-7.14	-0.44	-0.17	-	-	-0.17
<b>Total</b>	<b>100.00%</b>	<b>6.11%</b>	<b>6.11%</b>	<b>100.00%</b>	<b>3.63%</b>	<b>3.63%</b>	<b>-</b>	<b>2.47%</b>	<b>2.47%</b>	<b>1.70%</b>	<b>-0.98%</b>	<b>1.75%</b>	<b>2.47%</b>

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 Plus Fund as of 9/30/09 through 12/30/09; Russell 2000 Value 10/01/09 through 12/31/09.

ONE YEAR	Heartland Value Plus 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	Interaction Effect	Total Effect
Consumer Discretionary	3.32%	41.29%	1.49%	11.21%	64.16%	7.51%	-7.89%	-22.87%	-6.02%	-3.26%	-2.10%	1.33%	-4.03%
Consumer Staples	1.24	91.72	1.56	3.91	17.47	0.38	-2.67	74.25	1.18	0.74	3.64	-1.30	3.08
Energy	14.44	53.10	7.59	4.28	40.27	1.72	10.15	12.83	5.87	2.10	0.67	1.24	4.01
Financials	13.96	6.22	3.22	34.72	-2.86	-2.97	-20.76	9.08	6.19	6.01	6.93	-5.49	7.45
Health Care	28.85	43.01	11.78	5.12	23.94	0.69	23.72	19.07	11.09	-0.77	1.08	3.45	3.76
Industrials	17.23	14.91	1.96	15.64	14.45	2.19	1.60	0.46	-0.23	-0.13	-0.00	0.60	0.46
Information Technology	11.22	34.92	4.15	11.74	59.09	7.44	-0.52	-24.17	-3.29	0.05	-3.14	0.16	-2.93
Materials	9.63	2.51	-1.32	5.61	65.40	3.51	4.02	-62.89	-4.83	1.51	-3.25	-2.16	-3.90
Telecommunication Services	-	-	-	0.76	39.66	0.26	-0.76	-39.66	-0.26	-0.06	-	-	-0.06
Utilities	0.11	6.59	0.04	7.01	6.44	-0.15	-6.90	0.14	0.19	1.84	0.15	0.06	2.05
<b>Total</b>	<b>100.00%</b>	<b>30.45%</b>	<b>30.45%</b>	<b>100.00%</b>	<b>20.57%</b>	<b>20.57%</b>	<b>-</b>	<b>9.88%</b>	<b>9.88%</b>	<b>8.03%</b>	<b>3.98%</b>	<b>-2.13%</b>	<b>9.88%</b>

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 Plus Fund as of 1/02/09 through 12/31/09; Russell 2000 Value 1/02/09 through 12/31/09.

THREE YEAR	Heartland Value Plus 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	Interaction Effect	Total Effect
Consumer Discretionary	5.91%	-47.51%	-3.43%	12.03%	-43.12%	-4.24%	-6.13%	-4.40%	0.81%	1.10%	0.32%	-1.13%	0.29%
Consumer Staples	1.28	29.42	1.27	3.86	-1.99	-0.55	-2.57	31.41	1.82	-0.01	3.35	-1.22	2.12
Energy	14.42	32.36	4.19	4.91	-18.53	0.11	9.51	50.90	4.08	-0.45	2.84	5.40	7.79
Financials	10.65	14.33	4.27	34.06	-41.60	-16.90	-23.41	55.93	21.17	4.78	23.04	-17.35	10.47
Health Care	18.94	36.71	8.31	5.22	9.53	-0.45	13.72	27.17	8.76	1.51	1.42	2.09	5.02
Industrials	22.22	8.31	0.21	14.25	-12.45	-1.56	7.97	20.76	1.77	2.34	2.30	2.79	7.43
Information Technology	14.74	4.43	0.39	12.33	-13.94	-0.56	2.41	18.37	0.96	-0.28	2.01	0.68	2.40
Materials	11.81	-18.96	-6.57	6.05	34.76	2.58	5.76	-53.72	-9.15	2.38	-3.76	-3.29	-4.67
Telecommunication Services	-	-	-	1.16	-30.56	-0.55	-1.16	30.56	0.55	0.25	-	-	0.25
Utilities	0.04	5.97	0.03	6.14	-5.27	-0.60	-6.10	11.24	0.63	0.08	0.13	0.10	0.30
<b>Total</b>	<b>100.00%</b>	<b>8.67%</b>	<b>8.67%</b>	<b>100.00%</b>	<b>-22.72%</b>	<b>-22.72%</b>	<b>-</b>	<b>31.39%</b>	<b>31.39%</b>	<b>11.70%</b>	<b>31.62%</b>	<b>-11.93%</b>	<b>31.39%</b>

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 Plus Fund as of 12/29/06 through 12/31/09; Russell 2000 Value 12/29/06 through 12/31/09.

Source: FactSet Research Systems, Inc. Holdings are subject to change. Data only represents domestic 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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