

GOTHAM FUNDS

LONG/SHORT VALUE INVESTING

Institutional investors and selected wealthy individuals have traditionally had the “opportunity” to invest in private hedge funds. Typically, these funds carry high fees, large minimum investment requirements and long lock-up periods. The Gotham Funds are a series of long/short equity hedge funds available in mutual fund form. The funds are managed by Gotham Asset Management led by Joel Greenblatt and Robert Goldstein, who have over 50 years of combined hedge fund management experience. All of the Gotham Funds share the same investment philosophy, process and research used by Gotham Asset Management’s private funds. The Gotham Funds are *not* a diluted version of our institutional offerings.

Our Investment Philosophy

Our investment philosophy for all of our funds is simple, straightforward and consistent. We select our long and short stock portfolios for the funds based on valuation. Our process begins with a research effort that seeks to value all of the companies within our research universe of U.S. large and mid-cap companies. Subject to a rigorous set of risk controls, we then buy those companies at the biggest discount to our assessment of value and short those companies selling at the biggest premium to our assessment value.

We believe that although stock prices often react to emotion over the short term, they generally trade toward fair value over the long term. Therefore, if we are good at identifying mispriced businesses (a share of stock represents a percentage ownership stake in a business), the market will agree with us...eventually. For an individual stock selection, we believe the waiting period for the market to get it “right” is no more than 2 or 3 years in the vast majority of cases. For a portfolio of stocks, we believe the average waiting period can often be much shorter.

In other words, for us, there is a “true north” when it comes to the stock market. If we do a good job of analyzing and valuing companies, we believe our effort will be rewarded—even if it takes some time. This is crucial. No investment strategy, regardless of how good or logical, works all the time. The important thing for us is to stick to our strategy even when it is not working over shorter time periods.

Fundamental Research and Portfolio Construction

The CIOs of Gotham Asset Management have extensive experience valuing and investing in publicly traded businesses. Together with our investment team (led by Director of Research, Adam Barth), we follow a systematic process of researching and valuing companies, investing in our long and short portfolios based on our valuations and adjusting positions daily to take advantage of changing stock prices and fundamental information. We do not plan to change this strategy or adopt other methodologies when short term stock prices do not reflect the values that we see.

Our stock positions, which generally include over 300 names on both the long and short sides, are not equally weighted. Generally, the cheaper a company appears to us, the larger allocation it receives on the long side. On the short side, the more expensive a company appears relative to our assessment of value, the larger short allocation it receives. We manage our risks by requiring substantial portfolio diversification, setting maximum limits for sector concentration and maintaining overall gross and net exposures within carefully defined ranges.

The Gotham Funds

Our long/short mutual funds offer four distinct ways to take advantage of Gotham's investment process with varying degrees of general market exposure:

Fund	Targeted Exposure in Most Market Environments	Investment Objective
Gotham Absolute Return Fund (GARIX)	50% – 60% net long (e.g., 120% long – 60% short = 60% long)	Seeks long-term capital appreciation and to achieve positive returns during most annual periods in an efficient, risk-adjusted manner
Gotham Absolute 500 Fund (GFIVX)*	40% – 70% net long (e.g., 142.5% long – 82.5% short = 60% long)	Seeks long-term capital appreciation and to achieve positive returns during most annual periods in an efficient, risk-adjusted manner
Gotham Enhanced Return Fund (GENIX)	100% net long (e.g., 170% long – 70% short = 100% long)	Seeks long-term capital appreciation greater than that of the S&P 500® Index over a full market cycle
Gotham Neutral Fund (GONIX)	Market Neutral	Seeks long-term capital appreciation with minimal correlation to the general stock market

*Invests primarily in stocks from the S&P 500.

Two Potential Sources of Return for Investors

All of our portfolios are designed and then constructed to provide two potential sources of investment return: a long only component and a long/short component.

For example, since inception our Gotham Absolute Return Fund (GARIX) has generally maintained a long exposure of 120 percent, a short exposure of 60 percent and a “net long” exposure of 60% (120% long – 60% short = 60% net long). For each \$100 invested in our fund, we buy \$120 worth of the stocks that we believe are the cheapest relative to our assessment of value. We sell short \$60 worth of the stocks we believe are most expensive relative to our assessment of value. We end up with a net long position equal to 60% of equity. Although we have wide flexibility within our prospectus to react to special circumstances, in most market environments, we will usually maintain a net long exposure for this fund between 50% and 60%.

One way to think about our strategy of maintaining a long exposure of 120% and a short exposure equal to 60% is the following: For each \$100 invested in GARIX, you receive an investment in our long portfolio of \$60 and then an additional investment that represents an added \$60 invested in our long portfolio paired with \$60 of short investments. So, \$60 long plus a 60 by 60 long/short overlay. This is important to understand.

In effect, GARIX seeks to achieve returns from two sources for each \$100 invested in the strategy. The first potential source of returns is from the \$60 investment in the stocks we feel are the cheapest. Our second potential source of profits is the “spread” between how much an additional investment of \$60 in our long stock selections returns versus the returns of \$60 of our short selections. Hopefully, if we invest effectively, our long selections will outperform those stocks that we have sold short and this will add to the returns we achieve from our 60% long exposure.

Of course, we hope to achieve attractive returns from our long selections over time and that we also add value from our long/short spread. But we have designed our portfolios to hopefully mitigate risk while we wait. We believe that our long/short spread returns will be largely uncorrelated with the market's returns in many market environments. That makes sense since, logically, how much our long selections outperform our short selections should have little to do with general market movements. In fact, since most of our shorts are

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high priced, with many eating through cash or achieving poor returns on capital (based on our assessment of value), we hope and expect that our long/short spreads will actually be even more robust during poor market periods. This, we hope, will significantly help our spreads and add to overall returns in down markets, thus helping to counteract our long portfolio returns exactly when we may need it most.

The Gotham Absolute 500 Fund (GFIVX) has a similar objective to the Gotham Absolute Return Fund (GARIX) though GFIVX chooses its long and short positions primarily from stocks in the S&P 500. GARIX chooses long and short positions from both the large and mid cap universe.

While our other two long/short mutual funds, Gotham Enhanced Return Fund (GENIX) and Gotham Neutral Fund (GONIX), have differing market exposures, the analysis is similar. Gotham Enhanced Return Fund will generally maintain a 100% net long market exposure (e.g. 170% long -70% short = 100% net long). This can be broken down into a long component of 100% long for each dollar invested in the fund paired with an additional 70 by 70 long/short overlay. If our 70 by 70 long/short spread is particularly robust during down market periods, this may also provide investors with downside protection just when they may find it most helpful.

While the main contributor to returns for Gotham Neutral Fund (GONIX), by design, will be the long/short spread, we would also expect this spread to be particularly robust (and therefore for the fund to achieve attractive returns) during many periods of poor overall market performance.

Thank you for your interest in the Gotham Funds. We hope this short summary of our investment philosophy and portfolio strategy will be a useful aid to your understanding of our funds. Please review this website for additional information on our individual funds and our management team. We and the entire Gotham team pledge to continue to work hard, to remain dedicated to our investment philosophy and to be relentlessly disciplined in its successful execution.

Sincerely,

Joel Greenblatt and Robert Goldstein
Managing Principals & Co-Chief Investment Officers
Gotham Asset Management, LLC

Mutual fund investing involves risks, including possible loss of principal. There is no guarantee that the Gotham Funds will achieve their objectives. Short sales by a Fund theoretically involve unlimited loss potential since the market price of securities sold short may continuously increase. It is anticipated the Gotham Funds will frequently adjust the size of their long and short positions so that they may experience high portfolio turnover which tends to increase fund brokerage costs and may negatively affect performance. **Past performance does not guarantee future results.** An investor should consider the investment objectives, risks, charges and expenses of the Funds carefully before investing. The prospectus contains this and other information about the Gotham Funds. A copy of the prospectus is available at www.gothamfunds.com or by calling 877-974-6852. The prospectus should be read carefully before investing.

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The Gotham Funds, which are registered with the United States Securities and Exchange Commission pursuant to the Investment Company Act of 1940, are distributed by Foreside Funds Distributors LLC (“Foreside”). Gotham Asset Management, LLC is the investment adviser to the Gotham Funds and is not affiliated with Foreside.

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