



October 1, 2010

**“Stock picking is a dead art form.”**

– James Bianco of Bianco Research quoted in  
*The Wall Street Journal* September 24, 2010

Dear Fellow Shareholder,

As contrarians, Heartland views the above declaration a positive sign for active investors.

*The Journal's* front-page article, “Macro Forces in Market Confound Stock Pickers” focused on how most companies in the S&P 500 Index now trade in sync with each other based on macroeconomic themes. At 100%, equities move in lock step. As shown in the chart below, in September the correlation was 70%, near the ten year high. Mr. Bianco has assumed that stock picking has lost its significance.

Despite this closely correlated market, we believe active stock pickers can flourish. According to *The Journal*, Exchange Traded Funds account for as much as 30% of the average daily trading volume. The problem for the investor in passive products is that, in general, as holdings become overvalued, passive funds are required to buy more. When the stock price declines, passive investors sell more, creating additional downward pressure.

**Correlation of individual stocks in the S&P to the movement of the whole Index**



**Past performance does not guarantee future results.**

Source: ISI Group Inc. Data is from 1/1/00 - 9/28/10 based on 65 day holding period.

We believe this “**buy high, sell low**” activity creates more opportunities for entrepreneurial, research-based investors such as Heartland. Our search for high-quality businesses priced at low valuations to earnings and cash flows, with strong balance sheets and compelling catalysts remains our singular focus. As shown on the next page, this value approach to investing has worked: all three Funds have beaten their benchmarks over 3, 5, 10 year and since inception periods.

**In our view, this disciplined, contrarian process will continue to reward patient investors and is the most intelligent way to build your net worth.**

Thank you for your trust and confidence.

Your Heartland Investment Team

*P.S. To receive this letter via e-mail for next quarter, call Mike Brusko or Trey Patterson in Shareholder Services at 1-800-432-7856.*

*This value approach to investing has worked:  
all three Funds have beaten their benchmarks  
over 3, 5, 10 year and since inception periods.*

**THE HEARTLAND  
FAMILY OF FUNDS**

**INVESTMENT RESULTS AS OF SEPTEMBER 30, 2010  
AVERAGE ANNUAL TOTAL RETURNS – INVESTOR CLASS SHARES**

		Since Inception	Twenty Years	Ten Years	Five Years	Three Years	One Year	Year- To-Date*
<b>Large, mid &amp; small-cap value stocks</b>								
<b>Select Value Fund</b>	<b>HRSVX</b>	10.01%	—	9.40%	4.09%	-2.31%	10.39%	3.69%
<b>Focused</b>	Russell 3000 Value Index	6.76	—	2.96	-0.39	-9.04	9.15	4.79
Core equity holding	S&P 500 Index	5.53	—	-0.43	0.64	-7.16	10.16	3.89
<b>Small-cap value stocks that pay dividends</b>								
<b>Value Plus Fund</b>	<b>HRVIX</b>	10.88%	—	10.77%	6.29%	2.28%	15.73%	9.62%
<b>Focused</b>	Russell 2000 Value Index	9.21	—	7.72	0.73	-4.99	11.84	7.92
Upside opportunity with potentially lower volatility								
<b>Small &amp; micro-cap value stocks</b>								
<b>Value Fund</b>	<b>HRTVX</b>	12.66%	14.01%	9.22%	2.06%	-4.51%	8.42%	4.23%
<b>Broadly Diversified</b>	Russell 2000 Value Index	11.03	12.25	7.72	0.73	-4.99	11.84	7.92
Seeks to capture historical outperformance								

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

\*Not Annualized

The inception dates for the Select Value, Value Plus and Value Funds Investor Class Shares are 10/11/96, 10/26/93 and 12/28/84, respectively.

**In the prospectus dated 5/1/10, the gross expense ratios for the Heartland Select Value, Value Plus and Value Funds Investor Class shares were 1.27%, 1.21% and 1.18%, respectively.**

**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](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.**

Index Definitions: Russell 3000 Value Index measures the performance of those Russell 3000 Index 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. Russell 2000 Value Index measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. All indices are unmanaged. It is not possible to invest directly in an index.

Correlation is a statistical measure of how two securities move in relation to each other.

The Funds invest in small companies selected on a value basis. Such securities generally are more volatile and less liquid than those of larger companies. Value based investments are subject to the risk that the broad market may not recognize their intrinsic values. The Select Value and Value Plus Funds also invest 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 Funds' returns. There is no assurance that dividend-paying stocks will mitigate volatility.

**The recent rise in the stock market has helped to produce short-term returns for some asset classes that are not typical and may not continue in the future. Because of ongoing market volatility, fund performance may be subject to substantial short-term changes.**

**An investor should consider the Funds' investment objectives, risks, and charges and expenses carefully before investing or sending money. This and other important information can be found in the Funds' prospectus. To obtain a prospectus, please call 1-800-432-7856 or visit our website at [www.heartlandfunds.com](http://www.heartlandfunds.com) to download. Please read the prospectus carefully before investing.**

Mike Brusko and Trey Patterson are registered representatives of ALPS Distributors, Inc. Heartland Funds are distributed by ALPS Distributors, Inc. HLF2128/0111