VALUE ESSAY #3:

SMALL-CAP STOCKS & DIVIDENDS: A POWERFUL COMBINATION

Dividend-paying small-cap companies offer long-term capital appreciation potential with lower volatility

Following the worst bear market since the 1930s, many investors now face the task of rebuilding their portfolios with the goals of capital appreciation and lower volatility. In this paper, we challenge conventional thinking by combining small-cap companies and dividends.

Why Dividend-Paying Small-Cap Stocks:

Typically, a dividend-related strategy gravitates towards large-cap stocks. Rarely are dividends equated with small-cap stocks, even though 45% of the companies in the Russell 2000 Value Index pay a dividend (as of December 31, 2009). Consequently, we believe the small-cap space represents an undiscovered yet fertile ground for participation in the historical outperformance of small-cap stocks, with potentially lower volatility.

Segregating the Russell 2000 Value Index into two categories (dividend payers and non-dividend payers) shows that historical dividend payers have had lower volatility.

Russell 2000 Value Index Breakdown by Dividend and Non-Dividend Payers

Five Years ended 12/31/09	Standard Deviation	Beta
Dividend Payers	20.16	0.93
Non-Dividend Payers	26.59	1.42
Russell 2000 Value Index	21.44	1.00

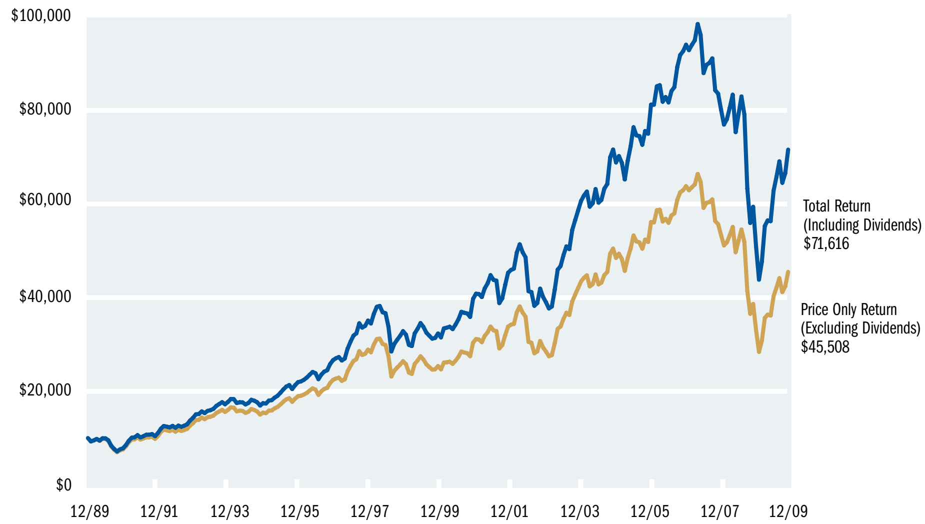
Source: FactSet Research Systems, Inc.

More reasons for small stocks that pay dividends

- Dividend payers outperformed non-dividend payers by 1.2% per year from 1991 through April 2009[(1)]
- Firms with low asset growth outperformed firms with high asset growth by 20% per year[(2)]
- Capital discipline may be a source of potential alpha, as studies show it is less important to retain cash than to be disciplined in managing that cash[(3)]
- Dividend payers tend to have more stable business models to project future payments

Not only do small-cap dividend payers have lower volatility, but they also add considerable total return. Since 1926, 40% of the S&P 500 Index's return is attributable to the reinvestment of dividends. More specifically, over the last 20 years, dividends have contributed an additional 247 basis points of return on an annualized basis within the small-cap arena as illustrated by the graph below.

Hypothetical Growth of $10,000 in Russell 2000 Value Index – December 31, 1989 to December 31, 2009



Source: FactSet Research Systems, Inc.

Past performance does not guarantee future results. The hypothetical example is for illustrative purposes only and does not represent the returns of any particular investment. It is not possible to invest directly in an index.

In conclusion, we believe that a strategy of investing in small-cap stocks that pay a dividend is a powerful combination for generating long-term wealth with lower volatility.

Heartland Value Plus Fund:

The Heartland Value Plus Fund employs a time-tested and disciplined value-based approach utilizing Heartland's 10 Principles of Value Investing™.

The Heartland Value Plus Fund seeks to participate in the long-term capital appreciation of small-cap companies, while minimizing the volatility of returns inherent in the small-cap market by targeting a significant percentage of its portfolio holdings to pay a dividend.

The Fund employs a time-tested and disciplined value-based approach utilizing Heartland's *10 Principles of Value Investing*™. In addition to focusing on small-cap companies that pay dividends, the Fund seeks to identify companies with strong financial profiles and low prices relative to their earnings, cash flows and book values. We believe applying this approach provides a margin of safety and potentially limits downside risk relative to other equity investment strategies.

Over the past year, the Fund's Investor Class returned 26.37% compared to a return of 20.58% for its benchmark, the Russell 2000 Value Index as of December 31, 2009. We believe this relative outperformance during the turbulent markets is illustrative of the power of dividends within the small-cap space, and its potential ability to reduce downside risk.

For more information, please read the Value Plus Fund fact sheet which can be found at www.heartlandfunds.com. We look forward to discussing the Fund in more detail and how it can assist in the achievement of your client's financial objectives.

Average Annual Total Net Returns as of December 31, 2009

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

Index Source: FactSet Research Systems, Inc.

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. *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.*

Footnotes

(1) Bank of America Merrill Lynch Small Cap Research, April 27, 2009
(2) Cooper Gulen & Schill 2005, based on research from 1963-2003
(3) Dresdner Kleinwort, June 27, 2007

The Value Plus Fund invests in small companies that generally are 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.

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.

Beta measures the sensitivity of a portfolio's rates of return against those of the market. A Beta less than 1.00 indicates volatility less than that of the market.

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.

HLF1633/0410