

Armada Large Cap Core Equity Fund

Portfolio Manager Q&A

With Don Ross, President and Chief Investment Officer for National City Investment Management Company (IMC), advisor to the Armada Funds.

Q: How are the Armada equity funds managed?

A: We believe that diversification and proper asset allocation provide the potential for superior, risk-adjusted portfolio returns over the long term. Many investment advisors are known for one or two areas of investment specialty. We take a broader view by emphasizing a “top down” approach that taps into opportunities in many different market sectors. By carefully diversifying and allocating our assets and controlling risk, we seek to achieve superior returns for our clients. In general, we believe that most investors should always have some exposure to equities. Currently our asset allocation committee is overweight in equities, and thinks large cap stocks should play a central role in investors’ portfolios, especially over the long term.

Q: Small cap stocks had a great run last year, but will they tempt investors again in 2004?

A: Small caps tend to perform well when interest rates are low and when the economy is recovering from a recession. With more than one full year of strong performance for small caps behind us, we don’t think that they will outperform indefinitely. For investors and investment professionals that are thinking ahead, now may be a good time to make sure that portfolios have adequate exposure to large caps. Since small caps have been known to drop dramatically when they reach the end of a typical 3-5 year up cycle, it’s not too early to be thinking about large caps.

Q: What makes Armada Large Cap Core Equity Fund unique?

A: The Fund invests in a broad range of equity investment styles: growth, value and dividend-paying stocks. It is our flagship equity fund, and it reflects what we consider to be our core, “top-down” investment management competency. The fund blends both growth and value and typically holds 40-70 stocks. Diversification across growth, value and yield stocks positions the portfolio with a core focus.

Q: How do you manage the Fund’s allocations to growth, value and dividend-paying stocks?

A: Our weightings are based on a disciplined investment process that blends both growth and value styles in the same portfolio. A distinguishing characteristic is that we have the flexibility to anticipate changes in market conditions and adjust our weighting in each of these three areas. Each of the 3 attributes (growth, value & yield) will always have 20% and never more than 50% weighting. Within each of these categories we attempt to select the best investment opportunities.

Q: What industries has the Fund’s team been emphasizing?

A: We believe that it is very important to make the right macroeconomic decisions and sector allocations to achieve the kind of superior returns investors seek. Currently we are biased to cyclical industries. We believe that these types of companies are benefiting enormously from low interest rates, massive tax cuts and federal government spending, and a declining dollar. We like industrial companies with good unit growth rates such as United Technologies.

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In the value area, basic materials companies such as Freeport McMoran¹ and paper companies are attractive. We are also emphasizing energy companies because demand is outstripping supply. In the transportation area we like railroads but are staying away from airlines. We have technology and software holdings such as Microsoft and SanDisk², which makes flash memory for many non-computer applications.

Q: What is your outlook for large caps?

A: We feel confident that the equity markets will continue to be bolstered by the significant economic stimulus in effect. While the employment numbers have been weaker than expected up to now, we are seeing healthy signs in many other sectors of the economy that cause us to believe that eventually employment will rebound. We are also expecting to ride the equity market “bull train” not the “bullet train” in 2004—returns should be positive but not as strong as in 2003. Currently, valuations are fair or close to full value for many companies, but we still think earnings gains will continue to expand and a 15% rise in profits for S&P 500 companies is realistic, which will help propel stock prices higher.

Portfolio Management

Donald R. Ross is President and Chief Investment Officer responsible for the overall strategic direction, business positioning, and investment performance of the investment advisor. Mr. Ross has been with the advisor since its inception in 1995 and has been with its parent for 16 years. His investment experience includes working extensively with financial derivatives for National City Corporation Bank Investment Division. A Chartered Financial Analyst, Mr. Ross received a BS and BA from the University of Colorado and an MA from the University of Chicago.

Armada Funds are managed by National City Investment Management Company (IMC), which as of December 31, 2003 managed \$28 billion in assets for corporations, foundations, endowments and other institutions. IMC employs a disciplined investment process that focuses on style purity.

¹ As of 1/31/04 the fund holds 2.04% of Freeport McMoran.

² As of 1/31/04 the fund holds 1.00% of SanDisk.

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Top Ten Holdings as of 1/31/2004 (% of total net assets)	
MICROSOFT CORP	3.80%
UNITED TECHNOLOGIES CORP	3.20%
PFIZER INC	2.95%
KIMBERLY-CLARK	2.85%
TEXAS INSTRUMENTS INC	2.77%
ARMADA MONEY MARKET FUND	2.59%
CHEVRONTEXACO CORP	2.48%
CITIGROUP INC	2.47%
OCCIDENTAL PETROLEUM CORP	2.28%
METLIFE INC	2.26%

Holdings are Subject to Change.

**For more information about Armada Large Cap Core Equity Fund,
call the Armada sales team at
1-888-ARMADA-5 (276-2325), option 2 or
visit us at www.armadafunds.com**

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