



January 3, 2011

*“However beautiful the strategy,  
you should occasionally look at the results.”*

– Sir Winston Churchill

Dear Fellow Shareholder,

Our core discipline, Heartland's 10 Principles of Value Investing™, frequently takes center stage in our letters to you. Yet we understand that the point of our investment process—the strategy—is to generate investment results. **We're pleased to share our Funds' returns with you on the following page.**

The year ended with what may be the beginning of a significant change in investor behavior, as cash flows have begun to turn positive toward domestic equities. There appear to be fundamental reasons for an optimistic outlook:

- Corporate profits have surged, and balance sheets have been strengthened
- Cash as a percentage of assets is at a 30 year high<sup>1</sup>
- Management teams are now more likely to hire new employees and fund new projects
- Consumers seem financially stronger: Household debt has fallen and savings rates have increased

There are issues that concern us as well. The Federal Reserve's accommodative stance—artificially suppressed interest rates, ballooning holdings of Treasuries, and an increase in the money supply—may be causing inflation. We see the potential for continued increases in the price of commodities, led by foodstuffs, metals and energy.

In light of these concerns, what are the investment implications?

Heartland offers two considerations: Equities have historically offered an inflationary hedge, and as value investors, low valuations are critical.

This brings us back to the beauty of our process. In our opinion, investing in companies with low valuations in relation to earnings, cash flows and book values, coupled with strong management teams remains the most intelligent way to build your net worth.

We thank you for your continued confidence and trust.

Your Heartland Investment Team

*P.S. There is still time to make your 2010 IRA contribution – invest up to \$5,000 before April 15, 2011 (additional \$1,000 catch-up contribution may apply for those age 50 or older).*

**THE HEARTLAND  
FAMILY OF FUNDS**

**INVESTMENT RESULTS AS OF DECEMBER 31, 2010  
AVERAGE ANNUAL TOTAL RETURNS – INVESTOR CLASS SHARES**

Large, mid & small-cap value stocks		Since Inception	Twenty-Five Years	Ten Years	Five Years	Three Years	One Year	Quarter-To-Date <sup>1</sup>
<b>Select Value Fund</b>	<b>HRSVX</b>	10.81%	—	9.43%	6.39%	3.93%	17.77%	13.58%
<b>Focused</b>	Russell 3000 Value Index	7.41	—	3.63	1.45	-3.91	16.23	10.92
Core equity holding	S&P 500 Index	6.19	—	1.41	2.29	-2.86	15.06	10.76

**Small-cap value stocks that pay dividends**

<b>Value Plus Fund</b>	<b>HRVIX</b>	11.74%	—	14.12%	9.68%	10.07%	28.50%	17.23%
<b>Focused</b>	Russell 2000 Value Index	9.98	—	8.42	3.52	2.19	24.50	15.36

Upside opportunity with potentially lower volatility

**Small & micro-cap value stocks**

<b>Value Fund</b>	<b>HRTVX</b>	13.19%	12.21%	10.77%	5.09%	1.95%	21.28%	16.36%
<b>Broadly Diversified</b>	Russell 2000 Value Index	11.53	10.78	8.42	3.52	2.19	24.50	15.36

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.

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.**

<sup>1</sup> "Outlook 2011," *Barron's*, 12/20/10.

Heartland does not provide tax or legal advice. For IRA contributions, please see your tax advisor for information specific to your situation.

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