REPRINTED FROM MAY 26, 2014

THE WALL STREET TRANSCRIPT

Connecting Market Leaders with Investors

Seeking Growth at a Reasonable Price While Considering Secular Themes

DIANE M. WEHNER, CFA, Managing Director and Portfolio Manager, joined Teton Advisors, Inc., from GE Asset Management in October 2012 with 27 years of investment experience. She spent 11 years at GEAM in senior roles as Senior Vice President, Lead Portfolio Manager for the GE Mid-Cap Core portfolio, and Manager of GEAM's U.S. Mid-Cap Equities team. Prior to GEAM, she served as Vice President, Senior Portfolio Manager and Research Analyst with Benefit Capital Management, a wholly-owned subsidiary of Union Carbide Corporation, as well as Portfolio Manager and Equity Analyst at firms including Princeton Bank and Trust, a wholly-owned subsidiary of Chemical Bank, and Marine Midland Bank. Ms. Wehner holds an MBA in finance from New York University and a B.A. in economics from Drew University. She is a member of the New York Society of Security Analysts and a holder of the Chartered Financial Analyst designation.

SECTOR — GENERAL INVESTING

TWST: Can you please begin with a snapshot of Teton Advisors and an overview of Teton Mid-Cap Equity?

Ms. Wehner: Teton Advisors is a multistrategy investment management boutique. We have about $2.2 billion in assets under management. Internally, we manage micro-cap, small-cap and mid-cap equity strategies. We offer both mutual funds and separately managed accounts. And throughout each of these mandates, we deploy a fundamental, bottom-up, research-driven investment philosophy.

The company was founded in 1994 and became a publicly traded company in 2009 when it was spun off of Mario Gabelli's GAMCO Investors. Regarding Teton Mid-Cap specifically, in October of 2012, my team and I joined Teton from GE Asset Management to launch the midcap effort. We also introduced our midcap mutual fund in June of 2013. We manage separate accounts and currently have a little more than $500 million in assets under management.

Within midcap, we focus on companies with market caps of between $1 and $20 billion, and we focus on high-quality companies trading at reasonable valuations. Our strategy can best be described as growth at a reasonable price.

TWST: Can you share some of your own career highlights and that of your key management investment team?

Ms. Wehner: I've been in the investment business for 29 years. I started my career managing money primarily for high net worth individuals and small corporations. At that time I focused more on large-cap stocks. About 10 years into my career, I switched gears to focus on managing institutional assets. And as I moved through my career, I also moved down the market cap spectrum, as I found midcap stocks more exciting investments. That focus brought me to General Electric Asset Management, where I spent 11 years managing the midcap portfolio and heading up the overall midcap effort. In 2012, as I mentioned earlier, my team and I left GE and joined Teton.

A little bit about the team: My team came together while we were at GE. Charlie Stuart who is my Co-Portfolio Manager has 18 years of investment experience, and he's been with me for 12 years, and Mark Gorodinsky, who has 17 years of experience joined Charlie and me in 2007 and is our Senior Analyst. Both Charlie's and Mark's previous positions included a focus on smaller-cap names.

Charlie's ideology, if you will, leans toward growth, and in fact, he managed the Mid-Cap Growth portfolio at GE. Mark tends to have more of a value bias in his stock selection. So I think together our experience and our philosophies complement each other, allowing us to come at the investment process from different directions and help us in selecting high-quality growth companies trading at attractive valuations.

TWST: Please give us a closer look at your guiding strategies and what your process is like for finding the best opportunities in the midcap space.

Ms. Wehner: Our investment philosophy is based on the premise that over time, earnings growth translates into stock price appreciation. To that end, we are searching for companies that can deliver above-average revenue and earnings growth. We focus on companies that are the technology or the market share leader in a growing industry.

We consider secular themes throughout the decision-making process. So we have a number of secular themes throughout the portfolio, and that helps us identify attractive industries. Then we focus on the companies that are best positioned to benefit from the expected growth in those industries. We screen for companies that have strong financial characteristics, including revenue and earnings growth, a strong balance sheet and high and/or improving returns on investment and returns on equity.

We then consider valuation, comparing the stock and varying metrics to where it's traded historically, where it trades relative to its competition and where it trades relative to the expected growth for the company. I think though where we really add value is in our qualitative analysis. We make it a point to meet with the managements of every company that we own, or are interested in owning in one venue or another and as often as possible. Strong management with a proven track record and an ability to articulate with clarity what the strategy is for the company and then execute on that strategy is really paramount for us when we are looking at a stock investment.

We also focus on certain business models that provide us with more visibility in revenue and earnings growth as a way to mitigate risk. So for example, we look at companies that have a subscription model or companies that have a razor/razor-blade model, because it's a way for us to manage risk in forecasting the growth prospects for the company and for the stock.

TWST: What are some of the secular themes that that played out well in 2013, and how is this evolving as we move into the second half?

Ms. Wehner: We have several themes throughout the portfolio. In fact, I could probably give you some kind of a secular theme for every company that we invest in. As I highlighted earlier, we like technology leaders. One of the themes we benefited from, and this isn't just last year but over the past couple of years, is mobile computing, especially the growth in smartphones.

Highlights

Diane M. Wehner discusses her firm's midcap portfolio, which is constructed using a fundamental bottom-up research-driven philosophy. Ms. Wehner seeks growth at a reasonable price, and her philosophy is that over time earnings growth should translate into stock price appreciation. She also considers secular themes and focuses on companies that are the technology or market share leader in a growing industry. The areas Ms. Wehner is currently positive on are mobile computing and genetic sequencing, and she shares her top holdings in those segments.

Companies discussed: Synaptics (SYNA); Illumina (ILMN); Quest Diagnostics (DGX); Catamaran Corporation (CTRX); Alexion Pharmaceuticals (ALXN); Royal Caribbean Cruises Ltd. (RCL); O'Reilly Automotive (ORLY) and Cigna Corp. (CI).

technology. The acquisition further enhances its competitive position and provides them with a new platform for growth. The biometrics product cycle is expected to really kick in the second half of this year as phones with this security feature are expected to grow from 30 million units today to over 500 million in the next three years, so there's a lot of growth in this company going forward.

It has a strong balance sheet with $390 million in cash and no long-term debt. In our opinion, the valuation is reasonable at 14.3 times this year's earnings estimates versus peers at 16.8 times. So it's one example that leverages a theme.

Another one we've been investing in for a while is a company called **Illumina** (ILMN), which is a medical technology company that's a leader in instruments used in genetic sequencing. DNA sequencing is a rapidly growing segment within health care, as the industry moves toward what we've all been hearing about in personalized medicine. The company has developed a comprehensive line of instruments that serves a diverse group of health care institutions, from genomics research centers and biotech companies to clinical labs like **Quest Diagnostics** (DGX). The technology is used in drug development and more recently in the development of molecular diagnostic tests for such things as noninvasive prenatal testing.

Increasingly, genetic sequencing is being used in oncology to diagnose and to treat patients. Year to date, the stock is up 27%, and over the past five years the stock has appreciated over 270%. What's really exciting is the company continues to innovate. They introduced 12 new game-changing products and services at the beginning of this year, which solidifies their technology lead in this space where they face very little competition. We expect the momentum to continue for the company in this subsegment of health care, which is conservatively estimated to reach about $20-plus billion in the next couple of years.

"Our investment philosophy is based on the premise that over time, earnings growth translates into stock price appreciation. To that end, we are searching for companies that can deliver above-average revenue and earnings growth."

We've done this through our investment in **Synaptics** (SYNA). The company is a leading developer and innovator of custom capacitive touch technology, so the touch feature on smartphones and tablets, as well as many other appliances and devices. It's been a strong performer for us, up 22% year to date and up about 120% over the last three years.

The company successfully leveraged its portfolio of patented technologies into fast-growing markets like smartphones and tablets, and works with almost every major OEM. Last year, adding to this growth, it made a strategic acquisition of a company called **Validity**, which is a leader in mobile biometrics or fingerprint

TWST: Also among your top holdings you have Catamaran and Alexion Pharmaceuticals; what attracted you to those stocks? What do you like about them?

Ms. Wehner: I'll talk about **Alexion** (ALXN) first. **Alexion Pharmaceuticals** is another company we've owned for a handful of years. It's a biotech company with sales of $1.5 billion in 2013. They have been growing their revenues above 40% for the last five years. So again, focusing on a high-growth company with proprietary technology.

They generate revenues from a commercialized drug called Soliris, which is an antibody drug that treats rare diseases. This is the focus of the company. They target orphan diseases, where the patient population might be small, but the disease is life-threatening and the treatment options are ineffective or nonexistent. Soliris is literally a wonder drug that saves patients' lives. As a result, **Alexion** has huge barriers to entry and competitive advantages resulting in pricing power and high margins.

1-Year Daily Chart of Synaptics

Chart provided by www.BigCharts.com

1-Year Daily Chart of Illumina

Chart provided by www.BigCharts.com

The company has taken the profits generated from **Soliris** and they've acquired additional drugs that target rare diseases creating a pipeline of opportunities for the next several years. We really like the company. The portfolio has benefited from owning the stock over the last five years, which has appreciated over 771%. It's been an enormous investment for us.

TWST: What has outperformed among the consumer cyclicals, which actually looks like your top sector allocation?

Ms. Wehner: What I'll emphasize first is that our sector weights are largely a fallout of our bottom-up stock selection process. However, we do incorporate a macro view into our decision-making process, because quite honestly, every company in every industry, even health care — which has traditionally been a defensive sector — is impacted by the business cycle.

"Our sector weights are largely a fallout of our bottom-up stock selection process. However, we do incorporate a macro view into our decision-making process."

So to that end, we've been relatively more positive about the U.S. economy, especially as we exited 2013 and moved into this year, despite the weather-related issues impacting growth earlier in the year. We feel particularly positive about some of the underpinnings that we've seen: a job market that's improving, consumer confidence that is building and the housing market which, while in fits and starts, we believe is still in an uptrend. We generally do feel pretty good about the consumer, and that's where we've been making some incremental investments.

During 2013, top performers within the sector included **Royal Caribbean Cruises Ltd.** (RCL), up 43% over the past 12 months. Auto-parts retailer **O'Reilly Automotive** (ORLY), which we have owned for several years, was an outperformer, up 39% over the past year and up 282% over the past five years. The portfolio also has a meaningful representation in the financial sector and more specifically in regional banks, which should benefit from increasing loan demand from both corporations and consumers.

TWST: Do you look at general market indicators? Do you see the market as being fairly valued currently?

Ms. Wehner: Since we focus on the midcap space, we look at the Russell Midcap benchmark, which right now is trading at about 16 times forward earnings. The benchmark's average over the last five years has been at about 14 times with the high end at 18 times. So the market doesn't look very overvalued to us, and while it is something we take into consideration, more importantly we're focusing on valuations from a bottom-up perspective, and so it is very company-specific.

TWST: What's your sell discipline like? What's your average turnover rate for the portfolio?

Ms. Wehner: Generally we have a long-term investment time horizon, so our turnover is relatively low at about 25%. With respect to our sell discipline, we're continuously performing due diligence on our holdings. We keep up with industry trends to stay on top of what's going on within the competitive landscape of our companies. We meet with managements as often as possible, and we monitor their progress with quarterly earnings and interim reports that they might provide, and we're constantly looking at valuation. That process may result in a decision to add to a position, or alternatively it might result in us trimming or selling a stock.

The due diligence process for us is a tool for uncovering change either in the valuation, the strategic direction or the fundamentals of a company, potentially resulting in the sale of the stock in favor of another more attractive investment alternative. So the process is the same, but as I said, the fallout may be either that we are adding to an existing position or it may highlight a reason for us to sell.

TWST: Does your cash position vary much from year to year? What's it like currently?

Ms. Wehner: Cash is a little bit below 3% right now, and cash is generally somewhere between 0% and 5%. I would say 3% on average is where it's been over the long term. And we try to stay fully invested, so cash isn't necessarily a reflection of our view on the market, but rather is really transactional cash.

TWST: Were there any notable upside surprises or unforeseen disappointments over the recent past in terms of your equity holdings?

Ms. Wehner: Yes, one company which underperformed last year and which you mentioned earlier is **Catamaran Corporation** (CTRX). **Catamaran** is a pharmacy benefit manager. They provide a broad platform of services including claims processing, prescription order processing and formulary management, as well as health care IT solutions to the health care benefits management industry.

We came to own **Catamaran** when our investment in Catalyst Health, another PBM, was acquired by SXC Health Solutions, a PBM and health care IT company in mid-2012. They renamed the company **Catamaran Corp.** Despite the company exceeding earnings estimates every quarter in 2013 and reporting some milestone events, the stock barely budged in a market that was up over 34%. In addition, although **Catamaran** won a landmark contract with **Cigna Corporation** (CI) midyear and signed an additional $1-plus billion in new business, the stock underperformed mainly due to uncertainties surrounding the impact of the Affordable Care Act on their business and the potential risks in integrating the **Cigna** contract.

We believe the company with its roots in health care IT, its high service levels, and its ability to customize products and services for their customers will benefit from the newly insured lives and the increased claims volumes expected with the implementation of health care reform. We think they're well-positioned to gain market share. They also are a consolidator of smaller PBMs, which are always accretive and add to earnings growth. The company just reported a solid first quarter, and we think the stock is relatively cheap trading at 15 times forward earnings, well below its average multiple of 24 times and below our expected earnings growth of 25% over the next couple of years. It remains one of our top holdings.

TWST: On your way to becoming Portfolio Manager, what are the most valuable lessons you've learned?

Ms. Wehner: One of the biggest lessons I guess that I've learned, and it is because management is so important to us, is that you really have to feel comfortable with management. And while the company and the metrics and the strategy may resonate well with you and match with your investment guidelines, if ultimately you're not comfortable with the management, either because they might be promotional or not as transparent as you think necessary, it should give you pause and perhaps maybe prevent you from getting involved in an investment until you feel comfortable with the management.

TWST: What have been your most difficult investment decisions over the recent past?

Ms. Wehner: I would say, especially in a market like we had last year and in the early part of this year, especially for growth companies which we tend to favor — I think the most difficult thing for us has been selling our winners. And sometimes it makes complete sense, as it did in the latter part of the first quarter this year when a number of names got very frothy. But it's somewhat frustrating when you know that the company and in many instances their prospects for future growth are somewhat open-ended, like an **Illumina** or an **Alexion**. But stock prices can get ahead of the near-term fundamentals, so we pay attention to valuation and trim positions, and then are disciplined enough when they pull in a bit to recognize the longer-term growth opportunity and add back to those stocks.

TWST: To conclude, are there any topics we missed? Anything else you'd like investors to know about the fund?

Ms. Wehner: What I'd like to mention is that in the midcap space, you have the opportunity to invest in midsize companies who have seasoned management teams and a track record you can analyze, while still being early enough in their growth lifecycle to provide investors with the opportunity to participate in that growth by investing in the company's stock. The midcap space is oftentimes overlooked by investors who think that they are achieving their representation in midcap by investing in small-cap and large-cap and incorporating a barbell approach. But really you're missing a lot of upside by not investing directly in midcap.

We think the best way to invest in this space, because of the nuances of these companies and where they are in their growth life cycles, is to look for high-quality companies with seasoned managements that are well-positioned to grow up to become large-cap companies or alternatively, become potential acquisitions because their growth prospects are considered attractive by a larger firm. This approach to investing has worked well for us in the Teton Mid-Cap Fund.

TWST: Thank you. (VSB)

DIANE M. WEHNER, CFA
Managing Director & Portfolio Manager
Teton Advisors, Inc.
One Corporate Center
401 Theodore Fremd Ave,
Rye, NY 10580
(914) 457-1070
www.tetonadv.com
e-mail: info@tetonadv.com

Important Disclosures

Individual securities mentioned are not representative of the entire portfolio. The views expressed in this article reflect those of the Portfolio Manager only through May 26, 2014 and are subject to change at any time based on market and other conditions. Stocks are subject to market, economic and business risks that cause their prices to fluctuate. Consequently, you can lose money by investing in the Fund.

Mid-cap company risk is the risk that investing in securities of mid-cap companies could entail greater risks than investments in larger, more established companies. Mid-cap companies tend to have more narrow product lines, more limited financial resources, and a more limited trading market for their stocks, compared with larger companies. As a result, their stock prices may decline more significantly or more rapidly than stocks of larger companies as market conditions change. As of March 31, 2014, the TETON Westwood Mid-Cap Equity Fund held the following as a percentage of net asset value: Synaptics Inc., 1.85%; Illumina Inc., 1.41%; Alexion Pharmaceuticals, Inc., 2.00%; Royal Carribean Cruises Ltd, 1.81%; O'Reilly Automotive Inc., 1.49%; and Catamaran Corporation, 2.23%. The TETON Westwood Mid-Cap Equity Fund's inception date is May 31, 2013. The

TETON Westwood Mid-Cap Equity Fund's Class AAA shares returns for the previous 6 months and since the Fund's inception, after sales charges, are 8.62% and 13.83% as of the most recent quarter-end March 31, 2014. The TETON Westwood Mid-Cap Equity Fund's Class AAA shares have no sales charge and an annual operating expense ratio, gross of expense reimbursements, of 3.88%.

Returns represent past performance and do not guarantee future results. Current performance may be lower or higher than the performance data quoted. Investment return and principal value will fluctuate so, upon redemption, shares may be worth more or less than their original cost. To obtain the most recent month end performance information and a prospectus, please call 800-WESTWOOD or visit www.tetonadv.com

Investors should carefully consider the investment objectives, risks, charges and expenses of the Fund before investing. The prospectus, which contains more complete information about this and other matters, should be read carefully before investing. To obtain a prospectus, please call Teton Advisors, Inc. at 1-800-WESTWOOD (1-800-937-8966) or visit www.tetonadv.com. Distributed by G. distributors, LLC., a registered broker-dealer and member of FINRA. One Corporate Center, Rye, NY 10580.