

THE
FLIPPIN, BRUCE & PORTER
FUNDS

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Dear Shareholders,

We are cautiously optimistic that markets have passed an inflection point, and we believe going forward investors may begin to see positive signs from both the economy and stock market. Negative news will likely continue on the economic front for a period of time, but as a few early indicators begin to improve, the financial markets will continue to look forward and climb the proverbial “wall of worry.”

Stocks continued to be weak in the early months of 2009, but improvement began to emerge during March. The S&P 500 drop of 11.0% was its sixth consecutive quarter decline, the first time this has happened in 40 years. The Russell 1000 Value declined 16.8%, significantly more than the broad market, due in part to its large exposure to financial companies. As has been the case for the last few quarters, volatility was high and intraday swings were large, which is understandable given the daily barrage of economic and political news.

Returns were also negative for the Funds for the quarter. The FBP Balanced and Value Funds fell 5.75% and 10.25%, respectively. The stock portions of each Fund performed much better than the Russell 1000 Value and were in line with the S&P 500. Relatively strong performance from a number of stocks in the Information Technology and Consumer Discretionary sectors helped to produce our outperformance, while our Industrials exposure held back returns. During the quarter, we identified two new stocks, Nokia and Willis Group, that were added to the portfolio and we used the weak market conditions to increase our holdings in several other names.

The economic environment was a bit like the stock market—generally negative with a few modestly positive data points sprinkled about. Fourth quarter 2008 GDP was revised to -6.2%, the worst GDP number since the recession of the early 1980s. Home price declines continued in the first quarter, with year-over-year declines near 20% nationwide. Certain geographic areas, like Phoenix and Las Vegas, fared even worse. But lower home prices and attractive mortgage rates seemed to stimulate buying activity, as sales of new and previously owned homes actually ticked up during the quarter and mortgage refinancing exploded. Consumer sentiment remained near record low levels, reflecting rising unemployment, but surprisingly, consumer spending and retail sales numbers were slightly better than expected. One positive factor pointing, in our opinion, toward an eventual economic recovery is the dramatic and coordinated monetary and fiscal stimulus that has been implemented around the world. The politics of these actions can and will be debated for years, but the fact remains that these programs are designed to mitigate what is arguably the worst recession in decades.

President Obama’s new administration came on board in January and immediately went to work on plans to solve the banking crisis. In a widely anticipated press conference on February 10, Treasury Secretary Timothy Geithner announced his Financial Stability Plan. It was viewed poorly by analysts and financial markets primarily because it was more of an overview than a plan and little detail was disclosed.

One aspect of the plan seems pretty clear to us, however. We believe that Geithner’s proposal to stress-test the balance sheets of the largest domestic banks signals that additional dilutive government capital

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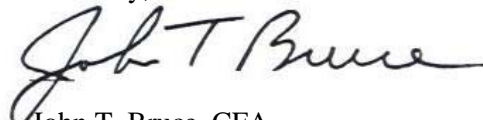
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infusions are likely, which is a potentially damaging scenario for common shareholders of those banks. While the stress tests are ongoing and no details have emerged, we believe banks with weaker capital positions are vulnerable. This view led us to enact some portfolio changes as we reduced our exposure to select bank stocks during the quarter. In summary, the last three months were filled with seemingly daily governmental or political events that impacted the markets. The rhetoric was quite harsh early on, but by the end of March, the tone was more reasonable. We were pleased to see that as additional government plans were announced and details of already announced programs emerged, the financial markets began to look forward with a more positive view.

In addition to a volatile stock market, the recession and corresponding credit crisis have also created extremely unusual dislocations in the fixed income markets. The flight to quality that produced very wide corporate yield spreads and very strong returns for government bonds in 2008 seemed to abate somewhat. For the quarter, U.S. Treasury bonds underperformed corporates, which was not unexpected as government yields approached 50-year low levels last fall. We continue to believe that there are opportunities in corporate bonds, which we plan to take advantage of in the Balanced Fund. We also believe, however, that it is more important than ever for investors to perform a stringent credit analysis before purchasing bonds, particularly during this recessionary environment. Over the last few years, many corporations took on significant debt, weakening their balance sheets and increasing their credit risk. As cash flows have deteriorated in the weak economy, high debt levels have become an even larger concern. Consequently, we think it is prudent to proceed with caution in this market since the actual length and depth of the downturn are uncertain.

As we wrote in our last letter, we have believed for some time that the stock market was going through a bottoming process, and that it would continue into 2009. The current rally off of the March lows is more powerful in its breadth than other recent moves and is being led by sectors that usually perform well in the beginning stages of an economic recovery, thus, in our opinion; there is reason to have a more positive outlook about future market opportunities. Economists and politicians will continue to point to weak GDP and rising unemployment as cautionary signs, but the markets always look forward. Low stock prices were the first catalyst, but we believe as markets rallied additional economic news was less negative. As the government's fiscal and monetary stimulus programs work through the system, the leading economic indicators appear poised to improve. Low interest rates, low energy prices, tax cuts, tax refunds, cash freed up by a surge in mortgage refinancing and improving housing numbers are among some of the positive forces at work. It has been a difficult few months for investors, but we are cautiously optimistic about what lies ahead for the equity markets.

Sincerely,



John T. Bruce, CFA
President & Portfolio Manager
April 17, 2009



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PERFORMANCE UPDATE

Quarter Ending Average Annual Total Returns (Period Ending 3/31/09)

	Quarter	1 Year	5 Years	10 Years
FBP Balanced Fund	-5.75%	-29.15%	-4.56%	0.03%
FBP Value Fund	-10.25%	-41.78%	-8.62%	4.61%

FBP Balance Fund Expense Ratio 0.97%

FBP Value Fund Expense Ratio 1.01%

The performance data quoted above represents past performance and is not a guarantee of future results. Current performance may be higher or lower than performance quoted above. The investment return and principal value of an investment in the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Performance data current to the most recent month end is available by calling the Fund toll free at 1-866-738-1127.

An investor should consider the Fund's investment objectives, risks, and charges and expenses carefully before investing. The Fund's prospectus contains this and other important information. You may obtain additional copies of the Fund's prospectus by calling 1-866-738-1127. Please read the prospectus carefully before you invest or send money.

This commentary seeks to provide our current view of the market and to highlight selected activity of the Fund. Any discussion of specific securities should not be regarded as a recommendation of any security. References to securities purchased or held are only as of the date of this communication.