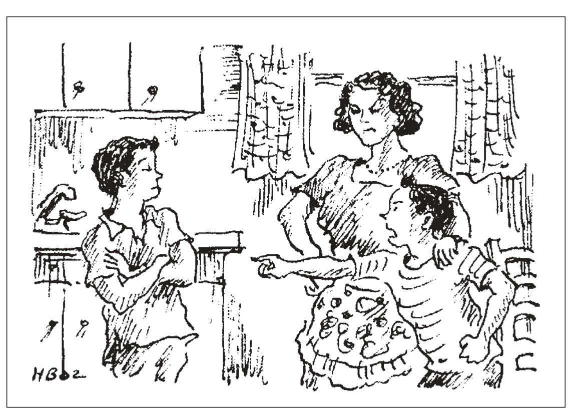
For a Prospectus and account application, please call Craig Kessler at Value Fund at 812-376-9444 or 800-808-9444 or write to Value Fund at 621 Washington Street, Columbus, IN 47202-1729. Read the Prospectus carefully before you invest or send money. The Prospectus contains important information about Value Fund, including charges and expenses. The performance data quoted represents past performance and assumes the reinvestment of capital gains and income distributions. Performance also reflects fee waivers in effect. In the absence of fee waivers, total return would be reduced. Past performance does not reflect how Value Fund may perform in the future. The investment return and principal value of your investment will fluctuate. When redeemed, your shares may be worth more or less than their original cost. Rafferty Capital Markets, LLC is the Distributor for Value Fund.

Regards,
Kirr, Marbach & Company, LLC

David M. Kirr, CFA	Darrell H. "Kip" H. Wright, CFA	Allan C. Nichols, CFA	Deborah N. Malone
Gregg T. Summerville, CFA	Terry B. Marbach, CFA	Donita C. Compton	Mary A. Schoettelkotte
Mark D. Foster, CFA	Craig A. Kessler	Mary Jo Cusano	Karen S. Sluder
Mickey Kim, CFA	Richard H. Hummel, CFA	Patsy A. Kaisher	Joseph R. Haire



Grant's Interest Rate Observer, June 7, 2002

"He called me a CEO first."

KIRR, MARBACH & COMPANY, LLC

KM &Co

Investment Managers
www.kirrmar.com

David M. Kirr, CFA · *Mickey Kim, CFA* · *Gregg T. Summerville, CFA* · *Darrell H. "Kip" Wright, CFA* · *Mark D. Foster, CFA* · *Terry B. Marbach, CFA*

July 3, 2002

THIS ISSUE

Caveat Emptor (Latin: Let the Buyer Beware)

"Rather fail with honor than succeed by fraud." — *Sophocles*
"Honesty is the first chapter in the book of wisdom." — *Thomas Jefferson*
"No legacy is so rich as honesty." — *William Shakespeare*

Dear Clients:

The U.S. equity market continues to suffer from the aftershocks brought about by the purging of the excesses of the late 1990s bubble. The Covenant of Trust we wrote about in our most recent quarterly letter continues to be eroded by almost daily revelations of financial skullduggery perpetrated by corporate management, certified public accountants, bankers and Wall Street. Add to this unsavory mix the continuing threat of terrorist attacks, uncertainty about our government's ability to neutralize these threats, a Mideast situation spiraling into the abyss and the possibility of nuclear war between India and Pakistan. It's enough to make investors collectively utter those words Peter Finch's news anchor character made famous in the movie *Network*: "I'm mad as hell and I'm not going to take it anymore!"

We typically don't spend much time trying to guess which direction the markets will go. Instead, we focus our efforts on finding attractive investment opportunities (i.e. fifty-cent dollars). There are times, however, when markets reach such emotional extremes we feel compelled to comment. We made two such "calls" on the market in recent client letters. In our letter dated September 21, 2001, we stated, "We think the U.S. equity market is in the process of making a bottom and believe the overall risk/reward parameters are as positive as they have been in recent times." We thought economic expectations were overly pessimistic in the immediate wake of the terrorist attack and surprises were more likely on the upside. Our invested level rose as we put client funds to work with the many attractive opportunities that became available as others were panicking. We wrote on April 5, 2002, "...the market had a tremendous recovery from its low on September 21, 2001 and is no longer attractively valued, as a whole...The risk in the stock market is valuations are extended, even assuming fairly aggressive earnings growth expectations (particularly for the last half of 2002). This leaves very little room for error." In other words, economic expectations had swung from overly pessimistic to overly optimistic and surprises were more likely on the downside. Because of what we saw as slim pickings in the equity market in the wake of investor euphoria, client cash positions increased.

These two calls turned out to be prescient and, at the risk of pushing our luck, we'll now make a third call. We think the U.S. equity market is in the process of forming a bottom from which an important buying opportunity is

P.O. Box 1729 • 621 Washington Street • Columbus, Indiana 47202-1729 • 812-376-9444 • Fax 812-376-3889

developing. While the market averages may make marginal new lows before the ultimate bottom is reached, the risk/reward parameters are once again very much in our favor. Yes, the business news headlines become grimmer everyday. And the negative beat goes on and on. The stock market is and has always been a forward-looking discounting and capital allocation mechanism. In other words, though the stock market cares about today's headlines, what it really cares about is what the headlines will be 6-12 months from today and beyond. As we'll explain below, we think those headlines will soon start to get "less worse" and, in time, the news will actually start to get better again.

The Stock Market And The Economy

The latter part of the second quarter of 2002 was pure torture for the U.S. equity market, as major indices plunged towards the closing levels of September 21, 2001.

Periods ending 6/28/2002
(Total Returns-Cumulative-Bloomberg)

	S&P 500	NASDAQ	Russell Midcap
3-months	-13.39%	-20.64%	-9.55%
6-months	-13.15%	-24.84%	-5.71%
One-year	-17.98%	-32.06%	-9.23%
Two-years	-30.13%	-62.88%	-8.36%
Three-years	-25.07%	-45.08%	+3.22%

The timing and magnitude of the recovery of corporate profits will continue to drive the market. Our observation at the beginning of the year was analyst expectations for earnings gains were *heavily* loaded into the second half of the year. Our fear was with valuations high, there wasn't much room for error. Though Thomson Financial/ First Call has reported the overall ratio of negative-to-positive earnings preannouncements has improved fairly dramatically, a number of high-profile companies issued warnings about second quarter earnings. These earnings misses received a great deal of attention and called into question aggressive second half estimates. We expect the economy to continue to improve, albeit at a more moderate pace than some had hoped for in the wake of the stunning (and clearly unsustainable) 6.1% annual growth rate for GDP in the first quarter, and for earnings to follow suit. Interest rate reductions work with a lag. With the last of 11 reductions occurring in December of last year, it is reasonable to expect the economy will start to gain some traction towards the end of this year/beginning of next year. Similarly, earnings typically recover 10-18 months after the economy troughs. Assuming this bottom occurred late last year, call it October or November, earnings should begin to recover sometime in the third or fourth quarter of 2002, or early next year, at the latest. We note revenue growth will need to drive earnings growth from here, as our sense is restructuring-driven bottom-line growth has about run its course.

The U.S. economy has some serious hurdles to overcome. The dollar is falling in value vs. the currencies of our major trading partners as foreigners reassess their willingness to continue funding the "twin" U.S. budget and trade deficits. The Bush administration's decision to impose duties on imported steel and increase farm subsidies threatens to touch-off a trade "skirmish," also pressuring the dollar. While a cheaper greenback makes U.S. goods more competitive overseas, it makes imported goods more expensive, a negative for inflation.

Summary

We are never satisfied to post a negative return, even if it's "good," on a relative basis. However, we think the table is in the process of being set for a satisfying "meal." We thank you for your trust and your confidence. We try hard to earn both each and every day.

If you know of anyone who might be interested in talking to an investment manager who has generated good, long-term returns by investing in 50-cent dollars, please let us know or have them contact Craig Kessler, Director of Marketing at 812-376-9444, 800-808-9444 or craig@kirrmar.com.

KM Change of Control Transaction

Recall we asked separate account clients and Value Fund shareholders for their consent to continue with our internal ownership transition. We needed to go through this process because of securities law requirements applicable to significant changes in ownership of investment advisers. Shareholders of Value Fund overwhelmingly approved a new investment advisory contract at a Special Shareholders Meeting, held May 16, 2002. In addition, we have received the requisite consents from essentially all of our separate account clients. We expect to close on this transaction very shortly. Thanks for your patience during this process!

Joseph R. Haire

Rob Haire is the most recent addition to our business. Rob received his Bachelor of Science in Business (Finance) from Xavier University in May and will be handling equity and fixed income trading as well as fixed income research duties. Rob is embarking on his journey to become a CFA (Chartered Financial Analyst) and sat for the CFA-Level 1 exam last month. Welcome aboard, Rob!

Matthew B. Millis

Matt is a summer intern and has been assisting the Investment Team. Matt has done a "heck of a good job" this summer and has been a real asset. He will graduate next spring from Miami (Ohio) University with a degree in Organizational Leadership/Organizational Communication. We thank Matt for his hard work and wish him the best of luck.

Kirr, Marbach Partners Value Fund

KM is the investment adviser to the Kirr, Marbach Partners Value Fund ("Value Fund"- NASDAQ-KMVAX), a registered, open-end investment company, more commonly known as a mutual fund. Value Fund is a diversified equity portfolio managed in KM's traditional, value investment style and commenced operations on December 31, 1998. You can visit Value Fund at www.kmpartnersfunds.com.

Federal and state budget surpluses have turned into deficits in the blink of an eye as tax receipts dry-up and the costs of the War on Terror mount. Congress recently increased the ceiling on the national debt, averting a looming default and government shutdown. This is a far cry from October of last year, when the U.S. Treasury announced it would no longer issue 30-year bonds. Finally, capital spending by corporations remains lethargic. Executives have been loath to spend on capital expansion with the wounds from the painful retrenchment that followed the late-1990s spending boom still fresh.

NASDAQ/ Examples Of Two Opportunities

We think the bloodbath NASDAQ has experienced since it reached its March 2000 high of just above 5000 is nearing an end. This does not suggest NASDAQ is going back to 5000, nor that Cisco Systems, Inc., still not cheap at its 6/28/02 closing price of $13.95, will threaten its bubble high of $80 anytime soon. We do think this grinding, relentless decline in technology stocks has created a number of exceptional investment opportunities. We don't have the opportunity to purchase attractively valued stock in companies involved in leading-edge technology very often, so we are excited by the prospects for our recent investments in Adaptec, Inc. and Proxim Corporation. Due to the average daily trading volume of Adaptec and Proxim, most client equity portfolios will most likely have small exposure to one or both names.

According to its SEC filings, Adaptec, Inc. (ADPT–$7.89) had over $800 million in gross cash (about $7.50/share) and $350 million in net cash (gross cash minus debt, about $3.30/share) on its balance sheet at the end of the March 2002 fiscal year. Thus, ADPT sells for about 1x gross and 2.4x net cash. Further, ADPT is currently priced at about 1.5x book value and 1.2x enterprise value (market value of common stock plus debt)-to-sales. ADPT has been the leader in SCSI (Small Computer System Interface), which basically connects peripherals to servers. This is a mature technology that has gradually been losing market share. However, we are excited about ADPT's leadership in iSCSI, an emerging internet protocol extremely effective for transporting data to offsite storage sites for back-up and security purposes, an important consideration in these dangerous times. IBM and others have recently signed licensing agreements with ADPT to utilize iSCSI in their product lines. We estimate ADPT will earn $0.50/share in their fiscal year ending March 31, 2004, which means the stock (less net cash) sells at 10x earnings. Finally, earnings power a couple years out could be as much as $1.50/share.

Proxim Corporation (PROX–$3.00) is the leader in the market for "WiFi" and public "hot spots," which allow the wireless connection of computers to local area networks. This is the fastest growing area in technology today. PROX's original technology, combined with their recent merger with Western Multiplex and acquisition of Agere System's product line, makes PROX the dominant player in this market (larger than Cisco Systems). According to its SEC filings, PROX had $50 million in cash (about $0.42/share), shareholders' equity of $220 million (about $1.85/share) and no debt at the end of the March 2002 quarter. With revenues at a current annual run rate of about $300 million, PROX sells for 1.2x revenue, 1.6x book value and 7.1x cash. We estimate PROX will earn $0.30/share for the year ending 12/31/04 and sell at an earnings multiple of 20x, giving PROX a target price of $6, a potential double from here in two years.

With Bloomberg calculating the S&P 500 currently trading at 1.4x sales, 3.1x book value and 19.3x 2003 earnings, ADPT and PROX represent compelling value.

Trust, Honesty and Integrity

We cannot overemphasize how important trust and honesty are to investors' psyche and the proper functioning of the financial markets. The stock market is the most efficient means devised by mankind to allocate scarce capital. However, in order to allocate scarce capital efficiently, the stock market needs accurate financial data on which to base its allocation decisions. Think of the stock market as an "engine" and corporate financial statements as the "oil" that keeps it running smoothly. With accounting scandals growing in both number and sheer audacity, the oil has become contaminated, causing the engine to seize. If investors don't trust the numbers corporations are reporting and independent CPAs are certifying, they have no basis for making investment decisions, so instead sit frozen on the sidelines. On top of this, CEOs were once revered as the epitome of all that was right about American-style capitalism, but some now find themselves disgraced and/or in handcuffs. Martha Stewart's next product line extension may be decorating jail cells for the likes of her good friend and former CEO of ImClone Systems, Dr. Samuel Waksal, Tyco's former CEO, Dennis Kozlowski and former top executives from Enron and WorldCom. This is where we are today, but we are confident the market, the regulators and the courts will eventually compel corporate management to produce accurate financial statements and force CPAs to once again function as watchdogs. At that point, investors will be able to focus on what earnings will be in the future, not what they were in the past, allowing the capital allocation engine to again run smoothly. Capitalism *will* survive the capitalists.

Much has been made about the "stunning revelation" of the conflicts of interest rampant on Wall Street, specifically the intertwining of investment "research" and investment banking. New York's attorney general produced evidence research analysts at Merrill Lynch *routinely* put the best interests of Merrill's investment banking department and its clients ahead of research clients (i.e. investors). In some cases, it was alleged analysts (i.e. the formerly famous and currently infamous Henry Blodget) were aggressively promoting stocks to the *public* while *privately* bashing the very same stocks. Over the years, we have operated under the assumption some research analysts recommend a given stock because their firm either serves as investment banker or would like to. Thus, we have always conducted our own research on stocks, never relying solely on the possibly tainted judgment of Wall Street. In other words, *Caveat Emptor* has always been our watch phrase in evaluating investments for client portfolios. This process doesn't immunize us from making errors in judgment, which are a fact of life for an active investment manager. What this means is our judgment, right or wrong, is *our own* and we sink or swim based on how good our judgment is.

You have undoubtedly read reports of self-dealing CEOs reaping unconscionable windfalls, sometimes measured in the *hundreds of millions* of dollars, at the expense of their employees and public shareholders. Here at KM, we "eat our own cooking." KM partners and staff have a *significant* collective investment in the Kirr, Marbach Partners Value Fund ("Value Fund"), whose portfolio is managed in the same manner as separate account client equity portfolios. Whether our cooking is good, as it was in 2000 and 2001, or not so good, as it was in 1999, we are seated at the same table and invested right alongside our clients. To us, this is how it should be.