SOUND SHORE FUND

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December 31, 2011

Dear Shareholder:

The Sound Shore Fund ended December 31, 2011 with a net asset value of $29.53 per share after an income distribution of $0.196684 at year-end. The fourth quarter total return of 12.05% was ahead of the Standard & Poor's 500 Index ("S&P 500"), which returned 11.82% and lagged the Dow Jones Industrial Average ("Dow Jones"), which returned 12.78%. For the year, the Fund declined -6.18%, which trailed results for the S&P 500 and the Dow Jones of 2.11% and 8.38%, respectively. Over the last decade, the Fund's cumulative total return has been 40.79% versus 33.35% for the S&P 500.

We are required by the SEC to say that: *Performance data quoted represents past performance and is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than original cost. The Fund's 1, 5, 10, and 15-year average annual total returns for the period ended December 31, 2011 were -6.18%, -2.52%, 3.48%, and 5.98%, respectively. As stated in the current prospectus, the Fund's annual operating expense ratio is 0.95%. For the most recent month-end performance, please visit the Fund's website at www.soundshorefund.com.*

US equity indices posted only marginal gains in 2011, yet were among the best performing in the world. Behind the slightly positive return of the US stock market there were significant divergences. For example, the downside volatility of the third quarter was almost matched by the strong fourth quarter rebound, up nearly 12% for the S&P 500. As well, the defensive and higher yield utilities sector was up 19% for the year while the financials were at the other end of the spectrum, down -17%. Now in our 34th year, Sound Shore Management, Inc. has seen many challenging markets and, though our performance trailed in 2011, our prior experience is that staying committed to our disciplined value strategy remains the best route to competitive long-term returns for our investors.

The recent environment of solid earnings amidst global economic uncertainty has caused many companies to recalibrate growth expectations. Shareholders have often been beneficiaries of this evolving mindset via increased dividends and share repurchases or other restructuring activities. Sound Shore's low price earnings investment framework has always included free cash flow and balanced capital allocation as criteria and several of our best contributors for 2011, including Marathon, Lowe's, and Pfizer, were leaders in this shareholder-friendly trend.

At Marathon, for example, we initiated our position in early 2010 when the integrated oil company was selling at 7 times forward earnings and 4 times cash flow. At the time, we believed the company's refining and marketing results could prove better than depressed forecasts due to a recent expansion at the company's largest refinery. After executing on significant improvement through 2010, Marathon

announced in early 2011 that it would split into separately traded upstream and downstream companies, further unlocking value. As part of the split, the company used its de-leveraged balance sheet to increase its dividend as well. We sold our Marathon positions as they achieved target valuations during the second half of 2011.

Meanwhile, home improvement retailer Lowe's, a new holding in 2011, hit our valuation screens in late 2010 when the stock was trading well below norm at 11 times forward earnings with a 2.5% dividend yield. We viewed management's recently changed capital allocation plan, emphasizing lower investment and narrowing the profitability gap to Home Depot, as a significant departure from its past prioritization of store growth. After initiating our position in the third quarter, we benefited from the company's fourth quarter announcement that its considerable free cash flow would be used to repurchase up to 15% of its shares outstanding per year for a multi-year period.

Similarly, global drug maker Pfizer, a longer term position, started the year valued at 7 times 2011 earnings due to investor concerns about the expiration of its Lipitor patent. Our analysis concluded that the company's earnings and free cash flow would prove sturdier than expected due to the significant cost cuts and portfolio restructuring moves being taken by new CEO Ian Read. Pfizer shares steadily outperformed through the year as earnings estimates gradually rose and also after the company announced a higher than expected dividend increase and 2012 share repurchase program during the fourth quarter.

Several of our larger 2011 detractors, including General Motors and Citigroup, saw their valuation multiples compress despite improving financial performance. At GM, for example, strong vehicle pricing discipline, cost control, and market share improvement allowed the company to grow 2011 earnings by 29% versus 2010. However, the company's forward P/E multiple declined to 5 times our 2012 estimate due to concerns about the global economy. Likewise, Citi's 2011 tangible book value progressed 12% through the year but fallout from Europe's rocky credit markets cut Citi's price to tangible book multiple from 1.1 times to 0.5 times. Both GM and Citi are compelling risk-reward opportunities given their low valuations, stable financial positions, and completely new management teams that are successfully executing on focused strategies that are significant departures from their over-diversified histories.

Extended uncertainty in the global economy has depressed equity valuation multiples, which we view as an opportunity for our disciplined value investment framework. Indeed, Sound Shore's portfolio is valued at 10.3 times forward earnings which compares favorably to both the S&P 500 at 12.4 times and generationally low competitive yields for 10 Year US Treasury Bonds. Since 1978 Sound Shore has been fortunate in the stability of our long-term client base and the commitment of our experienced research team to our one value investment strategy. As in the past, we believe these critical factors should allow us to take advantage of the current confluence of economic uncertainties, investor disdain for equities, and very low valuations. We strive to keep the confidence you have placed with us.

As always, thank you for your investment alongside ours in Sound Shore.

Sincerely,

SOUND SHORE FUND

Harry Burn, III
John P. DeGulis
T. Gibbs Kane, Jr.
Co-Portfolio Managers

Fund returns assume the reinvestment of all dividend and capital gain distributions. The Standard & Poor's 500 Index is an unmanaged index representing the average performance of 500 widely held, publicly traded, large capitalization stocks. The Dow Jones Industrial Average consists of 30 stocks that are considered to be major factors in their industries and that are widely held by individuals and institutional investors. It is not possible to invest directly in an Index or Average.

Because of ongoing market volatility, fund performance may be subject to substantial short-term changes.

This letter may contain discussions about certain investments both held and not held in the portfolio. As required by the Financial Industry Regulatory Authority (FINRA), we must remind you that current and future portfolio holdings are subject to risk. Percent of net assets as of 12/31/11: Citigroup, Inc.: 2.59%; General Motors Company: 2.37%; Home Depot: 0.00%; Lowe's Companies, Inc.: 2.90%; Marathon Oil Corp.: 0.00%; Marathon Petroleum Corp.: 0.00%; and Pfizer, Inc.: 2.96%.

An investment in the Fund is subject to risk, including the possible loss of principal amount invested. Mid Cap Risk: Securities of medium sized companies may be more volatile and more difficult to liquidate during market downturns than securities of large, more widely traded companies. Foreign Securities Risk: The Fund may invest in foreign securities primarily in the form of American Depositary Receipts. Investing in the securities of foreign issuers also involves certain special risks, which are not typically associated with investing in U.S. dollar-denominated securities or quoted securities of U.S. issuers including increased risks of adverse issuer, political, regulatory, market or economic developments. Investments in foreign securities also may be affected favorably or unfavorably by changes in currency rates and in exchange control regulations.

The views in this letter were those of the Fund managers as of 12/31/11 and may not necessarily reflect their views on the date this letter is first published or anytime thereafter. These views (i) are intended to assist shareholders in understanding the Fund's present investment methodology and (ii) do not constitute investment advice. ***This letter must be preceded or accompanied by a current Fund prospectus.*** *Distributed by Foreside Fund Services, LLC.*