



Horizon Capital Management, Inc.

ANNUAL REPORT AUGUST 31, 2009

HCM Freedom Fund

33 Whitehall Street, 10th Floor
New York, New York 10004

(800) 851-0511

Dear Shareholders,

This Annual Report for the Direxion Funds covers the fiscal year September 1, 2008 to August, 31, 2009, (the "Annual Period"). U.S. equities declined during the Annual Period, with the DJ Industrial Average Index declining 14.85%, the S&P 500 Index declining 18.25% and the NASDAQ-100 Index declining 12.57%. The first half of the Annual Period was impacted by extreme price volatility in the equity markets, falling energy and commodity prices, continued problems in the mortgage markets which led to a credit squeeze, collapsing corporate earnings and increased fears of a U.S. recession. The second half of the Annual Period fared far better due in part to the Federal Stimulus plan that injected much needed capital into the U.S. economy. Despite the market turn around in March, the overall economic environment is still struggling to make up for losses suffered in the previous months. International Markets followed a similar path, with the MSCI World Index declining 19.28% for the Annual Period.

For the Annual Period, the HCM Freedom Fund ("the Fund"), which seeks long term capital appreciation with lower volatility than the overall market, gained 2.83% on a total return basis. During the Annual Period, Horizon Capital Management, Inc. ("HCM"), the sub-advisor to the Fund, decided that even though equity markets were improving, on a risk/reward basis, it would be inadequate to overlook the favorable performance of debt instruments such as mortgages and bonds. Thus, it would be inappropriate to use broad market indices as a benchmark for the Fund. Instead, the Fund performed as a balanced mutual fund of stocks, debt and cash. When the risk/reward environment is favorable, Fund managers are willing to shift assets to predominately stock.

As always, we thank you for investing with us and look forward to our continued mutual success.

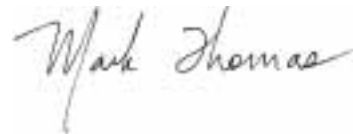
Best Regards,



Daniel O'Neill
Direxion Funds



Dexter Lyons
Horizon Capital Management, Inc.



Mark Thomas
Horizon Capital Management, Inc.

The performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate and an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than the performance data quoted. To obtain performance data current to the most recent month-end, please call, toll-free, 1-800-851-0511 or visit www.direxionfunds.com.

The total annual fund operating expense ratio of the HCM Freedom Fund, net of any fee, waivers or expense reimbursements is 2.52%.

An investment in any of the Direxion Funds is subject to a number of risks that could affect the value of its shares. It is important that investors closely review and understand these risks before making an investment. An investor should consider the investment objectives, risks, charges and expenses of the Direxion Funds carefully before investing. The prospectus contains this and other information about the Direxion Funds. To obtain a prospectus, please call the Direxion Funds at 1 800-851-0511. The prospectus should be read carefully before investing.

**Distributed by: Rafferty Capital Markets, LLC
Date of First Use: October 30, 2009**

Table of Contents

HCM Freedom Fund

Performance Summary	2
Expense Example	3
Allocation of Portfolio Holdings	4
Schedule of Investments	5
Financial Statements	6
Financial Highlights	9

PSI Funds

Performance Summary	10
Expense Example	13
Allocation of Portfolio Holdings	14
Schedule of Investments	15
Financial Statements	18
Financial Highlights	21

Spectrum Funds

Performance Summary	22
Expense Example	25
Allocation of Portfolio Holdings	26
Schedule of Investments	27
Financial Statements	30
Financial Highlights	33

Notes to the Financial Statements	34
---	----

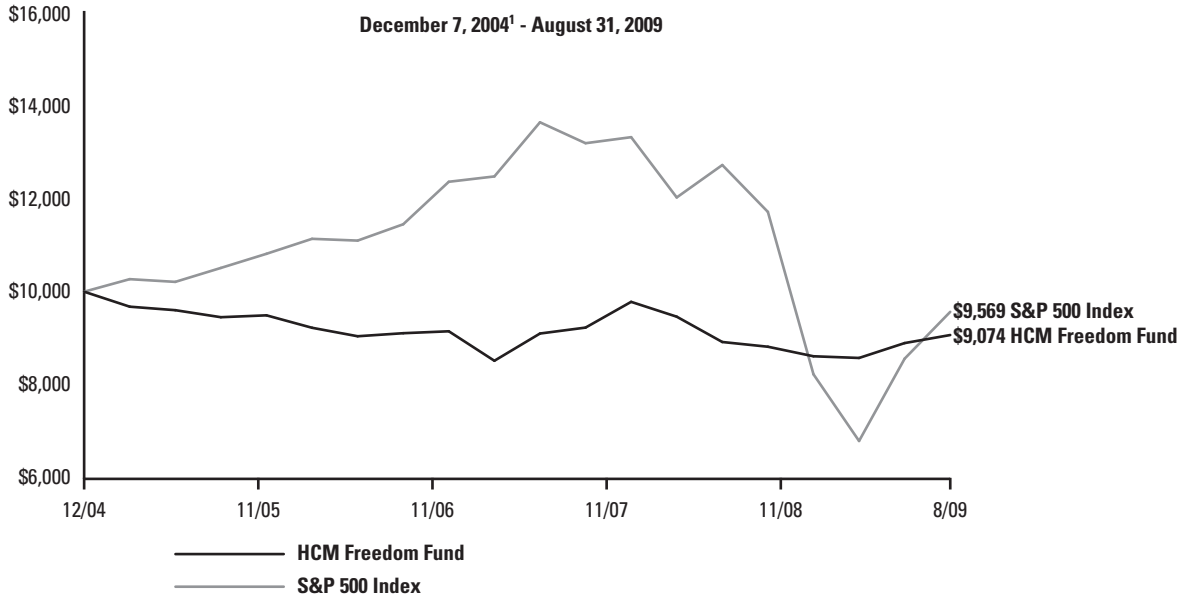
Report of Independent Registered Public Accounting Firm	48
--	----

Additional Information	49
----------------------------------	----

Investment Advisory and Subadvisory Agreements Approvals	50
---	----

Information on Board of Trustees and Officers . .	53
---	----

HCM Freedom Fund
December 7, 2004¹ - August 31, 2009 (Unaudited)



	Average Annual Total Return ²		
	1 Year	3 Year	Since Inception
HCM Freedom Fund	2.83%	(0.14)%	(2.03)%
S&P 500 Index	(18.25)%	(5.78)%	(0.93)%

This chart illustrates the performance of a hypothetical \$10,000 investment made on the Fund's inception, and is not intended to imply any future performance. The returns shown do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares. The performance of the S&P 500 Index does not reflect the deduction of fees associated with a mutual fund, such as investment management fees. Investors cannot invest directly in an index, although they can invest in its underlying securities.

The performance data shown represents past performance and does not guarantee future results.

Market Exposure²

<u>Investment Type</u>	<u>%</u>
Investment Companies	88.3%
Total Exposure	88.3%

"Market Exposure" includes the value of total investments (including the contract value of any derivatives) and excludes any short-term investments and cash equivalents divided by Net Assets.

¹ Commencement of operations.

² As of August 31, 2009.

Expense Example

August 31, 2009 (Unaudited)

As a shareholder of a mutual fund, you incur two types of costs: (1) transaction costs, including sales charges (loads) on purchase payments, reinvested dividends, or other distributions; redemption fees; and exchange fees; and (2) ongoing costs, including management fees; distribution and/or service fees; and other Fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare costs with the ongoing costs of investing in other mutual funds.

The Example is based on an investment of \$1,000 invested at the beginning of the period and held the entire period (March 1, 2009 — August 31, 2009).

Actual Expenses

The first line of the table below provides information about actual account values and actual expenses. Although the Fund charges no sales load or transactions fees, you will be assessed fees for outgoing wire transfers, returned checks or stop payment orders at prevailing rates charged by U.S. Bancorp Fund Services, LLC, the Funds' transfer agent. If you request a redemption be made by wire transfer, currently a \$15.00 fee is charged by the Funds' transfer agent. However, the example below does not include portfolio trading commissions and related expenses or other extraordinary expenses as determined under generally accepted accounting principles. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Funds' actual expense ratios and an assumed rate of return of 5% per year before expenses, which is not the Funds' actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Funds and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as wire transfers, returned checks or stop payment orders. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

Expense Example Tables
August 31, 2009 (Unaudited)

	<u>Expense Ratio¹</u>	<u>Beginning Account Value March 1, 2009</u>	<u>Ending Account Value August 31, 2009</u>	<u>Expenses Paid During Period²</u>
HCM Freedom Fund				
Based on actual fund return	2.42%	\$1,000.00	\$1,057.10	\$12.55
Based on hypothetical 5% return	2.42%	1,000.00	1,013.01	12.28

¹ Annualized

² Expenses are equal to the Fund's annualized expense ratio, multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half-year/period, then divided by 365.

Allocation of Portfolio Holdings
August 31, 2009 (Unaudited)

	<u>Cash*</u>	<u>Investment Companies</u>	<u>Total</u>
HCM Freedom Fund	12%	88%	100%

* Cash, cash equivalents and other assets less liabilities.

HCM Freedom Fund
Schedule of Investments
August 31, 2009

<u>Shares</u>		<u>Value</u>
INVESTMENT COMPANIES - 88.3%		
2,941,465	Putnam Diversified Income Trust	<u>\$22,266,892</u>
	TOTAL INVESTMENT COMPANIES (Cost \$21,000,000)	<u>\$22,266,892</u>
SHORT TERM INVESTMENTS - 11.9%		
MONEY MARKET FUNDS - 11.9%		
239,950	Fidelity Institutional Government Portfolio, 0.19%	239,950
239,950	Fidelity Institutional Money Market Portfolio, 0.42%	239,950
239,950	Goldman Sachs Financial Square Federal Fund, 0.11%	239,950
2,029,950	Goldman Sachs Financial Square Government Fund, 0.11%	2,029,950
239,950	Morgan Stanley Institutional Liquidity Fund - Treasury Portfolio, 0.01%	<u>239,950</u>
	TOTAL SHORT TERM INVESTMENTS (Cost \$2,989,750)	<u>\$ 2,989,750</u>
	TOTAL INVESTMENTS (Cost \$23,989,750) - 100.2%	\$25,256,642
	Liabilities in Excess of Other Assets - (0.2)%	<u>(47,523)</u>
	TOTAL NET ASSETS - 100.0%	<u><u>\$25,209,119</u></u>

Percentages are stated as a percent of net assets.

The accompanying notes are an integral part of these financial statements.

Statement of Assets and Liabilities

August 31, 2009

	HCM Freedom Fund
Assets:	
Investments, at market value (Note 2)	\$ 25,256,642
Dividends and interest receivable	1,092
Prepaid expenses and other assets	2,897
Total Assets	<u>25,260,631</u>
Liabilities:	
Accrued investment advisory fees	22,586
Accrued distribution expenses	17,088
Accrued operating services fees	11,748
Accrued expenses and other liabilities	90
Total Liabilities	<u>51,512</u>
Net Assets	<u><u>\$ 25,209,119</u></u>
Net Assets Consist Of:	
Capital stock	\$ 45,475,450
Accumulated undistributed net investment income	50,357
Accumulated undistributed net realized loss	(21,583,580)
Net unrealized appreciation on:	
Investments	1,266,892
Total Net Assets	<u><u>\$ 25,209,119</u></u>
Calculation of Net Asset Value Per Share - Service Class:	
Net assets	\$ 25,209,119
Shares outstanding (unlimited shares of beneficial interest authorized, no par value)	1,741,957
Net Asset Value, Redemption Price and Offering Price Per Share	<u>\$ 14.47</u>
Cost of Investments	<u><u>\$ 23,989,750</u></u>

The accompanying notes are an integral part of these financial statements.

Statement of Operations
Year Ended August 31, 2009

HCM Freedom Fund

Investment income:	
Dividend income	\$ 435,553
Interest income	174,632
Total investment income	<u>610,185</u>
Expenses:	
Investment advisory fees	246,309
Distribution expenses	197,047
Administration fees	8,073
Fund accounting fees	17,059
Custody fees	6,190
Transfer agent fees	32,583
Federal and state registration	5,092
Professional fees	29,173
Reports to shareholders	3,823
Trustees' fees and expenses	2,004
Operating services fees	42,611
Other	6,010
Total expenses before recoupment	595,974
Plus: Recoupment of previously waived expenses	13,020
Less: Expenses paid indirectly (Note 6)	<u>(9,755)</u>
Total expenses	<u>599,239</u>
Net investment income	<u>10,946</u>
Realized and unrealized gain (loss) on investments:	
Net realized gain (loss) on:	
Investments	959,208
Swaps	<u>(1,514,802)</u>
	<u>(555,594)</u>
Change in unrealized appreciation (depreciation) on:	
Investments	<u>1,266,892</u>
Net realized and unrealized loss on investments	<u>711,298</u>
Net increase in net assets resulting from operations	<u><u>\$ 722,244</u></u>

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Net Assets

	HCM Freedom Fund	
	Year Ended August 31, 2009	Year Ended August 31, 2008
Operations:		
Net investment income	\$ 10,946	\$ 99,787
Net realized loss on investments	(555,594)	(1,234,015)
Change in net unrealized appreciation (depreciation) on investments	<u>1,266,892</u>	<u>(34,623)</u>
Net increase (decrease) in net assets resulting from operations	<u>722,244</u>	<u>(1,168,851)</u>
Distributions to shareholders:		
Net investment income	<u>(1,039,384)</u>	<u>(3,487,566)</u>
Total distributions	<u>(1,039,384)</u>	<u>(3,487,566)</u>
Capital share transactions:		
Proceeds from shares sold	2,223,837	1,414,324
Proceeds from shares issued to holders in reinvestment of dividends	1,034,802	3,479,021
Cost of shares redeemed	<u>(3,248,933)</u>	<u>(3,362,586)</u>
Net increase in net assets resulting from capital share transactions	<u>9,706</u>	<u>1,530,759</u>
Total decrease in net assets	<u>(307,434)</u>	<u>(3,125,658)</u>
Net assets:		
Beginning of year	<u>25,516,553</u>	<u>28,642,211</u>
End of year	<u>\$25,209,119</u>	<u>\$25,516,553</u>
Undistributed (Accumulated) net investment income (loss), end of year	<u>\$ 50,357</u>	<u>\$ 1,039,382</u>

The accompanying notes are an integral part of these financial statements.

Financial Highlights August 31, 2009

Year/Period	RATIOS TO AVERAGE NET ASSETS												
	Net Asset Value, Beginning of Year/Period	Net Investment Income (Loss) ³	Net Realized and Unrealized Gain (Loss) on Investments ⁴	Net Increase (Decrease) in Net Asset Value Resulting from Operations	Dividends from Net Investment Income	Total Distributions	Net Asset Value, End of Year/Period	Total Return ⁵	Net Assets, End of Year/Period (,000)	Including Short Dividends	Excluding Short Dividends	Net Investment Income (Loss) After Expense Reimbursement/Recoupment ¹	Portfolio Turnover Rate ⁶
HCM Freedom Fund													
Year ended August 31, 2009	\$14.68	\$0.01	\$ 0.40	\$ 0.41	\$(0.62)	\$(0.62)	2.83%	\$ 25,209	—	2.42%	2.43%	0.05%	1,311%
Year ended August 31, 2008	17.46	0.06	(0.70)	(0.64)	(2.14)	(2.14)	(4.43%)	25,517	—	2.50%	2.45%	0.35%	2,886%
Year ended August 31, 2007	18.11	0.34	(0.11)	0.23	(0.88)	(0.88)	1.32%	28,642	—	2.18%	2.18%	1.98%	4,042%
Year ended August 31, 2006	18.91	0.40	(1.08)	(0.68)	(0.12)	(0.12)	(3.61%)	53,753	—	2.22%	2.12%	2.14%	3,065%
December 7, 2004 ⁸ to August 31, 2005	20.00	0.11	(1.20)	(1.09)	—	—	(5.45%) ²	140,786	2.31%	2.30%	2.10%	0.82% ⁷	2,215% ²

¹ Annualized.

² Not annualized.

³ Net investment income (loss) per share represents net investment income (loss) divided by the daily average shares of beneficial interest outstanding throughout each period.

⁴ The amounts shown may not correlate with aggregate gains and losses of portfolio securities due to timing of subscriptions and redemptions of Fund shares.

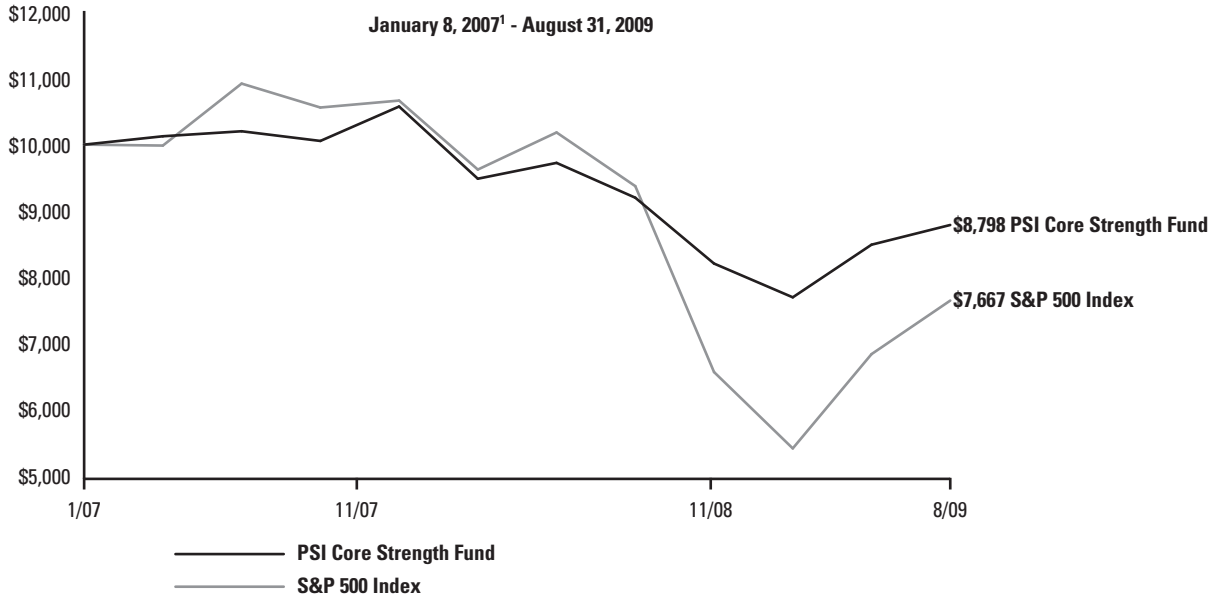
⁵ All returns reflect reinvested dividends, if any, but do not reflect the impact of taxes.

⁶ Portfolio turnover is calculated without regard to short-term securities having a maturity of less than one year. Investments in options, swaps, and futures contracts and repurchase agreements are deemed short-term securities. The Fund's aggressive investment strategy may result in significant portfolio turnover to take advantage of anticipated changes in market conditions.

⁷ Net investment income (loss) ratio included dividends on short positions. The ratio excluding dividends on short positions for the period ended August 31, 2005 was 0.83%.

⁸ Commencement of operations.

PSI Core Strength Fund
January 8, 2007¹ - August 31, 2009 (Unaudited)



	<u>Total Return²</u>	
	<u>1 Year</u>	<u>Since Inception</u>
PSI Core Strength Fund	(4.43)%	(4.72)%
S&P 500 Index	(18.25)%	(9.54)%

This chart illustrates the performance of a hypothetical \$10,000 investment made on the Fund's inception, and is not intended to imply any future performance. The returns shown do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares. The performance of the S&P 500 Index does not reflect the deduction of fees associated with a mutual fund, such as investment management fees. Investors cannot invest directly in an index, although they can invest in its underlying securities.

The performance data shown represents past performance and does not guarantee future results.

Market Exposure²

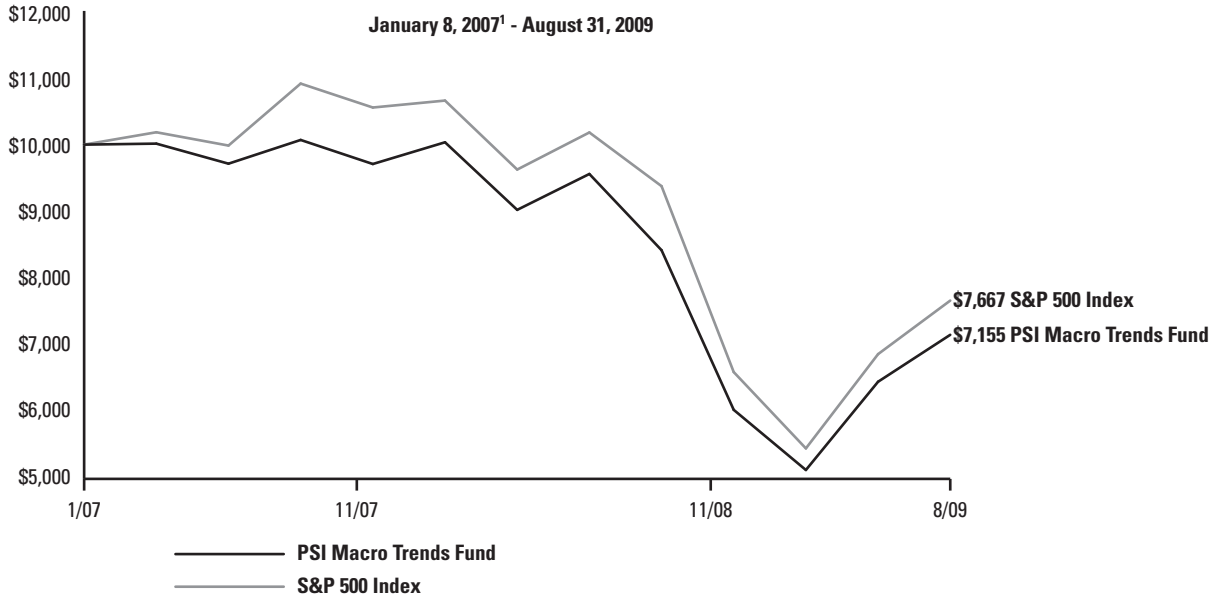
<u>Investment Type</u>	<u>% Net Assets</u>
Investment Companies	78.1%
Total Exposure	78.1%

"Market Exposure" includes the value of total investments (including the contract value of any derivatives) and excludes any short-term investments and cash equivalents divided by Net Assets.

¹ Commencement of operations.

² As of August 31, 2009.

PSI Macro Trends Fund
January 8, 2007¹ - August 31, 2009 (Unaudited)



**Total Return²
Since Inception**

	<u>1 Year</u>	<u>Since Inception</u>
PSI Macro Trends Fund	(15.03)%	(11.87)%
S&P 500 Index	(18.25)%	(9.54)%

This chart illustrates the performance of a hypothetical \$10,000 investment made on the Fund's inception, and is not intended to imply any future performance. The returns shown do not reflect the deduction of taxes that a shareholder would pay on fund distributions of the redemption of fund shares. The performance of the S&P 500 Index does not reflect the deduction of fees associated with a mutual fund, such as investment management fees. Investors cannot invest directly in an index, although they can invest in its underlying securities.

The performance data shown represents past performance and does not guarantee future results.

Market Exposure²

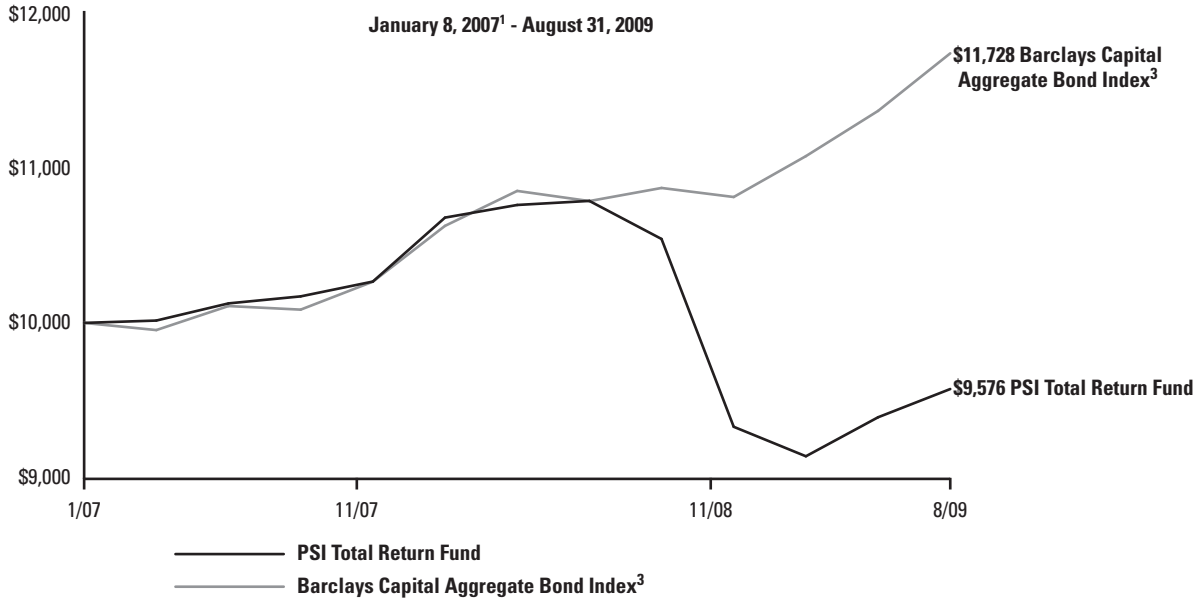
<u>Investment Type</u>	<u>% Net Assets</u>
Investment Companies	83.1%
Futures Contracts	15.9%
Swap Contracts	9.2%
Total Exposure	108.2%

"Market Exposure" includes the value of total investments (including the contract value of any derivatives) and excludes any short-term investments and cash equivalents divided by Net Assets.

¹ Commencement of operations.

² As of August 31, 2009.

PSI Total Return Fund
January 8, 2007¹ - August 31, 2009 (Unaudited)



	Total Return ² Since Inception	
	1 Year	Since Inception
PSI Total Return Fund	(9.13)%	(1.62)%
Barclays Capital Aggregate Bond Index ³	7.94%	6.20%

This chart illustrates the performance of a hypothetical \$10,000 investment made on the Fund's inception, and is not intended to imply any future performance. The returns shown do not reflect the deduction of taxes that a shareholder would pay on fund distributions of the redemption of fund shares. The performance of the Barclays Capital Aggregate Bond Index does not reflect the deduction of fees associated with a mutual fund, such as investment management fees. Investors cannot invest directly in an index, although they can invest in its underlying securities.

The performance data shown represents past performance and does not guarantee future results.

Market Exposure²

Investment Type	% Net Assets
Investment Companies	84.4%
Futures Contracts	5.0%
Swap Contracts	15.1%
Total Exposure	104.5%

"Market Exposure" includes the value of total investments (including the contract value of any derivatives) and excludes any short-term investments and cash equivalents divided by Net Assets.

¹ Commencement of operations.

² As of August 31, 2009.

³ Formerly known as the Lehman U.S. Aggregate Bond Index.

Expense Example

August 31, 2009 (Unaudited)

As a shareholder of a mutual fund, you incur two types of costs: (1) transaction costs, including sales charges (loads) on purchase payments, reinvested dividends, or other distributions; redemption fees; and exchange fees; and (2) ongoing costs, including management fees; distribution and/or service fees; and other Fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare costs with the ongoing costs of investing in other mutual funds.

The Example is based on an investment of \$1,000 invested at the beginning of the period and held the entire period (March 1, 2009 — August 31, 2009).

Actual Expenses

The first line of the table below provides information about actual account values and actual expenses. Although the Fund charges no sales load or transactions fees, you will be assessed fees for outgoing wire transfers, returned checks or stop payment orders at prevailing rates charged by U.S. Bancorp Fund Services, LLC, the Funds' transfer agent. If you request a redemption be made by wire transfer, currently a \$15.00 fee is charged by the Funds' transfer agent. However, the example below does not include portfolio trading commissions and related expenses or other extraordinary expenses as determined under generally accepted accounting principles. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Funds' actual expense ratios and an assumed rate of return of 5% per year before expenses, which is not the Funds' actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Funds and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as wire transfers, returned checks or stop payment orders. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

Expense Example Tables
August 31, 2009 (Unaudited)

	<u>Expense Ratio¹</u>	<u>Beginning Account Value March 1, 2009</u>	<u>Ending Account Value August 31, 2009</u>	<u>Expenses Paid During Period²</u>
PSI Core Strength Fund				
Based on actual fund return	2.00%	\$1,000.00	\$1,136.40	\$10.77
Based on hypothetical 5% return	2.00%	1,000.00	1,015.12	10.16
PSI Macro Trends Fund				
Based on actual fund return	2.00%	1,000.00	1,393.90	12.07
Based on hypothetical 5% return	2.00%	1,000.00	1,015.12	10.16
PSI Total Return Fund				
Based on actual fund return	2.00%	1,000.00	1,047.10	10.32
Based on hypothetical 5% return	2.00%	1,000.00	1,015.12	10.16

¹ Annualized

² Expenses are equal to the Fund's annualized expense ratio, multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half-year/period, then divided by 365.

Allocation of Portfolio Holdings
August 31, 2009 (Unaudited)

	<u>Cash*</u>	<u>Investment Companies</u>	<u>Futures</u>	<u>Swaps</u>	<u>Total</u>
PSI Core Strength Fund	22%	78%	—	—	100%
PSI Macro Trends Fund	13%	83%	2%	2%	100%
PSI Total Return Fund	16%	84%	0%**	0%**	100%

* Cash, cash equivalents and other assets less liabilities.

** Percentage is less than 0.5%.

PSI Core Strength Fund

Schedule of Investments

August 31, 2009

<u>Shares</u>		<u>Value</u>	<u>Shares</u>		<u>Value</u>
INVESTMENT COMPANIES - 78.1%					
32,400	DIAMONDS Trust Series I	\$ 3,080,268	37,700	SPDR Barclays Capital High Yield Fund - Class B	\$ 1,381,328
16,200	Energy Select Sector SPDR	828,954	13,400	SPDR S&P Metals and Mining	544,040
39,100	Financial Select Sector SPDR	574,770	19,100	Utilities Select Sector SPDR Fund	558,293
16,200	iShares Barclays Aggregate Bond Fund	1,685,124		TOTAL INVESTMENT COMPANIES	
12,600	iShares Dow Jones Transportation Average Index Fund	831,222		(Cost \$20,316,723)	<u>\$21,861,142</u>
16,300	iShares Dow Jones U.S. Basic Materials Sector Index Fund	824,128	SHORT TERM INVESTMENTS - 28.4%		
14,300	iShares Dow Jones U.S. Healthcare Sector Index Fund	834,548	MONEY MARKET FUNDS - 28.4%		
15,700	iShares Dow Jones U.S. Real Estate Sector Index Fund	637,577	1,590,561	Fidelity Institutional Government Portfolio, 0.19%	1,590,561
10,000	iShares IBoxx \$ High Yield Corporate Bond Fund	823,200	1,590,562	Fidelity Institutional Money Market Portfolio, 0.42%	1,590,562
10,600	iShares IBoxx \$ Investment Grade Bond Fund	1,116,498	1,590,562	Goldman Sachs Financial Square Federal Fund, 0.11%	1,590,562
20,400	iShares MSCI EAFE Index Fund	1,074,672	1,590,562	Goldman Sachs Financial Square Government Fund, 0.11%	1,590,562
44,700	iShares MSCI Emerging Markets Index Fund	1,578,357	1,590,561	Morgan Stanley Institutional Liquidity Fund - Treasury Portfolio, 0.01%	1,590,561
54,900	iShares MSCI Japan Index Fund	561,078		TOTAL SHORT TERM INVESTMENTS	
10,700	iShares NASDAQ Biotech Index Fund	837,596		(Cost \$7,952,808)	<u>\$ 7,952,808</u>
14,500	iShares Russell 2000 Index Fund	828,675		TOTAL INVESTMENTS	
15,200	iShares S&P Europe 350 Index Fund	557,688		(Cost \$28,269,531) - 106.5%	\$29,813,950
13,900	Market Vectors Gold Miners	548,772		Liabilities in Excess of Other Assets - (6.5%)	<u>(1,825,332)</u>
2,600	Oil Service HOLDRs Fund	273,520		TOTAL NET ASSETS - 100.00%	
7,400	PowerShares DB U.S. Dollar Index Bearish Fund	202,982			<u>\$27,988,618</u>
20,800	PowerShares QQQ Trust, Series 1	832,000			
23,800	Rydex S&P Equal Weight Fund	845,852			

Percentages are stated as a percent of net assets.

The accompanying notes are an integral part of these financial statements.

PSI Macro Trends Fund

Schedule of Investments

August 31, 2009

<u>Shares</u>		<u>Value</u>	<u>Shares</u>		<u>Value</u>
INVESTMENT COMPANIES - 83.1%			SHORT TERM INVESTMENTS - 14.2%		
16,700	iShares Barclays Treasury Inflation Protected Securities Bond Fund	\$ 1,699,392	MONEY MARKET FUNDS - 14.2%		
21,400	iShares iBOXX \$ High Yield Corporate Bond Fund	1,761,648	795,029	Fidelity Institutional Government Portfolio, 0.19%	\$ 795,029
78,200	iShares MSCI EAFE Index Fund	4,119,576	795,029	Fidelity Institutional Money Market Portfolio, 0.42%	795,029
74,800	iShares MSCI Emerging Markets Index Fund	2,641,188	795,029	Goldman Sachs Financial Square Federal Fund, 0.11%	795,029
18,900	iShares Russell 1000 Growth Index Fund	844,074	1,015,029	Goldman Sachs Financial Square Government Fund, 0.11%(a)	1,015,029
16,000	iShares Russell 1000 Value Index Fund	859,520	795,029	Morgan Stanley Institutional Liquidity Fund - Treasury Portfolio, 0.01%	795,029
20,500	iShares Russell 2000 Index Fund	1,171,575	TOTAL SHORT TERM INVESTMENTS		
13,900	iShares Russell Midcap Growth Index	561,282	(Cost \$4,195,145)		
17,100	iShares Russell Midcap Value Index Fund	575,415	TOTAL INVESTMENTS		
82,800	Rydex S&P Equal Weight ETF	2,942,712	(Cost \$25,457,162) - 97.3%		
60,300	SPDR S&P 500 ETF	6,183,765	Other Assets in Excess of Liabilities - 2.7%		
9,900	SPDR S&P MidCap 400 ETF	1,177,011	TOTAL NET ASSETS - 100.00%		
	TOTAL INVESTMENT COMPANIES	<u>\$24,537,158</u>	<u>\$29,521,839</u>		
	(Cost \$21,262,017)				

Percentages are stated as a percent of net assets.

(a) \$220,000 of this security is held as collateral for swap contracts.

PSI Macro Trends Fund

Futures Contracts

August 31, 2009

<u>Contracts</u>		<u>Unrealized Appreciation</u>
92	S&P 500 Index eMini Futures Expiring September 2009 (Underlying Face Amount at Market Value \$4,695,450)	<u>\$426,778</u>

PSI Macro Trends Fund

Long Equity Swap Contracts

August 31, 2009

<u>Counterparty</u>	<u>Reference Entity</u>	<u>Number of Contracts</u>	<u>Notional Amount</u>	<u>Termination Date</u>	<u>Unrealized Appreciation</u>
Credit Suisse Capital, LLC	Morgan Stanley Commodity Related Index	4,100	\$2,133,411	6/4/2010	<u>\$586,384</u>

The accompanying notes are an integral part of these financial statements.

PSI Total Return Fund
Schedule of Investments
August 31, 2009

<u>Shares</u>	<u>Value</u>	<u>Shares</u>	<u>Value</u>
INVESTMENT COMPANIES - 84.4%			
30,780	iShares Barclays TIPS Bond Fund	\$ 3,132,173	
105,350	iShares Barclays Aggregate Bond Fund	10,958,507	
30,400	iShares iBoxx \$ Investment Grade Corporate Bond Fund	3,202,032	
17,200	iShares Barclays 7-10 Year Treasury Bond Fund	1,575,520	
92,400	iShares Barclays 1-3 Year Treasury Bond Fund	<u>7,754,208</u>	
	TOTAL INVESTMENT COMPANIES (Cost \$26,149,300)	<u>\$26,622,440</u>	
SHORT TERM INVESTMENTS - 12.7%			
MONEY MARKET FUNDS - 12.7%			
692,772	Fidelity Institutional Government Portfolio, 0.19%	692,772	
692,772	Fidelity Institutional Money Market Portfolio, 0.42%	692,772	
692,772	Goldman Sachs Financial Square Federal Fund, 0.11%	692,772	
			1,222,772
			\$ 1,222,772
			692,772
			<u>692,772</u>
			TOTAL SHORT TERM INVESTMENTS (Cost \$3,993,860)
			<u>\$ 3,993,860</u>
			TOTAL INVESTMENTS (Cost \$30,143,160) - 97.1%
			\$30,616,300
			Other Assets in Excess of Liabilities - 2.9%
			<u>911,183</u>
			TOTAL NET ASSETS - 100.00%
			<u>\$31,527,483</u>

Percentages are stated as a percent of net assets.
(a) \$530,000 of this security is held as collateral for swap contracts.

PSI Total Return Fund
Futures Contracts
August 31, 2009

<u>Contracts</u>	<u>Unrealized Depreciation</u>
20 U.S. Dollar Index Futures Expiring September 2009 (Underlying Face Amount at Market Value \$1,564,100)	<u>\$ (23,685)</u>

PSI Total Return Fund
Long Equity Swap Contracts
August 31, 2009

<u>Counterparty</u>	<u>Reference Entity</u>	<u>Number of Contracts</u>	<u>Notional Amount</u>	<u>Termination Date</u>	<u>Unrealized Appreciation</u>
Credit Suisse Capital, LLC	iShares Barclays Aggregate Bond Fund	45,700	\$4,731,934	9/20/2010	<u>\$20,818</u>

The accompanying notes are an integral part of these financial statements.

Statements of Assets and Liabilities

August 31, 2009

	<u>PSI Core Strength Fund</u>	<u>PSI Macro Trends Fund</u>	<u>PSI Total Return Fund</u>
Assets:			
Investments, at market value (Note 2)	\$29,813,950	\$ 28,732,303	\$30,616,300
Receivable for Fund shares sold	23,203	1,407,676	25,899
Receivable for investments sold	3,267,399	—	2,486,238
Deposit at broker for futures	—	—	54,000
Due from broker for futures	—	378,000	—
Unrealized appreciation on swaps	—	586,384	20,818
Dividends and interest receivable	3,722	587	504
Other assets	5,524	5,472	11,110
Total Assets	<u>33,113,798</u>	<u>31,110,422</u>	<u>33,214,869</u>
Liabilities:			
Payable for Fund shares redeemed	47	47	37
Payable for investments purchased	5,070,997	994,485	1,577,111
Deposit from broker for swaps	—	510,000	—
Due to broker for futures	—	—	20,000
Variation margin payable	—	26,463	3,600
Accrued advisory expense	26,588	27,277	30,474
Accrued distribution expense	10,755	13,007	29,577
Accrued operating services fees	10,511	10,627	11,874
Accrued expenses and other liabilities	6,282	6,677	14,713
Total Liabilities	<u>5,125,180</u>	<u>1,588,583</u>	<u>1,687,386</u>
Net Assets	<u>\$27,988,618</u>	<u>\$ 29,521,839</u>	<u>\$31,527,483</u>
Net Assets Consist Of:			
Capital stock	\$29,881,191	\$ 42,571,578	\$35,719,704
Accumulated undistributed net investment income (loss)	—	—	—
Accumulated undistributed net realized gain (loss)	(3,436,992)	(17,338,042)	(4,662,494)
Net unrealized appreciation (depreciation) on:			
Investments	1,544,419	3,275,141	473,140
Futures	—	426,778	(23,685)
Swaps	—	586,384	20,818
Total Net Assets	<u>\$27,988,618</u>	<u>\$ 29,521,839</u>	<u>\$31,527,483</u>
Calculation of Net Asset Value Per Share - Investor Class:			
Net assets	\$27,988,618	\$ 29,521,839	\$31,527,483
Shares outstanding (unlimited shares of beneficial interest authorized, no par value)	1,679,967	2,161,572	1,750,349
Net asset value, redemption price and offering price per share	<u>\$ 16.66</u>	<u>\$ 13.66</u>	<u>\$ 18.01</u>
Cost of Investments	<u>\$28,269,531</u>	<u>\$ 25,457,162</u>	<u>\$30,143,160</u>

The accompanying notes are an integral part of these financial statements.

Statements of Operations
Year Ended August 31, 2009

	<u>PSI Core Strength Fund</u>	<u>PSI Macro Trends Fund</u>	<u>PSI Total Return Fund</u>
Investment income:			
Dividend income (net of foreign withholding tax of \$79, \$—, \$—, respectively)	\$ 305,966	\$ 514,054	\$ 700,707
Interest income	81,489	84,628	99,929
Total investment income	<u>387,455</u>	<u>598,682</u>	<u>800,636</u>
Expenses:			
Investment advisory fees	233,938	288,326	320,305
Distribution expenses	50,856	62,680	69,631
Shareholder servicing fees	30,514	37,608	41,779
Administration fees	6,357	8,021	8,960
Fund accounting fees	13,498	17,731	18,233
Custody fees	4,479	4,827	6,221
Transfer agent fees	18,539	26,983	28,524
Federal and state registration	12,932	13,258	15,478
Professional fees	19,362	29,570	27,572
Reports to shareholders	903	1,628	782
Trustees' fees and expenses	1,451	1,867	1,967
Operating services fees	20,371	20,656	23,300
Other	4,006	6,843	6,811
Total expenses before reimbursement	417,206	519,998	569,563
Less: Waiver of expenses and reimbursement from Adviser	(5,968)	(14,467)	(6,975)
Less: Expenses paid indirectly (Note 6)	(4,390)	(4,094)	(5,266)
Total expenses	<u>406,848</u>	<u>501,437</u>	<u>557,322</u>
Net investment income (loss)	<u>(19,393)</u>	<u>97,245</u>	<u>243,314</u>
Realized and unrealized gain (loss) on investments:			
Net realized gain (loss) on:			
Investments	(1,699,894)	(9,024,338)	(955,207)
Futures	—	(3,460,509)	(1,209,627)
Swaps	—	(228,497)	(1,626,401)
	<u>(1,699,894)</u>	<u>(12,713,344)</u>	<u>(3,791,235)</u>
Change in unrealized appreciation (depreciation) on:			
Investments	1,547,397	6,162,529	404,360
Futures	—	568,476	(44,665)
Swaps	—	646,468	233,889
	<u>1,547,397</u>	<u>7,377,473</u>	<u>593,584</u>
Net realized and unrealized gain (loss) on investments	<u>(152,497)</u>	<u>(5,335,871)</u>	<u>(3,197,651)</u>
Net increase (decrease) in net assets resulting from operations	<u>\$ (171,890)</u>	<u>\$ (5,238,626)</u>	<u>\$ (2,954,337)</u>

The accompanying notes are an integral part of these financial statements.

Statements of Changes in Net Assets
Year Ended August 31, 2009

	PSI Core Strength Fund		PSI Macro Trends Fund		PSI Total Return Fund	
	Year Ended August 31, 2009	Year Ended August 31, 2008	Year Ended August 31, 2009	Year Ended August 31, 2008	Year Ended August 31, 2009	Year Ended August 31, 2008
Operations:						
Net investment income (loss)	\$ (19,393)	\$ 92,300	\$ 97,245	\$ 463,477	\$ 243,314	\$ 658,149
Net realized gain (loss) on investments	(1,699,894)	(286,338)	(12,713,344)	(4,027,853)	(3,791,235)	30,561
Change in unrealized appreciation (depreciation) on investments	<u>1,547,397</u>	<u>(421,716)</u>	<u>7,377,473</u>	<u>(1,414,174)</u>	<u>593,584</u>	<u>(200,433)</u>
Net increase (decrease) in net assets resulting from operations	<u>(171,890)</u>	<u>(615,754)</u>	<u>(5,238,626)</u>	<u>(4,978,550)</u>	<u>(2,954,337)</u>	<u>488,277</u>
Distributions to shareholders:						
Net investment income	—	—	(320,689)	(252,097)	(243,314)	(1,140,512)
Net realized gains	—	(858,895)	(24,511)	(913,194)	—	(607,914)
Return of capital	<u>(39,894)</u>	<u>(199,791)</u>	<u>(36,679)</u>	<u>—</u>	<u>(41,706)</u>	<u>—</u>
Total distributions	<u>(39,894)</u>	<u>(1,058,686)</u>	<u>(381,879)</u>	<u>(1,165,291)</u>	<u>(285,020)</u>	<u>(1,748,426)</u>
Capital share transactions:						
Proceeds from shares sold	16,811,207	16,717,844	16,547,055	17,591,767	16,163,927	30,315,204
Proceeds from shares issued to holders in reinvestment of dividends	39,856	1,058,686	381,880	1,165,291	280,919	1,735,674
Cost of shares redeemed	<u>(8,872,749)</u>	<u>(20,508,466)</u>	<u>(15,768,694)</u>	<u>(19,700,616)</u>	<u>(15,012,412)</u>	<u>(27,909,038)</u>
Net increase (decrease) in net assets resulting from capital share transactions	<u>7,978,314</u>	<u>(2,731,936)</u>	<u>1,160,241</u>	<u>(943,558)</u>	<u>1,432,434</u>	<u>4,141,840</u>
Total increase (decrease) in net assets	<u>7,766,530</u>	<u>(4,406,376)</u>	<u>(4,460,264)</u>	<u>(7,087,399)</u>	<u>(1,806,923)</u>	<u>2,881,691</u>
Net assets:						
Beginning of year	<u>20,222,088</u>	<u>24,628,464</u>	<u>33,982,103</u>	<u>41,069,502</u>	<u>33,334,406</u>	<u>30,452,715</u>
End of year	<u>\$27,988,618</u>	<u>\$ 20,222,088</u>	<u>\$ 29,521,839</u>	<u>\$ 33,982,103</u>	<u>\$ 31,527,483</u>	<u>\$ 33,334,406</u>
Undistributed (Accumulated) net investment income (loss), end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

The accompanying notes are an integral part of these financial statements.

Financial Highlights August 31, 2009

RATIOS TO AVERAGE NET ASSETS

Year/Period	Net Asset Value, Beginning of Year/Period	Net Investment Income (Loss) ³	Net Realized and Unrealized Gain (Loss) on Investments ⁴	Net Increase (Decrease) in Net Asset Value Resulting from Operations	Dividends from Net Investment Income	Distributions from Realized Capital Gains	Distributions from Return of Capital	Total Distributions	Net Asset Value, End of Year/Period	Total Return ⁵	Net Assets, End of Year/Period (,000)	Total Expenses ¹	Net Expenses ¹	Investment Income (Loss) After Expense Reimbursement/Recoupment ¹	Portfolio Turnover Rate ⁶
PSI Core Strength Fund															
Year ended August 31, 2009	\$17.48	\$(0.01)	\$(0.77)	\$(0.78)	\$ —	\$ —	\$(0.04)	\$(0.04)	\$16.66	(4.43%)	\$27,989	2.05%	2.00%	(0.10%)	2,328%
Year ended August 31, 2008	20.11	0.08	(1.67)	(1.59)	—	(0.84)	(0.20)	(1.04)	17.48	(8.44%)	20,222	2.09%	2.00%	0.43%	2,509%
January 8, 2007 ⁷ to August 31, 2007	20.00	0.22	(0.11)	0.11	—	—	—	—	20.11	0.55% ²	24,628	2.18%	2.00%	1.70%	935% ²
PSI Macro Trends Fund															
Year ended August 31, 2009	16.33	0.05	(2.54)	(2.49)	(0.15)	(0.01)	(0.02)	(0.18)	13.66	(15.03%)	29,522	2.07%	2.00%	0.39%	429%
Year ended August 31, 2008	19.42	0.22	(2.72)	(2.50)	(0.13)	(0.46)	—	(0.59)	16.33	(13.28%)	33,982	2.03%	2.00%	1.20%	304%
January 8, 2007 ⁷ to August 31, 2007	20.00	(0.03)	(0.55)	(0.58)	—	—	—	—	19.42	(2.90%) ²	41,070	2.03%	2.00%	(0.26%)	926% ²
PSI Total Return Fund															
Year ended August 31, 2009	20.00	0.16	(1.98)	(1.82)	(0.15)	—	(0.02)	(0.17)	18.01	(9.13%)	31,527	2.04%	2.00%	0.88%	271%
Year ended August 31, 2008	20.53	0.38	0.17	0.55	(0.67)	(0.41)	—	(1.08)	20.00	2.66%	33,334	2.01%	2.00%	1.84%	90%
January 8, 2007 ⁷ to August 31, 2007	20.00	0.33	0.20	0.53	—	—	—	—	20.53	2.65% ²	30,453	2.11%	2.00%	2.57%	191% ²

¹ Annualized.

² Not annualized.

³ Net investment income (loss) per share represents net investment income (loss) divided by the daily average shares of beneficial interest outstanding throughout each period.

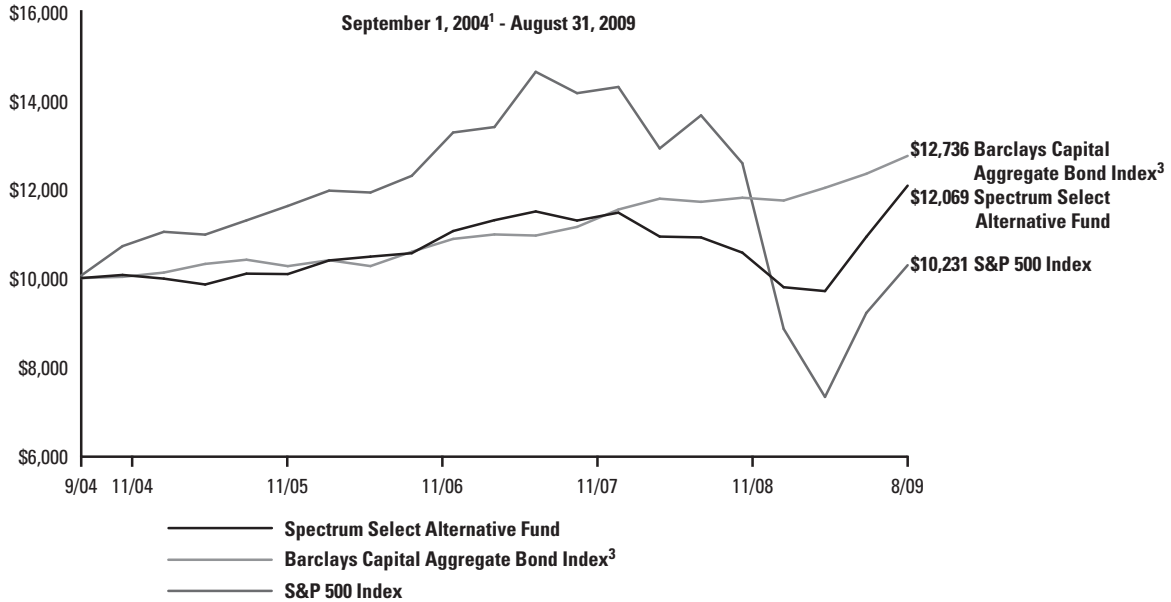
⁴ The amounts shown may not correlate with aggregate gains and losses of portfolio securities due to timing of subscriptions and redemptions of Fund shares.

⁵ All returns reflect reinvested dividends, if any, but do not reflect the impact of taxes.

⁶ Portfolio turnover is calculated without regard to short-term securities having a maturity of less than one year. Investments in options, swaps, and futures contracts and repurchase agreements are deemed short-term securities. The Fund's aggressive investment strategy may result in significant portfolio turnover to take advantage of anticipated changes in market conditions.

⁷ Commencement of operations.

Spectrum Select Alternative Fund
September 1, 2004¹ - August 31, 2009 (Unaudited)



	Average Annual Total Return ²		
	1 Year	3 Years	Since Inception
Spectrum Select Alternative Fund	14.09%	4.53%	3.81%
Barclays Capital Aggregate Bond Index ³	7.94%	6.35%	4.95%
S&P 500 Index	(18.25)%	(5.78)%	0.46%

This chart illustrates the performance of a hypothetical \$10,000 investment made on the Fund's inception, and is not intended to imply any future performance. The returns shown do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares. The performance of Barclays Capital U.S. Aggregate Bond Index and S&P 500 Index does not reflect the deduction of fees associated with a mutual fund, such as investment management fees. Investors cannot invest directly in an index, although they can invest in its underlying securities.

The performance data shown represents past performance and does not guarantee future results.

Market Exposure²

Investment Type	% Net Assets
Investment Companies	94.1%
Futures Contracts	(5.0)%
Swap Contracts	5.0%
Total Exposure	94.1%

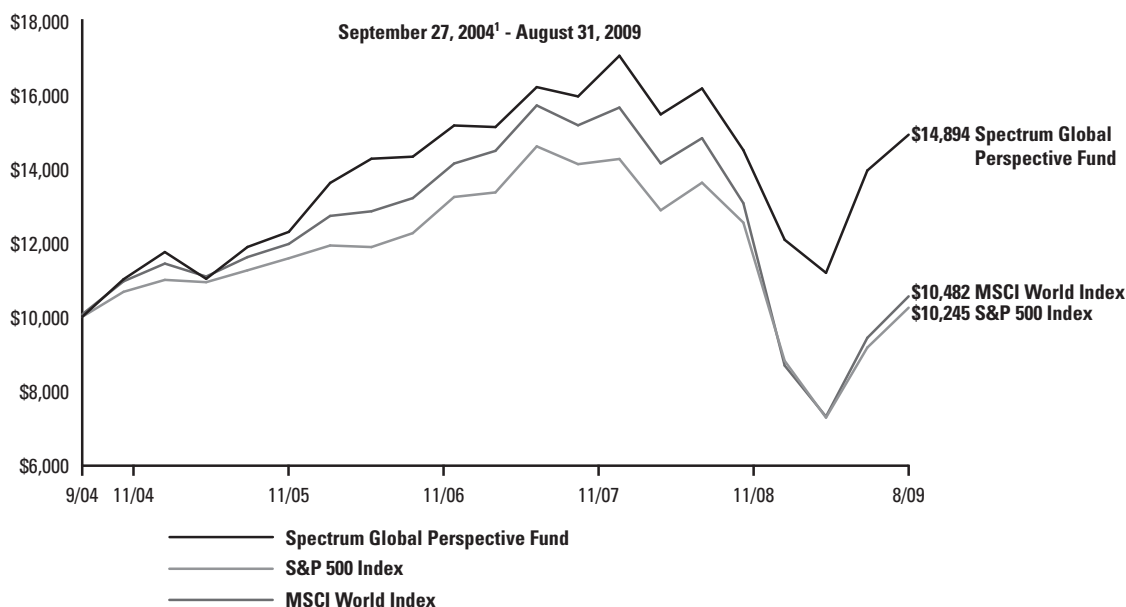
"Market Exposure" includes the value of total investments (including the contract value of any derivatives) and excludes any short-term investments and cash equivalents divided by Net Assets.

¹ Commencement of operations.

² As of August 31, 2009.

³ Formerly known as the Lehman U.S. Aggregate Bond Index.

Spectrum Global Perspective Fund
September 27, 2004¹ - August 31, 2009 (Unaudited)



Average Annual Total Return²

	<u>1 Year</u>	<u>3 Years</u>	<u>Since Inception</u>
Spectrum Global Perspective Fund	2.65%	1.33%	8.42%
S&P 500 Index	(18.25)%	(5.78)%	0.49%
MSCI World Index	(19.28)%	(7.21)%	0.96%

This chart illustrates the performance of a hypothetical \$10,000 investment made on the Fund's inception, and is not intended to imply any future performance. The returns shown do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares. The performance of S&P 500 Index and MSCI World Index does not reflect the deduction of fees associated with a mutual fund, such as investment management fees. Investors cannot invest directly in an index, although they can invest in its underlying securities.

The performance data shown represents past performance and does not guarantee future results.

Market Exposure²

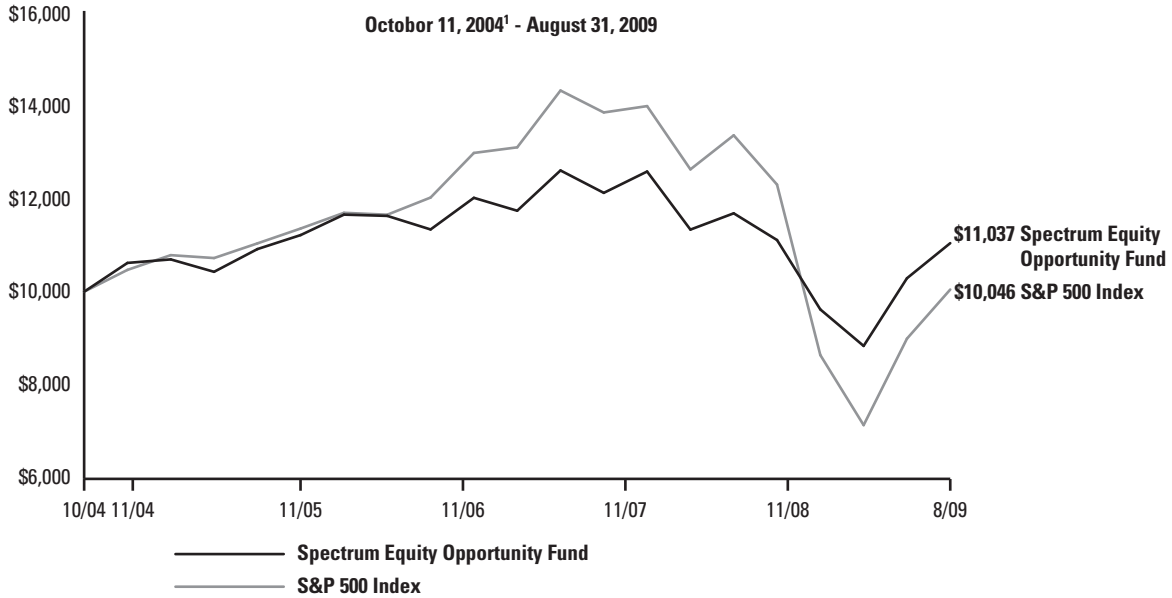
<u>Investment Type</u>	<u>% Net Assets</u>
Investment Companies	73.8%
Swap Contracts	19.7%
Total Exposure	93.5%

"Market Exposure" includes the value of total investments (including the contract value of any derivatives) and excludes any short-term investments and cash equivalents divided by Net Assets.

¹ Commencement of operations.

² As of August 31, 2009.

Spectrum Equity Opportunity Fund
October 11, 2004¹ - August 31, 2009 (Unaudited)



Average Annual Total Return²
Since Inception

	<u>1 Year</u>	<u>3 Year</u>	<u>Since Inception</u>
Spectrum Equity Opportunity Fund	(0.60)%	(0.87)%	2.04%
S&P 500 Index	(18.25)%	(5.78)%	0.09%

This chart illustrates the performance of a hypothetical \$10,000 investment made on the Fund's inception, and is not intended to imply any future performance. The returns shown do not reflect the deduction of taxes that a shareholder would pay on fund distributions of the redemption of fund shares. The performance of the S&P 500 Index does not reflect the deduction of fees associated with a mutual fund, such as investment management fees. Investors cannot invest directly in an index, although they can invest in its underlying securities.

The performance data shown represents past performance and does not guarantee future results.

Market Exposure²

<u>Investment Type</u>	<u>% Net Assets</u>
Investment Companies	73.1%
Swap Contracts	9.9%
Futures Contracts	15.0%
Total Exposure	98.0%

"Market Exposure" includes the value of total investments (including the contract value of any derivatives) and excludes any short-term investments and cash equivalents divided by Net Assets.

¹ Commencement of operations.

² As of August 31, 2009.

Expense Example

August 31, 2009 (Unaudited)

As a shareholder of a mutual fund, you incur two types of costs: (1) transaction costs, including sales charges (loads) on purchase payments, reinvested dividends, or other distributions; redemption fees; and exchange fees; and (2) ongoing costs, including management fees; distribution and/or service fees; and other Fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare costs with the ongoing costs of investing in other mutual funds.

The Example is based on an investment of \$1,000 invested at the beginning of the period and held the entire period March 1, 2009 — August 31, 2009).

Actual Expenses

The first line of the table below provides information about actual account values and actual expenses. Although the Fund charges no sales load or transactions fees, you will be assessed fees for outgoing wire transfers, returned checks or stop payment orders at prevailing rates charged by U.S. Bancorp Fund Services, LLC, the Funds' transfer agent. If you request a redemption be made by wire transfer, currently a \$15.00 fee is charged by the Funds' transfer agent. However, the example below does not include portfolio trading commissions and related expenses or other extraordinary expenses as determined under generally accepted accounting principles. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Funds' actual expense ratios and an assumed rate of return of 5% per year before expenses, which is not the Funds' actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Funds and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as wire transfers, returned checks or stop payment orders. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

Expense Example Tables
August 31, 2009 (Unaudited)

	<u>Expense Ratio¹</u>	<u>Beginning Account Value March 1, 2009</u>	<u>Ending Account Value August 31, 2009</u>	<u>Expenses Paid During Period²</u>
Spectrum Select Alternative Fund				
Based on actual fund return	2.58%	\$1,000.00	\$1,242.10	\$14.58
Based on hypothetical 5% return	2.58%	1,000.00	1,012.20	13.09
Spectrum Global Perspective Fund				
Based on actual fund return	2.50%	1,000.00	1,328.30	14.67
Based on hypothetical 5% return	2.50%	1,000.00	1,012.60	12.68
Spectrum Equity Opportunity Fund				
Based on actual fund return	2.68%	1,000.00	1,248.40	15.19
Based on hypothetical 5% return	2.68%	1,000.00	1,011.70	13.59

¹ Annualized

² Expenses are equal to the Fund's annualized expense ratio, multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half-year/period, then divided by 365.

Allocation of Portfolio Holdings
August 31, 2009 (Unaudited)

	<u>Cash*</u>	<u>Investment Companies</u>	<u>Futures</u>	<u>Swaps</u>	<u>Total</u>
Spectrum Select Alternative Fund	6%	94%	0%**	0%**	100%
Spectrum Global Perspective Fund	25%	74%	—	1%	100%
Spectrum Equity Opportunity Fund	27%	73%	0%**	0%**	100%

* Cash, cash equivalents and other assets less liabilities.

** Percentage is less than 0.5%.

Spectrum Select Alternative Fund

Schedule of Investments

August 31, 2009

Shares		Value	Shares		Value
INVESTMENT COMPANIES - 94.1%			SHORT TERM INVESTMENTS - 5.7%		
			MONEY MARKET FUNDS - 5.7%		
231,695	Absolute Opportunities Fund	\$ 2,817,416	193,188	Fidelity Institutional Government Portfolio, 0.19%	\$ 193,188
736,876	Artio Global High Income Fund Class I	6,941,375	193,188	Fidelity Institutional Money Market Portfolio, 0.42%	193,188
4,100	BlackRock Corporate High Yield Fund	38,827	193,188	Goldman Sachs Financial Square Federal Fund, 0.11%	193,188
23,100	BlackRock High Income Shares	38,808	823,187	Goldman Sachs Financial Square Government Fund, 0.11%(a)	823,187
11,900	Credit Suisse Asset Management Income Fund	37,723	193,188	Morgan Stanley Institutional Liquidity Fund - Treasury Portfolio, 0.01%	193,188
11,100	Dreyfus High Yield Strategies Fund	36,408		TOTAL SHORT TERM INVESTMENTS	
4,950	DWS High Income Trust	36,877		(Cost \$1,595,939)	<u>\$ 1,595,939</u>
275,964	Hartford Floating Rate Fund	2,235,305		TOTAL INVESTMENTS	
161,394	J.P. Morgan Market Neutral Fund	2,527,437		(Cost \$25,301,434) - 99.8%	\$28,017,829
108,624	Merger Fund	1,647,828		Other Assets in Excess of Liabilities - 0.2%	<u>63,032</u>
7,500	Neuberger Berman Income Opportunity Fund	41,775		TOTAL NET ASSETS - 100.0%	<u>\$28,080,861</u>
4,700	New America High Income Fund	38,258			
17,025	Northeast Investors Trust	92,786			
170,631	TFS Market Neutral Fund	2,562,877			
939,512	Western Asset High Yield Portfolio	<u>7,328,190</u>			
	TOTAL INVESTMENT COMPANIES				
	(Cost \$23,705,495)	<u>\$26,421,890</u>			

Percentages are stated as a percent of net assets.

(a) \$630,000 of this security is held as collateral for swap contracts.

Spectrum Select Alternative Fund

Short Futures Contracts

August 31, 2009

Contracts		Unrealized Appreciation
18	U.S. Dollar Index Futures Expiring September 2009 (Underlying Face Amount at Market Value \$1,407,690)	<u>\$5,233</u>

Spectrum Select Alternative Fund

Long Equity Swap Contracts

August 31, 2009

Counterparty	Reference Entity	Number of Contracts	Notional Amount	Termination Date	Unrealized Appreciation/Depreciation
Credit Suisse Capital, LLC	Apple, Inc.	410	\$ 68,283	8/6/2010	\$ 673
Credit Suisse Capital, LLC	Aracruz Celulose S.A.	3,300	68,932	8/6/2010	753
Credit Suisse Capital, LLC	ATP Oil & Gas Corp.	6,920	69,376	8/6/2010	7,772
Credit Suisse Capital, LLC	Broadridge Financial Solution, Inc.	3,420	69,037	8/6/2010	2,157
Credit Suisse Capital, LLC	CAE, Inc.	9,140	69,450	8/6/2010	3,386
Credit Suisse Capital, LLC	Dollar Thrifty Automotive Group, Inc.	3,090	68,913	8/6/2010	(7,617)
Credit Suisse Capital, LLC	Flextronics International Ltd.	12,230	68,866	8/6/2010	3,648
Credit Suisse Capital, LLC	Fuel Systems Solutions, Inc.	2,110	69,054	8/6/2010	1,663
Credit Suisse Capital, LLC	Google, Inc.	150	69,171	8/6/2010	70
Credit Suisse Capital, LLC	Heartland Payment Systems, Inc.	6,160	69,477	8/6/2010	7,636
Credit Suisse Capital, LLC	Hologic, Inc.	4,390	68,902	8/6/2010	3,304
Credit Suisse Capital, LLC	Johnson & Johnson	1,130	68,990	8/6/2010	(149)
Credit Suisse Capital, LLC	M/I Homes, Inc.	4,740	68,941	8/6/2010	6,035
Credit Suisse Capital, LLC	Mindray Medical International Ltd.	2,200	68,938	8/6/2010	(968)
Credit Suisse Capital, LLC	Oriental Financial Group, Inc.	4,560	69,341	8/6/2010	(7,608)
Credit Suisse Capital, LLC	Parkway Properties, Inc.	4,040	69,178	8/6/2010	3,938
Credit Suisse Capital, LLC	Pennsylvania Real Estate Investment Trust	10,870	69,102	8/6/2010	4,585
Credit Suisse Capital, LLC	Perfect World Co. Ltd.	1,730	69,206	8/6/2010	(3,216)
Credit Suisse Capital, LLC	T-3 Energy Services, Inc.	3,930	69,074	8/6/2010	6
Credit Suisse Capital, LLC	Tenneco, Inc.	3,950	68,949	8/6/2010	(6,944)
		<u>88,470</u>	<u>\$1,381,180</u>		<u>\$19,124</u>

The accompanying notes are an integral part of these financial statements.

Spectrum Global Perspective Fund

Schedule of Investments

August 31, 2009

<u>Shares</u>		<u>Value</u>		<u>Shares</u>		<u>Value</u>
INVESTMENT COMPANIES - 73.8%						
994,552	Artio Global High Income Fund	\$ 9,368,677		3,838,290	Goldman Sachs Financial Square Government Fund, 0.11%(a)	\$ 3,838,290
239,000	iShares MSCI EAFE Index Fund	12,590,520		2,078,290	Morgan Stanley Institutional Liquidity Fund - Treasury Portfolio, 0.01%	<u>2,078,290</u>
460,600	iShares MSCI Emerging Markets Index Fund	16,263,786			TOTAL SHORT TERM INVESTMENTS (Cost \$12,151,451)	<u>\$12,151,451</u>
19,407	Northeast Investors Trust	105,766			TOTAL INVESTMENTS (Cost \$52,858,531) - 93.6%	\$57,407,779
25,599	TFS Market Neutral Fund	384,504			Other Assets in Excess of Liabilities - 6.4%	<u>3,896,968</u>
838,856	Western Asset High Yield Portfolio	<u>6,543,075</u>			TOTAL NET ASSETS - 100.0%	<u>\$61,304,747</u>
	TOTAL INVESTMENT COMPANIES (Cost \$40,707,080)	<u>\$45,256,328</u>				
SHORT TERM INVESTMENTS - 19.8%						
MONEY MARKET FUNDS - 19.8%						
2,078,291	Fidelity Institutional Government Portfolio, 0.19%	2,078,291			Percentages are stated as a percent of net assets.	
2,078,290	Fidelity Institutional Money Market Portfolio, 0.42%	2,078,290			(a) \$1,760,000 of this security is held as collateral for swap contracts.	
2,078,290	Goldman Sachs Financial Square Federal Fund, 0.11%	2,078,290				

Spectrum Global Perspective Fund

Long Equity Swap Contracts

August 31, 2009

<u>Counterparty</u>	<u>Reference Entity</u>	<u>Number of Contracts</u>	<u>Notional Amount</u>	<u>Termination Date</u>	<u>Unrealized Appreciation</u>
Credit Suisse Capital, LLC	iShares MSCI EAFE Index Fund	228,700	\$11,692,646	7/26/2010	<u>\$353,519</u>

The accompanying notes are an integral part of these financial statements.

Spectrum Equity Opportunity Fund

Schedule of Investments

August 31, 2009

<u>Shares</u>		<u>Value</u>		<u>Shares</u>		<u>Value</u>
INVESTMENT COMPANIES - 73.1%						
232,373	Artio Global High Income Fund	\$ 2,188,949		560,431	Goldman Sachs Financial Square Government Fund, 0.11%	\$ 560,431
4,666	Janus Advisor Long/Short Fund	44,047		560,431	Morgan Stanley Institutional Liquidity Fund - Treasury Portfolio, 0.01%	560,431
34,700	iShares MSCI Emerging Markets Index Fund	1,225,257			TOTAL SHORT TERM INVESTMENTS	
83,500	iShares Russell 2000 Index Fund	4,772,025			(Cost \$2,802,155)	\$ 2,802,155
0	Kinder Morgan Management, LLC(a)	4			TOTAL INVESTMENTS	
4,411	Northeast Investors Trust	24,038			(Cost \$11,765,046) - 93.9%	\$12,624,087
200,976	Western Asset High Yield Portfolio	1,567,612			Other Assets in Excess of Liabilities - 6.1%	81,091
	TOTAL INVESTMENT COMPANIES	\$ 9,821,932			TOTAL NET ASSETS - 100.0%	\$13,438,178
	(Cost \$8,962,891)					
SHORT TERM INVESTMENTS - 20.8%						
MONEY MARKET FUNDS - 20.8%						
560,431	Fidelity Institutional Government Portfolio, 0.19%	560,431		Percentages are stated as a percent of net assets.		
560,431	Fidelity Institutional Money Market Portfolio, 0.42%	560,431		(a) Fund holds less than one share.		
560,431	Goldman Sachs Financial Square Federal Fund, 0.11%	560,431				

Spectrum Equity Opportunity Fund

Futures Contracts

August 31, 2009

<u>Contracts</u>		<u>Unrealized Appreciation</u>
62	NASDAQ-100 e-Mini Futures Expiring September 2009 (Underlying Face Amount at Market Value \$2,016,550)	\$36,936

Spectrum Equity Opportunity Fund

Long Equity Swap Contracts

August 31, 2009

<u>Counterparty</u>	<u>Reference Entity</u>	<u>Number of Contracts</u>	<u>Notional Amount</u>	<u>Termination Date</u>	<u>Unrealized Appreciation/Depreciation</u>
Credit Suisse Capital, LLC	Apple, Inc.	400	\$ 66,725	7/26/2010	\$ 550
Credit Suisse Capital, LLC	Aracruz Celulose S.A.	3,170	66,110	7/26/2010	833
Credit Suisse Capital, LLC	ATP Oil & Gas Corp.	6,490	66,235	7/26/2010	6,120
Credit Suisse Capital, LLC	Broadridge Financial Solution, Inc.	3,270	66,116	7/26/2010	1,957
Credit Suisse Capital, LLC	CAE, Inc.	8,740	66,502	7/26/2010	3,148
Credit Suisse Capital, LLC	Dollar Thrifty Automotive Group, Inc.	2,960	66,021	7/26/2010	(7,303)
Credit Suisse Capital, LLC	Flextronics International Ltd.	11,540	65,952	7/26/2010	2,472
Credit Suisse Capital, LLC	Fuel Systems Solutions, Inc.	2,020	66,213	7/26/2010	1,490
Credit Suisse Capital, LLC	Google, Inc.	140	64,850	7/26/2010	(224)
Credit Suisse Capital, LLC	Heartland Payment Systems, Inc.	5,840	66,793	7/26/2010	6,286
Credit Suisse Capital, LLC	Hologic, Inc.	4,200	66,008	7/26/2010	3,074
Credit Suisse Capital, LLC	Johnson & Johnson	1,080	65,783	7/26/2010	(251)
Credit Suisse Capital, LLC	M/I Homes, Inc.	4,480	66,861	7/26/2010	4,004
Credit Suisse Capital, LLC	Mindray Medical International Ltd.	2,100	65,911	7/26/2010	(1,029)
Credit Suisse Capital, LLC	Oriental Financial Group, Inc.	4,290	66,240	7/26/2010	(8,162)
Credit Suisse Capital, LLC	Parkway Properties, Inc.	3,800	66,961	7/26/2010	1,811
Credit Suisse Capital, LLC	Pennsylvania Real Estate Investment Trust	10,400	66,216	7/26/2010	4,288
Credit Suisse Capital, LLC	Perfect World Co. Ltd.	1,660	66,228	7/26/2010	(2,907)
Credit Suisse Capital, LLC	T-3 Energy Services, Inc.	3,720	66,439	7/26/2010	(1,049)
Credit Suisse Capital, LLC	Tenneco, Inc.	3,740	65,890	7/26/2010	(7,181)
		<u>84,040</u>	<u>\$1,324,054</u>		<u>\$ 7,927</u>

The accompanying notes are an integral part of these financial statements.

Statements of Assets and Liabilities

August 31, 2009

	<u>Spectrum Select Alternative Fund</u>	<u>Spectrum Global Perspective Fund</u>	<u>Spectrum Equity Opportunity Fund</u>
Assets:			
Investments, at market value (Note 2)	\$28,017,829	\$ 57,407,779	\$12,624,087
Cash	—	403,277	—
Receivable for Fund shares sold	—	2,966	—
Receivable for investments sold	—	9,872,803	2,707,194
Deposit at broker for futures	30,600	—	116,250
Due from broker for futures	—	—	57,350
Unrealized appreciation on swaps	45,626	353,519	36,033
Variation margin receivable	3,240	—	—
Dividends and interest receivable	48,851	54,687	13,504
Other assets	8,774	8,880	6,091
Total Assets	<u>28,154,920</u>	<u>68,103,911</u>	<u>15,560,509</u>
Liabilities:			
Payable for investments purchased	—	6,218,812	2,038,470
Variation margin payable	—	—	20,150
Deposit from broker for swaps	—	450,000	—
Unrealized depreciation on swaps	26,502	—	28,106
Accrued advisory expense	12,676	52,104	11,443
Accrued distribution expense	20,183	47,844	13,785
Accrued operating services fees	12,942	28,657	6,293
Accrued expenses and other liabilities	1,756	1,747	4,084
Total Liabilities	<u>74,059</u>	<u>6,799,164</u>	<u>2,122,331</u>
Net Assets	<u>\$28,080,861</u>	<u>\$ 61,304,747</u>	<u>\$13,438,178</u>
Net Assets Consist Of:			
Capital stock	\$29,215,852	\$ 81,443,035	\$17,034,483
Accumulated undistributed net investment income (loss)	208,303	—	(20)
Accumulated undistributed net realized gain (loss)	(4,084,046)	(25,041,055)	(4,500,189)
Net unrealized appreciation (depreciation) on:			
Investments	2,716,395	4,549,248	859,041
Futures	5,233	—	36,936
Swaps	19,124	353,519	7,927
Total Net Assets	<u>\$28,080,861</u>	<u>\$ 61,304,747</u>	<u>\$13,438,178</u>
Calculation of Net Asset Value Per Share:			
Net assets	\$28,080,861	\$ 61,304,747	\$13,438,178
Shares outstanding (unlimited shares of beneficial interest authorized, no par value)	1,379,487	3,196,989	755,511
Net asset value, redemption price and offering price per share	<u>\$ 20.36</u>	<u>\$ 19.18</u>	<u>\$ 17.79</u>
Cost of Investments	<u>\$25,301,434</u>	<u>\$ 52,858,531</u>	<u>\$11,765,046</u>

The accompanying notes are an integral part of these financial statements.

Statements of Operations
Year Ended August 31, 2009

	<u>Spectrum Select Alternative Fund</u>	<u>Spectrum Global Perspective Fund</u>	<u>Spectrum Equity Opportunity Fund</u>
Investment income:			
Dividend income (net of foreign withholding tax of \$—, \$—, \$414, respectively)	\$1,074,998	\$ 996,788	\$ 265,318
Interest income	<u>73,014</u>	<u>337,454</u>	<u>72,579</u>
Total investment income	<u>1,148,012</u>	<u>1,334,242</u>	<u>337,897</u>
Expenses:			
Investment advisory fees	214,751	569,120	128,333
Distribution expenses	214,751	569,120	128,333
Administration fees	6,719	18,388	4,171
Fund accounting fees	14,400	38,564	9,314
Custody fees	6,496	17,833	3,099
Transfer agent fees	33,278	69,907	16,022
Federal and state registration	9,352	10,597	8,219
Professional fees	43,373	63,511	41,570
Reports to shareholders	—	—	2,284
Trustees' fees and expenses	1,758	3,830	1,380
Operating services fees	24,617	55,027	12,148
Other	<u>3,889</u>	<u>17,523</u>	<u>3,587</u>
Total expenses before reimbursement	573,384	1,433,420	358,460
Less: Reimbursement of expenses from Adviser	—	—	(5,776)
Less: Expenses paid indirectly (Note 6)	<u>(17,680)</u>	<u>(17,176)</u>	<u>(4,187)</u>
Total expenses	<u>555,704</u>	<u>1,416,244</u>	<u>348,497</u>
Net investment income (loss)	<u>592,308</u>	<u>(82,002)</u>	<u>(10,600)</u>
Realized and unrealized gain (loss) on investments:			
Net realized gain (loss) on:			
Investments	(762,091)	(7,329,757)	(991,435)
Futures	14,876	(897,774)	(417,304)
Swaps	263,667	2,083,050	27,999
Contributions by affiliates (Note 5)	<u>71,280</u>	<u>—</u>	<u>—</u>
	<u>(412,268)</u>	<u>(6,144,481)</u>	<u>(1,380,740)</u>
Capital gain distributions from regulated investment companies	<u>9,658</u>	<u>—</u>	<u>—</u>
Change in unrealized appreciation (depreciation) on:			
Investments	2,744,452	4,476,912	974,715
Futures	5,233	—	15,305
Swaps	<u>19,124</u>	<u>353,519</u>	<u>7,927</u>
	<u>2,768,809</u>	<u>4,830,431</u>	<u>997,947</u>
Net realized and unrealized gain (loss) on investments	<u>2,366,199</u>	<u>(1,314,050)</u>	<u>(382,793)</u>
Net increase (decrease) in net assets resulting from operations	<u>\$2,958,507</u>	<u>\$(1,396,052)</u>	<u>\$ (393,393)</u>

The accompanying notes are an integral part of these financial statements.

Statements of Changes in Net Assets

	Spectrum Select Alternative Fund		Spectrum Global Perspective Fund		Spectrum Equity Opportunity Fund	
	Year Ended August 31, 2009	Year Ended August 31, 2008	Year Ended August 31, 2009	Year Ended August 31, 2008	Year Ended August 31, 2009	Year Ended August 31, 2008
Operations:						
Net investment income (loss)	\$ 592,308	\$ 596,028	\$ (82,002)	\$ (762,345)	\$ (10,600)	\$ (65,320)
Net realized gain (loss) on investments	(412,268)	(3,138,786)	(6,144,481)	(5,319,917)	(1,380,740)	(1,201,572)
Capital gain distributions from regulated investment companies	9,658	120,927	—	4,110	—	4,266
Change in unrealized appreciation (depreciation) on investments	<u>2,768,809</u>	<u>115,783</u>	<u>4,830,431</u>	<u>(2,055,423)</u>	<u>997,947</u>	<u>(447,824)</u>
Net increase (decrease) in net assets resulting from operations	<u>2,958,507</u>	<u>(2,306,048)</u>	<u>(1,396,052)</u>	<u>(8,133,575)</u>	<u>(393,393)</u>	<u>(1,710,450)</u>
Distributions to shareholders:						
Net investment income	(549,091)	(798,522)	(7,154)	(3,592,655)	—	(755,550)
Net realized gains	—	(14,167)	(5,677)	(15,267,529)	—	(1,483,186)
Return of capital	—	—	(40)	—	(1,882)	—
Total distributions	<u>(549,091)</u>	<u>(812,689)</u>	<u>(12,871)</u>	<u>(18,860,184)</u>	<u>(1,882)</u>	<u>(2,238,736)</u>
Capital share transactions:						
Proceeds from shares sold	8,303,976	7,989,068	3,612,228	8,266,915	1,076,979	1,142,108
Proceeds from shares issued to holders in reinvestment of dividends	546,658	805,878	12,841	18,836,313	1,864	2,238,737
Cost of shares redeemed	<u>(8,168,964)</u>	<u>(21,443,226)</u>	<u>(20,760,271)</u>	<u>(31,024,292)</u>	<u>(3,626,856)</u>	<u>(15,908,109)</u>
Net increase (decrease) in net assets resulting from capital share transactions	<u>681,670</u>	<u>(12,648,280)</u>	<u>(17,135,202)</u>	<u>(3,921,064)</u>	<u>(2,548,013)</u>	<u>(12,527,264)</u>
Total increase (decrease) in net assets	<u>3,091,086</u>	<u>(15,767,017)</u>	<u>(18,544,125)</u>	<u>(30,914,823)</u>	<u>(2,943,288)</u>	<u>(16,476,450)</u>
Net assets:						
Beginning of year	<u>24,989,775</u>	<u>40,756,792</u>	<u>79,848,872</u>	<u>110,763,695</u>	<u>16,381,466</u>	<u>32,857,916</u>
End of year	<u>\$28,080,861</u>	<u>\$ 24,989,775</u>	<u>\$ 61,304,747</u>	<u>\$ 79,848,872</u>	<u>\$13,438,178</u>	<u>\$ 16,381,466</u>
Undistributed (Accumulated) net investment income (loss), end of year	<u>\$ 208,303</u>	<u>\$ 44,090</u>	<u>\$ —</u>	<u>\$ 7,154</u>	<u>(20)</u>	<u>\$ —</u>

The accompanying notes are an integral part of these financial statements.

Financial Highlights August 31, 2009

RATIOS TO AVERAGE NET ASSETS

Year/Period	Net Asset Value, Beginning of Year/Period	Net Investment Income (Loss) ³	Net Realized and Unrealized Gain (Loss) on Investments ⁴	Net Increase (Decrease) in Net Asset Value Resulting from Operations	Dividends from Net Investment Income	Distributions from Realized Capital Gains	Return of Capital Distribution	Total Distributions	Net Asset Value, End of Year/Period	Total Return ⁵	Including Short Dividends		Excluding Short Dividends		Net Investment Income (Loss) After Expense Reimbursement/Recoupment ⁶	Portfolio Turnover Rate ⁷
											Total Expenses ¹	Net Expenses ¹	Total Expenses ¹	Net Expenses ¹		
Spectrum Select Alternative Fund																
Year ended August 31, 2009	\$18.33	\$ 0.50	\$ 2.00	\$ 2.50	\$(0.47)	—	—	\$(0.47)	\$20.36	14.09%	—	—	2.67%	2.59%	2.76%	297%
Year ended August 31, 2008	20.02	0.33	(1.58)	(1.25)	(0.43)	(0.01)	—	(0.44)	18.33	(6.38)%	—	—	2.57%	2.57%	1.68%	127%
Year ended August 31, 2007	19.54	0.57	0.76	1.33	(0.85)	—	—	(0.85)	20.02	6.93%	—	—	2.44%	2.44%	2.82%	260%
Year ended August 31, 2006	19.96	0.50	0.34	0.84	(1.26)	—	—	(1.26)	19.54	4.53%	—	—	2.54%	2.54%	2.57%	899%
September 1, 2004 ¹¹ to August 31, 2005	20.00	0.48	(0.26)	0.22	(0.26)	—	—	(0.26)	19.96	1.09% ²	—	—	2.38%	2.38%	2.44%	759% ²
Spectrum Global Perspective Fund																
Year ended August 31, 2009	18.69	(0.02)	0.51	0.49	— ¹⁰	— ¹⁰	— ¹⁰	— ¹⁰	19.18	2.65%	—	—	2.52%	2.49%	(0.14)%	1,770%
Year ended August 31, 2008	24.73	(0.16)	(1.48)	(1.64)	(0.84)	(3.56)	—	(4.40)	18.69	(8.96)%	—	—	2.39%	2.38%	(0.75)%	2,073%
Year ended August 31, 2007	25.93	(0.03)	2.86	2.83	(0.34)	(3.69)	—	(4.03)	24.73	11.32%	—	—	2.24%	2.24%	(0.12)%	1,259%
Year ended August 31, 2006	23.46	0.06	4.49	4.55	—	(2.08)	—	(2.08)	25.93	20.43%	—	—	2.23%	2.23%	0.25%	1,693%
September 27, 2004 ¹¹ to August 31, 2005	20.00	(0.03) ⁸	3.80	3.77	(0.26)	(0.05)	—	(0.31)	23.46	18.88% ²	2.39%	2.39%	2.38%	2.38%	(0.16)% ⁹	1,152% ²
Spectrum Equity Opportunity Fund																
Year ended August 31, 2009	17.90	(0.01)	(0.10)	(0.11)	—	—	— ¹⁰	— ¹⁰	17.79	(0.60)%	—	—	2.79%	2.72%	(0.09)%	1,485%
Year ended August 31, 2008	21.24	(0.05)	(1.51)	(1.56)	(0.60)	(1.18)	—	(1.78)	17.90	(8.28)%	—	—	2.63%	2.63%	(0.27)%	1,617%
Year ended August 31, 2007	21.43	(0.03)	1.48	1.45	(0.31)	(1.33)	—	(1.64)	21.24	6.91%	—	—	2.40%	2.40%	(0.14)%	1,347%
Year ended August 31, 2006	21.85	0.03	0.77	0.80	—	(1.22)	—	(1.22)	21.43	3.85%	—	—	2.31%	2.31%	0.15%	2,310%
October 11, 2004 ¹¹ to August 31, 2005	20.00	(0.16)	2.01	1.85	—	—	—	—	21.85	9.25% ²	—	—	2.50%	2.50%	(0.88)%	1,334% ²

¹ Annualized.

² Not annualized.

³ Net investment income (loss) per share represents net investment income (loss) divided by the daily average shares of beneficial interest outstanding throughout each period.

⁴ The amounts shown may not correlate with aggregate gains and losses of portfolio securities due to timing of subscriptions and redemptions of Fund shares.

⁵ All returns reflect reinvested dividends, if any, but do not reflect the impact of taxes.

⁶ Portfolio turnover is calculated without regard to short-term securities having a maturity of less than one year. Investments in options, swaps, and futures contracts and repurchase agreements are deemed short-term securities. The Fund's aggressive investment strategy may result in significant portfolio turnover to take advantage of anticipated changes in market conditions.

⁷ The Adviser made a contribution due to a trading error. If the contribution had not been made, the total return would have been lower by 0.34%.

⁸ Net investment income (loss) before dividends on short positions for the period ended August 31, 2005 was \$0.04.

⁹ Net investment income (loss) ratio included dividends on short positions. The ratio excluding dividends on short positions for the period ended August 31, 2005 was (0.15%).

¹⁰ Amount is less than \$0.01 per share.

¹¹ Commencement of operations.

Direxion Funds
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2009

1. ORGANIZATION

Direxion Funds (the "Trust") was organized as a Massachusetts Business Trust on June 6, 1997 and is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end management investment company issuing its shares in series, each series representing a distinct portfolio with its own investment objective and policies. The Trust currently has 34 series of which 7 are included in this report, HCM Freedom Fund, PSI Core Strength Fund, PSI Macro Trends Fund, PSI Total Return Fund, Spectrum Select Alternative Fund, Spectrum Global Perspective Fund and Spectrum Equity Opportunity Fund (each a "Fund" and collectively, the "Funds"). Each Fund is a "non-diversified" series of the Trust pursuant to the 1940 Act.

The objective of the HCM Freedom Fund is to seek long-term capital appreciation with lower volatility than the overall market by investing in equity securities of domestic issuers, equity securities of foreign issuers, whether directly or indirectly through sponsored or unsponsored American Depositary Receipts (ADRs), exchange traded funds (ETFs), other investment companies and foreign currencies. The objective of the PSI Core Strength Fund is to seek returns equal to or better than the return of the broad U.S. stock market as measured by the S&P 500 Index over a full market cycle. The PSI Macro Trends Fund seeks to implement short or long strategies to achieve capital appreciation. The PSI Total Return Fund seeks income plus capital appreciation. The objective of the Spectrum Select Alternative Fund is to seek income and capital appreciation on a total return basis by investing primarily in high yield fixed-income securities, either directly or indirectly through exchange-traded funds (ETFs), other investment companies and derivative instruments. The Spectrum Global Perspective Fund seeks income and capital appreciation by investing in equity securities of foreign issuers either directly or indirectly through American Depositary Receipts (ADRs), ETFs, foreign currencies, other investment companies and derivative instruments. The Spectrum Equity Opportunity Fund seeks income and capital appreciation by investing either directly in securities of domestic and foreign issuers or indirectly through ADRs, ETFs, other investment companies and derivative instruments.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Funds in the preparation of their financial statements. These policies are in conformity with U.S. generally accepted accounting principles ("GAAP").

a) Investment Valuation – The Net Asset Value ("NAV") of each Fund is determined daily, Monday through Friday, as of the close of regular trading on the New York Stock Exchange ("NYSE"), each day the NYSE is open for business. The value of all portfolio securities and other assets held by a Fund will be determined as of the time a Fund calculates its NAV, 4:00 p.m. Eastern Time ("Valuation Time"). Equity securities and exchange-traded funds are valued at their last sales price, or if not available, at the average of the last bid and ask prices. Investments in open-end mutual funds are valued at their respective quoted net asset values on the valuation dates. Futures are valued at the settlement price established on the exchange on which they are traded, if that settlement price reflects trading prior to the Valuation Time. If the settlement price established by the exchange reflects trading after the Valuation Time, then the last sales price prior to Valuation Time will be used. Options are valued at the composite price, using the National Best Bid and Offer quotes ("NBBO"). NBBO consists of the highest bid price and lowest ask price across any of the exchanges on which an option is quoted. Specifically, composite pricing looks at the last trades on the exchanges where the options are traded. If there are no trades for the option on a given business day, the composite pricing calculates the mean of the highest bid and lowest ask price across the exchanges where the option is traded. Over-the-counter securities are valued at the average of the last bid and ask prices. Securities primarily traded on the NASDAQ National Market are valued using the NASDAQ Official Closing Price. Swaps are valued based upon prices from third party vendor models or quotations from market makers to the extent available. Short-term debt securities with a maturity of 60 days or less and money market securities are valued using the amortized cost method. Other debt securities are valued by using the mean prices provided by the Fund's pricing service or, if such services are unavailable, by a pricing matrix method. Securities for which reliable market quotations are not readily available, the Funds' pricing service does not provide a valuation for such securities, the Fund's pricing service provides valuation that in the

judgment of Rafferty Asset Management, LLC (the "Adviser") does not represent fair value, or the Fund or Adviser believes the market price is stale will be fair valued as determined by the Adviser under the supervision of the Board of Trustees.

b) Repurchase Agreements – Each Fund may enter into repurchase agreements with institutions that are members of the Federal Reserve System or securities dealers who are members of a national securities exchange or are primary dealers in U.S. government securities. In connection with transactions in repurchase agreements, it is the Trust's policy that the Fund receives, as collateral, cash and/or securities (primarily U.S. government securities) whose market value, including accrued interest, at all times will be at least equal to 100% of the amount invested by the Fund in each repurchase agreement. If the seller defaults, and the value of the collateral declines, realization of the collateral by the Fund may be delayed or limited. The Funds were not invested in repurchase agreements at August 31, 2009.

c) Swap Contracts – Each Fund may enter into equity swap contracts. Standard equity swap contracts are between two parties that agree to exchange the returns (or differentials in rates of return) earned or realized on particular predetermined investments or instruments. The gross amount to be exchanged is calculated with respect to a "notional amount" (i.e. the return on or increase in value of a particular dollar amount invested in a "basket" of securities representing a particular index or industry sector). Most equity swap agreements entered into by the Funds calculate the obligations of the parties on a "net basis". Consequently, a Fund's current obligations under a swap agreement generally will be equal to the net amount to be paid or received under the agreement based on the relative value of the positions held by each party. The Fund's obligations are accrued daily (offset by any amounts owed to the funds.)

In a "long" equity swap agreement, the counterparty will generally agree to pay the Funds the amount, if any, by which the notional amount of swap contract would have increased in value if the Funds had been invested in the particular securities, plus dividends that would have been received on those securities. The Funds will agree to pay the counterparty a floating rate of interest on the notional amount of the swap contract plus the amount, if any, by which the notional amount would have decreased in value had it been invested in such securities plus, in certain instances, commissions or trading spreads on the notional amounts. Thus, the return on the swap contract should be the gain or loss on the notional amount plus dividends on the securities less the interest paid by the Fund on the notional amount. Payments may be made at the conclusion of the contract or periodically during its term. Swap contracts do not include the delivery of securities. The net amount of the excess, if any, of the Fund's obligations over its entitlement with respect to each swap is accrued on a daily basis and an amount of cash or liquid assets, having an aggregate net asset value at least equal to such accrued excess is maintained in a segregated account. Until a swap contract is settled in cash, the gain or loss on the notional amount plus dividends on the securities less the interest paid by the Funds on the notional amount is recorded as "unrealized appreciation (depreciation) on swaps" and when cash is exchanged, the gain or loss is recorded as "realized gains or losses on swaps". Swap contracts are collateralized by the securities and cash of each particular Fund.

Each Fund may enter into swap contracts that provide the opposite return of the particular benchmark or security ("short" the index or security). The operations are similar to that of the swaps disclosed above except that the counterparty pays interest to the Fund on the notional amount outstanding and the dividends on the underlying securities reduce the return of the swap. These amounts are netted with any unrealized appreciation or depreciation to determine the value of the swap. The Funds will typically enter into equity swap agreements in instances where the Adviser believes that it may be more cost effective or practical than buying a security or the securities represented by a particular index.

The Spectrum Select Alternative Fund may enter into credit default swaps. Credit default swaps involve one party making a stream of payments (referred to as the buyer of protection) to another party (the seller of protection) in exchange for the right to receive a specified return in the event a credit event occurs, typically a default by a corporate issuer on its debt obligation. As a seller of protection on credit default swaps, a Fund will generally receive from the buyer of protection a fixed rate of income throughout the term of the swap provided that there is no credit event. As the seller, a Fund would effectively add leverage to its portfolio because, in addition to its total assets, a Fund would be subject to investment exposure on the notional amount of the swap.

If a Fund is a seller of protection and a credit event occurs, the Fund will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation or underlying securities comprising the referenced index or (ii) pay a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index. If a Fund is a

buyer of protection and a credit event occurs, the Fund will either (i) receive from the seller of protection an amount equal to the notional amount of the swap and deliver the referenced obligation or underlying securities comprising the referenced index or (ii) receive a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index. Recovery values are assumed by market makers considering either industry standard recovery rates or entity specific factors and considerations until a credit event occurs. If a credit event has occurred, the recovery value is determined by a facilitated auction whereby a minimum number of allowable broker bids, together with a specified valuation method, are used to calculate the settlement value.

Credit default swap agreements on credit indices involve one party making a stream of payments to another party in exchange for the right to receive a specified return in the event of a write-down, principal shortfall, interest shortfall or default of all or part of the referenced entities comprising the credit index. The stream of payments is recorded as an unrealized gain or loss and adjusted to include up-front payments paid or received by the Fund recorded as a component of unrealized gain or loss on swaps, and/or interest associated with the agreement until the swap is sold or expires, at which point the cumulative stream of payments is recognized as a component of realized gain or loss. A credit index consists of a basket of credit instruments or exposures designed to be representative of some part of the credit market as a whole. These indices are made up of reference credits that are judged by a poll of dealers to be the most liquid entities in the credit default swap market based on the sector of the index. Components of the indices may include, but are not limited to, investment grade securities, high yield securities, asset based securities, emerging markets, and/or various credit ratings within each sector. Credit indices are traded using credit default swaps with standardized terms including a fixed spread and standard maturity dates. An index credit default swap references all the names in the index, and if there is a default, the credit event is settled based on that name's weight in the index. The composition of the indices changes periodically, usually every six months, and for most indices, each name has an equal weight in the index. A Fund may use credit default swaps on credit indices to hedge a portfolio of credit default swaps or bonds because entering into credit default swaps on indices is less expensive than buying many credit default swaps. Credit default swaps on indices are benchmarks for protecting investors owning bonds against defaults, and traders use them to speculate on changes in credit quality of bonds.

The maximum potential amount of future payments that the Fund as a seller of protection could be required to make under a credit default swap agreement would be an amount equal to the notional amount of the swap. These potential amounts would be partially offset by any recovery value of respective referenced obligations, upfront payments received upon entering into the agreement, or net amounts received from the settlement of buy protection credit default swap agreements entered into by a Fund for the same referenced entity or entities. The Fund was not invested in credit default swaps at August 31, 2009.

The Fund has adopted Financial Accounting Standards Board ("FASB") Staff Position No. FAS 133-1 and FIN 45-4, "Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45 (the "Position"). The Position amends FASB Statement No. 133 ("FAS 133"), Accounting for Derivative Instruments and Hedging Activities, and also amends FASB Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others. The amendments to FAS 133 include required disclosure for (i) the nature and terms of the credit derivative, reasons for entering into the credit derivative, the events or circumstances that would require the seller to perform under the credit derivative, and the current status of the payment/performance risk of the credit derivative, (ii) the maximum potential amount of future payments the seller could be required to make under the credit derivative, (iii) the fair value of the credit derivative, and (iv) the nature of any recourse provisions and assets held either as collateral or by third parties. The amendments to FIN 45 require additional disclosures about the current status of the payment risk of a guarantee.

d) Short Positions – Each Fund may engage in short sale transactions. For financial statement purposes, an amount equal to the settlement amount is included in the Statement of Assets and Liabilities as an asset and an equivalent liability. The amount of the liability is subsequently marked-to-market to reflect the current value of the short position. Subsequent fluctuations in the market prices of short positions may require purchasing the securities at prices which may differ from the market value reflected on the Statement of Assets and Liabilities. The Fund is liable to the buyer for any dividends payable on securities while those securities are in a short position. As collateral for its short positions, the Fund is required under the 1940 Act to maintain assets consisting of cash, cash equivalents or liquid securities equal to the market value of the securities sold short. This collateral is required to be adjusted daily. The Funds were not invested in short positions at August 31, 2009.

e) Stock Index Futures Contracts and Options on Futures Contracts – Each Fund may purchase and sell stock index futures contracts and options on such futures contracts. A Fund may use futures contracts to gain exposure to, or hedge against changes in the value of equities, interest rates or foreign currencies. Upon entering into a contract, the Fund deposits and maintains as collateral such initial margin as required by the exchange on which the transaction is effected. Pursuant to the contract, the Fund agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in value of the contract. Such receipts or payments are known as “variation margin” and are recorded by the Fund as unrealized gains and losses. When the contract is closed, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed. As collateral for futures contracts, the Fund is required under the 1940 Act to maintain assets consisting of cash, cash equivalents or liquid securities. This collateral is required to be adjusted daily to reflect the market value of the purchase obligation for long futures contracts or the market value of the instrument underlying the contract, but not less than the market price at which the futures contract was established, for short futures contracts. The Funds were not invested in options on futures contracts at August 31, 2009.

f) Risks of Options, Futures Contracts, Options on Futures Contracts and Short Positions – The risks inherent in the use of options, futures contracts, options on futures contracts and short positions include 1) adverse changes in the value of such instruments; 2) imperfect correlation between the price of options and futures contracts and options thereon and movements in the price of the underlying securities, index or futures contracts; 3) the possible absence of a liquid secondary market for any particular instrument at any time; 4) the possible need to defer closing out certain positions to avoid adverse tax consequences; and 5) the possible nonperformance by the counterparty under the terms of the contract. The Funds designate all cash, cash equivalents and liquid securities as collateral for written options, futures contracts, options on futures contracts and short positions.

g) Risks of Investing in Foreign Securities – The Spectrum Global Perspective and the Spectrum Equity Opportunity Funds may invest in foreign securities. Investments in foreign securities involve greater risks than investing in domestic securities. As a result, the Fund’s returns and net asset values may be affected to a large degree by fluctuations in currency exchange rates, political, diplomatic or economic conditions and regulatory requirements in other countries. The laws and accounting, auditing, and financial reporting standards in foreign countries typically are not as strict as they are in the U.S., and there may be less public information available about foreign companies.

h) Forward Currency Contracts – The Spectrum Global Perspective and Spectrum Equity Opportunity Funds may enter into forward currency exchange contracts obligating the Funds to deliver and receive currency at a specified future date. Forward contracts are valued daily, and unrealized appreciation and depreciation is recorded daily as the difference between the contract exchange rate and the closing forward rate applied to the face amount of the contract. A realized gain or loss is recorded at the time the forward contract is closed. The Funds were not invested in forward currency contracts at August 31, 2009.

i) Foreign Currency Translations – The books and records of the Funds are maintained in U.S. dollars. Foreign currency transactions are translated into U.S. dollars on the following basis: (i) market value of investment securities, assets and liabilities at the daily rates of exchange, and (ii) purchases and sales of investment securities, dividend and interest income and certain expenses at the rates of exchange prevailing on the respective dates of such transactions. For financial reporting purposes, the Funds do not isolate changes in the exchange rate of investment securities from the fluctuations arising from changes in market prices of securities. However, for federal income tax purposes, the Fund does isolate and treat as ordinary income the effect of changes in foreign exchange rates on realized gain or loss from the sale of investment securities and payables and receivables arising from trade-date and settlement-date differences.

j) Security Transactions – Investment transactions are recorded on the trade date. The Funds determine the gain or loss realized from the investment transactions by comparing the identified cost, which is the same basis used for federal income tax purposes, with the net sales proceeds.

k) Federal Income Taxes – Each Fund intends to comply with the requirements of Subchapter M of the Internal Revenue Code necessary to qualify as a regulated investment company and to make the requisite distributions of income and capital gains to its shareholders sufficient to relieve it from all or substantially all federal income taxes and excise taxes.

l) Income and Expenses – Dividend income is recorded on the ex-dividend date. Interest income, including amortization of premium and discount, and dividends received from money market funds, is recognized on an accrual basis. The Funds are charged for those expenses that are directly attributable to each series, such as Advisory fees and registration costs. Expenses that are not directly attributable to a series are generally allocated among the Trust's series in proportion to their respective net assets.

m) Distributions to Shareholders – Each Fund generally pays dividends from net investment income and distributes net realized capital gains, if any, at least annually. Income and capital gain distributions are determined in accordance with income tax regulations which may differ from GAAP. Distributions to shareholders are recorded on the ex-dividend date.

The tax character of distributions for the Funds during the years ended August 31, 2009 and August 31, 2008 were as follows:

	HCM Freedom Fund	
	Year Ended August 31, 2009	Year Ended August 31, 2008
Distributions paid from:		
Ordinary Income	\$1,039,384	\$3,487,566
Long-Term Capital Gains	—	—
Return of Capital	—	—
Total Distributions paid	\$1,039,384	\$3,487,566

	PSI Core Strength Fund		PSI Macro Trends Fund	
	Year Ended August 31, 2009	Year Ended August 31, 2008	Year Ended August 31, 2009	Year Ended August 31, 2008
Distributions paid from:				
Ordinary Income	\$ —	\$ 858,895	\$344,132	\$1,125,328
Long-Term Capital Gains	—	—	1,068	39,963
Return of Capital	39,894	199,791	36,679	—
Total Distributions paid	\$39,894	\$1,058,686	\$381,879	\$1,165,291

	PSI Total Return Fund		Spectrum Select Alternative Fund	
	Year Ended August 31, 2009	Year Ended August 31, 2008	Year Ended August 31, 2009	Year Ended August 31, 2008
Distributions paid from:				
Ordinary Income	\$243,314	\$1,517,114	\$549,091	\$812,689
Long-Term Capital Gains	—	231,312	—	—
Return of Capital	41,706	—	—	—
Total Distributions paid	\$285,020	\$1,748,426	\$549,091	\$812,689

	Spectrum Global Perspective Fund		Spectrum Equity Opportunity Fund	
	Year Ended August 31, 2009	Year Ended August 31, 2008	Year Ended August 31, 2009	Year Ended August 31, 2008
Distributions paid from:				
Ordinary Income	\$12,567	\$18,598,688	\$ —	\$2,236,452
Long-Term Capital Gains	264	261,496	—	2,284
Return of Capital	40	—	1,882	—
Total Distributions paid	\$12,871	\$18,860,184	\$1,882	\$2,238,736

As of August 31, 2009, the components of distributable earnings of the Funds on a tax basis were as follows:

	HCM Freedom Fund	PSI Core Strength Fund	PSI Macro Trends Fund	PSI Total Return Fund
Tax cost of investments	\$ 23,989,750	\$29,640,984	\$ 27,057,875	\$30,184,048
Gross unrealized appreciation	1,266,892	1,584,341	3,275,141	511,858
Gross unrealized depreciation	—	(1,411,375)	(1,600,713)	(79,606)
Net unrealized appreciation/(depreciation)	<u>1,266,892</u>	<u>\$ 172,966</u>	<u>\$ 1,674,428</u>	<u>\$ 432,252</u>
Undistributed ordinary income	50,357	—	—	—
Undistributed long-term capital gain	—	—	—	—
Total distributable earnings	<u>50,357</u>	<u>—</u>	<u>—</u>	<u>—</u>
Other accumulated gain/(loss)	(21,583,580)	(2,065,539)	(14,724,167)	(4,624,473)
Total accumulated earnings/(loss)	<u>(20,266,331)</u>	<u>\$ (1,892,573)</u>	<u>\$ (13,049,739)</u>	<u>\$ (4,192,221)</u>

	Spectrum Select Alternative Fund	Spectrum Global Perspective Fund	Spectrum Equity Opportunity Fund
Tax cost of investments	\$25,433,986	\$ 55,622,176	\$11,804,192
Gross unrealized appreciation	2,763,902	4,994,245	964,689
Gross unrealized depreciation	(180,059)	(3,208,642)	(144,794)
Net unrealized appreciation/(depreciation)	<u>\$ 2,583,843</u>	<u>\$ 1,785,603</u>	<u>\$ 819,895</u>
Undistributed ordinary income	226,744	—	—
Undistributed long-term capital gain	—	—	—
Total distributable earnings	<u>226,744</u>	<u>—</u>	<u>—</u>
Other accumulated gain/(loss)	(3,945,578)	(21,923,891)	(4,416,200)
Total accumulated earnings/(loss)	<u>\$ (1,134,991)</u>	<u>\$ (20,138,288)</u>	<u>\$ (3,596,305)</u>

The difference between book cost of investments and tax cost of investments is attributable primarily to the tax deferral of losses on wash sales. Other accumulated gain/ (loss) is generally comprised of capital loss carryforwards, post-October capital loss deferrals and/or unrealized gain/ (loss) on derivative positions.

On the Statement of Assets and Liabilities, the following adjustments were made for permanent tax differences between accounting for net investment income and realized gains and losses under GAAP and tax reporting:

	Net Investment Income (Loss)	Realized Gain (Loss)	Capital Stock
HCM Freedom Fund	\$ 39,413	\$ —	\$(39,413)
PSI Core Strength Fund	19,393	(169)	(19,224)
PSI Macro Trends Fund	2,651	(2,651)	—
PSI Total Return Fund	—	—	—
Spectrum Select Alternative Fund	120,996	(120,800)	(196)
Spectrum Global Perspective Fund	82,002	(1,432)	(80,570)
Spectrum Equity Opportunity Fund	10,580	790	(11,370)

Net investment income and realized gains and losses for federal income tax purposes may differ from that reported on the financial statements because of permanent book-to-tax differences. GAAP requires that permanent differences in net investment income and realized gains and losses due to differences between financial reporting and tax reporting be reclassified between various components of net assets. The permanent differences primarily relate to swap contracts, net operating losses, and dividends on redemption adjustments with differing book and tax methods.

In order to meet certain excise tax distribution requirements, the Funds are required to measure and distribute annually, net capital gains realized during a twelve-month period ending October 31st. In connection with this, the Funds are permitted for

tax purposes to defer into their next fiscal year any net capital losses incurred between November 1st and the end of their fiscal year, August 31, 2009.

At August 31, 2009, the following funds deferred, on a tax basis, post-October losses of:

	<u>Post October Capital Loss Deferred</u>	<u>Post October Currency Loss</u>
HCM Freedom Fund	\$ 20,073	\$—
PSI Core Strength Fund	548	—
PSI Macro Trends Fund	5,495,284	—
PSI Total Return Fund	71,959	—
Spectrum Select Alternative Fund	670,440	—
Spectrum Global Perspective Fund	7,288,697	—
Spectrum Equity Opportunity Fund	—	20

At August 31, 2009, the following funds had capital loss carryforwards on a tax basis of:

	<u>Expires</u>				
	<u>8/31/2014</u>	<u>8/31/2015</u>	<u>8/31/2016</u>	<u>8/31/2017</u>	<u>Total</u>
HCM Freedom Fund	\$8,842,217	\$5,679,579	\$1,637,612	\$ 5,404,099	\$21,563,507
PSI Core Strength Fund	—	—	—	2,064,991	2,064,991
PSI Macro Trends Fund	—	—	—	9,815,267	9,815,267
PSI Total Return Fund	—	—	—	4,573,332	4,573,332
Spectrum Select Alternative Fund	—	—	—	3,275,821	3,275,821
Spectrum Global Perspective Fund	—	—	—	14,988,713	14,988,713
Spectrum Equity Opportunity Fund	—	—	—	4,424,107	4,424,107

To the extent the Funds realize future net capital gains; those gains will be offset by any unused capital loss carryover.

FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ("FIN 48") requires the Funds to analyze all open tax years. Open tax years are those years that are open for examination by the relevant income taxing authority. As of August 31, 2009, open Federal and state income tax years include the tax years ended August 31, 2006, August 31, 2007, August 31, 2008 and August 31, 2009. The Funds have no examination in progress.

The Funds have reviewed all open tax years and concluded that the adoption of FIN 48 resulted in no effect to the Fund's financial positions or results of operations. There is no tax liability resulting from uncertain income tax positions taken or expected to be taken on the tax returns for the fiscal year-end August 31, 2006, August 31, 2007, August 31, 2008 and August 31, 2009. The Funds are also not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax expense will significantly change in twelve months.

n) Credit Facility – U.S. Bank, N.A. ("U.S. Bank") had made available to Funds, with the exception of the HCM Freedom Fund, a credit facility pursuant to a Line of Credit Agreement ("Line of Credit") for meeting redemption requests. The Funds did not utilize the Line of Credit during the year ended August 31, 2009:

	<u>Available Borrowing (Lesser of 33 1/3% of Fund's Net Assets or)</u>	<u>Outstanding Balance as of August 31, 2009</u>	<u>Maximum Amount Outstanding during the Year Ended August 31, 2009</u>	<u>Average Daily Balance</u>	<u>Interest Expense</u>	<u>Borrowings Charged At</u>
PSI Core Strength Fund	\$2,750,000	\$—	\$—	\$—	\$—	Prime Rate less 1/2%
PSI Macro Trends Fund	4,000,000	—	—	—	—	Prime Rate less 1/2%
PSI Total Return Fund	820,000	—	—	—	—	Prime Rate less 1/2%
Spectrum Select Alternative Fund	5,875,000	—	—	—	—	Prime Rate less 1/2%
Spectrum Global Perspective Fund	5,250,000	—	—	—	—	Prime Rate less 1/2%
Spectrum Equity Opportunity Fund	1,200,000	—	—	—	—	Prime Rate less 1/2%

o) Guarantees and Indemnifications – In the ordinary course of business, the Funds enter into contracts that contain a variety of indemnification provisions pursuant to which the Funds agree to indemnify third parties upon occurrence of specified events. The Fund's maximum exposure relating to these indemnification agreements is unknown. However, the Funds have not had prior claims or losses in connection with these provisions and believe the risk of loss is remote.

p) Use of Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. CAPITAL SHARE TRANSACTIONS

Capital share transactions for the Funds during the years ended August 31, 2009 and August 31, 2008 were as follows:

	HCM Freedom Fund	
	Year Ended August 31, 2009	Year Ended August 31, 2008
Shares sold	155,044	85,182
Shares issued in reinvestment of distributions	71,861	217,097
Shares redeemed	(223,503)	(204,007)
Total net increase (decrease) from capital share transactions	<u>3,402</u>	<u>98,272</u>

	PSI Core Strength Fund		PSI Macro Trends Fund	
	Year Ended August 31, 2009	Year Ended August 31, 2008	Year Ended August 31, 2009	Year Ended August 31, 2008
Shares sold	1,094,992	920,127	1,386,658	968,409
Shares issued in reinvestment of distributions	2,617	54,403	33,646	61,688
Shares redeemed	(574,595)	(1,042,322)	(1,339,571)	(1,064,083)
Total net increase (decrease) from capital share transactions	<u>523,014</u>	<u>(67,792)</u>	<u>80,733</u>	<u>(33,986)</u>

	PSI Total Return Fund		Spectrum Select Alternative Fund	
	Year Ended August 31, 2009	Year Ended August 31, 2008	Year Ended August 31, 2009	Year Ended August 31, 2008
Shares sold	917,328	1,458,486	448,807	400,108
Shares issued in reinvestment of distributions	14,661	85,716	30,842	40,903
Shares redeemed	(848,113)	(1,360,789)	(463,856)	(1,112,997)
Total net increase (decrease) from capital share transactions	<u>83,876</u>	<u>183,413</u>	<u>15,793</u>	<u>(671,986)</u>

	Spectrum Global Perspective Fund		Spectrum Equity Opportunity Fund	
	Year Ended August 31, 2009	Period Ended August 31, 2008	Year Ended August 31, 2009	Year Ended August 31, 2008
Shares sold	207,597	371,454	66,774	54,847
Shares issued in reinvestment of distributions	794	877,332	120	110,884
Shares redeemed	(1,284,176)	(1,454,964)	(226,511)	(797,504)
Total net increase (decrease) from capital share transactions	<u>(1,075,785)</u>	<u>(206,178)</u>	<u>(159,617)</u>	<u>(631,773)</u>

4. INVESTMENT TRANSACTIONS

During the year ended August 31, 2009, the aggregate purchases and sales of investments (excluding short-term investments, swaps and futures contracts) were:

	<u>HCM Freedom Fund</u>	<u>PSI Core Strength Fund</u>	<u>PSI Macro Trends Fund</u>	<u>PSI Total Return Fund</u>	<u>Spectrum Select Alternative Fund</u>	<u>Spectrum Global Perspective Fund</u>	<u>Spectrum Equity Opportunity Fund</u>
Purchases	\$108,557,403	\$298,688,243	\$71,637,402	\$61,798,932	\$58,268,118	\$437,360,854	\$86,915,537
Sales	\$ 88,516,881	\$289,933,385	\$71,394,805	\$49,985,615	\$46,310,617	\$439,655,268	\$83,236,794

There were no purchases or sales of long-term U.S. government securities during the period ended August 31, 2009 for any of the Funds.

5. INVESTMENT ADVISORY AND OTHER AGREEMENTS

Investment Advisory Fees: The Funds have entered into an investment advisory agreement with the Adviser. The Adviser receives a fee, computed daily and payable monthly, at the annual rates presented below as applied to each Fund's average daily net assets. In addition, the Adviser has entered into sub-advisory agreements with Horizon Capital Management, Inc. for the HCM Freedom Fund, with Portfolio Strategies, Inc. for the PSI Core Strength Fund, the PSI Macro Trends Fund and the PSI Total Return Fund, and with Hundredfold Advisors, LLC for the Spectrum Select Alternative Fund, the Spectrum Global Perspective Fund and the Spectrum Equity Opportunity Fund (the "Sub-Advised Funds") whereby the sub-advisor will direct investment activities of the Sub-Advised Funds. The Adviser pays, out of the management fees it receives from the Sub-Advised Funds, a fee for these sub-advisory services. For the period September 1, 2008 through June 30, 2009, the Adviser has contractually agreed to pay all operating expenses (excluding dividends on short positions), in excess of the annual cap on expenses presented below as applied to each Fund's average daily net assets. Under this contract, the Adviser could recover from the Funds the expenses paid in excess of the annual cap on expenses for the three previous years, as long as the recovery did not cause the Fund to exceed the annual cap on expenses from the period in which those expenses were originally waived. For the year ended August 31, 2009, the Adviser paid or recouped the following expenses:

	<u>HCM Freedom Fund</u>	<u>PSI Core Strength Fund</u>	<u>PSI Macro Trends Fund</u>	<u>PSI Total Return Fund</u>
Annual Adviser rate	1.00%	1.15%	1.15%	1.15%
Annual cap on expenses — September 1, 2008 — June 30, 2009	2.45%	2.00%	2.00%	2.00%
Expenses paid in excess of annual cap on expenses — 2009	\$ —	\$5,968	\$14,467	\$6,975
Adviser expense recoupment — 2009	\$13,020	\$ —	\$ —	\$ —

	<u>Spectrum Select Alternative Fund</u>	<u>Spectrum Global Perspective Fund</u>	<u>Spectrum Equity Opportunity Fund</u>
Annual Adviser rate	1.00%	1.00%	1.00%
Annual cap on expenses — September 1, 2008 — June 30, 2009	2.75%	2.75%	2.75%
Expenses paid in excess of annual cap on expenses — 2009	\$ —	\$ —	\$5,776
Adviser expense recoupment — 2009	\$ —	\$ —	\$ —

On May 20, 2009, the Board of Trustees, based upon on management's recommendation, approved a new Operating Services Agreement (the "Agreement"). Under the Agreement, the Adviser will be responsible for all expenses of the Trust except the following: management fees, distribution and/or service fees, acquired fund fees, taxes, leverage interest, dividends or interest on short positions, other interest expenses, brokerage commission and other extraordinary expenses outside the typical day-to-day operations of the Funds. Effective July 1, 2009, the annual expense caps are no longer applicable. The Adviser relinquished all recovery of expenses waived by the Funds for the previous three years through June 30, 2009.

In consideration for the services rendered pursuant to the Agreement, the Funds will pay to the Adviser, as compensation for the services provided by the Adviser under the Agreement, a monthly fee. The monthly fee is calculated on an annualized basis on the average net assets of each Fund and the below amount:

HCM Freedom Fund	0.55%
PSI Core Strength Fund	0.45%
PSI Macro Trends Fund	0.45%
PSI Total Return Fund	0.45%
Spectrum Select Alternative Fund	0.55%
Spectrum Global Perspective Fund	0.55%
Spectrum Equity Opportunity Fund	0.55%

Expenses subject to potential recovery relinquished by Adviser:

HCM Freedom Fund	\$ 1,305
PSI Core Strength Fund	\$52,159
PSI Macro Trends Fund	\$32,445
PSI Total Return Fund	\$29,917
Spectrum Select Alternative Fund	\$ —
Spectrum Global Perspective Fund	\$ —
Spectrum Equity Opportunity Fund	\$ 5,776

Distribution Expenses: Shares are subject to an annual Rule 12b-1 fee of 0.80% for the HCM Freedom Fund, of 0.25% for the PSI Core Strength Fund, the PSI Macro Trends Fund, and the PSI Total Return Fund, and up to 1.00% of the average daily net assets for the Spectrum Select Alternative Fund, the Spectrum Global Perspective Fund and the Spectrum Equity Opportunity Fund.

Shareholder Servicing Fees: The Board has also authorized the PSI Core Strength Fund, the PSI Macro Trends Fund and the PSI Total Return Fund to pay a shareholder servicing fee of 0.15% of each Fund's average daily net assets. The Trust, on behalf of each Fund, pays the fee to financial institutions and other persons who provide services for and maintain shareholder accounts.

Rafferty Capital Markets, LLC (the "Distributor") serves as principal underwriter of the Funds and acts as the Funds' distributor in a continuous public offering of the Funds' shares. There were no Rule 12b-1 fees retained by the Distributor for the year ended August 31, 2009. The Distributor is an affiliate of the Adviser.

The Adviser reimbursed the Spectrum Select Alternative Fund \$71,280 due to a trading error. This amount is reflected on the Statement of Operations as Contributions by Affiliates and in the Financial Highlights.

U.S. Bank N.A. and/or its affiliates receive revenue from certain broker-dealers that may receive Rule 12b-1 fees or other payments from mutual funds in which certain Direxion Funds may invest. The Board of Trustees agreed to have 70% of the fees received by U.S. Bank N.A. applied against custody and transfer agent invoices. These expense reductions are reflected on the Statement of Operations as "expenses paid indirectly". For the fiscal year ended August 31, 2009, the amount of custody expenses reduced by this revenue was as follows:

	<u>Custody</u>	<u>Transfer Agent</u>	<u>Total</u>
HCM Freedom Fund	\$1,818	\$ 7,937	\$ 9,755
PSI Core Strength Fund	902	3,488	4,390
PSI Macro Trends Fund	977	3,117	4,094
PSI Total Return Fund	1,407	3,859	5,266
Spectrum Select Alternative Fund	4,586	13,094	17,680
Spectrum Global Perspective Fund	4,280	12,896	17,176
Spectrum Equity Opportunity Fund	1,077	3,110	4,187

6. VALUATION MEASUREMENTS

The Funds have adopted Statement on Financial Accounting Standards No. 157, *Fair Value Measurements* ("FAS 157") and FASB Staff Position No. 157-4 ("FSP 157-4"). FSP 157-4 clarifies FAS 157 and requires an entity to evaluate certain factors to determine whether there has been a significant decrease in volume and level of activity for the asset or liability such that

recent transactions and quoted prices may not be determinative of fair value and further analysis and adjustment may be necessary to estimate fair value. FSP 157-4 also requires enhanced disclosure regarding the inputs and valuation techniques used to measure fair value in those instances as well as expanded disclosures of valuation for major security types. FAS 157 requires each fund to classify its securities based on valuation method, using the three levels listed below:

Level 1 - Quoted prices in active markets for identical securities,

Level 2 - Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)

Level 3 - Significant unobservable inputs (including the Fund's own assumptions in determining fair value of investments)

The inputs or methodology used for valuing securities are not an indication of the credit risk associated with investing in those securities.

The follow is a summary of the inputs used to value the Fund's net assets as of August 31, 2009:

	HCM Freedom Fund			
	Level 1	Level 2	Level 3	Total
Investment Companies	\$22,296,307	\$—	\$—	\$22,296,307
Short-Term Investments	\$ 2,989,750	\$—	\$—	\$ 2,989,750

	PSI Core Strength Fund			
	Level 1	Level 2	Level 3	Total
Investment Companies	\$21,861,142	\$—	\$—	\$21,861,142
Short-Term Investments	\$ 7,952,808	\$—	\$—	\$ 7,952,808

	PSI Macro Trends Fund			
	Level 1	Level 2	Level 3	Total
Investment Companies	\$24,537,158	\$ —	\$—	\$24,537,158
Short-Term Investments	\$ 4,195,145	\$ —	\$—	\$ 4,195,145
Other Financial Instruments*	\$ 426,778	\$586,384	\$—	\$ 1,013,162

	PSI Total Return Fund			
	Level 1	Level 2	Level 3	Total
Investment Companies	\$26,622,440	\$ —	\$—	\$26,622,440
Short-Term Investments	\$ 3,993,860	\$ —	\$—	\$ 3,993,860
Other Financial Instruments*	\$ (23,685)	\$20,818	\$—	\$ (2,867)

	Spectrum Select Alternative Fund			
	Level 1	Level 2	Level 3	Total
Investment Companies	\$26,421,890	\$ —	\$—	\$26,421,890
Short-Term Investments	\$ 1,595,939	\$ —	\$—	\$ 1,595,939
Other Financial Instruments*	\$ 5,233	\$19,124	\$—	\$ 24,357

	Spectrum Global Perspective Fund			
	Level 1	Level 2	Level 3	Total
Investment Companies	\$45,256,328	\$ —	\$—	\$45,256,328
Short-Term Investments	\$12,151,451	\$ —	\$—	\$12,151,451
Other Financial Instruments*	\$ —	\$353,519	\$—	\$ 353,519

	Spectrum Equity Opportunity Fund			
	Level 1	Level 2	Level 3	Total
Investment Companies	\$9,821,932	\$ —	\$—	\$9,821,932
Short-Term Investments	\$2,802,155	\$ —	\$—	\$2,802,155
Other Financial Instruments*	\$ 36,936	\$7,927	\$—	\$ 44,863

* Other financial instruments are derivative instruments not reflected in the Schedule of Investments, such as futures and swap contracts. Futures and swap contracts are valued at the unrealized appreciation (depreciation) on the instrument.

7. ADDITIONAL DISCLOSURES ABOUT DERIVATIVE INSTRUMENTS

In March 2008, FASB issued its Statement on Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities* ("FAS 161") effective for fiscal years beginning after November 15, 2008. FASB further clarified that the disclosures required by FAS 161 be provided for any reporting period beginning after November 15, 2008. FAS 161 is intended to improve financial reporting for derivative instruments by requiring enhanced disclosures that enables investors to understand how and why a fund uses derivatives instruments, how derivatives instruments are accounted for and how derivative instruments affect a fund's financial position and results of operations.

The Funds uses derivative instruments as part of its principal investment strategy to achieve its investment objective. As of August 31, 2009, the Funds were invested in futures contracts and equity swap contracts.

At August 31, 2009, the fair value of derivatives instruments were as follows:

		Asset derivatives ¹				
		Interest rate risk	Foreign exchange risk	Credit risk	Equity risk	Total
PSI Macro Trends Fund	Futures contracts*	\$ —	\$ —	\$ —	\$ 426,778	\$ 426,778
	Swap contracts	—	—	—	586,384	586,384
	Total	\$ —	\$ —	\$ —	\$1,013,162	\$1,013,162
PSI Total Return Fund	Swap contracts	\$ —	\$ —	\$ —	\$ 20,818	\$ 20,818
	Total	\$ —	\$ —	\$ —	\$ 20,818	\$ 20,818
Spectrum Select Alternative Fund	Futures contracts*	\$ 5,233	\$ —	\$ —	\$ —	\$ 5,233
	Swap contracts	—	—	—	45,626	45,626
	Total	\$ 5,233	\$ —	\$ —	\$ 45,626	\$ 50,859
Spectrum Global Perspective Fund	Swap contracts	\$ —	\$ —	\$ —	\$ 353,519	\$ 353,519
	Total	\$ —	\$ —	\$ —	\$ 353,519	\$ 353,519
Spectrum Equity Opportunity Fund	Futures contracts*	\$ —	\$ —	\$ —	\$ 36,936	\$ 36,936
	Swap contracts	—	—	—	36,033	36,033
	Total	\$ —	\$ —	\$ —	\$ 72,969	\$ 72,969

¹ Statement of Assets and Liabilities location: Unrealized appreciation on swaps and variation margin receivable.

* Cumulative appreciation (depreciation) of futures contracts as reported in the Schedule of Investments. Only current day's variation margin, if any, is reported within the Statement of Assets and Liabilities.

		Liability derivatives ¹				
		Interest rate risk	Foreign exchange risk	Credit risk	Equity risk	Total
PSI Total Return Fund	Futures contracts*	\$ —	\$23,685	\$ —	\$ —	\$23,685
	Total	\$ —	\$23,685	\$ —	\$ —	\$23,685
Spectrum Select Alternative Fund	Swap contracts	\$ —	\$ —	\$ —	\$ 26,502	\$26,502
	Total	\$ —	\$ —	\$ —	\$ 26,502	\$26,502
Spectrum Equity Opportunity Fund	Swap contracts	\$ —	\$ —	\$ —	\$ 28,106	\$28,106
	Total	\$ —	\$ —	\$ —	\$ 28,106	\$28,106

¹ Statement of Assets and Liabilities location: Variation margin payable.

* Cumulative appreciation (depreciation) of futures contracts as reported in the Schedule of Investments. Only current day's variation margin, if any, is reported within the Statement of Assets and Liabilities.

Transactions in derivative instruments during the year ended August 31, 2009, were as follows:

		Interest rate risk	Foreign exchange risk	Credit risk	Equity risk	Total
HCM Freedom Fund	Realized gain (loss)¹					
	Swap contracts	\$ —	\$—	\$ —	\$(1,514,802)	\$(1,514,802)
	Total realized gain (loss)	\$ —	\$—	\$ —	\$(1,514,802)	\$(1,514,802)
PSI Macro Trends Fund	Realized gain (loss)¹					
	Futures contracts	\$ —	\$—	\$ —	\$(3,460,509)	\$(3,460,509)
	Swap contracts	—	—	—	(228,497)	(228,497)
	Total realized gain (loss)	\$ —	\$—	\$ —	\$(3,689,006)	\$(3,689,006)
	Change in unrealized appreciation (depreciation)²					
	Futures contracts	\$ —	\$—	\$ —	\$ 568,476	\$ 568,476
	Swap contracts	—	—	—	646,468	646,468
Total change in unrealized appreciation (depreciation)	\$ —	\$—	\$ —	\$ 1,214,944	\$ 1,214,944	
PSI Total Return Fund	Realized gain (loss)¹					
	Futures contracts	\$(1,209,627)	\$—	\$ —	\$ —	\$(1,209,627)
	Swap contracts	—	—	—	(1,626,401)	(1,626,401)
	Total realized gain (loss)	\$(1,209,627)	\$—	\$ —	\$(1,626,401)	\$(2,836,028)
	Change in unrealized appreciation (depreciation)²					
	Futures contracts	\$ (44,665)	\$—	\$ —	\$ —	\$ (44,665)
	Swap contracts	—	—	—	233,889	233,889
Total change in unrealized appreciation (depreciation)	\$ (44,665)	\$—	\$ —	\$ 233,889	\$ 189,224	
Spectrum Select Alternative Fund	Realized gain (loss)¹					
	Futures contracts	\$ —	\$—	\$ —	\$ 14,876	\$ 14,876
	Swap contracts	—	—	85,064	178,603	263,667
	Total realized gain (loss)	\$ —	\$—	\$85,064	\$ 193,479	\$ 278,543
	Change in unrealized appreciation (depreciation)²					
Futures contracts	\$ 5,233	\$—	\$ —	\$ —	\$ 5,233	
Swap contracts	—	—	—	19,124	19,124	
Total change in unrealized appreciation (depreciation)	\$ 5,233	\$—	\$ —	\$ 19,124	\$ 24,357	
Spectrum Global Perspective Fund	Realized gain (loss)¹					
	Futures contracts	\$ —	\$—	\$ —	\$(897,774)	\$(897,774)
	Swap contracts	—	—	—	2,083,050	2,083,050
	Total realized gain (loss)	\$ —	\$—	\$ —	\$ 1,185,276	\$ 1,185,276
	Change in unrealized appreciation (depreciation)²					
	Swap contracts	\$ —	\$—	\$ —	\$ 353,519	\$ 353,519
	Total change in unrealized appreciation (depreciation)	\$ —	\$—	\$ —	\$ 353,519	\$ 353,519
Spectrum Equity Opportunity Fund	Realized gain (loss)¹					
	Futures contracts	\$ —	\$—	\$ —	\$(417,304)	\$(417,304)
	Swap contracts	—	—	—	27,999	27,999
	Total realized gain (loss)	\$ —	\$—	\$ —	\$(389,305)	\$(389,305)
	Change in unrealized appreciation (depreciation)²					
	Futures contracts	\$ —	\$—	\$ —	\$ 15,305	\$ 15,305
	Swap contracts	—	—	—	7,927	7,927
Total change in unrealized appreciation (depreciation)	\$ —	\$—	\$ —	\$ 23,232	\$ 23,232	

¹ Statement of Operations location: Net unrealized gain (loss) on futures and swaps.

² Statement of Operations location: Change in unrealized appreciation (depreciation) on futures and swaps.

For the fiscal year ended August 31, 2009, the quarterly average gross notional amounts of the derivatives held by the Funds were as follows:

	<u>Long Futures Contracts</u>	<u>Short Futures Contracts</u>	<u>Long Equity Swaps Contracts</u>	<u>Credit Default Swap Contracts Buy Protection</u>	<u>Credit Default Swap Contracts Sell Protection</u>
HCM Freedom Fund	\$ —	\$ —	\$ 2,631,643	\$ —	\$ —
PSI Core Strength Fund	—	—	—	—	—
PSI Macro Trends Fund	5,226,460	—	1,145,669	—	—
PSI Total Return Fund	1,217,785	118,440	1,343,726	—	—
Spectrum Select Alternative Fund	—	797,683	905,286	900,000	848,837
Spectrum Global Perspective Fund	—	600,134	10,061,234	—	—
Spectrum Equity Opportunity Fund	1,457,544	142,686	959,944	—	—

8. NEW ACCOUNTING PRONOUNCEMENTS

In May 2009, FASB issued Statement of Financial Accounting Standards No. 165, *Subsequent Events* ("FAS 165"). Funds adopted FAS 165 which requires an entity to recognize in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet. For non-recognized subsequent events that must be disclosed to keep the financial statements from being misleading, an entity will be required to disclose the nature of the event as well as an estimate of its financial effect, or a statement that such an estimate cannot be made. In addition, FAS 165 requires an entity to disclose the date through which subsequent events have been evaluated. The Funds have evaluated subsequent events through the issuance of their financial statements on October 29, 2009.

In June 2009, FASB issued Statement of Financial Accounting Standards No. 168, *The FASB Accounting Standards Codification*[™] and the Hierarchy of Generally Accepted Accounting Principles – a replacement of FASB Statement No. 162 ("FAS 168"). FAS 168 replaces FASB Statement No. 162, *Hierarchy of Generally Accepted Accounting Principles* and establishes the "FASB Accounting Standards Codification[™]" ("Codification") as the source of authoritative accounting principles recognized by FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with U.S. GAAP. All guidance contained in the Codification carries an equal level of authority. On the effective date of FAS 168, the Codification will supersede all then-existing non-SEC accounting and reporting standards. All other nongrandfathered non-SEC accounting literature not included in the Codification will become nonauthoritative. FAS 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Funds evaluated this new statement, and have determined that it will not have a significant impact on the determination or reporting of the Funds' financial statements.

Direxion Funds

Report of Independent Registered Public Accounting Firm

To the Shareholders and
Board of Trustees of the Direxion Funds:

We have audited the accompanying statements of assets and liabilities of the HCM Freedom Fund, PSI Core Strength Fund, PSI Macro Trends Fund, PSI Total Return Fund, Spectrum Select Alternative Fund, Spectrum Global Perspective Fund, and Spectrum Equity Opportunity Fund, (seven of the series of the Direxion Funds) (the "Funds"), including the schedules of investments, as of August 31, 2009, and the related statements of operations, the statements of changes in net assets, and the financial highlights for each of the periods indicated therein. These financial statements and financial highlights are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Funds' internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of August 31, 2009 by correspondence with the custodian and brokers or by other appropriate auditing procedures where replies from brokers were not received. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the above mentioned seven of the series of Direxion Funds at August 31, 2009, the results of their operations, the changes in their net assets, and the financial highlights for each of the periods indicated therein, in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

New York, New York
October 29, 2009

Additional Information
(Unaudited)

QUALIFIED DIVIDEND INCOME/DIVIDENDS RECEIVED DEDUCTION

For the period ended August 31, 2009, certain dividends paid by the Funds may be subject to a maximum tax rate of 15%, as provided by the Jobs and Growth Tax Relief Reconciliation Act of 2003. The percentage of dividends declared from ordinary income designated as qualified income was as follows:

HCM Freedom Fund	0.0%
PSI Core Strength Fund	0.0%
PSI Macro Trends Fund	98.2%
PSI Total Return Fund	100.0%
Spectrum Select Alternative Fund	100.0%
Spectrum Global Perspective Fund	0.7%
Spectrum Equity Opportunity Fund	0.0%

For corporate shareholders, the percent of ordinary income distributions qualifying for the corporate dividends received deduction for the period ended August 31, 2009, was as follows:

HCM Freedom Fund	0.0%
PSI Core Strength Fund	0.0%
PSI Macro Trends Fund	97.6%
PSI Total Return Fund	100.0%
Spectrum Select Alternative Fund	100.0%
Spectrum Global Perspective Fund	0.6%
Spectrum Equity Opportunity Fund	0.0%

Investment Advisory and Subadvisory Agreements Approvals

Provided below is a summary of certain of the factors the Board considered at its August 26, 2009 Board meeting in renewing: (1) the Advisory Agreement between Rafferty Asset Management (“Rafferty”) and the Direxion Funds (the “Trust”), on behalf of the HCM Freedom Fund, PSI Core Strength Fund, PSI Macro Trends Fund, PSI Total Return Fund, Spectrum Equity Opportunity Fund, Spectrum Global Perspective Fund and Spectrum Select Alternative Fund, each a series of the Trust; (2) the Subadvisory Agreement between Rafferty and Horizon Capital Management, Inc. (“Horizon”) on behalf of the HCM Freedom Fund; (3) the Subadvisory Agreement between Rafferty and Hundredfold Advisors, LLC (“Hundredfold”) on behalf of the Spectrum Equity Opportunity Fund, Spectrum Global Perspective Fund and Spectrum Select Alternative Fund; and (4) the Subadvisory Agreement between Rafferty and Portfolio Strategies, Inc. (“PSI”) on behalf of the PSI Core Strength Fund, PSI Macro Trends Fund and PSI Total Return Fund. Each Fund listed above is referred to herein as each “Fund” and collectively, the “Funds.”

The Board did not identify any particular information that was most relevant to its consideration to approve each Advisory or Subadvisory Agreement (each an “Agreement” and collectively, the “Agreements”) and each Trustee may have afforded different weight to the various factors. In determining whether to approve the continuance of the Agreements, the Board considered the best interests of each Fund separately. In addition, the Board noted that the Trustees have considered various reports and information provided throughout the year at their regular Board meetings and otherwise. While the Agreements for all of the Funds were considered at the same Board meeting, the Board considered each Fund’s investment advisory and subadvisory relationship separately. In each instance, the Board considered, among other things, the following factors: (1) the nature and quality of the services provided; (2) the investment performance of the Fund to the extent applicable; (3) the cost to Rafferty or a subadviser for providing services and the profitability of the advisory business to Rafferty or a subadviser, if such information was provided; (4) the extent to which economies of scale have been taken into account in setting fee schedules; (5) whether fee levels reflect these economies of scale, if any, for the benefit of Fund shareholders; (6) comparisons of services and fees with contracts entered into by Rafferty and, in certain cases, a subadviser with other clients (such as pension funds and other institutional investors), if any; and (7) other benefits derived or anticipated to be derived by Rafferty or a subadviser from its relationship with the Funds.

Nature, Extent and Quality of Services Provided. The Board reviewed the nature, extent and quality of the services provided or to be provided under the Advisory Agreements by Rafferty. The Board noted that Rafferty has provided services to the Trust since its inception and has developed an expertise in managing the Funds. The Board also noted that Rafferty trades efficiently with low commission schedules, which helps improve performance results. The Board considered Rafferty’s representation that it has the financial resources and appropriate staffing to manage the Funds and meet its expense reimbursement obligations, if any. The Board also considered that Rafferty utilizes the services of an independent compliance consulting firm and that reports from the chief compliance officer are provided to the Board at its regularly scheduled quarterly Board meetings. The Board considered that Rafferty oversees all aspects of the operation of the Funds, including oversight of the Funds’ service providers and subadvisers. Regarding the Subadvisory Agreements with Horizon, Hundredfold and PSI, the Board noted that each subadviser utilizes those Funds it subadvisees as the primary investments for its separate account clients.

Based on these and other considerations, the Board determined that, in the exercise of its business judgment, the nature, extent and quality of the services provided by Rafferty to the Funds under the Agreements and each subadviser under the applicable Subadvisory Agreement were fair and reasonable.

Performance of the Funds. The Board evaluated the performance of each Fund relative to: (1) its benchmark index for monthly and annual periods ended July 31, 2009; and (2) the average performance of the relevant Lipper fund universe for monthly and annual periods ended June 30, 2009. Although the Board received monthly performance reports for its consideration, the Board generally assigned more weight to the longer-term performance of the Funds. In this regard, the Board for all Funds noted the challenging nature of the markets for the calendar year 2008.

PSI Funds:

With respect to the PSI Macro Trends Fund, the Board considered management's description of the performance of the Lipper universe of long/short equity funds. The Board also considered that: (1) as of July 31, 2009, the Fund outperformed its benchmark index for all periods presented; and (2) as of June 30, 2009, the Fund outperformed the average of the relevant Lipper fund universe for the three- and six-month periods, but underperformed for the one-month and one-year periods.

With respect to the PSI Core Strength Fund, the Board considered management's description of the performance of the Lipper universe of flexible portfolio funds. The Board also considered that: (1) as of July 31, 2009, the Fund underperformed its benchmark index for all periods presented with the exception of the one-year period, during which it outperformed; and (2) as of June 30, 2009, the Fund underperformed the average of the relevant Lipper fund universe for all periods presented with the exception of the one-year period, during which it outperformed.

With respect to the PSI Total Return Fund, the Board considered management's description of the performance of the Lipper universe of intermediate investment grade debt funds. The Board also considered that: (1) as of July 31, 2009, the Fund underperformed its benchmark index for all periods presented; and (2) as of June 30, 2009, the Fund underperformed the average of the relevant Lipper fund universe for all periods presented.

Hundredfold Funds:

With respect to the Spectrum Equity Opportunity Fund, the Board considered management's description of the performance of the Lipper universe of specialty diversified equity funds. The Board also considered that: (1) as of July 31, 2009, the Fund outperformed its benchmark index for the nine-month, year-to date, one- and three year-periods, but underperformed for the one-, three- and six-month periods; and (2) as of June 30, 2009, the Fund outperformed the average of the relevant Lipper fund universe for all periods presented with the exception of the one-month and three-year periods, during which it underperformed.

With respect to the Spectrum Global Perspective Fund, the Board considered management's description of the performance of the Lipper universe of global flexible funds. The Board also considered that: (1) as of July 31, 2009, the Fund outperformed its benchmark index for all periods presented; and (2) as of June 30, 2009, the Fund outperformed the average of the relevant Lipper fund universe for all periods presented with the exception of the one-month period, during which it underperformed.

With respect to the Spectrum Select Alternative Fund, the Board considered management's description of the performance of the Lipper universe of high current yield funds. The Board also considered that: (1) as of July 31, 2009, the Fund outperformed its benchmark index for all periods presented with the exception of the three-year period, during which it underperformed; and (2) as of June 30, 2009, the Fund outperformed the average of the relevant Lipper fund universe for all periods presented with the exception of the three- and six-month periods, during which it underperformed.

HCM Freedom Fund:

With respect to the HCM Freedom Fund, the Board considered management's description of the performance of the Lipper universe of flexible portfolio funds. The Board also considered that: (1) as of July 31, 2009, the Fund outperformed its benchmark index for the nine-month, one- and three-year periods, but underperformed for the one-, three-, six-month and year-to-date periods; and (2) as of June 30, 2009, the Fund outperformed the average of the relevant Lipper fund universe for the one- and three-year periods, but underperformed for the one-, three- and six-month periods.

Costs of Services Provided to the Funds and Profits Realized. The Board considered the overall fees paid to Rafferty on an annual basis since each Fund's commencement of operations, including any fee waivers and recoupment of fees previously waived. The Board considered the overall profitability of Rafferty's investment business and its representation that it does not allocate internal costs and assess profitability with respect to its services to individual Funds. Based on these considerations, the Board determined that, in the exercise of its business judgment, the costs of the services provided and the profits realized under the Advisory Agreements were fair and reasonable.

In considering the fees paid by Rafferty to the subadvisers of the Funds, the Board considered Rafferty's representation that the fees and expenses generally are higher than industry averages. However, Rafferty explained that, in certain cases, the

Funds help to lower the overall fees paid by the clients of the subadvisers. In particular, the Board noted that the PSI Funds are offered to the subadviser's clients in wrap account advisory programs. The Board also noted that, in some cases, PSI uses the fee it receives from the Funds to reduce the asset-based fees it charges clients for providing investment advisory services. With respect to the HCM Freedom Fund and Spectrum Funds, the Board considered the representation that the current expense ratio of each such Fund is lower compared to the total cost of investing when the Funds were part of the wrap programs. The Board also noted the subadvisors representations that the Funds pay the lowest fee rate that a subadvisor charges for comparable client accounts. With respect to each Fund, the Board considered the subadviser's profits for its services to the extent such information was provided. In this regard, the Board noted Hundredfold's representation that it donated to charity all of the profits it earned with respect to the services it provided to the Spectrum Funds, Horizon's pre-tax profits with respect to the services it provided to the HCM Freedom Fund and PSI's representation that it did not earn any pre- or post-tax profits with respect to the services it provided to the PSI Funds.

Based on these considerations, the Board determined that, in the exercise of its business judgment, the costs of the services provided and the profits realized under the Agreements were fair and reasonable.

Economies of Scale. The Board considered Rafferty's representation that it believes that asset levels at this time are not sufficient to achieve economies of scale or warrant a reduction in fee rates or the addition of breakpoints. Rafferty noted that it was continuing to work on its sales and marketing efforts to raise additional assets. Based on these and other considerations, the Board determined that, in the exercise of its business judgment, the reduction in fee rates or additions of breakpoints was not necessary at this time.

Other Benefits. The Board considered Rafferty's representation that its relationship with the Funds has permitted Rafferty to attract business to its non-mutual fund account. The Board also considered that Rafferty's overall business with brokerage firms helps to lower commission rates and provide better execution for Fund portfolio transactions. The Board also considered that each subadviser represented that they realized no benefits other than their direct compensation. Based on these and other considerations, the Board determined that, in the exercise of its business judgment, the benefits were fair and reasonable.

Conclusion. Based on, but not limited to, the above considerations and determinations, the Board determined that the Agreements for the Funds were fair and reasonable in light of the services to be performed, fees, expenses and such other matters as the Board considered relevant in the exercise of its business judgment. On this basis, the Board unanimously voted in favor of the continuance of the Agreements.

Direxion Funds
TRUSTEES AND OFFICERS

The business affairs of each Fund are managed by or under the direction of the Board of Trustees. Information pertaining to the Trustees and Officers of the Funds is set forth below. The SAI includes additional information about the Funds' Trustee and Officers and is available without charge, upon request by calling 1-800-851-0511.

Interested Trustees

<u>Name, Address and Age</u>	<u>Position(s) Held with Fund</u>	<u>Term of Office and Length of Time Served</u>	<u>Principal Occupation(s) During Past Five Years</u>	<u># of Portfolios in Direxion Complex Overseen by Trustee⁽²⁾</u>	<u>Other Trusteeships/ Directorships Held by Trustee</u>
Lawrence C. Rafferty ⁽¹⁾ Age: 66	Chairman of the Board of Trustees	Lifetime of Trust until removal or resignation; Since 1997	Chairman and Chief Executive Officer of Rafferty, 1997-present; Chief Executive Officer of Rafferty Companies, LLC, 1996-present; Chief Executive Officer of Rafferty Capital Markets, Inc., 1995-present.	77	Board of Trustees, Fairfield University; Board of Directors, St. Vincent's Services; Executive Committee, Metropolitan Golf Association

Non-Interested Trustees

<u>Name, Address and Age</u>	<u>Position(s) Held with Fund</u>	<u>Term of Office and Length of Time Served</u>	<u>Principal Occupation(s) During Past Five Years</u>	<u># of Portfolios in Direxion Complex Overseen by Trustee⁽²⁾</u>	<u>Other Trusteeships/ Directorships Held by Trustee</u>
Daniel J. Byrne Age: 65	Trustee	Lifetime of Trust until removal or resignation; Since 1997	President and Chief Executive Officer of Byrne Securities Inc., 1992-present.	77	Trustee, The Opening Word Program, Wyandanch, New York
Gerald E. Shanley III Age: 66	Trustee	Lifetime of Trust until removal or resignation; Since 1997	Business Consultant, 1985-present; Trustee of Trust Under Will of Charles S. Payson, 1987-present; C.P.A. 1979-present.	77	None
John Weisser Age: 68	Trustee	Lifetime of Trust until removal or resignation; Since 2007	Retired, Since 1995; Salomon Brothers, Inc, 1971-1995, most recently as Managing Director.	77	Director, MainStay VP Fund Series; Director ICAP Funds, Inc; Director, The MainStay Funds; Director, Eclipse Funds, Inc.

Direxion Funds
TRUSTEES AND OFFICERS

Officers

Name, Address and Age	Position(s) Held with Fund	Term of Office and Length of Time Served	Principal Occupation(s) During Past Five Years	# of Portfolios in Direxion Complex Overseen by Trustee ⁽²⁾	Other Trusteeships/ Directorships Held by Trustee
Daniel D. O'Neill Age: 41	President; Chief Operating Officer and Chief Investment Officer	One Year; Since 1999 One Year; Since 2006	Managing Director of Rafferty, 1999- present.	N/A	N/A
William Franca Age: 52	Executive Vice President – Head of Distribution	One Year; Since 2006	Senior Vice President – National Sales, Massachusetts Financial Services/SunLife Financial Distributors, 2002-2004; Executive Vice President, Distribution, SunLife, 2001-2002.	N/A	N/A
Christopher Lewis Age: 38	Chief Compliance Officer	One Year; Since 2009	Director, Alaric Compliance Services, LLC, 2009 – present; Partner, Thacher Proffitt & Wood LLP, 2004-2008; Partner, Simmons & Simmons, 2002-2004.	N/A	N/A
Guy F. Talarico Age: 53	Principal Financial Officer and Treasurer	Once Year; Since 2008	CEO, Alaric Compliance Services LLC, 2006-present; Co-CEO EOS Compliance Services, LLC, 2004- 2006; Senior Director, Investors Bank and Trust Co, 2001-2004; Division Executive, JP Morgan- Chase Bank, 1986-2001; Group Product Manager, Lever Brothers Company, 1977-1986.	N/A	N/A
Eric W. Falkeis 615 East Michigan Street Milwaukee, WI 53202 Age: 36	Secretary	One Year; Since 2004	Senior Vice President USBFS since September 2007; Chief Financial Officer, U.S. Bancorp Fund Services, LLC, since April 2006; Vice President, U.S. Bancorp Fund Services LLC, 1997-present; formerly, Chief Financial Officer, Quasar Distributors, LLC, 2000-2003.	N/A	N/A

⁽¹⁾ Mr. Rafferty is affiliated with Rafferty. Mr. Rafferty is the Chairman and Chief Executive Officer of Rafferty and owns a beneficial interest in Rafferty.

⁽²⁾ The Direxion Complex consists of the Direxion Funds which currently offers for sale to the public 34 portfolios, the Direxion Insurance Trust which currently offers for sale 3 portfolios and the Direxion ETF Trust which currently offers for sale to the public 20 of the 40 funds currently registered with the SEC.

The address for all trustees and officers except Eric W. Falkeis is 33 Whitehall St., New York, NY 10004.

THIS PAGE INTENTIONALLY LEFT BLANK



Horizon Capital Management, Inc.

ANNUAL REPORT

Adviser

Rafferty Asset Management, LLC
33 Whitehall St. 10th Floor
New York, NY 10004

Sub-Advisor

HCM Sub-Advisor
Horizon Capital Management, Inc.
141 Ridgeway Drive
Lafayette, LA 70503

Administrator, Transfer Agent, Dividend Paying Agent & Shareholding Servicing Agent

U.S. Bancorp Fund Services, LLC
P.O. Box 1993
Milwaukee, WI 53201-1993

Custodian

U.S. Bank, N.A.
1555 RiverCenter Dr., Suite 302
Milwaukee, WI 53212

Independent Registered Public Accounting Firm

Ernst & Young LLP
5 Times Square
New York, NY 10036

Distributor

Rafferty Capital Markets, LLC
59 Hilton Avenue
Garden City, NY 11530

The Fund's Proxy Voting Policies are available without charge by calling 1-800-851-0511, or by accessing the SEC's website, at www.sec.gov.

The actual voting records relating to portfolio securities during the most recent period ended June 30 (starting with the year ended June 30, 2005) is available without charge by calling 1-800-851-0511 or by accessing the SEC's website at www.sec.gov.

The Funds file its complete schedule of portfolio holdings with the Commission for the first and third quarters of each fiscal year on Form N-Q. The Form N-Q is available without charge, upon request, by calling 1-800-851-0511, or by accessing the SEC's website, at www.sec.gov. The Funds' Forms N-Q may be reviewed and copied at the Commission's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

This report has been prepared for shareholders and may be distributed to others only if preceded or accompanied by a current prospectus.