



SEMI-ANNUAL REPORT FEBRUARY 28, 2011

Evolution Managed Bond Fund
Evolution All-Cap Equity Fund
Evolution Market Leaders Fund
Evolution Alternative Investment Fund

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

(800) 851-0511

Table of Contents

Letter to Shareholders	2
Expense Example	7
Allocation of Portfolio Holdings	8
Schedule of Investments	9
Financial Statements	17
Financial Highlights	23
Notes to the Financial Statements	24
Additional Information	32

Dear Shareholders,

This Semi-Annual Report for the Evolution Funds covers the period from September 1, 2010 to February 28, 2011 (the "Semi-Annual Period"). This Report covers the Evolution Managed Bond Fund ("Managed Bond Fund"), Evolution All-Cap Equity Fund ("All-Cap Equity Fund"), the Evolution Market Leaders Fund ("Market Leaders Fund") and the Evolution Alternative Investment Fund ("Alternative Investment Fund"). Flexible Plan Investments, Ltd. ("FPI") serves as the Sub-advisor to the Evolution Funds. During the Semi-Annual Period, the DJ Industrial Average Index returned 23.64%, the S&P 500 Index returned 27.72% and the NASDAQ-100 Index returned 33.53%.

During this time period the equity markets continued and sustained the bull rally after a small pullback during the summer months of 2010. On the fixed income side, markets reacted negatively to issues both domestically and globally. Currencies were volatile; treasury rates slightly increased causing poor performance in bond funds. Gold was another strong performing sector during the time period and continues to perform well along with other precious metals such as copper, silver and platinum. Additionally, other commodities such as oil, grains, and livestock have performed very well for investors.

Evolution Managed Bond Fund

The Managed Bond Fund is aggressively managed by the FPI. The Managed Bond Fund will invest at least 80% of its net assets (plus any borrowing for investment purposes) in fixed-income securities indirectly through securities that invest in or are a derivative of fixed-income securities, primarily including exchange traded funds ("ETFs"), closed-end and open-end investment companies (collectively "fixed-income securities") and futures contracts. To a limited extent, the Managed Bond Fund may invest directly in fixed-income securities. The underlying fixed-income securities in which the Managed Bond Fund seeks to gain exposure include:

- U.S. Treasury bonds and notes;
- U.S. government-sponsored enterprises, such as Fannie Mae and Freddie Mac;
- U.S. dollar-denominated corporate obligations;
- Mortgage and asset-backed securities;
- Corporate bonds and notes and asset-backed securities;
- Zero coupon bonds;
- Commercial paper and other money market instruments;
- Fixed-income securities issued by foreign governments and companies that are denominated in U.S. dollars or foreign currencies, some of which may be issued by governments in emerging market countries; and
- High-yield ("junk") bonds.

FPI analyzes the overall investment opportunities of various fixed-income securities and market sectors to determine how to position the Managed Bond Fund's portfolio. FPI may position the Managed Bond Fund's portfolio to seek exposure to a variety of credit categories, which could range from government securities to junk bonds. The Managed Bond Fund is not limited in its exposure to junk bonds, which may include bonds in the lowest credit rating category. In addition, the Managed Bond Fund invests in fixed-income securities without any restriction on maturity. FPI also may invest up to 50% of the Managed Bond Fund's assets in short positions in fixed-income securities and derivatives.

In conducting its analysis, FPI may create from the universe of fixed-income securities various "baskets" of securities that are defined by differences in creditworthiness and duration to maturity. Examples of baskets of securities in which the Managed Bond Fund may invest include, but are not limited to, deep discount closed-end bond funds, bond ETFs, high-yield closed-end bond funds and international closed-end bond funds. FPI evaluates and ranks the short-term performance of each basket and usually invests the Managed Bond Fund's assets in the top performing baskets as well as baskets deemed "turnaround" candidates. Turnaround candidates are baskets that have fallen to the bottom of the rankings, remained there for a sufficient period of time and rallied with significant upside momentum. FPI typically assigns each basket in which it invests a minimum holding period, though a basket's actual holding period will depend on its performance ranking and likely will be longer than the assigned holding period. By establishing holding periods, FPI seeks to maintain longer term core holdings of the Managed Bond Fund. FPI generally evaluates all baskets daily based on rankings in order to minimize the impact and costs associated with trading. FPI's investment strategy attempts to respond to the performance of each basket rather than the performance of a market index or technical indicators. This strategy is neither predictive nor based on a group of top-down economic indicators, like market-timing approaches.

Finally, in making the decision to invest in a security, long or short, FPI may utilize proprietary analysis models that evaluate interest rate trends and other macroeconomic data, market momentum, price patterns and other technical data or relate to accounting periods, tax events and other calendar-related events. FPI also will create and rank a basket representing cash and/or cash equivalents ("cash basket"). As part of its investment strategy and for temporary defensive purposes, FPI may invest the Managed Bond Fund's assets in such a basket. As a result, up to 100% of the Managed Bond Fund's assets may be invested in cash or cash equivalents at any given time for temporary defensive purposes. To earn income on available cash, a large portion or all of the assets of the Managed Bond Fund may be invested in high-quality, U.S. dollar-denominated short-term obligations issued or guaranteed by the U.S. government, its agencies or instrumentalities and repurchase agreements that are fully collateralized by such obligations. As a result of investing in cash and cash equivalents, the Managed Bond Fund may not achieve its investment objective.

The Managed Bond Fund seeks the highest appreciation on an annual basis consistent with a high tolerance for risk. The Managed Bond Fund returned -2.57% on a total return basis during the Semi-Annual Period, compared to -0.83% for the Barclay Capital Aggregate Bond Index.

Evolution All-Cap Equity Fund

The All-Cap Equity Fund is aggressively managed by FPI. The All-Cap Equity Fund will invest at least 80% of its net assets (plus any borrowing for investment purposes) in equity securities either directly through individual stocks and American Depositary Receipts ("ADRs") or indirectly through ETFs and derivative instruments, primarily futures contracts. Investments in ETFs and derivatives may provide the Fund with exposure to equity, income, sectors, domestic, international, inverse and/or leveraged positions and alternative investments. The All-Cap Equity Fund invests in equity securities of any market capitalization, investment style, market sector or industry. The All-Cap Equity Fund also may seek exposure to international issuers and there is no limit on the amount of assets that may be invested in international securities. FPI also may invest up to 50% of the All-Cap Equity Fund's assets in short positions in equity securities, futures and options.

FPI analyzes the overall investment opportunities of various equity securities and market sectors to determine how to position the All-Cap Equity Fund's portfolio. In conducting its analysis, FPI creates baskets of equity securities (long and short) each of which is defined by a common set of criteria. For example, there may be a basket of stocks with low price-to-earnings ratios and another basket containing high-yield stocks, and so on. FPI evaluates and ranks the short-term total return performance of each basket or equity security and usually invests the All-Cap Equity Fund's assets in the top-performing baskets or equity security as well as baskets deemed "turnaround" candidates. Turnaround candidates are baskets that have fallen to the bottom of the rankings, remained there for a sufficient period of time and rallied with significant upside momentum. FPI typically assigns each holding in which it invests a minimum holding period, though the actual holding period will depend on the performance ranking and likely will be longer than the assigned holding period. By establishing holding periods, FPI seeks to maintain longer term core holdings of the All-Cap Equity Fund. FPI may evaluate all baskets or individual equity securities as often as daily based on rankings in order to minimize the impact and costs associated with trading. FPI's investment strategy attempts to respond to the performance of each basket or equity security rather than the performance of a market index or technical indicators. This strategy is neither predictive nor based on a group of top-down economic indicators, like market-timing approaches.

Finally, in making the decision to invest in a security, long or short, FPI may utilize proprietary analysis models that evaluate interest rate trends and other macroeconomic data, market momentum, price and volatility patterns and other technical data or relate to accounting periods, tax events and other calendar-related events. FPI also uses these proprietary analysis models to implement its dynamic asset allocation strategy which, at any time, may result in a large portion or all of the fund's assets invested, directly or indirectly, in investment grade fixed income securities, cash and/or cash equivalents in order to provide security of principal, current income and liquidity. As part of its investment strategy and for temporary defensive purposes, FPI may invest the All-Cap Equity Fund's assets in cash and/or cash equivalents. As a result, up to 100% of the All-Cap Equity Fund's assets may be invested in cash or cash equivalents at any given time for temporary defensive purposes. To earn income on available cash, a large portion or all of the assets of the All-Cap Equity Fund may be invested in high-quality, U.S. dollar-denominated short-term obligations issued or guaranteed by the U.S. government, its agencies or instrumentalities and repurchase agreements that are fully collateralized by such obligations. As a result of investing in cash and cash equivalents, the All-Cap Equity Fund may not achieve its investment objective.

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 All-Cap Equity Fund seeks the highest appreciation on an annual basis consistent with a high tolerance for risk. The All-Cap Equity Fund returned 27.41% on a total return basis during the Semi-Annual Period, compared to 27.72% for the S&P 500 Index.

Evolution Market Leaders Fund

The Market Leaders Fund is aggressively managed by FPI. The Market Leaders Fund will typically invest primarily in equity securities either directly through individual stocks and ADRs or indirectly through ETFs and other investment companies. Investments in ETFs and investment companies may provide the Market Leaders Fund exposure to equity, income, sectors, domestic, and international positions, including positions relating to companies with small and/or medium market capitalization. The Market Leaders Fund also may invest in futures and options. The Market Leaders Fund invests in equity securities of any investment style, market sector or industry. The Market Leaders Fund also may seek exposure to international issuers and there is no limit on the amount of assets that may be invested in international securities. FPI also may invest up to 50% of the Market Leaders Fund's assets in short positions in equity securities and futures and options.

FPI analyzes the overall investment opportunities of various market indexes to determine how to position the Market Leaders Fund's portfolio. FPI evaluates and ranks the short-term total return performance of each market index and usually invests the Market Leaders Fund's assets in the top-performing equity securities within the top ranked market indexes. FPI typically assigns each holding in which it invests a minimum holding period, though the actual holding period will depend on the performance ranking and likely will be longer than the assigned holding period. By establishing holding periods, FPI seeks to maintain longer term core holdings of the Market Leaders Fund. FPI may evaluate all indexes and individual equity securities as often as daily based on rankings in order to minimize the impact and costs associated with trading. FPI's ranking strategy attempts to respond to both the performance of each equity security, as well as the performance of the market indexes. This strategy is neither predictive nor based on a group of top-down economic indicators, like market-timing approaches.

Finally, in making the decision to invest in a security, long or short, FPI may utilize proprietary analysis models that evaluate interest rate trends and other macroeconomic data, market momentum, price and volatility patterns and other technical data or relate to accounting periods, tax events and other calendar-related events. FPI also uses these proprietary analysis models to implement its dynamic asset allocation strategy which, at any time, may result in a large portion or all of the fund's assets invested, directly or indirectly, in investment grade fixed income securities, cash and/or cash equivalents in order to provide security of principal, current income and liquidity. As part of its investment strategy and for temporary defensive purposes, FPI may invest the Market Leaders Fund's assets in cash and/or cash equivalents. As a result, up to 100% of the Market Leaders Fund's assets may be invested in cash or cash equivalents at any given time for temporary defensive purposes. To earn income on available cash, a large portion or all of the assets of the Market Leaders Fund may be invested in high-quality, U.S. dollar-denominated short-term obligations issued or guaranteed by the U.S. government, its agencies or instrumentalities and repurchase agreements that are fully collateralized by such obligations. As a result of investing in cash and cash equivalents, the Market Leaders Fund may not achieve its investment objective.

The Market Leaders Fund seeks the highest appreciation on an annual basis consistent with a high tolerance for risk. The Market Leaders Fund returned 22.76% on a total return basis during the Semi-Annual Period, compared to 37.54% for the Russell 2000 Index.

Evolution Alternative Investment Fund

The Alternative Investment Fund is aggressively managed by FPI. The Alternative Investment Fund will invest primarily in securities, including dividend-paying equities or interest bearing fixed income securities, having a low or negative correlation with the S&P 500 Index (collectively, "alternative securities") or indirectly through securities that invest in or are a derivative of alternative securities. The term "Alternative Investment" in the Alternative Investment Fund's name refers to the nontraditional types of equity and debt securities in which the Fund may invest and to which the Alternative Investment Fund may gain exposure through investments in ETFs, open-end mutual funds and other investment companies.

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 Alternative Investment Fund also may invest in futures and options. The underlying alternative securities in which the Alternative Investment Fund seeks to gain exposure include:

- U.S. Treasury bonds and notes;
- U.S. government-sponsored enterprises, such as Fannie Mae and Freddie Mac;
- U.S. dollar-denominated corporate obligations;
- Mortgage and asset-backed securities;
- Corporate bonds and notes and asset-backed securities;
- Zero coupon bonds;
- Commercial paper and other money market instruments;
- Fixed-income securities issued by foreign governments and companies that are denominated in U.S. dollars or foreign currencies, some of which may be issued by governments in emerging market countries;
- Dividend paying stocks; and
- High-yield (“junk”) bonds.

In addition, alternative securities include common stocks, ETFs, UITs and open-end and closed-end investment companies. Investments in ETFs, UITs and investment companies may include those investing (passively or actively) in equity, income, sectors, domestic, international, currency, inverse and/or leveraged positions and alternative investments, including positions relating to companies with small or medium market capitalization. FPI analyzes the overall investment opportunities of various alternative securities and market sectors to determine how to position the Alternative Investment Fund’s portfolio. FPI may position the Alternative Investment Fund’s portfolio to seek exposure to a variety of credit categories, which could range from government securities to junk bonds. The Alternative Investment Fund is not limited in its exposure to junk bonds, which may include bonds in the lowest credit rating category. In addition, the Alternative Investment Fund may invest in alternative securities without any restriction on maturity. FPI also may invest up to 50% of the Alternative Investment Fund’s assets in short positions in income generating, equity or alternative securities and futures and options relating thereto.

In conducting its analysis, FPI creates from the universe of alternative securities various “baskets” of securities (long and short) each of which is defined by a common set of criteria. Examples of securities in which the Alternative Investment Fund may invest include, but are not limited to, deep discount and alternative investment closed- end bond funds, open-end funds investing in alternative investments, high-yielding corporate stocks of various capitalization ranges, ETFs deemed to present alternative investment opportunities (such as commodities and currencies) and ADRs of various geographical regions. FPI evaluates and ranks the short-term performance of each security and usually invests the Alternative Investment Fund’s assets in the top performing securities as well as in securities deemed “turnaround” candidates. Turnaround candidates are securities that have fallen to the bottom of the rankings, remained there for a sufficient period of time and rallied with significant upside momentum. In addition, there is no fixed allocation between equity and fixed income securities. Rather, the allocation is determined by FPI’s total return momentum ranking of the various securities in which the Alternative Investment Fund invests. FPI typically assigns each holding in which it invests a minimum holding period, though the actual holding period will depend on the performance ranking and likely will be longer than the assigned holding period. By establishing holding periods, FPI seeks to maintain longer-term core holdings of the Alternative Investment Fund. FPI may evaluate all positions as often as daily based on rankings in order to minimize the impact and costs associated with trading. FPI’s ranking strategy attempts to respond to the performance of each security rather than the performance of a market index or technical indicators. This strategy is neither predictive nor based on a group of top-down economic indicators, like market-timing approaches.

Finally, in making the decision to invest in a security, long or short, FPI may utilize proprietary analysis models that evaluate interest rate trends and other macroeconomic data, market momentum, price patterns and other technical data or relate to accounting periods, tax events and other calendar-related events. FPI also will create and rank a basket representing cash and/or cash equivalents (“cash basket”). As part of its investment strategy and for temporary defensive purposes, FPI may invest the Alternative Investment Fund’s assets in such a basket. As a result, up to 100% of the Alternative Investment Fund’s assets may be invested in cash or cash equivalents at any given time for temporary defensive purposes. To earn income on available cash, a large portion or all of the assets of the Alternative Investment Fund may be invested in high-quality, U.S.

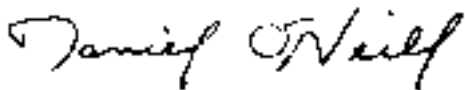
The performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate and an investor’s shares, when redeemed, may be worth more or less than their original cost. Current performance may be 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.

dollar-denominated short-term obligations issued or guaranteed by the U.S. government, its agencies or instrumentalities and repurchase agreements that are fully collateralized by such obligations. As a result of investing in cash and cash equivalents, the Alternative Investment Fund may not achieve its investment objective.

The Alternative Investment Fund seeks high total return on an annual basis consistent with a high tolerance for risk. The Alternative Investment Fund returned 11.29% on a total return basis during the Semi-Annual Period, compared to 27.72% for the S&P 500 Index and -0.83% for the Barclays Capital Aggregate Bond Index.

As always, we thank you for using the Direxion Funds and we look forward to our mutual success.

Best Regards,



Daniel O'Neill
Direxion Funds



Jerry Wagner
Flexible Plan Investments, Ltd.

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 views in this report were those of the Adviser as of February 28, 2011 and may not reflect their views on the date of this report is first published or anytime thereafter. These views are intended to assist shareholders of the Fund in understanding their investments in the Fund and do not constitute investment advice.

The total annual fund operating expense ratio of the Managed Bond Fund, All-Cap Equity Fund, Market Leaders Fund and the Alternative Investment Fund is 2.14%, 1.98%, 2.20% and 2.80% respectively, net of any fee, waivers or expense reimbursements.*

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: April 29, 2011

*** The total annual fund operating expense ratios include Acquired Fund Fees and Expenses, indirect fees and expenses that the Funds incur that are required to be disclosed. Without Acquired Fund Fees and Expenses, total annual operating expense ratio would be 1.90% for the Managed Bond Fund, All-Cap Equity Fund, Market Leaders Fund and the Alternative Investment Fund.**

Expense Example
February 28, 2011 (Unaudited)

As a shareholder of a 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 (12b-1) and/or service fees; and other Fund expenses. This Example is intended to help you understand your ongoing costs (in dollars) of investing in a Fund and to compare these 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 (September 1, 2010 — February 28, 2011).

Actual Expenses

The first line of the table below provides information about actual account values and actual expenses. 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 “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 a Fund’s actual expense ratios and an assumed rate of return of 5% per year before expenses, which is not the Fund’s 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 sales charges (loads), redemption fees, or exchange fees. 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.

	<u>Expense Ratio¹</u>	<u>Beginning Account Value September 1, 2010</u>	<u>Ending Account Value February 28, 2011</u>	<u>Expenses Paid During Period²</u>
Evolution Managed Bond Fund				
Based on actual fund return	1.90%	\$1,000.00	\$ 974.30	\$ 9.30
Based on hypothetical 5% return	1.90%	1,000.00	1,015.37	9.49
Evolution All-Cap Equity Fund				
Based on actual fund return	1.90%	1,000.00	1,274.10	10.71
Based on hypothetical 5% return	1.90%	1,000.00	1,015.37	9.49
Evolution Market Leaders Fund				
Based on actual fund return	1.90%	1,000.00	1,227.60	10.49
Based on hypothetical 5% return	1.90%	1,000.00	1,015.37	9.49
Evolution Alternative Investment Fund				
Based on actual fund return	1.90%	1,000.00	1,112.90	9.95
Based on hypothetical 5% return	1.90%	1,000.00	1,015.37	9.49

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
February 28, 2011 (Unaudited)

	<u>Cash*</u>	<u>Common Stock</u>	<u>Investment Companies</u>	<u>Futures</u>	<u>Total</u>
Evolution Managed Bond Fund	6%	—	94%	—	100%
Evolution All-Cap Equity Fund	14%	78%	8%	—**	100%
Evolution Market Leaders Fund	6%	0%**	94%	—	100%
Evolution Alternative Investment Fund	14%	—	86%	—**	100%

* Cash, cash equivalents and other assets less liabilities.

** Percentage is less than 0.5%.

Evolution Managed Bond Fund

Schedule of Investments

February 28, 2011 (Unaudited)

Shares		Value	Shares		Value
INVESTMENT COMPANIES - 94.2%					
13,468	AllianceBernstein Global High Income Fund	\$ 196,633	11,845	Templeton Emerging Markets Income Fund	\$ 193,903
16,542	BlackRock Corporate High Yield Fund VI	195,030	203,958	Vanguard Total Bond Market ETF	16,388,025
20,486	BlackRock Credit Allocation Income Trust II	202,402	12,658	Wells Fargo Advantage Multi-Sector Income Fund	191,516
12,775	BlackRock Floating Rate Income Strategies Fund	196,480	10,611	Western Asset Emerging Markets Debt Fund	197,046
14,315	iShares Barclays 1-3 Year Credit Bond Fund	1,500,641	20,224	Western Asset High Income Fund II	198,397
36,066	iShares Barclays 1-3 Year Treasury Bond Fund	3,026,659	16,022	Western Asset/Claymore - Linked Opportunities & Income Fund	202,037
22,161	iShares Barclays 3-7 Year Treasury Bond Fund	2,540,980		TOTAL INVESTMENT COMPANIES	\$57,987,686
32,202	iShares Barclays 7-10 Year Treasury Bond Fund	3,006,701		SHORT TERM INVESTMENTS - 3.6%	
63,904	iShares Barclays Aggregate Bond Fund	6,751,458		MONEY MARKET FUNDS - 3.6%	
50,848	iShares Barclays MBS Bond Fund	5,357,854	435,882	Fidelity Institutional Government Portfolio, 0.01%(a)	\$ 435,882
13,382	iShares Barclays Short Treasury Bond Fund	1,474,964	435,882	Fidelity Institutional Money Market Portfolio, 0.16%(a)	435,882
13,830	iShares Barclays TIPS Bond Fund	1,495,715	435,882	Goldman Sachs Financial Square Federal Fund, 0.00%(a)	435,882
53,247	iShares iBoxx \$ High Yield Corporate Bond Fund	4,925,347	435,882	Goldman Sachs Financial Square Government Fund, 0.05%(a)	435,882
5,233	iShares iBoxx \$ Investment Grade Corporate Bond Fund	571,548	435,882	Morgan Stanley Institutional Liquidity Fund - Treasury Portfolio, 0.01%(a)	435,882
14,411	iShares S&P National AMT-Free Municipal Bond Fund	1,454,935		TOTAL SHORT TERM INVESTMENTS	\$ 2,179,410
27,926	MFS Charter Income Trust	256,919		(Cost \$2,179,410)	
39,019	MFS Government Markets Income Trust	258,306		TOTAL INVESTMENTS	\$60,167,096
32,467	MFS Intermediate Income Trust	199,672		(Cost \$57,595,200) - 97.8%	
30,649	Putnam Premier Income Trust	197,380		Other Assets in Excess of Liabilities - 2.2%	1,377,738
51,335	SPDR Barclays Capital 1-3 Month T-Bill Bond ETF	2,353,710		TOTAL NET ASSETS - 100.0%	\$61,544,834
75,062	SPDR Barclays Capital International Treasury Bond ETF	4,453,428			

Percentages are stated as a percent of net assets.

(a) Represents annualized seven-day yield at February 28, 2011.

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

Evolution All-Cap Equity Fund

Schedule of Investments

February 28, 2011 (Unaudited)

<u>Shares</u>		<u>Value</u>	<u>Shares</u>		<u>Value</u>
COMMON STOCKS - 77.5%					
Accommodation - 0.5%					
212	Choice Hotels International, Inc.	\$ 8,187	1,812	Saks, Inc.(a)	\$ 22,197
2,080	Wyndham Worldwide Corp.	65,062	512	Signet Jewelers Ltd(a)	22,461
		<u>73,249</u>	318	The Men's Wearhouse, Inc.	8,491
			190	Tiffany & Co.	11,694
					<u>208,034</u>
Administrative and Support Services - 0.6%					
2,698	Geo Group, Inc.(a)	68,610	Computer and Electronic Product Manufacturing - 19.3%		
1,050	Kelly Services, Inc. - Class A(a)	22,071	428	Acme Packet, Inc.(a)	32,203
		<u>90,681</u>	2,358	Agilent Technologies, Inc.(a)	99,225
			266	Altera Corp.	11,135
Air Transportation - 1.4%					
1,286	Alaska Air Group, Inc.(a)	76,453	2,434	Analog Devices, Inc.	97,068
5,085	Hawaiian Holdings, Inc.(a)	33,764	399	Apple, Inc.(a)	140,931
3,988	SkyWest, Inc.	65,802	12,834	Atmel Corp.(a)	188,403
1,335	United Continental Holdings, Inc.(a)	32,093	1,320	Audiocodes Ltd (Israel)(a)	8,593
		<u>208,112</u>	4,436	AXT, Inc.(a)	32,915
			174	Cabot Microelectronics Corp.(a)	8,495
Ambulatory Health Care Services - 1.0%					
2,415	Air Methods Corp.(a)	140,167	314	Comtech Telecommunications Corp.	8,494
127	MEDNAX, Inc.(a)	8,246	3,475	Diodes, Inc.(a)	100,636
		<u>148,413</u>	336	DTS, Inc.(a)	15,238
			2,499	Entegris, Inc.(a)	21,791
Amusement, Gambling, and Recreation Industries - 0.5%					
711	Las Vegas Sands Corp.(a)	33,161	4,097	Fairchild Semiconductor International, Inc.(a)	72,148
582	Six Flags Entertainment Corp.	36,294	2,241	FEI Co.(a)	75,141
		<u>69,455</u>	1,830	Fossil, Inc.(a)	140,434
			758	InterDigital, Inc.	36,141
Beverage and Tobacco Product Manufacturing - 0.1%					
190	The Coca-Cola Co.	12,145	5,108	International Rectifier Corp.(a)	164,171
			1,362	LSI Corp.(a)	8,567
Broadcasting (except Internet) - 1.1%					
6,005	CBS Corp. - Class B	143,279	34,035	LTX-Credence Corp.(a)	304,273
1,325	Liberty Media Holdings Corp. - Class A(a)	21,280	509	Masimo Corp.	15,341
		<u>164,559</u>	279	Measurement Specialties, Inc.(a)	8,632
			7,813	Micrel, Inc.	105,007
Chemical Manufacturing - 4.9%					
119	Ameron International, Inc.	8,409	2,662	MIPS Technologies, Inc.(a)	32,397
2,513	E.I. du Pont de Nemours & Co.	137,888	6,384	National Semiconductor Corp.	98,952
1,127	Endo Pharmaceuticals Holdings, Inc.(a)	40,031	1,621	NxStage Medical, Inc.(a)	33,441
5,210	Georgia Gulf Corp.(a)	166,303	770	ON Semiconductor Corp.(a)	8,585
107	IDEXX Laboratories, Inc.(a)	8,314	3,634	Rofin-Sinar Technologies, Inc.(a)	140,927
1,703	International Flavors & Fragrances, Inc.	96,986	6,947	Sandisk Corp.(a)	344,571
646	Jazz Pharmaceuticals, Inc.(a)	15,911	3,995	Silicon Image, Inc.(a)	32,120
836	King Pharmaceuticals, Inc.(a)	11,905	337	Skyworks Solutions, Inc.(a)	12,112
604	Momenta Pharmaceuticals, Inc.(a)	8,384	1,080	STEC, Inc.(a)	22,064
4,430	Neurocrine Biosciences, Inc.(a)	29,902	3,041	Texas Instruments, Inc.	108,290
225	OM Group, Inc.(a)	7,918	23,117	TriQuint Semiconductor, Inc.(a)	329,417
770	Prestige Brands Holdings, Inc.(a)	8,485	492	Vishay Intertechnology, Inc.(a)	8,585
2,572	Questcor Pharmaceuticals, Inc.(a)	33,333			<u>2,866,443</u>
190	Rockwood Holdings, Inc.(a)	8,844	Construction of Buildings - 0.2%		
2,981	Westlake Chemical Corp.	142,522	1,196	M/I Homes, Inc.(a)	15,967
		<u>725,135</u>	609	Meritage Homes Corp.(a)	15,718
					<u>31,685</u>
Clothing and Clothing Accessories Stores - 1.4%					
930	AnnTaylor Stores Corp.(a)	21,585	Couriers and Messengers - 0.2%		
381	Collective Brands, Inc.(a)	8,687	4,273	Air Transport Services Group, Inc.(a)	33,543
527	Dillard's, Inc.	22,313	Credit Intermediation and Related Activities - 0.2%		
550	Genesco, Inc.(a)	21,736	253	First Cash Financial Services, Inc.(a)	8,283
956	Ross Stores, Inc.	68,870	262	World Acceptance Corp.(a)	15,670
					<u>23,953</u>

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

Evolution All-Cap Equity Fund

Schedule of Investments

February 28, 2011 (Unaudited)

Shares		Value	Shares		Value
Data Processing, Hosting and Related Services - 0.7%					
1,535	Fiserv, Inc.(a)	\$ 97,119	551	The Chubb Corp.	\$ 33,435
			571	The Travelers Companies, Inc.	34,220
			512	Torchmark Corp.	33,408
					808,973
Electrical Equipment, Appliance, and Component Manufacturing - 0.4%					
205	AMETEK, Inc.	8,600	Leather and Allied Product Manufacturing - 1.1%		
633	EnerSys(a)	22,471	1,834	Crocs, Inc.(a)	32,370
1,882	Exide Technologies(a)	22,396	249	Deckers Outdoor Corp.(a)	21,967
		53,467	94	Nike, Inc. - Class B	8,369
			2,642	The Timberland Co.(a)	97,595
					160,301
Fabricated Metal Product Manufacturing - 1.0%					
129	Parker Hannifin Corp.	11,504	Machinery Manufacturing - 3.7%		
2,834	The Timken Co.	138,073	179	3D Systems Corp.(a)	8,762
		149,577	119	Caterpillar, Inc.	12,249
			1,259	Imax Corp. (Canada)(a)	33,376
Food Manufacturing - 0.2%					
585	Darling International, Inc.(a)	8,126	32,071	Kulicke & Soffa Industries, Inc.(a)	307,561
1,169	Del Monte Foods Co.	22,129	260	National Oilwell Varco, Inc.	20,688
		30,255	542	Newport Corp.(a)	9,024
			726	TriMas Corp.(a)	14,934
Food Services and Drinking Places - 0.4%					
47	Biglari Holdings, Inc.(a)	20,105	2,918	Varian Semiconductor Equipment Associates, Inc.(a)	139,218
525	CEC Entertainment, Inc.(a)	20,312			545,812
48	Chipotle Mexican Grill, Inc.(a)	11,760	Management of Companies and Enterprises - 0.9%		
156	DineEquity, Inc.(a)	8,925	7,857	Cathay General Bancorp	139,226
		61,102			
Funds, Trusts, and Other Financial Vehicles - 0.5%					
1,291	AMERIGROUP Corp.(a)	74,039	Merchant Wholesalers, Durable Goods - 0.4%		
			878	Arrow Electronics, Inc.(a)	34,418
General Merchandise Stores - 1.6%					
547	Bon-Ton Stores, Inc.(a)	8,566	1,599	Brightpoint, Inc.(a)	20,147
2,297	Dollar Tree, Inc.(a)	115,585			54,565
2,331	Family Dollar Stores, Inc.	116,737	Merchant Wholesalers, Nondurable Goods - 0.1%		
		240,888	104	Polo Ralph Lauren Corp.	13,178
			130	Sigma-Aldrich Corp.	8,305
					21,483
Health and Personal Care Stores - 1.4%					
1,230	Express Scripts, Inc.(a)	69,150	Miscellaneous Manufacturing - 0.3%		
242	McKesson Corp.	19,186	209	Coach, Inc.	11,478
451	Medco Health Solutions, Inc.(a)	27,800	431	Hasbro, Inc.	19,352
366	Ulta Salon, Cosmetics & Fragrance, Inc.(a)	15,273	141	Rockwell Automation, Inc.	12,370
2,372	Vitamin Shoppe, Inc.(a)	82,522			43,200
		213,931	Motion Picture and Sound Recording Industries - 2.8%		
Heavy and Civil Engineering Construction - 1.1%					
8,359	Dycom Industries, Inc.(a)	144,276	503	Netflix, Inc.(a)	103,955
1,248	MasTec, Inc.(a)	23,238	3,775	SINA Corp. (China)(a)	308,304
		167,514			412,259
Hospitals - 0.6%					
6,835	Health Management Associates, Inc.(a)	68,350	Motor Vehicle and Parts Dealers - 0.7%		
879	Kindred Healthcare, Inc.(a)	21,905	1,088	Advance Auto Parts, Inc.	68,196
		90,255	585	AutoNation, Inc.(a)	19,679
			47	AutoZone, Inc.(a)	12,124
Insurance Carriers and Related Activities - 5.5%					
979	American Financial Group, Inc.	33,903			99,999
533	Axis Capital Holdings Ltd	19,359	Nonstore Retailers - 0.3%		
988	Cincinnati Financial Corp.	33,641	608	IAC/InterActiveCorp(a)	18,890
4,635	Coventry Health Care, Inc.(a)	139,977	463	Sotheby's	22,789
1,801	Healthspring, Inc.(a)	67,790			41,679
549	Humana, Inc.(a)	35,690	Oil and Gas Extraction - 1.4%		
13,280	Protective Life Corp.	377,550	2,070	El Paso Corp.	38,502
			1,737	EXCO Resources, Inc.	35,556
			587	Hess Corp.	51,087

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

Evolution All-Cap Equity Fund

Schedule of Investments

February 28, 2011 (Unaudited)

Shares		Value	Shares		Value
Oil and Gas Extraction (continued)			Sporting Goods, Hobby, Book, and Music Stores - 0.6%		
1,222	Rex Energy Corp.(a)	\$ 15,397	501	Hibbett Sports, Inc.(a)	\$ 15,737
2,210	Stone Energy Corp.(a)	66,919	1,092	Jo-Ann Stores, Inc.(a)	66,284
		207,461			82,021
Other Information Services - 0.3%			Support Activities for Mining - 0.6%		
990	QuinStreet, Inc.(a)	21,572	1,162	Basic Energy Services, Inc.(a)	22,287
336	WebMD Health Corp.(a)	19,488	82	Core Laboratories NV (Netherlands)	8,475
		41,060	1,535	Helix Energy Solutions Group, Inc.(a)	23,639
Paper Manufacturing - 1.0%			4,228	L & L Energy, Inc.(a)	31,752
3,299	Buckeye Technologies, Inc.	86,434			86,153
1,867	KapStone Paper & Packaging Corp.(a)	32,019	Support Activities for Transportation - 0.5%		
486	Rock-Tenn Co. - Class A	33,364	937	C.H. Robinson Worldwide, Inc.	67,829
		151,817	232	Expeditors International of Washington, Inc.	11,090
Petroleum and Coal Products Manufacturing - 2.1%					78,919
344	Chevron Corp.	35,690	Telecommunications - 3.4%		
456	ConocoPhillips	35,509	5,288	AboveNet, Inc.(a)	343,138
5,009	Frontier Oil Corp.(a)	139,751	2,235	BT Group plc ADR (United Kingdom)	66,826
6,304	Western Refining, Inc.(a)	102,566	267	CenturyLink, Inc.	10,995
		313,516	4,145	EarthLink, Inc.	34,113
Pipeline Transportation - 0.2%			1,621	Qwest Communications International, Inc.	11,055
1,143	Atlas Pipeline Partners, LP(a)	33,707	2,393	USA Mobility, Inc.	35,704
Plastics and Rubber Products Manufacturing - 0.1%					501,831
988	Newell Rubbermaid, Inc.	19,108	Transportation Equipment Manufacturing - 4.2%		
Primary Metal Manufacturing - 0.1%			1,447	Autoliv, Inc.	108,366
58	Precision Castparts Corp.	8,221	166	BorgWarner, Inc.(a)	12,883
Professional, Scientific, and Technical Services - 3.3%			1,186	Dana Holding Corp.(a)	22,392
178	athenahealth, Inc.(a)	8,071	108	Eaton Corp.	11,964
504	Cognizant Technology Solutions - Class A(a)	38,743	2,443	Ford Motor Co.(a)	36,767
6,100	Korn/Ferry International(a)	139,446	3,679	Leapfrog Enterprises, Inc.(a)	15,967
928	Medidata Solutions, Inc.(a)	24,044	326	Lear Corp.(a)	34,491
247	Omnicom Group, Inc.	12,572	1,795	Oshkosh Corp.(a)	64,028
661	Pre-Paid Legal Services, Inc.(a)	43,586	2,449	TRW Automotive Holdings Corp.(a)	139,103
3,297	Rigel Pharmaceuticals, Inc.(a)	23,046	3,134	Wabash National Corp.(a)	32,656
1,083	Riverbed Technology, Inc.(a)	44,717	2,392	WABCO Holdings, Inc.(a)	139,764
4,431	Teletech Holdings, Inc.(a)	100,938			618,381
10,154	United Online, Inc.	61,026	Utilities - 0.2%		
		496,189	875	Edison International	32,480
Publishing Industries (except Internet) - 0.5%			Water Transportation - 0.2%		
3,955	Gannett Co., Inc.	65,297	384	SEACOR Holdings, Inc.	36,392
698	Web.com Group, Inc.(a)	8,879			
		74,176	TOTAL COMMON STOCKS		
Real Estate - 0.1%			(Cost \$10,787,631)		
646	Apartment Investment & Management Co.	16,570	INVESTMENT COMPANIES - 8.0%		
Rental and Leasing Services - 1.2%			13,062	Guggenheim BRIC ETF	\$ 593,799
1,149	Rent-A-Center, Inc.	37,986	2,406	iShares MSCI EAFE Index Fund	148,089
4,368	United Rentals, Inc.(a)	135,321	10,517	iShares S&P Europe 350 Index Fund	444,554
		173,307	TOTAL INVESTMENT COMPANIES		
Securities, Commodity Contracts, and Other Financial Investments and Related Activities - 2.4%			(Cost \$1,159,283)		
37,523	American Capital Ltd(a)	350,465	\$ 1,186,442		

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

Evolution All-Cap Equity Fund
Schedule of Investments
February 28, 2011 (Unaudited)

<u>Shares</u>	<u>Value</u>	<u>Shares</u>	<u>Value</u>
SHORT TERM INVESTMENTS - 9.3%			
MONEY MARKET FUNDS - 9.3%			
274,511	Fidelity Institutional Government Portfolio, 0.01%(b)	274,511	Goldman Sachs Financial Square Government Fund, 0.05%(b) \$ 274,511
274,511	Fidelity Institutional Money Market Portfolio, 0.16%(b)	274,511	Morgan Stanley Institutional Liquidity Fund - Treasury Portfolio, 0.01%(b) 274,511
274,511	Goldman Sachs Financial Square Federal Fund, 0.00%(b)		TOTAL SHORT TERM INVESTMENTS (Cost \$1,372,555) <u>\$ 1,372,555</u>
			TOTAL INVESTMENTS (Cost \$13,319,469) - 94.8% \$14,041,822
			Other Assets in Excess of Liabilities - 5.2% <u>773,696</u>
			<u>TOTAL NET ASSETS - 100.0%</u> <u>\$14,815,518</u>

Percentages are stated as a percent of net assets.

(a) Non income producing

(b) Represents annualized seven-day yield at February 28, 2011.

Evolution All-Cap Equity Fund
Futures Contracts
February 28, 2011 (Unaudited)

<u>Contracts</u>	<u>Unrealized Appreciation</u>
44 E-Mini S&P 500 Futures Expiring March 2011 (Underlying Face Amount at Market Value \$2,919,950)	<u>\$27,775</u>

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

Evolution Market Leaders Fund

Schedule of Investments

February 28, 2011 (Unaudited)

Shares		Value	Shares		Value
COMMON STOCKS - 0.0%			117,618	Rydex S&P MidCap 400 Pure Growth ETF	\$ 9,769,351
Chemical Manufacturing - 0.0%			154,620	Schwab U.S. Large-Cap Growth ETF	4,911,041
1	Inter Parfums, Inc.	\$ 18	18,064	SPDR Barclays Capital Short Term International Treasury Bond ETF	685,420
	TOTAL COMMON STOCKS	\$ 18	16,780	SPDR Barclays High Yield Bond ETF	684,288
	(Cost \$7)		11,390	SPDR DB International Government Inflation-Protected Bond ETF	681,153
INVESTMENT COMPANIES - 93.6%			37,345	SPDR Dow Jones Small Cap Growth ETF	4,253,820
20,138	Fidelity Nasdaq Composite Index Tracking Stock	\$ 2,201,083	12,952	SPDR S&P Oil & Gas Equipment & Services ETF	551,690
108,964	First Trust Technology AlphaDEX Fund	2,717,562	44,307	SPDR S&P Semiconductor ETF	2,698,739
93,396	First Trust Value Line 100 Exchange-Traded Fund	1,364,516	40,142	Vanguard Materials ETF	3,419,697
8,700	Internet HOLDERS Trust	658,242	153,428	Vanguard Mid-Cap Growth ETF	10,187,619
6,303	iShares Barclays TIPS Bond Fund	681,670	38,926	Vanguard Small-Cap ETF	3,004,309
43,177	iShares Dow Jones U.S. Basic Materials Sector Index Fund	3,423,936	122,579	Vanguard Small-Cap Growth ETF	10,252,508
62,324	iShares Dow Jones U.S. Oil Equipment & Services Index Fund	4,092,194		TOTAL INVESTMENT COMPANIES	
7,400	iShares iBoxx High Yield Corporate Bond Fund	684,500		(Cost \$118,658,066)	\$128,819,714
27,008	iShares Morningstar Small Growth Index Fund	2,420,673	SHORT TERM INVESTMENTS - 2.6%		
1	iShares MSCI All Peru Capped Index Fund	48	MONEY MARKET FUNDS - 2.6%		
111,482	iShares Russell 2000 Growth Index Fund	10,250,770	719,834	Fidelity Institutional Government Portfolio, 0.01%(a)	\$ 719,834
97,866	iShares Russell 3000 Growth Index Fund	4,854,447	719,834	Fidelity Institutional Money Market Portfolio, 0.16%(a)	719,834
63,519	iShares S&P MidCap 400 Growth Index Fund	6,804,790	719,834	Goldman Sachs Financial Square Federal Fund, 0.00%(a)	719,834
43,049	iShares S&P North American Technology-Semiconductors Index Fund	2,672,912	719,834	Goldman Sachs Financial Square Government Fund, 0.05%(a)	719,834
107,541	iShares S&P SmallCap 600 Growth Index Fund	8,178,493	719,834	Morgan Stanley Institutional Liquidity Fund - Treasury Portfolio, 0.01%(a)	719,834
69,317	Materials Select Sector SPDR Fund	2,735,249		TOTAL SHORT TERM INVESTMENTS	
25,000	Oil Service HOLDERS Trust	4,108,500		(Cost \$3,599,170)	\$ 3,599,170
12,798	PIMCO 1-5 Year U.S. TIPS Index Fund	681,494		TOTAL INVESTMENTS	
36,465	PowerShares Dynamic Basic Materials Sector Portfolio	1,366,344		(Cost \$122,257,243) - 96.2%	\$132,418,902
94,773	PowerShares Dynamic Networking Portfolio	2,720,933		Other Assets in Excess of Liabilities - 3.8%	5,254,667
165,196	PowerShares Dynamic Oil & Gas Services Portfolio	4,133,204		TOTAL NET ASSETS - 100.0%	\$137,673,569
105,699	PowerShares QQQ Trust	6,106,231			
106,094	Rydex S&P 500 Pure Growth ETF	4,862,288			

Percentages are stated as a percent of net assets.

(a) Represents annualized seven-day yield at February 28, 2011.

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

Evolution Alternative Investment Fund

Schedule of Investments

February 28, 2011 (Unaudited)

Shares		Value	Shares		Value
INVESTMENT COMPANIES - 85.7%					
44,482	American Century Long-Short Market Neutral Fund(a)	\$ 441,265	21,800	iShares S&P North American Technology-Multimedia Networking Index Fund	\$ 820,114
23,000	Broadband HOLDERS Trust	371,303	23,603	Managers AMG FQ Global Alternatives Fund(a)	244,050
57,346	Diamond Hill Long-Short Fund	967,435	4,172	Market Vectors Agribusiness ETF	234,383
38,732	Driehaus Active Income Fund	438,449	3,500	Market Vectors Brazil Small-Cap ETF	182,980
26,255	DWS Disciplined Market Neutral Fund	243,907	31,600	Market Vectors Gold Miners ETF	1,890,628
41,685	First Trust Consumer Discretionary AlphaDEX Fund	859,961	12,600	Market Vectors Indonesia Index ETF	344,610
34,700	First Trust Financials AlphaDEX Fund	538,891	5,700	Market Vectors Poland ETF	157,890
60,500	First Trust ISE Water Index Fund	1,371,535	27,598	Market Vectors Russia ETF	1,128,758
52,600	First Trust Materials AlphaDEX Fund	1,308,162	5,795	Materials Select Sector SPDR Fund	228,671
36,000	First Trust Technology AlphaDEX Fund	897,840	119,409	MutualHedge Frontier Legends Fund	1,241,856
23,959	Gateway Fund	635,634	4,000	Oil Service HOLDERS Trust	657,360
44,349	Guggenheim S&P Global Water Index ETF	923,346	20,904	Permanent Portfolio	983,119
14,068	Guggenheim Timber ETF	313,576	9,200	PowerShares Aerospace & Defense Portfolio	184,000
89,346	Hatteras Alpha Hedged Strategies Fund	962,260	24,953	PowerShares Dynamic Basic Materials Sector Portfolio	934,989
106,943	Highland Long/Short Equity Fund	1,218,080	30,283	PowerShares Dynamic Energy Exploration & Production Portfolio	811,281
26,322	Industrial Select Sector SPDR Fund	974,177	12,400	PowerShares Dynamic Leisure & Entertainment Portfolio	233,244
2,900	Internet HOLDERS Trust	219,414	62,300	PowerShares Dynamic Media Portfolio	951,321
11,687	iShares Dow Jones U.S. Aerospace & Defense Index Fund	735,580	16,500	PowerShares Dynamic Networking Portfolio	473,715
2,803	iShares Dow Jones U.S. Basic Materials Sector Index Fund	222,278	12,600	PowerShares Dynamic Oil & Gas Services Portfolio	315,252
27,811	iShares Dow Jones U.S. Broker-Dealers Index Fund	856,022	22,968	PowerShares Global Water Portfolio	458,901
2,600	iShares Dow Jones U.S. Consumer Services Sector Index Fund	184,080	96,334	PowerShares Water Resources Portfolio	1,898,743
3,000	iShares Dow Jones U.S. Financial Services Index Fund	180,060	19,289	ProShares Ultra Oil & Gas ETF	1,168,913
13,920	iShares Dow Jones U.S. Industrial Sector Index Fund	973,426	6,588	ProShares Ultra Technology ETF	466,892
16,853	iShares Dow Jones U.S. Oil Equipment & Services Index Fund	1,106,568	16,000	ProShares UltraShort Basic Materials ETF	286,720
9,200	iShares Dow Jones U.S. Regional Banks Index Fund	230,736	24,800	ProShares UltraShort Consumer Services ETF	488,064
3,200	iShares MSCI All Peru Capped Index Fund	152,224	14,200	ProShares UltraShort MSCI Emerging Markets ETF	477,688
2,500	iShares MSCI Brazil Index Fund	185,675	7,300	Regional Bank HOLDERS Trust	647,656
21,900	iShares MSCI Malaysia Index Fund	308,133	1,700	Retail HOLDERS Trust(a)	181,050
14,930	iShares MSCI Mexico Investable Market Index Fund	912,522	28,133	Rydex Precious Metals Fund	2,406,222
4,600	iShares MSCI Poland Investable Market Index Fund	157,734	53,743	Schooner Fund	1,228,035
21,400	iShares MSCI Taiwan Index Fund	315,436	7,000	SPDR KBW Bank ETF	185,500
5,500	iShares MSCI Thailand Investable Market Index Fund	339,570	25,888	SPDR KBW Capital Markets ETF	1,044,840
9,900	iShares S&P Global Financials Sector Index Fund	494,406	17,488	SPDR S&P Metals & Mining ETF	1,253,190
47,091	iShares S&P North American Natural Resources Sector Index Fund	2,180,313	11,800	SPDR S&P Oil & Gas Equipment & Services ETF	502,621
			2,500	SPDR S&P Oil & Gas Exploration & Production ETF	154,225
			10,877	SPDR S&P Retail ETF	535,366
			6,300	SPDR S&P Semiconductor ETF	383,733
			160,429	TFS Market Neutral Fund	2,456,168

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

Evolution Alternative Investment Fund

Schedule of Investments

February 28, 2011 (Unaudited)

<u>Shares</u>		<u>Value</u>	<u>Shares</u>		<u>Value</u>
8,483	Vanguard Consumer Discretionary ETF	\$ 536,295	1,144,900	Morgan Stanley Institutional Liquidity Fund - Treasury Portfolio, 0.01%(b)	\$ 1,144,900
14,247	Vanguard Industrials ETF	981,903			
5,306	Vanguard Materials ETF	452,019			
91,064	Wasatch-1st Source Long/Short Fund	<u>1,212,976</u>		TOTAL SHORT TERM INVESTMENTS	\$ 5,724,502
	TOTAL INVESTMENT COMPANIES			(Cost \$5,724,502)	<u>\$ 5,724,502</u>
	(Cost \$50,995,607)	<u>\$53,645,939</u>		TOTAL INVESTMENTS	\$59,370,441
				(Cost \$56,720,109) - 94.8%	3,259,184
				Other Assets in Excess of Liabilities - 5.2%	<u>\$62,629,625</u>
				TOTAL NET ASSETS - 100.0%	<u>\$62,629,625</u>
				Percentages are stated as a percent of net assets.	
				(a) Non-income producing security.	
				(b) Represents annualized seven-day yield at February 28, 2011.	
SHORT TERM INVESTMENTS - 9.1%					
MONEY MARKET FUNDS - 9.1%					
1,144,901	Fidelity Institutional Government Portfolio, 0.01%(b)	\$ 1,144,901			
1,144,901	Fidelity Institutional Money Market Portfolio, 0.16%(b)	1,144,901			
1,144,900	Goldman Sachs Financial Square Federal Fund, 0.00%(b)	1,144,900			
1,144,900	Goldman Sachs Financial Square Government Fund, 0.05%(b)	1,144,900			

Evolution Alternative Investment Fund

Futures Contracts

February 28, 2011 (Unaudited)

<u>Contracts</u>		<u>Unrealized Appreciation</u>
39	E-Mini S&P 500 Futures Expiring March 2011 (Underlying Face Amount at Market Value \$2,588,138)	<u>\$44,197</u>

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

Statements of Assets and Liabilities

February 28, 2011 (Unaudited)

	<u>Evolution Managed Bond Fund</u>	<u>Evolution All-Cap Equity Fund</u>
Assets:		
Investments, at market value (Note 2)	\$60,167,096	\$ 14,041,822
Receivables:		
Fund shares sold	239,193	62,781
Investment securities sold	7,771,016	2,376,753
Deposits at broker for futures	98,852	208,550
Due from broker for futures	—	7,450
Variation margin	—	20,513
Dividends and interest	3,211	3,819
Total Assets	<u>68,279,368</u>	<u>16,721,688</u>
Liabilities:		
Payables:		
Fund shares redeemed	35,346	7,787
Investment securities purchased	6,608,939	1,874,637
Accrued investment advisory fees	45,641	10,827
Accrued operating services fees	22,821	5,413
Accrued distribution expense	13,537	4,859
Accrued shareholder servicing fees	8,231	2,647
Other liabilities	19	—
Total Liabilities	<u>6,734,534</u>	<u>1,906,170</u>
Net Assets	<u>\$61,544,834</u>	<u>\$ 14,815,518</u>
Net Assets Consist Of:		
Capital stock	\$64,483,504	\$ 32,666,221
Accumulated net investment loss	(208,799)	(57,004)
Accumulated net realized loss	(5,301,767)	(18,543,827)
Net unrealized appreciation on:		
Investments	2,571,896	722,353
Futures	—	27,775
Total Net Assets	<u>\$61,544,834</u>	<u>\$ 14,815,518</u>
Calculation of Net Assets Value Per Share:		
Net assets	\$61,544,834	\$ 14,815,518
Shares outstanding (unlimited shares of beneficial interest authorized, no par value)	3,649,823	965,627
Net asset value, redemption and offering price per share	<u>\$ 16.86</u>	<u>\$ 15.34</u>
Cost of Investments	<u>\$57,595,200</u>	<u>\$ 13,319,469</u>

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

Statements of Assets and Liabilities
February 28, 2011 (Unaudited)

	<u>Evolution Market Leaders Fund</u>	<u>Evolution Alternative Investment Fund</u>
Assets:		
Investments, at market value (Note 2)	\$132,418,902	\$59,370,441
Receivables:		
Fund shares sold	968,159	343,044
Investment securities sold	10,990,842	6,198,002
Deposits at broker for futures	—	147,614
Due from broker for futures	—	27,886
Variation margin	—	16,478
Dividends and interest	7,970	4,510
Total Assets	<u>144,385,873</u>	<u>66,107,975</u>
Liabilities:		
Payables:		
Fund shares redeemed	122,611	54,598
Investment securities purchased	6,393,293	3,341,049
Accrued investment advisory fees	102,008	43,519
Accrued operating services fees	51,004	21,759
Accrued distribution expense	25,414	11,635
Accrued shareholder servicing fees	17,347	5,790
Other liabilities	627	—
Total Liabilities	<u>6,712,304</u>	<u>3,478,350</u>
Net Assets	<u>\$137,673,569</u>	<u>\$62,629,625</u>
Net Assets Consist Of:		
Capital stock	\$120,940,352	\$67,181,282
Accumulated net investment loss	(221,783)	(40,323)
Undistributed (Accumulated) net realized gain (loss)	6,793,341	(7,205,863)
Net unrealized appreciation (depreciation) on:		
Investments	10,161,659	2,650,332
Futures	—	44,197
Total Net Assets	<u>\$137,673,569</u>	<u>\$62,629,625</u>
Calculation of Net Assets Value Per Share:		
Net assets	\$137,673,569	\$62,629,625
Shares outstanding (unlimited shares of beneficial interest authorized, no par value)	9,428,166	3,714,243
Net asset value, redemption and offering price per share	<u>\$ 14.60</u>	<u>\$ 16.86</u>
Cost of Investments	<u>\$122,257,243</u>	<u>\$56,720,109</u>

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

Statements of Operations
For the Six months ended February 28, 2011 (Unaudited)

	<u>Evolution Managed Bond Fund</u>	<u>Evolution All-Cap Equity Fund</u>
Investment Income:		
Dividend income (net of foreign withholding tax of \$- and \$364, respectively)	\$ 937,848	\$ 60,635
Interest income	<u>1,695</u>	<u>684</u>
Total investment income	<u>939,543</u>	<u>61,319</u>
Expenses:		
Investment advisory fees	293,409	62,359
Operating services fees	146,704	31,179
Distribution expenses	73,352	15,590
Shareholder servicing fees	<u>44,012</u>	<u>9,372</u>
Total expenses before interest and reimbursement	557,477	118,500
Interest on line of credit	1,317	—
Less: Reimbursement of expenses from Advisor	<u>(4)</u>	<u>—</u>
Total expenses	<u>558,790</u>	<u>118,500</u>
Net investment income (loss)	<u>380,753</u>	<u>(57,181)</u>
Realized and unrealized gain (loss) on investments:		
Net realized gain (loss) on:		
Investments	(791,582)	2,336,409
Futures	<u>87,014</u>	<u>66,908</u>
	<u>(704,568)</u>	<u>2,403,317</u>
Capital gain distributions from regulated investment companies	<u>238,086</u>	<u>—</u>
Change in unrealized appreciation (depreciation) on:		
Investments	(1,513,325)	584,489
Futures	<u>—</u>	<u>21,262</u>
	<u>(1,513,325)</u>	<u>605,751</u>
Net realized and unrealized gain (loss) on investments	<u>(1,979,807)</u>	<u>3,009,068</u>
Net increase (decrease) in net assets resulting from operations	<u><u>\$(1,599,054)</u></u>	<u><u>\$2,951,887</u></u>

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

Statements of Operations
For the Six months ended February 28, 2011 (Unaudited)

	Evolution Market Leaders Fund	Evolution Alternative Investment Fund
Investment Income:		
Dividend income (net of foreign withholding tax of \$299 and \$-, respectively)	\$ 851,473	\$ 349,591
Interest income	<u>2,016</u>	<u>3,250</u>
Total investment income	<u>853,489</u>	<u>352,841</u>
Expenses:		
Investment advisory fees	565,288	206,928
Operating services fees	282,644	103,464
Distribution expenses	141,322	51,732
Shareholder servicing fees	<u>84,765</u>	<u>31,040</u>
Total expenses before interest	1,074,019	393,164
Interest on line of credit	<u>1,253</u>	<u>—</u>
Total expenses	<u>1,075,272</u>	<u>393,164</u>
Net investment loss	<u>(221,783)</u>	<u>(40,323)</u>
Realized and unrealized gain on investments:		
Net realized gain on:		
Investments	9,835,332	1,819,756
Futures	<u>—</u>	<u>207,747</u>
	<u>9,835,332</u>	<u>2,027,503</u>
Capital gain distributions from regulated investment companies	<u>306,237</u>	<u>430,503</u>
Change in unrealized appreciation (depreciation) on:		
Investments	12,160,084	1,668,761
Futures	<u>—</u>	<u>67,222</u>
	<u>12,160,084</u>	<u>1,735,983</u>
Net realized and unrealized gain on investments	<u>22,301,653</u>	<u>4,193,989</u>
Net increase in net assets resulting from operations	<u><u>\$22,079,870</u></u>	<u><u>\$4,153,666</u></u>

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

Statements of Changes in Net Assets

	Evolution Managed Bond Fund		Evolution All-Cap Equity Fund	
	Six Months Ended February 28, 2011 (Unaudited)	Year Ended August 31, 2010	Six Months Ended February 28, 2011 (Unaudited)	Year Ended August 31, 2010
Increase (Decrease) in net assets from:				
Operations:				
Net investment income (loss)	\$ 380,753	\$ 987,222	\$ (57,181)	\$ (187,407)
Net realized gain (loss) on investments	(704,568)	920,276	2,403,317	(1,563,862)
Capital gain distributions from regulated investment companies	238,086	33,735	—	—
Change in net unrealized appreciation (depreciation) on investments	<u>(1,513,325)</u>	<u>1,588,337</u>	<u>605,751</u>	<u>(1,948,443)</u>
Net increase (decrease) in net assets resulting from operations	<u>(1,599,054)</u>	<u>3,529,570</u>	<u>2,951,887</u>	<u>(3,699,712)</u>
Distributions to shareholders:				
Net investment income	<u>(911,640)</u>	<u>(929,653)</u>	<u>—</u>	<u>—</u>
Total distributions to shareholders	<u>(911,640)</u>	<u>(929,653)</u>	<u>—</u>	<u>—</u>
Capital share transactions:				
Net increase (decrease) in net assets resulting from net change in capital share transactions(a)	<u>11,296,327</u>	<u>2,394,516</u>	<u>508,786</u>	<u>(28,417,731)</u>
Total increase (decrease) in net assets from capital share transactions	<u>11,296,327</u>	<u>2,394,516</u>	<u>508,786</u>	<u>(28,417,731)</u>
Total increase (decrease) in net assets	<u>8,785,633</u>	<u>4,994,433</u>	<u>3,460,673</u>	<u>(32,117,443)</u>
Net assets:				
Beginning of year/period	<u>52,759,201</u>	<u>47,764,768</u>	<u>11,354,845</u>	<u>43,472,288</u>
End of year/period	<u>\$61,544,834</u>	<u>\$52,759,201</u>	<u>\$14,815,518</u>	<u>\$ 11,354,845</u>
Undistributed (Accumulated) net investment income (loss), end of year/period	<u>\$ (208,799)</u>	<u>\$ 322,088</u>	<u>\$ (57,004)</u>	<u>\$ 177</u>

(a) Summary of capital share transactions is as follows:

	Evolution Managed Bond Fund				Evolution All-Cap Equity Fund			
	Six Months Ended February 28, 2011 (Unaudited)		Year Ended August 31, 2010		Six Months Ended February 28, 2011 (Unaudited)		Year Ended August 31, 2010	
	<u>Shares</u>	<u>Value</u>	<u>Shares</u>	<u>Value</u>	<u>Shares</u>	<u>Value</u>	<u>Shares</u>	<u>Value</u>
Shares sold	3,519,732	\$ 60,277,639	5,150,963	\$ 86,778,757	408,750	\$ 5,921,960	812,865	\$ 11,555,490
Shares issued in reinvestment of distributions	54,021	\$ 911,640	55,888	\$ 929,653	—	\$ —	—	\$ —
Shares redeemed	<u>(2,932,345)</u>	<u>\$(49,892,952)</u>	<u>(5,081,153)</u>	<u>\$(85,313,894)</u>	<u>(386,371)</u>	<u>\$(5,413,174)</u>	<u>(2,801,250)</u>	<u>\$(39,973,221)</u>
Net increase (decrease)	<u>641,408</u>	<u>\$ 11,296,327</u>	<u>125,698</u>	<u>\$ 2,394,516</u>	<u>22,379</u>	<u>\$ 508,786</u>	<u>(1,988,385)</u>	<u>\$(28,417,731)</u>

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

Statements of Changes in Net Assets

	Evolution Market Leaders Fund		Evolution Alternative Investment Fund	
	Six Months Ended February 28, 2011 (Unaudited)	Year Ended August 31, 2010	Six Months Ended February 28, 2011 (Unaudited)	Year Ended August 31, 2010
Increase (Decrease) in net assets from:				
Operations:				
Net investment loss	\$ (221,783)	\$ (244,177)	\$ (40,323)	\$ (169,165)
Net realized gain (loss) on investments	9,835,332	5,583,465	2,027,503	(1,208,889)
Capital gain distributions from regulated investment companies	306,237	—	430,503	55,955
Change in net unrealized appreciation (depreciation) on investments	12,160,084	(3,871,149)	1,735,983	373,698
Net increase (decrease) in net assets resulting from operations	<u>22,079,870</u>	<u>1,468,139</u>	<u>4,153,666</u>	<u>(948,401)</u>
Distributions to shareholders:				
Net investment income	—	—	—	(30,374)
Net realized gain	(242,010)	—	—	—
Return of capital	—	(155,936)	—	(7)
Total distributions to shareholders	<u>(242,010)</u>	<u>(155,936)</u>	<u>—</u>	<u>(30,381)</u>
Capital share transactions:				
Net increase in net assets resulting from net change in capital share transactions(a)	<u>22,250,405</u>	<u>47,195,706</u>	<u>26,351,201</u>	<u>13,001,087</u>
Total increase in net assets from capital share transactions	<u>22,250,405</u>	<u>47,195,706</u>	<u>26,351,201</u>	<u>13,001,087</u>
Total increase in net assets	<u>44,088,265</u>	<u>48,507,909</u>	<u>30,504,867</u>	<u>12,022,305</u>
Net assets:				
Beginning of year/period	93,585,304	45,077,395	32,124,758	20,102,453
End of year/period	<u>\$137,673,569</u>	<u>\$93,585,304</u>	<u>\$62,629,625</u>	<u>\$32,124,758</u>
Accumulated net investment income (loss), end of year/period	<u>\$ (221,783)</u>	<u>\$ —</u>	<u>\$ (40,323)</u>	<u>\$ —</u>

(a) Summary of capital share transactions is as follows:

	Evolution Market Leaders Fund				Evolution Alternative Investment Fund			
	Six Months Ended February 28, 2011 (Unaudited)		Year Ended August 31, 2010		Six Months Ended February 28, 2011 (Unaudited)		Year Ended August 31, 2010	
	Shares	Value	Shares	Value	Shares	Value	Shares	Value
Shares sold	5,552,689	\$ 76,883,119	9,801,573	\$119,914,890	2,213,996	\$ 36,545,738	2,335,415	\$ 36,496,354
Shares issued in reinvestment of distributions	17,176	\$ 242,010	12,824	\$ 155,936	—	\$ —	1,912	\$ 30,381
Shares redeemed	<u>(3,992,997)</u>	<u>\$(54,874,724)</u>	<u>(5,935,536)</u>	<u>\$(72,875,120)</u>	<u>(620,732)</u>	<u>\$(10,194,537)</u>	<u>(1,511,777)</u>	<u>\$(23,525,648)</u>
Net increase	<u>1,576,868</u>	<u>\$ 22,250,405</u>	<u>3,878,861</u>	<u>\$ 47,195,706</u>	<u>1,593,264</u>	<u>\$ 26,351,201</u>	<u>825,550</u>	<u>\$ 13,001,087</u>

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

Financial Highlights

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	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 ⁴ Year/Period (,000)	Including Short Dividends		Excluding Short Dividends		Net Investment Income (Loss) After Expense Reimbursement ¹ / Recoupment ²	Portfolio Turnover Rate ⁵
											Total Expenses ¹	Net Expenses ¹	Total Expenses ¹	Net Expenses ¹		
Evolution Managed Bond Fund																
Six months ended February 28, 2011																
(Unaudited)	\$17.54	\$ 0.11	\$(0.56)	\$(0.45)	\$(0.23)	\$ —	\$ —	\$(0.23)	\$16.86	(2.57%) ²	\$ 61,545	—	1.90%	1.90%	1.30%	243% ²
Year ended August 31, 2010	16.57	0.34	0.93	1.27	(0.30)	—	—	(0.30)	17.54	7.78%	52,759	—	1.91%	1.91%	2.02%	390%
Year ended August 31, 2009	16.41	0.37	0.12	0.49	(0.33)	—	—	(0.33)	16.57	3.04%	47,765	—	1.88%	1.87%	2.32%	425%
Year ended August 31, 2008	16.83	0.59	(0.30)	0.29	(0.71)	—	—	(0.71)	16.41	1.78%	26,242	—	1.90%	1.75%	3.51%	439%
Year ended August 31, 2007	17.45	0.64	(0.51)	0.13	(0.75)	—	—	(0.75)	16.83	0.76%	39,736	—	1.75%	1.75%	3.70%	914%
Year ended August 31, 2006	18.20	0.46 ⁶	(0.70)	(0.24)	(0.51)	—	—	(0.51)	17.45	(1.26%) ²	46,932	1.86%	1.84%	1.79%	2.70% ⁷	1,156%
Evolution All-Cap Equity Fund																
Six months ended February 28, 2011																
(Unaudited)	12.04	(0.06)	3.36	3.30	—	—	—	—	15.34	27.41% ²	14,816	—	1.90%	1.90%	(0.92%)	556% ²
Year ended August 31, 2010	14.83	(0.09)	(2.70)	(2.79)	—	—	—	—	12.04	(18.81%)	11,355	—	1.90%	1.90%	(0.65%)	1,677%
Year ended August 31, 2009	18.55	(0.07)	(3.65)	(3.72)	—	—	—	—	14.83	(20.05%)	43,472	—	1.87%	1.85%	(0.48%)	1,977%
Year ended August 31, 2008	24.31	(0.06)	(1.96)	(2.02)	—	(3.74)	—	(3.74)	18.55	(10.07%)	35,137	—	1.84%	1.75%	(0.27%)	1,374%
Year ended August 31, 2007	22.75	0.03	2.67	2.70	(0.19)	(0.95)	—	(1.14)	24.31	12.03%	64,247	—	1.69%	1.69%	0.10%	885%
Year ended August 31, 2006	21.24	0.20	2.03	2.23	—	(0.72)	—	(0.72)	22.75	10.61%	112,721	—	1.67%	1.69%	0.88%	1,119%
Evolution Market Leaders Fund																
Six months ended February 28, 2011																
(Unaudited)	11.92	(0.03)	2.74	2.71	—	(0.03)	—	(0.03)	14.60	22.76% ²	137,674	—	1.90%	1.90%	(0.39%)	311% ²
Year ended August 31, 2010	11.35	(0.04)	0.64	0.60	(0.03)	—	—	(0.03)	11.92	5.29%	93,585	—	1.90%	1.90%	(0.33%)	1,239%
Year ended August 31, 2009	16.68	(0.02)	(5.31)	(5.33)	—	—	—	—	11.35	(31.95%)	45,077	—	1.95%	1.90%	(0.16%)	1,697%
Year ended August 31, 2008	18.80	0.07	(2.10)	(2.03)	(0.06)	—	(0.03)	(0.09)	16.68	(10.86%)	17,298	—	1.96%	1.75%	0.38%	1,191%
Year ended August 31, 2007	18.12	(0.03)	0.78	0.75	(0.07)	—	—	(0.07)	18.80	4.06%	31,637	—	1.85%	1.75%	(0.17%)	886%
January 27, 2006 ⁸ to August 31, 2006	20.00	0.06	(1.94)	(1.88)	—	—	—	—	18.12	(9.40%) ²	53,795	—	1.84%	1.75%	0.50%	864% ²
Evolution Alternative Investment Fund																
Six months ended February 28, 2011																
(Unaudited)	15.15	(0.02)	1.73	1.71	—	—	—	—	16.86	11.29% ²	62,630	—	1.90%	1.90%	(0.19%)	392% ²
Year ended August 31, 2010	15.52	(0.10)	(0.25)	(0.35)	(0.02)	—	—	(0.02)	15.15	(2.26%)	32,125	—	1.90%	1.90%	(0.66%)	879%
Year ended August 31, 2009	17.63	(0.02)	(1.47)	(1.49)	(0.62)	—	—	(0.62)	15.52	(8.35%)	20,102	—	1.99%	1.90%	(0.10%)	785%
Year ended August 31, 2008	20.48	0.45	(2.60)	(2.15)	(0.06)	(0.64)	—	(0.70)	17.63	(10.77%)	25,037	—	1.89%	1.75%	2.32%	777%
Year ended August 31, 2007	20.65	0.32	(0.03)	0.29	(0.32)	(0.14)	—	(0.46)	20.48	1.35%	46,115	—	1.72%	1.75%	1.46%	824% ²
January 26, 2006 ⁸ to August 31, 2006	20.00	0.22	0.49	0.71	(0.06)	—	—	(0.06)	20.65	3.57% ²	58,519	—	1.82%	1.75%	1.88%	642% 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 All returns reflect reinvested dividends, if any, but do not reflect the impact of taxes.

⁵ 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.

⁶ The Fund's aggressive to take advantage of anticipated changes in market conditions.

⁷ Net investment income (loss) before dividends on short positions for the year ended August 31, 2006 was \$0.47.

⁸ Commencement of operations. The ratio excluding dividends on short positions for the year ended August 31, 2006 was 2.75%.

Direxion Funds
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2011 (Unaudited)

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 32 series in operation of which four are included in this report, the Evolution Managed Bond Fund, the Evolution All-Cap Equity Fund, the Evolution Market Leaders Fund and the Evolution Alternative Investment Fund (each a "Fund" and collectively, the "Funds"). Each Fund is a "non-diversified" series of the Trust pursuant to the 1940 Act.

The Evolution Managed Bond Fund seeks the high appreciation on an annual basis consistent with a high tolerance for risk by investing at least 80% of its assets (plus any borrowing for investment purposes) in fixed-income securities indirectly through securities that invest in or are a derivative of fixed-income securities, including exchange traded funds (ETFs), unit investment trusts (UITs) and closed-end and open-end investment companies. The Evolution All-Cap Equity Fund seeks the high appreciation on an annual basis consistent with a high tolerance for risk by investing at least 80% of its net assets (plus any borrowing for investment purposes) in equity securities either directly through individual stocks and American Depository Receipts (ADRs) or indirectly through securities that invest in or are a derivative of equity securities. The Evolution Market Leaders Fund seeks high appreciation on an annual basis consistent with a high tolerance for risk by typically investing primarily in equity securities either directly or indirectly through individual stocks and ADRs or indirectly through securities that invest in or are a derivative of equity securities. The Evolution Alternative Investment Fund seeks high total return on an annual basis with the S&P 500® Index consistent with a high tolerance for risk by investing primarily in securities, including dividend-paying equities or interest bearing fixed income securities, having a low or negative correlation with the S&P 500® Index (collectively, "alternative securities") or indirectly through securities that invest in or are a derivative of alternative securities.

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. 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. Additionally, the Adviser will monitor developments in the marketplace for significant events that may affect the value of those securities whose closing prices were established before the Valuation Time.

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 February 28, 2011.

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 returns) 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). The Fund’s obligations are accrued daily (offset by any amounts owed to the Funds.)

In a “long” swap agreement, the counterparty will generally agree to pay the Fund the amount, if any, by which the notional amount the swap contract would have increased in value if the Fund had been invested in the particular securities, plus dividends that would have been received on those securities. The Fund 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 amount. 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 Fund on the notional amount are recorded as “unrealized gains or losses 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 were not invested in swap contracts at February 28, 2011.

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 February 28, 2011.

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 values 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 February 28, 2011.

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

i) 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. No provision for federal income taxes has been made.

j) 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. Expenses are charged to the Funds daily. Expenses are computed based on each Fund’s respective daily net assets. For additional discussion on expenses refer to Note 4.

k) 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 six months ended February 28, 2011 and the year ended August 31, 2010 were as follows:

	Evolution Managed Bond Fund		Evolution All-Cap Equity Fund	
	Six Months Ended February 28, 2011 (Unaudited)	Year Ended August 31, 2010	Six Months Ended February 28, 2011 (Unaudited)	Year Ended August 31, 2010
Distributions paid from:				
Ordinary Income	\$911,640	\$929,653	\$ —	\$ —
Long-Term Capital Gains	—	—	—	—
Return of Capital	—	—	—	—
Total Distributions paid	<u>\$911,640</u>	<u>\$929,653</u>	<u>\$ —</u>	<u>\$ —</u>
	Evolution Market Leaders Fund		Evolution Alternative Investment Fund	
	Six Months Ended February 28, 2011 (Unaudited)	Year Ended August 31, 2010	Six Months Ended February 28, 2011 (Unaudited)	Year Ended August 31, 2010
Distributions paid from:				
Ordinary Income	\$242,010	\$ —	\$ —	\$30,374
Long-Term Capital Gains	—	—	—	—
Return of Capital	—	155,936	—	7
Total Distributions paid	<u>\$242,010</u>	<u>\$155,936</u>	<u>\$ —</u>	<u>\$30,381</u>

The Funds designated as long-term capital gain dividend, pursuant to Internal Revenue Code Section 852(b)(3), the amount necessary to reduce the earnings and profits of the Fund related to net capital gain to zero for the tax year ended August 31, 2010. The Funds may utilize earnings and profits distributed to shareholders on redemption of shares as part of the dividend paid deduction.

As of August 31, 2010, the components of distributable earnings of the Funds on a tax basis were as follows:

	Evolution Managed Bond Fund	Evolution All-Cap Equity Fund	Evolution Market Leaders Fund	Evolution Alternative Investment Fund
Net unrealized appreciation/(depreciation)	\$ 2,925,277	\$ (538,987)	\$(3,105,780)	\$ 408,853
Undistributed ordinary income	322,088	—	—	—
Undistributed long-term capital gain	—	—	—	—
Total distributable earnings	322,088	—	—	—
Other accumulated gain/(loss)	(3,675,341)	(20,263,603)	(1,998,863)	(9,114,176)
Total accumulated earnings/(loss)	\$ (427,976)	\$(20,802,590)	\$(5,104,643)	\$(8,705,323)

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.

The cost basis for investments for federal income tax purposes as of February 28, 2011 was as follows:

	Evolution Managed Bond Fund	Evolution All-Cap Equity Fund	Evolution Market Leaders Fund	Evolution Alternative Investment Fund
Tax cost of investments	\$58,755,144	\$13,996,320	\$123,364,598	\$57,292,827
Gross unrealized appreciation	2,611,148	811,760	10,405,413	2,819,367
Gross unrealized depreciation	(1,199,196)	(766,258)	(1,351,109)	(741,753)
Net unrealized appreciation/(depreciation)	\$ 1,411,952	\$ 45,502	\$ 9,054,304	\$ 2,077,614

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 31. 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 1 and the end of their fiscal year, August 31, 2010.

At August 31, 2010, the following funds deferred, on a tax basis, post-October losses of:

	Post October Capital Loss Deferred	Post October Currency Loss Deferred
Evolution Managed Bond Fund	\$ —	\$ —
Evolution All-Cap Equity Fund	3,626,599	11
Evolution Market Leaders Fund	—	—
Evolution Alternative Investment Fund	716,489	—

At August 31, 2010, the following funds had capital loss carryforwards on a tax basis of:

	Expires						
	8/31/2013	8/31/2014	8/31/2015	8/31/2016	8/31/2017	8/31/2018	Total
Evolution Managed Bond Fund	\$486,698	\$596,309	\$586,831	\$1,226,623	\$ 743,352	\$ —	\$ 3,639,813
Evolution All-Cap Equity Fund	—	—	—	3,893,085	8,377,957	4,227,241	16,498,283
Evolution Market Leaders Fund	—	—	—	—	1,998,069	—	1,998,069
Evolution Alternative Investment Fund	—	—	—	1,031,582	6,768,541	—	7,800,123
Capital Loss Utilized	8/31/2010						
Evolution Managed Bond Fund	\$ 751,681						
Evolution Market Leaders Fund	5,977,010						
Evolution Alternative Investment Fund	369,345						

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

The Funds follow authoritative financial reporting rules regarding recognition and measurement of tax positions taken or expected to be taken on a tax return. The Funds have reviewed all open tax years and concluded that there is no effect to the Funds' financial positions or results of operations and no tax liability resulting from unrecognized tax benefits relating to uncertain income tax position take or expected to be taken on a tax return. Open tax years are those years that are open for examination by the relevant income taxing authority. As of February 28, 2011, open Federal and state income tax years include the tax years ended August 31, 2008, August 31, 2009 and August 31, 2010. The Funds have no examination in progress. 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.

l) Credit Facility – U.S. Bank, N.A. (“U.S. Bank”) had made available to Funds a credit facility pursuant to a Line of Credit Agreement (“Line of Credit”) for meeting redemption requests. The following funds utilized the Line of Credit during the six months ended February 28, 2011:

	<u>Available Borrowing (Lesser of 33 1/3% of Fund's Net Assets or)</u>	<u>Outstanding Balance as of February 28, 2011</u>	<u>Maximum Amount Outstanding during the Six Months Ended February 28, 2011</u>	<u>Average Daily Balance</u>	<u>Interest Expense</u>	<u>Borrowings Charged At</u>
Evolution Managed Bond Fund	\$13,600,000	\$ —	\$4,675,000	\$94,923	\$1,317	Prime Rate less 1/2%
Evolution All-Cap Equity Fund	2,500,000	—	—	—	—	Prime Rate less 1/2%
Evolution Market Leaders Fund	22,000,000	—	5,500,000	90,602	1,253	Prime Rate less 1/2%
Evolution Alternative Investment Fund	8,500,000	—	—	—	—	Prime Rate less 1/2%

m) 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.

n) 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. INVESTMENT TRANSACTIONS

During the six months ended February 28, 2011, the aggregate purchases and sales of investments (excluding short-term investments, swaps and futures contracts) were:

	<u>Purchases</u>	<u>Sales</u>
Evolution Managed Bond Fund	\$146,800,635	\$137,570,014
Evolution All-Cap Equity Fund	63,228,100	61,285,574
Evolution Market Leaders Fund	354,441,538	339,450,867
Evolution Alternative Investment Fund	163,411,001	137,596,989

4. INVESTMENT ADVISORY AND OTHER AGREEMENTS

Investment Advisory Agreement: The Funds have entered into an investment advisory agreement with the Adviser. The Adviser receives a fee, computed daily and payable monthly, applied to each Fund's average daily net assets at the annual rates presented below:

Evolution Managed Bond Fund	1.00%
Evolution All-Cap Equity Fund	1.00%
Evolution Market Leaders Fund	1.00%
Evolution Alternative Investment Fund	1.00%

In addition, the Adviser has entered into sub-advisory agreements relating to the Funds whereby the sub-advisor, Flexible Plan Investments, Ltd., will direct investment activities of the Funds. The Adviser pays, out of the management fees it receives from the Funds, a fee for these sub-advisory services.

Operating Services Agreement: The Funds have entered into an Operating Services Agreement (the "Agreement") with the Adviser. 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.

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:

Evolution Managed Bond Fund	0.50%
Evolution All-Cap Equity Fund	0.50%
Evolution Market Leaders Fund	0.50%
Evolution Alternative Investment Fund	0.50%

Distribution Expenses: Shares of the Funds are subject to an annual Rule 12b-1 fee equal to 0.25% of the average daily net assets.

Shareholder Servicing Fees: The Board has also authorized each Fund's shares 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 principle 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 six months ended February 28, 2010. The Distributor is an affiliate of the Adviser.

5. VALUATION MEASUREMENTS

The Funds follow authoritative fair valuation accounting standards which establish an authoritative definition of fair value and set out a hierarchy for measuring fair value. These standards require additional disclosures about the various inputs and valuation techniques used to develop the measurements of fair value and a discussion in changes in valuation techniques and related inputs during the period. These inputs are summarized in the three broad levels listed below:

Level 1 - Quoted prices in active markets for identical securities

Level 2 - Evaluated price based on 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 Funds' net assets as of February 28, 2011:

<u>Asset Class</u>	Evolution Managed Bond Fund			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment Companies — Fixed Income	\$57,987,686	\$ —	\$ —	\$57,987,686
Short-Term Investments	\$ 2,179,410	\$ —	\$ —	\$ 2,179,410
<u>Asset Class</u>	Evolution All-Cap Equity Fund			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity Securities	\$11,482,825	\$ —	\$ —	\$11,482,825
Investment Companies — Equity	\$ 1,186,442	\$ —	\$ —	\$ 1,186,442
Short-Term Investments	\$ 1,372,555	\$ —	\$ —	\$ 1,372,555
Other Financial Instruments*	\$ 27,775	\$ —	\$ —	\$ 27,775

<u>Asset Class</u>	<u>Evolution Market Leaders Fund</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity Securities	\$ 18	\$ —	\$ —	\$ 18
Investment Companies — Equity	\$124,721,189	\$ —	\$ —	\$124,721,189
Investment Companies — Fixed Income	\$ 4,098,525	\$ —	\$ —	\$ 4,098,525
Short-Term Investments	\$ 3,599,170	\$ —	\$ —	\$ 3,599,170

<u>Asset Class</u>	<u>Evolution Alternative Investment Fund</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment Companies — Equity	\$53,207,490	\$ —	\$ —	\$53,207,490
Investment Companies — Fixed Income	\$ 438,449	\$ —	\$ —	\$ 438,449
Short-Term Investments	\$ 5,724,502	\$ —	\$ —	\$ 5,724,502
Other Financial Instruments*	\$ 44,197	\$ —	\$ —	\$ 44,197

For further detail on each asset class, see the Schedule of Investments.

* 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.

There were no significant transfers between Level 1 and Level 2 securities.

6. ADDITIONAL DISCLOSURES ABOUT DERIVATIVE INSTRUMENTS

The Funds follow authoritative standards of accounting for derivative instruments which establish disclosure requirement for derivative instruments. These standards 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. For additional discussion on the risks associated with derivative instruments refer to Note 2. As of February 28, 2011, the Funds were invested in futures contracts and equity swap contracts.

At February 28, 2011, the fair value of derivatives instruments were as follows:

<u>Asset derivatives¹</u>		<u>Interest rate risk</u>	<u>Equity risk</u>	<u>Total</u>
Evolution All-Cap Equity Fund	Futures contracts*	\$ —	\$27,775	\$27,775
	Total	\$ —	\$27,775	\$27,775
Evolution Alternative Investment Fund	Futures contracts*	\$ —	\$44,197	\$44,197
	Total	\$ —	\$44,197	\$44,197

¹ Statement of Assets and Liabilities location: 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.

Transactions in derivative instruments during the six months ended February 28, 2011, were as follows:

		<u>Interest rate risk</u>	<u>Equity risk</u>	<u>Total</u>
Evolution Managed Bond Fund	Realized gain (loss)¹			
	Futures contracts	\$87,014	\$ —	\$ 87,014
	Total realized gain (loss)	\$87,014	\$ —	\$ 87,014
Evolution All-Cap Equity Fund	Realized gain (loss)¹			
	Futures contracts	\$ —	\$ 66,908	\$ 66,908
	Total realized gain (loss)	\$ —	\$ 66,908	\$ 66,908
	Change in unrealized appreciation (depreciation)²			
	Futures contracts	\$ —	\$ 21,262	\$ 21,262
Total change in unrealized appreciation (depreciation)	\$ —	\$ 21,262	\$ 21,262	

		Interest rate risk	Equity risk	Total
Evolution Alternative Investment Fund	Realized gain (loss)¹			
	Futures contracts	\$ —	\$207,747	\$207,747
	Total realized gain (loss)	\$ —	\$207,747	\$207,747
	Change in unrealized appreciation (depreciation)²			
	Futures contracts	\$ —	\$ 67,222	\$ 67,222
	Total change in unrealized appreciation (depreciation)	\$ —	\$ 67,222	\$ 67,222

¹ Statement of Operations location: Net realized gain (loss) on futures.

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

For the six months ended February 28, 2011, the volume of the derivatives held by the Funds were as follows:

	Quarterly Average Gross Notional Amounts	
	Long Futures Contracts	Short Futures Contracts
Evolution Managed Bond Fund	\$ —	\$ —
Evolution All-Cap Equity Fund	1,877,041	1,418,830
Evolution Market Leaders Fund	—	—
Evolution Alternative Investment Fund	2,279,178	—

The Funds utilized this volume of derivatives as a substitute for investing in comparable positions in underlying securities and/or as a means to limit exposures of a Fund's position. During the six months ended February 28, 2011, the Evolution All-Cap Equity Fund maintained a consistent volume of its investments in long futures contracts, while the volume of investments in the Evolution Alternative Investment Fund was more pronounced towards the end of the year. The Evolution All-Cap Equity Fund invested in short future contracts consistently throughout the year, but more heavily towards the beginning of the year.

7. NEW ACCOUNTING PRONOUNCEMENT

In January 2010, the Financial Accounting Standards Board issued an update to improve disclosure about fair value measurements. This update required additional disclosures regarding fair value measurements. Specifically, the amendment requires reporting entities to disclose a) the input and valuation techniques used to measure fair value for both recurring and nonrecurring fair value measurements, for Level 2 or Level 3 positions, b) transfers between all levels (including Level and Level 2) will be required to be disclosed on a gross basis (i.e. transfers out must be disclosed separately from transfers in) as well as the reason(s) for the transfers and c) purchases and sales must be shown on a gross basis in the Level 3 rollforward rather than as one net number.

The effective date of this guidance is for interim and annual periods beginning after December 15, 2009; however, the requirement to provide the Level 3 activity for purchases and sales on a gross basis will be effective for interim and annual periods beginning after December 15, 2010. The Funds have disclosed the applicable requirements of the accounting standard in their financial statements.

8. SUBSEQUENT EVENT

The Funds follow authoritative standards for accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. These standards require the Funds to recognize in the financial statements the effects of all recognized subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet. For nonrecognized subsequent events that must be disclosed to keep the financial statements from being misleading, the Funds are 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. The Funds have evaluated subsequent events through the issuance of the Funds' financial statements and have determined there is no impact to the Funds' financial statements.

ADDITIONAL INFORMATION

(UNAUDITED)

HOUSEHOLDING

In an effort to decrease costs, the Funds intend to reduce the number of duplicate prospectuses, Annual and Semi-Annual Reports, proxy statements and other similar documents you receive by sending only one copy of each to those addresses shared by two or more accounts and to shareholders we reasonably believe are from the same family or household. Householding begins once you have signed your account application. After such time, if you would like to discontinue householding for your accounts, please call toll-free at (800) 851-0511 to request individual copies of these documents. Once the Funds receive notice to stop householding, we will begin sending individual copies thirty days after receiving your request. This policy does not apply to account statements.

THIS PAGE INTENTIONALLY LEFT BLANK

PRIVACY NOTICE

At the Direxion Funds, we are committed to protecting your privacy. To open and service your Direxion accounts, we collect and maintain certain nonpublic personal information about you, such as your address, phone number, social security number, purchases, sales, account balances, bank account information and other personal financial information. We collect this information from the following sources:

- Account applications or other forms on which you provide information,
- Mail, e-mail, the telephone and our website, and
- Your transactions and account inquiries with us.

We safeguard the personal information that you have entrusted to us in the following ways:

- As a general policy, only those employees who maintain your account and respond to your requests for additional services have access to your account information.
- We maintain physical, electronic, and procedural safeguards to insure the security of your personal information and to prevent unauthorized access to your information.

We do not disclose any nonpublic personal information about you or our former shareholders to anyone, except as permitted or required by law. In the course of conducting business and maintaining your account we may share shareholder information, as allowed by law, with our affiliated companies and with other service providers, including financial intermediaries, custodians, transfer agents and marketing consultants. Those companies are contractually bound to use that information only for the services for which we hired them. They are not permitted to use or share our shareholders' nonpublic personal information for any other purpose. There also may be times when we provide information to federal, state or local authorities as required by law.

In the event that you hold fund shares of Direxion through a financial intermediary, including, but not limited to, a broker-dealer, bank, or trust company, the privacy policy of your financial intermediary would govern how your nonpublic personal information would be shared with nonaffiliated third parties.

For questions about our policy, please contact us at (800) 851-0511.



SEMI-ANNUAL REPORT FEBRUARY 28, 2011

Adviser

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

Sub-Advisor

Flexible Plan Investments, Ltd.
3883 Telegraph Road
Bloomfield Hills, MI 48302

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 quarter 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.