



SEMI-ANNUAL REPORT FEBRUARY 28, 2009

Evolution Managed Bond Fund

Evolution All-Cap Equity Fund

Evolution Market Leaders Fund

Evolution Alternative Investment Fund

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## LETTER TO SHAREHOLDERS

Dear Shareholders,

This Semi-Annual Report for the Evolution Funds covers the period from September 1, 2008 to February 28, 2009 (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 (formerly the Evolution Small Cap Fund), ("Market Leaders Fund") and the Evolution Alternative Investment Fund (formerly the Evolution Total Return Fund), ("Alternative Investment Fund"). Flexible Plan Investments, Ltd. ("Sub-Advisor"), serves as the sub-advisor to the Evolution Funds. During the Semi-Annual Period, the DJ Industrial Average Index returned -38.21%, the S&P 500 Index returned -42.70% and the Nasdaq-100 Index returned -40.35%. International Markets did not outpace domestic returns, with the MSCI EAFE Index declining -45.40% and the 10 Year Treasury Note increasing 8.53%, on a price performance basis, for the Semi-Annual Period.

The overall returns for the Semi-Annual Period were impacted by extreme price volatility in the equity markets, falling energy and commodity prices, continued problems in the mortgage markets which led to a credit squeeze, collapsing corporate earnings and fears of a U.S. recession. The Federal Reserve Board responded with four reductions in its target for the Federal Funds Rate, resulting in a target rate of 0.25% at the end of the Semi-Annual Period, its lowest level ever.

The Managed Bond Fund seeks the highest appreciation on an annual basis consistent with a high tolerance for risk. The Managed Bond Fund returned -1.70% on a total return basis during the Semi-Annual Period, compared to 1.88% for the Barclay Capital Aggregate Bond Index (formerly known as Lehman U.S. Aggregate Bond Index).

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 -23.40% on a total return basis during the Semi-Annual Period, compared to -42.70% for the S&P 500 Index.

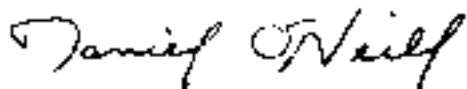
The Market Leaders Fund seeks the highest appreciation on an annual basis consistent with a high tolerance for risk. The Market Leaders Fund returned -44.66% on a total return basis during the Semi-Annual Period, compared to -47.39% for the Russell 2000 Index.

The Alternative Investment Fund seeks high total return on an annual basis consistent with a high tolerance for risk. The Alternative Investment Fund returned -12.21% on a total return basis during the Semi-Annual Period, compared to -42.70% for the S&P Index and 1.88% for the Barclays Capital Aggregate Bond Index (formerly known as the Lehman U.S. Aggregate Bond Index).

Additionally, the Alternative Investment Fund was awarded a 5-star rating by independent data and research firm Morningstar\*.

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](http://www.direxionfunds.com).**

**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 1.87%, 1.83%, 1.90% and 1.90% 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.**

**\* Five-Star rating is out of 384 funds in the Mid-Cap Value Category as of 03-31-2008.**

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## **Expense Example**

### **February 28, 2009 (Unaudited)**

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

The Example is based on an investment of \$1,000 invested at the beginning of the period and held the entire period (September 1, 2008 — February 28, 2009).

#### **Actual Expenses**

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

#### **Hypothetical Example for Comparison Purposes**

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

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

**Expense Example Tables**  
**February 28, 2009 (Unaudited)**

	<u>Expense Ratio<sup>1</sup></u>	<u>Beginning Account Value September 1, 2008</u>	<u>Ending Account Value February 28, 2009</u>	<u>Expenses Paid During Period<sup>2</sup></u>
<b>Evolution Managed Bond Fund</b>				
Based on actual fund return	1.87%	\$1,000.00	\$ 983.00	\$9.19
Based on hypothetical 5% return	1.87%	1,000.00	1,015.52	9.35
<b>Evolution All-Cap Equity Fund</b>				
Based on actual fund return	1.83%	1,000.00	766.00	8.01
Based on hypothetical 5% return	1.83%	1,000.00	1,015.72	9.15
<b>Evolution Market Leaders Fund</b>				
Based on actual fund return	1.90%	1,000.00	553.40	7.32
Based on hypothetical 5% return	1.90%	1,000.00	1,015.37	9.49
<b>Evolution Alternative Investment Fund</b>				
Based on actual fund return	1.90%	1,000.00	877.90	8.85
Based on hypothetical 5% return	1.90%	1,000.00	1,015.37	9.49

<sup>1</sup> Annualized

<sup>2</sup> 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, 2009 (Unaudited)**

	<u>Cash*</u>	<u>Common Stock</u>	<u>Investment Companies</u>	<u>Futures</u>	<u>Total</u>
Evolution Managed Bond Fund	(2%)	—	102%	—	100%
Evolution All-Cap Equity Fund	50%	47%	—	3%	100%
Evolution Market Leaders Fund	2%	0%**	93%	5%	100%
Evolution Alternative Investment Fund	54%	—	46%	—	100%

\* Cash, cash equivalents and other assets less liabilities.

\*\* Percentage is less than 0.5%.

## Evolution Managed Bond Fund

### Schedule of Investments

February 28, 2009 (Unaudited)

Shares		Value	Shares		Value
<b>INVESTMENT COMPANIES - 102.1%</b>					
12,643	AllianceBernstein Global High Income Fund	\$ 99,500	5,100	SPDR Barclays Capital 1-3 Month T-Bill ETF	\$ 233,937
18,465	BlackRock Preferred Income Strategies Fund	99,711	11,865	Templeton Emerging Markets Income Fund	99,310
16,345	BlackRock Corporate High Yield Fund VI	102,974	106,315	Vanguard Total Bond Market ETF	8,144,792
11,975	BlackRock Floating Rate Income Strategies Fund	104,662	9,240	Western Asset Emerging Markets Debt Fund	100,623
10,254	Evergreen Multi-Sector Income Fund	104,078	18,956	Western Asset High Income Fund II	96,865
2,200	iShares Barclays TIPS Bond Fund	213,444	9,929	Western Asset/Claymore Inflation-Linked Opportunities & Income Fund	104,354
68,289	iShares Barclays Aggregate Bond Fund	6,884,214		<b>TOTAL INVESTMENT COMPANIES</b> (Cost \$30,528,254)	<b>\$31,291,095</b>
2,279	iShares iBoxx \$Investment Grade Corporate Bond Fund	214,591		<b>SHORT TERM INVESTMENTS - 0.8%</b>	
24,100	iShares Barclays 20+ Year Treasury Bond Fund	2,455,308		<b>MONEY MARKET FUNDS - 0.8%</b>	
40,440	iShares Barclays 7-10 Year Treasury Bond Fund	3,790,846	51,957	AIM STIT-Treasury Portfolio	51,957
24,502	iShares Barclays 1-3 Year Treasury Bond Fund	2,058,903	51,957	Fidelity Institutional Money Market Government Portfolio	51,957
10,950	iShares S&P National Municipal Bond Fund	1,093,358	51,956	First American Government Obligations Fund	51,956
24,142	iShares Barclays MBS Bond Fund	2,531,530	51,956	Goldman Sachs Financial Square Government Fund	51,956
7,550	iShares Barclays 1-3 Year Credit Bond Fund	749,564	51,956	Morgan Stanley Institutional Liquidity Fund - Treasury Portfolio	51,956
11,562	iShares Barclays 3-7 Year Treasury Bond Fund	1,307,662		<b>TOTAL SHORT TERM INVESTMENTS</b> (Cost \$259,782)	<b>\$ 259,782</b>
2,050	iShares Barclays Short Treasury Bond Fund	225,971		<b>TOTAL INVESTMENTS</b> (Cost \$30,788,036) - 102.9%	<b>\$31,550,877</b>
18,384	MFS Charter Income Trust	135,122		Liabilities in Excess of Other Assets - (2.9)%	(896,168)
16,502	MFS Intermediate Income Trust	103,138		<b>TOTAL NET ASSETS - 100.0%</b>	<b>\$30,654,709</b>
18,438	MFS Government Markets Income Trust	132,016			
24,675	Putnam Premier Income Trust	104,622			

Percentages are stated as a percent of net assets.

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

## Evolution All-Cap Equity Fund

### Schedule of Investments

February 28, 2009 (Unaudited)

Shares		Value	Shares		Value
<b>COMMON STOCKS - 46.9%</b>					
<b>Aerospace &amp; Defense - 1.3%</b>					
6,901	Aerovironment, Inc.(a)	\$ 215,449	2,382	Owens-Illinois, Inc.(a)	\$ 36,731
1,565	Ceradyne, Inc.(a)	27,422	651	Silgan Holdings, Inc.(a)	32,236
1,096	Goodrich Corp.	36,322			68,967
1,027	Stanley, Inc.(a)	31,333	<b>Distributors - 0.1%</b>		
11,474	Teledyne Technologies, Inc.(a)	262,869	2,201	WESCO International, Inc.(a)	36,537
		573,395	<b>Diversified Financial Services - 0.3%</b>		
<b>Air Freight &amp; Logistics - 1.5%</b>					
9,200	C.H. Robinson Worldwide, Inc.	380,696	2,363	IntercontinentalExchange, Inc.(a)	134,148
9,446	Expeditors International of Washington, Inc.	260,237	<b>Diversified Telecommunication Services - 0.8%</b>		
		640,933	10,704	Shenandoah Telecom Co.	226,390
<b>Beverages - 0.5%</b>					
6,224	Hansen Natural Corp.(a)	207,135	4,882	Verizon Communications, Inc.	139,283
<b>Biotechnology - 1.9%</b>					
2,755	Amgen, Inc.(a)	134,802			365,673
2,087	Cephalon, Inc.(a)	136,886	<b>Electric Utilities - 0.8%</b>		
11,293	Gilead Sciences, Inc.(a)	505,927	1,615	CH Energy Group, Inc.	67,281
887	Myriad Genetics, Inc.(a)	69,940	1,860	Consolidated Edison, Inc.	67,351
		847,555	915	NSTAR(a)	29,838
<b>Building Products - 0.1%</b>					
6,239	NCI Building Systems, Inc.(a)	31,569	3,706	PG&E Corp.	141,643
<b>Chemicals - 1.6%</b>					
3,785	Arch Chemicals, Inc.	68,054	2,578	Pinnacle West Capital Corp.	67,698
1,468	Balchem Corp.(a)	30,880			373,811
4,390	Celanese Corp Del	37,491	<b>Electrical Equipment - 0.6%</b>		
5,520	Ecolab, Inc.	175,426	1,237	Anixter International, Inc.(a)	36,380
5,076	Monsanto Co.	387,146	2,188	Arrow Electronics, Inc.(a)	36,387
		698,997	2,089	Avnet, Inc.(a)	36,077
<b>Commercial Services &amp; Supplies - 1.1%</b>					
1,850	Apollo Group, Inc.(a)	134,125	3,694	Encore Wire Corp.	66,492
2,712	Career Education Corp.(a)	66,905	1,782	II-VI, Inc.(a)	31,981
4,600	Cbiz, Inc.(a)	31,556	1,610	Thomas & Betts Corp.(a)	36,885
1,158	Waste Management, Inc.(a)	31,319			244,202
4,297	Watson Wyatt Worldwide, Inc. - Class A	211,026	<b>Electronic Equipment &amp; Instruments - 1.3%</b>		
		474,931	9,973	Amphenol Corp. - Class A	253,514
<b>Communications Equipment - 0.8%</b>					
3,483	Black Box Corp.	69,103	10,619	Daktronics, Inc.	72,846
5,295	Cisco Systems, Inc.(a)(c)	76,716	8,794	Mellanox Technologies Ltd.(a)	73,077
10,914	Corning, Inc.	115,143	10,054	National Instruments Corp.	173,231
1,830	Research In Motion Ltd.(a)	73,090			572,668
		334,052	<b>Electronic Equipment, Instruments &amp; Components - 0.1%</b>		
<b>Computers &amp; Peripherals - 1.5%</b>					
1,969	Apple Computer, Inc.(a)(c)	175,851	3,805	Tyco Electronics Ltd	36,071
13,081	Hewlett-Packard Co.	379,742	<b>Energy Equipment &amp; Services - 2.5%</b>		
7,690	Western Digital Corp.(a)	105,045	11,989	Atwood Oceanics, Inc.(a)	183,192
		660,638	8,618	Dril-Quip, Inc.(a)	181,150
<b>Construction &amp; Engineering - 0.9%</b>					
5,130	Fluor Corp.	170,572	1,452	ENSCO International, Inc.	35,690
2,538	Foster Wheeler Ag(a)	38,172	1,363	Helmerich & Payne, Inc.(a)	33,782
6,211	Jacobs Engineering Group, Inc.(a)	209,559	6,372	Lufkin Industries, Inc.	209,320
		418,303	8,014	National-Oilwell, Inc.(a)	214,214
			1,471	Noble Corp.	36,172
			1,023	Oceaneering International, Inc.(a)	33,398
			3,750	T-3 Energy Services, Inc.(a)	41,288
			620	Transocean Ltd(a)	37,058
			4,690	Unit Corp.(a)	100,225
					1,105,489
			<b>Food &amp; Staples Retailing - 0.6%</b>		
			9,618	Village Super Mkt, Inc.	251,607
			639	Wal-Mart Stores, Inc.(a)	31,764
					283,371

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

## Evolution All-Cap Equity Fund

### Schedule of Investments

February 28, 2009 (Unaudited)

Shares		Value	Shares		Value
<b>Food Products - 1.6%</b>					
5,131	Archer-Daniels-Midland Co.	\$ 136,793	1,141	Google, Inc.(a)(c)	\$ 385,647
1,395	Flowers Foods, Inc.(a)	31,609	3,844	j2 Global Communications, Inc.(a)	71,998
3,700	Fresh Del Monte Produce, Inc.(a)	69,486	1,481	Sohu.com, Inc.(a)	73,161
7,386	General Mills, Inc.	387,617			530,806
2,047	Sanderson Farms, Inc.	70,683			
		696,188			
<b>Gas Utilities - 0.6%</b>					
658	The Laclede Group, Inc.(a)	26,428			
7,593	WGL Holdings, Inc.	230,523			
		256,951			
<b>Health Care Equipment &amp; Supplies - 2.6%</b>					
11,935	Baxter International, Inc.	607,611			
9,213	Immucor, Inc.(a)	206,740			
8,121	Matrixx Initiatives, Inc.(a)	143,173			
3,076	Stryker Corp.	103,569			
4,915	Zoll Medical Corp.(a)	67,581			
		1,128,674			
<b>Health Care Providers &amp; Services - 1.7%</b>					
1,505	Almost Family, Inc.(a)	29,965			
4,427	Chemed Corp.	176,239			
12,434	Gentiva Health Services, Inc.(a)	215,481			
3,174	LifePoint Hospitals, Inc.(a)	66,717			
2,813	Pharmaceutical Product Development, Inc.	67,484			
2,131	PSS World Medical, Inc.(a)	30,733			
8,359	VCA Antech, Inc.(a)	173,784			
		760,403			
<b>Hotels Restaurants &amp; Leisure - 1.0%</b>					
1,254	Buffalo Wild Wings, Inc.(a)	39,120			
1,609	Jack in the Box, Inc.(a)	31,375			
7,413	McDonald's Corp.	387,329			
		457,824			
<b>Household Durables - 0.2%</b>					
5,925	Garmin Ltd.	101,436			
<b>Household Products - 0.9%</b>					
6,572	Colgate-Palmolive Co.	395,503			
<b>Industrial Conglomerates - 1.0%</b>					
8,485	3M Co.	385,728			
3,908	Raven Industries, Inc.	71,048			
		456,776			
<b>Insurance - 0.3%</b>					
4,317	Life Partners Holdings, Inc.	73,860			
3,866	Lincoln National Corp.	33,209			
770	Odyssey Re Holdings Corp.	35,774			
		142,843			
<b>Internet &amp; Catalog Retail - 0.7%</b>					
2,723	Nutri/System, Inc.(a)	34,978			
21,387	PetMed Express, Inc.(a)	294,713			
		329,691			
<b>Internet Software &amp; Services - 1.2%</b>					
1,141	Google, Inc.(a)(c)	\$ 385,647			
3,844	j2 Global Communications, Inc.(a)	71,998			
1,481	Sohu.com, Inc.(a)	73,161			
		530,806			
<b>IT Services - 1.5%</b>					
1,277	AECOM Technology Corp	32,220			
1,597	CACI International, Inc. - Class A(a)	68,304			
3,873	Cognizant Technology Solutions Corp.(a)	71,263			
2,320	CSG Systems International, Inc.(a)	31,835			
5,133	SRA International, Inc. - Class A(a)	69,706			
6,878	Visa, Inc.	390,052			
		663,380			
<b>Leisure Equipment &amp; Products - 0.1%</b>					
1,375	Hasbro, Inc.(a)	32,172			
<b>Machinery - 1.0%</b>					
1,610	Cascade Corp.(a)	27,120			
1,665	CIRCOR International, Inc.	37,013			
1,785	Cummins, Inc.	37,128			
1,568	Gardner Denver, Inc.(a)	29,993			
1,264	K-Tron International, Inc.(a)	70,127			
1,076	Parker Hannifin Corp.	35,906			
13,201	Sun Hydraulics, Inc.	175,045			
1,352	Titan Machy, Inc.(a)	12,592			
1,158	Westinghouse Air Brake Technologies Corp.(a)	31,647			
		456,571			
<b>Metals &amp; Mining - 0.8%</b>					
10,984	Nucor Corp.	369,612			
<b>Multiline Retail - 0.7%</b>					
4,515	Dollar Tree, Inc.(a)	175,272			
5,110	Family Dollar Stores, Inc.	140,219			
		315,491			
<b>Multi-Utilities &amp; Unregulated Power - 0.2%</b>					
1,214	Energen Corp.(a)	33,558			
2,240	SCANA Corp.	67,491			
		101,049			
<b>Oil &amp; Gas - 0.5%</b>					
14,231	Denbury Resources, Inc.(a)	183,295			
1,683	Petro-Canada	36,858			
		220,153			
<b>Oil, Gas &amp; Consumable Fuels - 2.0%</b>					
1,240	Apache Corp.	73,272			
8,403	Arena Resources, Inc.(a)	179,992			
3,534	Cimarex Energy Co.	69,443			
8,752	Devon Energy Corp.	382,200			
1,450	EOG Resources, Inc.	72,558			
1,755	Murphy Oil Corp.	73,376			
9,183	Stone Energy Corp.(a)	36,365			
		887,206			

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

**Evolution All-Cap Equity Fund**  
**Schedule of Investments**  
**February 28, 2009 (Unaudited)**

<u>Shares</u>		<u>Value</u>	<u>Shares</u>		<u>Value</u>	
<b>Personal Products - 0.2%</b>						
2,553	Herbalife Ltd.	\$ 34,823	3,194	Tractor Supply Co.(a)	\$ 99,780	
2,412	NBTY, Inc.(a)	35,866	8,834	Volcom, Inc.(a)	70,319	
		<u>70,689</u>			<u>472,310</u>	
<b>Pharmaceutical Preparations - 0.3%</b>						
7,029	Endo Pharmaceuticals Holdings, Inc.(a)	133,410	<b>Textiles, Apparel &amp; Luxury Goods - 0.3%</b>			
			5,251	Coach, Inc.(a)	73,409	
			2,244	Phillips-Van Heusen Corp.	37,183	
					<u>110,592</u>	
<b>Pharmaceuticals - 1.8%</b>						
1,718	Allergan, Inc.	66,555	<b>Tobacco - 0.9%</b>			
7,348	Bristol-Myers Squibb Co.	135,277	11,443	Philip Morris Intl, Inc.	382,997	
5,338	Medicines Co.(a)	65,497	<b>Trading Companies &amp; Distributors - 0.8%</b>			
15,450	Merck & Co., Inc.	373,890	5,899	Fastenal Co.	177,678	
5,137	Par Pharmaceutical Cos, Inc.(a)	68,425	5,739	MSC Industrial Direct Co., Inc. - Class A	175,556	
2,386	Watson Pharmaceuticals, Inc.(a)	67,452			<u>353,234</u>	
					<u>777,096</u>	
<b>Road &amp; Rail - 0.9%</b>						
872	J.B. Hunt Transport Services, Inc.(a)	18,009	<b>Water Utilities - 0.5%</b>			
10,597	Union Pacific Corp.	397,600	5,914	California Water Service Group	232,184	
					<u>415,609</u>	
<b>Semiconductor &amp; Semiconductor Equipment - 0.5%</b>						
3,900	Lam Research Corp.(a)	78,515	<b>TOTAL COMMON STOCKS</b>			
5,695	Monolithic Power Systems, Inc.(a)	73,191		(Cost \$21,345,546)	<u>\$20,679,415</u>	
5,755	Sigma Designs, Inc.(a)	80,188	<b>SHORT TERM INVESTMENTS - 49.3%</b>			
			<b>MONEY MARKET FUNDS - 49.3%</b>			
			4,395,120	AIM STIT-Treasury Portfolio	4,395,120	
			4,395,121	Fidelity Institutional Money Market Government Portfolio	4,395,121	
			4,395,120	First American Government Obligations Fund	4,395,120	
			4,166,341	Goldman Sachs Financial Square Government Fund	4,166,341	
			4,395,120	Morgan Stanley Institutional Liquidity Fund - Treasury Portfolio	4,395,120	
			<b>TOTAL SHORT TERM INVESTMENTS</b>			
			(Cost \$21,746,822)			
			<b>TOTAL INVESTMENTS</b>			
			(Cost \$43,092,278) - 96.2%			
			Other Assets in Excess of Liabilities - 3.8%			
			<u>1,674,218</u>			
			<b>TOTAL NET ASSETS - 100.0%</b>			
			<u>\$44,100,455</u>			
<b>Software - 2.5%</b>						
4,652	Adobe Systems, Inc.(a)	78,796	Percentages are stated as a percent of net assets.			
11,335	Autodesk, Inc.(a)	143,841				
23,386	Ca, Inc.	396,393				
10,541	Double-take Software, Inc.(a)	73,999				
3,328	Intuit, Inc.(a)	74,680				
4,624	Manhattan Associates, Inc.(a)	68,481				
12,557	Net 1 UEPS Technologies, Inc.(a)	181,700				
1,817	Quality Systems, Inc.	70,336				
						<u>1,088,226</u>
<b>Specialty Retail - 1.1%</b>						
1,660	Abercrombie & Fitch Co. - Class A	36,503	<b>Footnotes</b>			
1,204	Autozone, Inc.(a)	171,245	(a) Non income producing			
1,351	The Buckle, Inc.(a)	32,184				
1,222	Gymboree Corp.(a)	31,983				
1,314	JOS A Bank Clothiers, Inc.(a)	30,296				

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

**Evolution All-Cap Equity Fund****Short Futures Contracts****February 28, 2009 (Unaudited)**

<u>Contracts</u>	<u>Unrealized Appreciation</u>
188 E-Mini S&P 500 Futures Expiring March 2009 (Underlying Face Amount at Market Value \$2,864,550)	\$ 619,464
56 E-Mini NASDAQ 100 Futures Expiring March 2009 (Underlying Face Amount at Market Value \$1,251,600)	236,323
54 E-Mini Russell 2000 Future Expiring March 2009 (Underlying Face Amount at Market Value \$2,104,380)	505,144
	<u>\$1,360,931</u>

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



## Evolution Alternative Investment Fund

### Schedule of Investments

February 28, 2009 (Unaudited)

Shares		Value	Shares		Value
<b>INVESTMENT COMPANIES - 46.2%</b>					
30,069	Arbitrage I Fund	\$ 368,344	46	ProShares UltraShort Real Estate Fund	\$ 3,699
200	Biotech HOLDRs ETF	32,796	3,127	ProShares UltraShort Oil & Gas Fund	95,374
7,419	Diamond Hill Long-Short Fund	87,247	223	ProShares UltraShort Industrials Fund	19,896
744	First Trust AMEX Biotechnology Index Fund	13,541	435	Rydex S&P Equal Weight Health Care Fund	16,200
161,009	Gabelli ABC	1,458,738	12,090	SPDR Barclays Capital 1-3 Month T-Bill Fund	554,568
2,530	Gateway Fund	54,568	129,229	TFS Market Neutral Fund	1,676,094
3,382	iShares Barclays 20+ Year Treasury Bond Fund	344,558	7,300	WisdomTree Dreyfus Chinese Yuan Fund	184,106
3,891	iShares Barclays 7-10 Year Treasury Bond Fund	364,742	1,300	WisdomTree Pacific ex-Japan Total Dividend Fund	42,354
639	iShares Barclays MBS Bond Fund	67,006		<b>TOTAL INVESTMENT COMPANIES</b>	
633	iShares Barclays Inter Government/Credit Bond Fund	65,610		(Cost \$8,761,614)	<b>\$ 8,621,877</b>
1,722	iShares Barclays 10-20 Yr Treasury Bond Fund	192,985			
1,067	iShares Barclays 3-7 Year Treasury Bond Fund	120,678		<b>SHORT TERM INVESTMENTS - 55.3%</b>	
29,726	James Market Neutral Fund	334,716		<b>MONEY MARKET FUNDS - 55.3%</b>	
2,884	Market Vectors Gold Miners Fund	96,210	2,064,414	AIM STIT-Treasury Portfolio	2,064,414
129	Market Vectors Agribusiness Fund	3,424	2,064,414	Fidelity Institutional Money Market Government Portfolio	2,064,414
27,790	Merger Fund	397,670	2,064,414	First American Government Obligations Fund	2,064,414
27,496	Permanent Portfolio Fund	837,521	2,064,414	Goldman Sachs Financial Square Government Fund	2,064,414
616	PowerShares Dynamic Healthcare Fund	10,244	2,064,414	Morgan Stanley Institutional Liquidity Fund - Treasury Portfolio	2,064,414
1,301	PowerShares Dynamic Biotech & Genome Fund	16,210		<b>TOTAL SHORT TERM INVESTMENTS</b>	
20,663	PowerShares DB US Dollar Index Bullish Fund	547,156		(Cost \$10,322,070)	<b>\$10,322,070</b>
2,120	PowerShares VRDO Tax-Free Weekly Fund	53,021		<b>TOTAL INVESTMENTS</b>	
14,519	PowerShares 1-30 Laddered Treasury Fund	409,145		(Cost \$19,083,684) - 101.5%	<b>\$18,943,947</b>
416	PowerShares Emerging Markets Sovereign Debt Fund	8,590		Liabilities in Excess of Other Assets - (1.5)%	<b>(289,227)</b>
5,682	ProFunds Short Precious Metals Fund	85,624		<b>TOTAL NET ASSETS - 100.0%</b>	<b>\$18,654,720</b>
950	ProShares UltraShort Emerging Markets MSCI Fund	59,242			

Percentages are stated as a percent of net assets.

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

**Statements of Assets and Liabilities**  
**February 28, 2009 (Unaudited)**

	Evolution Managed Bond Fund	Evolution All-Cap Equity Fund
<b>Assets:</b>		
Investments, at market value (Note 2)	\$31,550,877	\$ 42,426,237
Receivable for Fund shares sold	5,007	33,457
Receivable for investments sold	2,288,110	10,707,432
Deposit at broker for futures	—	2,094,100
Variation margin receivable	—	240,815
Dividends and interest receivable	2,146	31,016
Other assets	9,095	26,100
Total Assets	33,855,235	55,559,157
<b>Liabilities:</b>		
Payable for investments purchased	2,363,419	10,506,801
Payable for Fund shares redeemed	747,749	840,433
Accrued advisory expense	27,187	35,637
Accrued distribution expense	14,572	24,757
Accrued expenses and other liabilities	47,599	51,074
Total Liabilities	3,200,526	11,458,702
<b>Net Assets</b>	<b>\$30,654,709</b>	<b>\$ 44,100,455</b>
<b>Net Assets Consist Of:</b>		
Capital stock	\$35,367,061	\$ 63,537,292
Accumulated undistributed net investment income (loss)	62,479	(76,048)
Accumulated undistributed net realized gain (loss)	(5,537,672)	(20,055,679)
Net unrealized appreciation (depreciation) on:		
Investments	762,841	(666,041)
Futures	—	1,360,931
Total Net Assets	\$30,654,709	\$ 44,100,455
<b>Calculation of Net Asset Value Per Share:</b>		
Net assets	\$30,654,709	\$ 44,100,455
Shares outstanding (unlimited shares of beneficial interest authorized, no par value)	1,930,514	3,103,458
Net asset value, redemption price and offering price per share	\$ 15.88	\$ 14.21
Cost of Investments	\$30,788,036	\$ 43,092,278

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

**Statements of Assets and Liabilities**  
**February 28, 2009 (Unaudited)**

	<u>Evolution Market Leaders Fund</u>	<u>Evolution Alternative Investment Fund</u>
<b>Assets:</b>		
Investments, at market value (Note 2)	\$ 18,535,508	\$18,943,947
Cash	—	109
Receivable for Fund shares sold	11,297	893
Receivable for investments sold	3,209,360	379,100
Deposits at broker for futures	1,128,000	—
Variation margin receivable	158,338	—
Dividends and interest receivable	7,344	5,315
Other assets	12,174	10,866
Total Assets	<u>23,062,021</u>	<u>19,340,230</u>
<b>Liabilities:</b>		
Payable for investments purchased	2,802,905	217,539
Payable for Fund shares redeemed	6,893	408,589
Payable to Custodian	321,044	—
Accrued advisory expense	17,769	19,508
Accrued distribution expenses	5,161	6,564
Accrued expenses and other liabilities	30,450	33,310
Total Liabilities	<u>3,184,222</u>	<u>685,510</u>
<b>Net Assets</b>	<u>\$ 19,877,799</u>	<u>\$18,654,720</u>
<b>Net Assets Consist Of:</b>		
Capital stock	\$ 33,693,853	\$27,285,318
Accumulated undistributed net investment income (loss)	65,256	95,989
Accumulated undistributed net realized gain (loss)	(13,132,979)	(8,586,850)
Net unrealized appreciation (depreciation) on:		
Investments	(1,741,711)	(139,737)
Futures	993,380	—
Total Net Assets	<u>\$ 19,877,799</u>	<u>\$18,654,720</u>
<b>Calculation of Net Asset Value Per Share:</b>		
Net assets	\$ 19,877,799	\$18,654,720
Shares outstanding (unlimited shares of beneficial interest authorized, no par value)	2,154,468	1,252,456
Net asset value, redemption price and offering price per share	<u>\$ 9.23</u>	<u>\$ 14.89</u>
Cost of Investments	<u>\$ 20,277,219</u>	<u>\$19,083,684</u>

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

**Statements of Operations**  
**For the Six Months Ended February 28, 2009 (Unaudited)**

	<b>Evolution Managed Bond Fund</b>	<b>Evolution All-Cap Equity Fund</b>
<b>Investment income:</b>		
Dividend income (net of foreign withholding tax of \$- and \$2,422, respectively)	\$ 703,901	\$ 254,391
Interest income	4,270	90,647
Total investment income	708,171	345,038
<b>Expenses:</b>		
Investment advisory fees	155,093	230,400
Distribution expenses	38,773	57,600
Shareholder servicing fees	23,264	34,560
Administration fees	5,532	8,033
Fund accounting fees	13,783	23,217
Custody fees	3,869	5,434
Transfer agent fees	16,369	25,286
Federal and state registration	8,601	8,755
Professional fees	18,269	19,678
Reports to shareholders	152	—
Trustees' fees and expenses	1,507	2,013
Other	5,161	6,110
Total expenses before reimbursement	290,373	421,086
Less: Reimbursement of expenses from Adviser	(85)	—
Total expenses	290,288	421,086
<b>Net investment income (loss)</b>	<b>417,883</b>	<b>(76,048)</b>
<b>Realized and unrealized gain (loss) on investments:</b>		
Net realized gain (loss) on:		
Investments	(969,288)	(17,189,034)
Futures	—	7,173,061
	(969,288)	(10,015,973)
Capital gain distributions from regulated investment companies	7,553	—
Change in unrealized appreciation (depreciation) on:		
Investments	453,260	(1,524,847)
Futures	—	1,233,632
	453,260	(291,215)
Net realized and unrealized gain (loss) on investments	(508,475)	(10,307,188)
<b>Net increase (decrease) in net assets resulting from operations</b>	<b>\$ (90,592)</b>	<b>\$(10,383,236)</b>

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

**Statements of Operations**  
**For the Six Months Ended February 28, 2009 (Unaudited)**

	<u>Evolution Market Leaders Fund</u>	<u>Evolution Alternative Investment Fund</u>
<b>Investment income:</b>		
Dividend income (net of foreign withholding tax of \$- and \$2,799, respectively)	\$ 210,217	\$ 215,750
Interest income	<u>6,827</u>	<u>79,358</u>
Total investment income	<u>217,044</u>	<u>295,108</u>
<b>Expenses:</b>		
Investment advisory fees	80,288	104,677
Distribution expenses	20,072	26,169
Shareholder servicing fees	12,043	15,701
Administration fees	3,070	3,775
Fund accounting fees	9,571	10,516
Custody fees	2,383	4,927
Transfer agent fees	8,597	12,979
Federal and state registration	9,932	8,292
Professional fees	17,855	18,343
Reports to shareholders	34	—
Trustees' fees and expenses	1,003	1,337
Other	<u>2,406</u>	<u>2,981</u>
Total expenses before reimbursement/recoupment	167,254	209,697
Less: Reimbursement of expenses from Adviser	<u>(14,682)</u>	<u>(10,579)</u>
Total expenses	<u>152,572</u>	<u>199,118</u>
<b>Net investment income (loss)</b>	<u>64,472</u>	<u>95,990</u>
<b>Realized and unrealized gain (loss) on investments:</b>		
Net realized gain (loss) on:		
Investments	(8,849,196)	(2,560,274)
Securities sold short	(96)	—
Futures	<u>2,829,258</u>	<u>—</u>
	(6,020,034)	(2,560,274)
Capital gain distributions from regulated investment companies	<u>562</u>	<u>57,978</u>
Change in unrealized appreciation (depreciation) on:		
Investments	(3,077,908)	(474,567)
Futures	<u>1,031,317</u>	<u>—</u>
	<u>(2,046,591)</u>	<u>(474,567)</u>
Net realized and unrealized gain (loss) on investments	<u>(8,066,063)</u>	<u>(2,976,863)</u>
<b>Net increase (decrease) in net assets resulting from operations</b>	<u><u>\$ (8,001,591)</u></u>	<u><u>\$ (2,880,873)</u></u>

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

## Statements of Changes in Net Assets

	<b>Evolution Managed Bond Fund</b>		<b>Evolution All-Cap Equity Fund</b>	
	Six Months Ended February 28, 2009 (Unaudited)	Year Ended August 31, 2008	Six Months Ended February 28, 2009 (Unaudited)	Year Ended August 31, 2008
<b>Operations:</b>				
Net investment income (loss)	\$ 417,883	\$ 1,159,615	\$ (76,048)	\$ (130,224)
Net realized gain (loss) on investments	(969,288)	(418,510)	(10,015,973)	(4,372,549)
Capital gain distributions from regulated investment companies	7,553	5,575	—	—
Change in net unrealized appreciation (depreciation) on investments	<u>453,260</u>	<u>(22,289)</u>	<u>(291,215)</u>	<u>(214,624)</u>
Net increase (decrease) in net assets resulting from operations	<u>(90,592)</u>	<u>724,391</u>	<u>(10,383,236)</u>	<u>(4,717,397)</u>
<b>Distributions to shareholders:</b>				
Net investment income	(480,904)	(1,479,225)	—	—
Net realized gains	<u>—</u>	<u>—</u>	<u>—</u>	<u>(8,731,487)</u>
Total distributions	<u>(480,904)</u>	<u>(1,479,225)</u>	<u>—</u>	<u>(8,731,487)</u>
<b>Capital share transactions:</b>				
Proceeds from shares sold	16,512,108	12,095,784	33,038,251	15,791,146
Proceeds from shares issued to holders in reinvestment of distributions	480,904	1,479,225	—	8,731,487
Cost of shares redeemed	<u>(12,009,031)</u>	<u>(26,313,490)</u>	<u>(13,691,767)</u>	<u>(40,183,923)</u>
Net increase (decrease) in net assets resulting from capital share transactions	<u>4,983,981</u>	<u>(12,738,481)</u>	<u>19,346,484</u>	<u>(15,661,290)</u>
<b>Total increase (decrease) in net assets</b>	<u>4,412,485</u>	<u>(13,493,315)</u>	<u>8,963,248</u>	<u>(29,110,174)</u>
<b>Net assets:</b>				
Beginning of year/period	<u>26,242,224</u>	<u>39,735,539</u>	<u>35,137,207</u>	<u>64,247,381</u>
End of year/period	<u>\$ 30,654,709</u>	<u>\$ 26,242,224</u>	<u>\$ 44,100,455</u>	<u>\$ 35,137,207</u>
<b>Undistributed (Accumulated) net investment income (loss), end of year/period</b>	<u>\$ 62,479</u>	<u>\$ 125,500</u>	<u>\$ (76,048)</u>	<u>\$ —</u>

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

## Statements of Changes in Net Assets

	<u>Evolution Market Leaders Fund</u>		<u>Evolution Alternative Investment Fund</u>	
	Six Months Ended February 28, 2009 (Unaudited)	Year Ended August 31, 2008	Six Months Ended February 28, 2009 (Unaudited)	Year Ended August 31, 2008
<b>Operations:</b>				
Net investment income (loss)	\$ 64,472	\$ 91,438	\$ 95,990	\$ 800,941
Net realized gain (loss) on investments	(6,020,034)	(4,161,529)	(2,560,274)	(2,990,481)
Capital gain distributions from regulated investment companies	562	—	57,978	—
Net unrealized appreciation (depreciation) on investments	<u>(2,046,591)</u>	<u>1,210,982</u>	<u>(474,567)</u>	<u>(1,299,026)</u>
Net increase (decrease) in net assets resulting from operations	<u>(8,001,591)</u>	<u>(2,859,109)</u>	<u>(2,880,873)</u>	<u>(3,488,566)</u>
<b>Distributions to shareholders:</b>				
Net investment income	—	(83,227)	(800,714)	(121,868)
Net realized gains	—	—	—	(1,223,072)
Return of capital	<u>—</u>	<u>(46,292)</u>	<u>—</u>	<u>—</u>
Total distributions	<u>—</u>	<u>(129,519)</u>	<u>(800,714)</u>	<u>(1,344,940)</u>
<b>Capital share transactions:</b>				
Proceeds from shares sold	33,721,146	9,133,559	6,586,245	10,594,573
Proceeds from shares issued to holders in reinvestment of distributions	—	129,520	800,714	1,344,939
Cost of shares redeemed	<u>(23,139,629)</u>	<u>(20,613,485)</u>	<u>(10,087,736)</u>	<u>(28,183,896)</u>
Net increase (decrease) in net assets resulting from capital share transactions	<u>10,581,517</u>	<u>(11,350,406)</u>	<u>(2,700,777)</u>	<u>(16,244,384)</u>
<b>Total increase (decrease) in net assets</b>	<u>2,579,926</u>	<u>(14,339,034)</u>	<u>(6,382,364)</u>	<u>(21,077,890)</u>
<b>Net assets:</b>				
Beginning of year/period	<u>17,297,873</u>	<u>31,636,907</u>	<u>25,037,084</u>	<u>46,114,974</u>
End of year/period	<u>\$ 19,877,799</u>	<u>\$ 17,297,873</u>	<u>\$ 18,654,720</u>	<u>\$ 25,037,084</u>
<b>Undistributed (Accumulated) net investment income (loss), end of year/period</b>	<u>\$ 65,256</u>	<u>\$ —</u>	<u>\$ 153,967</u>	<u>\$ 800,713</u>

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

## Financial Highlights February 28, 2009

Year/Period	RATIOS TO AVERAGE NET ASSETS															
	Net Asset Value, Beginning of Year/Period	Net Investment Income (Loss) <sup>3</sup>	Net Realized and Unrealized Gain (Loss) on Investments <sup>4</sup>	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 <sup>5</sup>	Including Short Dividends		Excluding Short Dividends		Net Investment Income (Loss) After Expense Reimbursement/Recoupment	Portfolio Turnover Rate <sup>6</sup>
											Total	Net	Total	Net		
										Expenses	Expenses	Expenses	Expenses			
<b>Evolution Managed Bond Fund</b>																
Six months ended February 28, 2009 (Unaudited)	\$16.41	\$ 0.21	\$(0.48)	\$(0.27)	\$(0.26)	\$ —	\$ —	\$15.88	(1.70%) <sup>2</sup>	30,655	—	—	1.87%	2.69%	2.25% <sup>2</sup>	
Year ended August 31, 2008	16.83	0.59	(0.30)	0.29	(0.71)	—	—	16.41	1.78%	26,242	—	—	1.90%	3.51%	4.39%	
Year ended August 31, 2007	17.45	0.64	(0.51)	0.13	(0.75)	—	—	16.83	0.76%	39,736	—	—	1.75%	3.70%	9.14%	
Year ended August 31, 2006	18.20	0.46 <sup>7</sup>	(0.70)	(0.24)	(0.51)	—	—	17.45	(1.26%)	46,532	1.86%	1.84%	1.81%	2.70% <sup>8</sup>	1,156%	
Year ended August 31, 2005	18.73	0.86 <sup>7</sup>	(0.41)	0.45	(0.98)	—	—	18.20	2.41%	14,642	2.12%	2.03%	2.09%	4.63% <sup>8</sup>	941%	
April 1, 2004 <sup>11</sup> to August 31, 2004	20.00	0.21 <sup>7</sup>	(1.48)	(1.27)	—	—	—	18.73	(6.35%) <sup>2</sup>	15,965	2.46% <sup>1</sup>	2.27% <sup>1</sup>	2.19% <sup>1</sup>	2.66% <sup>1,8</sup>	536% <sup>2</sup>	
<b>Evolution All-Cap Equity Fund</b>																
Six months ended February 28, 2009 (Unaudited)	18.55	(0.03)	(4.31)	(4.34)	—	—	—	14.21	(23.40%) <sup>2</sup>	44,100	—	—	1.83%	(0.33%)	1,246% <sup>2</sup>	
Year ended August 31, 2008	24.31	(0.06)	(1.96)	(2.02)	(3.74)	—	—	18.55	(10.07%)	35,137	—	—	1.84%	(0.27%)	1,374%	
Year ended August 31, 2007	22.75	0.03	2.67	2.70	(0.19)	—	—	24.31	12.03%	64,247	—	—	1.69%	0.10%	885%	
Year ended August 31, 2006	21.24	0.20	2.03	2.23	(0.72)	—	—	22.75	10.61%	112,721	—	—	1.67%	0.88%	1,119%	
Year ended August 31, 2005	17.55	(0.23)	3.92	3.69	—	—	—	21.24	21.03%	20,184	—	—	1.97%	2.00%	1,374%	
April 1, 2004 <sup>11</sup> to August 31, 2004	20.00	(0.09)	(2.36)	(2.45)	—	—	—	17.55	(12.25%) <sup>2</sup>	12,808	—	—	2.34% <sup>1</sup>	(1.21%) <sup>1</sup>	558% <sup>2</sup>	
<b>Evolution Market Leaders Fund</b>																
Six months ended February 28, 2009 (Unaudited)	16.68	0.04	(7.49)	(7.45)	—	—	—	9.23	(44.66%) <sup>2</sup>	19,878	—	—	2.08%	0.80%	828% <sup>2</sup>	
Year ended August 31, 2008	18.80	0.07	(2.10)	(2.03)	(0.06)	—	(0.03)	16.68	(10.86%)	17,298	—	—	1.96%	0.36%	1,191%	
Year ended August 31, 2007	18.12	(0.03)	0.78	0.75	(0.07)	—	—	18.80	4.06%	31,637	—	—	1.85%	(0.17%)	886%	
January 27, 2006 <sup>11</sup> to August 31, 2006	20.00	0.06	(1.94)	(1.88)	—	—	—	18.12	(9.40%) <sup>2</sup>	53,795	—	—	1.84% <sup>1</sup>	0.50% <sup>1</sup>	864% <sup>2</sup>	
<b>Evolution Alternative Investment Fund</b>																
Six months ended February 28, 2009 (Unaudited)	17.63	0.07	(2.19)	(2.12)	(0.62)	—	—	14.89	(12.21%) <sup>2</sup>	18,655	—	—	2.00%	0.92%	373% <sup>2</sup>	
Year ended August 31, 2008	20.48	0.45	(2.60)	(2.15)	(0.06)	—	(0.70)	17.63	(10.77%)	25,037	—	—	1.89%	2.32%	777%	
Year ended August 31, 2007	20.65	0.32	(0.03)	0.29	(0.32)	—	(0.46)	20.48	1.35%	46,115	—	—	1.72%	1.46%	824%	
January 26, 2006 <sup>11</sup> to August 31, 2006	20.00	0.22	0.49	0.71	(0.06)	—	(0.06)	20.65	3.57% <sup>2</sup>	58,519	—	—	1.82% <sup>1</sup>	1.88% <sup>1</sup>	642% <sup>2</sup>	

<sup>1</sup> Annualized.

<sup>2</sup> Not annualized.

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

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

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

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

<sup>7</sup> Net investment income (loss) before dividends on short positions for the year ended August 31, 2006 and 2005 and the period ended August 31, 2004 was \$0.47, \$0.86 and \$0.23, respectively.

<sup>8</sup> Net investment income (loss) ratio included dividends on short positions. The ratio excluding dividends on short positions for the year ended August 31, 2006, 2005 and the period ended August 31, 2004 was 2.75%, 4.66% and 2.95%, respectively.

<sup>9</sup> For the period September 1, 2005 to December 29, 2005 the annual cap on expenses excluding short dividends was 2.00%.

<sup>10</sup> For the period December 30, 2005 to August 31, 2008 the annual cap on expenses excluding short dividends was 1.75%.

<sup>11</sup> Commencement of operations.

**Direxion Funds**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**February 28, 2009**

**1. ORGANIZATION**

Direxion Funds (the "Trust") was organized as a Massachusetts Business Trust on June 6, 1997 and is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end management investment company issuing its shares in series, each series representing a distinct portfolio with its own investment objective and policies. The Trust currently has 37 series in operation of which 4 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 objective of the Evolution Managed Bond Fund is to seek the highest 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) and closed end investment companies (collectively, fixed-income securities). The objective of the Evolution All-Cap Equity Fund is to seek the highest 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 objective of the Evolution Market Leaders Fund is to seek the highest appreciation on an annual basis consistent with a high tolerance for risk by 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 objective of the Evolution Alternative Investment Fund is to seek high total return on an annual basis 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. Futures are valued at the settlement price established on the exchange on which they are traded, if that settlement price reflects trading prior to the Valuation Time. If the settlement price established by the exchange reflects trading after the Valuation Time, then the last sales price prior to Valuation Time will be used. Options are valued at the composite price, using the National Best Bid and Offer quotes ("NBBO"). NBBO consists of the highest bid price and lowest ask price across any of the exchanges on which an option is quoted. Specifically, composite pricing looks at the last trades on the exchanges where the options are traded. If there are no trades for the option on a given business day, the composite pricing calculates the mean of the highest bid and lowest ask price across the exchanges where the option is traded. Over-the-counter ("OTC") securities are valued at the average of the last bid and ask prices. Securities primarily traded on the NASDAQ National Market are valued using the NASDAQ Official Closing Price ("NOCP"). Investments in open-end mutual funds are valued at their respective net asset values on the valuation dates. 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 Managements, LLC (the "Adviser") does not represent fair value, or the Fund or Adviser

believes the market price is stale, will in each case be fair valued as determined by the Adviser under the supervision of the Board of Trustees.

**b) Repurchase Agreements** – Each Fund may enter into repurchase agreements with institutions that are members of the Federal Reserve System or securities dealers who are members of a national securities exchange or are primary dealers in U.S. government securities. In connection with transactions in repurchase agreements, it is the Trust’s policy that the Fund receives, as collateral, cash and/or securities (primarily U.S. Government securities) whose market value, including accrued interest, will at all times 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, recovery on the collateral by the Fund may be delayed or limited.

**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 amounts. Thus, the return on the swap contract should be the gain or loss on the notional amount plus dividends on the securities less the interest paid by the Fund on the notional amount. Payments may be made at the conclusion of the contract or periodically during its term. Swap contracts do not include the delivery of securities. The net amount of the excess, if any, of the Fund’s obligations over its entitlement with respect to each swap is accrued on a daily basis and an amount of cash or liquid assets, having an aggregate net asset value at least equal to such accrued excess is maintained in a segregated account by the Fund’s custodian. 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 futures” and when cash is exchanged, the gain or loss is recorded as “realized gains or losses on swaps and futures”. 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 on the swap. Also, as with “long” swap agreements, in certain instances, the Fund will agree to pay to the counterparty commissions or trading spreads on the notional amount. These amounts are netted with any unrealized appreciation or depreciation to determine the value of the swap.

Swap contracts involve, to varying degrees, elements of market risk and exposure to loss in excess of the amount reflected in the Statement of Assets and Liabilities. The notional amounts reflect the extent of the total investment exposure that each Fund has under the swap contract. The primary risks associated with the use of swap agreements are imperfect correlation between movements in the notional amount and the price of the underlying securities and the inability of counterparties to perform. A Fund bears the risk of loss of the amount expected to be received under a swap contract in the event of default or bankruptcy of a swap contract counterparty. The Funds were not invested in swap contracts at February 28, 2009.

**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, 2009.

**e) Stock Index Futures Contracts and Options on Futures Contracts** – Each Fund may purchase and sell stock index futures contracts and options on such futures contracts. 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.

**f) Risks of Options, Futures Contracts, Options on Futures Contracts and Short Positions** – The risks inherent in the use of options, futures contracts, options on futures contracts and short positions include 1) adverse changes in the value of such instruments; 2) imperfect correlation between the price of options and futures contracts and options thereon and movements in the price of the underlying securities, index or futures contracts; 3) the possible absence of a liquid secondary market for any particular instrument at any time; 4) the possible need to defer closing out certain positions to avoid adverse tax consequences; and 5) the possible nonperformance by the counterparty under the terms of the contract. The Funds designate all cash, cash equivalents and liquid securities as collateral for written options, futures contracts 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 may not be 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 taxes and excise taxes.

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

**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 U.S. generally accepted accounting principles. Distributions to shareholders are recorded on the ex-dividend date.

The tax character of distributions for the Investor Class during the six months ended February 28, 2009, and the year ended August 31, 2008 were as follows:

	<b>Evolution Managed Bond Fund</b>		<b>Evolution All-Cap Equity Fund</b>	
	Six Months Ended February 28, 2009 (Unaudited)	Year Ended August 31, 2008	Six Months Ended February 28, 2009 (Unaudited)	Year Ended August 31, 2008
Distributions paid from:				
Ordinary Income	\$480,904	\$1,479,225	\$—	\$8,730,319
Long-Term Capital Gains	—	—	—	1,168
Return of Capital	—	—	—	—
Total Distributions paid	<u>\$480,904</u>	<u>\$1,479,225</u>	<u>\$—</u>	<u>\$8,731,487</u>

	<b>Evolution Market Leaders Fund</b>		<b>Evolution Alternative Investment Fund</b>	
	Six Months Ended February 28, 2009 (Unaudited)	Year Ended August 31, 2008	Six Months Ended February 28, 2009 (Unaudited)	Year Ended August 31, 2008
Distributions paid from:				
Ordinary Income	\$—	\$ 83,227	\$800,714	\$1,337,597
Long-Term Capital Gains	—	—	—	7,342
Return of Capital	—	46,292	—	—
Total Distributions paid	<u>\$—</u>	<u>\$129,519</u>	<u>\$800,714</u>	<u>\$1,344,939</u>

As of February 28, 2009, the components of distributable earnings of the Funds were as follows:

	<b>Evolution Managed Bond Fund</b>	<b>Evolution All-Cap Equity Fund</b>	<b>Evolution Market Leaders Fund</b>	<b>Evolution Alternative Investment Fund</b>
Net unrealized appreciation/depreciation	<u>\$ (79,019)</u>	<u>\$(1,297,287)</u>	<u>\$ (209,334)</u>	<u>\$ (257,690)</u>
Undistributed ordinary income	125,500	—	—	800,713
Undistributed long-term capital gain/(loss)	—	—	—	—
Total distributable earnings	125,500	—	—	800,713
Other accumulated loss	<u>(4,187,337)</u>	<u>(7,756,314)</u>	<u>(5,605,129)</u>	<u>(5,492,034)</u>
Total accumulated losses	<u>\$(4,140,856)</u>	<u>\$(9,053,601)</u>	<u>\$(5,814,463)</u>	<u>\$(4,949,011)</u>

The difference between book cost of investments and tax cost of investments is attributable primarily to the tax deferral of losses on wash sales.

The cost basis of investments for federal tax purposes as of February 28, 2009 was as follows:

	<b>Evolution Managed Bond Fund</b>	<b>Evolution All-Cap Equity Fund</b>	<b>Evolution Market Leaders Fund</b>	<b>Evolution Alternative Investment Fund</b>
Tax cost of investments	\$31,176,636	\$45,248,370	\$21,822,750	\$20,268,724
Gross unrealized appreciation	968,511	377,560	2,312	49,013
Gross unrealized depreciation	<u>(594,270)</u>	<u>(3,199,693)</u>	<u>(3,289,554)</u>	<u>(1,373,790)</u>
Net unrealized appreciation/depreciation	<u>\$ 374,241</u>	<u>\$(2,822,133)</u>	<u>\$(3,287,242)</u>	<u>\$(1,324,777)</u>

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<sup>st</sup>. 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<sup>st</sup> and the end of their fiscal year, August 31, 2008. At August 31, 2008, the following funds deferred, on a tax basis, post-October losses of:

	<b>Post October Loss Deferred</b>	<b>Post October Currency Loss</b>
Evolution Managed Bond Fund	\$ 510,421	\$—
Evolution All-Cap Equity Fund	4,306,728	—
Evolution Market Leaders Fund	3,824,064	—
Evolution Alternative Investment Fund	4,134,461	—

At August 31, 2008, the following Funds had capital loss carryovers on a tax basis of:

	<b>Expires</b>				<b>Total</b>
	<u>8/31/2013</u>	<u>8/31/2014</u>	<u>8/31/2015</u>	<u>8/31/2016</u>	
Evolution Managed Bond Fund	\$1,238,379	\$596,309	\$ 586,831	\$1,226,623	\$3,648,142
Evolution All-Cap Equity Fund	—	—	—	3,893,085	3,893,085
Evolution Market Leaders Fund	—	—	1,584,209	94,888	1,679,097
Evolution Alternative Investment Fund	—	—	—	1,400,927	1,400,927

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

FIN 48 requires the Funds to analyze all open tax years. Open tax years are those years that are open for examination by the relevant income taxing authority. As of February 28, 2009, open Federal and state income tax years include the tax years ended August 31, 2005, August 31, 2006, August 31, 2007 and August 31, 2008. The Funds have no examination in progress.

The Funds have reviewed all open tax years and concluded that the adoption of FIN 48 resulted in no effect to the Fund's financial positions or results of operations. There is no tax liability resulting uncertain income tax positions taken or expected to be taken on the tax returns for the fiscal year-end August 31, 2005, August 31, 2006, August 31, 2007 and August 31, 2008. 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. has made available to the Funds a credit facility pursuant to a Line of Credit Agreement ("Line of Credit") for meeting redemption requests. Borrowings under the Line of Credit are charged at prime rate less 1/2%. The Funds did not utilize the credit facility for the six months ended February 28, 2009.

**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. CAPITAL SHARE TRANSACTIONS

The capital share transactions for the Funds during the six months ended February 28, 2009 and year ended August 31, 2008 were as follows:

	<b>Evolution Managed Bond Fund</b>		<b>Evolution All-Cap Equity Fund</b>	
	Six Months Ended February 28, 2009 (Unaudited)	Year Ended August 31, 2008	Six Months Ended February 28, 2009 (Unaudited)	Year Ended August 31, 2008
Shares sold	1,054,563	722,420	2,102,880	736,314
Shares issued in reinvestment of distributions	29,074	89,486	—	417,176
Shares redeemed	<u>(752,164)</u>	<u>(1,573,682)</u>	<u>(893,449)</u>	<u>(1,901,770)</u>
Total net increase (decrease) from capital share transactions	<u>331,473</u>	<u>(761,776)</u>	<u>1,209,431</u>	<u>(748,280)</u>

	<b>Evolution Market Leaders Fund</b>		<b>Evolution Alternative Investment Fund</b>	
	Six Months Ended February 28, 2009 (Unaudited)	Year Ended August 31, 2008	Six Months Ended February 28, 2009 (Unaudited)	Year Ended August 31, 2008
Shares sold	2,983,845	514,267	411,939	546,642
Shares issued in reinvestment of distributions	—	7,085	52,783	69,541
Shares redeemed	<u>(1,866,169)</u>	<u>(1,167,267)</u>	<u>(632,757)</u>	<u>(1,447,150)</u>
Total net increase (decrease) from capital share transactions	<u>1,117,676</u>	<u>(645,915)</u>	<u>(168,035)</u>	<u>(830,967)</u>

### 4. INVESTMENT TRANSACTIONS

During the six months ended February 28, 2009, the aggregate purchases and sales of investments (excluding short-term investments) were:

	<b>Purchases</b>	<b>Sales</b>
Evolution Managed Bond Fund	\$ 74,954,358	\$ 69,292,612
Evolution All-Cap Equity Fund	410,913,124	405,316,595
Evolution Market Leaders Fund	136,070,890	122,175,144
Evolution Alternative Investment Fund	41,785,452	54,991,858

There were no purchases or sales of long-term U.S. Government securities during the six months ended February 28, 2009.

### 5. INVESTMENT ADVISORY AND OTHER AGREEMENTS

**Investment Advisory Fees:** The Funds have entered into an investment advisory agreement with the Adviser. The Adviser receives a fee, computed daily and payable monthly, at the annual rates presented below as applied to each Fund's average daily net assets. In addition, the Adviser has entered into sub-advisory agreements 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. For the six months ended February 28, 2009, the Adviser has voluntarily agreed to pay all operating expenses (excluding dividends on short positions), in excess of the annual cap on expenses presented below as applied to each Fund's average daily net assets. Because this is a voluntary waiver, the Adviser may change or end the waiver at any time. Effective September 1, 2008 this expense cap was raised to 1.90% for each of the Funds. The Adviser may recover from the Funds the expenses paid in excess of the annual cap on

expenses for the three previous years, as long as the recovery does not cause the Fund to exceed such annual cap on expenses from the period in which those expenses were originally waived. For the six months ended February 28, 2009, the Adviser paid or recouped the following expenses:

	<u>Evolution Managed Bond Fund</u>	<u>Evolution All-Cap Equity Fund</u>	<u>Evolution Market Leaders Fund</u>	<u>Evolution Alternative Investment Fund</u>
Annual Adviser rate	1.00%	1.00%	1.00%	1.00%
Annual cap on expenses:	1.90%	1.90%	1.90%	1.90%
Expenses paid in excess of annual cap on expenses — 2009	\$ 85	\$ —	\$14,682	\$10,579
Voluntary waiver — 2009	\$ —	\$ —	\$ —	\$ —
Adviser expense waiver recovery — 2009	\$ —	\$ —	\$ —	\$ —

Expenses subject to potential recovery expiring in:

	<u>Evolution Managed Bond Fund</u>	<u>Evolution All-Cap Equity Fund</u>	<u>Evolution Market Leaders Fund</u>	<u>Evolution Alternative Investment Fund</u>
2009	\$ 7,084	\$ —	\$ 21,360	\$ 31
2010	\$ 1,093	\$ —	\$ 36,463	\$ —
2011	\$48,316	\$41,552	\$ 50,055	\$45,509
2012	<u>\$ 85</u>	<u>\$ —</u>	<u>\$ 14,682</u>	<u>\$10,579</u>
Total	<u>\$56,578</u>	<u>\$41,552</u>	<u>\$122,560</u>	<u>\$56,119</u>

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, 2009. The Distributor is an affiliate of the Adviser.

## 6. SUMMARY OF FAIR VALUE DISCLOSURE

In September 2006, FASB issued Standard No. 157, *Fair Value Measurement* ("FAS 157") effective for fiscal years beginning after November 15, 2007. FAS 157 clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosure about the use of fair value measurements in an effort to make measurements of fair value more consistent and comparable. The Funds have adopted FAS 157 effective September 1, 2008. A summary of the fair value hierarchy under FAS 157 is described below.

Various inputs are used in determining the value of the Fund's investments. These inputs are summarized in three broad levels listed below:

Level 1 – Quoted prices in active markets for identical securities

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

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

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

The following is a summary of the inputs used to value each Fund's net assets as of February 28, 2009:

<u>Description</u>	<u>Evolution Managed Bond Fund</u>		<u>Evolution All-Cap Equity Fund</u>	
	<u>Investments in Securities</u>	<u>Other Financial Instruments*</u>	<u>Investments in Securities</u>	<u>Other Financial Instruments*</u>
Level 1 – Quoted prices	\$31,550,877	\$—	\$42,426,237	\$1,360,931
Level 2 – Other significant observable inputs	—	—	—	—
Level 3 – Significant unobservable inputs	—	—	—	—
Total	<u>\$31,550,877</u>	<u>\$—</u>	<u>\$42,426,237</u>	<u>\$1,360,931</u>

<u>Description</u>	<u>Evolution Market Leaders Fund</u>		<u>Evolution Alternative Investment Fund</u>	
	<u>Investments in Securities</u>	<u>Other Financial Instruments*</u>	<u>Investments in Securities</u>	<u>Other Financial Instruments*</u>
Level 1 – Quoted prices	\$18,535,508	\$993,380	\$18,943,947	\$—
Level 2 – Other significant observable inputs	—	—	—	—
Level 3 – Significant unobservable inputs	—	—	—	—
Total	<u>\$18,535,508</u>	<u>\$993,380</u>	<u>\$18,943,947</u>	<u>\$—</u>

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

## 7. NEW ACCOUNTING PRONOUNCEMENT

In March 2008, FASB issued its Statement on Financial Accounting Standards No. 161, *Disclosures about Derivatives Instruments and Hedging Activities* ("FAS 161"). This standard is intended to enhance financial statement disclosure for derivative instruments and hedging activities and enable investors to understand: a) how and why a fund uses derivatives instruments, b) how derivatives instruments and related hedge items are accounted for, and c) how derivative instruments and related hedge items affect a fund's financial position, results of operations and cash flows. FAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. As of February 28, 2009, management does not believe the adoption of SFAS No. 161 will impact the financial statement amounts; however, additional footnote disclosures will be required about the use of derivative instruments and hedge items.



## SEMI-ANNUAL REPORT FEBRUARY 28, 2009

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**Sub-Advisor**

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

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Milwaukee, WI 53212

**Independent Registered Public Accounting Firm**

Ernst & Young LLP  
875 E. Wisconsin Ave.  
Milwaukee, WI 53202

**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](http://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](http://www.sec.gov).

The Fund files complete schedules of portfolio holdings with the SEC 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](http://www.sec.gov).

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