

SEMI-ANNUAL REPORT FEBRUARY 28, 2010

PSI Core Strength Fund

PSI Macro Trends Fund

PSI Total Return Fund

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

(800) 851-0511

Dear Shareholders,

This Semi-Annual Report for the PSI Funds covers the period September 1, 2009 to February 28, 2010, (the "Semi-Annual Period"). This Report covers the PSI Macro Trends Fund (the "Macro Trends Fund"), the PSI Core Strength Fund (the "Core Strength Fund") and the PSI Total Return Fund (the "Total Return Fund"). Portfolio Strategies Investment Managers serves as the sub-advisor to the PSI Funds. During the Semi-Annual Period, the DJ Industrial Average Index returned 10.21%, the S&P 500 Index returned 9.32% and the NASDAQ-100 Index returned 12.27%.

At the beginning of the period, the markets had recovered much of their earlier losses of the year and volatility had returned to more customary levels. Despite the market gains from historical lows, the economy remains fragile. A global economic recovery is slowly taking hold, despite Greece's tribulations. Monetary and fiscal stimulus measures in all major countries have kicked off positive growth at varying speeds, aided by a turnaround in the inventory cycle.

The Macro Trends Fund seeks to implement short or long strategies to achieve capital appreciation. The Macro Trends Fund returned 5.63%, on a total return basis, during the Semi-Annual Period, as compared to 9.32% for the S&P 500 Index.

The Core Strength Fund seeks to achieve returns equal to or better than the return of the broad U.S. stock market as measured by the S&P 500 Index over a full market cycle. The Core Strength Fund returned 1.50%, on a total return basis, during the Semi-Annual Period, compared to 9.32% for the S&P 500 Index.

The Total Return Fund seeks to exceed the total return of the Barclays Capital Aggregate Bond Index over a complete market cycle. The Total Return Fund returned 0.82%, on a total return basis, during the Semi-Annual Period, compared to 3.19% 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



David Jajewski  
Portfolio Strategies, Inc.

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

**The total annual fund operating expense ratio of the Macro Trends Fund, the Core Strength Fund and the Total Return Fund is, 2.14%, 2.14%, and 2.03%, 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 30, 2010**

\* 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 1.85% for the Macro Trends Fund, the Core Strength Fund and the Total Return Fund.

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## **Expense Example**

### **February 28, 2010 (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 a 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, 2009 — February 28, 2010).

#### **Actual Expenses**

The first line of the table below provides information about actual account values and actual expenses. Although the Funds charge 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, 2010 (Unaudited)**

	<u>Expense Ratio<sup>1</sup></u>	<u>Beginning Account Value September 1, 2009</u>	<u>Ending Account Value February 28, 2010</u>	<u>Expenses Paid During Period<sup>2</sup></u>
<b>HCM Freedom Fund</b>				
Based on actual fund return	2.35%	\$1,000.00	\$1,089.70	\$12.18
Based on hypothetical 5% return	2.35%	1,000.00	1,013.14	11.73

<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, 2010 (Unaudited)**

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

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

**HCM Freedom Fund**  
**Schedule of Investments**  
**February 28, 2010 (Unaudited)**

<u>Shares</u>		<u>Value</u>
<b>INVESTMENT COMPANIES - 87.7%</b>		
247,748	JPMorgan Limited Duration Bond Fund	\$ 2,204,955
261,097	Nuveen High Yield Municipal Bond Fund	3,981,723
205,992	PIMCO Mortgaged-Backed Securities Fund	2,210,300
1,302,383	Putnam Diversified Income Trust	10,249,754
590,319	Wells Fargo Advantage Ultra Short Term Income Fund	<u>5,000,000</u>
	<b>TOTAL INVESTMENT COMPANIES</b> (Cost \$23,804,021)	<u><b>\$23,646,732</b></u>
<b>SHORT TERM INVESTMENTS - 30.9%</b>		
<b>MONEY MARKET FUNDS - 30.9%</b>		
1,666,440	Fidelity Institutional Government Portfolio, 0.03%(a)	\$ 1,666,440
1,666,440	Fidelity Institutional Money Market Portfolio, 0.18%(a)	1,666,440
1,666,440	Goldman Sachs Financial Square Federal Fund, 0.00%(a)	1,666,440
1,666,440	Goldman Sachs Financial Square Government Fund, 0.00%(a)	1,666,440
1,666,439	Morgan Stanley Institutional Liquidity Fund - Treasury Portfolio, 0.01%(a)	<u>1,666,439</u>
	<b>TOTAL SHORT TERM INVESTMENTS</b> (Cost \$8,332,199)	<u><b>\$ 8,332,199</b></u>
	<b>TOTAL INVESTMENTS</b> (Cost \$32,136,220) - 118.6%	\$31,978,931
	Liabilities in Excess of Other Assets - (18.6)%	<u>(5,013,682)</u>
	<b>TOTAL NET ASSETS - 100.0%</b>	<u><u><b>\$26,965,249</b></u></u>

Percentages are stated as a percent of net assets.

(a) Represents annualized seven-day yield at February 28, 2010.

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

**Statement of Assets and Liabilities**  
**February 28, 2010 (Unaudited)**

	<u>HCM Freedom Fund</u>
<b>Assets:</b>	
Investments, at market value (Note 2)	\$ 31,978,931
Dividends and interest receivable	35,601
Other assets	508
Total Assets	<u>32,015,040</u>
<b>Liabilities:</b>	
Payable for investments purchased	5,000,000
Accrued investment advisory fees	21,921
Accrued distribution expenses	16,537
Accrued operating services fees	11,291
Accrued expenses and other liabilities	42
Total Liabilities	<u>5,049,791</u>
<b>Net Assets</b>	<u>\$ 26,965,249</u>
<b>Net Assets Consist Of:</b>	
Capital stock	\$ 46,439,719
Accumulated undistributed net investment income	281,847
Accumulated undistributed net realized loss	(19,599,028)
Net unrealized appreciation on:	
Investments	<u>(157,289)</u>
Total Net Assets	<u>\$ 26,965,249</u>
<b>Calculation of Net Asset Value Per Share - Service Class:</b>	
Net assets	\$ 26,965,249
Shares outstanding (unlimited shares of beneficial interest authorized, no par value)	1,810,808
Net Asset Value, Redemption Price and Offering Price Per Share	<u>\$ 14.89</u>
Cost of Investments	<u>\$ 32,136,220</u>

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

**Statement of Operations**  
**For the Six Months Ended February 28, 2010 (Unaudited)**

**HCM Freedom Fund**

<b>Investment income:</b>	
Dividend income	\$ 2,014,488
Interest income	642
Total investment income	<u>2,015,130</u>
<b>Expenses:</b>	
Investment advisory fees	131,502
Distribution expenses	105,201
Operating services fees	76,043
Total expenses before recoupment	312,746
Less: Expenses paid indirectly (Note 6)	(3,717)
Total expenses	<u>309,029</u>
<b>Net investment income</b>	<u>1,706,101</u>
<b>Realized and unrealized gain (loss) on investments:</b>	
Net realized gain (loss) on:	
Investments	2,388,471
Swaps	(403,919)
	<u>1,984,552</u>
Change in unrealized appreciation (depreciation) on:	
Investments	(1,424,181)
Net realized and unrealized gain (loss) on investments	<u>560,371</u>
<b>Net increase in net assets resulting from operations</b>	<u><u>\$ 2,266,472</u></u>

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

## Statement of Changes in Net Assets

	<b>HCM Freedom Fund</b>	
	Six Months Ended February 28, 2010 (Unaudited)	Year Ended August 31, 2009
<b>Operations:</b>		
Net investment income	\$ 1,706,101	\$ 10,946
Net realized gain (loss) on investments	1,984,552	(555,594)
Change in net unrealized appreciation (depreciation) on investments	<u>(1,424,181)</u>	<u>1,266,892</u>
Net increase in net assets resulting from operations	<u>2,266,472</u>	<u>722,244</u>
<b>Distributions to shareholders:</b>		
Net investment income	<u>(1,474,611)</u>	<u>(1,039,384)</u>
Total distributions	<u>(1,474,611)</u>	<u>(1,039,384)</u>
<b>Capital share transactions:</b>		
Proceeds from shares sold	1,141,733	2,223,837
Proceeds from shares issued to holders in reinvestment of dividends	1,468,281	1,034,802
Cost of shares redeemed	<u>(1,645,745)</u>	<u>(3,248,933)</u>
Net increase in net assets resulting from capital share transactions	<u>964,269</u>	<u>9,706</u>
<b>Total increase/(decrease) in net assets</b>	<u>1,756,130</u>	<u>(307,434)</u>
<b>Net assets:</b>		
Beginning of year/period	<u>25,209,119</u>	<u>25,516,553</u>
End of year/period	<u>\$26,965,249</u>	<u>\$25,209,119</u>
<b>Undistributed (Accumulated) net investment income, end of year/period</b>	<u>\$ 281,847</u>	<u>\$ 50,357</u>

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

## Financial Highlights

### February 28, 2010 (Unaudited)

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	Total Distributions	Net Asset Value, End of Year/Period	Total Return <sup>5</sup>	Net Assets, End of Year/Period (,000)	Including Short Dividends		Excluding Short Dividends		Net Investment Income (Loss) After Expense Reimbursement/Recoupment <sup>1</sup>	Portfolio Turnover Rate <sup>6</sup>
										Total Expenses <sup>1</sup>	Net Expenses <sup>1</sup>	Total Expenses <sup>1</sup>	Net Expenses <sup>1</sup>		
Six months ended February 28, 2010 (Unaudited)	\$14.47	\$0.96	\$ 0.32	\$ 1.28	\$(0.86)	\$14.89	8.97% <sup>2</sup>	\$ 26,965	—	—	2.40%	2.35%	12.97%	182% <sup>2</sup>	
Year ended August 31, 2009	14.68	0.01	0.40	0.41	(0.62)	14.47	2.83%	25,209	—	—	2.42%	2.43%	0.05%	1,311%	
Year ended August 31, 2008	17.46	0.06	(0.70)	(0.64)	(2.14)	14.68	(4.43%)	25,517	—	—	2.50%	2.45%	0.35%	2,886%	
Year ended August 31, 2007	18.11	0.34	(0.11)	0.23	(0.88)	17.46	1.32%	28,642	—	—	2.18%	2.18%	1.98%	4,042%	
Year ended August 31, 2006	18.91	0.40	(1.08)	(0.68)	(0.12)	18.11	(3.61%)	53,753	—	—	2.22%	2.12%	2.14%	3,065%	
December 7, 2004 <sup>8</sup> to August 31, 2005	20.00	0.11	(1.20)	(1.09)	—	18.91	(5.45%) <sup>2</sup>	140,786	2.31%	2.11%	2.30%	2.10%	0.82% <sup>7</sup>	2,215% <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) ratio included dividends on short positions. The ratio excluding dividends on short positions for the period ended August 31, 2005 was 0.83%.

<sup>8</sup> Commencement of operations.

## Expense Example

February 28, 2010 (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 a 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, 2009 — February 28, 2010).

### Actual Expenses

The first line of the table below provides information about actual account values and actual expenses. Although the Funds charge 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

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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, 2010 (Unaudited)**

	<u>Expense Ratio<sup>1</sup></u>	<u>Beginning Account Value September 1, 2009</u>	<u>Ending Account Value February 28, 2010</u>	<u>Expenses Paid During Period<sup>2</sup></u>
<b>PSI Core Strength Fund</b>				
Based on actual fund return	1.94%	\$1,000.00	\$1,015.00	\$9.69
Based on hypothetical 5% return	1.94%	1,000.00	1,015.17	9.69
<b>PSI Macro Trends Fund</b>				
Based on actual fund return	1.94%	1,000.00	1,056.30	9.89
Based on hypothetical 5% return	1.94%	1,000.00	1,015.17	9.69
<b>PSI Total Return Fund</b>				
Based on actual fund return	1.94%	1,000.00	1,008.20	9.66
Based on hypothetical 5% return	1.94%	1,000.00	1,015.17	9.69

<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, 2010 (Unaudited)**

	<u>Cash*</u>	<u>Investment Companies</u>	<u>Futures</u>	<u>Swaps</u>	<u>Total</u>
PSI Core Strength Fund	21%	79%	—	—	100%
PSI Macro Trends Fund	31%	67%	0%**	2%	100%
PSI Total Return Fund	49%	51%	—	0%**	100%

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

\*\* Percentage is less than 0.5%.

**PSI Core Strength Fund**  
**Schedule of Investments**  
**February 28, 2010 (Unaudited)**

<u>Shares</u>		<u>Value</u>	<u>Shares</u>		<u>Value</u>
<b>INVESTMENT COMPANIES - 78.7%</b>					
23,400	Consumer Staples Select Sector SPDR Fund	\$ 632,502	46,000	SPDR Dow Jones Industrial Average Fund	\$ 4,751,800
17,200	Energy Select Sector SPDR Fund	965,608	21,700	Utilities Select Sector SPDR Fund	632,989
129,400	Financial Select Sector SPDR Fund	1,899,592		<b>TOTAL INVESTMENT COMPANIES</b>	<b><u>\$25,027,517</u></b>
13,800	iShares Barclays 20+ Year Treasury Bond Fund	1,265,046		(Cost \$24,562,702)	
21,100	iShares Barclays Aggregate Bond Fund	2,205,583	<b>SHORT TERM INVESTMENTS - 33.1%</b>		
10,700	iShares Dow Jones U.S. Basic Materials Fund	630,123	<b>MONEY MARKET FUNDS - 33.1%</b>		
9,800	iShares Dow Jones U.S. Healthcare Fund	631,512	2,107,650	Fidelity Institutional Government Portfolio, 0.03%(a)	\$ 2,107,650
22,000	iShares iBoxx \$ High Yield Corporate Bond Fund	1,917,740	2,107,650	Fidelity Institutional Money Market Portfolio, 0.18%(a)	2,107,650
14,900	iShares NASDAQ Biotechnology Index Fund	1,272,460	2,107,650	Goldman Sachs Financial Square Federal Fund, 0.00%(a)	2,107,650
15,100	iShares Russell 2000 Index Fund	948,280	2,107,650	Goldman Sachs Financial Square Government Fund, 0.00%(a)	2,107,650
17,600	iShares S&P Europe 350 Index Fund	633,952	2,107,650	Morgan Stanley Institutional Liquidity Fund - Treasury Portfolio, 0.01%(a)	<u>2,107,650</u>
66,500	iShares S&P U.S. Preferred Stock Index Fund	2,542,295		<b>TOTAL SHORT TERM INVESTMENTS</b>	<b><u>\$10,538,250</u></b>
11,800	PowerShares DB U.S. Dollar Index Bearish Fund	315,532		(Cost \$10,538,250)	
21,900	ProShares Short Russell 2000 Fund	954,840		<b>TOTAL INVESTMENTS</b>	<b><u>\$35,565,767</u></b>
33,100	ProShares UltraShort FTSE/Xinhua China 25 Fund	299,555		(Cost \$35,100,952) - 111.8%	
6,600	Retail HOLDRs Fund	632,676		Liabilities in Excess of Other Assets - (11.8%)	<u>(3,752,633)</u>
47,600	Rydex S&P Equal Weight Fund	1,895,432		<b>TOTAL NET ASSETS - 100.0%</b>	<b><u>\$31,813,134</u></b>

Percentages are stated as a percent of net assets.

(a) Represents annualized seven-day yield at February 28, 2010.

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

**PSI Macro Trends Fund**  
**Schedule of Investments**  
**February 28, 2010 (Unaudited)**

<u>Shares</u>		<u>Value</u>	<u>Shares</u>		<u>Value</u>
<b>INVESTMENT COMPANIES - 67.5%</b>			<b>SHORT TERM INVESTMENTS - 30.8%</b>		
149,212	AQR Diversified Arbitrage Fund	\$ 1,611,492	<b>MONEY MARKET FUNDS - 30.8%</b>		
155,256	Eaton Vance Global Macro Absolute Return Fund	1,611,553	1,674,463	Fidelity Institutional Government Portfolio, 0.03%(a)	\$ 1,674,463
15,300	iShares Barclays 20+ Year Treasury Bond Fund	1,402,551	1,674,463	Fidelity Institutional Money Market Portfolio, 0.18%(a)	1,674,463
12,900	iShares Barclays Treasury Inflation Protected Securities Bond Fund	1,340,439	1,674,463	Goldman Sachs Financial Square Federal Fund, 0.00%(a)	1,674,463
6,300	iShares iBOXX \$ High Yield Corporate Bond Fund	549,171	1,894,463	Goldman Sachs Financial Square Government Fund, 0.00%(a)(b)	1,894,463
72,400	iShares MSCI EAFE Index Fund	3,809,688	1,674,463	Morgan Stanley Institutional Liquidity Fund - Treasury Portfolio, 0.01%(a)	1,674,463
12,700	iShares Russell Midcap Growth Index	579,882	<b>TOTAL SHORT TERM INVESTMENTS</b>		
15,500	iShares Russell Midcap Value Index Fund	583,730	<b>(Cost \$8,592,315)</b>		
58,000	PowerShares DB US Dollar Bullish Fund	1,371,120	<b>TOTAL INVESTMENTS</b>		
40,700	SPDR S&P 500 ETF	4,507,932	<b>(Cost \$25,163,481) - 98.3%</b>		
8,800	SPDR S&P MidCap 400 ETF	1,447,092	<b>Other Assets in Excess of Liabilities - 1.7%</b>		
<b>TOTAL INVESTMENT COMPANIES</b> (Cost \$16,571,166)		<u>\$18,814,650</u>	<b>TOTAL NET ASSETS - 100.00%</b>		
			<u>\$27,877,311</u>		

Percentages are stated as a percent of net assets.

(a) Represents annualized seven-day yield at February 28, 2010.

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

**PSI Macro Trends Fund**  
**Futures Contracts**  
**February 28, 2010 (Unaudited)**

<u>Contracts</u>		<u>Unrealized Depreciation</u>
82	E-Mini S&P 500 Futures Expiring March 2010 (Underlying Face Amount at Market Value \$4,521,275)	<u>\$(25,974)</u>

**PSI Macro Trends Fund**  
**Long Equity Swap Contracts**  
**February 28, 2010 (Unaudited)**

<u>Counterparty</u>	<u>Reference Entity</u>	<u>Number of Contracts</u>	<u>Notional Amount</u>	<u>Termination Date</u>	<u>Unrealized Appreciation</u>
Credit Suisse Capital, LLC	Morgan Stanley Commodity Related Index	2,300	\$1,196,791	6/4/2010	<u>\$582,750</u>

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

**PSI Total Return Fund**  
**Schedule of Investments**  
**February 28, 2010 (Unaudited)**

<u>Shares</u>		<u>Value</u>	<u>Shares</u>		<u>Value</u>
<b>INVESTMENT COMPANIES - 50.5%</b>					
15,800	iShares Barclays 7-10 Year Treasury Bond Fund	\$ 1,432,981	4,034,171	Goldman Sachs Financial Square Government Fund, 0.00%(a)(b)	\$ 4,034,171
28,480	iShares Barclays TIPS Bond Fund	2,959,357	2,574,170	Morgan Stanley Institutional Liquidity Fund - Treasury Portfolio, 0.01%(a)	<u>2,574,170</u>
15,500	iShares Lehman 20+ Year Treasury Bond Fund	1,420,885		<b>TOTAL SHORT TERM INVESTMENTS</b>	
671,747	PIMCO Total Return Fund	7,382,495		(Cost \$14,330,853)	<u>\$14,330,853</u>
61,000	PowerShares DB US Dollar Index Bullish Fund	<u>1,442,040</u>		<b>TOTAL INVESTMENTS</b>	
	<b>TOTAL INVESTMENT COMPANIES</b>	<u>\$14,637,758</u>		(Cost \$28,816,827) - 100.0%	\$28,968,611
	(Cost \$14,485,974)			Other Liabilities in Excess of Assets - (0.0)% <sup>(c)</sup>	<u>(4,531)</u>
<b>SHORT TERM INVESTMENTS - 49.5%</b>					
<b>MONEY MARKET FUNDS - 49.5%</b>					
2,574,171	Fidelity Institutional Government Portfolio, 0.03%(a)	2,574,171		<b>TOTAL NET ASSETS - 100.0%</b>	<u>\$28,964,080</u>
2,574,171	Fidelity Institutional Money Market Portfolio, 0.18%(a)	2,574,171			
2,574,170	Goldman Sachs Financial Square Federal Fund, 0.00%(a)	2,574,170			

Percentages are stated as a percent of net assets.

(a) Represents annualized seven-day yield at February 28, 2010.

(b) \$1,460,000 of this security is held as collateral for swap contracts.

(c) Percentage is less than .05%

**PSI Total Return Fund**  
**Long Equity Swap Contracts**  
**February 28, 2010 (Unaudited)**

<u>Counterparty</u>	<u>Reference Entity</u>	<u>Number of Contracts</u>	<u>Notional Amount</u>	<u>Termination Date</u>	<u>Unrealized Appreciation</u>
Credit Suisse Capital, LLC	iShares Barclays Aggregate Bond Fund	140,050	\$14,558,979	9/20/2010	<u>\$52,633</u>

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

**Statements of Assets and Liabilities**  
**February 28, 2010 (Unaudited)**

	<u>PSI Core Strength Fund</u>	<u>PSI Macro Trends Fund</u>	<u>PSI Total Return Fund</u>
<b>Assets:</b>			
Investments, at market value (Note 2)	\$35,565,767	\$ 27,406,965	\$28,968,611
Cash	186	—	—
Receivable for Fund shares sold	58,950	56,857	49,502
Receivable for investments sold	7,927,566	—	—
Deposit at broker for futures	—	369,000	—
Unrealized appreciation on swaps	—	582,750	52,633
Variation margin receivable	—	1,845	—
Dividends and interest receivable	5,293	—	18,654
Other assets	2,123	1,599	4,628
Total Assets	<u>43,559,885</u>	<u>28,419,016</u>	<u>29,094,028</u>
<b>Liabilities:</b>			
Payable for Fund shares redeemed	1,136	1,151	52,269
Payable for investments purchased	11,690,128	—	—
Deposit from broker for swaps	—	490,000	—
Accrued advisory expense	24,034	21,094	22,069
Accrued distribution expense	12,886	13,280	30,865
Accrued operating services fees	10,541	9,249	9,227
Accrued expenses and other liabilities	8,026	6,931	15,518
Total Liabilities	<u>11,746,751</u>	<u>541,705</u>	<u>129,948</u>
<b>Net Assets</b>	<u>\$31,813,134</u>	<u>\$ 27,877,311</u>	<u>\$28,964,080</u>
<b>Net Assets Consist Of:</b>			
Capital stock	\$33,320,180	\$ 39,380,360	\$33,092,049
Accumulated undistributed net investment loss	(16,721)	(7,835)	(68,404)
Accumulated undistributed net realized loss	(1,955,140)	(14,295,474)	(4,263,982)
Net unrealized appreciation (depreciation) on:			
Investments	464,815	2,243,484	151,784
Futures	—	(25,974)	—
Swaps	—	582,750	52,633
Total Net Assets	<u>\$31,813,134</u>	<u>\$ 27,877,311</u>	<u>\$28,964,080</u>
<b>Calculation of Net Asset Value Per Share - Investor Class:</b>			
Net assets	\$31,813,134	\$ 27,877,311	\$28,964,080
Shares outstanding (unlimited shares of beneficial interest authorized, no par value)	1,881,262	1,935,225	1,604,515
Net asset value, redemption price and offering price per share	<u>\$ 16.91</u>	<u>\$ 14.41</u>	<u>\$ 18.05</u>
Cost of Investments	<u>\$35,100,952</u>	<u>\$ 25,163,481</u>	<u>\$28,816,827</u>

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

**Statements of Operations**  
**For the Six Months Ended February 28, 2010 (Unaudited)**

	<u>PSI Core Strength Fund</u>	<u>PSI Macro Trends Fund</u>	<u>PSI Total Return Fund</u>
<b>Investment income:</b>			
Dividend income	\$ 276,353	\$ 303,936	\$ 379,869
Interest income	4,027	1,840	4,321
Total investment income	<u>280,380</u>	<u>305,776</u>	<u>384,190</u>
<b>Expenses:</b>			
Investment advisory fees	166,608	155,146	160,100
Distribution expenses	38,380	35,642	36,756
Shareholder servicing fees	23,028	21,385	22,053
Operating services fees	71,682	66,662	68,157
Total expenses before reimbursement	299,698	278,835	287,066
Less: Expenses paid indirectly (Note 6)	(2,597)	(2,506)	(1,997)
Total expenses	<u>297,101</u>	<u>276,329</u>	<u>285,069</u>
<b>Net investment income (loss)</b>	<u>(16,721)</u>	<u>29,447</u>	<u>99,121</u>
<b>Realized and unrealized gain (loss) on investments:</b>			
Net realized gain (loss) on:			
Investments	1,481,852	1,824,915	226,738
Futures	—	859,216	174,652
Swaps	—	358,437	(93,032)
	<u>1,481,852</u>	<u>3,042,568</u>	<u>308,358</u>
Capital gain distributions from regulated investment companies	—	—	90,154
Change in unrealized appreciation (depreciation) on:			
Investments	(1,079,604)	(1,031,657)	(321,356)
Futures	—	(452,752)	23,685
Swaps	—	(3,634)	31,815
	<u>(1,079,604)</u>	<u>(1,488,043)</u>	<u>(265,856)</u>
Net realized and unrealized gain (loss) on investments	<u>402,248</u>	<u>1,554,525</u>	<u>132,656</u>
<b>Net increase in net assets resulting from operations</b>	<u>\$ 385,527</u>	<u>\$ 1,583,972</u>	<u>\$ 231,777</u>

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

## Statements of Changes in Net Assets

	PSI Core Strength Fund		PSI Macro Trends Fund		PSI Total Return Fund	
	Six Months Ended February 28, 2010 (Unaudited)	Year Ended August 31, 2009	Six Months Ended February 28, 2010 (Unaudited)	Year Ended August 31, 2009	Six Months Ended February 28, 2010 (Unaudited)	Year Ended August 31, 2009
<b>Operations:</b>						
Net investment income (loss)	\$ (16,721)	\$ (19,393)	\$ 29,447	\$ 97,245	\$ 99,121	\$ 243,314
Net realized gain (loss) on investments	1,481,852	(1,699,894)	3,042,568	(12,713,344)	308,358	(3,791,235)
Capital gain distributions from regulated investment companies	—	—	—	—	90,154	—
Change in unrealized appreciation (depreciation) on investments	(1,079,604)	1,547,397	(1,488,043)	7,377,473	(265,856)	593,584
Net increase (decrease) in net assets resulting from operations	<u>385,527</u>	<u>(171,890)</u>	<u>1,583,972</u>	<u>(5,238,626)</u>	<u>231,777</u>	<u>(2,954,337)</u>
<b>Distributions to shareholders:</b>						
Net investment income	—	—	(37,282)	(320,689)	(167,525)	(243,314)
Net realized gains	—	—	—	(24,511)	—	—
Return of capital	—	(39,894)	—	(36,679)	—	(41,706)
Total distributions	<u>—</u>	<u>(39,894)</u>	<u>(37,282)</u>	<u>(381,879)</u>	<u>(167,525)</u>	<u>(285,020)</u>
<b>Capital share transactions:</b>						
Proceeds from shares sold	5,865,168	16,811,207	3,071,645	16,547,055	4,697,026	16,163,927
Proceeds from shares issued to holders in reinvestment of dividends	—	39,856	37,282	381,880	(7,491,158)	280,919
Cost of shares redeemed	<u>(2,426,179)</u>	<u>(8,872,749)</u>	<u>(6,300,145)</u>	<u>(15,768,694)</u>	<u>—</u>	<u>(15,012,412)</u>
Net increase (decrease) in net assets resulting from capital share transactions	<u>3,438,989</u>	<u>7,978,314</u>	<u>(3,191,218)</u>	<u>1,160,241</u>	<u>(2,627,655)</u>	<u>1,432,434</u>
<b>Total increase (decrease) in net assets</b>	<u>3,824,516</u>	<u>7,766,530</u>	<u>(1,644,528)</u>	<u>(4,460,264)</u>	<u>(2,563,403)</u>	<u>(1,806,923)</u>
<b>Net assets:</b>						
Beginning of year/period	<u>27,988,618</u>	<u>20,222,088</u>	<u>29,521,839</u>	<u>33,982,103</u>	<u>31,527,483</u>	<u>33,334,406</u>
End of year/period	<u>\$31,813,134</u>	<u>\$27,988,618</u>	<u>\$27,877,311</u>	<u>\$ 29,521,839</u>	<u>\$28,964,080</u>	<u>\$ 31,527,483</u>
<b>Undistributed (Accumulated) net investment loss, end of year/period</b>	<u>\$ (16,721)</u>	<u>\$ —</u>	<u>\$ (7,835)</u>	<u>\$ —</u>	<u>\$ (68,404)</u>	<u>\$ —</u>

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

## Financial Highlights February 28, 2010 (Unaudited)

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	Distributions from Return of Capital	Total Distributions	Net Asset Value, End of Year/Period	Total Return <sup>5</sup>	Net Assets, End of Year/Period (\$,000)	Total Expenses <sup>1</sup>	Net Expenses <sup>1</sup>	Investment Income (Loss) After Reimbursement/Recoupment <sup>1</sup>	Portfolio Turnover Rate <sup>6</sup>
<b>PSI Core Strength Fund</b>															
Six months ended															
February 28, 2010 (Unaudited)	\$16.66	\$(0.01)	\$ 0.26	\$ 0.25	\$ —	\$ —	\$ —	\$ —	\$16.91	1.50% <sup>2</sup>	\$31,813	1.95%	1.94%	(0.11%)	1,011% <sup>2</sup>
Year ended August 31, 2009	17.48	(0.01)	(0.77)	(0.78)	—	(0.04)	(0.04)	(0.04)	16.66	(4.43%)	27,989	2.05%	2.00%	(0.10%)	2,328%
Year ended August 31, 2008	20.11	0.08	(1.67)	(1.59)	—	(0.84)	(0.20)	(1.04)	17.48	(8.44%)	20,222	2.09%	2.00%	0.43%	2,509%
January 8, 2007 <sup>7</sup> to August 31, 2007	20.00	0.22	(0.11)	0.11	—	—	—	—	20.11	0.55% <sup>2</sup>	24,628	2.18%	2.00%	1.70%	935% <sup>2</sup>
<b>PSI Macro Trends Fund</b>															
Six months ended															
February 28, 2010 (Unaudited)	13.66	0.01	0.76	0.77	(0.02)	—	—	(0.02)	14.41	5.63% <sup>2</sup>	27,877	1.96%	1.94%	0.21%	108% <sup>2</sup>
Year ended August 31, 2009	16.33	0.05	(2.54)	(2.49)	(0.15)	(0.01)	(0.02)	(0.18)	13.66	(15.03%)	29,522	2.07%	2.00%	0.39%	429%
Year ended August 31, 2008	19.42	0.22	(2.72)	(2.50)	(0.13)	(0.46)	—	(0.59)	16.33	(13.28%)	33,982	2.03%	2.00%	1.20%	304%
January 8, 2007 <sup>7</sup> to August 31, 2007	20.00	(0.03)	(0.55)	(0.58)	—	—	—	—	19.42	(2.90%) <sup>2</sup>	41,070	2.03%	2.00%	(0.26%)	926% <sup>2</sup>
<b>PSI Total Return Fund</b>															
Six months ended															
February 28, 2010 (Unaudited)	18.01	0.06	0.09	0.15	(0.11)	—	—	(0.11)	18.05	0.82% <sup>2</sup>	28,964	1.95%	1.94%	0.67%	138% <sup>2</sup>
Year ended August 31, 2009	20.00	0.16	(1.98)	(1.82)	(0.15)	—	(0.02)	(0.17)	18.01	(9.13%)	31,527	2.04%	2.00%	0.88%	271%
Year ended August 31, 2008	20.53	0.38	0.17	0.55	(0.67)	(0.41)	—	(1.08)	20.00	2.66%	33,334	2.01%	2.00%	1.84%	90%
January 8, 2007 <sup>7</sup> to August 31, 2007	20.00	0.33	0.20	0.53	—	—	—	—	20.53	2.65% <sup>2</sup>	30,453	2.11%	2.00%	2.57%	191% <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> Commencement of operations.

## Expense Example February 28, 2010 (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 a 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, 2009 — February 28, 2010).

### **Actual Expenses**

The first line of the table below provides information about actual account values and actual expenses. Although the Funds charge 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, 2010 (Unaudited)**

	<u>Expense Ratio<sup>1</sup></u>	<u>Beginning Account Value September 1, 2009</u>	<u>Ending Account Value February 28, 2010</u>	<u>Expenses Paid During Period<sup>2</sup></u>
<b>Spectrum Select Alternative Fund</b>				
Based on actual fund return	2.55%	\$1,000.00	\$1,070.10	\$13.09
Based on hypothetical 5% return	2.55%	1,000.00	1,012.15	12.72
<b>Spectrum Global Perspective Fund</b>				
Based on actual fund return	2.55%	1,000.00	961.60	12.40
Based on hypothetical 5% return	2.55%	1,000.00	1,012.15	12.72
<b>Spectrum Equity Opportunity Fund</b>				
Based on actual fund return	2.55%	1,000.00	1,011.20	12.72
Based on hypothetical 5% return	2.55%	1,000.00	1,012.15	12.72

<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, 2010 (Unaudited)**

	<u>Cash*</u>	<u>Investment Companies</u>	<u>Futures</u>	<u>Swaps</u>	<u>Total</u>
Spectrum Select Alternative Fund	15%	85%	—	0%**	100%
Spectrum Global Perspective Fund	65%	35%	0%**	—	100%
Spectrum Equity Opportunity Fund	71%	29%	0%**	—	100%

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

\*\* Percentage is less than 0.5%.

## Spectrum Select Alternative Fund

### Schedule of Investments

February 28, 2010 (Unaudited)

Shares		Value	Shares		Value
<b>INVESTMENT COMPANIES - 85.4%</b>					
247,167	Absolute Opportunities Fund	\$ 2,886,912	988,173	Goldman Sachs Financial Square Federal Fund, 0.00%(a)	\$ 988,173
236,245	Absolute Strategies Fund	2,490,021	1,268,174	Goldman Sachs Financial Square Government Fund, 0.00%(a)(b)	1,268,174
54,672	Caldwell & Orkin Market Opportunity Fund	1,051,889	988,173	Morgan Stanley Institutional Liquidity Fund - Treasury Portfolio, 0.01%(a)	988,173
284,229	Hartford Floating Rate Fund	2,435,846			
162,993	J.P. Morgan Market Neutral Fund	2,549,218			
259,905	Merger Fund	4,088,303			
709,276	SEI International Management Trust High Yield Bond Fund	4,929,469			
171,767	TFS Market Neutral Fund	2,633,188			
1,003,519	Western Asset High Yield Portfolio	8,258,961			
	<b>TOTAL INVESTMENT COMPANIES</b> (Cost \$28,530,376)	<b>\$31,323,807</b>		<b>TOTAL SHORT TERM INVESTMENTS</b> (Cost \$5,220,866)	<b>\$ 5,220,866</b>
				<b>TOTAL INVESTMENTS</b> (Cost \$33,751,242) - 99.6%	<b>\$36,544,673</b>
				Other Assets in Excess of Liabilities - 0.4%	145,381
				<b>TOTAL NET ASSETS - 100.0%</b>	<b>\$36,690,054</b>
<b>SHORT TERM INVESTMENTS - 14.2%</b>					
<b>MONEY MARKET FUNDS - 14.2%</b>					
988,173	Fidelity Institutional Government Portfolio, 0.03%(a)	\$ 988,173			
988,173	Fidelity Institutional Money Market Portfolio, 0.18%(a)	988,173			

Percentages are stated as a percent of net assets.

(a) Represents annualized seven-day yield at February 28, 2010.

(b) \$280,000 of this security is held as collateral for swap contracts.

## Spectrum Select Alternative Fund

### Long Equity Swap Contracts

February 28, 2010 (Unaudited)

Counterparty	Reference Entity	Number of Contracts	Notional Amount	Termination Date	Unrealized Appreciation
Credit Suisse Capital, LLC	iShares iBOXX \$High Yield Corporate Bond Fund	25,400	\$2,208,863	8/6/2010	\$ 5,256
Credit Suisse Capital, LLC	iShares MSCI Emerging Markets Index Fund	47,500	1,831,011	8/6/2010	19,523
Credit Suisse Capital, LLC	SPDR Barclays Capital High Yield Bond ETF	56,800	2,202,761	8/6/2010	511
		129,700	\$6,242,635		\$25,290

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

**Spectrum Global Perspective Fund**

**Schedule of Investments**

**February 28, 2010 (Unaudited)**

<u>Shares</u>		<u>Value</u>		<u>Shares</u>		<u>Value</u>
<b>INVESTMENT COMPANIES - 65.4%</b>						
458,000	iShares MSCI Emerging Markets Index Fund	\$17,843,680		4,391,743	Goldman Sachs Financial Square Government Fund, 0.00%(a)	\$ 4,391,743
211,000	iShares MSCI EAFE Index Fund	11,102,820		4,391,743	Morgan Stanley Institutional Liquidity Fund - Treasury Portfolio, 0.01%(a)	<u>4,391,743</u>
896,006	Western Asset High Yield Portfolio	<u>7,374,127</u>				
	<b>TOTAL INVESTMENT COMPANIES</b> (Cost \$34,432,125)	<u>\$36,320,627</u>			<b>TOTAL SHORT TERM INVESTMENTS</b> (Cost \$21,958,715)	<u>\$21,958,715</u>
<b>SHORT TERM INVESTMENTS - 39.6%</b>						
<b>MONEY MARKET FUNDS - 39.6%</b>						
4,391,743	Fidelity Institutional Government Portfolio, 0.03%(a)	\$ 4,391,743			<b>TOTAL INVESTMENTS</b> (Cost \$56,390,840) - 105.0%	\$58,279,342
4,391,743	Fidelity Institutional Money Market Portfolio, 0.18%(a)	4,391,743			Liabilities in Excess of Other Assets - (5.0%)	<u>(2,780,896)</u>
4,391,743	Goldman Sachs Financial Square Federal Fund, 0.00%(a)	4,391,743			<b>TOTAL NET ASSETS - 100.0%</b>	<u>\$55,498,446</u>

Percentages are stated as a percent of net assets.

(a) Represents annualized seven-day yield at February 28, 2010.

**Spectrum Global Perspective Fund**

**Futures Contracts**

**February 28, 2010 (Unaudited)**

<u>Contracts</u>		<u>Unrealized Appreciation</u>
158	NASDAQ-100 e-Mini Futures Expiring March 2010 (Underlying Face Amount at Market Value \$5,747,250)	<u>\$139,949</u>

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

**Spectrum Equity Opportunity Fund**

**Schedule of Investments**

**February 28, 2010 (Unaudited)**

<u>Shares</u>		<u>Value</u>		<u>Shares</u>		<u>Value</u>
<b>INVESTMENT COMPANIES - 28.7%</b>						
6,800	Retail HOLDRs Trust	\$ 651,848		1,779,361	Goldman Sachs Financial Square Government Fund, 0.00%(a)	\$ 1,779,361
9,700	SPDR S&P Midcap 400 ETF	1,299,703		1,779,361	Morgan Stanley Institutional Liquidity Fund - Treasury Portfolio, 0.01%(a)	<u>1,779,361</u>
214,668	Western Asset High Yield Portfolio	<u>1,766,718</u>				
	TOTAL INVESTMENT COMPANIES (Cost \$3,270,546)	<u>\$ 3,718,269</u>			TOTAL SHORT TERM INVESTMENTS (Cost \$8,896,805)	<u>\$ 8,896,805</u>
<b>SHORT TERM INVESTMENTS - 68.7%</b>						
<b>MONEY MARKET FUNDS - 68.7%</b>						
1,779,361	Fidelity Institutional Government Portfolio, 0.03%(a)	\$ 1,779,361			TOTAL INVESTMENTS (Cost \$12,167,351) - 97.4%	\$12,615,074
1,779,361	Fidelity Institutional Money Market Portfolio, 0.18%(a)	1,779,361			Other Assets in Excess of Liabilities - 2.6%	<u>338,473</u>
1,779,361	Goldman Sachs Financial Square Federal Fund, 0.00%(a)	1,779,361			TOTAL NET ASSETS - 100.0%	<u>\$12,953,547</u>

Percentages are stated as a percent of net assets.

(a) Represents annualized seven-day yield at February 28, 2010.

**Spectrum Equity Opportunity Fund**

**Futures Contracts**

**February 28, 2010 (Unaudited)**

<u>Contracts</u>		<u>Unrealized Appreciation</u>
36	NASDAQ-100 e-Mini Futures Expiring March 2010 (Underlying Face Amount at Market Value \$1,309,500)	\$31,707
105	Russell 2000 Mini Futures Expiring March 2010 (Underlying Face Amount at Market Value \$6,580,350)	<u>8,114</u>
		<u>\$39,821</u>

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

**Statements of Assets and Liabilities**  
**February 28, 2010 (Unaudited)**

	<u>Spectrum Select Alternative Fund</u>	<u>Spectrum Global Perspective Fund</u>	<u>Spectrum Equity Opportunity Fund</u>
<b>Assets:</b>			
Investments, at market value (Note 2)	\$36,544,673	\$ 58,279,342	\$12,615,074
Cash	—	—	400
Receivable for investments sold	35,063	10,599,176	1,956,662
Deposit at broker for futures	—	442,400	356,800
Unrealized appreciation on swaps	25,290	—	—
Variation margin receivable	—	16,590	—
Dividends and interest receivable	159,847	134,865	33,246
Other assets	1,299	1,209	1,033
Total Assets	<u>36,766,172</u>	<u>69,473,582</u>	<u>14,963,215</u>
<b>Liabilities:</b>			
Payable for investments purchased	—	13,866,419	1,953,819
Payable for Fund shares purchased	7,015	2,500	—
Variation margin payable	—	—	24,184
Accrued advisory expense	28,181	43,152	9,954
Accrued distribution expense	23,984	37,963	12,342
Accrued operating services fees	15,302	23,551	5,317
Accrued expenses and other liabilities	1,636	1,551	4,052
Total Liabilities	<u>76,118</u>	<u>13,975,136</u>	<u>2,009,668</u>
<b>Net Assets</b>	<u>\$36,690,054</u>	<u>\$ 55,498,446</u>	<u>\$12,953,547</u>
<b>Net Assets Consist Of:</b>			
Capital stock	\$36,771,524	\$ 77,724,256	\$16,418,676
Accumulated undistributed net investment loss	(161,114)	(23,087)	(51,141)
Accumulated undistributed net realized loss	(2,739,077)	(24,231,174)	(3,901,532)
Net unrealized appreciation on:			
Investments	2,793,431	1,888,502	447,723
Futures	—	139,949	39,821
Swaps	25,290	—	—
Total Net Assets	<u>\$36,690,054</u>	<u>\$ 55,498,446</u>	<u>\$12,953,547</u>
<b>Calculation of Net Asset Value Per Share:</b>			
Net assets	\$36,690,054	\$ 55,498,446	\$12,953,547
Shares outstanding (unlimited shares of beneficial interest authorized, no par value)	1,732,570	3,010,220	723,560
Net asset value, redemption price and offering price per share	<u>\$ 21.18</u>	<u>\$ 18.44</u>	<u>\$ 17.90</u>
Cost of Investments	<u>\$33,751,242</u>	<u>\$ 56,390,840</u>	<u>\$12,167,351</u>

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

**Statements of Operations**  
**For the Six Months Ended February 28, 2010 (Unaudited)**

	<u>Spectrum Select Alternative Fund</u>	<u>Spectrum Global Perspective Fund</u>	<u>Spectrum Equity Opportunity Fund</u>
<b>Investment income:</b>			
Dividend income (net of foreign withholding tax of \$—, \$379, \$3, respectively)	\$ 920,834	\$ 751,494	\$ 188,852
Interest income	<u>1,770</u>	<u>13,987</u>	<u>2,691</u>
Total investment income	<u>922,604</u>	<u>765,481</u>	<u>191,543</u>
<b>Expenses:</b>			
Investment advisory fees	161,168	305,989	68,240
Distribution expenses	161,168	305,989	68,240
Operating services fees	<u>91,064</u>	<u>176,407</u>	<u>39,485</u>
Total expenses before reimbursement	413,400	788,385	175,965
Less: Expenses paid indirectly (Note 6)	<u>(2,423)</u>	<u>(8,112)</u>	<u>(1,952)</u>
Total expenses	<u>410,977</u>	<u>780,273</u>	<u>174,013</u>
<b>Net investment income (loss)</b>	<u>511,627</u>	<u>(14,792)</u>	<u>17,530</u>
<b>Realized and unrealized gain (loss) on investments:</b>			
Net realized gain (loss) on:			
Investments	1,086,798	2,073,587	560,313
Futures	(113,949)	463,035	22,143
Swaps	<u>149,494</u>	<u>(1,729,332)</u>	<u>16,201</u>
	<u>1,122,343</u>	<u>807,290</u>	<u>598,657</u>
Capital gain distributions from regulated investment companies	<u>222,626</u>	<u>2,591</u>	<u>—</u>
Change in unrealized appreciation (depreciation) on:			
Investments	77,036	(2,660,746)	(411,318)
Futures	(5,233)	139,949	2,885
Swaps	<u>6,166</u>	<u>(353,519)</u>	<u>(7,927)</u>
	<u>77,969</u>	<u>(2,874,316)</u>	<u>(416,360)</u>
Net realized and unrealized gain (loss) on investments	<u>1,422,938</u>	<u>(2,064,435)</u>	<u>182,297</u>
<b>Net increase (decrease) in net assets resulting from operations</b>	<u>\$1,934,565</u>	<u>\$(2,079,227)</u>	<u>\$ 199,827</u>

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

## Statements of Changes in Net Assets

	<b>Spectrum Select Alternative Fund</b>		<b>Spectrum Global Perspective Fund</b>		<b>Spectrum Equity Opportunity Fund</b>	
	Six Months Ended February 28, 2010 (Unaudited)	Year Ended August 31, 2009	Six Months Ended February 28, 2010 (Unaudited)	Year Ended August 31, 2009	Six Months Ended February 28, 2010 (Unaudited)	Year Ended August 31, 2009
<b>Operations:</b>						
Net investment income (loss)	\$ 511,627	\$ 592,308	\$ (14,792)	\$ (82,002)	\$ 17,530	\$ (10,600)
Net realized gain (loss) on investments	1,122,343	(412,268)	807,290	(6,144,481)	598,657	(1,380,740)
Capital gain distributions from regulated investment companies	222,626	9,658	2,591	—	—	—
Change in unrealized appreciation (depreciation) on investments	<u>77,969</u>	<u>2,768,809</u>	<u>(2,874,316)</u>	<u>4,830,431</u>	<u>(416,360)</u>	<u>997,947</u>
Net increase (decrease) in net assets resulting from operations	<u>1,934,565</u>	<u>2,958,507</u>	<u>(2,079,227)</u>	<u>(1,396,052)</u>	<u>199,827</u>	<u>(393,393)</u>
<b>Distributions to shareholders:</b>						
Net investment income	(881,044)	(549,091)	(8,295)	(7,154)	(68,651)	—
Net realized gains	—	—	—	(5,677)	—	—
Return of capital	—	—	—	(40)	—	(1,882)
Total distributions	<u>(881,044)</u>	<u>(549,091)</u>	<u>(8,295)</u>	<u>(12,871)</u>	<u>(68,651)</u>	<u>(1,882)</u>
<b>Capital share transactions:</b>						
Proceeds from shares sold	8,620,273	8,303,976	4,594,776	3,612,228	970,369	1,076,979
Proceeds from shares issued to holders in reinvestment of dividends	877,950	546,658	8,290	12,841	68,651	1,864
Cost of shares redeemed	<u>(1,942,551)</u>	<u>(8,168,964)</u>	<u>(8,321,845)</u>	<u>(20,760,271)</u>	<u>(1,654,827)</u>	<u>(3,626,856)</u>
Net increase (decrease) in net assets resulting from capital share transactions	<u>7,555,672</u>	<u>681,670</u>	<u>(3,718,779)</u>	<u>(17,135,202)</u>	<u>(615,807)</u>	<u>(2,548,013)</u>
<b>Total increase (decrease) in net assets</b>	<u>8,609,193</u>	<u>3,091,086</u>	<u>(5,806,301)</u>	<u>(18,544,125)</u>	<u>(484,631)</u>	<u>(2,943,288)</u>
<b>Net assets:</b>						
Beginning of year/period	<u>28,080,861</u>	<u>24,989,775</u>	<u>61,304,747</u>	<u>79,848,872</u>	<u>13,438,178</u>	<u>16,381,466</u>
End of year/period	<u>\$36,690,054</u>	<u>\$28,080,861</u>	<u>\$55,498,446</u>	<u>\$ 61,304,747</u>	<u>\$12,953,547</u>	<u>\$13,438,178</u>
<b>Undistributed (Accumulated) net investment income (loss), end of year/period</b>	<u>\$ (161,114)</u>	<u>\$ 208,303</u>	<u>\$ (23,087)</u>	<u>\$ —</u>	<u>\$ (51,141)</u>	<u>\$ (20)</u>

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

## Financial Highlights February 28, 2010 (Unaudited)

Year/Period	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> Year/Period	Net Assets, End of Year/Period (,000)	Including Short Dividends			RATIOS TO AVERAGE NET ASSETS			Net Investment Income (Loss) After Reimbursement/Recoupment <sup>1</sup>	Portfolio Turnover Rate <sup>6</sup>				
												Total Expenses <sup>1</sup>	Net Expenses <sup>1</sup>	Excluding Short Dividends	Total Expenses <sup>1</sup>	Net Expenses <sup>1</sup>	Total Expenses <sup>1</sup>			Net Expenses <sup>1</sup>	Excluding Short Dividends		
<b>Spectrum Select Alternative Fund</b>																							
Six months ended February 28, 2010 (Unaudited)	\$20.36	\$ 0.33	\$ 1.09	\$ 1.42	\$(0.60)	—	—	\$(0.60)	\$21.18	7.01% <sup>2</sup>	\$ 36,690	—	—	—	—	—	—	—	—	—	3.18%	46% <sup>2</sup>	
Year ended August 31, 2009	18.33	0.50	2.00	2.50	(0.47)	—	—	(0.47)	20.36	14.09%	28,081	—	—	—	—	—	—	—	—	—	2.55%	2.76%	297%
Year ended August 31, 2008	20.02	0.33	(1.58)	(1.25)	(0.43)	(0.01)	—	(0.44)	18.33	(6.38%)	24,990	—	—	—	—	—	—	—	—	—	2.57%	1.68%	127%
Year ended August 31, 2007	19.54	0.57	0.76	1.33	(0.85)	—	—	(0.85)	20.02	6.93%	40,757	—	—	—	—	—	—	—	—	—	2.44%	2.82%	260%
Year ended August 31, 2006	19.96	0.50	0.34	0.84	(1.26)	—	—	(1.26)	19.54	4.53%	22,725	—	—	—	—	—	—	—	—	—	2.54%	2.57%	899%
September 1, 2004 <sup>10</sup> to August 31, 2005	20.00	0.48	(0.26)	0.22	(0.26)	—	—	(0.26)	19.96	1.09% <sup>2</sup>	33,414	—	—	—	—	—	—	—	—	—	2.38%	2.44%	759% <sup>2</sup>
<b>Spectrum Global Perspective Fund</b>																							
Six months ended February 28, 2010 (Unaudited)	19.18	(0.01)	(0.73)	(0.74)	— <sup>9</sup>	—	—	— <sup>9</sup>	18.44	(3.84)% <sup>2</sup>	55,498	—	—	—	—	—	—	—	—	—	2.58%	0.05%	554% <sup>2</sup>
Year ended August 31, 2009	18.69	(0.02)	0.51	0.49	— <sup>9</sup>	—	—	— <sup>9</sup>	19.18	2.65%	61,305	—	—	—	—	—	—	—	—	—	2.49%	0.14%	1,770%
Year ended August 31, 2008	24.73	(0.16)	(1.48)	(1.64)	(0.84)	(3.56)	—	(4.40)	18.69	(8.96%)	79,849	—	—	—	—	—	—	—	—	—	2.38%	(0.75%)	2,073%
Year ended August 31, 2007	25.93	(0.03)	2.86	2.83	(0.34)	(3.69)	—	(4.03)	24.73	11.32%	110,764	—	—	—	—	—	—	—	—	—	2.24%	(0.12%)	1,259%
Year ended August 31, 2006	23.46	0.06	4.49	4.55	—	(2.08)	—	(2.08)	25.93	20.43%	115,420	—	—	—	—	—	—	—	—	—	2.23%	0.25%	1,893%
September 27, 2004 <sup>10</sup> to August 31, 2005	20.00	(0.03) <sup>7</sup>	3.80	3.77	(0.26)	(0.05)	—	(0.31)	23.46	18.88% <sup>2</sup>	71,085	2.39%	2.39%	2.38%	2.38%	2.38%	2.38%	2.38%	2.38%	2.38%	2.38%	0.16%	1,152% <sup>2</sup>
<b>Spectrum Equity Opportunity Fund</b>																							
Six months ended February 28, 2010 (Unaudited)	17.79	0.02	0.18	0.20	(0.09)	—	—	(0.09)	17.90	1.12% <sup>2</sup>	12,954	—	—	—	—	—	—	—	—	—	2.58%	0.26%	411% <sup>2</sup>
Year ended August 31, 2009	17.90	(0.01)	(0.10)	(0.11)	—	—	—	— <sup>9</sup>	17.79	(0.60%)	13,438	—	—	—	—	—	—	—	—	—	2.79%	0.09%	1,485%
Year ended August 31, 2008	21.24	(0.05)	(1.51)	(1.56)	(0.60)	(1.18)	—	(1.78)	17.90	(8.28%)	16,381	—	—	—	—	—	—	—	—	—	2.63%	(0.27%)	1,617%
Year ended August 31, 2007	21.43	(0.03)	1.48	1.45	(0.31)	(1.33)	—	(1.64)	21.24	6.91%	32,858	—	—	—	—	—	—	—	—	—	2.40%	(0.14%)	1,347%
Year ended August 31, 2006	21.85	0.03	0.77	0.80	—	(1.22)	—	(1.22)	21.43	3.85%	48,875	—	—	—	—	—	—	—	—	—	2.31%	0.15%	2,310%
October 11, 2004 <sup>10</sup> to August 31, 2005	20.00	(0.16)	2.01	1.85	—	—	—	—	21.85	9.25% <sup>2</sup>	45,689	—	—	—	—	—	—	—	—	—	2.50%	(0.88%)	1,334% <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 period ended August 31, 2005 was \$(0.04).

<sup>8</sup> Net investment income (loss) ratio included dividends on short positions. The ratio excluding dividends on short positions for the period ended August 31, 2005 was (0.15%).

<sup>9</sup> Amount is less than \$0.01 per share.

<sup>10</sup> Commencement of operations.

**Direxion Funds**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**February 28, 2010 (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 35 series of which 7 are included in this report, HCM Freedom Fund, PSI Core Strength Fund, PSI Macro Trends Fund, PSI Total Return Fund, Spectrum Select Alternative Fund, Spectrum Global Perspective Fund and Spectrum Equity Opportunity Fund (each a "Fund" and collectively, the "Funds"). Each Fund is a "non-diversified" series of the Trust pursuant to the 1940 Act.

The HCM Freedom Fund's objective is long-term capital appreciation with lower volatility than the overall market by employing a dynamic asset allocation strategy. The HCM Freedom Fund has great flexibility in deciding what to invest and when to invest, and may invest in a broad range of equity and fixed income securities, both domestically and internationally, as well as derivative instruments of these securities.

The objective of the PSI Core Strength Fund is to seek returns equal to or better than the return of the broad U.S. stock market as measured by the S&P 500 Index over a full market cycle. The PSI Core Strength Fund invests primarily in exchange-traded funds (ETFs) selected from a core set of categories consisting of domestic and international equities, including sub-sectors, hard assets (such as energy, real estate, precious metals, etc.) and interest rates (through fixed income instruments and currencies, etc.) The PSI Macro Trends Fund seeks to implement short or long strategies to achieve capital appreciation by focusing on broad trends in the macroeconomic environment. The PSI Macro Trends Fund investments significantly in domestic and foreign securities and ETFs, futures contracts on stock indices and swap agreements. The PSI Total Return Fund seeks income plus capital appreciation. The PSI Total Return Fund attempts to exceed the total return of the Barclays Capital Aggregate Bond Index over a complete market cycle by investing less than 10% of its assets in derivatives of Barclays Capital Aggregate Bond Index and the remaining assets in equity and fixed income securities and ETFs designed to add income plus capital appreciation.

The Spectrum Select Alternative Fund seeks a moderate total rate of return (income plus capital appreciation) on an annual basis, by investing primarily in high yield fixed-income securities, either directly or indirectly through exchange-traded funds (ETFs), other investment companies and derivative instruments. The Spectrum Global Perspective Fund seeks a high total rate of return (income from short-term trading plus capital appreciation) on an annual basis by investing in equity securities of foreign issuers either directly or indirectly through American Depository Receipts (ADRs), ETFs, foreign currencies, other investment companies and derivative instruments. The Spectrum Equity Opportunity Fund seeks a high total rate of return (income from short-term trading plus capital appreciation) on an annual basis by investing either directly in securities of domestic and foreign issuers or indirectly through ADRs, ETFs, other investment companies and derivative instruments.

**2. SIGNIFICANT ACCOUNTING POLICIES**

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

**a) Investment Valuation** – The Net Asset Value ("NAV") of each Fund is determined daily, Monday through Friday, as of the close of regular trading on the New York Stock Exchange ("NYSE"), each day the NYSE is open for business. The value of all portfolio securities and other assets held by a Fund will be determined as of the time a Fund calculates its NAV, 4:00 p.m. Eastern Time ("Valuation Time"). Equity securities and exchange-traded funds are valued at their last sales price, or if not available, at the average of the last bid and ask prices. Investments in open-end mutual funds are valued at their respective quoted net asset values on the valuation dates. Futures are valued at the settlement price established on the exchange on which they are traded, if that settlement price reflects trading prior to the Valuation Time. If the settlement price established by the exchange reflects trading after the Valuation Time, then the last sales price prior to Valuation Time will be used.

Options are valued at the composite price, using the National Best Bid and Offer quotes (“NBBO”). NBBO consists of the highest bid price and lowest ask price across any of the exchanges on which an option is quoted. Specifically, composite pricing looks at the last trades on the exchanges where the options are traded. If there are no trades for the option on a given business day, the composite pricing calculates the mean of the highest bid and lowest ask price across the exchanges where the option is traded. Over-the-counter securities are valued at the average of the last bid and ask prices. Securities primarily traded on the NASDAQ National Market are valued using the NASDAQ Official Closing Price. Swaps are valued based upon prices from third party vendor models or quotations from market makers to the extent available. Short-term debt securities with a maturity of 60 days or less and money market securities are valued using the amortized cost method. Other debt securities are valued by using the mean prices provided by the Fund’s pricing service or, if such services are unavailable, by a pricing matrix method. Securities for which reliable market quotations are not readily available, the Funds’ pricing service does not provide a valuation for such securities, the Fund’s pricing service provides valuation that in the judgment of Rafferty Asset Management, LLC (the “Adviser”) does not represent fair value, or the Fund or Adviser believes the market price is stale will be fair valued as determined by the Adviser under the supervision of the Board of Trustees.

**b) Repurchase Agreements** – Each Fund may enter into repurchase agreements with institutions that are members of the Federal Reserve System or securities dealers who are members of a national securities exchange or are primary dealers in U.S. government securities. In connection with transactions in repurchase agreements, it is the Trust’s policy that the Fund receives, as collateral, cash and/or securities (primarily U.S. government securities) whose market value, including accrued interest, at all times will be at least equal to 100% of the amount invested by the Fund in each repurchase agreement. If the seller defaults, and the value of the collateral declines, realization of the collateral by the Fund may be delayed or limited. The Funds were not invested in repurchase agreements at February 28, 2010.

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

In a “long” equity swap agreement, the counterparty will generally agree to pay the Fund the amount, if any, by which the notional amount of 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. 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 will typically enter into equity swap agreements in instances where the Adviser believes that it may be more cost effective or practical than buying a security or the securities represented by a particular index.

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

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

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

The maximum potential amount of future payments that the Fund as a seller of protection could be required to make under a credit default swap agreement would be an amount equal to the notional amount of the swap. These potential amounts would be partially offset by any recovery value of respective referenced obligations, upfront payments received upon entering into the agreement, or net amounts received from the settlement of buy protection credit default swap agreements entered into by a Fund for the same referenced entity or entities. The Funds were not invested in credit default swaps at February 28, 2010.

The Funds have adopted authoritative standards of accounting for and disclosure of credit derivatives, including credit default swap agreements. These disclosure requirements include (i) the nature and terms of the credit derivative, reasons for entering into the credit derivative, the events or circumstances that would require the seller to perform under the credit derivative, and the current status of the payment/performance risk of the credit derivative, (ii) the maximum potential amount of future payments the seller could be required to make under the credit derivative, (iii) the fair value of the credit derivative, and (iv) the nature of any recourse provisions and assets held as collateral by third parties, and (v) the current status of the payment risk of the credit derivative.

**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, 2010.

**e) Stock Index Futures Contracts and Options on Futures Contracts** – Each Fund may purchase and sell stock index futures contracts and options on such futures contracts. A Fund may use futures contracts to gain exposure to, or hedge against changes in the value of equities, interest rates or foreign countries. 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, 2010.

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

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

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

**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 5.

**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, 2010, and the year ended August 31, 2009 were as follows:

	<b>HCM Freedom Fund</b>			
	Six Months Ended February 28, 2010 (Unaudited)		Year Ended August 31, 2009	
Distributions paid from:				
Ordinary Income	\$1,474,611		\$1,039,384	
Long-Term Capital Gains	—		—	
Return of Capital	—		—	
Total Distributions paid	<u>\$1,474,611</u>		<u>\$1,039,384</u>	

  

	<b>PSI Core Strength Fund</b>		<b>PSI Macro Trends Fund</b>	
	Six Months Ended February 28, 2010 (Unaudited)	Year Ended August 31, 2009	Six Months Ended February 28, 2010 (Unaudited)	Year Ended August 31, 2009
Distributions paid from:				
Ordinary Income	\$—	\$ —	\$37,282	\$344,132
Long-Term Capital Gains	—	—	—	1,068
Return of Capital	—	39,894	—	36,679
Total Distributions paid	<u>\$—</u>	<u>\$39,894</u>	<u>\$37,282</u>	<u>\$381,879</u>

  

	<b>PSI Total Return Fund</b>		<b>Spectrum Select Alternative Fund</b>	
	Six Months Ended February 28, 2010 (Unaudited)	Year Ended August 31, 2009	Six Months Ended February 28, 2010 (Unaudited)	Year Ended August 31, 2009
Distributions paid from:				
Ordinary Income	\$167,525	\$243,314	\$881,044	\$549,091
Long-Term Capital Gains	—	—	—	—
Return of Capital	—	41,706	—	—
Total Distributions paid	<u>\$167,525</u>	<u>\$285,020</u>	<u>\$881,044</u>	<u>\$549,091</u>

  

	<b>Spectrum Global Perspective Fund</b>		<b>Spectrum Equity Opportunity Fund</b>	
	Six Months Ended February 28, 2010 (Unaudited)	Year Ended August 31, 2009	Six Months Ended February 28, 2010 (Unaudited)	Year Ended August 31, 2009
Distributions paid from:				
Ordinary Income	\$8,295	\$12,567	\$68,651	\$ —
Long-Term Capital Gains	—	264	—	—
Return of Capital	—	40	—	1,882
Total Distributions paid	<u>\$8,295</u>	<u>\$12,871</u>	<u>\$68,651</u>	<u>\$1,882</u>

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

	<b>HCM Freedom Fund</b>	<b>PSI Core Strength Fund</b>	<b>PSI Macro Trends Fund</b>	<b>PSI Total Return Fund</b>
Net unrealized appreciation/(depreciation)	<u>\$ 1,266,892</u>	<u>\$ 172,966</u>	<u>\$ 1,674,428</u>	<u>\$ 432,252</u>
Undistributed ordinary income	50,357	—	—	—
Undistributed long-term capital gain	—	—	—	—
Total distributable earnings	<u>50,357</u>	<u>—</u>	<u>—</u>	<u>—</u>
Other accumulated gain/(loss)	<u>(21,583,580)</u>	<u>(2,065,539)</u>	<u>(14,724,167)</u>	<u>(4,624,473)</u>
Total accumulated earnings/(loss)	<u>\$(20,266,331)</u>	<u>\$(1,892,573)</u>	<u>\$(13,049,739)</u>	<u>\$(4,192,221)</u>

	<b>Spectrum Select Alternative Fund</b>	<b>Spectrum Global Perspective Fund</b>	<b>Spectrum Equity Opportunity Fund</b>
Net unrealized appreciation/(depreciation)	<u>\$ 2,583,843</u>	<u>\$ 1,785,603</u>	<u>\$ 819,895</u>
Undistributed ordinary income	226,744	—	—
Undistributed long-term capital gain	—	—	—
Total distributable earnings	<u>226,744</u>	<u>—</u>	<u>—</u>
Other accumulated gain/(loss)	<u>(3,945,578)</u>	<u>(21,923,891)</u>	<u>(4,416,200)</u>
Total accumulated earnings/(loss)	<u>\$(1,134,991)</u>	<u>\$(20,138,288)</u>	<u>\$(3,596,305)</u>

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

The cost basis for investments for federal tax purposes as of February 28, 2010 was as follows:

	<b>HCM Freedom Fund</b>	<b>PSI Core Strength Fund</b>	<b>PSI Macro Trends Fund</b>	<b>PSI Total Return Fund</b>
Tax cost of investments	\$32,136,220	\$36,472,405	\$26,764,194	\$28,857,715
Gross unrealized appreciation	15,254	503,761	2,266,433	154,891
Gross unrealized depreciation	<u>(172,543)</u>	<u>(1,410,399)</u>	<u>(1,623,662)</u>	<u>(43,995)</u>
Net unrealized appreciation/(depreciation)	<u>\$ (157,289)</u>	<u>\$ (906,638)</u>	<u>\$ 642,771</u>	<u>\$ 110,896</u>

  

	<b>Spectrum Select Alternative Fund</b>	<b>Spectrum Global Perspective Fund</b>	<b>Spectrum Equity Opportunity Fund</b>
Tax cost of investments	\$33,883,794	\$59,154,485	\$12,206,497
Gross unrealized appreciation	2,936,260	1,956,601	451,377
Gross unrealized depreciation	<u>(275,381)</u>	<u>(2,831,744)</u>	<u>(42,800)</u>
Net unrealized appreciation/(depreciation)	<u>\$ 2,660,879</u>	<u>\$ (875,143)</u>	<u>\$ 408,577</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 31st. In connection with this, the Funds are permitted for tax purposes to defer into their next fiscal year any net capital losses incurred between November 1st and the end of their fiscal year, August 31, 2009.

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

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

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

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

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

The Funds have adopted 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, 2010, open Federal and state income tax years include the tax years ended August 31, 2006, August 31, 2007, August 31, 2008 and August 31, 2009. The Funds have no examination in progress. The Funds 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, with the exception of the HCM Freedom Fund, a credit facility pursuant to a Line of Credit Agreement (“Line of Credit”) for meeting redemption requests. The Funds did not utilize the Line of Credit during the six months ended February 28, 2010:

	<u>Available Borrowing (Lesser of 33 1/3% of Fund's Net Assets or)</u>	<u>Outstanding Balance as of February 28, 2010</u>	<u>Maximum Amount Outstanding during the Six Months Ended February 28, 2010</u>	<u>Average Daily Balance</u>	<u>Interest Expense</u>	<u>Borrowings Charged At</u>
PSI Core Strength Fund	\$2,750,000	\$—	\$—	\$—	\$—	Prime Rate less 1/2%
PSI Macro Trends Fund	4,000,000	—	—	—	—	Prime Rate less 1/2%
PSI Total Return Fund	820,000	—	—	—	—	Prime Rate less 1/2%
Spectrum Select Alternative Fund	5,875,000	—	—	—	—	Prime Rate less 1/2%
Spectrum Global Perspective Fund	5,250,000	—	—	—	—	Prime Rate less 1/2%
Spectrum Equity Opportunity Fund	1,200,000	—	—	—	—	Prime Rate less 1/2%

**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 U.S. generally accepted accounting principals requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### 3. CAPITAL SHARE TRANSACTIONS

Capital share transactions for the Funds during the six months ended February 28, 2010 and the year ended August 31, 2009 were as follows:

	<b>HCM Freedom Fund</b>			
	Six Months Ended February 28, 2010 (Unaudited)	Year Ended August 31, 2009		
Shares sold	77,287	155,044		
Shares issued in reinvestment of distributions	100,636	71,861		
Shares redeemed	(109,072)	(223,503)		
Total net increase (decrease) from capital share transactions	<u>68,851</u>	<u>3,402</u>		
	<b>PSI Core Strength Fund</b>		<b>PSI Macro Trends Fund</b>	
	Six Months Ended February 28, 2010 (Unaudited)	Year Ended August 31, 2009	Six Months Ended February 28, 2010 (Unaudited)	Year Ended August 31, 2009
Shares sold	342,785	1,094,992	213,027	1,386,658
Shares issued in reinvestment of distributions	—	2,617	2,496	33,646
Shares redeemed	(141,490)	(574,595)	(441,870)	(1,339,571)
Total net increase (decrease) from capital share transactions	<u>201,295</u>	<u>523,014</u>	<u>(226,347)</u>	<u>80,733</u>
	<b>PSI Total Return Fund</b>		<b>Spectrum Select Alternative Fund</b>	
	Six Months Ended February 28, 2010 (Unaudited)	Year Ended August 31, 2009	Six Months Ended February 28, 2010 (Unaudited)	Year Ended August 31, 2009
Shares sold	260,193	917,328	403,616	448,807
Shares issued in reinvestment of distributions	9,342	14,661	41,348	30,842
Shares redeemed	(415,369)	(848,113)	(91,881)	(463,856)
Total net increase (decrease) from capital share transactions	<u>(145,834)</u>	<u>83,876</u>	<u>353,083</u>	<u>15,793</u>
	<b>Spectrum Global Perspective Fund</b>		<b>Spectrum Equity Opportunity Fund</b>	
	Six Months Ended February 28, 2010 (Unaudited)	Year Ended August 31, 2009	Six Months Ended February 28, 2010 (Unaudited)	Year Ended August 31, 2009
Shares sold	230,994	207,597	52,663	66,774
Shares issued in reinvestment of distributions	419	794	3,630	120
Shares redeemed	(418,182)	(1,284,176)	(88,244)	(226,511)
Total net increase (decrease) from capital share transactions	<u>(186,769)</u>	<u>(1,075,785)</u>	<u>(31,951)</u>	<u>(159,617)</u>

#### 4. INVESTMENT TRANSACTIONS

During the six months ended February 28, 2010, the aggregate purchases and sales of investments (excluding short-term investments, swaps and futures contracts) were:

	<u>HCM Freedom Fund</u>	<u>PSI Core Strength Fund</u>	<u>PSI Macro Trends Fund</u>	<u>PSI Total Return Fund</u>	<u>Spectrum Select Alternative Fund</u>	<u>Spectrum Global Perspective Fund</u>	<u>Spectrum Equity Opportunity Fund</u>
Purchases	\$48,700,000	\$233,630,707	\$23,449,563	\$26,077,057	\$16,469,426	\$191,966,133	\$26,006,043
Sales	\$48,284,450	\$230,866,580	\$29,965,329	\$37,967,121	\$12,731,343	\$200,317,266	\$32,258,701

#### 5. 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:

HCM Freedom Fund	1.00%
PSI Core Strength Fund	1.00%
PSI Macro Trends Fund	1.00%
PSI Total Return Fund	1.00%
Spectrum Select Alternative Fund	1.00%
Spectrum Global Perspective Fund	1.00%
Spectrum Equity Opportunity Fund	1.00%

In addition, the Adviser has entered into sub-advisory agreements with Horizon Capital Management, Inc. for the HCM Freedom Fund, with Portfolio Strategies, Inc. for the PSI Core Strength Fund, the PSI Macro Trends Fund and the PSI Total Return Fund, and with Hundredfold Advisors, LLC for the Spectrum Select Alternative Fund, the Spectrum Global Perspective Fund and the Spectrum Equity Opportunity Fund (the "Sub-Advised Funds") whereby each sub-advisor will direct investment activities of their respective Funds. The Adviser pays, out of the management fees it receives from these funds, a fee for these sub-advisory services. Effective December 15, 2009, the PSI Core Strength Fund, PSI Macro Trends Fund and PSI Total Return Fund reduced their advisory fee from 1.15% to 1.00%.

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.

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

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

Shareholder Servicing Fees: The Board has also authorized the PSI Core Strength Fund, the PSI Macro Trends Fund and the PSI Total Return Fund to pay a shareholder servicing fee of 0.15% of each Fund's average daily net assets. The Trust, on

behalf of each Fund, pays the fee to financial institutions and other persons who provide services for and maintain shareholder accounts.

Rafferty Capital Markets, LLC (the "Distributor") serves as principal underwriter of the Funds and acts as the Funds' distributor in a continuous public offering of the Funds' shares. There were no Rule 12b-1 fees retained by the Distributor for the six months ended February 28, 2010. The Distributor is an affiliate of the Adviser.

U.S. Bank N.A. and/or its affiliates receive revenue from certain broker-dealers that may receive Rule 12b-1 fees or other payments from mutual funds in which certain Direxion Funds may invest. The Board of Trustees agreed to have 70% of the fees received by U.S. Bank N.A. applied against transfer agent invoices. These expense reductions are reflected on the Statement of Operations as "expenses paid indirectly". For the six months ended February 28, 2010, the amount of expenses reduced by this revenue was as follows:

	<u>Total</u>
HCM Freedom Fund	\$3,717
PSI Core Strength Fund	2,597
PSI Macro Trends Fund	2,506
PSI Total Return Fund	1,997
Spectrum Select Alternative Fund	2,423
Spectrum Global Perspective Fund	8,112
Spectrum Equity Opportunity Fund	1,952

## 6. VALUATION MEASUREMENTS

The Funds have adopted 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 Fund's net assets as of February 28, 2010:

<u>Asset Class</u>	<u>HCM Freedom Fund</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
<b>Investment Companies</b>	\$23,646,732	\$—	\$—	\$23,646,732
<b>Short-Term Investments</b>	\$ 8,332,199	\$—	\$—	\$ 8,332,199

<u>Asset Class</u>	<u>PSI Core Strength Fund</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
<b>Investment Companies</b>	\$25,027,517	\$—	\$—	\$25,027,517
<b>Short-Term Investments</b>	\$10,538,250	\$—	\$—	\$10,538,250

<u>Asset Class</u>	<b>PSI Macro Trends Fund</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment Companies	\$18,814,650	\$ —	\$—	\$18,814,650
Short-Term Investments	\$ 8,592,315	\$ —	\$—	\$ 8,592,315
Other Financial Instruments*	\$ (25,974)	\$582,750	\$—	\$ 556,776

<u>Asset Class</u>	<b>PSI Total Return Fund</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment Companies	\$14,637,758	\$ —	\$—	\$14,637,758
Short-Term Investments	\$14,330,853	\$ —	\$—	\$14,330,853
Other Financial Instruments*	\$ —	\$52,633	\$—	\$ 52,633

<u>Asset Class</u>	<b>Spectrum Select Alternative Fund</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment Companies	\$31,323,807	\$ —	\$—	\$31,323,807
Short-Term Investments	\$ 5,220,866	\$ —	\$—	\$ 5,220,866
Other Financial Instruments*	\$ —	\$25,290	\$—	\$ 25,290

<u>Asset Class</u>	<b>Spectrum Global Perspective Fund</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment Companies	\$36,320,627	\$—	\$—	\$36,320,627
Short-Term Investments	\$21,958,715	\$—	\$—	\$21,958,715
Other Financial Instruments*	\$ 139,949	\$—	\$—	\$ 139,949

<u>Asset Class</u>	<b>Spectrum Equity Opportunity Fund</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment Companies	\$3,718,269	\$—	\$—	\$3,718,269
Short-Term Investments	\$8,896,805	\$—	\$—	\$8,896,805
Other Financial Instruments*	\$ 39,821	\$—	\$—	\$ 39,821

For further detail on each asset class, see 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.

## 7. ADDITIONAL DISCLOSURES ABOUT DERIVATIVE INSTRUMENTS

The Funds have adopted 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, 2010, the Funds were invested in futures contracts, equity swap contracts and credit default swap contracts.

At February 28, 2010, the fair value of derivatives instruments were as follows:

		<b>Asset derivatives<sup>1</sup></b>				
		<b>Commodity risk</b>	<b>Foreign exchange risk</b>	<b>Credit risk</b>	<b>Equity risk</b>	<b>Total</b>
PSI Macro Trends Fund	Swap contracts	\$582,750	\$ —	\$ —	\$ —	\$582,750
	<b>Total</b>	<b>\$582,750</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$582,750</b>
PSI Total Return Fund	Swap contracts	\$ —	\$ —	\$ 52,633	\$ —	\$ 52,633
	<b>Total</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 52,633</b>	<b>\$ —</b>	<b>\$ 52,633</b>
Spectrum Select Alternative Fund	Swap contracts	\$ —	\$ —	\$ —	\$ 25,290	\$ 25,290
	<b>Total</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 25,290</b>	<b>\$ 25,290</b>
Spectrum Global Perspective Fund	Futures contracts*	\$ —	\$ —	\$ —	\$ 139,949	\$ 139,949
	<b>Total</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 139,949</b>	<b>\$ 139,949</b>
Spectrum Equity Opportunity Fund	Futures contracts*	\$ —	\$ —	\$ —	\$ 39,821	\$ 39,821
	<b>Total</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 39,821</b>	<b>\$ 39,821</b>

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

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

		<b>Liability derivatives<sup>1</sup></b>				
		<b>Commodity risk</b>	<b>Foreign exchange risk</b>	<b>Credit risk</b>	<b>Equity risk</b>	<b>Total</b>
PSI Macro Trends Fund	Futures contracts*	\$ —	\$ —	\$ —	\$(25,974)	\$(25,974)
	<b>Total</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$(25,974)</b>	<b>\$(25,974)</b>

<sup>1</sup> Statement of Assets and Liabilities location: Variation margin payable.

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

Transactions in derivative instruments during the six months ended February 28, 2010, were as follows:

		<b>Commodity risk</b>	<b>Foreign exchange risk</b>	<b>Credit risk</b>	<b>Equity risk</b>	<b>Total</b>	
HCM Freedom Fund	<b>Realized gain (loss)<sup>1</sup></b>						
	Swap contracts	\$ —	\$—	\$—	\$ (403,919)	\$ (403,919)	
	<b>Total realized gain (loss)</b>	<b>\$ —</b>	<b>\$—</b>	<b>\$—</b>	<b>\$ (403,919)</b>	<b>\$ (403,919)</b>	
PSI Macro Trends Fund	<b>Realized gain (loss)<sup>1</sup></b>						
	Futures contracts	\$ —	\$—	\$—	\$ 859,216	\$ 859,216	
	Swap contracts	358,437	—	—	—	358,437	
	<b>Total realized gain (loss)</b>	<b>\$358,437</b>	<b>\$—</b>	<b>\$—</b>	<b>\$ 859,216</b>	<b>\$ 1,217,653</b>	
	<b>Change in unrealized appreciation (depreciation)<sup>2</sup></b>						
	Futures contracts	\$ —	\$—	\$—	\$ (452,752)	\$ (452,752)	
	Swap contracts	(3,634)	—	—	—	(3,634)	
	<b>Total change in unrealized appreciation (depreciation)</b>	<b>\$ (3,634)</b>	<b>\$—</b>	<b>\$—</b>	<b>\$ (452,752)</b>	<b>\$ (456,386)</b>	
	PSI Total Return Fund	<b>Realized gain (loss)<sup>1</sup></b>					
		Futures contracts	\$ —	\$—	\$—	\$ 174,652	\$ 174,652
Swap contracts		—	—	—	(93,032)	(93,032)	
<b>Total realized gain (loss)</b>		<b>\$ —</b>	<b>\$—</b>	<b>\$—</b>	<b>\$ 81,620</b>	<b>\$ 81,620</b>	
<b>Change in unrealized appreciation (depreciation)<sup>2</sup></b>							
Futures contracts		\$ —	\$—	\$—	\$ 23,685	\$ 23,685	
Swap contracts		—	—	—	31,815	31,815	
<b>Total change in unrealized appreciation (depreciation)</b>	<b>\$ —</b>	<b>\$—</b>	<b>\$—</b>	<b>\$ 55,500</b>	<b>\$ 55,500</b>		

		Commodity risk	Foreign exchange risk	Credit risk	Equity risk	Total
Spectrum Select Alternative Fund	<b>Realized gain (loss)<sup>1</sup></b>					
	Futures contracts	\$ —	\$—	\$—	\$ (113,949)	\$ (113,949)
	Swap contracts	—	—	—	149,494	149,494
	<b>Total realized gain (loss)</b>	<b>\$ —</b>	<b>\$—</b>	<b>\$—</b>	<b>\$ 35,545</b>	<b>\$ 35,545</b>
	<b>Change in unrealized appreciation (depreciation)<sup>2</sup></b>					
	Futures contracts	\$ —	\$—	\$—	\$ (5,233)	\$ (5,233)
Swap contracts	—	—	—	6,166	6,166	
	<b>Total change in unrealized appreciation (depreciation)</b>	<b>\$ —</b>	<b>\$—</b>	<b>\$—</b>	<b>\$ 933</b>	<b>\$ 933</b>
Spectrum Global Perspective Fund	<b>Realized gain (loss)<sup>1</sup></b>					
	Futures contracts	\$ —	\$—	\$—	\$ 463,035	\$ 463,035
	Swap contracts	—	—	—	(1,729,332)	(1,729,332)
	<b>Total realized gain (loss)</b>	<b>\$ —</b>	<b>\$—</b>	<b>\$—</b>	<b>\$(1,266,297)</b>	<b>\$(1,266,297)</b>
	<b>Change in unrealized appreciation (depreciation)<sup>2</sup></b>					
	Futures contracts	\$ —	\$—	\$—	\$ 139,949	\$ 139,949
Swap contracts	—	—	—	(353,519)	(353,519)	
	<b>Total change in unrealized appreciation (depreciation)</b>	<b>\$ —</b>	<b>\$—</b>	<b>\$—</b>	<b>\$ (213,570)</b>	<b>\$ (213,570)</b>
Spectrum Equity Opportunity Fund	<b>Realized gain (loss)<sup>1</sup></b>					
	Futures contracts	\$ —	\$—	\$—	\$ 22,143	\$ 22,143
	Swap contracts	—	—	—	16,201	16,201
	<b>Total realized gain (loss)</b>	<b>\$ —</b>	<b>\$—</b>	<b>\$—</b>	<b>\$ 38,344</b>	<b>\$ 38,344</b>
	<b>Change in unrealized appreciation (depreciation)<sup>2</sup></b>					
	Futures contracts	\$ —	\$—	\$—	\$ 2,885	\$ 2,885
Swap contracts	—	—	—	(7,927)	(7,927)	
	<b>Total change in unrealized appreciation (depreciation)</b>	<b>\$ —</b>	<b>\$—</b>	<b>\$—</b>	<b>\$ (5,042)</b>	<b>\$ (5,042)</b>

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

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

For the six months ended February 28, 2010, the volume of the derivatives held by the Funds were as follows:

	Quarterly average gross notional amounts		
	Long Futures Contracts	Short Futures Contracts	Long Equity Swaps Contracts
HCM Freedom Fund	\$ —	\$ —	\$ —
PSI Core Strength Fund	—	—	—
PSI Macro Trends Fund	4,356,332	—	1,821,204
PSI Total Return Fund	529,262	—	11,283,297
Spectrum Select Alternative Fund	—	470,974	4,175,101
Spectrum Global Perspective Fund	1,869,100	—	3,897,549
Spectrum Equity Opportunity Fund	4,891,031	—	441,351

## 8. NEW ACCOUNTING PRONOUNCEMENT

In January 2010, the Financial Accounting Standards Board issued an update to improve disclosure about fair value measurements. This update required certain disclosures which are effective for interim and annual reporting periods beginning after December 15, 2009 and other disclosures which are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Management is currently evaluating the impact it will have on its financial statement disclosures.

## **9. SUBSEQUENT EVENT**

The Funds have adopted 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. In addition, the Fund is required to disclose the date through which subsequent events have been evaluated.

## **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 Fund receives notice to stop householding, we will begin sending individual copies thirty days after receiving your request. This policy does not apply to account statements.

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## 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.

***This page is not a part of the semi-annual report.***

## SEMI-ANNUAL REPORT

**Adviser**

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

**Sub-Advisor**

PSI Funds Sub-Advisor  
Portfolio Strategies, Inc.  
1102 Broadway Plaza  
Tacoma, WA 98402

**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](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 Funds file its complete schedule of portfolio holdings with the Commission for the first and third quarters of each fiscal year on Form N-Q. The Form N-Q is available without charge, upon request, by calling 1-800-851-0511, or by accessing the SEC's website, at [www.sec.gov](http://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.