

SEMI-ANNUAL REPORT FEBRUARY 28, 2009

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, 2008 to February, 28 2009, (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, (the "Sub-Advisor"), serves as the sub-advisor to the PSI Funds. During the Semi-Annual Period, the DJ Industrial Average Index returned -38.21%, the S&P 500 Index returned -42.70% and the Nasdaq-100 Index returned -40.35%. Emerging Markets did not outpace domestic returns, with the MSCI Emerging Markets Index declining -45.22% and the 10 Year Treasury Note increasing 8.53%, on a price performance basis, for the Semi-Annual Period.

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

The 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 -15.90%, on a total return basis, during the Semi-Annual Period.

The Macro Trends Fund seeks to implement short or long strategies to achieve capital appreciation. The Macro Trends Fund returned -39.04%, on a total return basis, during the Semi-Annual Period.

The Total Return Fund seeks to exceed the total return of the Barclays Capital Aggregate Bond Index (formerly known as the Lehman U.S. Aggregate Bond Index) over a complete market cycle. The Total Return Fund returned -13.22%, on a total return basis, during the Semi-Annual Period, compared to 1.88% 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 Trend Fund, the Core Strength Fund and the Total Return Fund is, 2.00%, 2.00%, 2.00%, respectively, net of any fee, waivers or expense reimbursements.**

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

**Distributed by: Rafferty Capital Markets, LLC  
Date of First Use: April 29, 2009**

## Table of Contents

### **HCM Freedom Fund**

Expense Example . . . . .	2
Allocation of Portfolio Holdings . . . . .	3
Schedule of Investments . . . . .	4
Financial Statements . . . . .	5
Financial Highlights . . . . .	8

### **PSI Funds**

Expense Example . . . . .	9
Allocation of Portfolio Holdings . . . . .	10
Schedule of Investments . . . . .	11
Financial Statements . . . . .	15
Financial Highlights . . . . .	18

### **Spectrum Funds**

Expense Example . . . . .	19
Allocation of Portfolio Holdings . . . . .	20
Schedule of Investments . . . . .	21
Financial Statements . . . . .	24
Financial Highlights . . . . .	27

Notes to the Financial Statements . . . . .	28
---	----

## **Expense Example**

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

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

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

#### **Actual Expenses**

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

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

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

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

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

	<u>Expense Ratio<sup>1</sup></u>	<u>Beginning Account Value September 1, 2008</u>	<u>Ending Account Value February 28, 2009</u>	<u>Expenses Paid During Period<sup>2</sup></u>
<b>HCM Freedom Fund</b>				
Based on actual fund return	2.45%	\$1,000.00	\$ 972.80	\$11.98
Based on hypothetical 5% return	2.45%	1,000.00	1,012.65	12.23

<sup>1</sup> Annualized

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

**Allocation of Portfolio Holdings**  
**February 28, 2009 (Unaudited)**

	<u>Cash*</u>	<u>Total</u>
HCM Freedom Fund	100%	100%

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

**HCM Freedom Fund**  
**Schedule of Investments**  
**February 28, 2009 (Unaudited)**

<u>Shares</u>		<u>Value</u>
<b>SHORT TERM INVESTMENTS - 100.3%</b>		
<b>MONEY MARKET FUNDS - 100.3%</b>		
4,687,441	AIM STIT-Treasury Portfolio	\$4,687,441
4,687,440	Fidelity Institutional Money Market Government Portfolio	4,687,440
4,687,441	First American Government Obligations Fund	4,687,441
4,676,979	Goldman Sachs Financial Square Government Fund	4,676,979
4,687,441	Morgan Stanley Institutional Liquidity Fund - Treasury Portfolio	<u>4,687,441</u>
	TOTAL SHORT TERM INVESTMENTS (Cost \$23,426,742)	<u>\$23,426,742</u>
	TOTAL INVESTMENTS (Cost \$23,426,742) - 100.3%	\$23,426,742
	Liabilities in Excess of Other Assets - (0.3)%	<u>(65,278)</u>
	TOTAL NET ASSETS - 100.0%	<u>\$23,361,464</u>

Percentages are stated as a percent of net assets.

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

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

	<u>HCM Freedom Fund</u>
<b>Assets:</b>	
Investments, at market value (Note 2)	\$ 23,426,742
Cash	17,500
Dividends and interest receivable	13,871
Other assets	4,281
Total Assets	<u>23,462,394</u>
<b>Liabilities:</b>	
Accrued investment advisory fees	14,003
Accrued distribution expenses	14,451
Accrued expenses and other liabilities	72,476
Total Liabilities	<u>100,930</u>
<b>Net Assets</b>	<u><u>\$ 23,361,464</u></u>
<b>Net Assets Consist Of:</b>	
Capital stock	\$ 44,033,277
Accumulated undistributed net investment income	898,850
Accumulated undistributed net realized loss	(21,570,663)
Net unrealized appreciation (depreciation)	—
Total Net Assets	<u><u>\$ 23,361,464</u></u>
<b>Calculation of Net Asset Value Per Share — Service Class:</b>	
Net assets	\$ 23,361,464
Shares outstanding (unlimited shares of beneficial interest authorized, no par value)	1,635,905
Net Asset Value, Redemption Price and Offering Price Per Share	<u>\$ 14.28</u>
Cost of Investments	<u><u>\$ 23,426,742</u></u>

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

**Statement of Operations**  
**Six Months Ended February 28, 2009 (Unaudited)**

	<u>HCM Freedom Fund</u>
<b>Investment income:</b>	
Dividend income	\$ 3,181
Interest income	<u>152,539</u>
Total investment income	<u>155,720</u>
<b>Expenses:</b>	
Investment advisory fees	120,781
Distribution expenses	96,625
Administration fees	4,329
Fund accounting fees	11,048
Custody fees	2,165
Transfer agent fees	15,855
Federal and state registration	3,140
Professional fees	18,906
Reports to shareholders	1,145
Trustees' fees and expenses	1,491
Excise taxes	15,281
Other	<u>3,906</u>
Total expenses before recoupment	294,672
Plus: Recoupment of previously waived expenses	<u>1,580</u>
Total expenses	<u>296,252</u>
<b>Net investment income</b>	<u>(140,532)</u>
<b>Realized and unrealized gain (loss) on investments:</b>	
Net realized gain (loss) on:	
Investments	(519,023)
Swaps	<u>(23,654)</u>
	<u>(542,677)</u>
Change in unrealized appreciation (depreciation) on:	
Investments	<u>—</u>
Net realized and unrealized loss on investments	<u>(542,677)</u>
<b>Net decrease in net assets resulting from operations</b>	<u><u>\$(683,209)</u></u>

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

## Statements of Changes in Net Assets

	<b>HCM Freedom Fund</b>	
	<u>Six Months Ended February 28, 2009 (Unaudited)</u>	<u>Year Ended August 31, 2008</u>
<b>Operations:</b>		
Net investment income (loss)	\$ (140,532)	\$ 99,787
Net realized loss on investments	(542,677)	(1,234,015)
Change in net unrealized appreciation (depreciation) on investments	<u>—</u>	<u>(34,623)</u>
Net decrease in net assets resulting from operations	<u>(683,209)</u>	<u>(1,168,851)</u>
<b>Distributions to shareholders:</b>		
Net investment income	<u>—</u>	<u>(3,487,566)</u>
Total distributions	<u>—</u>	<u>(3,487,566)</u>
<b>Capital share transactions:</b>		
Proceeds from shares sold	151,048	1,414,324
Proceeds from shares issued to holders in reinvestment of dividends	—	3,479,021
Cost of shares redeemed	<u>(1,622,928)</u>	<u>(3,362,586)</u>
Net increase (decrease) in net assets resulting from capital share transactions	<u>(1,471,880)</u>	<u>1,530,759</u>
<b>Total decrease in net assets</b>	<u>(2,155,089)</u>	<u>(3,125,658)</u>
<b>Net assets:</b>		
Beginning of year/period	<u>25,516,553</u>	<u>28,642,211</u>
End of year/period	<u>\$23,361,464</u>	<u>\$25,516,553</u>
<b>Undistributed (Accumulated) net investment income (loss), end of year/period</b>	<u>\$ 898,850</u>	<u>\$ 1,039,382</u>

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

## Financial Highlights

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>
<b>HCM Freedom Fund</b>													
Six months ended February 28, 2009 (Unaudited)	\$14.68	\$(0.08)	\$(0.32)	\$(0.40)	\$ —	\$ —	\$14.28	(2.72%) <sup>2</sup>	23,361	—	2.44%	(1.16%)	22,336% <sup>2</sup>
Year ended August 31, 2008	17.46	0.06	(0.70)	(0.64)	(2.14)	(2.14)	14.68	(4.43%)	25,517	—	2.50%	0.35%	2,886%
Year ended August 31, 2007	18.11	0.34	(0.11)	0.23	(0.88)	(0.88)	17.46	1.32%	28,642	—	2.18%	1.98%	4,042%
Year ended August 31, 2006	18.91	0.40	(1.08)	(0.68)	(0.12)	(0.12)	18.11	(3.61%)	53,753	—	2.22%	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%	2.30%	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, 2009 (Unaudited)

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

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

#### **Actual Expenses**

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

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

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

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

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

	<u>Expense Ratio<sup>1</sup></u>	<u>Beginning Account Value September 1, 2008</u>	<u>Ending Account Value February 28, 2009</u>	<u>Expenses Paid During Period<sup>2</sup></u>
<b>PSI Core Strength Fund</b>				
Based on actual fund return	2.00%	\$1,000.00	\$ 841.00	\$9.13
Based on hypothetical 5% return	2.00%	1,000.00	1,014.88	9.99
<b>PSI Macro Trends Fund</b>				
Based on actual fund return	2.00%	1,000.00	609.60	7.98
Based on hypothetical 5% return	2.00%	1,000.00	1,014.88	9.99
<b>PSI Total Return Fund</b>				
Based on actual fund return	2.00%	1,000.00	867.80	9.26
Based on hypothetical 5% return	2.00%	1,000.00	1,014.88	9.99

<sup>1</sup> Annualized

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

**Allocation of Portfolio Holdings**  
**February 28, 2009 (Unaudited)**

	<u>Cash*</u>	<u>Investment Companies</u>	<u>Futures</u>	<u>Swaps</u>	<u>Total</u>
PSI Core Strength Fund	62%	38%	—	—	100%
PSI Macro Trends Fund	38%	67%	(5%)	0%**	100%
PSI Total Return Fund	37%	63%	0%**	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, 2009 (Unaudited)**

<u>Shares</u>		<u>Value</u>	<u>Shares</u>		<u>Value</u>
<b>INVESTMENT COMPANIES - 37.5%</b>			<b>SHORT TERM INVESTMENTS - 57.4%</b>		
19,200	DIAMONDS Trust Series 1	\$ 1,357,632	<b>MONEY MARKET FUNDS - 57.4%</b>		
23,100	Energy Select Sector SPDR	951,027	2,484,269	AIM STIT-Treasury Portfolio	\$ 2,484,269
5,600	iShares Dow Jones U.S. Basic Materials Sector Index Fund	207,760	2,484,269	Fidelity Institutional Government Portfolio	2,484,269
11,300	iShares Dow Jones U.S. Telecommunications Sector Index Fund	182,382	2,484,269	Goldman Sachs Financial Square Government Fund	2,484,269
23,100	iShares MSCI Japan Index Fund	178,332	2,484,269	Morgan Stanley Institutional Liquidity Fund - Treasury Portfolio	<u>2,484,269</u>
7,200	iShares S&P Europe 350 Index Fund	179,568	<b>TOTAL SHORT TERM INVESTMENTS</b>		
10,800	Market Vectors Gold Miners	360,288	(Cost \$9,937,076) <u>\$ 9,937,076</u>		
7,400	PowerShares DB US Dollar Index Bearish Fund	180,634	<b>TOTAL INVESTMENTS</b>		
10,800	ProShares Short Russell 2000	871,884	(Cost \$16,480,597) - 94.9% <u>\$16,416,525</u>		
10,000	ProShares Short S&P500	859,500	Other Assets in Excess of		
10,300	Semiconductor HOLDRS Trust	176,542	Liabilities - 5.1% <u>878,511</u>		
14,400	SPDR S&P Metals and Mining	338,400	<b>TOTAL NET ASSETS - 100.00%</b>		
25,000	Utilities Select Sector SPDR Fund	<u>635,500</u>	<u><u>\$17,295,036</u></u>		
<b>TOTAL INVESTMENT COMPANIES</b>			Percentages are stated as a percent of net assets.		
(Cost \$6,543,521)		<u>\$ 6,479,449</u>			

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

**PSI Macro Trends Fund**  
**Schedule of Investments**  
**February 28, 2009 (Unaudited)**

<u>Shares</u>	<u>Value</u>	<u>Shares</u>	<u>Value</u>
<b>INVESTMENT COMPANIES - 66.8%</b>		<b>SHORT TERM INVESTMENTS - 29.9%</b>	
15,700	iShares iBoxx \$ High Yield Corporate Bond Fund		
	\$ 1,055,825	1,302,554	AIM STIT-Treasury Portfolio
11,300	iShares Lehman Treasury Inflation Protected Securities Fund	1,302,554	Fidelity Institutional Government Portfolio
	1,096,326		1,302,554
71,900	iShares MSCI EAFE Index Fund	1,302,554	First American Government Obligations Fund
75,700	iShares MSCI Emerging Markets Index Fund		1,302,554
	1,607,111	1,302,553	Goldman Sachs Financial Square Government Fund
16,300	iShares Russell 1000 Growth Index Fund		<u>1,302,553</u>
	529,587	<b>TOTAL SHORT TERM INVESTMENTS</b>	
13,900	iShares Russell 1000 Value Index Fund		<b>(Cost \$5,210,215)</b>
	528,478		<u>\$ 5,210,215</u>
20,800	iShares Russell 2000 Index Fund		<b>TOTAL INVESTMENTS</b>
15,800	iShares Russell Midcap Growth Index		<b>(Cost \$19,173,773) - 96.7%</b>
	437,818		<b>\$16,837,462</b>
17,800	iShares Russell Midcap Value Index Fund		Other Assets in Excess of Liabilities - 3.3%
	396,228		<u>578,160</u>
8,700	Midcap SPDR Trust		<b>TOTAL NET ASSETS - 100.00%</b>
102,300	PowerShares DB Commodity Index Tracking Fund		<u><u>\$17,415,622</u></u>
	1,954,953		
<b>TOTAL INVESTMENT COMPANIES</b>		Percentages are stated as a percent of net assets.	
	<b>(Cost \$13,963,558)</b>		
	<u>\$11,627,247</u>		

**PSI Macro Trends Fund**  
**Futures Contracts**  
**February 28, 2009 (Unaudited)**

<u>Contracts</u>	<u>Unrealized Depreciation</u>
7,400 S&P 500 Index eMini Futures Expiring March 2009 (Underlying Face Amount at Market Value \$5,435,300)	<u><u>\$(916,962)</u></u>

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

**PSI Total Return Fund**  
**Schedule of Investments**  
**February 28, 2009 (Unaudited)**

<u>Shares</u>		<u>Value</u>	<u>Shares</u>		<u>Value</u>
<b>INVESTMENT COMPANIES - 63.7%</b>					
68,150	iShares Barclays 1-3 Year Treasury Bond	\$ 5,726,645	1,572,606	First American Government Obligations Fund	\$ 1,572,606
56,750	iShares Barclays Aggregate Bond Fund	5,720,967	1,572,607	Goldman Sachs Financial Square Government Fund	1,572,607
12,350	iShares Barclays TIPS Bond Fund	1,198,197	1,714,497	Morgan Stanley Institutional Liquidity Fund - Treasury Portfolio	<u>1,714,497</u>
15,200	ProShares UltraShort 20+ Year Treasury	732,184		<b>TOTAL SHORT TERM INVESTMENTS</b>	
15,100	SPDR S&P 500	<u>1,116,343</u>		(Cost \$8,004,922)	<u>\$ 8,004,922</u>
	<b>TOTAL INVESTMENT COMPANIES</b>			<b>TOTAL INVESTMENTS</b>	
	(Cost \$14,625,261)	<u>\$14,494,336</u>		(Cost \$22,630,183) - 98.9%	<u>\$22,499,258</u>
<b>SHORT TERM INVESTMENTS - 35.2%</b>					
<b>MONEY MARKET FUNDS - 35.2%</b>					
1,572,606	AIM STIT-Treasury Portfolio	1,572,606		Other Assets in Excess of Liabilities - 1.1%	<u>245,799</u>
1,572,606	Fidelity Institutional Government Portfolio	1,572,606		<b>TOTAL NET ASSETS - 100.00%</b>	<u><u>\$22,745,057</u></u>

Percentages are stated as a percent of net assets.

**PSI Total Return Fund**  
**Futures Contracts**  
**February 28, 2009 (Unaudited)**

<u>Contracts</u>		<u>Unrealized Appreciation (Depreciation)</u>
1	FTSE 100 9 Month Variance Futures Expiring March 2009 (Underlying Face Amount at Market Value \$63,890)	\$ (2,773)
3	Dollar Index Futures Expiring March 2009 (Underlying Face Amount at Market Value \$264,780)	440
13	S&P 500 Index eMini Futures Expiring March 2009 (Underlying Face Amount at Market Value \$477,425)	(81,092)
1	US 5 Year Note Future Expiring June 2009 (Underlying Face Amount at Market Value \$116,680)	91
1	New Zealand Dollar Future Expiring March 2009 (Underlying Face Amount at Market Value \$50,100)	(4,358)
1	US 10 Year Note Future Expiring June 2009 (Underlying Face Amount at Market Value \$120,141)	<u>90</u>
		<u><u>\$(87,602)</u></u>

**PSI Total Return Fund**  
**Short Futures Contracts**  
**February 28, 2009 (Unaudited)**

<u>Contracts</u>		<u>Unrealized Appreciation (Depreciation)</u>
1	Japanese Yen Future Expiring March 2009 (Underlying Face Amount at Market Value \$128,100)	\$ 8,409
1	Swiss Franc Future Expiring March 2009 (Underlying Face Amount at Market Value \$106,850)	<u>(1,516)</u>
		<u><u>\$ 6,893</u></u>

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

**PSI Total Return Fund**  
**Equity Swap Contracts**  
**February 28, 2009 (Unaudited)**

<u>Counterparty</u>	<u>Reference Entity</u>	<u>Number of Contracts</u>	<u>Notional Amount</u>	<u>Termination Date</u>	<u>Unrealized (Depreciation)</u>
Goldman Sachs	GS CRX Bullet Swap	450	\$215,300	12/13/2010	\$(17,562)
Goldman Sachs	GS CRX Bullet Swap	<u>50</u>	<u>25,768</u>	12/13/2010	<u>(3,822)</u>
		<u>500</u>	<u>\$241,068</u>		<u>\$(21,384)</u>

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

## Statements of Assets and Liabilities

February 28, 2009 (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)	\$16,416,525	\$ 16,837,462	\$22,499,258
Cash	138	—	—
Receivable for Fund shares sold	45,729	27,630	12,147
Receivable for investments sold	3,106,441	—	1,115,589
Deposit at broker for swaps	—	—	102,625
Deposit at broker for futures	—	732,600	—
Dividends and interest receivable	5,381	7,740	4,159
Other assets	10,723	11,162	17,546
Total Assets	<u>19,584,937</u>	<u>17,616,594</u>	<u>23,751,324</u>
<b>Liabilities:</b>			
Payable for Fund shares redeemed	899	839	7
Payable for investments purchased	2,233,716	—	877,883
Unrealized depreciation on swaps	—	—	21,384
Variation margin payable	—	129,499	6,496
Accrued advisory expense	18,877	18,984	28,138
Accrued distribution expense	—	10,484	25,385
Accrued expenses and other liabilities	36,409	41,166	46,974
Total Liabilities	<u>2,289,901</u>	<u>200,972</u>	<u>1,006,267</u>
<b>Net Assets</b>	<u>\$17,295,036</u>	<u>\$ 17,415,622</u>	<u>\$22,745,057</u>
<b>Net Assets Consist Of:</b>			
Capital stock	\$22,228,725	\$ 38,398,402	\$28,297,904
Accumulated undistributed net investment income (loss)	(27,957)	(39,276)	(150,594)
Accumulated undistributed net realized gain (loss)	(4,841,660)	(17,690,231)	(5,169,235)
Net unrealized appreciation (depreciation) on:			
Investments	(64,072)	(2,336,311)	(130,925)
Futures	—	(916,962)	(80,709)
Swaps	—	—	(21,384)
Total Net Assets	<u>\$17,295,036</u>	<u>\$ 17,415,622</u>	<u>\$22,745,057</u>
<b>Calculation of Net Asset Value Per Share - Investor Class:</b>			
Net assets	\$17,295,036	\$ 17,415,622	\$22,745,057
Shares outstanding (unlimited shares of beneficial interest authorized, no par value)	1,179,657	1,777,832	1,322,625
Net asset value, redemption price and offering price per share	<u>\$ 14.66</u>	<u>\$ 9.80</u>	<u>\$ 17.20</u>
Cost of Investments	<u>\$16,480,597</u>	<u>\$ 19,173,773</u>	<u>\$22,630,183</u>

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

**Statements of Operations**  
**Six Month Ended February 28, 2009 (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 (net of foreign withholding tax of \$79, \$- and \$38, respectively)	\$ 117,507	\$ 284,653	\$ 316,924
Interest income	<u>66,744</u>	<u>70,687</u>	<u>87,458</u>
Total investment income	<u>184,251</u>	<u>355,340</u>	<u>404,382</u>
<b>Expenses:</b>			
Investment advisory fees	99,063	148,358	154,909
Distribution expenses	21,535	32,252	33,676
Shareholder servicing fees	12,922	19,351	20,205
Administration fees	3,117	4,611	4,831
Fund accounting fees	8,291	12,638	11,820
Custody fees	1,623	1,810	2,415
Transfer agent fees	9,852	16,894	16,465
Federal and state registration	7,120	7,472	8,871
Professional fees	13,083	20,107	18,864
Reports to shareholders	—	254	—
Trustees' fees and expenses	1,215	1,487	1,506
Other	<u>2,086</u>	<u>4,668</u>	<u>3,997</u>
Total expenses before reimbursement	179,907	269,902	277,559
Less: Waiver of expenses and reimbursement from Adviser	<u>(7,593)</u>	<u>(11,839)</u>	<u>(7,603)</u>
Total expenses	<u>172,314</u>	<u>258,063</u>	<u>269,956</u>
<b>Net investment income (loss)</b>	<u>11,937</u>	<u>97,277</u>	<u>134,426</u>
<b>Realized and unrealized gain (loss) on investments:</b>			
Net realized gain (loss) on:			
Investments	(3,104,931)	(9,032,378)	(1,431,717)
Futures	—	(3,807,286)	(1,234,470)
Swaps	<u>—</u>	<u>(228,498)</u>	<u>(1,631,789)</u>
	<u>(3,104,931)</u>	<u>(13,068,162)</u>	<u>(4,297,976)</u>
Capital gain distributions from regulated investment companies	<u>200</u>	<u>—</u>	<u>—</u>
Change in unrealized appreciation (depreciation) on:			
Investments	(61,094)	551,077	(199,705)
Futures	—	(775,264)	(101,689)
Swaps	<u>—</u>	<u>60,084</u>	<u>191,687</u>
	<u>(61,094)</u>	<u>(164,103)</u>	<u>(109,707)</u>
Net realized and unrealized gain (loss) on investments	<u>(3,165,825)</u>	<u>(13,232,265)</u>	<u>(4,407,683)</u>
<b>Net increase (decrease) in net assets resulting from operations</b>	<u><u>\$ (3,153,888)</u></u>	<u><u>\$ (13,134,988)</u></u>	<u><u>\$ (4,273,257)</u></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, 2009 (Unaudited)	Year Ended August 31, 2008	Six Months Ended February 28, 2009 (Unaudited)	Year Ended August 31, 2008	Six Months Ended February 28, 2009 (Unaudited)	Year Ended August 31, 2008
<b>Operations:</b>						
Net investment income (loss)	\$ 11,937	\$ 92,300	\$ 97,277	\$ 463,477	\$ 134,426	\$ 658,149
Net realized gain (loss) on investments	(3,104,931)	(286,338)	(13,068,162)	(4,027,853)	(4,297,976)	30,561
Capital gain distributions from regulated investment companies	200	—	—	—	—	—
Change in unrealized appreciation (depreciation) on investments	(61,094)	(421,716)	(164,103)	(1,414,174)	(109,707)	(200,433)
Net increase (decrease) in net assets resulting from operations	(3,153,888)	(615,754)	(13,134,988)	(4,978,550)	(4,273,257)	488,277
<b>Distributions to shareholders:</b>						
Net investment income	(39,894)	—	(357,346)	(252,097)	(285,020)	(1,140,512)
Net realized gains	—	(858,895)	(24,533)	(913,194)	—	(607,914)
Return of capital	—	(199,791)	—	—	—	—
Total distributions	(39,894)	(1,058,686)	(381,879)	(1,165,291)	(285,020)	(1,748,426)
<b>Capital share transactions:</b>						
Proceeds from shares sold	6,766,166	16,717,844	7,178,680	17,591,767	4,142,761	30,315,204
Proceeds from shares issued to holders in reinvestment of dividends	39,856	1,058,686	381,880	1,165,291	280,919	1,735,674
Cost of shares redeemed	(6,539,292)	(20,508,466)	(10,610,174)	(19,700,616)	(10,454,752)	(27,909,038)
Net increase (decrease) in net assets resulting from capital share transactions	266,730	(2,731,936)	(3,049,614)	(943,558)	(6,031,072)	4,141,840
<b>Total increase (decrease) in net assets</b>	<u>(2,927,052)</u>	<u>(4,406,376)</u>	<u>(16,566,481)</u>	<u>(7,087,399)</u>	<u>(10,589,349)</u>	<u>2,881,691</u>
<b>Net assets:</b>						
Beginning of year/period	20,222,088	24,628,464	33,982,103	41,069,502	33,334,406	30,452,715
End of year/period	<u>\$17,295,036</u>	<u>\$ 20,222,088</u>	<u>\$ 17,415,622</u>	<u>\$ 33,982,103</u>	<u>\$ 22,745,057</u>	<u>\$ 33,334,406</u>
<b>Undistributed (Accumulated) net investment income (loss), end of year/period</b>	<u>\$ (27,957)</u>	<u>\$ —</u>	<u>\$ (39,276)</u>	<u>\$ 220,793</u>	<u>\$ (150,594)</u>	<u>\$ —</u>

<sup>1</sup> Commencement of Operations.

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

## Financial Highlights

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	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>	Net Investment Income (Loss) After Expense Reimbursement/Recoupment <sup>1</sup>	Portfolio Turnover Rate <sup>6</sup>
<b>PSI Core Strength Fund</b>														
Six months ended February 28, 2009 (Unaudited)	\$17.48	\$ 0.01	\$(2.79)	\$(2.78)	\$(0.04)	\$ —	\$(0.04)	\$14.66	(15.90%) <sup>2</sup>	\$17,295	2.09%	2.00%	0.14%	1,896% <sup>2</sup>
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% <sup>2</sup>
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, 2009 (Unaudited)	16.33	0.05	(6.40)	(6.35)	(0.17)	(0.01)	(0.18)	9.80	(39.04%) <sup>2</sup>	17,416	2.09%	2.00%	0.75%	339% <sup>2</sup>
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% <sup>2</sup>
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, 2009 (Unaudited)	20.00	0.08	(2.69)	(2.61)	(0.19)	—	(0.19)	17.20	(13.22%) <sup>2</sup>	22,745	2.06%	2.00%	1.00%	196% <sup>2</sup>
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% <sup>2</sup>
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, 2009 (Unaudited)

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

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

#### **Actual Expenses**

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

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

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

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

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

	<u>Expense Ratio<sup>1</sup></u>	<u>Beginning Account Value September 1, 2008</u>	<u>Ending Account Value February 28, 2009</u>	<u>Expenses Paid During Period<sup>2</sup></u>
<b>Spectrum Select Alternative Fund</b>				
Based on actual fund return	2.60%	\$1,000.00	\$ 918.50	\$12.37
Based on hypothetical 5% return	2.60%	1,000.00	1,011.90	12.97
<b>Spectrum Global Perspective Fund</b>				
Based on actual fund return	2.48%	1,000.00	772.80	10.90
Based on hypothetical 5% return	2.48%	1,000.00	1,012.50	12.37
<b>Spectrum Equity Opportunity Fund</b>				
Based on actual fund return	2.75%	1,000.00	796.20	12.25
Based on hypothetical 5% return	2.75%	1,000.00	1,011.16	13.71

<sup>1</sup> Annualized

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

**Allocation of Portfolio Holdings**  
**February 28, 2009 (Unaudited)**

	<u>Cash*</u>	<u>Common Stock</u>	<u>Investment Companies</u>	<u>Futures</u>	<u>Total</u>
Spectrum Select Alternative Fund	57%	—	43%	0%**	100%
Spectrum Global Perspective Fund	83%	—	17%	0%**	100%
Spectrum Equity Opportunity Fund	76%	0%**	23%	1%	100%

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

\*\* Percentage is less than 0.5%.

## Spectrum Select Alternative Fund

### Schedule of Investments

February 28, 2009 (Unaudited)

Shares		Value	Shares		Value
<b>INVESTMENT COMPANIES - 43.4%</b>					
395,387	American High-Income Trust	\$ 3,064,251	1,972,745	First American Government Obligations Fund	\$ 1,972,745
48,115	Caldwell & Orkin Market Opportunity Fund	987,797	1,967,424	Goldman Sachs Financial Square Government Fund	1,967,424
106,943	DWS Disciplined Market Neutral Fund	1,007,404	1,972,745	Morgan Stanley Institutional Liquidity Fund - Treasury Portfolio	<u>1,972,745</u>
93,695	Highbridge Statistical Market Neutral Fund	1,524,422		<b>TOTAL SHORT TERM INVESTMENTS</b>	
28,762	Northeast Investors Trust	106,420		(Cost \$9,858,404)	<u>\$ 9,858,404</u>
76,923	TFS Market Neutral Fund	<u>997,688</u>		<b>TOTAL INVESTMENTS</b>	
	<b>TOTAL INVESTMENT COMPANIES</b>	<u>\$ 7,687,982</u>		(Cost \$17,579,492) - 99.1%	\$17,546,386
	(Cost \$7,721,088)			Other Assets in Excess of Liabilities - 0.9%	<u>155,901</u>
<b>SHORT TERM INVESTMENTS - 55.7%</b>					
<b>MONEY MARKET FUNDS - 55.7%</b>					
1,972,745	AIM STIT-Treasury Portfolio	1,972,745		<b>TOTAL NET ASSETS - 100.0%</b>	<u><u>\$17,702,287</u></u>
1,972,745	Fidelity Institutional Government Portfolio	1,972,745			

Percentages are stated as a percent of net assets.

## Spectrum Select Alternative Fund

### Short Futures Contracts

February 28, 2009 (Unaudited)

Contracts		Unrealized Appreciation
47	S&P 500 E-mini Futures Contracts Expiring March 2009 (Underlying Face Amount at Market Value \$1,726,075)	<u><u>\$51,735</u></u>

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

**Spectrum Global Perspective Fund**

**Schedule of Investments**

**February 28, 2009 (Unaudited)**

<u>Shares</u>		<u>Value</u>		<u>Shares</u>		<u>Value</u>
<b>INVESTMENT COMPANIES - 17.2%</b>						
971,357	American High-Income Trust	\$ 7,528,020		7,695,259	Goldman Sachs Financial Square Government Fund	\$ 7,695,259
47,733	Northeast Investors Trust	176,611		7,695,258	Morgan Stanley Institutional Liquidity Fund - Treasury Portfolio	7,695,258
25,599	TFS Market Neutral Fund	<u>332,025</u>				
	TOTAL INVESTMENT COMPANIES (Cost \$8,353,707)	<u>\$ 8,036,656</u>			TOTAL SHORT TERM INVESTMENTS (Cost \$38,476,291)	<u>\$38,476,291</u>
<b>SHORT TERM INVESTMENTS - 82.3%</b>						
<b>MONEY MARKET FUNDS - 82.3%</b>						
7,695,258	AIM STIT-Treasury Portfolio	7,695,258			TOTAL INVESTMENTS (Cost \$46,829,998) - 99.5%	\$46,512,947
7,695,258	Fidelity Institutional Government Portfolio	7,695,258			Other Assets in Excess of Liabilities - 0.5%	<u>256,676</u>
7,695,258	First American Government Obligations Fund	7,695,258			TOTAL NET ASSETS - 100.0%	<u><u>\$46,769,623</u></u>

Percentages are stated as a percent of net assets.

**Spectrum Global Perspective Fund**

**Short Futures Contracts**

**February 28, 2009 (Unaudited)**

<u>Contracts</u>		<u>Unrealized Appreciation</u>
99	S&P 500 E-mini Futures Expiring March 2009 (Underlying Face Amount at Market Value \$2,240,225)	<u>\$160,310</u>

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

**Spectrum Equity Opportunity Fund**

**Schedule of Investments**

**February 28, 2009 (Unaudited)**

<u>Shares</u>	<u>Value</u>	<u>Shares</u>	<u>Value</u>
<b>COMMON STOCKS - 0.0%</b>		1,669,670	First American Government Obligations Fund
<b>METALS &amp; MINING - 0.0%</b>			\$ 1,669,670
1 Goldcorp Inc.	\$ 29	1,669,669	Goldman Sachs Financial Square Government Fund
<b>OIL &amp; GAS - 0.0%</b>			1,669,669
1 Kinder Morgan Management LLC	44	1,669,669	Morgan Stanley Institutional Liquidity Fund - Treasury Portfolio
<b>TOTAL COMMON STOCKS</b>	<u>\$ 73</u>		<b>TOTAL SHORT TERM INVESTMENTS</b>
(Cost \$74)			(Cost \$8,348,348)
<b>INVESTMENT COMPANIES — 23.5%</b>			<b>TOTAL INVESTMENTS</b>
327,376 American High-Income Trust	2,537,162		(Cost \$10,905,232) - 98.8%
4,666 Janus Advisor Long/Short Fund	42,461		Other Assets in Excess of Liabilities - 1.2%
6,120 Northeast Investors Trust	22,642		129,597
<b>TOTAL INVESTMENT COMPANIES</b>	<u>\$ 2,602,265</u>		<b>TOTAL NET ASSETS - 100.0%</b>
(Cost \$2,556,810)			<u>\$11,080,283</u>
<b>SHORT TERM INVESTMENTS — 75.3%</b>			
<b>MONEY MARKET FUNDS — 75.3%</b>			Percentages are stated as a percent of net assets.
1,669,670 AIM STIT-Treasury Portfolio	1,669,670		
1,669,670 Fidelity Institutional Government Portfolio	1,669,670		

**Spectrum Equity Opportunity Fund**

**Short Futures Contracts**

**February 28, 2009 (Unaudited)**

<u>Contracts</u>	<u>Unrealized Appreciation</u>
28 S&P 500 E-mini Futures Expiring March 2009 (Underlying Face Amount at Market Value \$514,150)	<u>\$56,595</u>

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

**Statements of Assets and Liabilities**  
**February 28, 2009 (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)	\$17,546,386	\$ 46,512,947	\$10,950,686
Deposit at broker for futures	232,650	490,050	138,600
Variation margin receivable	41,125	88,432	25,011
Dividends and interest receivable	25,303	59,786	21,967
Other assets	7,380	10,711	10,363
Total Assets	<u>17,852,844</u>	<u>47,161,926</u>	<u>11,146,627</u>
<b>Liabilities:</b>			
Payable for Fund shares purchased	78,117	238,326	—
Accrued advisory expense	14,018	37,686	10,861
Accrued distribution expense	11,024	33,691	11,093
Accrued expenses and other liabilities	47,398	82,600	44,390
Total Liabilities	<u>150,557</u>	<u>392,303</u>	<u>66,344</u>
<b>Net Assets</b>	<u>\$17,702,287</u>	<u>\$ 46,769,623</u>	<u>\$11,080,283</u>
<b>Net Assets Consist Of:</b>			
Capital stock	\$23,243,732	\$ 81,866,537	\$17,401,452
Accumulated undistributed net investment income (loss)	112,774	(96,912)	(26,296)
Accumulated undistributed net realized gain (loss)	(5,672,848)	(34,843,261)	(6,396,922)
Net unrealized appreciation (depreciation) on:			
Investments	(33,106)	(317,051)	45,454
Futures	51,735	160,310	56,595
Total Net Assets	<u>\$17,702,287</u>	<u>\$ 46,769,623</u>	<u>\$11,080,283</u>
<b>Calculation of Net Asset Value Per Share:</b>			
Net assets	\$17,702,287	\$ 46,769,623	\$11,080,283
Shares outstanding (unlimited shares of beneficial interest authorized, no par value)	1,059,414	3,239,977	777,563
Net asset value, redemption price and offering price per share	<u>\$ 16.71</u>	<u>\$ 14.44</u>	<u>\$ 14.25</u>
Cost of Investments	<u>\$17,579,492</u>	<u>\$ 46,829,998</u>	<u>\$10,905,232</u>

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

**Statements of Operations**  
**Six Months Ended February 28, 2009 (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 \$—, \$—, \$111, respectively)	\$ 421,270	\$ 338,713	\$ 92,126
Interest income	<u>65,489</u>	<u>298,355</u>	<u>64,268</u>
Total investment income	<u>486,759</u>	<u>637,068</u>	<u>156,394</u>
<b>Expenses:</b>			
Investment advisory fees	101,638	296,444	65,670
Distribution expenses	101,638	296,444	65,670
Administration fees	3,636	10,622	2,349
Fund accounting fees	9,592	26,669	6,482
Custody fees	34	9,336	776
Transfer agent fees	12,989	37,989	8,438
Federal and state registration	6,203	6,567	4,757
Professional fees	27,417	42,162	26,058
Reports to shareholders	—	—	453
Trustees' fees and expenses	1,338	2,650	1,113
Other	<u>78</u>	<u>5,074</u>	<u>2,141</u>
Total expenses before reimbursement	264,563	733,957	183,907
Less: Reimbursement of expenses from Adviser	—	—	(3,098)
Total expenses	<u>264,563</u>	<u>733,957</u>	<u>180,809</u>
<b>Net investment income (loss)</b>	<u>222,196</u>	<u>(96,889)</u>	<u>(24,415)</u>
<b>Realized and unrealized gain (loss) on investments:</b>			
Net realized gain (loss) on:			
Investments	(1,718,063)	(12,614,352)	(1,935,261)
Futures	(59,936)	(1,133,926)	(1,278,858)
Swaps	<u>(343,871)</u>	<u>(2,199,824)</u>	<u>(62,564)</u>
	<u>(2,121,870)</u>	<u>(15,948,102)</u>	<u>(3,276,683)</u>
Capital gain distributions from regulated investment companies	<u>9,658</u>	<u>—</u>	<u>—</u>
Change in unrealized appreciation (depreciation) on:			
Investments	(5,049)	(389,387)	161,128
Futures	<u>51,735</u>	<u>160,310</u>	<u>34,964</u>
	<u>46,686</u>	<u>(229,077)</u>	<u>196,092</u>
Net realized and unrealized gain (loss) on investments	<u>(2,065,526)</u>	<u>(16,177,179)</u>	<u>(3,080,591)</u>
<b>Net increase (decrease) in net assets resulting from operations</b>	<u><u>\$ (1,843,330)</u></u>	<u><u>\$ (16,274,068)</u></u>	<u><u>\$ (3,105,006)</u></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, 2009 (Unaudited)	Year Ended August 31, 2008	Six Months Ended February 28, 2009 (Unaudited)	Year Ended August 31, 2008	Six Months Ended February 28, 2009 (Unaudited)	Year Ended August 31, 2008
<b>Operations:</b>						
Net investment income (loss)	\$ 222,196	\$ 596,028	\$ (96,889)	\$ (762,345)	\$ (24,415)	\$ (65,320)
Net realized gain (loss) on investments	(2,121,870)	(3,138,786)	(15,948,102)	(5,319,917)	(3,276,683)	(1,201,572)
Capital gain distributions from regulated investment companies	9,658	120,927	—	4,110	—	4,266
Change in unrealized appreciation (depreciation) on investments	46,686	115,783	(229,077)	(2,055,423)	196,092	(447,824)
Net increase (decrease) in net assets resulting from operations	<u>(1,843,330)</u>	<u>(2,306,048)</u>	<u>(16,274,068)</u>	<u>(8,133,575)</u>	<u>(3,105,006)</u>	<u>(1,710,450)</u>
<b>Distributions to shareholders:</b>						
Net investment income	(153,512)	(798,522)	(7,177)	(3,592,655)	(1,881)	(755,550)
Net realized gains	—	(14,167)	(5,694)	(15,267,529)	—	(1,483,186)
Total distributions	<u>(153,512)</u>	<u>(812,689)</u>	<u>(12,871)</u>	<u>(18,860,184)</u>	<u>(1,881)</u>	<u>(2,238,736)</u>
<b>Capital share transactions:</b>						
Proceeds from shares sold	385,731	7,989,068	736,191	8,266,915	450,992	1,142,108
Proceeds from shares issued to holders in reinvestment of dividends	152,838	805,878	12,841	18,836,313	1,864	2,238,737
Cost of shares redeemed	<u>(5,829,215)</u>	<u>(21,443,226)</u>	<u>(17,541,342)</u>	<u>(31,024,292)</u>	<u>(2,647,152)</u>	<u>(15,908,109)</u>
Net increase (decrease) in net assets resulting from capital share transactions	<u>(5,290,646)</u>	<u>(12,648,280)</u>	<u>(16,792,310)</u>	<u>(3,921,064)</u>	<u>(2,194,296)</u>	<u>(12,527,264)</u>
<b>Total increase (decrease) in net assets</b>	<u>(7,287,488)</u>	<u>(15,767,017)</u>	<u>(33,079,249)</u>	<u>(30,914,823)</u>	<u>(5,301,183)</u>	<u>(16,476,450)</u>
<b>Net assets:</b>						
Beginning of year/period	<u>24,989,775</u>	<u>40,756,792</u>	<u>79,848,872</u>	<u>110,763,695</u>	<u>16,381,466</u>	<u>32,857,916</u>
End of year/period	<u>\$17,702,287</u>	<u>\$ 24,989,775</u>	<u>\$ 46,769,623</u>	<u>\$ 79,848,872</u>	<u>\$11,080,283</u>	<u>\$ 16,381,466</u>
<b>Undistributed (Accumulated) net investment income (loss), end of year/period</b>	<u>\$ 112,774</u>	<u>\$ 44,090</u>	<u>\$ (96,912)</u>	<u>\$ 7,154</u>	<u>(26,296)</u>	<u>\$ —</u>

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

## Financial Highlights

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	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>6</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>		
<b>Spectrum Select Alternative Fund</b>															
Six months ended February 28, 2009 (Unaudited)															
Year ended August 31, 2008	\$18.33	\$ 0.19	\$(1.68)	\$(1.49)	\$(0.13)	\$ —	\$16.71	\$ 17,702	—	—	2.60%	2.60%	2.18%	212% <sup>2</sup>	
Year ended August 31, 2007	20.02	0.33	(1.58)	(1.25)	(0.43)	(0.01)	18.33	24,990	—	—	2.57%	2.57%	1.68%	127%	
Year ended August 31, 2006	19.54	0.57	0.76	1.33	(0.85)	—	20.02	40,757	—	—	2.44%	2.44%	2.82%	260%	
Year ended August 31, 2006	19.96	0.50	0.34	0.84	(1.26)	—	19.54	22,725	—	—	2.54%	2.54%	2.57%	898%	
September 1, 2004 <sup>10</sup> to August 31, 2005	20.00	0.48	(0.26)	0.22	(0.26)	—	19.96	33,414	—	—	2.38%	2.38%	2.44%	759% <sup>2</sup>	
<b>Spectrum Global Perspective Fund</b>															
Six months ended February 28, 2009 (Unaudited)															
Year ended August 31, 2008	18.69	(0.03)	(4.22)	(4.25)	— <sup>9</sup>	— <sup>9</sup>	14.44	46,770	—	—	2.48%	2.48%	(0.33%)	1,412% <sup>2</sup>	
Year ended August 31, 2007	24.73	(0.16)	(1.48)	(1.64)	(0.84)	(3.56)	18.69	79,849	—	—	2.38%	2.38%	(0.75%)	2,073%	
Year ended August 31, 2006	25.93	(0.03)	2.86	2.83	(0.34)	(3.69)	24.73	110,764	—	—	2.24%	2.24%	(0.12%)	1,259%	
Year ended August 31, 2006	23.46	0.06	4.49	4.55	—	(2.08)	25.93	115,420	—	—	2.23%	2.23%	0.25%	1,693%	
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)	23.46	71,085	2.39%	2.39%	2.38%	2.38%	(0.16%) <sup>8</sup>	1,152% <sup>2</sup>	
<b>Spectrum Equity Opportunity Fund</b>															
Six months ended February 28, 2009 (Unaudited)															
Year ended August 31, 2008	17.90	(0.03)	(3.62)	(3.65)	— <sup>9</sup>	—	14.25	11,080	—	—	2.80%	2.75%	(0.37%)	982% <sup>2</sup>	
Year ended August 31, 2007	21.24	(0.05)	(1.51)	(1.56)	(0.60)	(1.18)	17.90	16,381	—	—	2.63%	2.63%	(0.27%)	1,617%	
Year ended August 31, 2006	21.43	(0.03)	1.48	1.45	(0.31)	(1.33)	21.24	32,858	—	—	2.40%	2.40%	(0.14%)	1,347%	
Year ended August 31, 2006	21.85	0.03	0.77	0.80	—	(1.22)	21.43	48,875	—	—	2.31%	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	45,689	—	—	2.50%	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, 2009**

**1. ORGANIZATION**

Direxion Funds (the "Trust") was organized as a Massachusetts Business Trust on June 6, 1997 and is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end management investment company issuing its shares in series, each series representing a distinct portfolio with its own investment objective and policies. The Trust currently has 40 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 (formerly Spectrum High Yield Plus 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 PSI Core Strength Fund, the PSI Macro Trends Fund and the PSI Total Return Fund commenced operations on January 8, 2007.

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

**2. SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

**b) Repurchase Agreements** – Each Fund may enter into repurchase agreements with institutions that are members of the Federal Reserve System or securities dealers who are members of a national securities exchange or are primary dealers in U.S. government securities. In connection with transactions in repurchase agreements, it is the Trust’s policy that the Fund receives, as collateral, cash and/or securities (primarily U.S. government securities) whose market value, including accrued interest, will at all times be at least equal to 100% of the amount invested by the Fund in each repurchase agreement. If the seller defaults, and the value of the collateral declines, recovery on the collateral by the Fund may be delayed or limited.

**c) Swap Contracts** – Each Fund may enter into equity swap contracts. Standard equity swap contracts are between two parties that agree to exchange the returns (or differentials in rates of returns) earned or realized on particular predetermined investments or instruments. The gross amount to be exchanged is calculated with respect to a “notional amount” (i.e. the return on or increase in value of a particular dollar amount invested in a “basket” of securities representing a particular index or industry sector). The Fund’s obligations are accrued daily (offset by any amounts owed to the Funds.)

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

Each Fund may enter into swap contracts that provide the opposite return of the particular benchmark or security (“short” the index or security). The operations are similar to that of the swaps disclosed above except that the counterparty pays interest to the Fund on the notional amount outstanding and the dividends on the underlying securities reduce the return on the swap. Also, as with “long” swap agreements, in certain instances, the Fund will agree to pay to the counterparty commissions or trading spreads on the notional amount. These amounts are netted with any unrealized appreciation or depreciation to determine the value of the swap.

The Spectrum Select Alternative Fund may enter into credit default swaps. Credit default swaps involve one party (referred to as the buyer of protection) making a stream of payments to another party (referred to as the seller of protection) in exchange for the right to receive a specified return in the event a credit event, typically a default by a corporate issuer on its debt obligation, occurs. As a seller of protection on credit default swaps, a Fund will generally receive from the buyer of protection a fixed rate of interest on the notional amount of the swap contract throughout the term of the swap provided that there is no credit event. As the seller of protection, 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 reference obligation or underlying securities comprising the reference 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 reference obligation or underlying securities comprising the reference 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 reference obligation or underlying securities comprising the reference 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 reference obligation or underlying securities comprising the reference 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.

**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.

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

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

The Funds designate all cash, cash equivalents and liquid securities as collateral for written options, futures contracts and short positions.

**g) Risks of Investing in Foreign Securities** – 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 may not be as strict as they are in the U.S., and there may be less public information available about foreign companies.

Investments in foreign emerging markets present a greater risk than investing in foreign issuers in general. The risk of political or social upheaval is greater in emerging markets. In addition, there may be risks of an economy’s dependence on revenues from particular commodities, currency transfer restrictions, a limited number of potential buyers for such securities and delays and disruption in securities settlement procedures.

**h) Forward Currency Contracts** – The Spectrum Global Perspective and Spectrum Equity Opportunity Funds may enter into forward currency exchange contracts obligating the Funds to deliver and receive currency at a specified future date. Forward contracts are valued daily, and unrealized appreciation and depreciation is recorded daily as the difference between the contract exchange rate and the closing forward rate applied to the face amount of the contract. A realized gain or loss is recorded at the time the forward contract is closed.

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

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

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

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

**m) Distributions to Shareholders** – Each Fund generally pays dividends from net investment income and distributes net realized capital gains, if any, at least annually. Income and capital gain distributions are determined in accordance with income tax regulations which may differ from U.S. generally accepted accounting principals. 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, 2009 and the year ended August 31, 2008 were as follows:

	<b>HCM Freedom Fund</b>	
	<u>Six Months Ended February 28, 2009 (Unaudited)</u>	<u>Year Ended August 31, 2008</u>
Distributions paid from:		
Ordinary Income	\$—	\$3,487,566
Long-Term Capital Gains	—	—
Return of Capital	—	—
Total Distributions paid	<u>\$—</u>	<u>\$3,487,566</u>

	<b>PSI Core Strength Fund</b>		<b>PSI Macro Trends Fund</b>	
	<u>Six Months Ended February 28, 2009 (Unaudited)</u>	<u>Year Ended August 31, 2008</u>	<u>Six Months Ended February 28, 2009 (Unaudited)</u>	<u>Year Ended August 31, 2008</u>
Distributions paid from:				
Ordinary Income	\$39,894	\$ 858,895	\$380,790	\$1,125,328
Long-Term Capital Gains	—	—	1,089	39,963
Return of Capital	—	199,791	—	—
Total Distributions paid	<u>\$39,894</u>	<u>\$1,058,686</u>	<u>\$381,879</u>	<u>\$1,165,291</u>

	<b>PSI Total Return Fund</b>		<b>Spectrum Select Alternative Fund</b>	
	<u>Six Months Ended February 28, 2009 (Unaudited)</u>	<u>Year Ended August 31, 2008</u>	<u>Six Months Ended February 28, 2009 (Unaudited)</u>	<u>Year Ended August 31, 2008</u>
Distributions paid from:				
Ordinary Income	\$285,020	\$1,517,114	\$153,512	\$812,689
Long-Term Capital Gains	—	231,312	—	—
Return of Capital	—	—	—	—
Total Distributions paid	<u>\$285,020</u>	<u>\$1,748,426</u>	<u>\$153,512</u>	<u>\$812,689</u>

	<b>Spectrum Global Perspective Fund</b>		<b>Spectrum Equity Opportunity Fund</b>	
	<u>Six Months Ended February 28, 2009 (Unaudited)</u>	<u>Year Ended August 31, 2008</u>	<u>Six Months Ended February 28, 2009 (Unaudited)</u>	<u>Year Ended August 31, 2008</u>
Distributions paid from:				
Ordinary Income	\$ 7,177	\$18,598,688	\$1,881	\$2,236,452
Long-Term Capital Gains	5,694	261,496	—	2,284
Return of Capital	—	—	—	—
Total Distributions paid	<u>\$12,871</u>	<u>\$18,860,184</u>	<u>\$1,881</u>	<u>\$2,238,736</u>

As of February 28, 2009, the components of distributable earnings on a tax basis were as follows:

	<b>HCM Freedom Fund</b>	<b>PSI Core Strength Fund</b>	<b>PSI Macro Trend Fund</b>	<b>PSI Total Return Fund</b>
Net unrealized appreciation/depreciation	\$ —	\$ (45,220)	\$ (3,393,431)	\$ (193,204)
Undistributed ordinary income	1,039,382	—	243,980	—
Undistributed long-term capital gain	—	—	1,068	—
Total distributable earnings	1,039,382	—	245,048	—
Other accumulated losses	(21,027,986)	(1,694,687)	(4,317,530)	(801,366)
Total accumulated losses	<u>\$(19,988,604)</u>	<u>\$(1,739,907)</u>	<u>\$(7,465,913)</u>	<u>\$(994,570)</u>

	<b>Spectrum Alternative Fund</b>	<b>Spectrum Global Perspective Fund</b>	<b>Spectrum Equity Opportunity Fund</b>
Net unrealized appreciation/depreciation	\$ (65,249)	\$ (12,462,004)	\$ (232,563)
Undistributed ordinary income	44,090	12,567	—
Undistributed long-term capital gain	—	264	—
Total distributable earnings	44,090	12,831	—
Other accumulated losses	(3,523,444)	(6,360,802)	(2,981,719)
Total accumulated losses	<u>\$(3,544,603)</u>	<u>\$(18,809,975)</u>	<u>\$(3,214,282)</u>

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

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

	<b>HCM Freedom Fund</b>	<b>PSI Core Strength Fund</b>	<b>PSI Macro Trend Fund</b>	<b>PSI Total Return Fund</b>
Tax cost of investments	\$23,426,742	\$16,522,839	\$19,679,816	\$22,892,167
Gross unrealized appreciation	—	237,230	—	64,142
Gross unrealized depreciation	—	(343,544)	(2,842,354)	(457,051)
Net unrealized appreciation/(depreciation)	\$ —	\$ (106,314)	\$ (2,842,354)	\$ (392,909)

  

	<b>Spectrum Select Alternative Fund</b>	<b>Spectrum Global Perspective Fund</b>	<b>Spectrum Equity Opportunity Fund</b>
Tax cost of investments	\$17,616,684	\$ 59,364,338	\$11,022,121
Gross unrealized appreciation	147,607	211	62,916
Gross unrealized depreciation	(217,905)	(12,851,602)	(134,351)
Net unrealized appreciation/(depreciation)	<u>\$ (70,298)</u>	<u>\$(12,851,391)</u>	<u>\$ (71,435)</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, 2008. At August 31, 2008, the following funds deferred, on a tax basis, post October losses of:

	<u>Post October Loss Deferred</u>	<u>Post October Currency Loss</u>
HCM Freedom Fund	\$4,868,578	\$—
PSI Core Strength Fund	1,694,687	—
PSI Macro Trends Fund	4,257,446	—
PSI Total Return Fund	588,298	—
Spectrum Select Alternative Fund	3,523,444	—
Spectrum Global Perspective Fund	6,360,802	—
Spectrum Equity Opportunity Fund	2,981,719	—

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

	<u>Expires</u>			
	<u>8/31/2014</u>	<u>8/31/2015</u>	<u>8/31/2016</u>	<u>Total</u>
HCM Freedom Fund	\$8,842,217	\$5,679,579	\$1,637,612	\$16,159,408
PSI Core Strength Fund	—	—	—	—
PSI Macro Trends Fund	—	—	—	—
PSI Total Return Fund	—	—	—	—
Spectrum Select Alternative Fund	—	—	—	—
Spectrum Global Perspective Fund	—	—	—	—
Spectrum Equity Opportunity Fund	—	—	—	—

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

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

The Funds have reviewed all open tax years and concluded that the adoption of FIN 48 resulted in no effect to the Fund's financial positions or results of operations. There is no tax liability resulting from uncertain income tax positions taken or expected to be taken on the tax return for the fiscal year-end August 31, 2005, August 31, 2006, August 31, 2007 and August 31, 2008. The Funds are also not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax expense will significantly change in twelve months.

**n) Credit Facility** – U.S. Bank, N.A. has made available to the Funds a credit facility pursuant to a Line of Credit Agreement ("Line of Credit") for meeting redemption requests. Borrowings under the Line of Credit are charged at prime rate less 1/2%. The Funds did not utilize the credit facility for the six months ended February 28, 2009.

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

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

### 3. CAPITAL SHARE TRANSACTIONS

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

	<b>HCM Freedom Fund</b>		<b>PSI Core Strength Fund</b>		<b>PSI Macro Trends Fund</b>		<b>Spectrum Select Alternative Fund</b>		<b>Spectrum Global Perspective Fund</b>		<b>Spectrum Equity Opportunity Fund</b>	
	Six Months Ended February 28, 2009 (Unaudited)	Year Ended August 31, 2008	Six Months Ended February 28, 2009 (Unaudited)	Year Ended August 31, 2008	Six Months Ended February 28, 2009 (Unaudited)	Year Ended August 31, 2008	Six Months Ended February 28, 2009 (Unaudited)	Year Ended August 31, 2008	Six Months Ended February 28, 2009 (Unaudited)	Period Ended August 31, 2008	Six Months Ended February 28, 2009 (Unaudited)	Year Ended August 31, 2008
Shares sold	10,410	85,182	440,089	920,127	563,334	968,409	22,600	400,108	45,453	371,454	27,659	54,847
Shares issued in reinvestment of distributions	—	217,097	2,617	54,403	33,646	61,688	8,807	40,903	794	877,332	120	110,884
Shares redeemed	(113,060)	(204,007)	(420,002)	(1,042,322)	(899,987)	(1,064,083)	(335,687)	(1,112,997)	(1,079,044)	(1,454,964)	(165,342)	(797,504)
Total net increase (decrease) from capital share transactions	<u>(102,650)</u>	<u>98,272</u>	<u>22,704</u>	<u>(67,792)</u>	<u>(303,007)</u>	<u>(33,986)</u>	<u>(304,280)</u>	<u>(671,986)</u>	<u>(1,032,797)</u>	<u>(206,178)</u>	<u>(137,353)</u>	<u>(631,773)</u>

### 4. INVESTMENT TRANSACTIONS

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

	<b>HCM Freedom Fund</b>	<b>PSI Core Strength Fund</b>	<b>PSI Macro Trends Fund</b>	<b>PSI Total Return Fund</b>	<b>Spectrum Select Alternative Fund</b>	<b>Spectrum Global Perspective Fund</b>	<b>Spectrum Equity Opportunity Fund</b>
Purchases	\$16,541,050	\$146,641,679	\$54,800,286	\$28,359,389	\$23,320,293	\$281,936,429	\$45,267,605
Sales	\$16,022,027	\$150,257,015	\$61,848,107	\$28,655,881	\$26,391,229	\$311,301,054	\$47,052,978

There were no purchases or sales of long-term U.S. government securities during the period ended February 28, 2009 for any of the Funds.

## 5. INVESTMENT ADVISORY AND OTHER AGREEMENTS

Investment Advisory Fees: The Funds have entered into an investment advisory agreement with the Adviser. The Adviser receives a fee, computed daily and payable monthly, at the annual rates presented below as applied to each Fund's average daily net assets. In addition, the Adviser has entered into sub-advisory agreements with Horizon Capital Management, Inc. for the HCM Freedom Fund, with Portfolio Strategies, Inc. for the PSI Core Strength Fund, the PSI Macro Trends Fund and the PSI Total Return Fund, and with Hundredfold Advisors, LLC for the Spectrum Select Alternative Fund, the Spectrum Global Perspective Fund and the Spectrum Equity Opportunity Fund (the "Sub-Advised Funds") whereby the sub-advisor will direct investment activities of the Sub-Advised Funds. The Adviser pays, out of the management fees it receives from the Sub-Advised Funds, a fee for these sub-advisory services. For the six months ended February 28, 2009, the Adviser voluntarily agreed to pay all operating expenses (excluding dividends on short positions), in excess of the annual cap on expenses presented below as applied to each Fund's average daily net assets. The Adviser may change, or end, this voluntary waiver at any time. The Adviser may recover from the Sub-Advised Funds the expenses paid in excess of the annual cap on expenses for the three previous years, as long as the recovery does not cause the Fund to exceed such annual cap on expenses. For the six months ended February 28, 2009, the Adviser paid or recouped the following expenses:

	<b>HCM Freedom Fund</b>	<b>PSI Core Strength Fund</b>	<b>PSI Macro Trends Fund</b>	<b>PSI Total Return Fund</b>
Annual Adviser rate	1.00%	1.15%	1.15%	1.15%
Annual cap on expenses	2.45%	2.00%	2.00%	2.00%
Expenses paid in excess of annual cap on expenses — 2009	\$ —	\$7,593	\$11,839	\$7,603
Adviser expense recoupment — 2009	\$1,580	\$ —	\$ —	\$ —

	<b>Spectrum Select Alternative Fund</b>	<b>Spectrum Global Perspective Fund</b>	<b>Spectrum Equity Opportunity Fund</b>
Annual Adviser rate	1.00%	1.00%	1.00%
Annual cap on expenses:	2.75%	2.75%	2.75%
Expenses paid in excess of annual cap on expenses — 2009	\$ —	\$ —	\$3,098
Adviser expense recoupment — 2009	\$ —	\$ —	\$ —

Expenses subject to potential recovery expiring in:

	<b>HCM Freedom Fund</b>	<b>PSI Core Strength Fund</b>	<b>PSI Macro Trends Fund</b>	<b>PSI Total Return Fund</b>
2009	\$ —	\$ —	\$ —	\$ —
2010	\$ —	\$26,572	\$ 6,008	\$18,272
2011	\$12,745	\$19,619	\$11,970	\$ 4,670
2012	\$ —	\$ 7,593	\$11,839	\$ 7,603
Total	<u>\$12,745</u>	<u>\$53,784</u>	<u>\$29,817</u>	<u>\$30,545</u>

	<b>Spectrum Select Alternative Fund</b>	<b>Spectrum Global Perspective Fund</b>	<b>Spectrum Equity Opportunity Fund</b>
2009	\$—	\$—	\$ —
2010	\$—	\$—	\$ —
2011	\$—	\$—	\$ —
2012	\$—	\$—	\$3,098
Total	<u>\$—</u>	<u>\$—</u>	<u>\$3,098</u>

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

## 8. SUMMARY OF FAIR VALUE DISCLOSURE

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

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

Level 1 – Quoted prices in active markets for identical securities

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

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

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

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

<u>Description</u>	<b>HCM Freedom Fund</b>	
	<u>Investments in Securities</u>	<u>Other Financial Instruments*</u>
Level 1 – Quoted prices	\$23,426,742	\$—
Level 2 – Other significant observable inputs	—	—
Level 3 – Significant unobservable inputs	—	—
<b>Total</b>	<u>\$23,426,742</u>	<u>\$—</u>

  

<u>Description</u>	<b>PSI Core Strength Fund</b>		<b>PSI Macro Trends Fund</b>	
	<u>Investments in Securities</u>	<u>Other Financial Instruments*</u>	<u>Investments in Securities</u>	<u>Other Financial Instruments*</u>
Level 1 – Quoted prices	\$16,416,525	\$—	\$16,837,462	\$(916,962)
Level 2 – Other significant observable inputs	—	—	—	—
Level 3 – Significant unobservable inputs	—	—	—	—
<b>Total</b>	<u>\$16,416,525</u>	<u>\$—</u>	<u>\$16,837,462</u>	<u>\$(916,962)</u>

<u>Description</u>	<u>PSI Total Return Fund</u>		<u>Spectrum Select Alternative Fund</u>	
	<u>Investments in Securities</u>	<u>Other Financial Instruments*</u>	<u>Investments in Securities</u>	<u>Other Financial Instruments*</u>
Level 1 – Quoted prices	\$22,499,258	\$ (80,709)	\$17,546,386	\$51,735
Level 2 – Other significant observable inputs	—	(21,384)	—	—
Level 3 – Significant unobservable inputs	—	—	—	—
<b>Total</b>	<u>\$22,499,258</u>	<u>\$(102,093)</u>	<u>\$17,546,386</u>	<u>\$51,735</u>

  

<u>Description</u>	<u>Spectrum Global Perspective Fund</u>		<u>Spectrum Equity Opportunity Fund</u>	
	<u>Investments in Securities</u>	<u>Other Financial Instruments*</u>	<u>Investments in Securities</u>	<u>Other Financial Instruments*</u>
Level 1 – Quoted prices	\$46,512,947	\$160,310	\$10,950,686	\$56,595
Level 2 – Other significant observable inputs	—	—	—	—
Level 3 – Significant unobservable inputs	—	—	—	—
<b>Total</b>	<u>\$46,512,947</u>	<u>\$160,310</u>	<u>\$10,950,686</u>	<u>\$56,595</u>

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

## 9. NEW ACCOUNTING PRONOUNCEMENT

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

SEMI-ANNUAL REPORT FEBRUARY 28, 2009

**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  
875 E. Wisconsin Ave.  
Milwaukee, WI 53202

**Distributor**

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

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

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

The Fund files complete schedules of portfolio holdings with the SEC on Form N-Q. The Form N-Q is available without charge, upon request, by calling 1-800-851-0511, or by accessing the SEC's website, at [www.sec.gov](http://www.sec.gov).

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