# Marathon Value Portfolio

## Semi-Annual Report

**April 30, 2011**

**Fund Advisor:**

**Spectrum Advisory Services Inc.**
**1050 Crown Pointe Parkway, Suite 750**
**Atlanta, GA 30338**

**(800) 788-6086**

**www.marathonvalue.com**

April 30, 2011

Dear Shareholders:

With the wind at our back, the fund enjoyed another profitable six months. For a discussion of Marathon Value Portfolio's performance during the six-month period, please see "Management Discussion" in the Semi-annual report.

The "wind" referred to is the Federal Reserve, which openly championed, for the first time ever, a policy designed to raise stock market prices. They are doing so based on evidence that business improves following stock market rises. They may, to some degree, be confusing cause and effect. In the past, business people bought shares as they saw their order rates and those of their competitors and suppliers improving. While the economy is recovering its strength for now, it remains an open question whether it will sustain the recovery given that the underlying problem of excessive debt remains.

While the government reacts to soothe or even boost the financial markets, it is peculiarly reluctant to interfere with the "natural clearing process" of the housing markets. This policy of benign neglect has resulted in the following undesirable consequences. The four largest commercial accounts originate more than half of all residential mortgages. They either sell the mortgages to the federal agencies such as Freddie Mac and Fannie Mae, or they have the mortgages guaranteed by these agencies and then securitize and sell them. Meanwhile, creditworthy customers find it difficult to refinance or buy a house, and house prices in many areas continue to decline. Until the housing market gets the credit it needs, many in America will continue to feel that we are in a recession. Elsewhere, I have outlined some common sense proposals for regulatory changes which could be very helpful in reviving the housing market. Shareholders may get a copy of these proposals from the investment advisor, Spectrum Advisory Services, Inc.

These headwinds aside, as the fund's largest shareholder, I rely on the generally good businesses and their able and trustworthy managers to cope with external demands. I am only guiding the money. They are the true managers of the money. While we sometimes may invest opportunistically in companies that may lack one of these qualities, we definitely prefer those with sound businesses and dedicated, talented leaders.

I am proud of our achievements over the last eleven years and will continue to work hard to deserve your confidence in the future. Remember that monthly updates on our ten largest companies are available on our website www.marathonvalue.com.

Sincerely,

Marc Heilweil

## MANAGEMENT DISCUSSION

Over the last twelve-month period ending April 30, 2011, Marathon Value Portfolio ("Marathon" or "the Fund") returned + 16.63 %. Marathon's annualized return since inception (March 28, 2000) is +7.32%. The comparable total returns for the S&P 500 benchmark are +17.22% and +0.93%. Since the Fund's inception, the Fund's cumulative total return has been +118.84% versus the S&P 500 cumulative total return of 10.85%, for a total return differential of +107.99% for Marathon.

## PERFORMANCE SUMMARY

| | Calendar 2000* | Calendar 2001 | Calendar 2002 | Calendar 2003 | Calendar 2004 | Calendar 2005 | Calendar 2006 | Calendar 2007 | Calendar 2008 | Calendar 2009 | Calendar 2010 | Year-to-Date 2011 as of 04/30/11 | Since Inception as of 04/30/11 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Marathon Value Portfolio | 16.06% | 4.70% | -11.00% | 26.20% | 14.03% | 6.20% | 11.76% | 3.10% | -23.33% | 20.29% | 15.87% | 7.56% | 118.84% |
| S&P 500 Index | -11.67% | -11.89% | -22.10% | 28.68% | 10.88% | 4.91% | 15.79% | 5.49% | -37.00% | 26.46% | 15.06% | 9.06% | 10.85% |

**Annualized Total Returns**

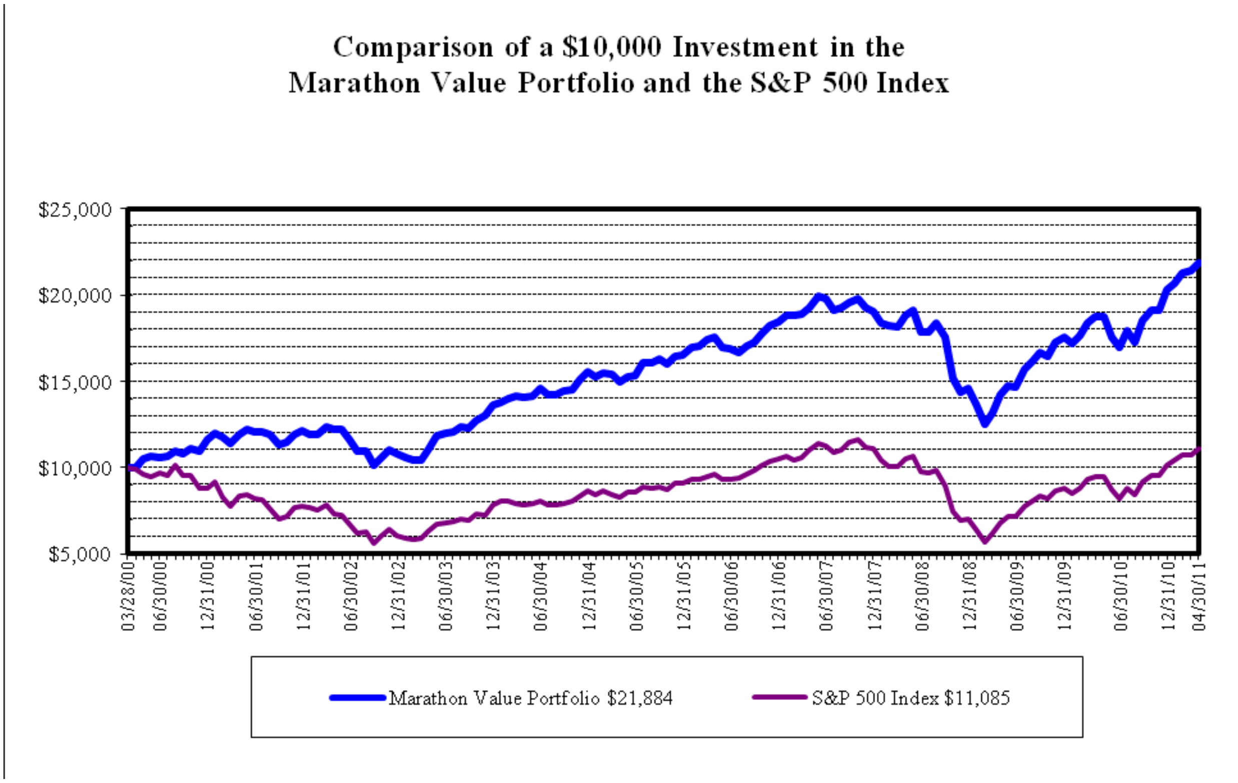
| | For the Periods Ended April 30, 2011 | | | | |
|---|---|---|---|---|---|
| | **One Year Average** | **Three Year Average** | **Five Year Average** | **Ten Year Average** | **Since Inception** |
| Marathon Value Portfolio | 16.63% | 5.15% | 4.53% | 6.29% | 7.32% |
| S&P 500 Index | 17.22% | 1.73% | 2.95% | 2.82% | 0.93% |

*The Total Gross Annual Expense Ratio for the Fund, as disclosed in the Fund's prospectus, before waivers and reimbursements is 1.29%. (1.25% after waivers and reimbursements by the Advisor). The Advisor has contractually agreed to waive its fees and/or cap certain operating expenses (excluding indirect expenses such as acquired fund fees) of the Fund through February 29, 2012.*

***** *March 28, 2000 is the date Spectrum Advisory Services Inc. assumed management of Marathon. Returns for 2000 are from 03/28/00 through 12/31/00. Returns are not annualized, except where noted. The Fund's past performance does not guarantee future results. The investment return and principal value of an investment in the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting www.marathonvalue.com or by calling 1-800-788-6086. The index is unmanaged and returns for both the index and the Fund include reinvested dividends and capital gains. It is not possible to invest directly in an index.*

***You should carefully consider the investment objectives, potential risks, management fees, and charges and expenses of the Fund before investing. The Fund's Prospectus contains this and other information about the Fund, and should be read carefully before investing. You may obtain a current copy of the Fund's Prospectus by visiting www.marathonvalue.com or by calling 1-800-788-6086.***

*The Fund is distributed by Unified Financial Securities, Inc., 2960 N. Meridian Street, Suite 300, Indianapolis, IN 46208. (Member FINRA.)*




*The chart above assumes an initial investment of $10,000 made on March 28, 2000 (commencement of Fund operations) and held through April 30, 2011. The Fund's return represents past performance and does not guarantee future results. The line graph and performance table shown do not reflect deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. Investment returns and principal values will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original purchase price.*

*The Fund's investment objectives, risk, charges and expenses must be considered carefully before investing. The prospectus contains this and other important information about the investment company and can be obtained by calling 1-800-788-6086 or visiting www.marathonvalue.com. The prospectus should be read carefully before investing.*

*The S&P 500 Total Return Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The Fund's portfolio holdings may differ significantly from the securities held in the Index and, unlike a mutual fund, an unmanaged index assumes no transaction costs, taxes, management fees or other expenses.*

The fund had a strong six-month period, +14.5%. Marathon slightly trailed the S&P 500's gain of +16.36%, due to our holdings in cash and the lower volatility of many of our stock positions. Bullish sentiment has reached all-time highs, so we are cautious at current levels. Despite our cautious stance on the general market, we do see value in individual securities for several reasons. Corporate balance sheets are flush with cash, and extremely cheap debt will fuel acquisitions and share buybacks. Recent months have seen impressive earnings growth partly due to a strengthening economy and replenishment of inventories. Estimates for GDP growth have moderated recently and could well be that profit margins are peaking. Profit margins may narrow as companies expand capacity and add to their workforce. During the recession they were able to utilize only their most highly skilled workers and most efficient facilities.

As has been the case for some time now, our industrial names led the way higher for us, including Graco (+45%), Raven Industries (+32%), and Lincoln Electric (+31.5%). We believe these three companies have three very important elements in common; highly ethical dedicated leaders, a constant drive to improve their products, and sound business and financial practices. Graco's two largest end-users are paint contractors and auto dealerships but they have still recovered well despite this headwind. Most company CEO's blame weak results on challenging conditions, while the best managers proactively plan for and execute through economic downturns. Yes, character does matter. We all owe a debt of gratitude to the managers and leaders of these three companies.

Tyco International (+27.39%) was the second biggest contributor to this period's performance. Having spun off health care and electronic manufacturing, it is a leaner multi-industry company with security and fire protection businesses accounting for well over half of its total revenues. Those who own alarm systems know it is a recurring revenue business. The two companies with the most negative impact were Cisco (-23.2%) and Campbell Soup (-7.3%). Cisco's problems have been aired and management has owned up to them, unlike Microsoft.

The consumer staple sector substantially underperformed in this six-month period. Campbell Soup has suffered from some poorly received marketing initiatives. We actually added to our holdings when the shares hit $32.81. While the soup category will not show much growth, it has excellent margins and the company's international expansion together with its drinks, snack, and baking products should yield modest sales growth.

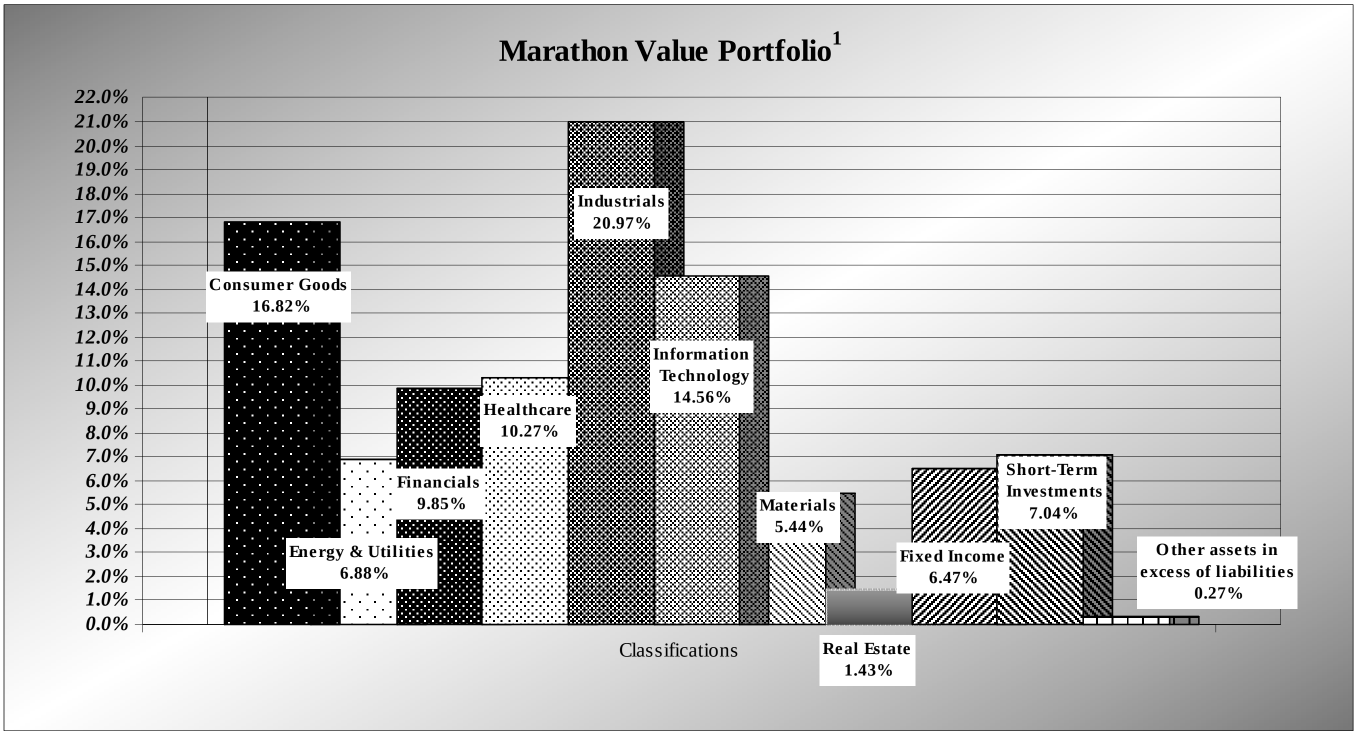
In addition to Campbell, we added substantially to our holdings of Colgate Palmolive (+9.4%) in the period. Concerns about profit margins drove it to a price where we felt risk was minimal. In the S&P 500, Colgate has the second highest percentage of its revenues overseas. Colgate also is a highly profitable company with everyday products. Colgate is insulated from private label competition, which makes up just 1% of the toothpaste market. Together with Procter & Gamble and Glaxo Smithkline, our fund owns companies which sell over half the world's toothpaste. While we expect these consumer staples shares to increase in value, their defensive nature could also help the fund outperform in a down market.

Our holdings in the financial sector consist of what we consider the most careful insurance underwriters, Alleghany Corp. (+9.5%), Berkshire Hathaway B (+4.7%) and White Mountain Insurance Group (+12%). All three manage their investments with a value bias. While Berkshire was purchased in the fund's first year, we have not added to the position in the last five years. One of our financials, U.S. Bancorp (+7%) is considered the most conservatively managed of the nation's five largest banks. The rest of our financial holdings are a mix of special situations.

The Federal Reserve's easy money and asset-buying policies achieved its goals as commodities have soared and the stock market has climbed rapidly. One source of concern to us is that should there be another external shock, the Fed may lack sufficient tools to counter it. Going forward, we remain cautious, but we do see some value on a stock-by-stock basis. We could very well see some of our large-cap technology and consumer products laggards from the first half turn out to lead our performance in the second half of the year. Should the market correct to the downside, we are well positioned to continue buying into undervalued, high quality businesses.

You will notice that we have added some short-term bonds to the fund. While we wait for better opportunities, we want our funds to earn something. Money funds and banks alike offer little if any yield. We remain an equity fund and our benchmark stays as it always has been the S&P 500.

**Fund Holdings** **(Unaudited)**




[1]Based on net assets.

The investment objective of the Marathon Value Portfolio is to provide shareholders with long-term capital appreciation in a well-diversified portfolio.

## Availability of Portfolio Schedule

The Fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission ("SEC") for the first and third quarters of each fiscal year on Form N-Q. The Fund's Form N-Qs are available at the SEC's website at www.sec.gov. The Fund's Form N-Qs may be reviewed and copied at the Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

## Summary of Fund Expenses

As a shareholder of the Fund, you incur ongoing costs, consisting solely of management fees, tax expenses, and trustee expenses. This Example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The Example is based on an investment of $1,000 invested at the beginning of the period (November 1, 2010) and held for the entire period (through April 30, 2011).

Actual Expenses

The first line of the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.60), 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 Fund's actual expense ratios and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund 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.

Expenses shown are meant to highlight your ongoing costs only and do not reflect any transactional costs. The second line of the table below is useful in comparing ongoing costs only and will not help you determine the relative costs of owning different funds.

| **Marathon Value Portfolio** | **Beginning Account Value November 1, 2010** | **Ending Account Value April 30, 2011** | **Expenses Paid During Period* November 1, 2010 – April 30, 2011** |
|---|---|---|---|
| Actual | $1,000.00 | $1,145.03 | $6.65 |
| Hypothetical (5% return before expenses) | $1,000.00 | $1,018.60 | $6.26 |

*Expenses are equal to the Fund's annualized expense ratio of 1.25%, multiplied by the average account value over the period, multiplied by 181/365 (to reflect the partial year period).

**Marathon Value Portfolio**
**Schedule of Investments**
**April 30, 2011**
**(Unaudited)**

| **Common Stocks - 83.30%** | **Shares** | | **Fair Value** |
|---|---|---|---|
| **Automobiles, Parts & Equipment - 1.38%** | | | |
| Genuine Parts Co. | 8,500 | $ | 456,450 |
| Honda Motor Co., Ltd. (b) | 3,000 | | 115,050 |
| | | | 571,500 |
| **Banking - Financial - 4.87%** | | | |
| B of I Holdings, Inc. (a) | 16,400 | | 275,520 |
| Credit Suisse Group AG (b) | 6,000 | | 272,940 |
| First Niagara Financial Group, Inc. | 20,000 | | 288,000 |
| Mitsubishi UFJ Financial Group, Inc. (b) | 15,100 | | 72,027 |
| Seacoast Banking Corp. of Florida (a) | 217,000 | | 388,430 |
| SunTrust Banks, Inc. | 11,500 | | 324,185 |
| U.S. Bancorp | 15,530 | | 400,985 |
| | | | 2,022,087 |
| **Communications, Broadcasting & Cable - 1.67%** | | | |
| SK Telecom Co., Ltd. (b) | 22,500 | | 427,050 |
| Time Warner, Inc. | 7,000 | | 265,020 |
| | | | 692,070 |
| **Computer Software & Hardware - 5.25%** | | | |
| Cisco Systems, Inc. | 29,000 | | 509,240 |
| Google, Inc. - Class A (a) | 600 | | 326,460 |
| International Business Machines Corp. | 6,200 | | 1,057,596 |
| Microsoft Corp. | 11,100 | | 288,822 |
| | | | 2,182,118 |
| **Consulting Services - 0.43%** | | | |
| SAIC, Inc. (a) | 10,200 | | 177,480 |
| **Data Services - 3.24%** | | | |
| Automatic Data Processing, Inc. | 6,700 | | 364,145 |
| Equifax, Inc. | 4,700 | | 176,391 |
| Global Payments, Inc. | 7,500 | | 399,300 |
| Total System Services, Inc. | 11,000 | | 207,350 |
| Verisk Analytics, Inc. - Class A (a) | 6,000 | | 197,400 |
| | | | 1,344,586 |
| **Delivery and Freight Services - 1.50%** | | | |
| United Parcel Service, Inc. - Class B | 8,300 | | 622,251 |
| **Electric Components, Parts & Equipment - 5.54%** | | | |
| Avnet, Inc. (a) | 19,600 | | 711,872 |
| Linear Technology Corp. | 16,000 | | 556,800 |
| Secom Co., Ltd. (b) | 22,400 | | 279,104 |
| TE Connectivity Ltd. | 16,000 | | 573,600 |
| Zebra Technologies Corp. - Class A (a) | 4,580 | | 179,948 |
| | | | 2,301,324 |
| **Energy - 6.88%** | | | |
| Anadarko Petroleum Corp. | 5,000 | | 394,700 |
| ConocoPhillips | 6,600 | | 520,938 |
| Exxon Mobil Corp. | 5,323 | | 468,424 |
| Noble Corp. | 21,500 | | 924,715 |
| Sasol Ltd. (b) | 9,500 | | 549,290 |
| | | | 2,858,067 |
| **Finance - 0.31%** | | | |
| Reading International, Inc. - Class A (a) | 26,300 | | 127,555 |

*See accompanying notes which are an integral part of the financial statements.*

**Marathon Value Portfolio**
**Schedule of Investments - continued**
**April 30, 2011**
**(Unaudited)**

| **Common Stocks - 83.30% - continued** | **Shares** | **Fair Value** |
|---|---|---|
| **Healthcare - 5.95%** | | |
| Becton, Dickinson & Co. | 7,000 | $ 601,580 |
| Cardinal Health, Inc. | 5,500 | 240,295 |
| Dionex Corp. (a) | 5,400 | 639,090 |
| Life Technologies Corp. (a) | 5,541 | 305,863 |
| Pharmaceutical Product Development, Inc. | 4,000 | 123,400 |
| St. Jude Medical, Inc. | 10,500 | 561,120 |
| | | 2,471,348 |
| **Household Products - 3.68%** | | |
| Colgate-Palmolive Co. | 6,600 | 556,710 |
| Kimberly-Clark Corp. | 8,000 | 528,480 |
| Procter & Gamble Co. | 6,827 | 443,072 |
| | | 1,528,262 |
| **Industrial Conglomerates - 11.87%** | | |
| 3M Co. | 9,900 | 962,379 |
| Eaton Corp. | 17,600 | 942,128 |
| Emerson Electric Co. | 11,400 | 692,664 |
| General Electric Co. | 18,300 | 374,235 |
| Leggett & Platt, Inc. | 5,200 | 136,708 |
| Raven Industries, Inc. | 14,342 | 779,631 |
| Tyco International, Ltd. | 21,375 | 1,041,818 |
| | | 4,929,563 |
| **Industrial Machinery - 5.39%** | | |
| Graco, Inc. | 21,438 | 1,072,543 |
| Illinois Tool Works, Inc. | 7,200 | 420,552 |
| Lincoln Electric Holdings, Inc. | 9,500 | 746,510 |
| | | 2,239,605 |
| **Insurance - 4.98%** | | |
| Alleghany Corp. (a) | 2,135 | 702,369 |
| Aon Corp. | 6,000 | 313,020 |
| Berkshire Hathaway, Inc. - Class B (a) | 6,500 | 541,450 |
| Tokio Marine Holdings, Inc. (b) | 3,000 | 83,280 |
| White Mountains Insurance Group, Ltd. | 1,200 | 429,012 |
| | | 2,069,131 |
| **Packaged Foods - 3.83%** | | |
| Archer-Daniels-Midland Company | 12,500 | 462,750 |
| Campbell Soup Co. | 19,500 | 655,005 |
| Coca-Cola Co./The | 7,000 | 472,220 |
| | | 1,589,975 |
| **Pharmaceuticals - 4.32%** | | |
| Bristol-Myers Squibb Co. | 8,500 | 238,850 |
| GlaxoSmithKline plc (b) | 10,000 | 436,600 |
| Novartis AG (b) | 5,845 | 345,884 |
| Novo Nordisk A/S (b) | 3,100 | 394,909 |
| Pfizer, Inc. | 11,500 | 241,040 |
| Teva Pharmaceutical Industries Ltd. (b) | 3,000 | 137,190 |
| | | 1,794,473 |
| **Publishing & Printing Media - 1.04%** | | |
| John Wiley & Sons, Inc. - Class A | 8,500 | 432,905 |

*See accompanying notes which are an integral part of the financial statements.*

**Marathon Value Portfolio**
**Schedule of Investments - continued**
**April 30, 2011**
**(Unaudited)**

| **Common Stocks - 83.30% - continued** | **Shares** | **Fair Value** |
|---|---|---|
| **Restaurants - 1.58%** | | |
| McDonald's Corp. | 8,400 | $ 657,804 |
| **Retail Stores - 5.28%** | | |
| Bed Bath & Beyond, Inc. (a) | 7,000 | 392,840 |
| Costco Wholesale Corp. | 6,300 | 509,796 |
| Family Dollar Stores, Inc. | 2,500 | 135,525 |
| Lowe's Companies, Inc. | 16,500 | 433,125 |
| Tiffany & Co. | 5,000 | 347,200 |
| Weis Markets, Inc. | 9,100 | 375,557 |
| | | 2,194,043 |
| **Specialty Chemicals - 3.95%** | | |
| PPG Industries, Inc. | 9,000 | 852,030 |
| Valspar Corp. | 20,000 | 786,200 |
| | | 1,638,230 |
| **Staffing Services - 0.36%** | | |
| CDI Corp. | 10,100 | 149,682 |
| **TOTAL COMMON STOCKS (Cost $22,609,763)** | | 34,594,059 |
| **Real Estate Investment Trusts - 2.92%** | | |
| Colony Financial, Inc. | 19,350 | 361,458 |
| EastGroup Properties, Inc. | 5,000 | 230,300 |
| Plum Creek Timber Co., Inc. | 14,370 | 619,203 |
| **TOTAL REAL ESTATE INVESTMENT TRUSTS (Cost $874,964)** | | 1,210,961 |
| **Preferred Stock - 0.88%** | | |
| E. I. du Pont de Nemours & Co., callable on 07/05/2011 @ $120 | 4,000 | 364,640 |
| **TOTAL PREFERRED STOCK (Cost $308,578)** | | 364,640 |

| **Commercial Paper - 4.81%** | **Principal Amount** | |
|---|---|---|
| ING America Insurance Holdings., 1.85%, 02/22/2011 | $ 1,000,000 | 999,567 |
| Sears Roebuck Acceptance Corp., 1.85%, 05/11/2011 | 1,000,000 | 999,744 |
| **TOTAL COMMERCIAL PAPER (Cost $1,999,311)** | | 1,999,311 |

*See accompanying notes which are an integral part of the financial statements.*

**Marathon Value Portfolio**
**Schedule of Investments - continued**
**April 30, 2011**
**(Unaudited)**

| **Corporate Bonds - 5.59%** | | **Principal Amount** | | **Fair Value** |
|---|---|---|---|---|
| Associated Banc-Corp, 6.750%, 08/15/2011 | $ | 300,000 | $ | 303,940 |
| BB&T Corp., 3.100%, 07/28/2011 | | 400,000 | | 402,521 |
| CWABS, Inc., 3.213%, 10/25/2032 (d) (f) | | 27,904 | | 3,934 |
| CWABS, Inc., 0.873%, 04/25/2032 (d) (f) | | 70,098 | | 41,434 |
| Georgia - Pacific LLC, 9.500%, 12/01/2011 | | 500,000 | | 523,750 |
| Goldman Sachs Group Inc./The, 5.700%, 09/01/2012 | | 400,000 | | 423,642 |
| IMPAC CMB Trust, 1.113%, 10/25/2033 (e) (f) | | 133,269 | | 116,304 |
| IMPAC CMB Trust, 1.053%, 09/25/2034 (e) (f) | | 134,997 | | 99,827 |
| Mississippi Chemical Corp., 7.250%, 11/15/2017 (a) (c) | | 125,000 | | - |
| Petrobras International Finance Co., 9.750%, 07/06/2011 | | 400,000 | | 408,000 |
| **TOTAL CORPORATE BONDS (Cost $2,412,220)** | | | | 2,323,352 |
| **Cash Equivalents - 2.23%** | | **Shares** | | |
| Huntington Conservative Deposit Account 0.250% (f) | | 926,091 | $ | 926,091 |
| **TOTAL CASH EQUIVALENTS (Cost $926,091)** | | | | 926,091 |
| **TOTAL INVESTMENTS (Cost $29,130,927) - 99.73%** | | | $ | 41,418,414 |
| **Other assets in excess of liabilities - 0.27%** | | | | 112,425 |
| **TOTAL NET ASSETS - 100.00%** | | | $ | 41,530,839 |

(a) Non-income producing.
(b) American Depositary Receipt.
(c) In default, issuer filed Chapter 11 bankruptcy. This security is currently valued according to fair value procedures approved by the Trust.
(d) Asset-Backed Security.
(e) Collateralized mortgage obligation.
(f) Variable rate securities; the coupon rate shown represents the rate at April 30, 2011.

*See accompanying notes which are an integral part of the financial statements.*

**Marathon Value Portfolio**
**Statement of Assets and Liabilities**
**April 30, 2011**
**(Unaudited)**

| | |
|---|---|
| **Assets** | |
| Investments in securities | |
| At cost | $ 29,130,927 |
| At fair value | 41,418,414 |
| Interest receivable | 43,840 |
| Receivable from capital stock sold | 42,500 |
| Dividends receivable | 36,913 |
| Receivable from investments sold | 34,199 |
| Receivable from tax reclaim | 567 |
| **Total assets** | 41,576,433 |
| **Liabilities** | |
| Accrued advisory fees (a) | 42,068 |
| Payable from capital stock purchased | 3,526 |
| **Total liabilities** | 45,594 |
| **Net Assets** | $ 41,530,839 |
| **Net Assets consist of:** | |
| Paid in capital | 29,144,981 |
| Accumulated undistributed net investment income (loss) | 60,894 |
| Accumulated net realized gain (loss) on investments | 37,477 |
| Net unrealized appreciation (depreciation) on investments: | 12,287,487 |
| **Net Assets** | $ 41,530,839 |
| Shares outstanding (unlimited number of shares authorized) | 2,372,221 |
| **Net Asset Value** | |
| Offering and redemption price per share | $ 17.51 |

(a) See Note 4 in the Notes to the Financial Statements.

*See accompanying notes which are an integral part of the financial statements.*

**Marathon Value Portfolio**
**Statement of Operations**
**For the period ended April 30, 2011**
**(Unaudited)**

| | | |
|---|---|---|
| **Investment Income** | | |
| Dividend income (net of foreign withholding tax of $10,910) | $ | 326,197 |
| Interest income | | 31,897 |
| **Total Income** | | 358,094 |
| | | |
| **Expenses** | | |
| Investment advisor fee (a) | | 245,112 |
| **Total Expenses** | | 245,112 |
| Net operating expenses | | 245,112 |
| **Net Investment Income (Loss)** | | 112,982 |
| | | |
| **Realized & Unrealized Gain (Loss)** | | |
| Net realized gain (loss) on investment securities | | 475,013 |
| Change in unrealized appreciation (depreciation) on investment securities | | 4,738,708 |
| Net realized and unrealized gain (loss) on investment securities and foreign currency translation | | 5,213,721 |
| **Net increase (decrease) in net assets resulting from operations** | $ | 5,326,703 |

(a) See Note 4 to the Financial Statements

*See accompanying notes which are an integral part of the financial statements.*

**Marathon Value Portfolio**
**Statements of Changes In Net Assets**

| **Increase (Decrease) in Net Assets due to:** | **For the Six Months Ended April 30, 2011 (Unaudited)** | **Year ended October 31, 2010** |
|---|---|---|
| **Operations** | | |
| Net investment income (loss) | $ 112,982 | $ 255,175 |
| Net realized gain (loss) on investment securities | 475,013 | 61,180 |
| Change in unrealized appreciation (depreciation) on investments and foreign currency translation | 4,738,708 | 4,683,914 |
| Net increase (decrease) in net assets resulting from operations | 5,326,703 | 5,000,269 |
| **Distributions** | | |
| From net investment income | (248,945) | (263,370) |
| Change in net assets from distributions | (248,945) | (263,370) |
| **Capital Share Transactions** | | |
| Proceeds from shares sold | 1,190,941 | 2,652,991 |
| Reinvestment of distributions | 248,268 | 262,537 |
| Amount paid for shares redeemed | (1,817,314) | (1,623,127) |
| Net increase (decrease) in net assets resulting from share transactions | (378,105) | 1,292,401 |
| **Total Increase (Decrease) in Net Assets** | 4,699,653 | 6,029,300 |
| **Net Assets** | | |
| Beginning of period | 36,831,186 | 30,801,886 |
| End of period | $ 41,530,839 | $ 36,831,186 |
| Accumulated undistributed net investment income included in net assets at end of period | $ 60,894 | $ 196,857 |
| **Capital Share Transactions** | | |
| Shares sold | 72,049 | 185,385 |
| Shares issued in reinvestment of distributions | 15,278 | 18,424 |
| Shares redeemed | (108,682) | (113,190) |
| Net increase (decrease) from capital share transactions | (21,355) | 90,619 |

*See accompanying notes which are an integral part of the financial statements.*

**Marathon Value Portfolio**
**Financial Highlights**
(For one share outstanding during each period)

| | For the Six Months Ended April 30, 2011 (unaudited) | Year ended October 31, 2010 | Year ended October 31, 2009 | Year ended October 31, 2008 | Year ended October 31, 2007 | Year ended October 31, 2006 |
|---|---|---|---|---|---|---|
| **Selected Per Share Data** | | | | | | |
| Net asset value, beginning of period | $ 15.39 | $ 13.37 | $ 12.54 | $ 16.88 | $ 15.54 | $ 14.31 |
| Income from investment operations | | | | | | |
| Net investment income | 0.05 | 0.11 | 0.12 | 0.16 | 0.16 | 0.11 |
| Net realized and unrealized gain (loss) | 2.17 | 2.02 | 0.91 | (4.01) | 1.57 | 1.45 |
| Total from investment operations | 2.22 | 2.13 | 1.03 | (3.85) | 1.73 | 1.56 |
| **Less Distributions to shareholders:** | | | | | | |
| From net investment income | (0.10) | (0.11) | (0.19) | (0.18) | (0.11) | (0.10) |
| From capital gains | | - | (0.01) | (0.31) | (0.28) | (0.23) |
| Total distributions | (0.10) | (0.11) | (0.20) | (0.49) | (0.39) | (0.33) |
| Net asset value, end of period | $ 17.51 | $ 15.39 | $ 13.37 | $ 12.54 | $ 16.88 | $ 15.54 |
| **Total Return (a)** | 14.50% (b) | 16.04% | 8.51% | -23.36% | 11.30% | 11.01% |
| **Ratios and Supplemental Data** | | | | | | |
| Net assets, end of period (000) | $ 41,531 | $ 36,831 | $ 30,802 | $ 26,979 | $ 28,081 | $ 24,937 |
| Ratio of expenses to average net assets before waiver | 1.25% (c) | 1.27% | 1.28% | 1.27% | 1.26% | 1.27% |
| Ratio of expenses to average net assets | 1.25% (c) | 1.23% | 1.25% | 1.25% | 1.25% | 1.25% |
| Ratio of net investment income to average net assets before waiver | 0.58% (c) | 0.72% | 0.99% | 1.13% | 0.95% | 0.77% |
| Ratio of net investment income to average net assets | 0.58% (c) | 0.76% | 1.02% | 1.15% | 0.96% | 0.79% |
| Portfolio turnover rate | 4.13% | 16.14% | 25.53% | 41.77% | 25.12% | 29.03% |

(a) Total return in the above table represents the rate that the investor would have earned or lost on an investment in the Fund, assuming reinvestment of dividends.
(b) Not annualized.
(c) Annualized.

*See accompanying notes which are an integral part of the financial statements.*

## NOTE 1. ORGANIZATION

Marathon Value Portfolio (the "Fund") was organized as a diversified series of Unified Series Trust (the "Trust") on December 18, 2002. The Trust is an open-end investment company established under the laws of Ohio by an Agreement and Declaration of Trust dated October 17, 2002 (the "Trust Agreement"). On January 3, 2003, the Fund acquired all of the assets and liabilities of the Marathon Value Portfolio, a series of the AmeriPrime Funds (the "Predecessor Fund") in a tax-free reorganization. The Predecessor Fund commenced operations on March 12, 1998. The Trust Agreement permits the Board of Trustees of the Trust (the "Board") to issue an unlimited number of shares of beneficial interest of separate series without par value. The Fund is one of a series of funds currently authorized by the Board. The Fund's investment objective is to provide long-term capital appreciation in a well-diversified portfolio. Since March 28, 2000, the Fund's advisor has been Spectrum Advisory Services, Inc. (the "Advisor").

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements.

*Securities Valuation* - All investments in securities are recorded at their estimated fair value as described in Note 3.

*Federal Income Taxes* - The Fund makes no provision for federal income or excise tax. The Fund intends to qualify each year as a regulated investment company ("RIC") under subchapter M of the Internal Revenue Code of 1986, as amended, by complying with the requirements applicable to RICs and by distributing substantially all of its taxable income. The Fund also intends to distribute sufficient net investment income and net capital gains, if any, so that it will not be subject to excise tax on undistributed income and gains. If the required amount of net investment income or gains is not distributed, the Fund could incur a tax expense.

As of and during the period ended April 30, 2011, the Fund did not have a liability for any unrecognized tax benefits. The Fund recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the statement of operations. During the year, the Fund did not incur any interest or penalties. The Fund is not subject to examination by U.S. federal tax authorities for tax years before 2006.

*Expenses* - Expenses incurred by the Trust that do not relate to a specific fund of the Trust are allocated to the individual funds based on each fund's relative net assets or other appropriate basis (as determined by the Board).

*Security Transactions and Related Income* - The Fund follows industry practice and records security transactions on the trade date. The specific identification method is used for determining gains or losses for financial statements and income tax purposes. Dividend income is recorded on the ex-dividend date and interest income is recorded on an accrual basis. Discounts and premiums on securities purchased are amortized or accreted using the effective interest method. Withholding taxes on foreign dividends have been provided for in accordance with the Fund's understanding of the applicable country's tax rules and rates. The ability of issuers of debt securities held by the Fund to meet their obligations may be affected by economic and political developments in a specific country or region.

*Dividends and Distributions* - The Fund intends to distribute substantially all of its net investment income as dividends to its shareholders on at least an annual basis. The Fund intends to distribute its net realized long-term capital gains and its net realized short-term capital gains at least once a year. Distributions to shareholders, which are determined in accordance with income tax regulations, are recorded on the ex-dividend date. The treatment for financial reporting purposes of distributions made to shareholders during the year from net investment income or net realized capital gains may differ from their ultimate treatment for federal income tax purposes. These differences are caused primarily by differences in the timing of the recognition of certain components of income, expenses or realized capital gain for federal income tax purposes. Where such differences are permanent in nature, they are reclassified in the components of the net assets based on their ultimate characterization for federal income tax purposes. Any such reclassifications will have no effect on net assets, results of operations or net asset values per share of the Fund.

## NOTE 3. SECURITIES VALUATION AND FAIR VALUE MEASUREMENTS

Fair value is defined as the price that a Fund would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market of the investment. Generally accepted accounting principles in the United States of America ("GAAP") establishes a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes.

Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value including such a pricing model and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

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

- Level 1 – quoted prices in active markets for identical securities
- Level 2 – other significant observable inputs (including, but not limited to, quoted prices for an identical security in an inactive market, quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining fair value of investments based on the best information available)

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Equity securities, including common stock, American Depositary Receipts, preferred stocks, and real estate investment trusts, are generally valued by using market quotations, but may be valued on the basis of prices furnished by a pricing service when the Advisor believes such prices more accurately reflect the fair value of such securities. Securities that are traded on any stock exchange are generally valued by the pricing service at the last quoted sale price. Lacking a last sale price, an exchange traded security is generally valued by the pricing service at its last bid price. Securities traded in the NASDAQ over-the-counter market are generally valued by the pricing service at the NASDAQ Official Closing Price. When using the market quotations or close prices provided by the pricing service and when the market is considered active, the security will be classified as a Level 1 security. Sometimes, an equity security owned by the Fund will be valued by the pricing service with factors other than market quotations or when the market is considered inactive. When this happens, the security will be classified as a Level 2 security. When market quotations are not readily available, when the Advisor determines that the market quotation or the price provided by the pricing service does not accurately reflect the current fair value, or when restricted or illiquid securities are being valued, such securities are valued as determined in good faith by the Advisor, in conformity with guidelines adopted by and subject to review by the Board. These securities will be categorized as Level 3 securities.

Investments in mutual funds, including money market mutual funds, are generally priced at the ending net asset value (NAV) provided by the service agent of the fund. These securities will be categorized as Level 1 securities.

Fixed income securities, including corporate bonds and commercial paper will be categorized as Level 1 securities and are valued using market quotations in an active market,. However, they may be valued on the basis of prices furnished by a pricing service when the Advisor believes such prices more accurately reflect the fair value of such securities. A pricing service utilizes electronic data processing techniques based on yield spreads relating to securities with similar characteristics to determine prices for normal institutional-size trading units of debt securities without regard to sale or bid prices. These securities will generally be categorized as Level 2 securities. If the Advisor decides that a price provided by the pricing service does not

**NOTE 3. SECURITIES VALUATION AND FAIR VALUE MEASUREMENTS - continued**

accurately reflect the fair value of the securities, when prices are not readily available from a pricing service, or when restricted or illiquid securities are being valued, securities are valued at fair value as determined in good faith by the Advisor, in conformity with guidelines adopted by and subject to review of the Board. These securities will be categorized as Level 3 securities.

Short-term investments in fixed income securities, (those with maturities of less than 60 days when acquired, or which subsequently are within 60 days of maturity) and cash equivalents such as the Huntington Conservative Deposit Account, are valued by using the amortized cost method of valuation, which the Board has determined will represent fair value. These securities will be classified as Level 2 securities.

In accordance with the Trust's good faith pricing guidelines, the Advisor is required to consider all appropriate factors relevant to the value of securities for which it has determined other pricing sources are not available or reliable as described above. No single standard exists for determining fair value, because fair value depends upon the circumstances of each individual case. As a general principle, the current fair value of an issue of securities being valued by the Advisor would appear to be the amount which the owner might reasonably expect to receive for them upon their current sale. Methods which are in accordance with this principle may, for example, be based on (i) a multiple of earnings; (ii) a discount from market of a similar freely traded security (including a derivative security or a basket of securities traded on other markets, exchanges or among dealers); or (iii) yield to maturity with respect to debt issues, or a combination of these and other methods. Good faith pricing is permitted if, in the Advisor's opinion, the validity of market quotations appears to be questionable based on factors such as evidence of a thin market in the security based on a small number of quotations, a significant event occurs after the close of a market but before a Fund's NAV calculation that may affect a security's value, or the Advisor is aware of any other data that calls into question the reliability of market quotations. Good faith pricing may also be used in instances when the bonds the Fund invests in may default or otherwise cease to have market quotations readily available.

The following is a summary of the inputs used to value the Fund's investments as of April 30, 2011:

| | Valuation Inputs | | | |
|---|---|---|---|---|
| **Assets** | **Level 1 - Quoted Prices in Active Markets** | **Level 2 - Other Significant Observable Inputs** | **Level 3 - Significant Unobservable Inputs** | **Total** |
| Common Stocks* | $ 34,594,059 | $ - | $ - | $ 34,594,059 |
| Real Estate Investment Trusts | 1,210,961 | - | - | 1,210,961 |
| Preferred Stocks | 364,640 | - | - | 364,640 |
| Commercial Paper | - | 1,999,311 | - | 1,999,311 |
| Corporate Bonds | - | 2,323,352 | ** 0 | 2,323,352 |
| Cash Equivalents | - | 926,091 | - | 926,091 |
| Total | $ 36,169,660 | $ 5,248,754 | $ - | $ 41,418,414 |

* Refer to Schedule of Investments for industry classifications

** The Fund held a Mississippi Chemical Corp. corporate bond during the entire reporting period. The bond was fair valued at $0 during the entire period, and is classified as a Level 3 security. The Fund did not purchase, sell, or hold any other Level 3 securities during the period. The Fund did not hold any derivative instruments during the reporting period.

The Fund had no transfers between Level 1 and Level 2 at anytime during the reporting period.

## NOTE 4. FEES AND OTHER TRANSACTIONS WITH AFFILIATES

Under the terms of the management agreement (the "Agreement"), the Advisor has agreed to provide investment advisory services to the Fund, and to pay most operating expenses of the Fund, in return for a "universal fee." The Agreement states that the Fund, not the Advisor, is obligated to pay the following expenses: brokerage fees and commissions, taxes, borrowing costs (such as (a) interest and (b) dividend expenses on securities sold short), fees and expenses of independent trustees and extraordinary or nonrecurring expenses. The Agreement does not require the Advisor to pay indirect expenses incurred by the Fund, such as fees and expenses of other investment companies in which the Fund may invest. As compensation for its management services and agreement to pay the Fund's expenses, the Fund is obligated to pay the Advisor a fee computed and accrued daily and paid monthly at an annual rate of 1.25% of the average daily net assets of the Fund. It should be noted that most investment companies pay their own operating expenses directly, while the Advisor pays the Fund's expenses, except those specified above. For the period ended April 30, 2011, the Advisor earned fees of $245,112 from the Fund before the waiver discussed below.

The Advisor has contractually agreed to waive and/or reimburse the Fund for certain fees and expenses, but only to the extent necessary to maintain the Fund's total annual operating expenses, except brokerage fees and commissions, borrowing costs (such as interest and dividend expenses on securities sold short), taxes, any direct expenses such as expenses incurred by other investment companies in which the Fund may invest and extraordinary litigation expenses, at 1.25% of average daily net assets through February 29, 2012. Any waiver or reimbursement by the Adviser is subject to repayment by the Fund in the three fiscal years following the fiscal year in which the particular waiver or reimbursement occurred; provided that the Fund is able to make the repayment without exceeding the above expense limitation. At April 30, 2011, the Advisor was owed $42,068 for its advisory services.

The amounts subject to repayment by the Fund, pursuant to the aforementioned conditions, at October 31, 2010 are as follows:

| Amount | Recoverable through October 31, |
|---|---|
| $7,866 | 2012 |
| 6,101 | 2013 |

The Trust retains Huntington Asset Services, Inc. ("HASI") to manage the Fund's business affairs and provide the Fund with administrative services, fund accounting and transfer agency services, including all regulatory reporting and necessary office equipment and personnel. The Advisor paid all administrative, transfer agency, and fund accounting fees on behalf of the Fund per the Agreement. Certain officers of the Trust are members of management and/or employees of HASI. HASI operates as a wholly-owned subsidiary of Huntington Bancshares, Inc., the parent company of the Distributor and Huntington National Bank, the custodian of the Fund's investments (the "Custodian"). A Trustee of the Trust is a member of management of the Custodian.

Unified Financial Securities, Inc. (the "Distributor") acts as the principal distributor of the Fund. There were no payments made to the Distributor by the Fund for the period ended April 30, 2011. A Trustee of the Trust is a member of management of Huntington National Bank, a subsidiary of Huntington Bancshares, Inc. (the parent of the Distributor) and officers of the Trust are officers of the Distributor and such persons may be deemed to be affiliates of the Distributor.

## NOTE 5. INVESTMENT TRANSACTIONS

For the period ended April 30, 2011, purchases and sales of investment securities, other than short-term investments were as follows:

| | | |
|---|---|---|
| **Purchases** | | |
| U.S. Government Obligations | $ | - |
| Other | | 1,484,925 |
| **Sales** | | |
| U.S. Government Obligations | $ | 1,020,781 |
| Other | | 2,005,716 |

At April 30, 2011, the net unrealized appreciation (depreciation) of investments for tax purposes was as follows:

| | Amount |
|---|---|
| Gross Appreciation | $ 12,687,699 |
| Gross (Depreciation) | (431,622) |
| Net Appreciation (Depreciation) on Investments | $ 12,256,077 |

At April 30, 2011, the aggregate cost of securities for federal income tax purposes was $29,162,337**.**

## NOTE 6. ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

## NOTE 7. BENEFICIAL OWNERSHIP

The beneficial ownership, either directly or indirectly, of 25% or more of the outstanding shares of a fund creates a presumption of control of the Fund, under Section 2(a)(9) of the Investment Company Act of 1940. As of May 10, 2011, Charles Schwab & Co. held, in an omnibus account for the benefit of others, 76.85% of the Fund’s shares. As a result, Charles Schwab & Co. may be deemed to control the Fund. Marc S. Heilweil, President of the Advisor, owns 3.99% of the outstanding shares of the Fund as of May 10, 2011.

## NOTE 8. DISTRIBUTIONS TO SHAREHOLDERS

On December 28, 2010, the Fund paid an income distribution of $0.1040 per share to shareholders of record on December 27, 2010.

The tax character of distributions paid during the fiscal years 2010 and 2009 were as follows:

| | 2010 | 2009 |
|---|---|---|
| Ordinary income | $ 263,370 | $ 450,105 |

**NOTE 8. DISTRIBUTIONS TO SHAREHOLDERS - continued**

At October 31, 2010, the components of distributable earnings (accumulated losses) on a tax basis were as follows:

| | | |
|---|---|---|
| Undistributed ordinary income | $ | 213,764 |
| Capital Losses carryforward | | (423,033) |
| Unrealized appreciation | | 7,517,369 |
| | $ | 7,308,100 |

As of October 31, 2010, the difference between book basis and tax basis unrealized appreciation (depreciation) is primarily attributable to the tax deferral of losses on wash sales and partnership income.

**NOTE 9. CAPITAL LOSS CARRYFORWARD**

At October 31, 2010, the Fund had available for federal tax purposes an unused capital loss carryforward of $423,033, which is available for offset against future taxable net capital gains. To the extent these carryforwards are used to offset future capital gains, it is probable that the amount, which is offset, will not be distributed to shareholders.

| Amount | Expires October 31, |
|---|---|
| $423,033 | 2017 |

**ADVISORY AGREEMENT RENEWAL – (Unaudited)**

The approval of the Management Agreement (the "Agreement") between the Trust and the Advisor for the Marathon Value Portfolio was considered by the Board, including a majority of Trustees who are not interested persons of the Trust or interested persons of the Trust or interested parties to the Agreement (collectively the "Trustees," each a "Trustee") at an in-person meeting held February 6 and 7, 2011. The Chairman of the Board noted that on January 24 and 25, 2011, the Adviser Contract Renewal Committee ("Committee") convened to consider the renewal of these management agreements and to conduct interviews of the Adviser's portfolio managers and compliance personnel.

The Trustees confirmed that the Committee had received and they had reviewed the following materials provided by each Fund's Adviser (and Subadviser, if applicable), the Administrator and the CCO prior to their meeting: (i) executed copies of the Fund's management agreement, Subadvisory agreement(s) and expense cap side letter, as applicable; (ii) the Administrator's letter to the Fund's Adviser (or Subadviser) requesting detailed information designed to assist the Trustees in their review pursuant to Section 15(c) of the Investment Company Act and the Adviser's or (Subadviser's) response thereto; (iii) a memorandum from the Trust's CCO summarizing the Adviser's compliance program, including its code of ethics and proxy voting policy; (iv) the Adviser's (or Subadviser's) most current Form ADV Parts I and II and accompanying schedules; (v) current financial statements for each Adviser (or Subadviser); (vi) performance reports provided by the Administrator including a Fund's returns for periods ended December 31, 2010, and comparisons to its benchmark(s) and peer group for the same periods; and (vii) the Administrator's memorandum analyzing each Fund's advisory fee and total expense ratio (after fee waivers and reimbursements) compared to those of its peer group.

<u>The Nature, Extent and Quality of Services</u> – The Committee noted that the Adviser manages approximately $370 million in assets, and that the Fund had approximately $37 million in assets, as of December 31, 2010. The Committee reviewed the responses from the Adviser as to the resources provided to the Fund, and considered the adequacy of such resources in light of the expected growth in the levels of Fund assets, and whether the resources are sufficient to sustain positive performance, compliance and other needs. The Committee determined that the Adviser's resources appear adequate, and specifically noted that the Adviser provides the Fund's portfolio manager, who makes all investment decisions for the Fund and who appears to have adequate experience to manage the Fund. The Committee also noted that the Adviser also provides the support of various investment management and administrative staff, including the Adviser's compliance officer, two investment professionals who provide trading, research and marketing services to the Fund, a fixed income trader/research analyst, and three administrative personnel. The Committee noted that the Adviser had begun monitoring 22c-2 compliance in an effort to reduce Fund expenses, but was not otherwise proposing any changes to the level of services provided to the Fund.

The Committee noted that various compliance reports had been provided by the Adviser and the Trust's CCO to the Board throughout the year, and noted, based on such reports, that the Fund's investment policies and restrictions were consistently complied with during the last year. The CCO reported to the Committee that the Adviser had updated its disaster recovery plans and had implemented off-site electronic recordkeeping storage. The Committee further noted that the Trust's CCO had reviewed the Adviser's compliance policies and procedures and determined that they appeared reasonably designed to prevent violation of federal securities laws.

<u>Fund Performance</u> – The Committee discussed the Fund's performance and reviewed other materials provided by the Adviser and the Administrator with respect to such performance. The Committee noted that the Administrator reported that the Fund had outperformed its peer group average return and benchmark returns for the 1-, 3-, 5-, and 10-year periods ended December 31, 2010. The Administrator noted that the Fund has maintained its 5-star rating from Morningstar.

**ADVISORY AGREEMENT RENEWAL – (Unaudited) – continued**

Fee Rates and Profitability – The Committee noted that the Adviser was capping certain operating expenses of the Fund at 1.25% through February 28, 2011 and planned to continue capping expenses at that rate through February 29, 2012. The Committee noted that although the advisory fee of 1.25% was higher than the Fund's peer group average, the fee charged by the advisor is a universal fee out of which the Adviser pays all of the Fund's expenses. The Committee also noted that the Fund's net expense ratio (after the fee waivers and reimbursement) were similar to its peer group average and the same as its peer group median.

The Committee next reviewed the Adviser's preliminary income statement and profitability analysis for the year ended December 31, 2010. They noted that the Fund was not profitable to the Adviser in 2010 and that the Adviser reported that it had not yet realized a profit from managing the Fund. The Committee also noted that the Adviser has not entered into any soft dollar arrangements with respect to the Fund.

Economies of Scale – In determining the reasonableness of the advisory fees, the Committee also considered whether economies of scale will be realized as the Fund grows larger, and the extent to which this is reflected in the advisory fees. The Adviser reported that it had changed its marketing strategy for the Fund to focus more on the financial adviser market in an effort to increase Fund assets. The Committee noted that the Fund's assets are not growing and it did not appear that the Adviser has begun to realize any significant economies of scale from managing the Fund.

The Committee reviewed all of the foregoing, the Committee determined that the Funds' advisory fees were reasonable, based on the quality of services provided to the Funds, and unanimously voted to recommend that the Board approve the Funds' Management Agreement. Based on the above, the Board, including all of the Trustees who are not "interested persons" (within the meaning of the 1940 Act) of the Trust or the Adviser, determined that the Advisory Agreement with the Adviser was reasonable and unanimously approved the continuance of the Advisory Agreements with the Adviser for an additional year.

## PROXY VOTING

A description of the policies and procedures that each Fund uses to determine how to vote proxies relating to portfolio securities and information regarding how each Fund voted those proxies during the most recent twelve month period ended June 30 is available without charge upon request by (1) calling the Fund at (800) 788-6086 and (2) from Fund documents filed with the Securities and Exchange Commission ("SEC") on the SEC's website at www.sec.gov.



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This report is intended only for the information of shareholders or those who have received the Funds' prospectus which contains information about each Funds' management fee and expenses. Please read the prospectus carefully before investing.

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