

Nakoma Mutual Funds

Nakoma Absolute Return Fund

(Ticker Symbol: NARFX)

STATEMENT OF ADDITIONAL INFORMATION

September 25, 2009

This Statement of Additional Information (the “SAI”) is not a prospectus. It contains information in addition to the information in the Fund’s Prospectus. The Fund’s Prospectus, dated September 25, 2009 (the “Prospectus”), which may be supplemented from time to time, contains the basic information you should know before investing in the Fund. You should read this SAI together with the Fund’s Prospectus. The Fund’s audited financial statements for the fiscal year ended May 31, 2009 are incorporated herein by reference to the Fund’s annual report to shareholders for the year ended May 31, 2009.

For a free copy of the current Prospectus or annual report, contact your investment representative, call the Fund toll-free at 1-866-6NAKOMA (1-866-662-5662) or access the Fund’s internet website at www.nakomafunds.com.

Table of Contents

	Page
FUND HISTORY	1
INVESTMENT STRATEGIES AND RISKS	1
DISCLOSURE OF PORTFOLIO HOLDINGS	13
OFFICERS AND TRUSTEES	15
CODES OF ETHICS AND PROXY VOTING GUIDELINES AND PROCEDURES	17
INVESTMENT ADVISORY AND OTHER SERVICES	18
PORTFOLIO TRANSACTIONS	21
TAXATION OF THE FUND.....	23
ORGANIZATION, VOTING RIGHTS AND PRINCIPAL HOLDERS	23
PAYMENTS TO INTERMEDIARIES, OTHER FEES	24
FURTHER INFORMATION RELATED TO YOUR ACCOUNT	25
PRICING OF SHARES	26
REGISTRATION STATEMENT	28
FINANCIAL STATEMENTS	28

FUND HISTORY

The Nakoma Absolute Return Fund (the “Fund”) is a series of Nakoma Mutual Funds (the “Trust”), an open-end, diversified management investment company, commonly called a mutual fund, that was organized as a Delaware statutory trust on March 7, 2006 and is registered with the Securities and Exchange Commission (the “SEC”). The Fund’s investment adviser is Nakoma Capital Management, LLC (the “Adviser”).

The Fund currently offers one class of shares of common stock. The Fund may offer additional classes of shares in the future.

Each share represents a proportionate interest in the Fund’s assets. All shares have the same voting and other rights and preferences. The shares have noncumulative voting rights. For elections of members of the Fund’s Board of Trustees (the “Board”), holders of more than 50% of the shares have the ability to elect all of the members of the Board. If this happens, holders of the remaining shares entitled to vote will not be able to elect anyone to the Board.

INVESTMENT STRATEGIES AND RISKS

Generally, the policies and restrictions discussed in this SAI and in the Prospectus apply when the Fund makes an investment. In most cases, the Fund is not required to sell a security because circumstances change and the security no longer meets one or more of the Fund’s policies or restrictions. If a percentage restriction or limitation is met at the time of investment, a later increase or decrease in the percentage due to a change in the value or liquidity of portfolio securities will not be considered a violation of the restriction or limitation.

If a bankruptcy or other extraordinary event occurs concerning a particular security the Fund owns, the Fund may receive stock, real estate, or other investments that the Fund would not, or could not, buy. If this happens, the Fund intends to sell such investments as soon as practicable while trying to maximize the return to shareholders.

The Fund has adopted certain investment restrictions as fundamental policies. A fundamental policy may only be changed if the change is approved by (i) more than 50% of the Fund’s outstanding shares or (ii) 67% or more of the Fund’s shares present at a shareholder meeting if more than 50% of the Fund’s outstanding shares are represented at the meeting in person or by proxy, whichever is less.

Fundamental Investment Policies

The Fund may not:

- (1) Invest 25% or more of the value of its total assets in any particular industry or groups of industries (other than U.S. Government securities and securities of other investment companies).
- (2) Invest directly in real estate or interests in real estate; however, the Fund may own debt or equity securities issued by companies engaged in those businesses.
- (3) Purchase or sell physical commodities unless acquired as a result of ownership of securities or other instruments (but this limitation shall not prevent the Fund from purchasing or selling foreign currencies, options, futures, swaps, forward contracts, or other derivative instruments, or from investing in securities or other instruments backed by physical commodities).
- (4) Lend any security or make any other loan if, as a result, more than 33 1/3% of the Fund’s total assets would be lent to other parties (but this limitation does not apply to investments in repurchase agreements, commercial paper, debt securities, or loans, including assignments and participation interests).
- (5) Act as an underwriter of securities issued by others, except to the extent that the Fund may be deemed an underwriter in connection with the disposition of its portfolio securities.
- (6) Borrow money, except in amounts not to exceed 33-1/3% of the value of the Fund’s total assets (including the amount borrowed) taken at market value (i) from banks for temporary or short-term purposes or for the clearance of transactions, (ii) in connection with the redemption of portfolio shares or to finance failed settlements of portfolio trades without immediately liquidating portfolio securities or other assets, (iii) in order to fulfill commitments or plans to purchase additional securities pending the anticipated sale of other portfolio securities or assets and (iv) for investment purposes in accordance with the Fund’s investment policies. For purposes of this investment restriction, investments in short sales, futures contracts, options on futures contracts, securities or indices and forward commitments shall not constitute borrowing.

- (7) Issue senior securities. For purposes of this restriction, borrowing money in accordance with paragraph 6 above, making loans in accordance with paragraph 4 above, the issuance of shares of beneficial interest in multiple classes or series, the deferral of trustees' fees, the purchase or sale of options, futures contracts, forward commitments and repurchase agreements entered into in accordance with the Fund's investment policies or within the meaning of paragraph (1) below, are not deemed to be senior securities.
- (8) With respect to 75% of its total assets, purchase securities of an issuer (other than the U.S. Government, its agencies, instrumentalities or authorities or repurchase agreements collateralized by U.S. Government securities and other investment companies), if: (i) such purchase would cause more than 5% of the Fund's total assets taken at market value to be invested in the securities of such issuer; or (ii) such purchase would at the time result in more than 10% of the outstanding voting securities of such issuer being held by the Fund.

Non-Fundamental Investment Policies

The Board has adopted additional investment restrictions for the Fund. These restrictions are operating policies of the Fund and may be changed by the Board without shareholder approval. The additional restrictions adopted by the Board to date include the following:

- (1) The Fund does not currently intend to purchase securities on margin, except that the Fund may obtain such short-term credits as are necessary for the clearance of transactions, and provided that margin payments and other deposits in connection with transactions involving short sales, futures, options, swaps, forward contracts and other permitted investment techniques shall not be deemed to constitute purchasing securities on margin.
- (2) The Fund may not mortgage, pledge, hypothecate or in any manner transfer any securities or other assets owned or held by the Fund except in connection with permitted borrowings and in connection with margin deposits, security interests, liens and collateral arrangements with respect to transactions involving short sales, options, futures contracts and other permitted investment techniques.
- (3) The Fund does not currently intend to purchase any security or enter into a repurchase agreement if, as a result, more than 15% of its net assets would be invested in repurchase agreements not entitling the holder to payment of principal and interest within seven days and in securities that are illiquid by virtue of legal or contractual restrictions on resale or the absence of a readily available market. The Board, or the Adviser acting pursuant to authority delegated by the Board, may determine that a readily available market exists for securities eligible for resale pursuant to Rule 144A ("Rule 144A Securities") under the Securities Act of 1933, as amended (the "Securities Act"), or any successor to such rule, Section 4(2) commercial paper and municipal lease obligations. Accordingly, such securities may not be subject to the foregoing limitation.
- (4) The Fund may not invest in companies for the purpose of exercising control of management.
- (5) The Fund may not invest in foreign securities that are not traded in the U.S.

For purposes of the Fund's policies on investing in particular industries, the Fund will rely primarily on industry or industry group classifications as published by Thomson Reuters. To the extent that the industry classifications published by Thomson Reuters are so broad that the primary economic characteristics in a single class are materially different, the Fund may further classify issuers in accordance with standard industry classifications as published by the SEC.

Portfolio Turnover

The Fund expects to have high portfolio turnover, estimated at between approximately 100% and 200%. Portfolio trading will be undertaken principally to accomplish the Fund's investment objective. The Fund is free to dispose of portfolio securities at any time, subject to complying with the Internal Revenue Code of 1986, as amended (the "Code") and the Investment Company Act of 1940, as amended (the "1940 Act"), when changes in circumstances or conditions make such a move desirable in light of the Fund's investment objective. Therefore, the Fund will not attempt to achieve or be limited to a predetermined rate of portfolio turnover.

The portfolio turnover rate identifies the amount of trading activity in the Fund's portfolio. A turnover rate of 100% would occur, for example, if all of the Fund's investments held at the beginning of a year were replaced by the end of the year, or if a single investment was frequently traded. Portfolio turnover is affected by market conditions, changes in the size of the Fund, the nature of the Fund's investments, and the investment style of the portfolio managers. Changes are made in the Fund's portfolio whenever the portfolio managers believe such changes are desirable. While the tax consequences of portfolio turnover are considered, the portfolio managers will sell a stock or close a short position when they believe it is appropriate to do so, regardless of how long the Fund has held or been short the securities. Short-term transactions may also result from liquidity needs, securities having reached a price or yield objective, changes in interest rates or the credit standing of an issuer, or by reason of economic or other developments not foreseen at the time of the investment decision. The Fund may also sell one security and simultaneously purchase the same or a comparable security to take advantage of short-term differentials in securities prices.

Increased portfolio turnover may result in higher costs for brokerage commissions, dealer mark-ups and other transaction costs, and may also result in taxable capital gains, including short-term capital gains that are taxed at ordinary income rates to the extent they are not offset by capital losses, and in the disallowance of a deduction for certain of the Fund's losses. Higher costs associated with increased portfolio turnover may offset gains in the Fund's performance.

For the fiscal years ended May 31, 2008 and May 31, 2009, the Fund's portfolio turnover rate for long positions, excluding short positions, was 124% and 115%, respectively.

Cash Position

As discussed in the Prospectus, the Fund's cash position may temporarily increase for defensive purposes. These short-term instruments include: rated commercial paper and variable amount master demand notes; U.S. dollar-denominated time and savings deposits (including certificates of deposit); bankers' acceptances; obligations of the U.S. Government or its agencies or instrumentalities; repurchase agreements collateralized by eligible investments of a Fund; securities of other mutual funds that invest primarily in debt obligations with remaining maturities of 13 months or less (which investments also are subject to an advisory fee); and other similar high-quality short-term U.S. dollar-denominated obligations.

Commercial paper consists of unsecured promissory notes issued by corporations. Issues of commercial paper normally have maturities of less than nine months and fixed rates of return. The Fund may purchase commercial paper consisting of issues rated at the time of purchase within the two highest rating categories by Standard & Poor's, Fitch or Moody's, or which have been assigned an equivalent rating by another nationally recognized statistical ratings organization. The Fund may also invest in commercial paper that is not rated, but that is determined by the Adviser to be of comparable quality to instruments that are so rated.

Bankers' acceptances are credit instruments evidencing the obligation of a bank to pay a draft drawn on it by a customer. These instruments reflect the obligation both of the bank and of the drawer to pay the full amount of the instrument upon maturity.

Variable amount master demand notes are unsecured demand notes that permit the indebtedness thereunder to vary and provide for periodic adjustments in the interest rate according to the terms of the instrument. Because master demand notes are direct lending arrangements between the Fund and the issuer, they are not normally traded. Although there is no secondary market in the notes, the Fund may demand payment of principal and accrued interest at any time. While the notes are not typically rated by credit rating agencies, issuers of variable amount master demand notes (which are normally manufacturing, retail, financial, and other business concerns) must satisfy the same criteria as set forth above for commercial paper. The Adviser will consider the earning power, cash flow and other liquidity ratios of the issuers of such notes and will continuously monitor their financial status and ability to meet payment on demand.

Variable rate demand obligations ("VRDOs") are securities in which the interest rate is adjusted at pre-designated periodic intervals. VRDOs may include a demand feature which is a put that entitles the holder to receive the principal amount of the underlying security or securities and which may be exercised either at any time on no more than 30 days' notice or at specified intervals not exceeding 397 calendar days on no more than 30 days' notice.

Illiquid Investments

The Fund may invest up to 15% of its net assets in illiquid investments (i.e., securities that are not readily marketable). The Board has authorized the Adviser to make liquidity determinations with respect to certain

securities, including Rule 144A Securities, commercial paper, and municipal lease obligations purchased by the Fund. Under the guidelines established by the Board, the Adviser will consider the following factors: (i) the frequency of trades and quoted prices for the security; (ii) the number of dealers willing to purchase or sell the security and the number of other potential purchasers; (iii) the willingness of dealers to undertake to make a market in the security; and (iv) the nature of the security and the nature of the marketplace trades, including the time needed to dispose of the security, the method of soliciting offers, and the mechanics of the transfer. In the case of commercial paper, the Adviser will also consider whether the paper is traded flat or in default as to principal and interest and any ratings of the paper by a nationally recognized statistical rating organization. Certain securities previously deemed liquid may become illiquid in any subsequent assessment of the foregoing factors or other changes.

If illiquid securities exceed 15% of the Fund's net assets after the time of purchase, the Fund will take steps to reduce in an orderly fashion its holdings of illiquid securities. Because illiquid securities may not be readily marketable, the portfolio managers may not be able to dispose of them in a timely manner. As a result, the Fund may be forced to hold illiquid securities while their price depreciates. Depreciation in the price of illiquid securities may cause the NAV of the Fund to decline.

Securities Lending

The Fund may lend securities to qualified parties (typically brokers or other financial institutions) who need to borrow securities in order to complete certain transactions such as covering short sales, avoiding failures to deliver securities, or completing arbitrage activities. The Fund may seek to earn additional income through securities lending. There is the risk of delay in recovering a loaned security or the risk of loss in collateral rights if the borrower fails financially. In addition, the Adviser makes efforts to balance the benefits and risks from granting such loans. The Fund will not have the right to vote on securities while they are being lent. However, the Fund may attempt to call back the loan and vote the proxy if time permits. All loans will be continuously secured by collateral which may consist of cash, U.S. Government securities, domestic and foreign short-term debt instruments, letters of credit, money market mutual funds or other money market accounts, or such other collateral as permitted by the SEC. Cash collateral may be invested in affiliated money market funds or other accounts advised by the Adviser to the extent consistent with exemptive relief obtained from the SEC. Cash collateral may also be invested in unaffiliated money market funds or other accounts. The Fund will be responsible for the risks associated with the investment of the cash collateral, including the risk that the Fund may lose money on the investment or fail to earn sufficient income to meet its obligation to the borrower. During the time the securities are on loan, the borrower will pay the Fund any accrued income on those securities, however, such payments of accrued income will not constitute qualified dividend income and will be taxable as ordinary income.

Zero Coupon, Step Coupon, and Pay-In-Kind Securities

Within the parameters of its specific investment policies, the Fund may invest up to 5% of its assets in zero coupon, pay-in-kind, and step coupon securities. Zero coupon bonds are issued and traded at a discount from their face value. They do not entitle the holder to any periodic payment of interest prior to maturity. Step coupon bonds trade at a discount from their face value and pay coupon interest. The coupon rate is low for an initial period and then increases to a higher coupon rate thereafter. The discount from the face amount or par value depends on the time remaining until cash payments begin, prevailing interest rates, liquidity of the security, and the perceived credit quality of the issuer. Pay-in-kind bonds normally give the issuer an option to pay cash at a coupon payment date or give the holder of the security a similar bond with the same coupon rate and a face value equal to the amount of the coupon payment that would have been made. For the purposes of the Fund's restriction on investing in income-producing securities, income-producing securities include securities that make periodic interest payments as well as those that make interest payments on a deferred basis or pay interest only at maturity (e.g., Treasury bills or zero coupon bonds).

Current federal income tax law requires holders of zero coupon securities and step coupon securities to report the portion of the original issue discount on such securities that accrues during a given year as interest income, even though the holders receive no cash payments of interest during the year. In order to qualify as a "regulated investment company" under Subchapter M of the Code, and the regulations thereunder, the Fund must distribute at least 90% of its investment company taxable income (and to avoid the imposition of certain excise taxes, the Fund must distribute at least 98% of its ordinary income), including the original issue discount accrued on zero coupon or step coupon bonds. Because the Fund will not receive cash payments on a current basis with respect to accrued original issue discount on zero coupon bonds or step coupon bonds during the period before interest payments begin, in some years the Fund may have to distribute cash obtained from other sources in order to satisfy the distribution

requirements under, or to avoid excise taxes imposed by, the Code. The Fund might obtain such cash from selling other portfolio holdings which might cause the Fund to incur gains or losses on the sale. Additionally, these actions are likely to reduce the assets to which Fund expenses could be allocated and to reduce the rate of return for the Fund. In some circumstances, such sales might be necessary in order to satisfy cash distribution requirements even though investment considerations might otherwise make it undesirable for the Fund to sell the securities at the time.

Generally, the market prices of zero coupon, step coupon, and pay-in-kind securities are more volatile than the prices of securities that pay interest periodically and in cash and are likely to respond to changes in interest rates to a greater degree than other types of debt securities having similar maturities and credit quality.

Investment Company Securities, including Exchange-Traded Funds

From time to time, the Fund may invest in securities of other investment companies, subject to the provisions of Section 12(d)(1) of the 1940 Act, and any applicable SEC exemptive orders. Section 12(d)(1) prohibits the Fund from acquiring: (i) more than 3% of another investment company's voting stock; (ii) securities of another investment company with a value in excess of 5% of the Fund's total assets; or (iii) securities of such other investment company and all other investment companies owned by the Fund having a value in excess of 10% of the Fund's total assets. In addition, Section 12(d)(1) prohibits another investment company from selling its shares to the Fund if, after the sale: (i) the Fund owns more than 3% of the other investment company's voting stock or (ii) the Fund and other investment companies, and companies controlled by them, own more than 10% of the voting stock of such other investment company.

Investment companies may include index-based investments such as exchange-traded funds ("ETFs"), which hold substantially all of their assets in securities representing their specific index. Accordingly, the main risk of investing in index-based investments is the same as investing in a portfolio of securities comprising the index. As a shareholder of another investment company, the Fund would bear its pro rata portion of the other investment company's expenses, including advisory fees, in addition to the expenses the Fund bears directly in connection with its own operation. The market prices of index-based investments will fluctuate in accordance with both changes in the market value of their underlying portfolio securities and due to supply and demand for the instruments on the exchanges on which they are traded (which may result in their trading at a discount or premium to their NAVs). Index-based investments may not replicate exactly the performance of their specific index because of transaction costs and because of the temporary unavailability of certain component securities of the index. Some ETFs have obtained exemptive orders permitting other investment companies, such as the Fund, to acquire their securities in excess of the limits of Section 12(d)(1) of the 1940 Act.

Aggressive ETF Investment Technique Risk. ETFs may use investment techniques and financial instruments that could be considered aggressive, including the use of futures contracts, options on futures contracts, securities and indices, forward contracts, swap agreements and similar instruments. An ETF's investment in financial instruments may involve a small investment relative to the amount of investment exposure assumed and may result in losses exceeding the amounts invested in those instruments. Such instruments, particularly when used to create leverage, may expose the ETF to potentially dramatic changes (losses or gains) in the value of the instruments and imperfect correlation between the value of the instruments and the relevant security or index. The use of aggressive investment techniques also exposes an ETF to risks different from, or possibly greater than, the risks associated with investing directly in securities contained in an index underlying the ETF's benchmark, including: (1) the risk that an instrument is temporarily mispriced; (2) credit, performance or documentation risk on the amount each ETF expects to receive from a counterparty; (3) the risk that securities prices, interest rates and currency markets will move adversely and an ETF will incur significant losses; (4) imperfect correlation between the price of financial instruments and movements in the prices of the underlying securities; (5) the risk that the cost of holding a financial instrument might exceed its total return; and (6) the possible absence of a liquid secondary market for any particular instrument and possible exchange imposed price fluctuation limits, both of which may make it difficult or impossible to adjust an ETF's position in a particular instrument when desired.

Inverse Correlation ETF Risk. ETFs benchmarked to an inverse multiple of an index should lose value as the index or security underlying such ETF's benchmark is increasing (gaining value) a result that is the opposite from traditional mutual funds.

Leveraged ETF Risk. Leverage offers a means of magnifying market movements into larger changes in an investment's value and provides greater investment exposure than an unleveraged investment. While only certain ETFs employ leverage, many may use leveraged investment techniques for investment purposes. The ETFs that employ leverage will normally lose more money in adverse market environments than ETFs that do not employ leverage.

Depository Receipts

The Fund may invest in sponsored and unsponsored American Depositary Receipts (“ADRs”), which are receipts issued by an American bank or trust company evidencing ownership of underlying securities issued by a foreign issuer. ADRs, in registered form, are designed for use in U.S. securities markets. Unsponsored ADRs may be created without the participation of the foreign issuer. Holders of these ADRs generally bear all the costs of the ADR facility, whereas foreign issuers typically bear certain costs in a sponsored ADR. The bank or trust company depositary of an unsponsored ADR may be under no obligation to distribute shareholder communications received from the foreign issuer or to pass through voting rights. ADRs are generally subject to the same sort of risks as direct investments in a foreign country, such as political and economic risk, and market risk, because their values depend on the performance of a foreign security denominated in its home currency. The risks of foreign investing are addressed in some detail in the Prospectus.

Political and Economic Risk. Foreign investments may be subject to heightened political and economic risks, particularly in emerging markets which may have relatively unstable governments, immature economic structures, national policies restricting investments by foreigners, different legal systems, and economies based on only a few industries. In some countries, there is the risk that the government may take over the assets or operations of a company or that the government may impose taxes or limits on the removal of the Fund’s assets from that country.

Regulatory Risk. There may be less government supervision of foreign markets. As a result, foreign issuers may not be subject to the uniform accounting, auditing, and financial reporting standards and practices applicable to domestic issuers and there may be less publicly available information about foreign issuers.

Market Risk. Foreign securities markets may be less liquid and more volatile than domestic markets. Certain markets may require payment for securities before delivery and delays may be encountered in settling securities transactions. In some foreign markets, there may not be protection against failure by other parties to complete transactions. Such factors may hinder the Fund’s ability to buy and sell emerging market securities in a timely manner, affecting the Fund’s investment strategies and potentially affecting the value of the Fund.

U.S. Government Securities

To the extent permitted by its investment objective and policies, the Fund may invest in U.S. Government securities. The 1940 Act defines U.S. Government securities to include securities issued or guaranteed by the U.S. Government, its agencies, and instrumentalities. U.S. Government securities may also include repurchase agreements collateralized by and municipal securities escrowed with or refunded with U.S. Government securities. U.S. Government securities in which the Fund may invest include U.S. Treasury securities and obligations issued or guaranteed by U.S. Government agencies and instrumentalities that are backed by the full faith and credit of the U.S. Government, such as those issued or guaranteed by the Small Business Administration, Maritime Administration, Export-Import Bank of the U.S., Farmers Home Administration, Federal Housing Administration, and the Government National Mortgage Association (“Ginnie Mae”). In addition, U.S. Government securities in which the Fund may invest include securities backed only by the rights of the issuers to borrow from the U.S. Treasury, such as those issued by the Federal Farm Credit Bank, Federal Intermediate Credit Banks, Tennessee Valley Authority, and the Federal Home Loan Mortgage Corporation (“Freddie Mac”). Securities issued by the Federal National Mortgage Association (“Fannie Mae”), the Federal Home Loan Banks, and the Student Loan Marketing Association (“Sallie Mae”) are supported by the discretionary authority of the U.S. Government to purchase the obligations.

There is no guarantee that the U.S. Government will support securities not backed by its full faith and credit. Accordingly, although these securities have historically involved little risk of loss of principal if held to maturity, they may involve more risk than securities backed by the full faith and credit of the U.S. Government because the Fund must look principally to the agency or instrumentality issuing or guaranteeing the securities for repayment and may not be able to assert a claim against the U.S. if the agency or instrumentality does not meet its commitment.

Futures, Options and Other Derivative Instruments

Futures Contracts. The Fund may enter into contracts for the purchase or sale for future delivery of equity securities, fixed-income securities, foreign currencies, or contracts based on financial indices, including indices of U.S. Government securities, foreign government securities, equity or fixed-income securities. U.S. futures contracts are traded on exchanges which have been designated “contract markets” by the Commodity Futures Trading Commission (“CFTC”) and must be executed through a futures commission merchant (“FCM”), or brokerage firm, which is a member of the relevant contract market. Through their clearing corporations, the exchanges guarantee performance of the contracts as between the clearing members of the exchange.

The buyer or seller of a futures contract is not required to deliver or pay for the underlying instrument unless the contract is held until the delivery date. However, both the buyer and seller are required to deposit “initial margin” for the benefit of the FCM when the contract is entered into. Initial margin deposits are equal to a percentage of the contract’s value, as set by the exchange on which the contract is traded, and currently may be maintained in cash or certain other liquid assets by the Fund’s custodian or sub-custodian for the benefit of the FCM. Initial margin payments are similar to good faith deposits or performance bonds. Unlike margin extended by a securities broker, initial margin payments do not constitute purchasing securities on margin for purposes of the Fund’s investment limitations. If the value of either party’s position declines, that party will be required to make additional “variation margin” payments for the benefit of the FCM to settle the change in value on a daily basis. The party that has a gain may be entitled to receive all or a portion of this amount. In the event of the bankruptcy of the FCM that holds margin on behalf of the Fund, the Fund may be entitled to return of margin owed to the Fund only in proportion to the amount received by the FCM’s other customers. The Adviser will attempt to minimize the risk by careful monitoring of the creditworthiness of the FCMs with which the Fund does business and by depositing margin payments in a segregated account with the Fund’s custodian or with the FCM. The FCM may not maintain margin assets with the Fund’s custodian or sub-custodian and is required to hold such accounts directly with the FCM.

The Fund may enter into futures contracts and related options as permitted under CFTC Rule 4.5. The Fund has claimed exclusion from the definition of the term “commodity pool operator” adopted by the CFTC and the National Futures Association, which regulate trading in the futures markets. Therefore, the Fund is not subject to registration and regulation as a “commodity pool operator” under the Commodity Exchange Act, as amended (the “CEA”).

Although the Fund will segregate cash and liquid assets in an amount sufficient to cover its open futures obligations, the segregated assets would be available to the Fund immediately upon closing out the futures position; however, closing out open futures positions through customary settlement procedures could take several days. Because the Fund’s cash that may otherwise be invested would be held uninvested or invested in other liquid assets so long as the futures position remains open, the Fund’s return could be diminished due to the opportunity losses of foregoing other potential investments.

The Fund may enter into futures contracts to gain exposure to the stock market pending investment of cash balances or to meet liquidity needs. The Fund may also enter into futures contracts to protect the Fund from fluctuations in the value of individual securities or the securities markets generally, or interest rates without actually buying or selling the underlying debt or equity security. For example, if the Fund anticipates an increase in the price of stocks, and it intends to purchase stocks at a later time, the Fund could enter into a futures contract to purchase a stock index as a temporary substitute for stock purchases. If an increase in the market occurs that influences the stock index as anticipated, the value of the futures contracts will increase, thereby serving as a hedge against the Fund not participating in a market advance. This technique is sometimes known as an anticipatory hedge. The Fund may also use this technique with respect to an individual company’s stock. To the extent the Fund enters into futures contracts for this purpose, the segregated assets maintained to cover the Fund’s obligations with respect to the futures contracts will consist of liquid assets from its portfolio in an amount equal to the difference between the contract price and the aggregate value of the initial and variation margin payments made by the Fund with respect to the futures contracts. Conversely, if the Fund holds stocks and seeks to protect itself from a decrease in stock prices, the Fund might sell stock index futures contracts, thereby hoping to offset the potential decline in the value of its portfolio securities by a corresponding increase in the value of the futures contract position. Similarly, if the Fund holds an individual company’s stock and expects the price of that stock to decline, the Fund may sell a futures contract on that stock in hopes of offsetting the potential decline in the company’s stock price. The Fund could protect against a decline in stock prices by selling portfolio securities and investing in money market instruments, but the use of futures contracts enables it to maintain a defensive position without having to sell portfolio securities.

If the Fund owns bonds and the portfolio managers expect interest rates to increase, the Fund may take a short position in interest rate futures contracts. Taking such a position would have much the same effect as the Fund selling bonds in its portfolio. If interest rates increase as anticipated, the value of the bonds would decline, but the value of the Fund’s interest rate futures contract will increase, thereby keeping the NAV of the Fund from declining as much as it may have otherwise. If, on the other hand, the portfolio managers expect interest rates to decline, the Fund may take a long position in interest rate futures contracts in anticipation of later closing out the futures position and purchasing the bonds. Although the Fund can accomplish similar results by buying securities with long maturities and selling securities with short maturities, given the greater liquidity of the futures market than the cash market, it may be possible to accomplish the same result more easily and more quickly by using futures contracts as an investment tool to reduce risk.

The ordinary spreads between prices in the cash and futures markets, due to differences in the nature of those markets, are subject to distortions. First, all participants in the futures market are subject to initial margin and variation margin requirements. Rather than meeting additional variation margin requirements, investors may close out futures contracts through offsetting transactions which could distort the normal price relationship between the cash and futures markets. Second, the liquidity of the futures market depends on participants entering into offsetting transactions rather than making or taking delivery of the instrument underlying a futures contract. To the extent participants decide to make or take delivery, liquidity in the futures market could be reduced and prices in the futures market distorted. Third, from the point of view of speculators, the margin deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market may cause temporary price distortions. Due to the possibility of the foregoing distortions, a correct forecast of general price trends by the portfolio managers still may not result in a successful use of futures.

Futures contracts entail risks. Although the Fund believes that the use of such contracts will benefit the Fund, the Fund's overall performance could be worse than if the Fund had not entered into futures contracts if the portfolio managers' investment judgment proves incorrect. For example, if the Fund has hedged against the effects of a possible decrease in prices of securities held in its portfolio and prices instead increase, the Fund will lose part or all of the benefit of the increased value of these securities because of offsetting losses in its futures positions. This risk may be magnified for single stock futures transactions, as the portfolio managers must predict the direction of the price of an individual stock, as opposed to securities prices generally. In addition, if the Fund has insufficient cash, it may have to sell securities from its portfolio to meet daily variation margin requirements. Those sales may be, but will not necessarily be, at increased prices which reflect the rising market and may occur at a time when the sales are disadvantageous to the Fund.

The prices of futures contracts depend primarily on the value of their underlying instruments. Because there are a limited number of types of futures contracts, it is possible that the standardized futures contracts available to the Fund will not match exactly the Fund's current or potential investments. The Fund may buy and sell futures contracts based on underlying instruments with different characteristics from the securities in which it typically invests – for example, by hedging investments in portfolio securities with a futures contract based on a broad index of securities – which involves a risk that the futures position will not correlate precisely with the performance of the Fund's investments.

Futures prices can also diverge from the prices of their underlying instruments, even if the underlying instruments closely correlate with the Fund's investments, such as with a single stock futures contract. Futures prices are affected by factors such as current and anticipated short-term interest rates, changes in volatility of the underlying instruments, and the time remaining until expiration of the contract. Those factors may affect securities prices differently from futures prices. Imperfect correlations between the Fund's investments and its futures positions also may result from differing levels of demand in the futures markets and the securities markets, from structural differences in how futures and securities are traded, and from imposition of daily price fluctuation limits for futures contracts. The Fund may buy or sell futures contracts with a greater or lesser value than the securities it wishes to hedge or is considering purchasing in order to attempt to compensate for differences in historical volatility between the futures contract and the securities, although this may not be successful in all cases. If price changes in the Fund's futures positions are poorly correlated with its other investments, its futures positions may fail to produce desired gains or result in losses that are not offset by the gains in the Fund's other investments.

Because futures contracts are generally settled within a day from the date they are closed out, compared with a settlement period of three days for some types of securities, the futures markets can provide superior liquidity to the securities markets. Nevertheless, there is no assurance that a liquid secondary market will exist for any particular futures contract at any particular time. In addition, futures exchanges may establish daily price fluctuation limits for futures contracts and may halt trading if a contract's price moves upward or downward more than the limit in a given day. On volatile trading days when the price fluctuation limit is reached, it may be impossible for the Fund to enter into new positions or close out existing positions. If the secondary market for a futures contract is not liquid because of price fluctuation limits or otherwise, the Fund may not be able to promptly liquidate unfavorable futures positions and potentially could be required to continue to hold a futures position until the delivery date, regardless of changes in its value. As a result, the Fund's access to other assets held to cover its futures positions also could be impaired.

Options on Futures Contracts. The Fund may buy and write put and call options on futures contracts. An option on a future gives the Fund the right (but not the obligation) to buy or sell a futures contract at a specified price on or before a specified date. The purchase of a call option on a futures contract is similar in some respects to

the purchase of a call option on an individual security. As with other option transactions, securities will be segregated to cover applicable margin or segregation requirements on open futures contracts. Depending on the pricing of the option compared to either the price of the futures contract upon which it is based or the price of the underlying instrument, ownership of the option may or may not be less risky than ownership of the futures contract or the underlying instrument. As with the purchase of futures contracts, when the Fund is not fully invested it may buy a call option on a futures contract to hedge against a market advance. The writing of a call option on a futures contract constitutes a partial hedge against declining prices of the security or foreign currency which is deliverable under, or of the index comprising, the futures contract. If the futures price at the expiration of the option is below the exercise price, the Fund will retain the full amount of the option premium which provides a partial hedge against any decline that may have occurred in the Fund's portfolio holdings. The writing of a put option on a futures contract constitutes a partial hedge against increasing prices of the security or foreign currency which is deliverable under, or of the index comprising, the futures contract. If the futures price at expiration of the option is higher than the exercise price, the Fund will retain the full amount of the option premium which provides a partial hedge against any increase in the price of securities which the Fund is considering buying. If a call or put option the Fund has written is exercised, the Fund will incur a loss which will be reduced by the amount of the premium it received. Depending on the degree of correlation between the change in the value of its portfolio securities and changes in the value of the futures positions, the Fund's losses from existing options on futures may to some extent be reduced or increased by changes in the value of portfolio securities.

The purchase of a put option on a futures contract is similar in some respects to the purchase of protective put options on portfolio securities. For example, the Fund may buy a put option on a futures contract to hedge its portfolio against the risk of falling prices or rising interest rates. The amount of risk the Fund assumes when it buys an option on a futures contract is the premium paid for the option plus related transaction costs. In addition to the correlation risks discussed above, the purchase of an option also entails the risk that changes in the value of the underlying futures contract will not be fully reflected in the value of the options bought.

Forward Contracts. A forward contract is an agreement between two parties in which one party is obligated to deliver a stated amount of a stated asset at a specified time in the future and the other party is obligated to pay a specified amount for the assets at the time of delivery. The Fund may enter into forward contracts to purchase and sell government securities, equity or income securities, foreign currencies, or other financial instruments. Currently, the Fund does not intend to invest in forward contracts other than forward currency contracts. Forward contracts generally are traded in an interbank market conducted directly between traders (usually large commercial banks) and their customers. Unlike futures contracts, which are standardized contracts, forward contracts can be specifically drawn to meet the needs of the parties that enter into them. The parties to a forward contract may agree to offset or terminate the contract before its maturity, or may hold the contract to maturity and complete the contemplated exchange.

The following discussion summarizes the Fund's principal uses of forward foreign currency exchange contracts ("forward currency contracts"). The Fund may enter into forward currency contracts with stated contract values of up to the value of the Fund's assets. A forward currency contract is an obligation to buy or sell an amount of a specified currency for an agreed price (which may be in U.S. dollars or a foreign currency). The Fund may invest for nonhedging purposes such as seeking to enhance return. The Fund will exchange foreign currencies for U.S. dollars and for other foreign currencies in the normal course of business and may buy and sell currencies through forward currency contracts in order to fix a price for securities it has agreed to buy or sell (a "transaction hedge"). The Fund also may hedge some or all of its investments denominated in a foreign currency or exposed to foreign currency fluctuations against a decline in the value of that currency relative to the U.S. dollar by entering into forward currency contracts to sell an amount of that currency (or a proxy currency whose performance is expected to replicate or exceed the performance of that currency relative to the U.S. dollar) approximating the value of some or all of its portfolio securities denominated in or exposed to that currency (a "position hedge") or by participating in options or futures contracts with respect to the currency. The Fund also may enter into a forward currency contract with respect to a currency where the Fund is considering the purchase or sale of investments denominated in that currency but has not yet selected the specific investments (an "anticipatory hedge"). In any of these circumstances, the Fund may, alternatively, enter into a forward currency contract to purchase or sell one foreign currency for a second currency that is expected to perform more favorably relative to the U.S. dollar if the portfolio managers believe there is a reasonable degree of correlation between movements in the two currencies (a "cross-hedge").

These types of hedging minimize the effect of currency appreciation as well as depreciation, but do not eliminate fluctuations in the underlying U.S. dollar equivalent value of the proceeds of or rates of return on the

Fund's foreign currency denominated portfolio securities. The matching of the increase in value of a forward contract and the decline in the U.S. dollar equivalent value of the foreign currency denominated asset that is the subject of the hedge generally will not be precise. Shifting the Fund's currency exposure from one foreign currency to another removes the Fund's opportunity to profit from increases in the value of the original currency and involves a risk of increased losses to the Fund if its portfolio managers' projection of future exchange rates is inaccurate. Proxy hedges and cross-hedges may result in losses if the currency used to hedge does not perform similarly to the currency in which hedged securities are denominated. Unforeseen changes in currency prices may result in poorer overall performance for the Fund than if it had not entered into such contracts.

The Fund will cover outstanding forward currency contracts by maintaining liquid portfolio securities denominated in or whose value is tied to the currency underlying the forward contract or the currency being hedged. To the extent that the Fund is not able to cover its forward currency positions with underlying portfolio securities, the Fund's custodian will segregate cash or other liquid assets having a value equal to the aggregate amount of the Fund's commitments under forward contracts entered into with respect to position hedges, cross-hedges, and anticipatory hedges. If the value of the securities used to cover a position or the value of segregated assets declines, the Fund will find alternative cover or segregate additional cash or other liquid assets on a daily basis so that the value of the covered and segregated assets will be equal to the amount of the Fund's commitments with respect to such contracts. As an alternative to segregating assets, the Fund may buy call options permitting the Fund to buy the amount of foreign currency being hedged by a forward sale contract or the Fund may buy put options permitting it to sell the amount of foreign currency subject to a forward buy contract.

While forward contracts are not currently regulated by the CFTC, the CFTC may in the future assert authority to regulate forward contracts. In such event, the Fund's ability to utilize forward contracts may be restricted. In addition, the Fund may not always be able to enter into forward contracts at attractive prices and may be limited in its ability to use these contracts to hedge Fund assets.

Options on Foreign Currencies. The Fund may buy and write options on foreign currencies in a manner similar to that in which futures or forward contracts on foreign currencies will be utilized. For example, a decline in the U.S. dollar value of a foreign currency in which portfolio securities are denominated will reduce the U.S. dollar value of such securities, even if their value in the foreign currency remains constant. In order to protect against such diminutions in the value of portfolio securities, the Fund may buy put options on the foreign currency. If the value of the currency declines, the Fund will have the right to sell such currency for a fixed amount in U.S. dollars, thereby offsetting, in whole or in part, the adverse effect on its portfolio.

Conversely, when a rise in the U.S. dollar value of a currency in which securities to be acquired are denominated is projected, thereby increasing the cost of such securities, the Fund may buy call options on the foreign currency. The purchase of such options could offset, at least partially, the effects of the adverse movements in exchange rates. As in the case of other types of options, however, the benefit to the Fund from purchases of foreign currency options will be reduced by the amount of the premium and related transaction costs. In addition, if currency exchange rates do not move in the direction or to the extent projected, the Fund could sustain losses on transactions in foreign currency options that would require the Fund to forego a portion or all of the benefits of advantageous changes in those rates.

The Fund may also write options on foreign currencies. For example, to hedge against a potential decline in the U.S. dollar value of foreign currency denominated securities due to adverse fluctuations in exchange rates, the Fund could, instead of purchasing a put option, write a call option on the relevant currency. If the expected decline occurs, the option will most likely not be exercised and the decline in value of portfolio securities will be offset by the amount of the premium received.

Similarly, instead of purchasing a call option to hedge against a potential increase in the U.S. dollar cost of securities to be acquired, the Fund could write a put option on the relevant currency which, if rates move in the manner projected, should expire unexercised and allow the Fund to hedge the increased cost up to the amount of the premium. As in the case of other types of options, however, the writing of a foreign currency option will constitute only a partial hedge up to the amount of the premium. If exchange rates do not move in the expected direction, the option may be exercised and the Fund would be required to buy or sell the underlying currency at a loss which may not be offset by the amount of the premium. Through the writing of options on foreign currencies, the Fund also may lose all or a portion of the benefits which might otherwise have been obtained from favorable movements in exchange rates.

The Fund may write covered call options on foreign currencies. A call option written on a foreign currency by the Fund is “covered” if the Fund owns the foreign currency underlying the call or has an absolute and immediate right to acquire that foreign currency without additional cash consideration (or for additional cash consideration held in a segregated account by its custodian) upon conversion or exchange of other foreign currencies held in its portfolio. A call option is also covered if the Fund has a call on the same foreign currency in the same principal amount as the call written if the exercise price of the call held: (i) is equal to or less than the exercise price of the call written or (ii) is greater than the exercise price of the call written, if the difference is maintained by the Fund in cash or other liquid assets in a segregated account with the Fund’s custodian.

The Fund also may write call options on foreign currencies for cross-hedging purposes. A call option on a foreign currency is for cross-hedging purposes if it is designed to provide a hedge against a decline due to an adverse change in the exchange rate in the U.S. dollar value of a security which the Fund owns or has the right to acquire and which is denominated in the currency underlying the option. Call options on foreign currencies which are entered into for cross-hedging purposes are not covered. However, in such circumstances, the Fund will collateralize the option by segregating cash or other liquid assets in an amount not less than the value of the underlying foreign currency in U.S. dollars marked-to-market daily.

Options on Securities. In an effort to increase current income and to reduce fluctuations in NAV, the Fund may write covered put and call options and buy put and call options on securities that are traded on U.S. securities exchanges and over-the-counter. The Fund may write and buy options on the same types of securities that the Fund may purchase directly.

A put option written by the Fund is “covered” if the Fund: (i) segregates cash not available for investment or other liquid assets with a value equal to the exercise price of the put with the Fund’s custodian or (ii) holds a put on the same security and in the same principal amount as the put written, and the exercise price of the put held is equal to or greater than the exercise price of the put written. The premium paid by the buyer of an option will reflect, among other things, the relationship of the exercise price to the market price and the volatility of the underlying security, the remaining term of the option, supply and demand, and interest rates.

A call option written by the Fund is “covered” if the Fund owns the underlying security covered by the call or has an absolute and immediate right to acquire that security without additional cash consideration (or for additional cash consideration held in a segregated account by the Fund’s custodian) upon conversion or exchange of other securities held in its portfolio. A call option is also deemed to be covered if the Fund holds a call on the same security and in the same principal amount as the call written and the exercise price of the call held: (i) is equal to or less than the exercise price of the call written or (ii) is greater than the exercise price of the call written if the difference is maintained by the Fund in cash and other liquid assets in a segregated account with its custodian. The Fund also may write call options that are not covered for cross-hedging purposes. The Fund collateralizes its obligation under a written call option for cross-hedging purposes by segregating cash or other liquid assets in an amount not less than the market value of the underlying security, marked-to-market daily. The Fund would write a call option for cross-hedging purposes, instead of writing a covered call option, when the premium to be received from the cross-hedge transaction would exceed that which would be received from writing a covered call option and its portfolio managers believe that writing the option would achieve the desired hedge.

The writer of an option may have no control over when the underlying securities must be sold, in the case of a call option, or bought, in the case of a put option, since with regard to certain options, the writer may be assigned an exercise notice at any time prior to the termination of the obligation. Whether or not an option expires unexercised, the writer retains the amount of the premium. This amount, of course, may, in the case of a covered call option, be offset by a decline in the market value of the underlying security during the option period. If a call option is exercised, the writer experiences a profit or loss from the sale of the underlying security. If a put option is exercised, the writer must fulfill the obligation to buy the underlying security at the exercise price, which will usually exceed the then market value of the underlying security.

The writer of an option that wishes to terminate its obligation may effect a “closing purchase transaction.” This is accomplished by buying an option of the same series as the option previously written. The effect of the purchase is that the writer’s position will be canceled by the clearing corporation. However, a writer may not effect a closing purchase transaction after being notified of the exercise of an option. Likewise, an investor who is the holder of an option may liquidate its position by effecting a “closing sale transaction.” This is accomplished by selling an option of the same series as the option previously bought.

There is no guarantee that either a closing purchase or a closing sale transaction can be effected.

In the case of a written call option, effecting a closing transaction will permit the Fund to write another call option on the underlying security with either a different exercise price or expiration date or both. In the case of a written put option, such transaction will permit the Fund to write another put option to the extent that the exercise price is secured by deposited liquid assets. Effecting a closing transaction also will permit the Fund to use the cash or proceeds from the concurrent sale of any securities subject to the option for other investments. If the Fund desires to sell a particular security from its portfolio on which it has written a call option, the Fund will effect a closing transaction prior to or concurrent with the sale of the security.

The Fund will realize a profit from a closing transaction if the price of the purchase transaction is less than the premium received from writing the option or the price received from a sale transaction is more than the premium paid to buy the option. The Fund will realize a loss from a closing transaction if the price of the purchase transaction is more than the premium received from writing the option or the price received from a sale transaction is less than the premium paid to buy the option. Because increases in the market price of a call option generally will reflect increases in the market price of the underlying security, any loss resulting from the repurchase of a call option is likely to be offset in whole or in part by appreciation of the underlying security owned by the Fund.

An option position may be closed out only where a secondary market for an option of the same series exists. If a secondary market does not exist, the Fund may not be able to effect closing transactions in particular options and the Fund would have to exercise the options in order to realize any profit. If the Fund is unable to effect a closing purchase transaction in a secondary market, it will not be able to sell the underlying security until the option expires or it delivers the underlying security upon exercise. The absence of a liquid secondary market may be due to the following: (i) insufficient trading interest in certain options; (ii) restrictions imposed by a national securities exchange (an "Exchange") on which the option is traded on opening or closing transactions or both; (iii) trading halts, suspensions, or other restrictions imposed with respect to particular classes or series of options or underlying securities; (iv) unusual or unforeseen circumstances that interrupt normal operations on an Exchange; (v) the facilities of an Exchange or of the Options Clearing Corporation ("OCC") may not at all times be adequate to handle current trading volume; or (vi) one or more Exchanges could, for economic or other reasons, decide or be compelled at some future date to discontinue the trading of options (or a particular class or series of options), in which event the secondary market on that Exchange (or in that class or series of options) would cease to exist, although outstanding options on that Exchange that had been issued by the OCC as a result of trades on that Exchange would continue to be exercisable in accordance with their terms.

The Fund may write options in connection with buy-and-write transactions. In other words, the Fund may buy a security and then write a call option against that security. The exercise price of such call will depend upon the expected price movement of the underlying security. The exercise price of a call option may be below ("in-the-money"), equal to ("at-the-money") or above ("out-of-the-money") the current value of the underlying security at the time the option is written. Buy-and-write transactions using in-the-money call options may be used when it is expected that the price of the underlying security will remain flat or decline moderately during the option period. Buy-and-write transactions using at-the-money call options may be used when it is expected that the price of the underlying security will remain fixed or advance moderately during the option period. Buy-and-write transactions using out-of-the-money call options may be used when it is expected that the premiums received from writing the call option plus the appreciation in the market price of the underlying security up to the exercise price will be greater than the appreciation in the price of the underlying security alone. If the call options are exercised in such transactions, the Fund's maximum gain will be the premium received by it for writing the option, adjusted upwards or downwards by the difference between the Fund's purchase price of the security and the exercise price. If the options are not exercised and the price of the underlying security declines, the amount of such decline will be offset by the amount of premium received.

The writing of covered put options is similar in terms of risk and return characteristics to buy-and-write transactions. If the market price of the underlying security rises or otherwise is above the exercise price, the put option will expire worthless and the Fund's gain will be limited to the premium received. If the market price of the underlying security declines or otherwise is below the exercise price, the Fund may elect to close the position or take delivery of the security at the exercise price and the Fund's return will be the premium received from the put options minus the amount by which the market price of the security is below the exercise price. The Fund may buy put options to hedge against a decline in the value of its portfolio. By using put options in this way, the Fund will reduce any profit it might otherwise have realized in the underlying security by the amount of the premium paid for the put option and by transaction costs.

The Fund may buy call options to hedge against an increase in the price of securities that it may buy in the future. The premium paid for the call option plus any transaction costs will reduce the benefit, if any, realized by the Fund upon exercise of the option, and, unless the price of the underlying security rises sufficiently, the option may expire worthless to the Fund.

The Fund may write straddles (combinations of put and call options on the same underlying security), which are generally a non-hedging technique used for purposes such as seeking to enhance return. Because combined options positions involve multiple trades, they result in higher transaction costs and may be more difficult to open and close out than individual options contracts. The straddle rules of the Code require deferral of certain losses realized on positions of a straddle to the extent that the Fund has unrealized gains in offsetting positions at year end. The holding period of the securities comprising the straddle will be suspended until the straddle is terminated.

Eurodollar Instruments. The Fund may make investments in Eurodollar instruments. Eurodollar instruments are U.S. dollar-denominated futures contracts or options thereon which are linked to the London Interbank Offered Rate (“LIBOR”), although foreign currency denominated instruments are available from time to time. Eurodollar futures contracts enable purchasers to obtain a fixed rate for the lending of funds and sellers to obtain a fixed rate for borrowings. The Fund might use Eurodollar futures contracts and options thereon to hedge against changes in LIBOR, to which many interest rate swaps and fixed-income instruments are linked.

Additional Risks of Options on Forward Contracts. Unlike transactions entered into by the Fund in futures contracts, options on forward contracts are not traded on contract markets regulated by the CFTC or by the SEC. To the contrary, such instruments are traded through financial institutions acting as market-makers. In an over-the-counter trading environment, many of the protections afforded to Exchange participants will not be available. For example, there are no daily price fluctuation limits, and adverse market movements could therefore continue to an unlimited extent over a period of time. Although the buyer of an option cannot lose more than the amount of the premium plus related transaction costs, this entire amount could be lost.

Moreover, an option writer and a buyer or seller of futures or forward contracts could lose amounts substantially in excess of any premium received or initial margin or collateral posted due to the potential additional margin and collateral requirements associated with such positions.

CFTC Information. The CFTC, a federal agency, regulates trading activity pursuant to the CEA. The CFTC requires the registration of a commodity pool operator, which is defined as any person engaged in a business which is of the nature of an investment trust, syndicate or a similar form of enterprise, and who, in connection therewith, solicits, accepts or receives from others funds, securities or property for the purpose of trading in a commodity for future delivery on or subject to the rules of any contract market. The CFTC has adopted Rule 4.5, which provides an exclusion from the definition of commodity pool operator for any registered investment company which files a notice of eligibility. The Fund has filed such a notice and, therefore, is not subject to registration or regulation as a commodity pool operator under the CEA.

DISCLOSURE OF PORTFOLIO HOLDINGS

Public Disclosure

The Fund is required by the SEC to file its complete portfolio holdings schedule with the SEC on a quarterly basis. This schedule is filed with the Fund’s annual and semi-annual reports on Form N-CSR for the second and fourth fiscal quarters and on Form N-Q for the first and third fiscal quarters. These filings are generally available within sixty days of the end of the Fund’s fiscal quarter. Until such time as this information is filed, it will be Nonpublic Holdings Information, as defined below, and subject to the Fund’s procedures regarding the disclosure of Nonpublic Holdings Information.

Nonpublic Disclosure

The Board has adopted policies and procedures (the “Disclosure Policies”), which prohibit the release of information concerning portfolio holdings, or information derived therefrom (“Nonpublic Holdings Information”), that has not been made public through SEC filings. Different exceptions to this prohibition are made depending on the type of third party that receives the Nonpublic Holdings Information. The Disclosure Policies are designed to prevent the use of portfolio holdings information to trade against the Fund, or otherwise use the information in a way that would harm the Fund, and to prevent selected investors from having nonpublic information that will allow them to make advantageous decisions with respect to purchasing and selling Fund shares.

Disclosure within the Adviser and to Fund Trustees. Nonpublic Holdings Information and information derived therefrom may be provided to any individuals employed by the Adviser and who have a need to know the information, such as investment, compliance, and operations personnel, without prior approval. The Adviser's employees are bound by the Disclosure Policies and by the Adviser's Code of Ethics, which precludes them from trading on the basis of Nonpublic Holdings Information.

Nonpublic Holdings Information and information derived therefrom also may be provided to Fund trustees and certain Fund service providers, such as counsel, as part of the materials for regular or special Board meetings without prior approval. These parties have pre-existing fiduciary duties or duties of confidentiality arising from the Fund's Code of Ethics or from established rules of professional responsibility and ethical conduct.

Disclosure to Fund Service Providers and Prospective Service Providers. Nonpublic Holdings Information may be provided to organizations that provide or propose to provide services to the Fund, such as custodians, administrators, transfer agents, securities lending agents, outside accountants, outside counsel, proxy voting organizations, financial printers, pricing services and the like, provided that such organization has entered into a written agreement with the Fund to maintain the information in confidence and use the information only for the purpose for which it is provided, and not to trade on the basis of such information. Before Nonpublic Holdings Information is provided to a new service provider or a prospective service provider, the Fund's Chief Compliance Officer (the "CCO") must approve the provision of the information as being made strictly on a need to know basis and in the best interest of the Fund. Any such determination made during a calendar quarter shall be reported to the Board at the next quarterly meeting.

Disclosure to Investors, Prospective Investors and Investor Consultants. Nonpublic Holdings Information may not be provided to investors, prospective investors or investor consultants without prior approval of the CCO. The CCO will only approve such disclosure after (1) concluding that disclosure is in the best interests of the Fund and its shareholders, (2) considering any conflict of interest between the Fund and its shareholders on the one hand and the Adviser and the Adviser's affiliates on the other hand and (3) the recipient has agreed in writing to maintain the confidentiality of the Nonpublic Holdings Information and not to trade on the basis of any such information that is material nonpublic information. If the CCO determines that there is a conflict of interest between the Fund and its shareholders on the one hand and the Adviser on the other hand, he or she will approve such disclosure only if he or she determines that such conflict is materially mitigated by the execution of a confidentiality agreement and that, despite such conflict of interest, disclosure is in the best interests of the Fund and its shareholders. The CCO is responsible for the creation of a written record that states the basis for the conclusion that the disclosure is in the best interests of the Fund and its shareholders and reporting on such disclosure at the next quarterly Board meeting.

Disclosure to Fund Ranking and Ratings Organizations. Nonpublic Holdings Information may be provided to organizations that provide mutual fund rankings and ratings, such as Morningstar, Lipper, Moody's, Standard & Poor's and Thompson Reuters and to entities that provide investment coverage and/or analytical information regarding the Fund's portfolio, provided that the recipient has entered into a written agreement with the Fund to maintain the information in confidence and use the information only for the purpose for which it is provided, and not to trade on the basis of any such information that is material nonpublic information.

Disclosure as Required by Applicable Law. Nonpublic Holdings Information may be disclosed to any person as required by applicable laws, rules and regulations. For example, such information may be disclosed in response to regulatory requests for information or in response to legal process in litigation matters.

Disclosure of Limited Holdings. Portfolio managers, analysts and other personnel of the Adviser may discuss portfolio information in interviews with members of the media, or in due diligence or similar meetings with clients or prospective purchasers of Fund shares or their representatives. In no case will a material number of portfolio holdings be provided that have not yet been filed with the SEC unless the recipient has agreed in writing to maintain the confidentiality of such information and not to trade on the basis of any such information which is material nonpublic information. Materiality is a subjective judgment, however, and there is a risk that information deemed immaterial by the portfolio manager, analyst, or other employee of the Adviser could be used in a manner adverse to the Fund and its shareholders. In addition, brokers and dealers may be provided with individual portfolio holdings in order to obtain bids or bid and asked prices (if securities held by the Fund are not priced by the Fund's regular pricing services) or in connection with portfolio transactions.

No Compensation or Consideration. Neither the Fund, nor the Adviser or any trustee, director, officer nor employee of either will solicit or accept any compensation or other consideration in connection with the disclosure of Nonpublic Holdings Information.

The CCO must provide a quarterly report to the Board addressing these policies and procedures.

OFFICERS AND TRUSTEES

The Board is comprised of trustees and is responsible for the overall management of the Fund, including general supervision and review of the Fund's investment activities. The Board, in turn, elects the officers of the Fund who are responsible for administering the Fund's day-to-day operations. The name, age and address of the officers and trustees, as well as their positions with the Fund, and principal occupations during the past five years are shown below. Each trustee serves for an indefinite term, until that person resigns and/or a successor is elected and qualified. Officers are elected by the Board. Each trustee oversees the Fund, the sole portfolio in the Trust. Ages of the officers and trustees are provided as of May 31, 2009.

Independent Trustees

<u>Name, Age and Address</u>	<u>Length of Time Served</u>	<u>Position(s) Held with the Fund</u>	<u>Principal Occupation(s) During Past Five Years</u>	<u>Other Directorships Held by Trustee</u>
Marla J. Ahlgrimm, R.Ph., 53 8040 Excelsior Drive Suite 401 Madison, WI 53717	Since Inception	Trustee	Founder and Chair, Women's Health America, Inc. (a health products company), 1993-Present	None
John W. Feldt, 67 University of Wisconsin Foundation 1848 University Avenue Madison, WI 53726	Since Inception	Trustee	Retired; Senior Vice President-Finance, University of Wisconsin Foundation, 1985-2007	Director, Thompson Plumb Funds, Inc., a mutual fund complex for which Mr. Feldt oversees 3 portfolios; Director, Baird Funds, Inc., a mutual fund complex for which Mr. Feldt oversees 8 portfolios
Antonio S. Mello, 50 8040 Excelsior Drive Suite 401 Madison, WI 53717	Since Inception	Trustee	Professor of Finance, School of Business, University of Wisconsin- Madison, 1995-Present; Managing Director and Head of Corporate Finance, Millennium BCP (an international financial services firm), 2001-2002 (on leave from UW- Madison)	None
Thomas R. Poehling, 43 525 Junction Road Suite 8900 Madison, WI 53717	Since Inception	Trustee	President, Poehling Capital Management, Inc. (an asset management company), 2004-Present; Financial Adviser, AXA Advisors LLC (an asset management company), 1990-2004	

Interested Trustees and Fund Officers

<u>Name, Age and Address</u>	<u>Length of Time Served</u>	<u>Position(s) Held with the Fund</u>	<u>Principal Occupation(s) During Past Five Years</u>	<u>Other Directorships Held by Trustee</u>
Mark A. Fedenia, 54* 8040 Excelsior Drive Suite 401 Madison, WI 53717	Since Inception	Trustee, Vice President of Investments	Managing Director/Portfolio Manager, Nakoma Capital Management, 2003-Present; Associate Professor of Finance, School of Business, University of Wisconsin-Madison, 1986-Present; Director, Applied Security Analysis Program, School of Finance, University of Wisconsin-Madison, 1986-2007	None
Daniel S. Pickett, 45* 8040 Excelsior Drive Suite 401 Madison, WI 53717	Since Inception	Trustee, President, Chairman	Chief Investment Officer/Managing Director, Nakoma Capital Management, 2003-Present; Managing Director/Director of Research, Southridge Capital Management (an asset management company), 1997-2002	None
Robyn K. Rannow, 53 8040 Excelsior Drive Suite 401 Madison, WI 53717	Since Inception	Secretary, Treasurer, Chief Compliance Officer, Anti-Money Laundering Officer	Managing Director/Chief Compliance Officer, 2009-Present; Vice President, Operations and Compliance, Nakoma Capital Management, 2004-2008; Development Manager, American Red Cross-Badger Chapter, 2001-2004; Special Events Manager, American Red Cross-Badger Chapter, 1999-2001; Annual Giving Manager, American Red Cross-Badger Chapter, 1995-1999	N/A

* Messrs. Fedenia and Pickett are each an “Interested Trustee” of the Trust, as defined in the 1940 Act, because of their positions with the Adviser.

Committees of the Board of Trustees

As part of its oversight responsibilities of the Fund and the Adviser, the Board has established certain committees, which may include members who are not trustees. As of May 31, 2009, the committees of the Board include the Audit Committee and the Valuation Committee.

Audit Committee. The audit committee is comprised of John W. Feldt (Chairman), Antonio S. Mello and Thomas R. Poehling, each of whom is a noninterested trustee. The primary functions of the audit committee are to provide oversight regarding the Fund’s accounting and financial reporting policies and practices, including the selection of the independent registered public accounting firm to be retained to perform the annual audit of the Fund, reviewing the results of the audit and the Fund’s internal controls, and approving in advance all permissible non-audit services performed by the independent auditors. The committee acts as a liaison between the Fund’s

independent registered public accounting firm and the full Board. Four audit committee meetings were held during the fiscal year ended May 31, 2009.

Valuation Committee. The valuation committee is comprised of Daniel S. Pickett (Chairman), President of the Fund, Robyn K. Rannow, Secretary and Treasurer of the Fund, and two representatives from UMB Fund Services, Inc., the Fund’s administrator and fund accountant. The Board approved valuation and liquidity procedures for the Fund, which set forth the valuation committee operating procedures. The valuation committee oversees implementation of the Fund’s valuation and liquidity procedures and makes fair valuation determinations on behalf of the Board pursuant to such procedures. There were no pricing issues during the fiscal year ended May 31, 2009 that required the valuation committee to meet.

The Board has no other standing committees.

Compensation

Interested trustees and fund officers are not compensated by the Fund. The Fund pays noninterested trustees \$6,000 per year and reimburses reasonable travel and expense costs related to attending meetings. Noninterested trustees who serve as members of the Audit Committee receive an additional \$1,000 per year. The Fund has not established a pension or retirement plan for trustees. The following table provides the total fees paid to noninterested trustees by the Fund for the fiscal year ended May 31, 2009:

<u>Name</u>	<u>Aggregate Compensation from the Fund</u>
Marla J. Ahlgrimm	\$5,000
John W. Feldt	\$6,000
Antonio S. Mello	\$4,500
Thomas R. Poehling	\$6,000

Trustee Ownership of Fund Shares

The following tables provide the dollar range of equity securities of the Fund beneficially owned by the trustees as of December 31, 2008:

<u>Name</u>	<u>Dollar Range of Shares in the Fund</u>
Marla J. Ahlgrimm	None
Mark A. Fedenia	Over \$100,000
John W. Feldt	\$10,001 - \$50,000
Antonio S. Mello	None
Daniel S. Pickett	Over \$100,000
Thomas R. Poehling	None

The trustees and officers of the Fund may own shares in other pooled investment vehicles or management accounts managed by the Adviser.

**CODES OF ETHICS AND
PROXY VOTING GUIDELINES AND PROCEDURES**

The Fund, the Adviser and the Fund’s distributor, UMB Distribution Services, LLC (the “Distributor”), have each adopted codes of ethics pursuant to Rule 17j-1 of the 1940 Act. Under the codes of ethics, employees who are designated as access persons may engage in personal securities transactions, but are subject to certain limitations and reporting obligations. Each code of ethics is on file with, and available from, the SEC.

The Board has delegated the authority to vote proxies related to the portfolio securities held by the Fund to the Adviser in accordance with the Proxy Voting Guidelines and Procedures (the “Policies”) adopted by the Adviser. Proxies are voted according to the Adviser’s written guidelines and consistent with the Adviser’s fiduciary responsibility with respect to securities owned by clients for which it serves as investment adviser and for which it

has the power to vote proxies. In addition to addressing such general areas as elections of directors and auditors, corporate governance, and proposed reorganizations, these guidelines describe how the voting of proxies is to be resolved in the event that a material conflict of interest is identified. Where a proxy proposal raises a material conflict between the Adviser's interests and the Fund's interests, the Adviser will resolve the conflict by using any of the following methods: (i) adopting a policy of disclosing the conflict to the Board and obtaining its consent before voting; (ii) basing the proxy vote on pre-determined voting guidelines if the application of the guidelines to the matter presented involves minimal discretion on the part of the Adviser; or (iii) using the recommendations of an independent third party.

The Trust is required to annually file Form N-PX, which lists the Fund's complete proxy voting record for the most recent 12-month period ending June 30. The Fund's proxy voting record is available without charge, upon request, by calling the Fund toll-free at 1-866-6NAKOMA (1-866-662-5662) and on the SEC's website at www.sec.gov

INVESTMENT ADVISORY AND OTHER SERVICES

Investment Adviser and Services Provided

The Adviser is an independent investment adviser which is owned in part, directly and indirectly, by the Fund's portfolio managers, Daniel S. Pickett, Mark A. Fedenia and Joel C. Kurth. Subject to the general supervision of the Board, the Adviser provides investment advisory services to the Fund pursuant to an investment advisory agreement between the Fund and the Adviser (the "Advisory Agreement"). The Adviser, whose principal place of business is located at 8040 Excelsior Drive, Suite 401, Madison, Wisconsin 53717, is registered as an investment adviser under the Investment Advisers Act of 1940, as amended. The Adviser is responsible for developing the investment policies and guidelines for the Fund.

The Adviser provides investment research and portfolio management services, and selects the securities for the Fund to buy, hold or sell. The Adviser also selects the brokers who execute the Fund's portfolio transactions. The Adviser provides periodic reports to the Board, which reviews and supervises the Adviser's investment activities. To protect the Fund, the Adviser and its officers, directors and employees are covered by fidelity insurance.

The Advisory Agreement remains in effect for a period of two years from the date of its effectiveness. Subsequently, the Advisory Agreement must be approved at least annually by the Board or by majority vote of the shareholders, and in either case by a majority of the trustees who are not parties to the Advisory Agreement or interested persons of any such party.

The Advisory Agreement is terminable without penalty by the Board, or by majority vote of the Fund's outstanding voting securities (as defined by the 1940 Act), on 60 days' written notice by either party and will terminate automatically upon assignment.

The Adviser manages other pooled investment funds and client accounts. The Adviser may give advice and take action with respect to any of the other funds or client accounts it manages, or for its own account, that may differ from action taken by the Adviser on behalf of the Fund. Similarly, with respect to the Fund, the Adviser is not obligated to recommend, buy or sell, or to refrain from recommending, buying or selling any security that the Adviser and access persons, as defined by applicable federal securities laws, may buy or sell for its or their own account or for the accounts of any other fund. The Adviser is not obligated to refrain from investing in securities held by the Fund or other funds it manages.

The Fund pays the Adviser a fee equal to an annual rate of 1.50% of the average daily net assets of the Fund, computed and paid monthly. The fee is computed at the close of business on the last business day of each month according to the terms of the Advisory Agreement. Pursuant to a separate contract between the Adviser and the Fund, the Adviser has agreed to waive all or a portion of its advisory fees and/or reimburse Fund expenses to ensure that the Fund's total annual fund operating expenses, excluding interest, taxes, transaction costs (such as brokerage commissions and expenses relating to dividends and interest on securities sold short), acquired fund fees and expenses, and extraordinary expenses, do not exceed 1.99% of the Fund's average net assets at least through August 31, 2010. The Adviser may request a reimbursement from the Fund to recapture any waived advisory fees or expense reimbursements for a three-year period after such fees were waived or Fund expenses reimbursed. The amount of any such reimbursement is subject to the contractual expense limit. This means that the Fund will only reimburse the Adviser to the extent the Fund's total annual fund operating expenses (excluding the items identified

above) plus any amounts to be reimbursed do not exceed the expense limitation. The Board will review any such Adviser reimbursement requests.

For the fiscal period ended May 31, 2007, an advisory fee of \$66,512 was payable by the Fund to the Adviser. For the same period, the Adviser waived \$145,458 in advisory fees and expenses. For the fiscal year ended May 31, 2008, an advisory fee of \$1,136,052 was payable by the Fund to the Adviser. For the same period, the Adviser waived \$55,610 in advisory fees and expenses and also recaptured \$84,736 in advisory fees and expenses from the Fund. For the fiscal year ended May 31, 2009, an advisory fee of \$2,393,083 was payable by the Fund to the Adviser. For the same period, the Adviser recaptured \$107,141 in advisory fees and expenses from the Fund.

Portfolio Managers

Daniel S. Pickett is primarily responsible for the management of the Fund's portfolio and he has had responsibility for the day-to-day management of the Fund since its inception. Mark A. Fedenia and Joel C. Kurth are also portfolio managers of the Fund.

The following table provides information relating to other accounts managed by the portfolio managers as of May 31, 2009. To the extent that any of the accounts pay advisory fees based on account performance, information on those accounts is separately listed.

<u>Name of Portfolio Manager</u>	<u>Number of Other Accounts Managed and Total Assets by Account Type</u>			<u>Number of Accounts and Total Assets for Which Advisory Fee is Performance-Based</u>		
	<u>Registered Investment Companies</u>	<u>Other Pooled Investment Vehicles</u>	<u>Other Accounts</u>	<u>Registered Investment Companies</u>	<u>Other Pooled Investment Vehicles</u>	<u>Other Accounts</u>
Daniel S. Pickett	0	2 \$30,031,470	3 \$25,978,399	0	1 \$25,988,385	0
Mark A. Fedenia	0	2 \$30,031,470	3 \$25,978,399	0	1 \$25,988,385	0
Joel C. Kurth	0	2 \$30,031,470	3 \$25,978,399	0	1 \$25,988,385	0

As shown in the table above, the Fund's portfolio managers may manage other accounts with investment strategies similar to the Fund, including other funds and separately managed accounts of the Adviser. Fees earned by the Adviser may vary among these accounts and the portfolio managers may personally invest in some but not all of these accounts. These factors could create conflicts of interest because the portfolio managers may have incentives to favor certain accounts over others, resulting in other accounts outperforming the Fund. A conflict may also exist if the portfolio managers identified a limited investment opportunity that may be appropriate for more than one account, but the Fund is not able to take full advantage of that opportunity due to the need to allocate that opportunity among multiple accounts. In addition, the portfolio managers may execute transactions for another account that may adversely impact the value of securities held by the Fund. However, the Adviser believes that these risks are mitigated by the fact that accounts with like investment strategies managed by the portfolio managers are generally managed in a similar fashion, subject to exceptions to account for particular investment restrictions or policies applicable only to certain accounts, portfolio holdings that may be transferred in-kind when an account is opened, differences in cash flows and account sizes, and similar factors. In addition, the Adviser has adopted trade allocation procedures that require equitable allocation of trade orders for a particular security among participating accounts. Personal accounts may give rise to potential conflicts of interest. Trading in personal accounts is subject to the provisions of the Fund's code of ethics.

The following describes the structure and method of calculating the portfolio managers' compensation as of May 31, 2009. Because the portfolio managers are also the owners of the Adviser, they do not receive a base salary. Rather, compensation decisions are made jointly by the portfolio managers based on the Adviser's revenues and are paid annually or semi-annually by the Adviser. The amounts of such payments are tied to a subjective determination as to the overall contribution to the Adviser, but are not specifically related to the investment performance of any account or fund.

The dollar range of equity securities in the Fund beneficially owned by the portfolio managers as of May 31, 2009 is as follows: Daniel S. Pickett: over \$1,000,000; Mark A. Fedenia: \$100,001-\$500,000; Joel C. Kurth: \$500,001-\$1,000,000.

Administrator, Fund Accountant, Transfer Agent and Dividend Disbursing Agent

UMB Fund Services, Inc., a Wisconsin corporation (“UMBFS”), 803 West Michigan Street, Milwaukee, Wisconsin 53233, serves as administrator, fund accountant, transfer agent and dividend disbursing agent to the Fund, subject to the overall supervision of the Board. Pursuant to an administration and fund accounting agreement (the “Administration Agreement”), UMBFS provides certain administrative and fund accounting services to the Fund. UMBFS’ services include, but are not limited to, the following: maintaining or coordinating with other service providers the maintenance of the Fund’s books and records, maintaining all general ledger accounts and related subledgers; overseeing the Fund’s fidelity insurance relationship; participating in the preparation of certain tax returns and compiling data for and preparing annual notices to the SEC; preparing financial statements for the Fund’s annual and semi-annual reports to the SEC; preparing notice and renewal securities filings pursuant to state securities laws; determining and monitoring the Fund’s income and expense accruals and causing appropriate expenses to be paid from Fund assets; periodically monitoring the Fund’s compliance with their policies and limitations relating to portfolio investments as set forth in the Prospectus and SAI for the Fund and the status of the Fund as a regulated investment company under Subchapter M of the Code; assisting in developing an agenda for each Board meeting and, if requested by the Board, attending Board meetings and preparing Board meeting minutes; assisting in calculating distributions of net investment income and capital gain distributions; calculating the daily NAV for the Fund based on valuations provided by pricing services approved by the Board; and generally assisting in the Fund’s administrative operations as mutually agreed by the Fund and UMBFS.

For its services as administrator and fund accountant, the Fund pays UMBFS an annual fee of 0.10% on Fund assets up to \$250,000,000, and decreasing fees on a sliding scale on assets greater than \$250,000,000, subject to a minimum annual fee of \$75,000.

The Administration Agreement provides that UMBFS shall not be liable to the Fund or its shareholders for anything other than willful misfeasance, bad faith, negligence or reckless disregard of its obligations or duties. The Administration Agreement also provides that UMBFS may engage in other businesses, devote time and attention to any other business whether of a similar or dissimilar nature, and render investment advisory services and administrative services, as the case may be, to others.

For the fiscal period ended May 31, 2007 and the fiscal years ended May 31, 2008 and May 31, 2009, the Fund paid UMBFS \$16,952, \$81,891 and \$159,539, respectively, under the Administration Agreement.

UMBFS also acts as the Fund’s transfer agent and dividend disbursing agent pursuant to a transfer agency agreement. As transfer agent, UMBFS keeps records of shareholder accounts and transactions. The Fund pays UMBFS an annual base fee of \$30,000, as well as other account-based fees and processing fees. For the fiscal period ended May 31, 2007 and the fiscal years ended May 31, 2008 and May 31, 2009, the Fund paid UMBFS \$24,500, \$81,154 and \$114,833, respectively, under the transfer agency agreement.

UMBFS is a subsidiary of UMB Financial Corporation, which is also the parent of the Fund’s custodian, UMB Bank, n.a, and of the Distributor.

Custodian

UMB Bank, n.a., 928 Grand Boulevard, 10th Floor, Kansas City, Missouri 64106, serves as the Fund’s custodian (the “Custodian”). The Custodian is responsible for, among other things, safeguarding and controlling the Fund’s cash and securities. The Fund pays an annual fee of 0.01% on Fund assets up to \$250,000,000, and decreasing fees on a sliding scale on assets greater than \$250,000,000, subject to a minimum annual fee of \$9,000, as well as certain other transaction-based charges. The Custodian is a subsidiary of UMB Financial Corporation, which is also the parent of the Fund’s administrator and of the Distributor.

Distributor

UMB Distribution Services, LLC (the “Distributor”), 803 West Michigan Street, Milwaukee, Wisconsin 53233, acts as distributor for the Fund pursuant to a distribution agreement. The Distributor offers shares of the Fund on a continuous basis, reviews advertisements of the Fund and act as liaison for the Fund’s broker-dealer relationships. The Distributor is not obligated to sell any certain number of shares of the Fund. The Adviser pays

the Distributor an annual fee of 0.02% on the first \$1,000,000,000, and decreasing fees on a sliding scale on assets greater than \$1,000,000,000, subject to a minimum annual fee of \$40,000, as well as certain other fees and expenses. The minimum annual fee the Adviser pays the Distributor is reduced the first two years for assets below a given amount.

For the fiscal period ended May 31, 2007 and the fiscal years ended May 31, 2008 and May 31, 2009, the Distributor received \$9,167, \$26,667, and \$35,488, respectively, under the distribution agreement.

Independent Registered Public Accounting Firm

Cohen Fund Audit Services, Ltd., 800 Westpoint Parkway, Suite 1100, Westlake, Ohio 44145, is the Fund's independent registered public accounting firm. The independent registered public accounting firm will audit the financial statements included in the Fund's annual report to shareholders.

PORTFOLIO TRANSACTIONS

The Adviser places all portfolio transactions of the Fund. The Adviser has a policy of seeking to obtain the "best execution" of all portfolio transactions (the best net price under the circumstances based upon a number of factors including and subject to the factors discussed below).

The Adviser may use a trading agent to execute transactions for the Adviser on behalf of the Fund and provides its agent with a list of brokerage firms that provide services of value to the Adviser in managing the Fund's assets. The Adviser has no obligation to deal with any particular broker or dealer in the execution of portfolio transactions for the Fund.

The Adviser reviews and approves broker-dealers based upon three criteria (1) research coverage on the positions in which the Adviser trades on behalf of client accounts; (2) idea generation; and (3) trading expertise in the stocks in which the Adviser trades.

The Adviser has instructed its trading agent to consider a number of factors in seeking best execution when selecting brokers and dealers and when negotiating commissions on agency transactions. Those factors include, but are not limited to: knowledge of currently available negotiated commission rates or prices of securities currently available and other current transaction costs; the nature of the security being traded; the size and type of the transaction; the nature and character of the markets for the security to be purchased or sold; the desired timing of the trade; the activity existing and expected in the market for the particular security; confidentiality, including trade anonymity; liquidity; the quality of the execution, clearance and settlement services; financial stability of the broker or dealer; the existence of actual or apparent operational problems of any broker or dealer; rebates of commissions by a broker to the Fund or to a third-party service provider to the Fund to pay Fund expenses; and the value of research products or services provided by brokers.

In recognition of the value of the foregoing factors, portfolio transactions may be placed with a broker or dealer with whom the Adviser or its trading agent has negotiated a commission that is in excess of the commission another broker or dealer would have charged for effecting that transaction if the Adviser determines in good faith that such amount of commission was reasonable in relation to the value of the brokerage, research and other services provided by such broker or dealer viewed in terms of either that particular transaction or of the overall responsibilities of the Adviser. Small trade lots associated with the investment of cash flows into accounts – as opposed to the establishment or adjustment of position sizes beyond the investment of cash flows – may be placed with brokers charging lower per share commissions to minimize the cost of the incremental investment.

Research received from brokers or dealers is supplemental to the Adviser's own research efforts. Such research may include furnishing advice, either directly or through publications or writings, as to the value of securities, the advisability of purchasing or selling specific securities, and the availability of securities or purchasers or sellers of securities; furnishing seminars, information, analyses and reports concerning issuers, industries, securities, trading markets and methods, legislative developments, changes in accounting practices, economic factors and trends, and portfolio strategy; access to research analysts, corporate management personnel, industry experts, economists, and government officials; and other research products and services that assist the Adviser in carrying out its responsibilities.

Because the Adviser receives a benefit from research it receives from broker-dealers, the Adviser may have an incentive to continue to use those broker-dealers to effect transactions. The Adviser does not consider a broker-dealer's sale of Fund shares when choosing a broker-dealer to effect transactions.

The “safe harbor rule” under Section 28(e) of the Securities Exchange Act of 1934, as amended, permits investment advisers to pay more than the lowest available commission to a broker-dealer in return for research products and services used in making investment decisions through “soft dollar” arrangements. Soft dollar commissions are generated through equity transactions in listed securities. It is the Adviser’s policy to use soft dollar commissions to purchase only those products and services permitted by the safe harbor rule to help evaluate specific stock ideas as well as current portfolio holdings.

The Adviser does not guarantee any broker the placement of a pre-determined amount of securities transactions in return for the research or brokerage services it provides. The Adviser does, however, have internal procedures for allocating transactions in a manner consistent with its execution policies to brokers that it has identified as providing research, research-related products or services, or execution-related services of a particular benefit to its clients. Brokerage and research products and services furnished by brokers may be used in servicing any or all of the clients of the Adviser and such research may not necessarily be used by the Adviser in connection with the accounts which paid commissions to the broker providing such brokerage and research products and services. Similarly, research and brokerage services earned from equity trades may be used for fixed-income or other clients that normally do not pay brokerage commissions.

The Adviser may also use step-out transactions in order to receive research products and services. In a step-out transaction, the Adviser directs trades related to a broker-dealer with the instruction that the broker-dealer execute the transaction, but “step-out” all or a portion of the transaction or commission in favor of another broker-dealer that provides such products and/or services. The second broker-dealer may clear and settle and receive commissions for the stepped-out portion. In a new issue designation, the Adviser directs purchase orders to a broker-dealer that is a selling group member or underwriter of an equity or fixed-income new issue offering. The Adviser directs that broker-dealer to designate a portion of the broker-dealer’s commission on the new issue purchase to a second broker-dealer that provides such products and/or services. Given the Adviser’s receipt of such products and services in connection with step-out transactions and new issue designations, the Adviser has an incentive to continue to engage in such transactions. However, the Adviser only intends to utilize step-out transactions and new issue designations when it believes that doing so would help achieve best execution.

The Fund intends to maintain a prime brokerage arrangement to facilitate short sale transactions. A prime broker may provide, and the current prime broker of the Fund is expected to provide, services and products to the Adviser in connection with the lending, short selling facilities, and related services the prime broker provides to the Fund and other clients. These services may include, without limitation, electronic interfaces, software and various reports in connection with short sale activity. As a result of these services and products, the Adviser may have an incentive to use the prime broker to effect transactions for the Fund or to accept less favorable pricing for prime brokerage services (including interest and similar charges on short positions).

When the Fund purchases or sells a security in the over-the-counter market, the transaction takes place directly with a principal market-maker, without the use of a broker, except in those circumstances where in the opinion of the Adviser better prices and executions will be achieved through the use of a broker.

For the period ended May 31, 2007 and the fiscal years ended May 31, 2008 and May 31, 2009, the following brokerage commissions were paid by the Fund, and all of those commissions were paid to brokers and dealers that provided research services to the Adviser:

<u>May 31, 2007</u>	<u>May 31, 2008</u>	<u>May 31, 2009</u>
\$15,798	\$313,768	\$561,920

The difference in the aggregate amount of brokerage commissions paid by the Fund for these periods is attributable to the significant increase in the Fund’s assets from fiscal 2007 to fiscal 2009.

The Fund is required to identify any securities of its “regular brokers or dealers” that the Fund has acquired during its most recent fiscal year. The Fund did not acquire any securities of its “regular brokers or dealers” during the fiscal year ended May 31, 2009. The Fund also did not pay any commissions to brokers who were affiliated with the Fund or the Adviser during the period ended May 31, 2007 and the years ended May 31, 2008 and May 31, 2009.

TAXATION OF THE FUND

The following is intended to be a general summary of certain U.S. federal income tax consequences of investing in the Fund. It is not intended to be a complete discussion of all such federal income tax consequences, nor does it purport to deal with all categories of investors. This discussion reflects applicable tax laws of the U.S. as of the date of this SAI, which tax laws may change or be subject to new interpretation by the courts or the Internal Revenue Service, possibly with retroactive effect. The following discussion does not address state, foreign or local tax considerations that could apply to investors. Investors are advised to consult with their own tax advisers before making an investment in the Fund.

It is a policy of the Fund to make distributions of substantially all of its net investment income and any net realized capital gains. The Fund declares and makes annual distributions of net investment income, if any. Any net capital gains realized during each fiscal year, as defined by the Code, are normally distributed to shareholders in December but, if necessary, may be distributed at other times as well.

The Fund intends to qualify and elects to be traded as a regulated investment company by satisfying certain requirements prescribed by Subchapter M of the Code. If the Fund fails to qualify as a regulated investment company in any taxable year, the Fund may be subject to tax on its taxable income at corporate rates. In addition, all distributions from earnings and profits, including any distributions of net tax-exempt income and net long-term capital gains, would generally be taxable to shareholders as ordinary income but may, at least in part, qualify for the dividends received deduction applicable to corporations or the reduced rate of taxation applicable to noncorporate holders for “qualified dividend income.” In addition, the Fund could be required to recognize unrealized gains, pay taxes and interest, and make distributions before requalifying as a regulated investment company that is accorded special tax treatment.

All distributions of investment company taxable income (which includes dividends, short-term capital gains, and foreign currency gains, if any) and net capital gain (the excess of long-term capital gains over short-term capital losses), if any, on the Fund’s shares are reinvested automatically in additional shares of the Fund at the NAV determined on the first business day following the record date, unless you elect to have such distributions paid to you in cash. Such distributions are taxable, whether received in shares or in cash.

Certain of the Fund’s transactions involving short sales, futures, options, swap agreements, hedged investments and other similar transactions, if any, may be subject to special provisions of the Code that, among other things, may affect the character, amount and timing of distributions to shareholders. The Fund will monitor its transactions and may make certain tax elections where applicable in order to mitigate the effect of these provisions, if possible.

Tax Matters Related to Redemptions

In general, you will recognize a taxable capital gain or loss on the sale or redemption of shares of the Fund in an amount equal to the difference between the proceeds of the sale or redemption and your adjusted tax basis in the Fund shares. All or a portion of any loss so recognized may be disallowed if you purchase (for example, by reinvesting dividends) other shares of the Fund within 30 days before or after the sale or redemption (a “wash sale”). If disallowed, the loss will be reflected in an upward adjustment to the basis of the shares acquired. In general, any gain or loss arising from the sale or redemption of shares of the Fund will be capital gain or loss and will be long-term capital gain or loss if the shares were held for longer than one year. Any loss arising from the sale or redemption of shares held for six months or less, however, is treated as a long-term capital loss to the extent of any amounts treated as distributions of net capital gain received on such shares. In determining the holding period of such shares for this purpose, any period during which your risk of loss is offset by means of options, short sales or similar transactions is not counted. Capital losses in any year are deductible only to the extent of capital gains plus, in the case of a noncorporate taxpayer, \$3,000 of ordinary income (\$1,500 for married individuals filing separately). You should consult with your tax advisor for more information on these matters.

ORGANIZATION, VOTING RIGHTS AND PRINCIPAL HOLDERS

The Fund is an open-end management investment company, commonly called a mutual fund. The Fund is organized as a Delaware statutory trust and is registered with the SEC.

The Fund has noncumulative voting rights. For trustee elections, this gives holders of more than 50% of Fund shares the ability to elect all of the members of the Board. If this happens, holders of the remaining shares entitled to vote will not be able to elect anyone to the Board.

The Fund does not intend to hold annual shareholder meetings and is not required to. The Fund may hold special meetings, however, for matters requiring shareholder approval. A special meeting also may be called by the Board and certain officers in their discretion.

As of August 31, 2009, the trustees and officers of the Trust, as a group, owned less than 1% of the Fund. As of August 31, 2009, the following shareholders owned of record or are known by the Fund to own beneficially 5% or more of the outstanding shares of the Fund:

<u>Name and Address of Shareholder</u>	<u>Shares Owned</u>	<u>Percent of Outstanding Shares</u>
Charles Schwab & Co., Inc. ⁽¹⁾ Mutual Funds Dept. 101 Montgomery Street San Francisco, CA 94104	3,165,316	27.74%
National Financial Services, LLC 200 Liberty Street One World Financial Center New York, NY 10281	1,869,796	16.38%
Associated Trust Co. P.O. Box 22037 Green Bay, WI 54305	1,728,099	15.14%
PFPC Trust Co. MS F4-F760-1A-8 760 Moore Road King of Prussia, PA 19406	1,268,051	11.11%
Ameritrade, Inc. P.O. Box 2226 Omaha, NE 68103	1,224,424	10.73%
Pershing, LLC P.O. Box 2052 Jersey City, NJ 07303	690,398	6.05%

⁽¹⁾ Charles Schwab & Co., Inc. is organized under the laws of Delaware and its parent corporation is The Charles Schwab Corporation.

Any shareholder who owns beneficially, either directly or through one or more controlled companies, more than 25% of the voting securities of the Trust is presumed to control the Trust under the provisions of the 1940 Act. A controlling person possesses the ability to control the outcome of matters submitted for shareholder vote of the Trust.

PAYMENTS TO INTERMEDIARIES, OTHER FEES

In addition to the matters disclosed in the Prospectus, from time to time, the Adviser, at its expense, may provide additional compensation to intermediaries that sell or arrange for the sale of shares of the Fund. Such compensation may include financial assistance to intermediaries that enable the Adviser to participate in and/or present at conferences or seminars, sales or training programs for invited registered representatives and other employees, client and investor events and other intermediary-sponsored events. These payments may vary depending upon the nature of the event.

Other compensation may be offered to the extent not prohibited by state laws or any self-regulatory agency, such as the Financial Industry Regulatory Authority (FINRA). The Adviser makes payments for events it deems appropriate, subject to the Adviser's guidelines and applicable law.

You can ask your intermediary for information about any payments it receives from the Adviser and any services provided.

Broker-dealers may charge their customers a processing or service fee in connection with the purchase or redemption of Fund shares. Each individual dealer determines and should disclose to its customers the amount and applicability of such a fee. Processing or service fees typically are fixed, nominal dollar amounts and are in addition to the sales and other charges described in the Prospectus and this SAI. Consult your broker-dealer for specific information about any processing or service fees you may be charged.

FURTHER INFORMATION RELATED TO YOUR ACCOUNT

Interest or income earned on redemption checks sent to you during the time the checks remain uncashed will be retained by the Fund. The Fund will not be liable for any loss caused by your failure to cash such checks. The Fund is not responsible for tracking down uncashed checks, unless a check is returned as undeliverable.

In most cases, if mail is returned as undeliverable we are required to take certain steps to try to find you free of charge. If these attempts are unsuccessful, however, we may deduct the costs of any additional efforts to find you from your account. These costs may include a percentage of the account when a search company charges a percentage fee in exchange for its location services. Sending redemption proceeds by wire or electronic funds transfer (“ACH”) is a special service that we make available whenever possible. By offering this service to you, the Fund is not bound to meet any redemption request in less than the seven-day period prescribed by law. Neither the Fund nor its agents shall be liable to you or any other person if, for any reason, a redemption request by wire or ACH is not processed as described in the Prospectus.

There are special procedures for banks and other institutions that wish to open multiple accounts. An institution may open a single master account by filing one application form with the Fund, signed by personnel authorized to act for the institution. Individual sub-accounts may be opened when the master account is opened by listing them on the application, or by providing instructions to the Fund at a later date. These sub-accounts may be registered either by name or number. The Fund’s investment minimums apply to each sub-account. The Fund will send confirmation and account statements for the sub-accounts to the institution.

If you buy or sell shares through your securities dealer, we use the NAV next calculated after your securities dealer receives your request, which is promptly transmitted to the Fund. If you sell shares through your securities dealer, it is your dealer’s responsibility to transmit the order to the Fund in a timely fashion. Your redemption proceeds will not earn interest between the time we receive the order from your dealer and the time we receive any required documents. Any loss to you resulting from your dealer’s failure to transmit your redemption order to the Fund in a timely fashion must be settled between you and your securities dealer.

Certain shareholder servicing agents may be authorized to accept your transaction request. For institutional and bank trust accounts, there may be additional methods of buying or selling Fund shares than those described in this SAI or in the Prospectus. Institutional and bank trust accounts include accounts opened by or in the name of a person (includes a legal entity or an individual) that has signed an account application accepted by the Fund or entered into a selling agreement and/or servicing agreement with the Adviser or the Fund’s transfer agent. For example, the Fund permits the owner of an institutional account to make a same day wire purchase if a good order purchase request is received (a) before the close of the New York Stock Exchange (the “NYSE”) or (b) through the National Securities Clearing Corporation’s automated system for processing purchase orders (Fund/SERV), even though funds are delivered by wire after the close of the NYSE. If funds to be wired are not received as scheduled, the purchase order may be cancelled or reversed and the institutional account owner could be liable for any losses or fees the Fund, the Adviser or the Fund’s transfer agent, may incur.

The Fund has elected to be governed by Rule 18f-1 under the 1940 Act, which obligates the Fund to redeem shares in cash, with respect to any one shareholder during any 90-day period, up to the lesser of \$250,000 or 1% of the assets of the Fund. Subject to Rule 18f-1, if the Adviser determines that existing conditions make cash payments undesirable, redemption payments may be made in whole or in part in securities or other financial assets, valued for this purpose as they are valued in computing the NAV for the Fund’s shares (a “redemption in-kind”). Shareholders receiving securities or other financial assets in a redemption in-kind may realize a gain or loss for tax purposes, and will incur any costs of sale, as well as the associated inconveniences. If you expect to make a redemption in excess of the lesser of \$250,000 or 1% of the Fund’s assets during any 90-day period and would like to avoid any possibility of being paid with securities in-kind, you may do so by providing the Fund with an unconditional written instruction to redeem at least 15 calendar days prior to the date on which the redemption transaction is to occur,

specifying the dollar amount or number of shares to be redeemed and the date of the transaction. This will provide the Fund with sufficient time to raise the cash in an orderly manner to pay the redemption and thereby minimize the effect of the redemption on the Fund's remaining shareholders.

For investors outside the U.S., the offering of Fund shares may be limited in many jurisdictions. An investor who wishes to buy shares of the Fund should determine, or have a broker-dealer determine, the applicable laws and regulations of the relevant jurisdiction. Investors are responsible for compliance with tax, currency exchange or other regulations applicable to redemption and purchase transactions in any jurisdiction to which they may be subject. Investors should consult appropriate tax and legal advisors to obtain information on the rules applicable to these transactions.

All checks, drafts, wires and other payment mediums used to buy or sell shares of the Fund must be denominated in U.S. dollars. The Fund may, in its sole discretion, either (a) reject any order to buy or sell shares denominated in any other currency or (b) honor the transaction or make adjustments to your account for the transaction as of a date and with a foreign currency exchange factor determined by the drawee bank. We may deduct any applicable banking charges imposed by the bank from your account.

In the event of disputes involving conflicting claims of ownership or authority to control your shares, the Fund has the right (but has no obligation) to: (i) restrict the shares and require the written agreement of all persons deemed by the Fund to have a potential interest in the shares before executing instructions regarding the shares; or (ii) interplead disputed shares or the proceeds from the court-ordered sale thereof with a court of competent jurisdiction.

Should the Fund be required to defend against joint or multiple shareholders in any action relating to an ownership dispute, you expressly grant the Fund the right to obtain reimbursement for costs and expenses including, but not limited to, attorneys' fees and court costs, by unilaterally redeeming shares from your account.

The Fund may be required (i) pursuant to a validly issued levy, to turn your shares over to a levying officer who may, in turn, sell your shares at a public sale; or (ii) pursuant to a final order of forfeiture to sell your shares and remit the proceeds to the U.S. or state government as directed.

The Fund will issue new shares at the Fund's most current NAV. The Fund is authorized to issue an unlimited number of shares of beneficial interest. The Fund has registered an indefinite number of shares under Rule 24f-2 of the 1940 Act. Each share has one vote and is freely transferable. Shares represent equal proportionate interests in the assets of the applicable Fund only and have identical voting, distribution, redemption, liquidation and other rights. The shares, when issued and paid for in accordance with the terms of the Prospectus, are deemed to be fully paid and non-assessable. Shares have no preemptive, cumulative voting, subscription or conversion rights. Shares can be issued as full shares or as fractions of shares. A fraction of a share has the same kind of rights and privileges as a full share on a pro-rata basis.

We will credit your shares to your Fund account. We do not issue share certificates. This eliminates the costly problem of replacing lost, stolen or destroyed certificates.

The Board may from time to time establish additional series or classes of shares without the approval of shareholders. The assets of each series belong only to that series, and the liabilities of each series are borne solely by that series and no other.

PRICING OF SHARES

The NAV of the Fund normally will be determined as of the close of regular trading (4:00 p.m., Eastern Time) on each day the NYSE is open for trading. The NYSE is open for trading Monday through Friday except New Year's Day, Dr. Martin Luther King, Jr. Day, President's Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. Additionally, if any of the aforementioned holidays falls on a Saturday, the NYSE will not be open for trading on the preceding Friday and when any such holiday falls on a Sunday, the NYSE will not be open for trading on the succeeding Monday, unless unusual business conditions exist, such as the ending of a monthly or the yearly accounting period.

The Fund's NAV is equal to the quotient obtained by dividing the value of its net assets (its assets less its liabilities) by the number of shares outstanding.

In determining the NAV of the Fund's shares, common stocks that are listed on national securities exchanges are valued at the last sale price on the securities exchange on which such securities are primarily traded or at last sale

price on the national securities market. Securities that are traded on Nasdaq (“Nasdaq-traded securities”) are valued at the Nasdaq Official Closing Price (“NOCP”). Exchange-traded securities for which there were no transactions and Nasdaq-traded securities for which there is no NOCP are valued at the current bid and asked prices on such exchanges. Unlisted securities held by a Fund that are not included in the Nasdaq Stock Market are valued at the average of the quoted bid and asked prices in the over-the-counter market. If a security is traded or dealt in on more than one exchange, or on one or more exchanges and in the over-the-counter market, quotations from the market in which the security is primarily traded shall be used.

Since the Fund may invest in securities that are relatively illiquid, there is the possibility of a differential between the last available market prices for one or more of those securities and the latest indications of market values for those securities. The Fund has procedures to determine the fair value of individual securities and other assets for which market prices are not readily available (such as certain restricted or unlisted securities and private placements) or which may not be reliably priced (such as in the case of trade suspensions or halts, and thinly traded or illiquid securities). The Board has established a valuation committee and has delegated responsibility for fair valuation of securities to the valuation committee. The valuation committee makes fair value determinations on behalf of the Board pursuant to the Fund’s valuation and liquidity procedures. Some methods for valuing these securities may include: fundamental analysis (earnings multiple, etc.), matrix pricing, discounts from market prices of similar securities, or discounts applied due to the nature and duration of restrictions on the disposition of the securities.

Short-term investments which mature in less than 60 days are valued at amortized cost (unless the Board determines that this method does not represent fair value), if their original maturity was 60 days or less, or by amortizing the value as of the 61st day prior to maturity, if their original term to maturity exceeded 60 days. Municipal daily or weekly variable rate demand instruments may be priced at par plus accrued interest. Other types of securities that a Fund may hold for which fair value pricing might be required include, but are not limited to: (a) illiquid securities, including “restricted” securities and private placements for which there is no public market; (b) options not traded on a securities exchange; (c) securities of an issuer that has entered into a restructuring; (d) securities whose trading has been halted or suspended; and (e) fixed-income securities that have gone into default and for which there is not a current market value quotation. Further, if events occur that materially affect the value of a security between the time trading ends on that particular security and the close of the normal trading session of the NYSE, a Fund may value the security at its fair value.

The Fund values portfolio securities underlying actively traded call options at their market price as determined above. The current market value of any option the Fund holds is its last sale price on the relevant exchange before the Fund values its assets. If there are no sales that day, at the mean of the last closing bid and ask prices if the Fund believes the valuation fairly reflects the contract’s market value. Options not listed for trading on a securities exchange or board of trade for which over-the-counter market quotations are readily available shall be valued at the mean of the current bid and asked prices.

Generally, U.S. Government securities and other fixed-income securities complete trading at various times prior to the close of the NYSE. For purposes of computing NAV, the Fund uses the market value of such securities as of the time their trading day ends. Occasionally, events affecting the value of such securities may occur between such times and the close of the NYSE, which events would not be reflected in the computation of the Fund’s NAV. It is currently the policy of the Fund that events affecting the valuation of the Fund’s securities between such times and the close of the NYSE, if material, may be reflected in such NAV.

Valuing securities at fair value involves greater reliance on judgment than securities that have readily available market quotations. There can be no assurance that the Fund could obtain the fair value assigned to a security if it were to sell the security at approximately the time at which the Fund determines its NAV per share.

The Fund reserves the right to suspend or postpone redemptions during any period when: (a) trading on the NYSE is restricted, as determined by the SEC, or the NYSE is closed for other than customary weekend and holiday closings; (b) the SEC has granted an order to the Fund permitting such suspension; or (c) an emergency, as determined by the SEC, exists, making disposal of portfolio securities or valuation of net assets of the Fund not reasonably practicable.

REGISTRATION STATEMENT

The Fund has filed a registration statement on Form N-1A under the Securities Act and the 1940 Act with respect to the securities to which this SAI relates. If further information is desired with respect to the Fund or such securities, reference is made to such registration statement and the exhibits filed as a part thereof.

FINANCIAL STATEMENTS

The following audited financial statements are incorporated by reference to the Fund's annual report for the year ended May 31, 2009:

- Schedule of Investments and Securities Sold Short;
- Statement of Assets and Liabilities;
- Statement of Operations;
- Statements of Changes in Net Assets;
- Financial Highlights;
- Notes to Financial Statements; and
- Report of Independent Registered Public Accounting Firm.