

# NAKOMA MUTUAL FUNDS

## **Semi-Annual Report**

**November 30, 2007**



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# NAKOMA MUTUAL FUNDS

## SCHEDULE OF INVESTMENTS – November 30, 2007 (Unaudited)

### COMMON STOCKS—50.4%

Description	Shares	Value
Consumer Discretionary - 4.6%		
Hotels, Restaurants & Leisure - 1.5%		
International Game Technology .....	23,380	\$ <u>1,020,771</u>
Specialty Retail - 1.5%		
Gap, Inc. ....	50,300	<u>1,026,120</u>
Textiles, Apparel & Luxury Goods - 1.6%		
Skechers USA, Inc., Class A (1) .....	47,400	<u>1,073,610</u>
		<u>3,120,501</u>
Consumer Staples - 2.1%		
Food & Staples Retailing - 2.1%		
CVS Caremark Corp. ....	36,620	<u>1,468,096</u>
Energy - 1.7%		
Oil, Gas & Consumable Fuels - 1.7%		
United States Natural Gas Fund LP (1)(4) ..	31,450	<u>1,135,345</u>
Financials - 8.4%		
Capital Markets - 3.8%		
Affiliated Managers Group, Inc. (1) .....	15,600	1,938,300
AllianceBernstein Holdings LP .....	7,300	<u>598,235</u>
		<u>2,536,535</u>
Diversified Financial Services - 3.2%		
CME Group, Inc. ....	1,500	987,900
Portfolio Recovery Associates, Inc. (1) .....	30,220	<u>1,217,262</u>
		<u>2,205,162</u>
Insurance - 1.4%		
Ambac Financial Group, Inc. ....	36,100	<u>983,003</u>
		<u>5,724,700</u>
Health Care - 14.8%		
Health Care Equipment & Supplies - 5.0%		
Hologic, Inc. (1) .....	34,940	2,319,666
NuVasive, Inc. (1) .....	26,270	<u>1,118,314</u>
		<u>3,437,980</u>
Health Care Provider & Services - 6.6%		
LHC Group, Inc. (1) .....	36,600	936,960
Nighthawk Radiology Holdings, Inc. (1) .....	63,900	1,350,846
UnitedHealth Group, Inc. ....	40,690	<u>2,237,949</u>
		<u>4,525,755</u>
Life Sciences Tools & Services - 3.2%		
Thermo Fisher Scientific, Inc. (1) .....	38,640	<u>2,227,210</u>
		<u>10,190,945</u>
Industrials - 3.2%		
Aerospace & Defense - 3.2%		
Boeing Co. ....	9,100	842,114
Taser International, Inc. (1) .....	94,510	<u>1,324,085</u>
		<u>2,166,199</u>
Information Technology - 12.8%		
Communications Equipment - 3.7%		
Cisco Systems, Inc. (1) .....	33,930	950,719
Corning, Inc. ....	64,390	<u>1,564,033</u>
		<u>2,514,752</u>

Description	Shares	Value
IT Services - 1.5%		
Alliance Data Systems Corp. (1) .....	13,520	\$ <u>1,050,504</u>
Semiconductors & Semiconductor Equipment - 4.6%		
Intel Corp. ....	58,600	1,528,288
MEMC Electronic Materials, Inc. (1) .....	20,950	<u>1,625,301</u>
		<u>3,153,589</u>
Software - 3.0%		
Activision, Inc. (1) .....	58,500	1,295,775
Amdocs Ltd. (1) .....	23,380	<u>773,644</u>
		<u>2,069,419</u>
Telecommunication Services - 2.8%		
Diversified Telecommunication - 2.8%		
AT&T, Inc. ....	50,450	<u>1,927,695</u>
TOTAL COMMON STOCKS		
(Cost \$32,794,793) .....		<u>34,521,745</u>

### SHORT-TERM INVESTMENTS—47.2%

UMB Bank Money Market		
Fiduciary, 3.058% (2)(3) .....	32,374,859	<u>32,374,859</u>
Total Short-Term Investments		
(Cost \$32,374,859) .....		<u>32,374,859</u>
Total Investments - 97.6%		
(Cost \$65,169,652) .....		<u>66,896,604</u>
Other Assets and Liabilities - 2.4% .....		<u>1,651,636</u>
Total Net Assets - 100.0% .....		\$ <u>68,544,630</u>

- (1) Non-income producing security.
- (2) Variable rate security; the coupon rate represents the rate at November 30, 2007.
- (3) As of the period ended November 30, 2007, 12,286,591 shares valued at \$12,286,591 were held in a segregated account as collateral for securities sold short.
- (4) ETFs

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

# NAKOMA MUTUAL FUNDS

## SCHEDULE OF INVESTMENTS—continued

### SCHEDULE OF SECURITIES SOLD SHORT

Description	Shares	Value	Description	Shares	Value
<b>Consumer Discretionary</b>			<b>Computers &amp; Peripherals</b>		
Automobiles			Apple, Inc. (1)	4,280	\$ 779,902
Harley-Davidson, Inc.	14,600	\$ 701,092	Logitech International S.A. (1)	14,300	486,629
Winnebago Industries, Inc.	31,570	679,386			<u>1,266,531</u>
		<u>1,380,478</u>	<b>Semiconductors &amp; Semiconductor Equipment</b>		
Hotels, Restaurants & Leisure			Applied Materials, Inc.	48,640	915,891
CBRL Group, Inc.	23,830	797,352	Lam Research Corp. (1)	21,290	976,146
Dover Downs Gaming & Entertainment, Inc.	68,310	754,825	Novellus Systems, Inc. (1)	37,470	974,595
Starbucks Corp. (1)	27,670	647,201	STMicroelectronics N.V.	17,500	266,350
		<u>2,199,378</u>			<u>3,132,982</u>
Household Durables					<u>5,128,685</u>
Centex Corp.	32,130	670,232	<b>Telecommunication Services</b>		
Ethan Allen Interiors, Inc.	21,030	600,618	<b>Wireless Telecommunication Services</b>		
Mohawk Industries, Inc. (1)	11,680	939,539	Sprint Nextel Corp.	51,370	797,262
		<u>2,210,389</u>			
Multiline Retail			<b>TOTAL SECURITIES SOLD SHORT</b>		
Sears Holdings Corp. (1)	8,200	865,182	Proceeds \$25,278,657		<u>\$ 22,959,933</u>
Specialty Retail					
AutoZone, Inc. (1)	6,300	703,269			
Cabela's, Inc. (1)	38,760	641,090			
Sherwin Williams Co.	13,410	842,550			
		<u>2,186,909</u>			
Textiles, Apparel & Luxury Goods					
Luxottica Group S.p.A.- ADR	22,000	733,040			
		<u>9,575,376</u>			
<b>Energy</b>					
Energy Equipment & Services					
ENSCO International, Inc.	16,900	910,065			
Noble Corp.	17,700	922,701			
		<u>1,832,766</u>			
Oil, Gas & Consumable Fuels					
ConocoPhillips	11,900	952,476			
Energy Select Sector SPDR Fund (4)	13,600	999,192			
Oil Service HOLDERS Trust (4)	7,100	1,250,665			
Western Refining, Inc.	14,400	416,160			
		<u>3,618,493</u>			
		<u>5,451,259</u>			
<b>Financials</b>					
Thrifts & Mortgage Finance					
FirstFed Financial Corp. (1)	6,200	217,125			
<b>Industrials</b>					
Commercial Services & Supplies					
ACCO Brands Corp. (1)	38,290	639,826			
Machinery					
Caterpillar, Inc.	16,000	1,150,400			
		<u>1,790,226</u>			
<b>Information Technology</b>					
Communications Equipment					
Nortel Networks Corp. (1)	43,300	729,172			

- (1) Non-income producing security.
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- (4) ETFs

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

# NAKOMA MUTUAL FUNDS

## FEES AND EXPENSE EXAMPLE (Unaudited)

Shareholders of the Fund incur two types of costs: (1) transaction costs and (2) operating costs, including management fees, distribution fees and other Fund expenses. The following Example is intended to help investors understand the operating costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds. The Example is based on an investment of \$1,000 invested at the beginning of the period and held for the period June 1, 2007 through November 30, 2007.

### *Actual Expenses*

The first line of the table below provides information about actual account values and actual expenses for the Fund. You may use this information, together with the amount you invested, to estimate the expenses that you paid over the period. Divide your account value by \$1,000, then multiply that result by the number in the “Actual” line under the heading “Expenses Paid During Period” to estimate the expenses you paid on your account during this period.

### *Hypothetical Example for Comparison Purposes*

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

The expenses shown in the table below are meant to highlight your ongoing costs only and do not reflect any transactional costs. Therefore, the second line is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

<b>Nakoma Absolute Return Fund</b>	<b>Beginning Account Value (Jun 1, 2007)</b>	<b>Ending Account Value (Nov 30, 2007)</b>	<b>Annualized Expense Ratio <sup>(1)</sup></b>	<b>Expenses Paid During Period <sup>(2)</sup></b>
Actual	\$1,000.00	\$1,085.90	2.72%	\$14.21
Hypothetical (5% return before expenses)	\$1,000.00	\$1,011.38	2.72%	\$13.70

- (1) This ratio includes the dividend expense from securities sold short. Pursuant to an expense limitation agreement between the Adviser and the Fund, the Adviser has agreed to waive its fees and/or absorb Fund expenses to ensure that the Fund’s total annual operating expenses, excluding brokerage fees and commissions, borrowing costs (such as interest and dividends on securities sold short), taxes and extraordinary expenses, do not exceed 1.99% of the Fund’s average daily net assets through December 15, 2008.
- (2) Expenses are equal to the Fund’s annualized expense ratio multiplied by the average account value over the period, multiplied by 183/366. Information shown reflects values using the expense ratios for the period June 1, 2007 through November 30, 2007.

# NAKOMA MUTUAL FUNDS

## STATEMENT OF ASSETS AND LIABILITIES – November 30, 2007 (Unaudited)

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### NAKOMA ABSOLUTE RETURN FUND

#### Assets

Investments, at value (cost \$65,169,652)	\$66,896,604
Deposit at broker for securities sold short	24,693,775
Interest and dividends receivable	90,378
Receivable for fund shares sold	436,951
Receivable for investments sold	512,686
Prepaid expenses	<u>23,889</u>
Total assets	<b><u>\$92,654,283</u></b>

#### Liabilities

Securities sold short, at value (proceeds of \$25,278,657)	22,959,933
Payable for investments purchased	888,027
Dividends payable on securities sold short	81,452
Payable to Investment Adviser	122,331
Accrued expenses and other liabilities	<u>57,910</u>
Total liabilities	<b><u>24,109,653</u></b>

#### Net Assets

**\$68,544,630**

#### Net Assets Consist of

Paid in capital	\$64,822,253
Undistributed net investment income	178,344
Accumulated net realized loss on investments and securities sold short - net	(501,643)
Net unrealized appreciation (depreciation) on:	
Investments	1,726,952
Securities sold short	<u>2,318,724</u>

#### Net Assets

**\$68,544,630**

Net assets	\$68,544,630
Shares outstanding (no par value, unlimited shares authorized)	2,978,992

#### NET ASSET VALUE, OFFERING AND REDEMPTION PRICE PER SHARE (NET ASSETS/SHARES OUTSTANDING)

**\$23.01**

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

# NAKOMA MUTUAL FUNDS

## STATEMENT OF OPERATIONS — For the Period Ended November 30, 2007 (Unaudited)

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### NAKOMA ABSOLUTE RETURN FUND

<b>Investment Income</b>	
Interest	\$ 507,500
Dividends	<u>56,189</u>
Total investment income	<u>\$ 563,689</u>
<b>Operating Expenses</b>	
Investment advisory fees	246,614
Professional fees	34,895
Transfer agent fees and expenses	25,550
Fund administration and accounting fees	19,929
Federal and state registration fees	13,653
Reports to shareholders	9,660
Custody fees	8,047
Trustees' fees and related expenses	7,281
Other	<u>17,155</u>
Total operating expenses	<u>\$ 382,784</u>
Less expenses paid indirectly by the Investment Adviser	(52,000)
Dividend expense on securities sold short	<u>122,021</u>
Net expenses	<u>452,805</u>
<b>Net Investment Income</b>	<b><u>\$ 110,884</u></b>
<b>Realized and Unrealized Gain (Loss) On Investments</b>	
Net realized gain (loss) on:	
Investments	(175,954)
Securities sold short	(87,995)
Change in unrealized appreciation on investments and securities sold short	<u>3,223,954</u>
<b>Net Realized/Unrealized Gain on Investments</b>	<b><u>\$ 2,960,005</u></b>
<b>Net Increase in Net Assets Resulting From Operations</b>	<b><u>\$ 3,070,889</u></b>

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

# NAKOMA MUTUAL FUNDS

## STATEMENT OF CHANGES IN NET ASSETS (Unaudited)

### NAKOMA ABSOLUTE RETURN FUND

	For the Period Ended Nov 30, 2007	For the Period Ended May 31, 2007*
<b>Operations</b>		
Net investment income	\$ 110,884	\$ 62,645
Net realized gain (loss) on:		
Investment securities	(175,954)	8,845
Securities sold short	(87,995)	(246,539)
Change in unrealized appreciation on investments and securities sold short	<u>3,223,954</u>	<u>821,722</u>
<b>Net increase in net assets resulting from operations</b>	<b><u>\$ 3,070,889</u></b>	<b><u>\$ 646,673</u></b>
<b>Distributions to Shareholders</b>		
Distributions to shareholders from net investment income	--	(819)
Distributions to shareholders from net realized gains	<u>--</u>	<u>--</u>
Change in net assets resulting from distributions to shareholders	<u>--</u>	<u>(819)</u>
<b>Capital Share Transactions</b>		
Proceeds from shares sold	49,428,034	15,961,998
Reinvestment of distributions	--	819
Amounts paid for shares redeemed	<u>(641,787)</u>	<u>(21,177)</u>
Net increase in net assets resulting from capital share transactions	<u>48,786,247</u>	<u>15,941,640</u>
<b>Total Increase in Net Assets</b>	<b><u>51,857,136</u></b>	<b><u>16,587,494</u></b>
<b>Net Assets</b>		
Beginning of period	<u>16,687,494</u>	<u>100,000</u>
End of period	<b><u>\$ 68,544,630</u></b>	<b><u>\$ 16,687,494</u></b>
<b>Accumulated undistributed net investment income</b>	<b><u>\$ 178,344</u></b>	<b><u>\$ 67,460</u></b>
<b>Capital Share Transactions</b>		
Shares sold	2,220,065	783,605
Shares issued in reinvestment of distributions		41
Shares redeemed	<u>(28,706)</u>	<u>(1,013)</u>
Net increase from capital share transactions	<b><u>2,191,359</u></b>	<b><u>782,633</u></b>
Shares outstanding, beginning of period	<u>787,633</u>	<u>5,000</u>
Shares outstanding, end of period	<b><u>2,978,992</u></b>	<b><u>787,633</u></b>

\* Fund commenced operations in August 23, 2006. Fund began investing in line with its investment objectives on December 18, 2006.

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

# NAKOMA MUTUAL FUNDS

## FINANCIAL HIGHLIGHTS (Unaudited)

Selected Per Share Data for the Period Presented

### NAKOMA ABSOLUTE RETURN FUND

	For the Period Ended Nov 30, 2007	For the Period Ended May 31, 2007*
<b>Net Asset Value, Beginning of Period</b>	<b>\$ 21.19</b>	<b>\$ 20.00</b>
<b>Income From Investment Operations</b>		
Investment Income	(0.03)	0.11
Net realized and unrealized gain on investments and securities sold short	<u>1.85</u>	<u>1.11</u>
Total income from investment operations	<u>1.82</u>	<u>1.22</u>
<b>Less Distributions</b>		
Dividends from net investment income	--	<u>(0.03)</u>
<b>Net Asset Value, End of Period</b>	<b><u>\$ 23.01</u></b>	<b><u>\$ 21.19</u></b>
<b>Total Return</b> <sup>(1)(2)</sup>	<b>8.59%</b>	<b>5.95%</b> <sup>(3)</sup>
<b>Supplemental Data and Ratios</b>		
Net assets, end of period (in thousands)	\$ 68,545	\$ 16,687
Ratio of expenses to average net assets, excluding dividends on securities sold short, net of waived fees <sup>(4)(5)</sup>	1.99%	1.99%
Ratio of dividend expense on securities sold short to average net assets <sup>(5)</sup>	0.73%	0.46%
Ratio of expenses to average net assets, including dividend expense on securities sold short, net of waived fees <sup>(4)(5)</sup>	2.72%	2.45%
Ratio of gross expenses to average net assets, gross fees <sup>(5)</sup>	3.04%	5.73%
Ratio of net investment income to average net assets, net of waived fees <sup>(4)</sup>	0.67%	1.41%
Ratio of net investment income to average net assets, gross fees	0.35%	(1.87)%
Portfolio turnover rate – long positions, excluding short positions <sup>(2)</sup>	144%	18%

(1) Total return in the above table represents the rate that the investor would have earned or lost on an investment in the Fund, assuming reinvestment of dividends.

(2) Not annualized.

(3) Represents performance beginning on the first day of security trading (December 18, 2006).

(4) Reflects the Adviser's waiver of a portion of its management fees and/or other operating expenses.

(5) Annualized.

\* Fund commenced operations in August 23, 2006. Fund began investing in line with its investment objectives on December 18, 2006.

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

# NAKOMA MUTUAL FUNDS

## NOTES TO FINANCIAL STATEMENTS – November 30, 2007 (Unaudited)

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### NOTE 1 – ORGANIZATION MATTERS

The Nakoma Absolute Return Fund (the “Fund”) is a series of Nakoma Mutual Funds (the “Trust”), an open-end, diversified management investment company, organized as a statutory trust in Delaware and registered with the Securities and Exchange Commission (the “SEC”) under the Investment Company Act of 1940, as amended (the “1940 Act”). The Fund commenced operations on August 23, 2006. The Fund commenced investing in line with its investment objectives on December 18, 2006. The investment adviser to the Fund is Nakoma Capital Management LLC (the “Adviser”), which is registered as an investment adviser with the SEC.

The Trust is authorized to issue an unlimited number of shares, which are units of beneficial interest with no par value. 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.

The investment objective of the Fund is to seek absolute returns with low volatility independent of equity market conditions. The Fund seeks to implement an “expectations” investment strategy in taking long and short positions in securities. It will invest primarily in equity securities traded in U.S. markets—taking long positions in companies where the Adviser believes operating results will exceed investor’s expectations, and establishing short positions in companies that the Adviser believes will disappoint or as hedged offsets to long positions.

### NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements. The preparation of financial statements is in conformity with accounting principles generally accepted in the United States of America (“GAAP”).

#### *Securities Valuation*

Securities and other assets will normally be valued as of the close of regular trading (4:00 P.M. Eastern Time) on each day the New York Stock Exchange (the “NYSE”) is open for trading. Common stocks 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 traded on the NASDAQ National Market or the NASDAQ Small Cap Market (collectively, “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 prices for longs and current asked prices for shorts on such exchanges. Unlisted securities held by the 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.

Securities and other assets for which market quotations are not readily available are valued by appraisal at their fair value as determined in good faith by the Adviser under procedures established by the Fund’s Board of Trustees (the “Board”). Short-term investments maturing 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. During the period ended November 30, 2007, the Fund has not traded in any securities for which market quotations were not readily available.

The Fund has procedures to determine the fair value of individual securities and other assets for which market prices are not readily available or which may not be reliably priced. 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. During the period ended November 30, 2007, the Fund has not traded in any such securities.

# NAKOMA MUTUAL FUNDS

## NOTES TO FINANCIAL STATEMENTS—Continued

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### *Short Sales*

The Fund may sell a security it does not own in anticipation of a decline in the value of that security. When the Fund sells a security short, it must borrow the security sold short and deliver it to the broker-dealer through which it made the short sale. A gain, limited to the price at which the Fund sold the security short, or a loss, unlimited in size, will be recognized upon closing a short sale. Cash received from short sales is maintained by brokers and is used to meet margin requirements for short calls. It is included as “Deposit at broker for securities sold short” on the Statement of Assets & Liabilities.

### *Securities Transactions*

Pricing is completed each day based upon closing security prices received from one or more authorized independent pricing services. If any security prices are not provided by independent pricing services, prices are obtained manually in accordance with the Fund’s pricing policies and procedures.

### *Distributions*

The Fund’s income from certain dividends, interest, and any net realized short-term capital gains are paid to shareholders as ordinary income dividends. Certain dividend income may be reported to shareholders as “qualified dividend income,” which is generally subject to reduced rates of taxation. However, because the principal investment goal of the Fund is to invest in both long and short positions in equity securities, it is anticipated that a smaller portion of the income dividends paid to shareholders by the Fund will be qualified dividend income eligible for taxation by individuals at long-term capital gain rates than if the Fund invested in only long positions in equity securities. Net realized long-term capital gains are paid to shareholders as capital gains distributions, regardless of how long shares of the Fund have been held by the shareholder. Shareholders have two distribution options: (1) automatic reinvestment of both dividend and capital gains distributions in additional shares of the Fund, or (2) both dividend and capital gains distributions are paid in cash.

### *Commitments and Contingencies*

In the normal course of business, the Fund enters into contracts that provide general indemnification to other parties. The Fund’s maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. However, the Fund has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

### *Federal Income Taxes*

The Fund intends to qualify for tax treatment applicable to regulated investment companies under the Internal Revenue Code of 1986, as amended (the “Code”), and distribute all of its taxable income to its shareholders. Therefore, no provision has been recorded for federal income or excise taxes.

The character of distributions made during the year from net investment loss or net realized gain may differ from the character for federal income tax purposes due to differences in the recognition of income expense and gain items for financial statement and tax purposes. Where appropriate, reclassifications between capital accounts are made for such differences that are permanent in nature.

### *Distributions to Shareholders*

The character of distributions made during the year from net investment income or net realized gains differ from the characterization for Federal income tax purposes due to differences in the recognition of income, expense or gain items for financial statement and tax purposes. Distributions are recorded on the ex-dividend date. To the extent that these differences are attributable to permanent book and tax accounting differences, the components of net assets have been adjusted. For the fiscal period ended May 31, 2007, \$5,634 was reclassified from paid-in capital to accumulated undistributed net investment income as a result of these permanent differences.

# NAKOMA MUTUAL FUNDS

## NOTES TO FINANCIAL STATEMENTS—Continued

### *Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of increases and decreases from operations during the reporting period. Actual results could differ from those estimates.

### *Share Valuation*

The net asset value per share of the Fund is calculated by dividing the sum of the value of the securities held by the Fund, plus cash or other assets, minus all liabilities (including estimated accrued expenses) by the total number of shares outstanding for the Fund, rounded to the nearest cent. The Fund's shares will not be priced on the days on which the NYSE is closed for trading.

### *Other*

Investment transactions are accounted for on a trade date basis. Dividend income and dividend expense are recorded on the ex-dividend date, and interest income is recognized on an accrual basis. Net realized gains and losses on securities are computed on the basis of specific security lot identifications.

### **NOTE 3 – INVESTMENT PORTFOLIO TRANSACTIONS**

Purchases and sales of long investments, other than short-term securities, for the Fund for the period ended November 30, 2007, are as follows:

Other than U.S. Government Securities		U.S. Government Securities	
<u>Purchases</u>	<u>Sales</u>	<u>Purchases</u>	<u>Sales</u>
\$ 33,144,109	\$ 8,607,000	\$ -	\$ -

### **NOTE 4 – INVESTMENT ADVISER FEE AND OTHER TRANSACTIONS WITH AFFILIATES**

#### *Investment Adviser*

Nakoma Capital Management LLC is the Trust's investment adviser. An advisory agreement with the Adviser was in effect during the period ended November 30, 2007. Pursuant to this agreement, the Adviser directs the purchase or sale of investment securities in the day-to-day management of the Fund's investment portfolios, subject to policies adopted by the Fund's Board. The Adviser is also responsible for providing investment research and portfolio management services, and selecting the brokers who execute the Fund's portfolio transactions.

The Fund pays the Adviser an annual fee equal to 1.50% of the Fund's average daily net assets, computed and paid monthly according to the terms of the advisory agreement. For the fiscal period ended November 30, 2007, the Adviser earned a fee of \$246,614 before the reimbursement described below. Pursuant to a separate expense limitation agreement between the Adviser and the Fund, the Adviser has agreed to waive its fees and/or reimburse expenses of the Fund to ensure that the Fund's total annual operating expenses, excluding brokerage fees and commissions, borrowing costs (such as interest and dividends on securities sold short), taxes and extraordinary expenses, do not exceed 1.99% of the Fund's average daily net assets through December 15, 2008. Under the terms of the expense limitation agreement, the Adviser may request a reimbursement of any advisory fees waived or reduced or payment of expenses made by the Adviser within three years following the year to which the waiver, reduction or payment related if the Fund's expenses are less than the above limit agreed to by the Fund. Any such reimbursement request requires Board review and approval. The waived fees related to operating expenses subject to recovery at May 31, 2007 and November 30, 2007, were as follows:

# NAKOMA MUTUAL FUNDS

## NOTES TO FINANCIAL STATEMENTS—Continued

<u>Amount</u>	
\$145,458	Reimbursement request expires May 31, 2010
\$52,000	Reimbursement request expires November 30, 2010

### *Officers and Trustees*

Certain officers and trustees of the Trust are affiliated with the Adviser. None of these individuals receives a fee from the Trust for serving as an officer or trustee. The fees and expenses of the independent trustees allocated to the Fund are reflected in the Fund's Statement of Operations. The independent trustees' remuneration for the Fund totaled \$8,000 for the period ended November 30, 2007.

### **NOTE 5 – TAX INFORMATION**

At November 30, 2007, the cost of securities and proceeds from securities sold short, on a tax basis and gross unrealized appreciation and depreciation on investments and securities sold short for Federal income tax purposes were as follows:

Cost of investments	<u>\$ 65,257,435</u>
Proceeds from securities sold short	<u>\$(25,047,294)</u>
Unrealized appreciation	\$ 5,127,318
Unrealized depreciation	<u>(1,400,788)</u>
 Net unrealized appreciation on investments and securities sold short	 <u>\$ 3,726,530</u>

The difference between cost amounts for financial statement and Federal income tax purposes is due primarily to timing differences in recognizing certain gains and losses in security transactions.

The tax character of distributions paid during the fiscal year ended May 31, 2007, was as follows:

Ordinary income	\$ 819
Net long-term capital gains	-
Total distributions	<u>\$ 819</u>

As of May 31, 2007, the components of accumulated earnings on a tax basis were as follows:

Undistributed ordinary income	\$ 67,460
Undistributed long-term gains	-
Tax accumulated earnings	67,460
Accumulated capital and other losses	(221,815)
Unrealized appreciation on investments and securities sold short	<u>805,843</u>
Total accumulated earnings	<u>\$ 651,488</u>

As of May 31, 2007, the Fund had \$221,815 of post-October losses, which are deferred until June 1, 2007, for tax purposes. Net capital losses incurred after October 31 and within the taxable year are deemed to arise on the first day of the Fund's taxable year.

# NAKOMA MUTUAL FUNDS

## NOTES TO FINANCIAL STATEMENTS—Continued

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### NOTE 6 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Effective June 29, 2007, the Fund adopted Financial Accounting Standards Board (“FASB”) Interpretation No. 48, (“FIN 48”) “Accounting for Uncertainty in Income Taxes”, a clarification of FASB Statement No. 109, Accounting for Income Taxes. FIN 48 establishes financial accounting and disclosure requirements for recognition and measurement of tax positions taken or expected to be taken on an income tax return. The adoption of FIN 48 had no impact on the fund’s net assets or results of operations.

In September 2006, Statement of Financial Accounting Standards No. 157, Fair Value Measurement (“SFAS 157”), was issued. SFAS 157 is effective for fiscal years beginning after November 15, 2007. SFAS 157 defines fair value, establishes frameworks for measuring fair value and expands disclosures about fair value measurements. Management has recently begun to evaluate the application of SFAS 157 on the Fund and has not, at this time, quantified the effect, if any, resulting from the adoption of this Interpretation on the Fund’s financial statements.

In addition, in February 2007, FASB issued “Statement of Financial Accounting Standard No. 159, The Fair Value Option for Financial Assets and Financial Liabilities” (“FAS 159”), which is effective for fiscal years beginning after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provisions of FAS 157. FAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. FAS 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. Management has recently begun to evaluate the application of the Statement to the Fund, and is not in a position at this time to evaluate the significance of its impact, if any, on the Funds’ financial statements.

### NOTE 7 – BENEFICIAL OWNERSHIP

The beneficial ownership, either directly or indirectly, of more than 25% of the voting securities of the Fund creates a presumption of control under Section 2(a)(9) of the 1940 Act. As of November 30, 2007, the Associated Trust Co., and Charles Schwab & Co., Inc., for the benefit of its customers, owned 37% and 30% of the Fund respectively.

### NOTE 8 – MARGIN BORROWING AGREEMENT

The Fund has a margin account with its prime broker, Banc of America Securities, under which the Fund may borrow against the value of its securities, subject to regulatory limitation. Interest accrues at the federal funds rate plus 0.70% (5.20% on November 30, 2007). Interest is accrued daily and paid monthly. The Fund held a deposit of \$24,693,775 with the broker for securities sold short at November 30, 2007.

The Fund is exposed to credit risk from its prime broker who effects transactions and extends credit pursuant to a prime brokerage agreement. The Adviser attempts to minimize the Fund’s credit risk by monitoring credit exposure and the credit worthiness of the prime broker.

# NAKOMA MUTUAL FUNDS

## **ADDITIONAL NOTES (Unaudited)**

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### **NOTE 9 – PROXY VOTING (Unaudited)**

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 “Proxy Policies”) adopted by the Adviser. A description of these Proxy Policies is available (i) without charge, upon request, by calling the Fund toll-free at 1-866-662-5662, and (ii) on the SEC’s website at [www.sec.gov](http://www.sec.gov).

The Fund’s proxy voting record for the most recent 12-month period ended June 30, 2007, is available (i) without charge, upon request, by calling the Fund toll-free at 1-866-662-5662, and (ii) on the SEC’s website at [www.sec.gov](http://www.sec.gov).

### **NOTE 10 – QUARTERLY PORTFOLIO DISCLOSURES (Unaudited)**

The Fund files a complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund’s Form N-Q is available (i) without charge, upon request, by calling the Fund toll-free at 1-866-662-5662, (ii) on the SEC’s website at [www.sec.gov](http://www.sec.gov), and (iii) to review and copy at the SEC’s Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

### **NOTE 11 – SHAREHOLDER TAX INFORMATION (Unaudited)**

For the period ended May 31, 2007, 32.24% of dividends paid from net investment income including short-term capital gains, qualifies for the dividends received deduction available to corporate shareholders of the Fund.

For the period ended May 31, 2007, 31.23% of dividends paid from net investment income, including short-term capital gains from the Fund is designated as qualified dividend income.

# NAKOMA MUTUAL FUNDS

## ADDITIONAL INFORMATION

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### TRUSTEES AND OFFICERS

<b>Dan Pickett</b>	Chairman, President, Trustee
<b>Marla Ahlgrimm, R.Ph.</b>	Trustee
<b>John Feldt</b>	Trustee
<b>Antonio Mello</b>	Trustee
<b>Tom Poehling</b>	Trustee
<b>Mark Fedenia</b>	VP of Investments, Trustee
<b>Robyn Rannow</b>	Secretary, Treasurer, Chief Compliance Officer, AML Officer

**SYMBOL** NARFX

### ADMINISTRATOR / TRANSFER AGENT / FUND ACCOUNTANT

**UMB Fund Services, Inc.**  
803 West Michigan Street  
Milwaukee, Wisconsin 53233

### INVESTMENT ADVISER

**Nakoma Capital Management LLC**  
525 Junction Road Suite 8600  
Madison, Wisconsin 53717  
[www.nakomacapital.com](http://www.nakomacapital.com)  
[www.nakomafunds.com](http://www.nakomafunds.com)

### DISTRIBUTOR

**UMB Distribution Services, LLC**  
803 West Michigan Street  
Milwaukee, Wisconsin 53233  
1-866-662-5662

### LEGAL COUNSEL

**Godfrey & Kahn S.C.**  
780 North Water Street  
Milwaukee, WI 53202

### INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

**Cohen Fund Audit Services, Ltd.**  
800 Westpoint Parkway Suite 1100  
Westlake, Ohio 44145-1594

### CUSTODIAN

**UMB Bank, n.a.**  
928 Grand Boulevard 10th Floor  
Kansas City, Missouri 64106

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

The Nakoma Absolute Return Fund is distributed by UMB Distribution Services, LLC.