

September 2005

Dear Shareholders:

As we close our third fiscal year, I would like to thank you for joining us as shareholders of the GKM Growth Fund. All of us at GKM Advisers continue to share a common goal – helping our clients realize their financial objectives through the *long-term compounding of capital*.

GKM Growth Fund Performance and Summary

For the fiscal year ended July 31, 2005, the GKM Growth Fund and the Standard & Poor's 500 Index each advanced 14.1%. For the three years ending July 31, 2005, the Fund achieved an average annual gain of 13.7% versus the S&P 500 Index average annual return of 12.6%.

Through the first eight months of 2005, the Dow Jones Industrial Average and the NASDAQ Composite have each shown a decline for the year while the Oil and Gas and Utility sectors of the Dow Jones Industrial Average are up over 30% and 15%, respectively. This is the second consecutive year that the top performing sectors of the equity markets are Energy and Utilities. While the Energy and Utility industries have recently outperformed more traditional growth industries, the GKM Growth Fund has no holdings in either sector as of July 31, 2005, as our goal remains to find and own the best companies within the areas of the economy that we believe will show continuous and robust growth over many years. Commodity-type stocks tend to go up and down, sometimes in quite volatile fashion, while not typically being within the most attractive growth areas over the long haul. Our largest sector concentrations currently are Information Technology (34%), Healthcare (23%), and Industrials (17%).

Morningstar, Inc., a mutual fund rating service, categorizes the GKM Growth Fund as a Large Cap Growth Fund. We are growth managers who measure a company's success by their ability to generate long-term earnings growth. After five consecutive years of growth stocks lagging value stocks, growth may likely play some catch-up over the next few years. Not only has value outperformed growth, but small and mid capitalization companies have significantly outperformed large caps. The average market cap for the GKM Growth Fund holdings is approximately \$30 billion. The median market cap of our holdings is just over \$10 billion. Even though we have outperformed our benchmark, the S & P 500, dating back to the Fund's inception on December 28, 2001, our growth style and company market capitalization has not been in favor for the most part during these three and a half years. After five years of large cap growth underperformance, we are now observing increasing value in the established, growing companies that we believe can continue to grow their top and bottom lines for the foreseeable future.

In today's ever-changing and increasingly competitive financial marketplace, knowledge is power. The age of information has inundated consumers with more information than could have been imagined even ten years ago. But simply having more information does not necessarily mean investors have more knowledge. Our Fund's low portfolio turnover and consistent long-term growth are the result of a disciplined approach to investing, exhaustive research and many decades of investment experience (knowledge). For the twelve months ending July 31, 2005, our portfolio turnover ratio remained quite low at 11%, compared to the average portfolio turnover ratio for large-cap growth funds in excess of 100%, as reported by Morningstar. This means that the average large-cap growth fund essentially turns over its entire portfolio annually. Our combination of low turnover and consistent investment returns is not achievable unless you buy high quality, growing companies at reasonable prices, and limit your mistakes with those selections.

Another core discipline of the GKM Growth Fund is our acute attention to risk control, and our primary means of controlling risk comes through diversification. We manage risk by diversifying on three different levels. We attempt to mitigate specific stock risk by owning over eighty stocks, mitigate sector risk by owning eight of the ten S&P industry sectors, and diversifying among small, medium and large capitalization companies. Of course, the most effective strategy to control risk is to simply buy high-quality growing businesses that we hope to own forever, and buy them at prices when they are reasonably valued.

Market and Economic Outlook

The recession and recovery phases of the current cycle are behind us. The economy has created four million jobs over the past two years and the unemployment rate has fallen to a five-year low. The Federal Reserve has been steadily removing the accommodative monetary policy that has been in place over the past few years. Even with rising interest rates and near \$70 per barrel oil, consumers continue to spend thanks to government fiscal (spending) stimulus, overall job growth and rising household incomes. The U.S. economy expanded at more than a 3% rate in each of the last nine quarters with third quarter 2005 GDP expected to grow in excess of 3%, even after the effects of hurricane Katrina. In our view, with balance sheets at their strongest in many decades, Corporate America is well positioned to significantly increase spending as firms have had dramatic profit growth and excellent cash flow.

Ever-higher oil prices act like a tax on the consumer that can derail economic recoveries. The drag of rising energy prices also complicates monetary policy as the heady pace of GDP growth may slow as inflation increases. The stagflation scenario, slowing economic growth combined with increasing rates of inflation, is what the economy experienced during the energy crises of 1973-1974 and early 1980's. For now, inflation appears stable as core measures of inflation have increased by less than 2 ½% over the last 12 months and 10-year treasury rates are back down around 4%.

The stock market abhors uncertainty, and right now the economic indicators are pointing in conflicting directions leading to abrupt shifts in market psychology, which can be

brehtaking. When things are going well for the economy, very few believe that they will ever go bad; when things are going badly, people have a hard time believing they will ever improve. We remain confident in the strength of capitalism, our economy, and common stocks remaining the asset class of choice for the long-term growth of capital.

We welcome the opportunity to speak with you, our shareholders, should you have any questions or comments regarding the GKM Growth Fund. Please feel free to contact us via our web site at www.gkmadvisers.com or give us a call at (888) 456-9518.

Sincerely,

Timothy J. Wahl, CPA
President and Co-Portfolio Manager
GKM Advisers