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# **Auxier Focus Fund**

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## **Semi-Annual Report**

**December 31, 2008**

**(Unaudited)**

### **Fund Adviser:**

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**AUXIER FOCUS FUND**  
**PERFORMANCE UPDATE**  
**December 31, 2008**

AUXFX RETURNS VS. S&P 500 INDEX

	<u>Auxier Focus Fund</u>	<u>S&amp;P 500 Index</u>	<u>Difference*</u>
09/30/08 – 12/31/08	-14.65%	-21.94%	7.29
12/31/07 – 12/31/08	-24.52%	-37.00%	12.48
12/31/06 – 12/31/07	5.71%	5.49%	0.22
12/31/05 – 12/31/06	11.75%	15.79%	-4.04
12/31/04 – 12/31/05	4.58%	4.91%	-0.33
12/31/03 – 12/31/04	10.73%	10.87%	-0.14
12/31/02 – 12/31/03	26.75%	28.69%	-1.94
12/31/01 – 12/31/02	-6.79%	-22.10%	15.31
12/31/00 – 12/31/01	12.67%	-11.88%	24.55
12/31/99 – 12/31/00	4.05%	-9.10%	13.15
Since Inception 7/9/99	47.22%	-24.30%	71.52

\* in percentage points

<b>Average Annual Returns for the period ended 12/31/08</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>	<b>Since Inception</b>
<b>Auxier Focus Fund (Investor Shares)</b>	<b>(24.52)%</b>	<b>(3.75)%</b>	<b>0.65%</b>	<b>4.16% (7/9/99)</b>
<b>S&amp;P 500 Index</b>	<b>(37.00)%</b>	<b>(8.36)%</b>	<b>(2.19)%</b>	<b>(2.89)%</b>

*Performance data quoted represents past performance and is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than original cost. As stated in the current prospectus, the annual operating expense ratio (gross) of the Fund's Investor Shares is 1.35%. The Fund's adviser has contractually agreed to maintain annual operating expenses at 1.35%, which is in effect until October 31, 2009. The Fund charges a 2.0% redemption fee on shares redeemed within six months of purchase. For the most recent month-end performance, please call (877)328-9437 or visit the Fund's website at [www.auxierasset.com](http://www.auxierasset.com).*

Fund returns (i) assume the reinvestment of all dividends and capital gain distributions and (ii) would have been lower during the period if certain fees and expenses had not been waived. Performance shown is for the Fund's Investor Class shares; returns for other share classes will vary. Performance for Investor Class shares for periods prior to December 10, 2004 reflects performance of the applicable share class of Auxier Focus Fund, a series of Unified Series Trust (the "Predecessor Fund"). Prior to January 3, 2003, the Predecessor Fund was a series of Ameriprime Funds. The performance of the Fund's Investor Class shares for the period prior to December 10, 2004 reflects the expenses of the Predecessor Fund.

**The Fund may invest in value and/or growth stocks. Investments in value stocks are subject to risk that their intrinsic value may never be realized and investments in growth stocks may be susceptible to rapid price swings, especially during periods of economic uncertainty. In addition, the Fund may invest in smaller companies which generally carry greater risk than is customarily associated with larger companies for various reasons such as narrower markets, limited financial resources and less liquid stock. Moreover, if the Fund's portfolio is overweighted in a sector, any negative development affecting that sector will have a greater impact on the Fund than a fund that is not overweighted in that sector.** Foreside Fund Services, LLC, distributor.

### **Market Commentary**

The Auxier Focus Fund returned -14.65% in the fourth quarter of 2008, versus -21.94% for Standard and Poor's 500 Index (S&P 500). For the full year the Fund returned -24.52%, versus a -37% in the S&P 500. The S&P's loss for 2008 was the worst since 1937. Although we outperformed the market by over 12 percentage points, we aren't happy with simply losing less than the market. We correctly identified many of the excesses, but failed to totally eliminate exposure to those areas that were vulnerable to a contracting credit cycle.

The pendulum has swung from excessively cheap money in the summer of 2007. In 2007, the spread between yields on high and low risk bonds compressed to historic lows under 3 percentage points. In the fourth quarter of 2008, the spread exceeded 21. This credit crunch was widespread and impacted asset prices on a global level. The following shows returns for various indices and asset classes for 2008:

#### Stock Market Indices:

- Wilshire 5000 Equal Weight Index -44.96% (the broadest measure of U.S. stocks)
- The NASDAQ Composite Index -40.5%
- Japan Nikkei 225 Index -42%
- Chinese Shanghai Index -65%
- Brazilian Bovespa Index -41%
- Russian RTS Index -72%

#### Commodities and Real Estate Indices:

- Reuters/Jefferies CRB (Commodity Research Bureau) Index -35%
- The S&P/Case-Schiller Home Price Indices -18% (through November)
- Dow Jones Wilshire REIT (Real Estate Investment Trust) Index -39.2%
- Lipper Natural Resources Funds Average -49.58%
- Crude Oil -54%

### **Perils of Excessive Borrowing**

The proverbial tide has gone out exposing the extent of hidden leverage utilized by top financial institutions across the globe. "Velocity" replaced quality. Obscure "off balance sheet" borrowings were employed to supercharge returns on invested capital. The problem during an economic downturn is that assets go down but the liabilities remain solid. The coordinated effort of hedge funds (\$2 trillion of assets at their peak) and investment banks led to off-the-charts leverage ratios often exceeding 40 to 1. We are now in an environment of deleveraging and forced liquidations that has impacted virtually every asset class around the world.

Another area of opaque growth, outside the scope of reporting and sensible regulation, was the credit default swap (CDS) market. In less than seven years, these insurance contracts grew from \$900 billion to over \$60 trillion before crashing to today's more modest \$29 trillion. This represents a new insurance industry, with no capital requirements or clearing exchange, where hedge funds are major players. Just six months ago American International Group (AIG) had an AAA credit rating. Then, thanks to "off the books" CDS exposure, AIG got a whopping collateral call from the U.S. government totaling \$130 billion. Conflicted ratings agencies accentuated the crisis by failing to accurately analyze and communicate underlying risk in the system. In an effort to enhance investment returns, Wall Street investment banks, hedge funds and private equity firms were all operating with just too much hidden borrowed money compared with the underlying capital.

Last quarter we commented on the "600% in six" phenomenon, where a red-hot investment class appreciates roughly 600% in six years. Examples: the NASDAQ from 1994-2000, Chinese stocks from 2001-2007, oil from 2002-2008. Each move was followed by a correction exceeding 70%. Part of the reason for the dramatic correction was the growth in debt (and now derivatives) that generally accompanies the rise—especially as you get close to the

top. Enthusiasm, inflated assets and borrowed money are a lethal concoction. Oil was the most recent casualty, dropping from a high of \$147 a barrel into the \$30s.

Other financial products under the realm of “structured finance” became the foundation of the oft-cited “toxic assets” that the government is now wrestling with. By packaging loans and then reselling them to investors, investment bankers created a system based on generating product as fast as possible without regard to quality. Mortgages were generated, pooled, and stamped with AAA ratings and marketed across the world. This helped to contribute to the “easy money” backdrop that infected lending for auto, credit card, sub-prime mortgages, Alternative A paper mortgages, jumbo mortgages, commercial real estate, etc. It enabled U.S. consumers to live far beyond their means. This “securitization” market at its peak exceeded standard bank loans. Now investors won’t go near these pools. The clock has struck twelve and the “instant gratification” party is over. The American consumer has turned frugal to the detriment of not only the U.S. economy, but also economies across the world that export into the U.S.

### **Correcting the Problems**

A key to the recovery will be the speed, clarity and decisiveness with which the banking industry is able to separate bad assets, admit errors, and set bargain basement prices to purge the system. The market, if allowed, will correct the folly of taking on too much debt via the purchase of overpriced assets. Trying to bail out mortgage holders who made mistakes can’t work, because most of the problem loans have been pooled into securities representing varying economic rights. The foreclosure process will work as it helps to set low clearing prices that can attract more private capital. The U.S. private sector currently sits on close to \$9 trillion in short term cash assets (over 75% of the value of U.S. stocks) that will move once the playing field is clarified and bargain prices are presented (*Bloomberg*). During the last thrift crisis, the Resolution Trust Corporation effectively gathered bad assets then offered fire-sale prices that helped to move unwanted inventory, bringing supply and demand back in line, thus leading to equilibrium. Until that takes place there will be no trust in the balance sheets of financial institutions, and investors will continue to shun them.

### **Government Policy Response**

It is important to closely monitor government policy response and leadership. Just as the managers of a company need to be scrutinized for their capital allocation decisions, policy response requires careful study. Unfortunately, from 2003-2007, we have just witnessed the fastest increase in state and local spending in history, up 34% versus 5% population growth. According to the Census Bureau, state and local spending budgets have more than doubled to \$2 trillion since 1998. Generally, big government stimulative spending programs like the New Deal in the 1930s (and the Japanese equivalent during the 1990s) were failures. Small businesses are the key to innovation, entrepreneurial spirit and job creation. They are better able to adapt to markets than big companies and operators typically have “skin in the game.” The U.S. corporate tax is currently the highest among industrialized nations. We are also close to the bottom in terms of investment in retraining. We need to have a nation that is constantly being retooled and educated over a lifetime to fulfill the constantly changing demands of the economy.

### **Investing in Challenging Times**

In a crisis of capital shortfall, one’s top priority is to focus on dependable cash flows and balance sheet repair. There is simply too much borrowed money in the system that needs to be reduced. American households have been living beyond their means for years. They are radically changing spending habits to build in a margin of safety as they see friends and family lose jobs and homes. For companies, capital spending and employees will likely suffer to maintain balance sheet stability.

In the fourth quarter, we were able to buy a number of corporate bonds whose yields represented some of the highest spreads since the 1930s. These companies sell “necessity” type products that have endured during the most difficult

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**AUXIER FOCUS FUND**  
A MESSAGE TO OUR SHAREHOLDERS  
DECEMBER 31, 2008

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of times. The goal is to maximize secure cash flow while we weather the storm, watching for an uptick in fundamentals. The risk/reward is favorable for a senior creditor during this time of restructuring, and allows us to keep close tabs on the pulse of cash flows.

Common stock ownership ideally should center on low-cost, well-managed franchises that are totally self-funding (independent of borrowing needs) and churn out free cash. Companies with nominal mandatory capital expenditures are best. Solid dividend returns will be of greater importance in a slowing economy. Understand that bear markets are grinding, frightening affairs that might be compared with a painful but necessary detoxification process to purge the system. In this case the addiction is to cheap money. It will take time. We work hard to mitigate the downside shocks during this corrective time. We know that the acute pain all investors feel threatens to derail the persistence it takes to achieve positive investment returns. Over the years, we have found it is better to focus on preserving capital while monitoring for an upturn in fundamentals, even if we are a little late off the bottom.

### **Preserving Clients' Capital**

For the serious, long-term investor with liquidity, we believe this is a tremendous time to carefully seek attractive investments. We maintain what are known as “market agnostic” positions and cash-like liquid investments that can provide positive returns. Examples include workouts, or corporate bonds where the return is based on a managerial event, not the supply and demand of the auction markets.

Most investors fail to realize that when money is tight, there is a very high correlation among asset classes, and it is to the downside. So diversification doesn't really help. Over the years some of our investors have questioned this posture, thinking they were missing out. However, 25 years of experience through a number of tough markets has ingrained a healthy respect for the downside and how rapidly markets can turn. We like to maintain liquidity and invest when the odds are favorable on a risk/reward basis. Famed financier Bernard Baruch always had cash in his investment account to take advantage of the investment opportunities that can arise virtually overnight.

Since 1947, there have been only 11 out of 244 periods in which the Gross Domestic Product (GDP) turned negative—less than a 5% probability. So recessions do not occur 95% of the time. If you look back at those 11 periods as a time to invest or sell, clearly if you “price” your investments, it is the time to be serious about diligent homework and allocating capital. Just prior to the 1973-74 decline, 50 of the most popular large-cap stocks (the “Nifty Fifty”) were trading over 80 times earnings. They were thought to be safe, one-decision stocks. You bought them and that was your decision. Ironically, market tops are the time when investors perceive little risk. Yet, at the bottom less than 18 months later, those same issues were trading under 10 times earnings. Everybody thought the “sky was falling” and wouldn't touch them. Ditto technology stocks in March of 2000. As the NASDAQ was trading over 100 times earnings, technology stocks were perceived as low risk and over \$400 billion flooded into growth stock funds. Such herd reactions reinforce the need for a consistent, research-intensive approach that never forsakes the primacy of price and value.

Market tops are often accompanied by euphoria and excitement, with parabolic moves up in a short period. Just the opposite usually happens at the bottom of bear markets. Jeffrey A. Hirsh of the *Stock Trader's Almanac* recently revisited the past bear market bottoms since 1950. He found bottoms to be preceded by scary, precipitous plunges in which fear, desperation and helplessness prevail. Plunges ranged from 12% to 28% and two to four months in length. The recovery time off the bottom was often just as volatile. For example, stocks bounced off the 1982 low some 40% in less than 90 days. Going back to 1900, there have been six U.S. market declines similar in magnitude to the 2008 fall. They all bottomed after a duration of two years, declining about 50%. In four out of the six, the market fully recovered to the pre-crisis peak within 18 months. In 108 years, there have been only six markets that have been as bad as this past year.

### **Closing Thoughts**

We take our position as stewards of client assets seriously. Auxier Asset Management has been debt-free since inception in 1998. We strive to operate conservatively, with a long-term orientation and full disclosure. We are mindful of the importance of preserving hard-earned capital, especially during this difficult economic climate.

Thank you for your continued trust.

Jeff Auxier

The S&P 500 index is a broad-based, unmanaged measurement of changes in stock market conditions based on 500 widely held common stocks. The Nasdaq Composite Index measures all Nasdaq domestic and non-U.S. based common stocks listed on The Nasdaq Stock Market. The Japan Nikkei 225 Index is a stock market index for the Tokyo Stock Exchange. It is a price-weighted average (the unit is Yen), and the components are reviewed once a year. The Chinese Shanghai Index is a capitalization-weighted index of stocks on China's Shanghai Stock Exchange. It tracks the daily price movement of all shares on the exchange. The Brazilian Bovespa Index is a total return index weighted by traded volume and is comprised of the most liquid stocks traded on the Sao Paulo Stock Exchange. The Russian Trading System Index is a capitalization-weighted index that is calculated in USD. The index is comprised of stocks traded on the Russian Trading System and uses free-float adjusted shares. One cannot invest directly in an index.

Reuters/Jefferies-CRB Index has served as the most widely recognized measure of global commodities markets. As a benchmark, the Reuters/Jefferies-CRB Index is designed to provide timely and accurate representation of a long-only, broadly diversified investment in commodities through a transparent and disciplined calculation methodology. The S&P/Case-Shiller Home Price Indices measures the residential housing market, tracking changes in the value of the residential real estate market in 20 metropolitan regions across the United States. The Dow Jones Wilshire REIT Index measures U.S. publicly traded Real Estate Investment Trusts. This index is a subset of the Dow Jones Wilshire Real Estate Securities Index. Lipper Natural Resources Fund Index is the average of the 30 largest funds in the Lipper Natural Resources Funds Category.

An Alternative A-paper, is a type of U.S. mortgage that, for various reasons, is considered riskier than A-paper, or "prime", and less risky than "subprime," the riskiest category. A jumbo mortgage is a mortgage with a loan amount above the industry-standard definition of conventional conforming loan limits.

The credit ratings mentioned above are published rankings based on detailed financial analyses by a credit bureau, specifically as it relates to the bond issuer's ability to meet debt obligations. The highest rating is AAA, and the lowest is D. Securities with credit ratings of BBB and above are considered investment grade.

The **Resolution Trust Corporation (RTC)** was a United States Government-owned asset management company charged with liquidating assets (primarily real estate-related assets, including mortgage loans) that had been assets of savings and loan associations (S&Ls) declared insolvent by the Office of Thrift Supervision, as a consequence of the savings and loan crisis of the 1980s. It also took over the insurance functions of the former Federal Home Loan Bank Board. In 1995, its duties were transferred to the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation.

*The views in this shareholder letter were those of the Fund Manager as of the letter's publication date and may not reflect his views on the date this letter is first distributed or anytime thereafter. These views are intended to assist readers in understanding the Fund's investment methodology and do not constitute investment advice.*

**AUXIER FOCUS FUND**  
**PERFORMANCE CHART AND ANALYSIS**  
**DECEMBER 31, 2008**

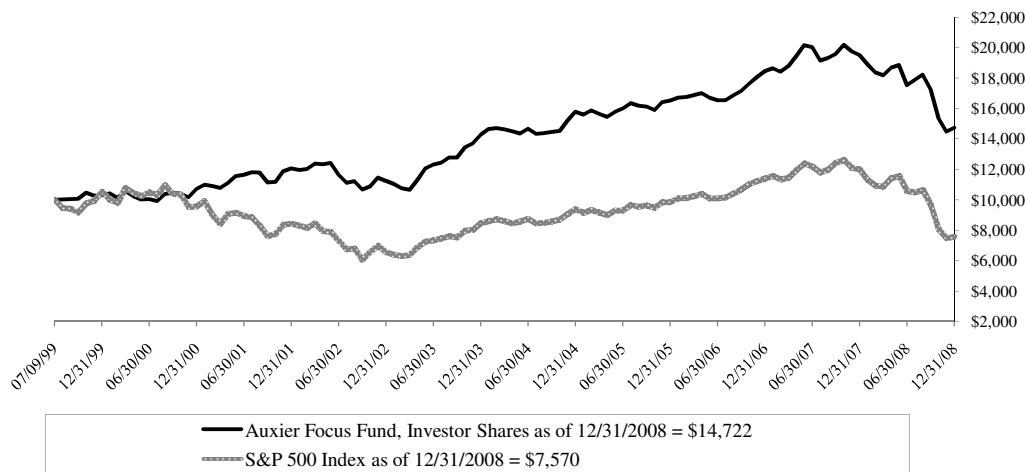
**COMPARISON OF CHANGE IN VALUE OF A \$10,000 INVESTMENT**

The following chart reflects the change in value since Auxier Focus Fund's ( the "Fund") inception of a hypothetical \$10,000 investment, including reinvested dividends and distributions compared with a broad-based securities market index. The S&P 500 ("S&P") is a market weighted index composed of 500 large capitalization companies and reflects the reinvestment of dividends. The Fund is professionally managed while the S&P is unmanaged and is not available for investment. The total return of the Fund's classes includes the maximum sales charge of 5.75% (A Shares only) and operating expenses that reduce returns, while the total return of the S&P does not include the effect of sales charges and expenses. A Shares are subject to a 1.00% contingent deferred sales charge on shares purchased without an initial sales charge and redeemed less than one year after purchase. The performance of each class will differ due to different sales charges and expense structures. During the performance period shown, certain Fund fees were waived or expenses reimbursed; otherwise, total return would have been lower, for all share classes.

*Performance data quoted represents past performance and is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than original cost. For the most recent month-end performance, please visit the website of the Fund's investment adviser at [www.auxierasset.com](http://www.auxierasset.com). Returns greater than one year are annualized. Both Fund share classes charge a 2.00% redemption fee on shares redeemed within six months of purchase. As stated in the Fund's prospectus, the annual operating expense ratios (gross) for Investor Shares and A Shares are 1.35% and 1.60%, respectively. However, the Fund's adviser has agreed to contractually waive a portion of its fees and to reimburse expenses such that total operating expenses do not exceed 1.35% for both classes of shares which is in effect until October 31, 2009. The graph and table do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.*

Performance for Investor Shares for periods prior to December 10, 2004 reflects performance and expenses of Auxier Focus Fund, a series of Unified Series Trust (the "Predecessor Fund"). Prior to January 3, 2003, the Predecessor Fund was a series of Ameriprime Funds.

<u>Average Annual Total Return as of 12/31/08</u>	<u>1 Year</u>	<u>5 Years</u>	<u>Since Inception <sup>(1)</sup></u>
Investor Shares	(24.52)%	0.65%	4.16%
S&P 500 Index (since 7/9/99)	(37.00)%	(2.19)%	(2.89)%
A Shares (with sales charge) <sup>(2)(3)</sup>	(24.55)%	0.66%	4.17%



(1) Investor and A Shares commenced operations on July 9, 1999 and July 8, 2005, respectively.

(2) Due to shareholder redemptions on August 21, 2005 net assets of the class were zero from the close of business on that date until September 22, 2005. Financial information presented for the period August 21, 2005 to September 22, 2005 reflects performance of Investor Shares of the Fund.

(3) For A Shares, performance for the 5-year period and the since inception periods are blended average annual returns which include the returns of the Investor Shares prior to the commencement of operations of the A Shares.

**AUXIER FOCUS FUND**  
**SCHEDULE OF INVESTMENTS**  
**DECEMBER 31, 2008**

<u>Shares</u>	<u>Security Description</u>	<u>Value</u>
<b>Common Stock - 64.9%</b>		
<b>Consumer Discretionary - 17.8%</b>		
36,520	Andersons, Inc.	\$ 601,850
1,613	Apollo Group, Inc., Class A (a)	123,588
14,950	Career Education Corp. (a)	268,203
57,100	Comcast Corp., Class A	963,848
4,000	Costco Wholesale Corp.	210,000
31,050	CVS Caremark Corp.	892,377
2,297	Discovery Communication, Inc., Class A (a)	32,526
2,297	Discovery Communication, Inc., Class C (a)	30,757
14,800	D.R. Horton, Inc.	104,636
13,000	FirstService Corp. (a)	170,040
37,987	Gruma S.A.B. de C.V., ADR (a)	75,974
18,250	Home Depot, Inc.	420,115
40,870	Interpublic Group of Cos., Inc. (a)	161,845
7,400	ITT Educational Services, Inc. (a)	702,852
79,945	Lincoln Educational Services Corp. (a)	1,059,271
28,000	Lowe's Cos., Inc.	602,560
5,000	McDonald's Corp.	310,950
23,100	Nike, Inc., Class B	1,178,100
15,250	Sally Beauty Holdings, Inc. (a)	86,772
67,885	Tesco PLC, ADR	1,075,977
46,500	Time Warner, Inc.	467,790
41,700	Unilever NV	1,023,735
30,508	Universal Technical Institute, Inc. (a)	523,822
13,836	Value Line, Inc.	477,619
49,550	Wal-Mart Stores, Inc.	2,777,773
8,000	Weight Watchers International, Inc.	235,360
8,600	Yum! Brands, Inc.	270,900
		14,849,240
<b>Consumer Staples - 12.2%</b>		
337,800	Alliance One International, Inc. (a)	993,132
35,150	Altria Group, Inc.	529,359
30,600	Coca-Cola Co.	1,385,262
7,282	Columbia Sportswear Co.	257,564
16,800	Diageo PLC, ADR	953,232
91,050	Dr. Pepper Snapple Group, Inc. (a)	1,479,563
5,000	Helen of Troy, Ltd. (a)	86,800
29,862	Kraft Foods, Inc.	801,795
5,550	Kroger Co.	146,575
12,700	Manpower, Inc.	431,673
8,760	National Beverage Corp. (a)	78,840
5,000	Nestle SA, ADR	198,500
3,000	Paychex, Inc.	78,840
41,800	Philip Morris International	1,818,718
1,721	Ralcorp Holdings, Inc. (a)	100,506
11,450	Safeway, Inc.	272,166
39,580	Western Union Co.	567,577
		10,180,102



**AUXIER FOCUS FUND**  
**SCHEDULE OF INVESTMENTS**  
**DECEMBER 31, 2008**

	<u>Shares</u>	<u>Security Description</u>		<u>Value</u>
<b>Energy - 3.2%</b>				
	16,750	Chevron Corp.	\$	1,238,998
	5,000	ConocoPhillips		259,000
	4,000	Exxon Mobil Corp.		319,320
	1,200	Gazpromneft OAO, ADR		11,940
	800	LUKOIL, ADR		26,480
	2,500	PetroChina Co., Ltd., ADR		222,450
	7,800	Petroleo Brasileiro SA, ADR		191,022
	2,750	Surgutneftegaz, ADR		14,712
	14,650	Valero Energy Corp.		317,026
	8,800	Willbros Group, Inc. (a)		74,536
				2,675,484
<b>Financials - 8.0%</b>				
	3,200	American Express Co.		59,360
	1,280	Ameriprise Financial, Inc.		29,901
	33,233	Bank of America Corp.		467,921
	332	Berkshire Hathaway, Inc., Class B (a)		1,067,048
	47,393	Citigroup, Inc.		318,007
	81,850	Marsh & McLennan Cos., Inc.		1,986,499
	6,800	Student Loan Corp.		278,800
	38,418	Travelers Cos., Inc.		1,736,494
	10,324	Unum Group		192,026
	24,950	Waddell & Reed Financial, Inc.		385,727
	7,646	Washington Federal, Inc.		114,384
				6,636,167
<b>Health Care - 11.2%</b>				
	5,750	Amgen, Inc. (a)		332,063
	145,713	BioScrip, Inc. (a)		323,483
	13,449	Coventry Health Care, Inc. (a)		200,121
	3,710	Express Scripts, Inc. (a)		203,976
	22,950	GlaxoSmithKline PLC, ADR		855,346
	12,150	Johnson & Johnson		726,935
	7,070	LifePoint Hospitals, Inc. (a)		161,479
	17,150	Merck & Co., Inc.		521,360
	45,200	Pfizer, Inc.		800,492
	29,100	Quest Diagnostics, Inc.		1,510,581
	36,200	UnitedHealth Group, Inc.		962,920
	28,271	WellPoint, Inc. (a)		1,191,057
	11,150	Wyeth		418,236
	27,850	Zimmer Holdings, Inc. (a)		1,125,697
				9,333,746
<b>Industrials - 4.0%</b>				
	21,550	AGCO Corp. (a)		508,365
	11,127	Blount International, Inc. (a)		105,484
	3,550	Boeing Co.		151,479
	12,655	Burlington Northern Santa Fe Corp.		958,110
	28,000	General Electric Co.		453,600
	4,850	Illinois Tool Works, Inc.		169,993
	4,300	Portland General Electric Co.		83,721
	1,000	POSCO, ADR		75,250
	3,500	Textainer Group Holdings, Ltd.		37,100
	14,450	United Parcel Service, Inc., Class B		797,062
				3,340,164
<b>Information Technology - 1.2%</b>				
	37,350	Dell, Inc. (a)		382,464
	30,150	Microsoft Corp.		586,116
	5,000	MoneyGram International, Inc.		5,125
				973,705

**AUXIER FOCUS FUND**  
**SCHEDULE OF INVESTMENTS**  
**DECEMBER 31, 2008**

<u>Shares</u>	<u>Security Description</u>		<u>Value</u>
<b>Materials - 2.8%</b>			
21,200	Alcoa, Inc.		\$ 238,712
14,000	Companhia Vale do Rio Doce, ADR		169,540
47,350	Dow Chemical Co.		714,512
28,700	E.I. Du Pont de Nemours & Co.		726,110
550	Plum Creek Timber Co., Inc., REIT		19,107
7,100	Precision Castparts Corp.		422,308
			<u>2,290,289</u>
<b>Telecommunications - 4.5%</b>			
20,750	AT&T, Inc.		591,375
49,150	SK Telecom Co., Ltd., ADR		893,547
13,760	Telecom Corp. of New Zealand, Ltd., ADR		92,192
30,300	Telefonos de Mexico SAB de CV, ADR		634,482
59,900	Tele Norte Leste Participacoes SA, ADR		833,808
59,000	Telmex International SAB de CV, ADR		670,240
			<u>3,715,644</u>
Total Common Stock (Cost \$64,904,206)			<u>53,994,541</u>
<b>Non-Convertible Preferred Stock - 0.7%</b>			
<b>Utilities - 0.7%</b>			
		<u>Rate</u>	
305	AEP Texas Central Co. (e)	4.00 %	16,775
1,500	Connecticut Light & Power, Series 1947	1.90	45,094
1,000	Connecticut Light & Power, Series 1947	2.00	31,625
1,500	Connecticut Light & Power, Series 1949	3.90	46,031
1,600	FirstService Corp.	7.00	22,400
1,300	Great Plains Energy, Inc.	4.50	98,703
4,000	Hawaiian Electric Co., Inc., Series C	4.25	65,875
300	Indianapolis Power & Light Co.	4.00	25,763
78	MidAmerican Energy Co.	3.30	5,228
80	MidAmerican Energy Co.	3.90	6,335
200	NSTAR Electric Co.	4.25	16,619
1,000	Pacific Enterprises	4.50	73,500
400	Peco Energy, Series A	3.80	27,100
945	Public Services Electric & Gas, Series A	4.08	70,568
300	Westar Energy, Inc.	4.25	21,487
Total Non-Convertible Preferred Stock (Cost \$491,387)			<u>573,103</u>
<b>Exchange Traded Fund - 0.2%</b>			
10,000	iShares MSCI Germany Index Fund (Cost \$94,200)		<u>192,200</u>
	<u>Principal</u>		<u>Maturity</u>
<b>Asset Backed Obligations - 0.0%</b>			
\$6,128	Scotia Pacific Co., LLC, Series B (b) (e) (Cost \$5,530)	6.55	07/20/28
			<u>5,638</u>
<b>Corporate Bonds - 7.7%</b>			
<b>Consumer Discretionary - 0.4%</b>			
315,000	Time Warner, Inc	6.88	05/01/12
550,000	WCI Communities, Inc.	7.88	10/01/13
			<u>313,839</u>
<b>Consumer Staples - 2.6%</b>			
300,000	Alliance One International, Inc.	11.00	05/15/12
500,000	Dr. Pepper Snapple Group, Inc.	6.12	05/01/13
1,410,000	Kraft Foods, Inc.	5.63	11/01/11
			<u>2,185,131</u>

**AUXIER FOCUS FUND**  
**SCHEDULE OF INVESTMENTS**  
**DECEMBER 31, 2008**

	<u>Principal</u>		<u>Rate</u>	<u>Maturity</u>	
<b>Energy - 0.2%</b>					
	\$100,000	Constellation Energy Group	4.55	06/15/15	\$ 76,044
	190,000	El Paso Corp.	6.70	02/15/27	106,704
					<u>182,748</u>
<b>Financials - 0.9%</b>					
	173,278	Finova Group, Inc. (b)	7.50	11/15/09	13,646
	766,000	Marsh & McLennan Cos., Inc.	7.13	06/15/09	764,045
					<u>777,691</u>
<b>Health Care - 0.8%</b>					
	700,000	Tenet Healthcare Corp.	6.38	12/01/11	544,250
	121,000	Wellpoint, Inc.	4.25	12/15/09	116,388
					<u>660,638</u>
<b>Industrials - 1.1%</b>					
	835,000	Waste Management, Inc.	6.38	11/15/12	779,308
	94,000	Waste Management, Inc.	7.38	08/01/10	95,293
	71,000	Waste Management, Inc.	7.65	03/15/11	70,896
					<u>945,497</u>
<b>Materials - 1.0%</b>					
	895,000	Dow Chemical Co.	5.70	05/15/18	796,514
<b>Utilities - 0.7%</b>					
	790,000	Texas Competitive Electric Holdings Co, LLC (d)	10.50	11/01/15	564,850
Total Corporate Bonds (Cost \$7,497,975)					<u>6,426,908</u>
<b>Foreign Municipal Bonds - 1.5% (c)</b>					
	1,500,000	Ontario Hydro Generic Residual Strip (Canada) Series OC20	5.51	10/01/20	693,196
	356,000	Ontario Hydro Generic Residual Strip (Canada)	5.47-5.65	11/27/20	162,788
	605,000	Ontario Hydro Generic Residual Strip (Canada)	5.61	10/15/21	263,661
	235,000	Ontario Hydro Generic Residual Strip (Canada)	5.75	08/18/22	97,274
Total Foreign Municipal Bonds (Cost \$984,105)					<u>1,216,919</u>
<b>Municipal Bonds - 0.2%</b>					
	190,000	California State Refunding Bonds (Cost \$188,107)	5.00	03/01/18	194,459
<b>US Treasury Securities - 1.1%</b>					
	460,000	US Treasury Note	3.88	07/15/10	485,354
	445,000	US Treasury Note	2.63	05/31/10	458,576
Total US Treasury Securities (Cost \$901,465)					<u>943,930</u>
<u>Shares</u>					
<b>Money Market Fund - 20.5%</b>					
	17,032,343	Schwab Government Money Market, 0.88% (Cost \$17,032,343)			<u>17,032,343</u>
Total Investments - 96.8% (Cost \$92,099,318)*					\$ 80,580,041
Other Assets & Liabilities, Net - 3.2%					2,695,856
<b>NET ASSETS - 100.0%</b>					<b><u>\$ 83,275,897</u></b>

ADR American Depositary Receipt.  
PLC Public Limited Company.  
REIT Real Estate Investment Trust.

**AUXIER FOCUS FUND**  
**SCHEDULE OF INVESTMENTS**  
**DECEMBER 31, 2008**

- (a) Non-income producing security.
- (b) Security is currently in default on scheduled principal or interest payments.
- (c) Zero coupon bond. Interest rate presented is yield to maturity.
- (d) Security exempt from registration under Rule 144A under the Securities Act of 1933. At the period end, the value of these securities amounted to \$564,850 or 0.7% of net assets.
- (e) Security fair valued in accordance with procedures adopted by the Board of Trustees. At the period end, the value of these securities amounted to \$22,413 or 0.03% of net assets.

\* Cost for Federal income tax purposes is substantially the same as for financial statement purposes and net unrealized appreciation (depreciation) consists of:

Gross Unrealized Appreciation	\$ 6,183,645
Gross Unrealized Depreciation	(17,702,922)
Net Unrealized Appreciation (Depreciation)	<u>\$ (11,519,277)</u>

The following is a summary of the inputs used to value the Fund's net assets as of December 31, 2008.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. For more information on valuation inputs, and their aggregation into the levels used in the tables below, please refer to Note 2 - Security Valuation section in the accompanying Notes to Financial Statements.

Valuation Inputs	Investments in Securities
Level 1 - Quoted Prices	\$ 63,525,285
Level 2 - Other Significant Observable Inputs	17,032,343
Level 3 - Significant Unobservable Inputs	22,413
<b>Total Investments</b>	<b>\$ 80,580,041</b>

The following is a reconciliation of Level 3 assets (at either the beginning of the ending of the period) for which significant unobservable inputs were used to determine fair value.

	Investments in Securities
<b>Balance as of 06/30/2008</b>	<b>\$ 5,638</b>
Accrued Accretion / (Amortization)	-
Change in Unrealized Appreciation / (Depreciation)	(915)
Net Purchase / (Sales)	17,690
Transfers In / (Out)	-
<b>Balance as of 12/31/08</b>	<b>\$ 22,413</b>

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**AUXIER FOCUS FUND**  
SCHEDULE OF INVESTMENTS  
DECEMBER 31, 2008

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**PORTFOLIO HOLDINGS**

<b>% of Net Assets</b>	
Consumer Discretionary	17.8%
Consumer Staples	12.2%
Energy	3.2%
Financials	8.0%
Health Care	11.2%
Industrials	4.0%
Information Technology	1.2%
Materials	2.8%
Telecommunications	4.5%
Utilities	0.7%
Exchange Traded Funds	0.2%
Corporate Bonds	7.7%
Foreign Municipal Bonds	1.5%
Municipal Bonds	0.2%
US Treasury Securities	1.1%
Short-Term Investments and Other Net Assets	23.7%
	<u>100.0%</u>

**AUXIER FOCUS FUND**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**DECEMBER 31, 2008**

<b>ASSETS</b>	
Total investments, at value (Cost \$92,099,318)	\$ 80,580,041
Cash	4,021,689
Receivables:	
Fund shares sold	86,574
Investment securities sold	102,738
Dividends and interest	235,096
Other Assets	522
Total Assets	<u>85,026,660</u>
<b>LIABILITIES</b>	
Payables:	
Fund shares redeemed	194,660
Investment securities purchased	1,480,600
Dividends	4,518
Accrued Liabilities:	
Investment adviser fees	70,950
Distribution fees	35
Total Liabilities	<u>1,750,763</u>
<b>NET ASSETS</b>	<u>\$ 83,275,897</u>
<b>COMPONENTS OF NET ASSETS</b>	
Paid-in capital	\$ 94,824,271
Accumulated undistributed (distributions in excess of) net investment income	15,199
Accumulated net realized gain (loss) on investments and foreign currency transactions	(44,296)
Net unrealized appreciation (depreciation) on investments and foreign currency translations	<u>(11,519,277)</u>
<b>NET ASSETS</b>	<u>\$ 83,275,897</u>
<b>SHARES OF BENEFICIAL INTEREST AT \$0.00 PAR VALUE (UNLIMITED SHARES AUTHORIZED)</b>	
Investor Shares	7,243,620
A Shares	13,791
<b>NET ASSET VALUE AND OFFERING PRICE PER SHARE</b>	
Investor Shares (based on net assets of \$83,117,555)	<u>\$ 11.47</u>
A Shares (based on net assets of \$158,342)	<u>\$ 11.48</u>
A Shares Maximum Public Offering Price Per Share (net asset value per share/94.25%)	<u>\$ 12.18</u>

**AUXIER FOCUS FUND**  
**STATEMENT OF OPERATIONS**  
**SIX MONTHS ENDED DECEMBER 31, 2008**

**INVESTMENT INCOME**

Dividend income (net of foreign taxes withheld of \$8,912)	\$ 917,274
Interest income	281,482
Total Investment Income	<u>1,198,756</u>

**EXPENSES**

Investment adviser fees	637,420
Distribution fees:	
A Shares	242
C Shares	223
Trustees' fees and expenses	<u>1,178</u>
Total Expenses	639,063
Expenses reimbursed	<u>(1,478)</u>
Net Expenses	<u>637,585</u>

**NET INVESTMENT INCOME (LOSS)**

561,171

**NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS  
AND FOREIGN CURRENCY TRANSACTIONS**

Net realized gain (loss) on investments and foreign currency transactions	(33,250)
Net change in unrealized appreciation (depreciation) on investments and foreign currency translations	<u>(16,517,769)</u>

**NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS  
AND FOREIGN CURRENCY TRANSACTIONS**

(16,551,019)

**INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS**

\$ (15,989,848)

**AUXIER FOCUS FUND**  
STATEMENTS OF CHANGES IN NET ASSETS

	Six Months Ended December 31, 2008	Year Ended June 30, 2008
<b>OPERATIONS</b>		
Net investment income (loss)	\$ 561,171	\$ 1,237,534
Net realized gain (loss) on investments and foreign currency transactions	(33,250)	3,514,197
Net change in unrealized appreciation (depreciation) on investments	(16,517,769)	(19,651,807)
Increase (Decrease) in Net Assets from Operations	<u>(15,989,848)</u>	<u>(14,900,076)</u>
<b>DISTRIBUTIONS TO SHAREHOLDERS FROM</b>		
Net investment income:		
Investor Shares	(1,100,100)	(2,236,759)
A Shares	(2,270)	(5,400)
C Shares	-	(264)
Net realized gains:		
Investor Shares	(2,232,463)	(3,280,115)
A Shares	(4,702)	(9,142)
C Shares	-	(906)
Total Distributions To Shareholders	<u>(3,339,535)</u>	<u>(5,532,586)</u>
<b>CAPITAL SHARE TRANSACTIONS</b>		
Sale of Shares		
Investor Shares	7,527,010	18,525,072
A Shares	-	3,418
C Shares	-	82,336
Contributions from share reclassification:		
Investor Shares (Note 1)	38,065	-
Reinvestment of distributions:		
Investor Shares	3,261,809	5,380,512
A Shares	6,972	14,542
C Shares	-	1,170
Redemption of shares:		
Investor Shares	(12,097,760)	(16,674,439)
A Shares	(15,978)	(157,318)
C Shares	(59,686)	(17,986)
Redemptions from share reclassification:		
C Shares (Note 1)	(38,065)	-
Redemption fees	6,480	28,398
Increase (Decrease) From Capital Transactions	<u>(1,371,153)</u>	<u>7,185,705</u>
Increase (Decrease) in Net Assets	<u>(20,700,536)</u>	<u>(13,246,957)</u>
<b>NET ASSETS</b>		
Beginning of Period	103,976,433	117,223,390
End of Period (a)	<u>\$ 83,275,897</u>	<u>\$ 103,976,433</u>
(a) Amount includes accumulated undistributed (distributions in excess of) net investment income	<u>\$ 15,199</u>	<u>\$ 556,398</u>



**AUXIER FOCUS FUND**  
FINANCIAL HIGHLIGHTS

These financial highlights reflect selected per share data and ratios for a share outstanding throughout each period.

	Beginning Net Asset Value Per Share	Net Investment Income (Loss) (b)	Net Realized and Unrealized Gain (Loss)	Total from Investment Operations	Distributions			Redemption Fees (b)	Ending Net Asset Value Per Share
					from Net Investment Income	from Net Realized Gains	Total Distributions to Shareholders		
<b>Investor Shares</b>									
Six Months Ended December 31, 2008	\$ 14.22	\$ 0.08	\$ (2.35)	\$ (2.27)	\$ (0.16)	\$ (0.32)	\$ (0.48)	- (g)	\$ 11.47
Year Ended June 30, 2008	17.06	0.18	(2.24)	(2.06)	(0.31)	(0.47)	(0.78)	- (g)	14.22
Year Ended June 30, 2007	14.76	0.38	2.66	3.04	(0.27)	(0.47)	(0.74)	- (g)	17.06
Year Ended June 30, 2006	14.64	0.21	0.30	0.51	(0.18)	(0.21)	(0.39)	- (g)	14.76
Year Ended June 30, 2005	13.74	0.15	1.08	1.23	(0.08)	(0.25)	(0.33)	- (g)	14.64
Year Ended June 30, 2004 (c)	11.68	0.13	2.10	2.23	(0.17)	-	(0.17)	-	13.74
<b>A Shares</b>									
Six Months Ended December 31, 2008	14.22	0.08	(2.34)	(2.26)	(0.16)	(0.32)	(0.48)	- (g)	11.48
Year Ended June 30, 2008	17.07	0.17	(2.24)	(2.07)	(0.31)	(0.47)	(0.78)	- (g)	14.22
Year Ended June 30, 2007	14.77	0.41	2.63	3.04	(0.27)	(0.47)	(0.74)	-	17.07
July 8, 2005 through June 30, 2006 (h) (i)	14.81	0.21	0.14	0.35	(0.18)	(0.21)	(0.39)	-	14.77
<b>C Shares</b>									
Year Ended June 30, 2008	17.08	0.06	(2.26)	(2.20)	(0.13)	(0.47)	(0.60)	-	14.28
Year Ended June 30, 2007	14.78	0.25	2.67	2.92	(0.15)	(0.47)	(0.62)	-	17.08
August 26, 2005 through June 30, 2006 (i)	14.70	0.11	0.24	0.35	(0.06)	(0.21)	(0.27)	-	14.78

(a) Annualized for periods less than one year.

(b) Calculated based on average shares outstanding for the period.

(c) Audited by another Independent Registered Public Accounting Firm.

(d) Not annualized for periods less than one year.

(e) Total return does not include the effect of front-end sales charges or contingent deferred sales charges.

(f) Reflects the expense ratio excluding any waivers and/or reimbursements.

(g) Less than \$0.01 per share.

(h) Due to shareholder redemptions, on August 21, 2005 net assets of the class were zero from the close of business on that date until September 22, 2005.

Financial information presented is for the period July 8, 2005 through June 30, 2006.

(i) A and C shares commenced operations on July 8, 2005 and August 26, 2005, respectively.

(j) Effective November 1, 2008, C Shares were reclassified as Investor Shares. For the Period July 1, 2008 through November 1, 2008, total return for C Shares was (12.31)%.

For the aforementioned period, the annualized gross expenses and net expenses ratios were 3.48% and 3.11% respectively.

(k) Shares issued and outstanding as of November 1, 2008 were reclassified as Investor Shares.

**AUXIER FOCUS FUND**  
FINANCIAL HIGHLIGHTS (continued)

	Total Return (d) (e)	Net Assets at End of Period (000's Omitted)	Ratios to Average Net Assets (a)			Portfolio Turnover Rate (d)
			Net Investment Income (Loss)	Net Expenses	Gross Expenses (f)	
<b>Investor Shares</b>						
Six Months Ended December 31, 2008 (j)	(15.97)%	\$83,117	1.19%	1.35%	1.36%	13%
Year Ended June 30, 2008	(12.56)%	103,664	1.10%	1.35%	1.36%	19%
Year Ended June 30, 2007	21.11%	116,774	2.40%	1.35%	1.36%	16%
Year Ended June 30, 2006	3.44%	103,642	1.44%	1.35%	1.36%	28%
Year Ended June 30, 2005	9.01%	96,395	1.09%	1.35%	1.35%	28%
Year Ended June 30, 2004 (c)	19.17%	63,885	0.97%	1.35%	1.35%	18%
<b>A Shares</b>						
Six Months Ended December 31, 2008	(15.90)%	158	1.18%	1.35%	1.60%	13%
Year Ended June 30, 2008	(12.61)%	208	1.08%	1.35%	1.60%	19%
Year Ended June 30, 2007	21.10%	399	2.59%	1.35%	1.60%	16%
July 8, 2005 through June 30, 2006 (h) (i)	2.32%	392	1.56%	1.35%	1.61%	28%
<b>C Shares</b>						
Year Ended June 30, 2008 (k)	(13.27)%	104	0.36%	2.10%	2.36%	19%
Year Ended June 30, 2007	20.18%	51	1.61%	2.10%	2.36%	16%
August 26, 2005 through June 30, 2006 (i)	2.38%	47	0.84%	2.10%	2.36%	28%

**Note 1. Organization**

The Auxier Focus Fund (the “Fund”) is a diversified portfolio of Forum Funds (the “Trust”). The Trust is a Delaware statutory trust that is registered as an open-end, management investment company under the Investment Company Act of 1940, as amended. As of December 31, 2008, the Trust had twenty-eight investment portfolios. Under its Trust Instrument, the Trust is authorized to issue an unlimited number of the Fund’s shares of beneficial interest without par value. The Fund currently offers two classes of shares: Investor Shares and A Shares. Investor Shares and A Shares commenced operations on July 9, 1999 and July 8, 2005, respectively.

On August 27, 2008, the Board of Trustees of the Fund approved the conversion of the Fund’s C Shares to Investor Shares. On November 1, 2008, each shareholder of C Shares received Investor Shares in a dollar amount equal to their investment in C Shares as of that date. The Fund’s investment objective is to achieve long-term capital appreciation.

**Note 2. Summary of Significant Accounting Policies**

These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”), which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of increase and decrease in net assets from operations during the fiscal period. Actual amounts could differ from those estimates. The following summarizes the significant accounting policies of the Fund.

**Security Valuation** – Exchange traded securities and over-the-counter securities are valued using the last quoted sale or official closing price, provided by independent pricing services as of the close of trading on the market or exchange for which they are primarily traded, on each Fund business day. In the absence of a sale, such securities are valued at the mean of the last bid and asked price. Non-exchange traded securities for which quotations are available are valued using the last quoted sales price, or in the absence of a sale at the mean of the last bid and asked price. Debt securities may be valued at prices supplied by a Fund’s pricing agent based on broker or dealer supplied valuations or matrix pricing, a method of valuing securities by reference to the value of other securities with similar characteristics, such as rating, interest rate and maturity. Shares of open-end mutual funds are valued at net asset value. Short-term instruments that mature in sixty days or less may be valued at amortized cost.

The Fund values its investments at fair value pursuant to procedures adopted by the Trust’s Board of Trustees (the “Board”) if (1) market quotations are insufficient or not readily available or (2) the adviser believes that the values available are unreliable. Fair valuation is based on subjective factors and as a result, the fair value price of an investment may differ from the security’s market price and may not be the price at which the asset may be sold. Fair valuation could result in a different net asset value (“NAV”) than a NAV determined by using market quotes.

The Fund has a three-tier fair value hierarchy. The basis of the tiers is dependant upon the various “inputs” used to determine the value of the Fund’s investments. These inputs are summarized in the three broad levels listed below:

Level 1 – quoted prices in active markets for identical assets

Level 2 – other significant observable inputs (including quoted prices of similar securities, interest rates, prepayment speeds, credit risk, etc.)

Level 3 – significant unobservable inputs (including the Fund’s own assumptions in determining the fair value of investments)

The aggregate value by input level, as of December 31, 2008, for the Fund’s investments is included at the end of the Fund’s Schedule of Investments.

**Security Transactions, Investment Income and Realized Gain and Loss** – Investment transactions are accounted for on trade date. Dividend income is recorded on the ex-dividend date. Foreign dividend income is recorded on the ex-dividend date or as soon as practical after the Fund determines the existence of a dividend declaration after exercising reasonable due diligence. Income and capital gains on some foreign securities may be subject to foreign withholding taxes, which are accrued as applicable. Interest income is recorded on an accrual basis. Premium and discount is amortized and accreted in accordance with generally accepted accounting principles. Identified cost of investments sold is used to determine the gain and loss for both financial statement and federal income tax purposes.

**Foreign Currency** – Foreign currency amounts are translated into U.S. dollars as follows: (i) assets and liabilities at the rate of exchange at the end of the respective period; and (ii) purchases and sales of securities and income and expenses at the rate of exchange prevailing on the dates of such transactions. The portion of the results of operations arising from changes in the exchange rates and the portion due to fluctuations arising from changes in the market prices of securities are not isolated. Such fluctuations are included with the net realized and unrealized gain or loss on investments.

The Fund may enter into transactions to purchase or sell foreign currencies to protect the U.S. dollar value of its underlying portfolio securities against the effect of possible adverse movements in foreign exchange rates. Principal risks associated with such transactions include the movement in value of the foreign currency relative to the U.S. dollar and the ability of the counterparty to perform. Fluctuations in the value of such forward currency transactions are recorded daily as unrealized gain or loss; realized gain or loss includes net gain or loss on transactions that have terminated by settlement or by the Fund entering into offsetting commitments. These instruments involve market risk, credit risk, or both kinds of risks, in excess of the amount recognized in the Statement of Assets and Liabilities. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movement in currency and securities values and interest rates.

**Distributions to Shareholders** – Distributions to shareholders of net investment income and net capital gains, if any, are declared and paid at least annually. Distributions are based on amounts calculated in accordance with applicable Federal income tax regulations, which may differ from generally accepted accounting principles. These differences are due primarily to differing treatments of income and gain on various investment securities held by the Fund, timing differences and differing characterizations of distributions made by the Fund.

**Federal Taxes** – The Fund intends to qualify each year as a regulated investment company under Subchapter M of the Internal Revenue Code and distribute all its taxable income. In addition, by distributing in each calendar year substantially all its net investment income and capital gains, if any, the Fund will not be subject to a Federal excise tax. Therefore, no Federal income or excise tax provision is required.

As of June 30, 2008, there are no uncertain tax positions that would require financial statement recognition, de-recognition, or disclosure. The Fund's Federal tax returns filed in the three-year period ended June 30, 2008 remain subject to examination by the Internal Revenue Service.

**Income and Expense Allocation** – The Trust accounts separately for the assets, liabilities and operations of each of its investment portfolios. Expenses that are directly attributable to more than one investment portfolio are allocated among the respective investment portfolios in an equitable manner.

The Fund's class specific expenses are charged to the operations of that class of shares. Income and expenses (other than expenses attributable to a specific class), and realized and unrealized gains or losses on investments are allocated to each class of shares based on the class' respective net assets to the total net assets of the Fund.

**Redemption Fees** – A shareholder who redeems or exchanges shares within 180 days of purchase will incur a redemption fee of 2.00% of the current net asset value of shares redeemed or exchanged, subject to certain limitations. The fee is charged for the benefit of the remaining shareholders and will be paid to the Fund to help offset transaction costs. The fee is accounted for as an addition to paid-in capital. The Fund reserves the right to modify the terms of or terminate the fee at any time. There are limited exceptions to the imposition of the redemption fee.

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**AUXIER FOCUS FUND**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008

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**Commitments and Contingencies** – In the normal course of business, the Fund enters into contracts that provide general indemnifications by the Fund to the counterparty to the contract. The Fund’s maximum exposure under these arrangements is dependent on future claims that may be made against the Fund and, therefore, cannot be estimated; however, based on experience, the risk of loss from such claims is considered remote.

**New Accounting Pronouncements** – In March 2008, Statement of Financial Accounting Standards No. 161, Disclosures about Derivative Instruments and Hedging Activities (“SFAS 161”), was issued and is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. SFAS 161 requires enhanced disclosures about the Fund’s use of and accounting for derivative instruments and the effect of derivative instruments on the Fund’s results of operations and financial position. Management is currently evaluating the impact the adoption of SFAS 161 will have on the Fund’s financial statement disclosures.

**Note 3. Advisory Fees, Servicing Fees and Other Transactions**

**Investment Adviser** – Auxier Asset Management, LLC (the “Adviser”) is the investment adviser to the Fund. Pursuant to a management agreement, the Adviser receives an advisory fee from the Fund at an annual rate of 1.35% of the Fund’s average daily net assets.

Under the terms of the management agreement, the Adviser provides investment advisory services to the Fund and is obligated to pay all expenses of the Fund except any expenses it is authorized to pay under Rule 12b-1, brokerage fees and commissions, borrowing costs, taxes, certain compensation expenses of the Trustees, and extraordinary and non-recurring expenses.

**Distribution** – Foreside Fund Services, LLC serves as the Fund’s distributor (the “Distributor”). The Distributor is not affiliated with the Adviser or with Atlantic Fund Administration, LLC (“Atlantic”) or their affiliates. The Fund has adopted a distribution plan for A Shares and C Shares of the Fund in accordance with Rule 12b-1 of the 1940 Act (“Distribution plan”). Under the Distribution plan, the Fund pays the Distributor and any other entity as authorized by the Board a fee of 0.25% and 1.00%, respectively, of the average daily net assets of A and C shares. The Distributor had no role in determining the investment policies or which securities are to be purchased or sold by the Trust or its Funds.

For the period ended December 31, 2008, the Distributor did not receive any of the front-end sales charges assessed on the sale of A Shares. The Distributor did not retain any commissions from the contingent deferred sales charges assessed on A Shares purchased without an initial sales charge and redeemed less than one year after they are purchased. The Distributor did not retain any commissions from contingent deferred sales charges assessed on purchases of \$1 million or more of C Shares that are liquidated in whole or in part within one year of purchase.

**Other Service Providers** – Atlantic provides administration, fund accounting and transfer agency services to the Fund.

Atlantic provides a Principal Executive Officer, Principal Financial Officer, Chief Compliance Officer, and an Anti-Money Laundering Officer to the Fund, as well as certain additional compliance support functions.

**Trustees and Officers** – The Trust pays each independent Trustee an annual retainer fee of \$12,000 for service to the Trust (\$15,000 for the chairman), plus \$1,500 for each regular Board meeting attended (\$2,500 for the chairman), \$500 for each short special Board meeting attended (\$750 for the chairman) and \$1,500 for each major special Board meeting attended (\$2,250 for the chairman). The amount of Trustees’ fees attributable to the Fund is disclosed in the Statement of Operations. Certain officers of the Fund are also officers or employees of the above named service providers, and during their Fund terms of office received no compensation from the Fund.

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**AUXIER FOCUS FUND**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008

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**Note 4. Expense Reimbursements**

The Adviser has contractually agreed to waive a portion of its fees and reimburse expenses through October 31, 2009 to the extent necessary to maintain the total operating expenses at 1.35% of average daily net assets of the Investor shares and A shares. These contractual waivers may be changed or eliminated at any time with consent of the Board. For the six months ended December 31, 2008, expenses reimbursed were \$1,478.

**Note 5. Security Transactions**

The cost of purchases and proceeds from sales of investment securities (including maturities), other than short-term investments, for the six months ended December 31, 2008 were \$9,988,146 and \$11,127,809, respectively.

**Note 6. Federal Income Tax and Investment Transactions**

As of June 30, 2008, distributable earnings (accumulated loss) on a tax basis were as follows:

Undistributed Ordinary Income	\$ 729,583
Undistributed Long-Term Gain	2,063,839
Unrealized Appreciation (Depreciation)	<u>4,987,587</u>
Total	<u>\$ 7,781,009</u>

The difference between components of distributable earnings on a tax basis and the amounts reflected in the Statement of Assets and Liabilities are primarily due to wash sales.

**Note 7. Share Transactions**

Share transactions for the Fund were as follows:

	<u>Six Months Ended December 31, 2008</u>	<u>Year Ended June 30, 2008</u>
Sales of Shares:		
Investor Shares	596,788	1,184,559
A Shares	-	204
C Shares	-	5,349
Reinvestment of distributions:		
Investor Shares	283,722	332,972
A Shares	606	898
C Shares	-	72
Contributions from share reclassification:		
Investor Shares	3,090	-
Redemption of shares:		
Investor Shares	(932,189)	(1,069,704)
A Shares	(1,423)	(9,844)
C Shares	(4,267)	(1,069)
Redemption from share reclassification:		
C Shares	<u>(3,051)</u>	<u>-</u>
Increase (decrease) from share transactions	<u>(56,724)</u>	<u>(443,437)</u>

**Note 8. Change in Independent Registered Public Accounting Firm**

The Board, with the approval and recommendation of the Audit Committee, selected Briggs, Bunting & Dougherty, LLP (“BBD”) to replace Deloitte & Touche, LLP (“D&T”), as the Fund’s independent registered public accounting firm for the Fund’s fiscal year ending June 30, 2009. D&T resigned subsequent to the Board’s approval of BBD. Throughout D&T’s tenure, including the Fund’s two most recent fiscal periods, the Fund had no disagreements with D&T on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedures, and there were no reportable events of the kind described in Item 304(a)(1)(v) of Regulation S-K under the Securities Exchange Act of 1934. With respect to the Fund, D&T’s audit opinions, including the past two fiscal periods, have not contained either an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles. Further, there were no disagreements between the Fund and D&T on accounting principles, financial statement disclosure or audit scope, which, if not resolved to the satisfaction of D&T would have caused D&T to make reference to the disagreement in D&T report. During the last two fiscal years of the Fund, neither the Fund nor anyone on its behalf has consulted BBD on items concerning the application of accounting principles to a specified transaction (either completed or proposed) or the type of audit opinion that might be rendered on the Fund’s financial statements, or concerning the subject of a disagreement of the kind described in Item 304(a)(1)(iv) of Regulation S-K or reportable events of the kind described in Item 304(a)(1)(v) of Regulation S-K.

### **Investment Advisory Agreement Approval**

At the October 3, 2008 Board meeting, the Board, including the Independent Trustees, considered the approval of the continuance of the investment advisory agreement pertaining to the Fund (the “Advisory Agreement”). In evaluating the Advisory Agreement for the Fund, the Board reviewed materials furnished by the Adviser and Atlantic, including information regarding the Adviser, its personnel, operations and financial condition. Specifically, the Board considered, among other matters: (1) the nature, extent and quality of the services to be provided to the Fund by the Adviser, including information on the investment performance of the Adviser; (2) the costs of the services to be provided and profitability to the Adviser with respect to its relationship with the Fund; (3) the advisory fee and total expense ratio of the Fund compared to relevant peer groups of funds; (4) the extent to which economies of scale would be realized as the Fund grows and whether the advisory fee would enable the Fund’s investors to share in the benefits of economies of scale; and (5) other benefits received by the Adviser from its relationship with the Fund. In their deliberations, the Board did not identify any particular information that was all-important or controlling and attributed different weights to the various factors. In particular, the Board focused on the factors discussed below.

### **Nature, Extent and Quality of the Services**

The Board received a presentation from a senior representative of the Adviser and discussed the Adviser’s personnel, operations and financial condition. In reviewing the nature, extent and quality of services, the Board considered the scope and quality of services provided by the Adviser under the Advisory Agreement in performing services for the Fund. Additionally, the Board considered information regarding the experience and professional background of the portfolio managers at the Adviser and the qualifications of the portfolio managers and other personnel who would have principal investment responsibility for the Fund’s investments; the investment philosophy and decision-making processes of those professionals; the capability and integrity of the Adviser’s senior management and staff; the quality of the Adviser’s services with respect to regulatory compliance and compliance with client investment policies and restrictions; and the financial condition and operational stability of the Adviser.

The Board considered the adequacy of the Adviser’s resources. The Board reviewed the Adviser’s summary of its financial condition as of June 30, 2008. The Board noted the Adviser’s representation that the firm is financially stable and able to provide investment advisory services to the Fund. The Board concluded that, overall, it was satisfied with the nature, extent and quality of services provided to the Fund under the Advisory Agreement.

### **Costs of Services and Profitability**

The Board considered information provided by the Adviser regarding its costs of services and profitability with respect to the Fund. The Board considered the Adviser’s resources devoted to the Fund as well as an assessment of costs and profitability. The Board also considered that the Adviser continues to contractually limit certain advisory expenses for the A Shares class and, as necessary, reimburse Fund expenses through October 31, 2009. The Board concluded that the level of the Adviser’s profits attributable to the management of the Fund was not excessive in light of services provided by the Adviser on behalf of the Fund and that the Adviser was sufficiently stable to provide services to the Fund.

### **Compensation**

The Board considered the Adviser’s compensation for providing advisory services to the Fund and analyzed comparative information regarding fees and total expenses of similar mutual funds. The Board noted that, while the Adviser’s actual advisory fee rate was higher than the median actual advisory fees for its Lipper Inc. peer group, the Adviser has contractually agreed to limit the total annual operating expenses of the Fund through October 31, 2009 to 1.35% of average daily net assets. The Board also considered that, when taking into account the expense limit, the Fund’s Class A total expense ratio was lower than the median actual total expense ratio for its Lipper Inc. peer group. Based on the foregoing and on all of the information presented, the Board concluded that the Adviser’s advisory fee charged to the Fund was reasonable.



### **Performance**

In connection with a presentation by the Adviser regarding its approach to managing the Fund, the Board considered the Fund's performance. The Board considered the Fund's performance over the three-month, six-month, one-year, three-year (annualized) and five-year (annualized) periods, noting that while the Fund underperformed its benchmark for the shorter periods, the Fund performed above its benchmarks over the long-term. The Board considered the Adviser's representation that it has consistently followed its investment discipline over time with respect to the Fund. The Board determined that the Adviser's management of the Fund could benefit the Fund and its shareholders.

### **Economies of Scale**

The Board considered whether the Fund would benefit from any economies of scale, noting that the advisory fee for the Fund does not contain breakpoints and, thus, would not reflect economies of scale, if any. The Board noted the Adviser's representation that in the future it is likely to experience economies of scale in connection to provision of services to the Fund.

### **Other Benefits**

The Board noted the Adviser's representation that the Adviser does not receive significant ancillary benefits as a result of its relationship with the Fund, other than the benefit of research received from the brokers executing transactions on behalf of its clients and the ability to refer to its advisory relationship with the Fund.

### **Conclusion**

Prior to voting, the Board reviewed a memorandum from Fund Counsel discussing the legal standards applicable to its consideration of the Advisory Agreement. The Board also discussed the proposed approval of the continuance of the Advisory Agreement. Based upon its review, including consideration of each of the factors referenced above, the Board (including all of the Independent Trustees) determined, in the exercise of its business judgment, that the advisory fees of the Fund were fair and that renewing the Advisory Agreement was in the best interest of the Fund's Shareholders.

### **Proxy Voting Information**

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to securities held in the Fund's portfolio is available, without charge and upon request, by calling (877) 328-9437, on the Fund's website at [www.auxierasset.com](http://www.auxierasset.com) and on the SEC's website at [www.sec.gov](http://www.sec.gov). The Fund's proxy voting record for the most recent twelve-month period ended June 30 is available, without charge and upon request, by calling (877) 328-9437 and on the SEC's website at [www.sec.gov](http://www.sec.gov).

### **Availability of Quarterly Portfolio Schedules**

The Fund files its 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 Forms N-Q are available, without charge and upon request on the SEC's website at [www.sec.gov](http://www.sec.gov) or may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling (202) 551-8090.

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**AUXIER FOCUS FUND**  
**ADDITIONAL INFORMATION**  
**DECEMBER 31, 2008**

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**Shareholder Expense Example**

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, including sales charges (loads) on purchase payments on certain classes, redemption fees, and exchange fees; and (2) ongoing costs, including management fees, 12b-1 fees, and other Fund expenses.

This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The following example is based on \$1,000 invested at the beginning of the period and held for the entire period from July 1, 2008 through December 31, 2008.

**Actual Expenses** – The first line under each class of shares in the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the relevant line under the heading entitled “Expenses Paid During Period” to estimate the expenses you paid on your account during the period.

**Hypothetical Example for Comparison Purposes** – The second line under each class of shares in the table below provides information about hypothetical account values and hypothetical expenses based on a 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 cost of investing in the Fund to such costs of other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as sales charges (loads) for certain share classes, redemption fees or exchange fees. Therefore, the second line of the table 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 had been included, your costs would have been higher.

	<b>Beginning Account Value <u>July 1, 2008</u></b>	<b>Ending Account Value <u>December 31, 2008</u></b>	<b>Expenses Paid During Period*</b>	<b>Annualized Expense Ratio*</b>
<b>Investor Shares</b>				
Actual	\$1,000.00	\$840.28	\$6.26	1.35%
Hypothetical (5% return before expenses)	\$1,000.00	\$1,018.40	\$6.87	1.35%
<b>A Shares</b>				
Actual	\$1,000.00	\$840.98	\$6.26	1.35%
Hypothetical (5% return before expenses)	\$1,000.00	\$1,018.40	\$6.87	1.35%

\*Expenses are equal to the Fund’s annualized expense ratio as indicated above multiplied by the average account value over the period, multiplied by the number of days in most recent fiscal half-year divided by 365 to reflect the half-year period.



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# Auxier Focus Fund

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## FOR MORE INFORMATION

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This report is submitted for the general information of the shareholders of the Fund. It is not authorized for distribution to prospective investors unless preceded or accompanied by an effective prospectus, which includes information regarding the Fund's risks, objectives, fees and expenses, experience of its management, and other information.