



Business “NOT QUITE” As Usual

As the events of the last several days have unfolded, it’s apparent we are witnessing history in the making. We want to share with you, our valued shareholders, our observations and how we are working for you during this unprecedented time.

What started as crisis of credit (i.e. the sub prime mortgage issue) quickly expanded into a crisis of liquidity. The events of the last few weeks have led us, we believe, to a crisis in confidence. These issues started more in the fixed income market, but have since spread to affect the securities markets in general where securities fundamentals are being overwhelmed by negative sentiment. Companies, such as Cameron International which posted its 12th straight quarter of solid earnings and sales growth and raised its guidance on record orders and rising demand, have stock that are being punished severely in the marketplace with a one third retracement from the high 50s to below 40.

Many factors are at work in this environment. Emotions, in the form of fear, appear to be the short-term frame of mind for the market. Volatility is approaching levels not seen in decades, both to the downside and the upside, and within much more compressed time frames like the 600-point negative to positive swing in the Dow Jones Industrial Average on September 18th. De-leveraging is becoming an issue and not just on corporate balance sheets as many hedge funds are users of leverage. With the liquidity issue catching up to them in the form of cut backs in credit available to borrow, some find themselves having to divest themselves of their most liquid positions; Common Stocks. Prior to this pressure many of these stocks had been in leadership positions earlier in the year. Examples include stocks of companies within the Energy and Materials sectors. Headlines regarding the next financial combination or resolution have been ticking by regularly on top of the history making decisions over the last few weeks. Finally, the governments significant new direct involvement in what is effectively the nationalization of Fannie Mae, Freddie Mac and now AIG is something not seen since their involvement with the nation’s rail system 4 decades ago.

Through this environment, we acknowledge there has been short-term underperformance in the Rigel Large Cap Growth Equity Fund (the “fund”). In reviewing the fund earlier this year and into the 3rd quarter, the tools we use to determine the current market environment led us to overweightings in Energy and Materials as these areas were part of the rare elements of leadership in the markets. Our selling disciplines led us to address earlier in the quarter the weaker problems in these sectors with many names hitting Review Prices, which are designed to identify when longer term growth trends are being violated, are giving us direction in actively working toward the defense of the portfolio. However, given these unprecedented times, experience and judgment, as well as the

utilization of our broader tool set in managing money are guiding us to be opportunistic in realizing additional value from the sale of these positions.

For example, within a 60-day period, Energy stocks have sold off as much as 2 standard deviations away from their normal trading pattern. The sudden fear of an emerging market slow down and embedded recessions in major economies has coerced a global commodity sell-off in more than just crude oil and natural gas. Coal, iron ore and fertilizers have also retracted sharply. The end result is that energy equities, materials and industrial equities with commodity or emerging market end-markets have all corrected in a similar fashion. While such damage does cause us to reduce our over-exposure to a long-term theme, we're also keenly aware of short-term oversold conditions. A responsive change to quickly become underweight in these industries which we believe still harbor some of the best prospects for growth available to investors would not be prudent. Already, Exploration and Production companies are demonstrating signs of increased institutional support as valuations are increasingly more attractive. Similarly, many of the technical tools are beginning to show price support, and legitimate buying interest in a number of these names. Highly respected strategic analysts such as Ned Davis and Steve Leuthold in some of their recent work are also corroborating this information. There appears reasonable indication of the opportunity to defend the portfolio in these sectors.

As active, disciplined managers, we continue to execute our process throughout this active, rapidly changing environment, seeking to identify those areas in the market that are holding up better, even if it means going down less than the market. We are seeing strength develop in the Consumer Staples space, which, up until the last few weeks, had not been living up to its historic role of being "defensive". We continue to hold names such as Wal Mart, Costco, H J Heinz and General Mills and our screening process is bringing up other names such as Proctor and Gamble. We are also seeing selective strength in Health Care where we continue to observe strength in Biotechnology represented by our holdings Celgene and Gilead. Leaders have also emerged from Medical Products with companies such as Baxter and Medtronic.

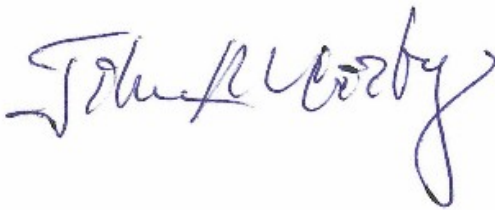
As we look forward with the fund, we would acknowledge there might be more weeks of turmoil ahead. However, actions are underway to address the confidence issue we discussed earlier, whether it is through corporate actions, or by governmental involvement. At some level, this crisis should subside, stability should return to the markets, and we feel our iterative process will lead us toward emerging new themes where we can invest. We continue to believe the opportunities for growth stock investing lie ahead, particularly in light of the slower general economic environment that appears to be unfolding. Companies that are growing even at a mere 10 to 12% should stand out in an environment where the average company is likely to grow in low to mid single digits. That, combined with valuations that were not excessive even before this turmoil and growth's potential to come back in favor after value's 7 year ride, lead us to believe that the short term underperformance has the potential to be overshadowed by better longer term performance.

All of us at Rigel are working every day to position the fund to navigate through this turmoil, taking advantage of every opportunity presented to us. We all look forward to bringing you the results of our efforts, and you should feel free to contact us with any additional questions you have.

With sincere appreciation,



George B. Kauffman, CFA, CIC
Chairman and Chief Investment Officer



John M. Corby, CFA, CIC
Executive Vice President and Chief Risk Control Officer



Todd S. Jessup, CFA
Director of Marketing/Client Service

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The Dow Jones Industrial Average is an unmanaged index of common stocks comprised of major industrial companies and assumes reinvestment of dividends. You cannot invest directly in an index. Standard Deviation is a statistical measure of the historical volatility of a mutual fund or portfolio, usually computed using 36 monthly returns.

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