

October 9, 2008

Dear Shareholder,

The market performance in the fourth quarter has continued on its negative trend. The Dow has lost nearly 1500 points or approximately 14% in the last week of trading. One important market indicator, the VIX, a measure of volatility often known as the “fear index”, spent much of the week at some of its highest levels in history with readings of more than 40. Markets around the world were not immune and tumbled as well, reflecting eroding confidence despite stepped up relief efforts by the Fed and European Governments. Among all of this carnage, it’s incredibly difficult to see many positives, yet we believe that they exist. History has shown that in the majority of cases in the last 40 years, the state of the current market would have been a buying opportunity on several levels. Investors are having a hard time finding the confidence or conviction to see it that way.

With this in mind, I thought you might enjoy an excerpt from a piece Steve Leuthold, of the institutional research firm The Leuthold Group, recently issued to clients. It was his response to a question as to how in the world had he survived for so many years in the investment business. He identified three things that contributed to his success. I think all of us could benefit from his wisdom. His three survival secrets are paraphrased below:

Leuthold’s Three Survival Secrets

Emotional Neutrality: It is true that I’m sometimes quite opinionated and occasionally emotional when it comes to politics, environmental issues, and fiscal responsibility. But, when it comes to the stock market, it’s quite another matter. I, by nature, am uncomfortable in crowds, be it crowds of investor enthusiasm or crowds of investor pessimism. History demonstrates the crowd is almost always wrong at or close to a major market turn.

Disciplines: We believe disciplines are far more valuable and reliable than personal opinions. This applies to overall market trends, equity group analysis, and individual stock selection. One of the primary reasons (if not the primary reason) for this is that the disciplines enforce emotional neutrality.

Flexibility: I believe the ability to change your stance is critical for long term survival in the investment business. A primary reason for portfolio manager flame-outs and involuntary early retirements for market gurus and portfolio strategists is the inability to be flexible. Portfolio managers and analysts can fall too far in love with an individual stock or industry. But here is where the disciplines take over regardless of ones personal long term bullishness.

And what of the gurus and strategists that become perma-bears and perma-bulls? Often personal egos, after past personal success, can rise to a point that perma-bears will argue with a bull market all the way up, just as perma-bulls will argue with a bear market all the way down. This inflexibility eventually leads to investor contempt and loss of credibility. I strongly believe flexibility can be a great investment virtue, while stubbornness can drastically shorten an investment career. I also believe that openly acknowledging mistakes improves credibility and keeps an ego in check.

All of us at Rigel are working hard every day to take advantage of the opportunities before us. We continue to rely on our experience and investment process to seek out value in these tumultuous times.

With sincere appreciation,

A handwritten signature in blue ink that reads "George B. Kauffman". The signature is written in a cursive style with a long horizontal flourish at the end.

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

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Must be preceded or accompanied by a current prospectus.

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