

THE ELITE GROUP
SEMI ANNUAL REPORT
FINANCIAL STATEMENTS
(UNAUDITED)
MARCH 31, 2009

THE ELITE GROWTH & INCOME FUND

PORTFOLIO OF INVESTMENTS

March 31, 2009 (Unaudited)

See attached doc.

THE ELITE INCOME FUND

PORTFOLIO OF INVESTMENTS

March 31, 2009 (Unaudited)

See attached doc.

THE ELITE INCOME FUND

PORTFOLIO OF INVESTMENTS – (Continued)

March 31, 2009 (Unaudited)

See attached doc.

THE ELITE GROUP OF MUTUAL FUNDS

STATEMENT OF ASSETS AND LIABILITIES

March 31, 2009 (Unaudited)

	<u>The Elite Growth & Income Fund</u>	<u>The Elite Income Fund</u>
ASSETS		
Investments in securities at value (Cost \$45,019,298 and \$16,145,430, respectively) (Notes 2A and 3)	\$33,703,002	\$15,350,850
Receivables		
From securities sold	175,337	258,008
Interest	115	152,992
Dividends	<u>35,320</u>	<u>7,900</u>
Total Assets	<u>33,913,774</u>	<u>15,769,750</u>
LIABILITIES		
Payables:		
Payable upon return of securities on loan	5,089,969	672,150
Investment management fees	21,519	8,753
Payable for fund shares redeemed	108,776	24,768
Securities purchased	767,498	72,980
Distributions payable	-	2,563
Accrued expenses	<u>20,865</u>	<u>8,607</u>
Total Liabilities	<u>6,008,627</u>	<u>789,821</u>
NET ASSETS		
The Elite Growth & Income Fund – Applicable to 3,368,481 shares outstanding no par value, unlimited number of shares of beneficial interest	<u>\$27,905,147</u>	
The Elite Income Fund – Applicable to 1,634,345 shares outstanding no par value, unlimited number of shares of beneficial interest		<u>\$14,979,929</u>
NET ASSET VALUE, OFFERING AND REDEMPTION		
PRICE PER SHARE (net assets / shares outstanding)	<u>\$8.28</u>	<u>\$9.17</u>
At March 31, 2009, the components of net assets were as follows:		
Paid-in capital	\$54,800,784	\$16,501,729
Undistributed (distributions in excess of) net investment income	65,788	(22,551)
Accumulated net realized loss on investments	(15,645,129)	(704,669)
Net unrealized appreciation/depreciation of investments	<u>(11,316,296)</u>	<u>(794,580)</u>
Net Assets	<u>\$27,905,147</u>	<u>\$14,979,929</u>

THE ELITE GROUP OF MUTUAL FUNDS

STATEMENT OF OPERATIONS

For the Six Months Ended March 31, 2009 (Unaudited)

	<u>The Elite Growth & Income Fund</u>	<u>The Elite Income Fund</u>
Investment Income		
Income:		
Interest	\$ -	\$ 386,152
Dividends (Net of foreign tax withheld of \$1,468 and \$531, respectively)	405,745	46,578
Securities Lending	<u>42,574</u>	<u>907</u>
Total Income	<u>448,319</u>	<u>433,637</u>
Expenses:		
Investment management fee	149,910	45,598
Transfer agent fees	30,444	20,113
Custodian fees	11,275	8,045
Audit fees	22,561	9,632
Trustee fees and expenses	7,934	1,405
Recordkeeping services	46,565	22,486
Shareholder reports	7,685	4,259
Registration fees and other	496	527
CCO expense	10,874	2,813
Legal fees	6,791	3,620
Insurance	<u>8,478</u>	<u>-</u>
Total Expenses	303,013	118,498
Fees paid by manager (Note 4)	<u>-</u>	<u>(1,161)</u>
Net Expenses	<u>303,013</u>	<u>117,337</u>
Net Investment Income	<u>145,306</u>	<u>316,300</u>
Realized and Unrealized Gain (Loss) on Investment Securities and Options Contracts		
Net realized gain (loss):		
Investment securities	(14,136,971)	111,163
Expired and closed covered call options written (Note 3)	<u>142,133</u>	<u>-</u>
Net realized gain(loss) on investment securities and option contracts	<u>(13,994,838)</u>	<u>111,163</u>
Net increase(decrease) in unrealized appreciation/depreciation:		
Investment securities	(3,609,209)	(98,153)
Option contracts written	<u>-</u>	<u>-</u>
Net change in unrealized appreciation/depreciation of investments	(3,609,209)	(98,153)
Net realized and unrealized gain (loss) on investment securities and option contracts	<u>(17,604,047)</u>	<u>13,010</u>
Net increase/decrease in net assets resulting from operations	<u>\$(17,458,741)</u>	<u>\$ 329,310</u>

THE ELITE GROWTH & INCOME FUND

STATEMENT OF CHANGES IN NET ASSETS

	For the Six Months Ended March 31, 2009 <u>(Unaudited)</u>	For the Year Ended September 30, 2008
Operations		
Net investment income	\$ 145,306	\$ 483,509
Net realized loss on investment securities and options contracts	(13,994,838)	(1,630,252)
Net change in unrealized appreciation/depreciation of investment securities and option contracts	<u>(3,609,209)</u>	<u>(17,810,173)</u>
Net decrease in net assets resulting from operations	(17,458,741)	(18,956,916)
Distributions to Shareholders		
Distributions from net investment income (\$0.10 and \$0.06 per share, respectively)	(349,765)	(213,262)
Capital Share Transactions		
Decrease in net assets resulting from capital share transactions (a)	<u>(1,477,559)</u>	<u>(1,472,312)</u>
Total decrease in net assets	(19,286,065)	(20,642,490)
Net Assets		
Beginning of period	<u>47,191,212</u>	<u>67,833,702</u>
End of period (Including undistributed net investment income of \$65,788 and \$270,247 respectively)	<u>\$ 27,905,147</u>	<u>\$ 47,191,212</u>

(a) Transactions in capital stock were as follows:

	Six Months Ended March 31, 2009 <u>(Unaudited)</u>		Year Ended September 30, 2008	
	<u>Shares</u>	<u>Value</u>	<u>Shares</u>	<u>Value</u>
Shares sold	307,002	\$ 2,523,150	310,027	\$ 5,119,100
Shares issued in reinvestment of distributions	<u>38,545</u>	<u>339,966</u>	<u>11,499</u>	<u>206,521</u>
	345,547	2,863,116	321,526	5,325,621
Shares redeemed	<u>(505,176)</u>	<u>(4,340,675)</u>	<u>(404,789)</u>	<u>(6,797,933)</u>
Net decrease	<u>(159,629)</u>	<u>\$ (1,477,559)</u>	<u>(83,263)</u>	<u>\$(1,472,312)</u>

THE ELITE INCOME FUND

STATEMENT OF CHANGES IN NET ASSETS

	For the Six Months Ended March 31, 2009 (Unaudited)	For the Year Ended September 30, 2008
Operations		
Net investment income	\$ 316,300	\$ 729,469
Net realized gain(loss) on investment securities	111,163	(207,593)
Net change in unrealized depreciation of investment securities	<u>(98,153)</u>	<u>(618,688)</u>
Net increase (decrease) in net assets resulting from operations	329,310	(96,812)
Distributions to Shareholders		
Distributions from net investment income (\$0.25 and \$0.45 per share, respectively)	(412,677)	(775,900)
Capital Share Transactions		
Increase\decrease in net assets resulting from capital share transactions (a)	<u>(148,057)</u>	<u>(1,916,291)</u>
Total decrease in net assets	(231,424)	(2,789,003)
Net Assets		
Beginning of period	<u>15,211,353</u>	<u>18,000,356</u>
End of period (Including undistributed (distributions in excess of) net investment income of \$(22,551) and \$73,826, respectively)	<u>\$ 14,979,929</u>	<u>\$ 15,211,353</u>

(a) Transactions in capital stock were as follows:

	Six Months Ended March 31, 2009 (Unaudited)		Year Ended September 30, 2008	
	Shares	Value	Shares	Value
Shares sold	319,322	\$ 2,913,515	151,542	\$ 1,463,957
Shares issued in reinvestment of distributions	<u>44,356</u>	<u>402,000</u>	<u>78,303</u>	<u>746,677</u>
	363,678	3,315,515	229,845	2,210,634
Shares redeemed	<u>(382,423)</u>	<u>(3,463,572)</u>	<u>(426,024)</u>	<u>(4,126,925)</u>
Net decrease	<u>(18,745)</u>	<u>\$ (148,057)</u>	<u>(196,179)</u>	<u>\$ (1,916,291)</u>

THE ELITE GROWTH & INCOME FUND

FINANCIAL HIGHLIGHTS

For a Share Outstanding Throughout Each Period

	Six Months Ended March 31, 2009 (Unaudited)	Year Ended September 30,				
		2008	2007	2006	2005	2004
Net asset value, beginning of period	<u>\$13.38</u>	<u>\$ 18.78</u>	<u>\$ 19.13</u>	<u>\$ 20.77</u>	<u>\$ 18.90</u>	<u>\$ 18.13</u>
Income from investment operations						
Net investment income (loss)	0.04	0.14	(0.03)	0.12	0.06	0.01
Net gain (loss) on securities (both realized and unrealized)	<u>(5.04)</u>	<u>(5.48)</u>	<u>4.01</u>	<u>1.00</u>	<u>3.03</u>	<u>2.22</u>
Total from investment operations	<u>(5.00)</u>	<u>(5.34)</u>	<u>3.98</u>	<u>1.12</u>	<u>3.09</u>	<u>2.23</u>
Less Distributions						
Dividends from net investment income	(0.10)	(0.06)	(0.03)	(0.14)	(0.02)	-
Distribution from net realized gains	-	-	(4.20)	(2.62)	(1.20)	(1.46)
Distribution from return of capital	-	-	(0.10)	-	-	-
Total distributions	<u>(0.10)</u>	<u>(0.06)</u>	<u>(4.33)</u>	<u>(2.76)</u>	<u>(1.22)</u>	<u>(1.46)</u>
Net asset value, end of period	<u>\$ 8.28</u>	<u>\$ 13.38</u>	<u>\$ 18.78</u>	<u>\$ 19.13</u>	<u>\$ 20.77</u>	<u>\$ 18.90</u>
Total Return	(37.40)%	(28.52)%	21.03%	5.40%	16.35%	12.30%
Ratios / Supplemental Data						
Net asset value, end of period (in 000's)	\$27,905	\$47,191	\$67,834	\$61,800	\$59,664	\$55,901
Ratio of expenses to average net assets*	2.03% (a)	1.42%	1.35%	1.39%	1.36%	1.34%
Ratio of net investment income (loss) to average net assets	0.98% (a)	0.79%	(0.16)%	0.57%	0.27%	0.07%
Portfolio Turnover	295.79%	277.14%	213.35%	188.52%	143.87%	144.91%

* Ratio reflects fees paid through a directed brokerage arrangement for the years ended September 30, 2005 and 2004. The expense ratios for 2005 and 2004, excluding fees paid through the directed brokerage arrangement were 1.35% and 1.25% respectively.

(a) Annualized

THE ELITE INCOME FUND

FINANCIAL HIGHLIGHTS

For a Share Outstanding Throughout Each Period

	Six Months Ended March 31, 2009 (Unaudited)	Year Ended September 30,				
		2008	2007	2006	2005	2004
Net asset value, beginning of period	\$ 9.20	\$ 9.73	\$ 9.77	\$ 9.82	\$ 10.12	\$ 10.40
Income from investment operations						
Net investment income	0.20	0.42	0.43	0.39	0.31	0.30
Net gain (loss) on securities (both realized and unrealized)	0.02	(0.50)	(0.00)**	(0.02)	(0.20)	(0.03)
Total from investment operations	0.22	(0.08)	0.43	0.37	0.11	0.27
Less Distributions						
Dividends from net investment income	(0.25)	(0.45)	(0.47)	(0.42)	(0.41)	(0.46)
Distribution from net realized gains	-	-	-	-	-	(0.09)
Total distributions	(0.25)	(0.45)	(0.47)	(0.42)	(0.41)	(0.55)
Net asset value, end of period	\$ 9.17	\$ 9.20	\$ 9.73	\$ 9.77	\$ 9.82	\$ 10.12
Total Return	2.43%	(0.90)%	4.48%	3.87%	1.09%	2.64%
Ratios / Supplemental Data						
Net asset value, end of period (in 000's)	\$14,980	\$15,211	\$18,000	\$18,227	\$19,363	\$20,271
Ratio of expenses to average net assets*	1.57% (a)	1.24%	1.31%	1.22%	1.15%	1.03%
Ratio of net investment income to average net assets	4.18% (a)	4.30%	4.44%	4.00%	3.01%	2.80%
Portfolio Turnover	121.37%	105.66%	117.52%	120.00%	93.19%	61.99%

* Ratio reflects expenses prior to reimbursement from manager. Expense ratios after reimbursement and reduction of fees were 1.56%, 1.05%, 1.20%, 1.04%, 1.04% and 0.95% for the six months ending March 31, 2009 and years ended September 30, 2008, 2007, 2006, 2005 and 2004, respectively.

** Represents less than \$0.01 per share.

(a) Annualized

THE ELITE GROUP OF MUTUAL FUNDS

NOTES TO FINANCIAL STATEMENTS

March 31, 2009 (Unaudited)

NOTE 1 – ORGANIZATION

The Elite Growth & Income Fund and The Elite Income Fund (the “Funds”) are two series of shares of beneficial interests of The Elite Group of Mutual Funds (the “Trust”), which is registered under the Investment Company Act of 1940, as amended, as a diversified open-end management company. The Trust was organized in Massachusetts as a business trust on August 8, 1986. The Trust is authorized to issue an unlimited number of no par shares of beneficial interest of any number of series. Currently, the Trust has authorized only the two series above. The Elite Growth & Income Fund's investment objective is to maximize total returns through an aggressive approach to the equity and debt securities markets. The Elite Income Fund's investment objective is to achieve the highest income return obtainable over the long term commensurate with investments in a diversified portfolio consisting primarily of investment grade debt securities.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Funds. The policies are in conformity with accounting principles generally accepted in the United States of America.

- A. Security Valuation - Investments in securities traded on a national securities exchange are valued at the last reported sales price. Securities which are traded over-the-counter are valued at the bid price. Securities for which reliable quotations are not readily available are valued at their respective fair value as determined in good faith by, or under procedures established by the Board of Trustees.

The Funds have adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, Fair Value Measurements (“FAS 157”), effectively October 1, 2008. In accordance with FAS 157, fair value is defined as the price that the Fund would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market of the investment. FAS 157 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value including such a pricing model and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad Levels listed below.

- Level 1 - quoted prices in active markets for identical investments
- Level 2 - other significant observable inputs (including quoted prices for similar investments, 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 inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of March 31, 2009 in valuing the Funds' investments carried at fair value:

	The Elite Growth & Income Fund	The Elite Income Fund
Level 1 – Quoted Prices	\$ 33,703,002	\$ 1,908,050
Level 2 – Other Significant Observable Inputs	-	13,442,800
Level 3 – Significant Unobservable Inputs	-	-
	<u>\$ 33,703,002</u>	<u>\$ 15,350,850</u>

THE ELITE GROUP OF MUTUAL FUNDS

NOTES TO FINANCIAL STATEMENTS

March 31, 2009 (Unaudited)

- B. Federal Income Taxes** - The Funds intend to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and distribute all their taxable income to their shareholders. Therefore no federal income tax provision is required.

The Financial Accounting Standards Board ("FASB") has issued FASB Interpretation 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes." FIN 48 requires the evaluation of tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the evaluation of tax positions taken in the course of preparing the Fund's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the taxing authority. Tax benefits of positions not deemed to meet the more-likely-than-not threshold would be booked as a tax expense in the current year and recognized as: a liability for unrecognized tax benefits; a reduction of an income tax refund receivable; a reduction of deferred tax assets; an increase in deferred tax liability; or a combination thereof. As of March 31, 2009 the Funds have implemented FIN48 and have determined that there is no impact on their financial statements.

The Funds have reviewed all taxable years that are open for examination (i.e., not barred by the applicable statute of limitations) by taxing authorities of all major jurisdictions, including the Internal Revenue Service. As of March 31, 2009, open taxable years consisted of the taxable years ended September 30, 2005 through September 30, 2008. No examination of either Fund is currently in progress.

- C. Option Accounting Principles (The Elite Growth & Income Fund)** - When the Fund sells an option, an amount equal to the premium received by the Fund is included as an asset and an equivalent liability. The amount of the liability is marked-to-market to reflect the current market value of the options written. The current market value of a traded option is the last sale price. When an option expires on its stipulated expiration date or the Fund enters into a closing purchase transaction, the Fund realizes a gain (or loss if the cost of a closing purchase transaction exceeds the premium received when the option was sold) without regard to any unrealized gain or loss on the underlying security, and the liability related to such option is extinguished. If an option is exercised, the Fund realizes a gain or loss from the sale of the underlying security and the proceeds of the sale are increased by the premium received. The Elite Growth & Income Fund as a writer of an option may have no control over whether the underlying security may be sold (call) or purchased (put) and as a result bears the market risk of an unfavorable change in the price of the security underlying the written option.
- D. Cash Equivalent** - Consists of investment in PNC Money Market Accounts which represent 4.8% and 0.0% of net assets for The Elite Growth & Income Fund and The Elite Income Fund, respectively.
- E. Other** - As is common in the industry, security transactions are accounted for on the trade date. Dividend income and distributions to shareholders are recorded on the ex-dividend date. Income distributions and capital gain distributions are determined in accordance with income tax regulations, which may differ from accounting principles generally accepted in the United States of America. These differences are primarily due to differing treatments for post - October losses, wash losses and amortization of bond premium and discounts. Interest income and estimated expenses are accrued daily.
- F. Reclassification of Capital Accounts.** Accounting principles generally accepted in the United States of America require that certain components of net assets relating to permanent differences be reclassified between financial and tax reporting. These reclassifications have no effect on net assets or net asset value per share.
- G. Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.
- H. Securities Lending** - The Funds may lend portfolio securities to banks and member firms of the New York Stock Exchange that meet capital and other credit requirements or other criteria established by the Board. These loans may not exceed 33 1/3% of the total asset value of the Funds (including the loan collateral). The Funds will not lend portfolio securities to its investment advisor, sub-advisor or their affiliates unless it has applied for and received specific authority to do so from the SEC. Loans of portfolio securities will be fully collateralized by cash, Government securities or letters of credit. Loans of portfolio securities must be secured by collateral equal to the market value over the value of the securities loaned. If the market value of the loaned securities increases over the value of the collateral, the borrower must promptly put up additional collateral; if the market value declines the borrower is entitled to a return of the excess collateral. Income from lending activity is determined by the amount of interest earned on collateral, less any amounts payable to the borrowers of the securities and the lending agent. Lending securities involves certain risks, including the risk that the Fund may be delayed or prevented from recovering the collateral if the borrower fails to return the securities. Cash collateral received in connection with securities lending is invested in an Institutional Money Market Trust sponsored by PNC Trust, the Funds securities lending agent.

THE ELITE GROUP OF MUTUAL FUNDS

NOTES TO FINANCIAL STATEMENTS – (Continued)

March 31, 2009 (Unaudited)

NOTE 3 – PURCHASES AND SALES OF SECURITIES

For the six months ended March 31, 2009, purchases and sales of securities, other than options and short-term notes were as follows:

	<u>Purchases</u>	<u>Sales</u>
The Elite Growth & Income Fund	\$ 42,209,199	\$42,129,629
The Elite Income Fund	\$ 8,912,058	\$ 9,108,977

For The Elite Growth & Income Fund, transactions in covered call options written for the six months ended March 31, 2009, were as follows:

	<u>Number of Contracts*</u>	<u>Premiums</u>
Options outstanding on September 30, 2008	-	\$ -
Options written	3,290	742,584
Options terminated in closing purchase transactions	(2,890)	(666,224)
Options exercised	-	-
Options expired	(400)	(76,360)
Options outstanding on March 31, 2009	<u>-</u>	<u>\$ -</u>

* Each contract represents 100 shares of common stock

NOTE 4 – INVESTMENT MANAGEMENT FEE AND OTHER TRANSACTIONS WITH AFFILIATES

The Funds retain McCormick Capital Management Inc. as their Investment Manager. Under an Investment Management Agreement, the Investment Manager furnishes each Fund with investment advice, office space and salaries of non-executive personnel needed by the Funds to provide general office services. As compensation for its services, the Manager is paid a monthly fee based upon the average daily net assets of each Fund. For The Elite Growth & Income Fund and The Elite Income Fund the rates are 1% and 7/10 of 1%, respectively, up to \$250 million; 3/4 of 1% and 5/8 of 1% over \$250 million up to \$500 million; and 1/2 of 1% and 1/2 of 1% respectively, over \$500 million for each Fund.

The Manager may voluntarily reimburse a portion of the operating expenses of a Fund for any fiscal year (including management fees, but excluding taxes, interest and brokerage commissions). Voluntary reimbursements may cease at any time without prior notice and are not subject to recoupment. For the six months ended March 31, 2009, the advisor reimbursed expenses of The Elite Income Fund in the amount of \$1,161.

The Trust paid the Chief Compliance Officer \$13,687 for the six months ended March 31, 2009.

Certain Officers of the Trust are Officers of the Investment Manager.

NOTE 5 – CONCENTRATION

Although the funds have a diversified investment portfolio, there are certain credit risks due to the manner in which the portfolio is invested, which may subject the funds more significantly to economic changes occurring in certain industries or sectors. The Elite Growth & Income Fund has investments in excess of 10% in capital goods, consumer goods, insurance and health care goods & services. The Elite Income Fund has investments in excess of 10% in corporate bonds utilities-electric and U.S. Government/Agencies Notes & Bonds

NOTE 6 – DISTRIBUTION TO SHAREHOLDERS AND TAX COMPONENTS OF CAPITAL

The tax character of distributions paid during the six months ending March 31, 2009 and the year ended September 30, 2008 were as follows:

	<u>Six Months March 31, 2009</u>	<u>Year Ended September 30, 2008</u>
The Elite Growth & Income Fund		
Distributions from ordinary income	\$ 349,765	\$ 213,262
The Elite Income Fund		
Distributions from ordinary income	\$ 412,677	\$ 775,900

THE ELITE GROUP OF MUTUAL FUNDS

NOTES TO FINANCIAL STATEMENTS – (Continued)

March 31, 2009 (Unaudited)

As of September 30, 2008, the components of distributable earnings on a tax basis were as follows:

The Elite Growth & Income Fund	
Undistributed ordinary income	\$ 270,247
Post October losses	(673,112)
Capital loss carry forward	(917,595)
Unrealized depreciation of securities	<u>(7,766,671)</u>
	<u><u>\$(9,087,131)</u></u>

The Elite Growth & Income Fund had a capital loss carry forward of \$917,595 as of September 30, 2008, that expires in 2016 and is available to offset any future gains, to the extent provided by regulations.

At September 30, 2008, The Elite Growth & Income Fund had deferred capital losses occurring subsequent to October 31, 2007 of \$673,112. For tax purposes, such losses will be reflected in the year ending September 30, 2009.

As of September 30, 2008, the components of distributable earnings on a tax basis were as follows:

The Elite Income Fund	
Undistributed ordinary income	\$128,534
Post October loss	(250,848)
Capital loss carry forward	(564,984)
Unrealized depreciation of securities	<u>(751,135)</u>
	<u><u>\$(1,438,433)</u></u>

The Elite Income Fund had a capital loss carry forward of \$564,984 as of September 30, 2008, of which \$576 expires in 2013 and \$331,729 expires in 2014, \$97,813 expires in 2015 and \$134,866 expires in 2016 and is available to offset any future gains, to the extent provided by regulations.

At September 30, 2008 the Elite Income Fund had deferred capital losses occurring subsequent to October 31, 2007 of \$250,847. For tax purposes, such losses will be reflected in the year ending September 30, 2009.

NOTE 7 – NEW ACCOUNTING PRONOUNCEMENT

In March 2008, FASB issued Statements of Financial Accounting Standards No. 161 “Disclosures about Derivative Instruments and Hedging Activities” (FAS 161”) is effective for fiscal periods and interim periods beginning after November 15, 2008. FAS 161 require enhanced disclosures about each Fund’s derivative and hedging activities. The Manager is currently evaluating the impact the adoption of FAS 161 will have on each Fund’s financial statements and disclosures.

NOTE 8 – CONTINGENCIES AND COMMITMENTS

The Funds indemnify the Trust’s officers and trustees for certain liabilities that might arise from their performance of their duties to the Funds. Additionally, in the normal course of business the Funds enter into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Funds’ maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Funds that have not yet occurred. However, based on experience, the Funds expect the risk of loss to be remote.

PROXY POLICIES / AVAILABILITY OF QUARTERLY PORTFOLIO HOLDINGS (Unaudited)

The Elite Group proxy voting policies and the voting record for those proxies are detailed on our web site www.elitefunds.com and are also available on the Securities & Exchange Commission web site www.sec.gov.

Portfolio Holdings: In addition to our Annual and Semi-Annual report which are dated September 30th and March 31st respectively, we will report to shareholders our security holdings as of June 30th and December 31st. The June and December reports will also be available on the SEC web site (N-Q) www.sec.gov. Our security holdings are available on our web site and updated monthly www.elitefunds.com.

BOARD OF TRUSTEES AND EXECUTIVE OFFICERS (Unaudited)

Over all responsibility for management of the Funds rests with the Board of Trustees. The Trustees serve during the lifetime of the Trust and until its termination, or until death, resignation, retirement or removal. The Trustees, in turn, elect the officers of the Fund to actively supervise its day-to-day operations. The officers have been elected for an annual term.

There were two quarterly Trustee meetings in the first six months of the fiscal year. All the Trustees had 100% attendance with the exception of Mr. Meisenbach who was unable to attend one meeting. Because Mr. McCormick and Mr. Meisenbach are the sole owners of the investment advisor, McCormick Capital Management, they do not receive compensation for their duties as Trustee, Chairman of the Board and President (Mr. McCormick) and Trustee, Treasurer and Secretary (Mr. Meisenbach). The three independent Trustees each received compensation of \$1,200 per meeting or \$4,800 for the year assuming no special meetings. No other compensations were paid to any Trustee. The following are the Trustees and Executives of the Funds.

Trustee	Address	Age	Position Held with the Trust	Length of Time Served (Years)
Richard S. McCormick	1325 4 th Avenue Suite 1744 Seattle, WA 98101	62	Chairman, Board of Trustees and President	22
John W. Meisenbach	2100 Washington Bldg. Seattle, WA 98101	72	Trustee, Treasurer and Secretary	19
Lee A. Miller	P.O. Box 1882 Vashon Island, WA 98070	78	Trustee	14
John M. Parker	2400 Financial Center Bldg. Seattle, WA 98161	62	Trustee	22
Jack R. Policar	1065 Financial Center Bldg. Seattle, WA 98161	62	Trustee	22

Each Trustee oversees two portfolios of the Trust, including the Funds. The principal occupations of the Trustees and Executive Officers of the Fund during the past five years and public directorships held by the Trustees are set forth below. ***

* Richard S. McCormick	President and Chief Executive Officer of the Investment Manager
* John W. Meisenbach	Partner in MCM Financial (Insurance) Director of Costco Wholesale and Expeditors International
Lee A. Miller	Private Investor Vice President of Merrill Lynch & Co. (Retired)
John M. Parker	Sr. Vice President of Kennedy Associates, Inc. (Real Estate Advisor)
Jack R. Policar	President and Chief Executive of J. R. Policar, Inc. Certified Public Accounting Firm

* **Trustees deemed to be an "interested person" of the Trust, as defined in the Investment Company Act of 1940.**

** **Additional information about the Trustees is available in the Statement of Additional Information which is available upon request, or ready for viewing on our web site: www.elitefunds.com**

MUTUAL FUND EXPENSE EXAMPLE (UNAUDITED)

There are several kinds of expenses involved in buying, selling and operating a mutual fund. These expenses represent costs to shareholders and financial planners.

Although the Elite Group has no sales charges, like all the other funds it does have operating expenses. In addition to the fees paid to the manager of the fund there are expenses for attorneys, accountants, printing/mailings, transfer agent, custodians, and government registration fees. The table below is intended to help you understand your ongoing costs (in dollars) of investing in the fund and compare these costs with the ongoing costs of investing in other mutual funds. The example is based on an investment of \$1,000 at the beginning of the period and held for the entire period (October 1, 2008 through March 31, 2009).

The first line ("Actual Expense") of 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 first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

The second line ("Hypothetical") of the table below provides information about hypothetical account values and hypothetical 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 and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

In the Elite Funds there are no transactional costs so please note that the 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), redemption fees, or exchange fees associated with other mutual funds. Therefore, the second line of the table is useful in comparing ongoing costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

The Elite Growth & Income Fund

	Beginning Account Value 10-01-08	Ending Account Value 03-31-09	Expenses Paid During Period* 10-01-08 to 03-31-09
Actual	\$1,000.00	\$ 625.85	\$8.22
Hypothetical (5% return before expenses)	\$1,000.00	\$1,014.89	\$10.19

The Elite Income Fund

	Beginning Account Value 10-01-08	Ending Account Value 03-31-09	Expenses Paid During Period* 10-01-08 to 03-31-09
Actual	\$1,000.00	\$1,024.30	\$7.93
Hypothetical (5% return before expenses)	\$1,000.00	\$1,017.10	\$7.90

Expenses are equal to the Fund's annualized expense ratio of 2.03% for The Growth & Income Fund and 1.57% for The Elite Income Fund, multiplied by the average account value over the period, multiplied by [number of days in most recent fiscal half-year/365 [or 366]] (to reflect the one-half year period).

Returns and expenses are adjusted to reflect reimbursement from the manager and a directed brokerage arrangement which reduce the expense to the funds. These reimbursements may, at the discretion of the manager, stop at any time.

INVESTMENT ADVISOR AGREEMENT (Unaudited)

Compensation of the investment manager, based upon each Fund's daily average net assets, is at the following annual rates:

- For the Income Fund, 0.70% on the first \$250 million, 0.625% on the next \$250 million and 0.50% on all above \$500 million.
- For the Growth & Income Fund, 1% on the first \$250 million, 0.75% on the next \$250 million and 0.50% on all above \$500 million.

Unless sooner terminated, the Management Agreement shall continue in effect for successive one-year periods if continuance is approved at least annually (i) by the Trustees or by vote of a majority of the outstanding voting securities of the Fund and (ii) by vote of a majority of the Independent Trustees, cast in person at a meeting called for this purpose.

The Management Agreement is terminable by a Fund at any time on 60 days' prior written notice without penalty by the Trustees, by vote of a majority of outstanding shares of the Fund, or by the investment manager. The Management Agreement also terminates automatically in the event of its assignment, as defined in the Investment Company Act of 1940 and the rules thereunder.

The Management Agreement provides that the investment manager shall not be liable for any error of judgment or for any loss suffered by the Funds in connection with the performance of its duties, except a loss resulting from willful misfeasance, bad faith or gross negligence on the part of the investment manager in the performance of its duties, or from reckless disregard of its duties and obligations thereunder.

The Trustees, including a majority of the Independent Trustees, approved the continuation of the Management Agreement at the meeting of the Board of Trustees held December 18, 2008. The Trustees were provided with information to assist them including, a description of services offered to shareholders, Investment Manager's administrative duties, comparative performance and expense data for the Funds, Fund share sales and redemption reports and, financial reports for the Investment Manager. In approving the Management Agreement, the Independent Trustees considered all the information they deemed reasonably necessary to evaluate the terms of the Management Agreement. The principal areas of review by the Independent Trustees were the nature and quality of the services provided by the investment manager and the reasonableness of the fees charged for those services.

The Independent Trustees, considered the scope and quality of professional research services and other resources providing services for the Funds utilized by the Investment Manager, as well as the Managers capabilities in operational and investment management. The quality of administrative and other services, including the investment manager's role in coordinating the activities of the Funds' as well as the depth of the services provided to shareholders by other service providers, were considered. The Independent Trustees also considered the business reputation of the investment manager and its financial resources.

In reviewing the fees payable under the Management Agreement, the Independent Trustees considered the level of total expenses payable by each Fund, and noted that the level of such expenses is well within industry standards and the Funds' competitors. The Trustees, including the Independent Trustees, also determined that the advisory fees to be paid to the investment manager pursuant to the Management Agreement are fair and reasonable to each Fund and its shareholders.

No single factor was considered in isolation or to be determinative to the decision of the Independent Trustees to approve the Management Agreement. Rather the Independent Trustees concluded, in light of a weighing and balancing of all factors considered that the Management Agreement was in the best interest of each Fund.