



SEMI-ANNUAL REPORT JUNE 30, 2009

Evolution VP Managed Bond Fund
Evolution VP All-Cap Equity Fund

33 Whitehall Street, 10th Floor
New York, New York 10004

(800) 851-0511

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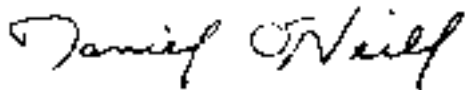
Dear Shareholders,

This Semi-Annual Report for the Evolution VP Funds covers the semi-annual period of January 1, 2009 to June 30, 2009 (the "Semi-Annual Period"). The Evolution VP Managed Bond Fund (the "Managed Bond Fund") and the Evolution VP All-Cap Equity Fund (the "All-Cap Equity Fund") investment objectives are to seek high appreciation on an annual basis consistent with a high tolerance for risk. Flexible Plan Investments, Ltd. (the "Sub-Advisor"), serves as the sub-advisor to the Evolution Funds.

During the Semi-Annual Period, the S&P 500 Index returned 3.16% on a total return basis and the Barclays Capital Aggregate Bond Index (formerly Lehman Aggregate Bond Index) returned 1.90%. Increased volatility, mixed consumer confidence, continued problems in the financial systems and concerns in the Real Estate markets loomed throughout the first half of the Semi-Annual Period. The second half of the Semi-Annual Period was marked by some relief in the overall U.S. markets, which in turn positively affected consumer confidence, U.S. equities and Real Estate Markets. For the Semi-Annual Period, the Managed Bond Fund returned -2.05%, on a total return basis, compared with a return of 1.90% for the Barclays Aggregate Bond Index. For the Semi-Annual Period, the All-Cap Equity Fund returned -3.94%, on a total return basis, compared with the S&P 500 Index return of 3.16%.

As always, we thank you for using the Direxion Funds and we look forward to our mutual success.

Sincerely,



Daniel O'Neill
Direxion Funds



Jerry Wagner
Flexible Plan Investments, Ltd.

The performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate and an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than the performance data quoted.

To obtain performance data current to the most recent month-end, please call, toll-free, 1-800-851-0511 or visit www.direxionfunds.com.

The total annual fund operating expense ratio of the Evolution VP Managed Bond Fund and Evolution VP All-Cap Equity Fund is 2.43% and 2.20%, respectively, net of any fee, waivers or expense reimbursements.*

An investment in any of the Direxion Funds is subject to a number of risks that could affect the value of its shares. It is important that investors closely review and understand these risks before making an investment. Investors considering an investment may obtain a prospectus by calling 1-800-851-0511. Investors should read the prospectus carefully for more complete information, including charges, expenses, objectives, and additional risks, before investing.

*** The total annual fund operating expense ratio includes Acquired Fund Fees and Expenses, indirect fees and expenses that the Funds incur that are required to be disclosed. Without Acquired Fund Fees and Expenses, total annual fund operating expense ratios would be 2.15%.**

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Expense Example

June 30, 2009 (Unaudited)

As a shareholder of a mutual fund, you incur two types of costs: (1) transaction costs, including sales charges (loads) on purchase payments, reinvested dividends, or other distributions; redemption fees; and exchange fees; and (2) ongoing costs, including management fees; distribution and/or service 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 costs with the ongoing costs of investing in other mutual funds.

The Example is based on an investment of \$1,000 invested at the beginning of the period and held the entire period (January 1, 2009 — June 30, 2009).

Actual Expenses

The first line of the table below provides information about actual account values and actual expenses. Although the Fund charges no sales load or transactions fees, you will be assessed fees for outgoing wire transfers, returned checks or stop payment orders at prevailing rates charged by U.S. Bancorp Fund Services, LLC, the Funds' transfer agent. If you request a redemption be made by wire transfer, currently a \$15.00 fee is charged by the Funds' transfer agent. However, the example below does not include portfolio trading commissions and related expenses or other extraordinary expenses as determined under generally accepted accounting principles. 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.

Hypothetical Example for Comparison Purposes

The second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Funds' actual expense ratios and an assumed rate of return of 5% per year before expenses, which is not the Funds' 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 Funds 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.

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 wire transfers, returned checks or stop payment orders. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

Expense Example Tables
June 30, 2009 (Unaudited)

	<u>Expense Ratio¹</u>	<u>Beginning Account Value January 1, 2009</u>	<u>Ending Account Value June 30, 2009</u>	<u>Expenses Paid During Period²</u>
Evolution VP Managed Bond Fund				
Based on actual fund return	2.12%	\$1,000.00	\$ 979.50	\$10.41
Based on hypothetical 5% return	2.12%	1,000.00	1,014.28	10.59
Evolution VP All-Cap Equity Fund				
Based on actual fund return	2.08%	1,000.00	960.60	10.11
Based on hypothetical 5% return	2.08%	1,000.00	1,014.48	10.39

¹ Annualized

² Expenses are equal to the Fund's annualized expense ratio, multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half-year/period, then divided by 365.

Allocation of Portfolio Holdings
June 30, 2009 (Unaudited)

	<u>Cash*</u>	<u>Common Stock</u>	<u>Investment Companies</u>	<u>Futures</u>	<u>Total</u>
Evolution VP Managed Bond Fund	3%	—	97%	—	100%
Evolution VP All-Cap Equity Fund	7%	82%	12%	(1)%	100%

* Cash, cash equivalents and other assets less liabilities.

Evolution VP Managed Bond Fund

Schedule of Investments

June 30, 2009 (Unaudited)

Shares		Value	Shares		Value
INVESTMENT COMPANIES - 97.1%					
3,104	AllianceBernstein Global High Income Fund, Inc.	\$ 31,878	13,016	SPDR Barclays Capital International Treasury Bond ETF	\$ 711,455
3,848	BlackRock Corporate High Yield Fund VI, Inc.	31,939	2,761	Templeton Emerging Markets Income Fund	31,724
2,791	BlackRock Floating Rate Income Strategies Fund, Inc.	30,478	29,425	Vanguard Total Bond Market ETF	2,286,028
4,124	BlackRock Preferred Income Strategies Fund, Inc.	32,250	2,186	Western Asset Emerging Markets Debt Fund Inc.	31,981
2,674	Evergreen Multi-Sector Income Fund	32,997	4,358	Western Asset High Income Fund II Inc.	31,334
6,667	iShares Barclays 1-3 Year Credit Bond Fund	687,168	2,766	Western Asset/Claymore Inflation-Linked Opportunities & Income Fund	32,003
3,650	iShares Barclays 3-7 Year Treasury Bond Fund	404,347	TOTAL INVESTMENT COMPANIES		
5,247	iShares Barclays 7-10 Year Treasury Bond Fund	475,745	(Cost \$8,953,756)		
6,734	iShares Barclays 7-10 Year Treasury Bond Fund	563,703	\$9,427,274		
12,810	iShares Barclays Aggregate Bond Fund	1,308,542	SHORT TERM INVESTMENTS - 3.2%		
4,616	iShares Barclays MBS Bond Fund	485,972	MONEY MARKET FUNDS - 3.2%		
4,624	iShares Barclays TIPS Bond Fund	469,937	77,079	AIM STIT Liquid Assets Portfolio	77,079
6,548	iShares iBoxx \$ High Yield Corporate Bond Fund	521,941	82,505	AIM STIT STIC Prime Portfolio	82,505
9,096	iShares iBoxx \$ Investment Grade Corporate Bond Fund	912,147	77,079	Federated Prime Obligations Fund	77,079
1,654	iShares S&P National Municipal Bond Fund	164,788	77,079	Fidelity Institutional Money Market Portfolio	77,079
5,115	MFS Charter Income Trust	41,738	TOTAL SHORT TERM INVESTMENTS		
5,875	MFS Government Markets Income Trust	41,771	(Cost \$313,742)		
4,922	MFS Intermediate Income Trust	32,485	TOTAL INVESTMENTS		
6,611	Putnam Premier Income Trust	32,923	(Cost \$9,267,498) - 100.3%		
			Liabilities in Excess of Other Assets - (0.3%)		
			TOTAL NET ASSETS - 100.0%		
			\$9,715,111		

Percentages are stated as a percent of net assets.

The accompanying notes are an integral part of these financial statements.

Evolution VP All-Cap Equity Fund

Schedule of Investments

June 30, 2009 (Unaudited)

Shares		Value	Shares		Value
COMMON STOCKS - 81.6%					
Aerospace & Defense - 0.3%					
1,737	Ceradyne, Inc.(a)	\$ 30,675			
260	Triumph Group, Inc.	10,400			
		41,075			
Airlines - 1.9%					
38,609	Republic Airways Holdings, Inc.(a)	252,117			
Beverages - 0.1%					
412	PepsiAmericas, Inc.	11,046			
Biotechnology - 0.6%					
598	Cubist Pharmaceuticals, Inc.(a)	10,961			
2,642	Dendreon Corp.(a)	65,654			
		76,615			
Building Products - 0.2%					
2,018	Apogee Enterprises, Inc.	24,821			
Chemicals - 2.3%					
1,411	Agrium, Inc. (Canada)	56,285			
866	CF Industries Holdings, Inc.	64,205			
1,320	Mosaic Co.	58,476			
388	OM Group, Inc.(a)	11,260			
623	Potash Corporation of Saskatchewan, Inc. (Canada)	57,970			
2,232	Terra Industries, Inc.	54,059			
		302,255			
Commercial Banks - 0.1%					
214	BanColombia S.A. (Columbia)	6,527			
61	HDFC Bank Ltd. - ADR (India)	6,291			
		12,818			
Commercial Services & Supplies - 2.1%					
3,331	American Reprographics Co.(a)	27,714			
23,048	Global Cash Access Holdings, Inc.(a)	183,462			
1,975	Herman Miller, Inc.	30,297			
665	Huron Consulting Group, Inc.(a)	30,743			
1,021	Korn/Ferry International(a)	10,863			
		283,079			
Communications Equipment - 4.5%					
761	Avocent Corp.(a)	10,623			
311	Black Box Corp.	10,409			
8,472	Cisco Systems, Inc.(a)	157,918			
6,560	Comtech Telecommunications Corp.	209,133			
13,482	Corning, Inc.	216,521			
		604,604			
Computers & Peripherals - 1.5%					
14,598	QLogic Corp.(a)	185,103			
413	Western Digital Corp.(a)	10,944			
		196,047			
Construction & Engineering - 0.4%					
1,541	EMCOR Group, Inc.(a)	31,005			
1,104	Foster Wheeler AG (Switzerland)(a)	26,220			
		57,225			
Consumer Finance - 1.7%					
21,569	EZCORP, Inc.(a)	232,514			
Distributors - 0.2%					
1,083	WESCO International, Inc.(a)	\$ 27,118			
Diversified Consumer Services - 0.6%					
691	ITT Educational Services, Inc.(a)	69,556			
101	New Oriental Education & Tech Group, Inc. - ADR(a)	6,803			
		76,359			
Diversified Investments - 0.4%					
4,058	Hugoton Royalty Trust(a)	58,598			
Diversified Telecommunication Services - 1.0%					
2,180	Neutral Tandem, Inc.(a)	64,354			
7,976	Telecommunication Systems, Inc.(a)	56,709			
95	Telefonica S.A. - ADR (Spain)	6,449			
		127,512			
Electric Utilities - 0.2%					
291	Consolidated Edison, Inc.	10,889			
359	Enersis S.A. - ADR (Chile)	6,631			
594	Xcel Energy, Inc.	10,935			
		28,455			
Electrical Equipment - 3.4%					
7,165	American Superconductor Corp.(a)	188,081			
24,644	Fushi Copperweld, Inc.(a)	203,806			
5,104	GrafTech International Ltd.(a)	57,726			
281	Powell Industries, Inc.(a)	10,417			
		460,030			
Electronic Equipment, Instruments & Components - 2.5%					
13,175	Maxwell Technologies, Inc.(a)	182,210			
13,221	Mellanox Technologies Ltd. (Israel)(a)	159,049			
		341,259			
Energy Equipment & Services - 0.9%					
676	Diamond Offshore Drilling, Inc.	56,142			
146	SEACOR Holdings, Inc.(a)	10,985			
2,357	T-3 Energy Services, Inc.(a)	28,072			
411	Transocean Ltd. (Switzerland)(a)	30,533			
		125,732			
Food & Staples Retailing - 0.2%					
1,515	Safeway, Inc.	30,861			
Food Products - 3.7%					
4,199	Green Mountain Coffee Roasters, Inc.(a)	248,245			
1,526	Lancaster Colony Corp.	67,251			
7,143	Peet's Coffee & Tea, Inc.(a)	180,003			
		495,499			
Health Care Equipment & Supplies - 4.9%					
2,489	Align Technology, Inc.(a)	26,384			
11,618	American Medical Systems Holdings, Inc.(a)	183,564			
644	Cantel Medical Corp.(a)	10,452			
6,003	Inverness Medical Innovations, Inc.(a)	213,587			

The accompanying notes are an integral part of these financial statements.

Evolution VP All-Cap Equity Fund

Schedule of Investments

June 30, 2009 (Unaudited)

Shares		Value	Shares		Value
Health Care Equipment & Supplies (continued)			Machinery (continued)		
1,809	Somanetics Corp.(a)	\$ 29,867	562	SPX Corp.	\$ 27,521
7,185	Thoratec Corp.(a)	192,414	315	Westinghouse Air Brake Technologies Corp.(a)	10,134
		656,268			135,600
Health Care Providers & Services - 4.8%			Marine - 2.4%		
6,071	Amedisys, Inc.(a)	200,465	9,128	Genco Shipping & Trading Ltd.	198,260
5,207	Gentiva Health Services, Inc.(a)	85,707	2,233	International Shipholding Corp.	60,202
1,667	HMS Holdings Corp.(a)	67,880	7,791	TBS International Limited(a)	60,848
839	Humana, Inc.(a)	27,066			319,310
1,244	Lincare Holdings, Inc.(a)	29,259	Media - 0.5%		
8,757	Psychiatric Solutions, Inc.(a)	199,134	381	Grupo Televisa S.A. - ADR (Mexico)	6,477
1,337	RehabCare Group, Inc.(a)	31,994	5,327	Tivo, Inc.(a)	55,827
		641,505			62,304
Household Durables - 0.0%			Metals & Mining - 1.6%		
246	Sony Corp. - ADR (Japan)	6,362	7,229	Eldorado Gold Corp. (Canada)(a)	64,700
Independent Power Producers & Energy Traders - 0.5%			2,732	Peabody Energy Corp.	82,397
4,016	Mirant Corp.(a)	63,212	800	Penn Virginia Resource Partners LP	10,856
Industrial Conglomerates - 0.2%			3,546	Silver Wheaton Corp. (Canada)(a)	29,219
2,265	General Electric Co.	26,546	842	United States Steel Corp.	30,093
Insurance - 1.1%					217,265
1,711	Amerisafe, Inc.(a)	26,623	Multi-Utilities - 0.1%		
1,844	Covanta Holding Corp.(a)	31,274	336	SCANA Corp.	10,910
4,008	Life Partners Holdings, Inc.	56,834	Oil, Gas & Consumable Fuels - 2.8%		
893	MetLife, Inc.	26,799	404	Chevron Corp.	26,765
		141,530	382	Cimarex Energy Co.	10,826
Internet & Catalog Retail - 2.6%			3,022	EV Energy Partners, L.P.	57,025
2,151	Liberty Media Corp(a)	57,539	2,946	Linn Energy LLC	57,653
5,891	NetFlix, Inc.(a)	243,534	318	Overseas Shipholding Group, Inc.	10,825
2,911	Nutri/System, Inc.	42,210	159	Petroleo Brasileiro S.A. - ADR (Brazil)	6,516
		343,283	13,118	Targa Resources Partners LP	181,946
Internet Software & Services - 3.6%			2,958	Teekay Tankers Ltd.	27,480
21	Baidu.com, Inc. - ADR(a)	6,323			379,036
11,799	Earthlink, Inc.(a)	87,431	Personal Products - 1.6%		
34,544	Gigamedia Ltd. (Singapore)(a)	203,119	862	Herbalife Ltd.	27,187
169	NetEase.com, Inc. - ADR(a)	5,945	12,123	Nu Skin Enterprises, Inc. - Class A	185,482
2,957	Sohu.com, Inc.(a)	185,788			212,669
		488,606	Pharmaceuticals - 0.9%		
IT Services - 3.1%			145	AstraZeneca PLC - ADR (United Kingdom)	6,400
2,320	CSG Systems International, Inc.(a)	30,717	182	GlaxoSmithKline PLC - ADR (United Kingdom)	6,432
6,283	Hewitt Associates, Inc.(a)	187,108	1,908	Matrixx Initiatives, Inc.(a)	10,666
171	Infosys Technologies Ltd. - ADR (India)	6,289	157	Novartis AG - ADR	6,404
255	Mantech International Corp. - Class A(a)	10,975	764	Noven Pharmaceuticals, Inc.(a)	10,925
9,693	TNS, Inc.(a)	181,744	127	Novo Nordisk A/S - ADR (Denmark)	6,917
		416,833	4,822	Optimer Pharmaceuticals, Inc.(a)	72,185
Leisure Equipment & Products - 0.4%					119,929
1,602	Marvel Entertainment, Inc.(a)	57,015	Semiconductor & Semiconductor Equipment - 4.8%		
Machinery - 1.0%			6,491	Lam Research Corp.(a)	168,766
625	Cascade Corp.	9,831	4,177	Micrel, Inc.	30,576
812	Dover Corp.	26,869	2,277	Microsemi Corp.(a)	31,422
858	Joy Global, Inc.	30,648	2,290	MKS Instruments, Inc.(a)	30,205
797	Reliance Steel & Aluminum Co.	30,597	7,036	Monolithic Power Systems, Inc.(a)	157,677

The accompanying notes are an integral part of these financial statements.

Evolution VP All-Cap Equity Fund

Schedule of Investments

June 30, 2009 (Unaudited)

Shares		Value	Shares		Value
Semiconductor & Semiconductor Equipment (continued)			Water Utilities - 0.1%		
2,386	National Semiconductor Corp.	\$ 29,945	321	American States Water Co.	\$ 11,119
9,807	Sigma Designs, Inc.(a)	157,304	Wireless Telecommunication Services - 0.1%		
671	Taiwan Semiconductor Manufacturing Co. Ltd. - ADR (Taiwan)	6,314	170	America Movil S.A. de C.V. - ADR (Mexico)	6,583
1,324	Varian Semiconductor Equipment Associates, Inc.(a)	<u>31,763</u>	127	China Mobile Hong Kong Ltd. - ADR (Hong Kong)	6,360
		<u>643,972</u>	548	Vimpel-Communications - ADR (Russia)	<u>6,450</u>
Software - 7.7%			<u>19,393</u>		
5,765	Adobe Systems, Inc.(a)	163,149	TOTAL COMMON STOCKS		
3,949	Arcsight, Inc.(a)	70,174	(Cost \$10,312,273)		
8,156	Autodesk, Inc.(a)	154,801	<u>\$10,963,431</u>		
18,223	Double-Take Software, Inc.(a)	157,629	INVESTMENT COMPANIES - 12.0%		
5,734	Intuit, Inc.(a)	161,469	7,587	iShares MSCI BRIC Index Fund	269,566
622	MicroStrategy, Inc.(a)	31,237	8,876	SPDR S&P Emerging Asia Pacific ETF	533,714
1,203	Quality Systems, Inc.	68,523	24,524	WisdomTree Emerging Markets Small Cap Dividend Fund	<u>803,651</u>
162	SAP AG - ADR (Germany)	6,511	TOTAL INVESTMENT COMPANIES		
106	Shanda Interactive Entertainment Ltd. - ADR(a)	5,543	(Cost \$1,583,415)		
8,071	Teradata Corp.(a)	189,103	<u>\$ 1,606,931</u>		
4,310	VASCO Data Security International, Inc.(a)	<u>31,506</u>	SHORT TERM INVESTMENTS - 1.0%		
		<u>1,039,645</u>	MONEY MARKET FUNDS - 1.0%		
Specialty Retail - 3.1%			34,566	AIM STIT Liquid Assets Portfolio	34,566
2,199	Aaron's, Inc.	65,574	34,566	AIM STIT STIC Prime Portfolio	34,566
1,975	Aeropostale, Inc.(a)	67,683	34,566	Federated Prime Obligations Fund	34,566
448	Autozone, Inc.(a)	67,698	34,566	Fidelity Institutional Money Market Portfolio	<u>34,566</u>
4,402	Genesco, Inc.(a)	82,626	TOTAL SHORT TERM INVESTMENTS		
2,734	Monro Muffler, Inc.	70,291	(Cost \$138,264)		
1,778	O'Reilly Automotive, Inc.(a)	<u>67,706</u>	TOTAL INVESTMENTS		
		<u>421,578</u>	(Cost \$12,033,952) - 94.6%		
Textiles, Apparel & Luxury Goods - 4.5%			<u>\$ 138,264</u>		
2,748	Deckers Outdoor Corp.(a)	193,102	TOTAL INVESTMENTS		
1,072	Phillips-Van Heusen Corp.	30,756	(Cost \$12,033,952) - 94.6%		
17,168	True Religion Apparel, Inc.(a)	<u>382,846</u>	Other Assets in Excess of Liabilities - 5.4%		
		<u>606,704</u>	<u>726,472</u>		
Tobacco - 0.4%			<u>\$13,435,098</u>		
844	Lorillard, Inc.	<u>57,198</u>			

Percentages are stated as a percent of net assets.

ADR American Depository Receipt

(a) Non Income Producing

Evolution VP All-Cap Equity Fund

Short Futures Contracts

June 30, 2009 (Unaudited)

Contracts		Unrealized Depreciation
114	NASDAQ-100 Index eMini Futures Expiring September 2009 (Underlying Face Amount at Market Value \$3,369,270)	\$ (61,875)
39	Russell 2000 Index eMini Futures Expiring September 2009 (Underlying Face Amount at Market Value \$1,973,400)	(16,657)
89	S&P 500 Index eMini Futures Expiring September 2009 (Underlying Face Amount at Market Value \$4,076,200)	<u>(71,103)</u>
		<u><u>\$(149,635)</u></u>

The accompanying notes are an integral part of these financial statements.

Statements of Assets and Liabilities

June 30, 2009 (Unaudited)

	<u>Evolution VP Managed Bond Fund</u>	<u>Evolution VP All-Cap Equity Fund</u>
Assets:		
Investments, at market value (Note 2)	\$ 9,741,016	\$12,708,626
Cash	—	25
Receivable for investments sold	300,404	511,872
Variation margin receivable	—	47,176
Deposit at broker for futures	—	1,007,200
Dividends and interest receivable	1,411	14,898
Other Assets	2,469	2,669
Total Assets	<u>10,045,300</u>	<u>14,292,466</u>
Liabilities:		
Payable for Fund shares redeemed	385	534
Payable for investments purchased	293,043	800,428
Accrued distribution expense	1,976	2,856
Accrued advisory expense	8,470	11,321
Accrued expenses and other liabilities	26,315	42,229
Total Liabilities	<u>330,189</u>	<u>857,368</u>
Net Assets	<u>\$ 9,715,111</u>	<u>\$13,435,098</u>
Net Assets Consist Of:		
Capital stock	\$10,235,147	\$22,224,533
Accumulated undistributed net investment income (loss)	298,140	(51,310)
Accumulated undistributed net realized gain (loss)	(1,291,694)	(9,263,164)
Net unrealized appreciation/(depreciation) on:		
Investments	473,518	674,674
Futures	—	(149,635)
Total Net Assets	<u>\$ 9,715,111</u>	<u>\$13,435,098</u>
Calculation of Net Asset Value Per Share:		
Net assets	\$ 9,715,111	\$13,435,098
Shares outstanding (unlimited shares of beneficial interest authorized, no par value)	514,719	917,572
Net asset value, redemption price and offering price per share	<u>\$ 18.87</u>	<u>\$ 14.64</u>
Cost of Investments	<u>\$ 9,267,498</u>	<u>\$12,033,952</u>

The accompanying notes are an integral part of these financial statements.

Statements of Operations
For The Six Months Ended June 30, 2009 (Unaudited)

	<u>Evolution VP Managed Bond Fund</u>	<u>Evolution VP All-Cap Equity Fund</u>
Investment income:		
Dividend income (net of foreign withholding tax of \$— and \$410, respectively)	\$ 171,302	\$ 73,227
Interest income	1,098	19,580
Total investment income	<u>172,400</u>	<u>92,807</u>
Expenses:		
Investment advisory fees	50,219	69,234
Distribution expenses	12,555	17,308
Shareholder servicing fees	10,044	13,847
Administration fees	2,260	3,116
Fund accounting fees	3,839	5,283
Custody fees	1,626	2,054
Transfer agent fees	3,178	4,372
Professional fees	16,349	19,380
Reports to shareholders	4,430	6,704
Trustees' fees and expenses	171	235
Other	1,568	2,584
Total expenses before reimbursement	106,239	144,117
Less: Reimbursement of expenses from Adviser	—	—
Total expenses	<u>106,239</u>	<u>144,117</u>
Net investment income (loss)	<u>66,161</u>	<u>(51,310)</u>
Realized and unrealized gain (loss) on investments:		
Net realized gain (loss) on:		
Investments	13,458	981,856
Futures	—	(1,304,231)
	<u>13,458</u>	<u>(322,375)</u>
Change in unrealized appreciation (depreciation) on:		
Investments	(314,601)	(213,129)
Futures	—	(44,978)
	<u>(314,601)</u>	<u>(258,107)</u>
Net realized and unrealized gain (loss) on investments	<u>(301,143)</u>	<u>(580,482)</u>
Net increase (decrease) in net assets resulting from operations	<u><u>\$(234,982)</u></u>	<u><u>\$ (631,792)</u></u>

The accompanying notes are an integral part of these financial statements.

Statements of Changes in Net Assets

	Evolution VP Managed Bond Fund		Evolution VP All-Cap Equity Fund	
	Six Months Ended June 30, 2009 (Unaudited)	Year Ended December 31, 2008	Year Ended June 30, 2009 (Unaudited)	Year Ended December 31, 2007
Operations:				
Net investment income (loss)	\$ 66,161	\$ 305,928	\$ (51,310)	\$ (114,856)
Net realized gain (loss) on investments	13,458	(549,154)	(322,375)	(6,467,600)
Capital gain distributions from regulated investment companies	—	2,331	—	—
Change in unrealized appreciation (depreciation) on investments	<u>(314,601)</u>	<u>601,256</u>	<u>(258,107)</u>	<u>(84,299)</u>
Net increase (decrease) in net assets resulting from operations	<u>(234,982)</u>	<u>360,361</u>	<u>(631,792)</u>	<u>(6,666,755)</u>
Distributions to shareholders:				
Net investment income	(73,948)	(469,818)	—	—
Net realized gains	—	—	—	(2,691,024)
Total distributions	<u>(73,948)</u>	<u>(469,818)</u>	<u>—</u>	<u>(2,691,024)</u>
Capital share transactions:				
Proceeds from shares sold	1,032,504	6,623,432	78,907	1,452,721
Proceeds from shares issued to holders in reinvestment of distributions	73,948	469,818	—	2,691,024
Cost of shares redeemed	<u>(1,900,592)</u>	<u>(7,932,663)</u>	<u>(1,426,936)</u>	<u>(7,235,661)</u>
Net increase in net assets resulting from capital share transactions	<u>(794,140)</u>	<u>(839,413)</u>	<u>(1,348,029)</u>	<u>(3,091,916)</u>
Total increase (decrease) in net assets	<u>(1,103,070)</u>	<u>(948,870)</u>	<u>(1,979,821)</u>	<u>(12,449,695)</u>
Net assets:				
Beginning of year/period	<u>10,818,181</u>	<u>11,767,051</u>	<u>15,414,919</u>	<u>27,864,614</u>
End of year/period	<u>\$ 9,715,111</u>	<u>\$10,818,181</u>	<u>\$13,435,098</u>	<u>\$ 15,414,919</u>
Accumulated undistributed net investment income (loss), end of year/period	<u>\$ 298,140</u>	<u>\$ 305,927</u>	<u>\$ (51,310)</u>	<u>\$ —</u>

The accompanying notes are an integral part of these financial statements.

Financial Highlights

June 30, 2009

Year/Period	RATIOS TO AVERAGE NET ASSETS														
	Net Asset Value, Beginning of Year/Period	Net Investment Income (Loss)	Net Realized and Unrealized Gain (Loss) on Investments ⁴	Net Increase (Decrease) in Net Asset Value Resulting from Operations	Dividends from Net Investment Income	Dividends from Realized Capital Gains	Total Distributions	Net Asset Value, End of Year/Period	Total Return ⁵ Year/Period (1,000)	Including Short Interest		Excluding Short Interest		Net Investment Income (Loss) After Reimbursement/Recoupment	Portfolio Turnover Rate ⁶
										Total Expenses	Net Expenses	Total Expenses	Net Expenses		
Evolution VP Managed Bond Fund															
Six months ended June 30, 2009 (Unaudited)	\$19.41	\$ 0.12	\$(0.52)	\$(0.40)	\$(0.14)	\$ —	\$18.87	(2.05%) ²	\$ 9,715	—	—	2.12% ³	2.12% ³	1.32% ³	234% ²
Year ended December 31, 2008	19.64	0.52	0.08	0.60	(0.83)	—	19.41	3.15%	10,818	—	—	2.18%	2.00%	2.70%	323%
Year ended December 31, 2007	20.00	0.73	(0.51)	0.22	(0.58)	—	19.64	1.14%	11,767	—	—	2.06%	2.00%	3.62%	958%
Year ended December 31, 2006	19.61	0.63	(0.19)	0.44	(0.05)	—	20.00	2.23%	13,240	—	—	2.55%	2.00%	3.19%	954%
Year ended December 31, 2005	20.76	0.67 ⁶	(1.54)	(0.87)	(0.25)	(0.03)	19.61	(4.19%)	4,197	4.93%	2.24%	4.69%	2.00%	3.37% ⁷	978%
July 1, 2004 ¹ to December 31, 2004	20.00	0.32	0.44	0.76	—	—	20.76	3.80% ²	754	—	—	23.17% ³	2.00% ³	3.19% ³	7% ²
Evolution VP All-Cap Equity Fund															
Six months ended June 30, 2009 (Unaudited)	15.24	(0.05) ⁸	(0.55)	(0.60)	—	—	14.64	(3.94%) ²	13,435	—	—	2.08% ³	2.08% ³	(0.74%) ³	957% ²
Year ended December 31, 2008	25.19	(0.12)	(6.60)	(6.72)	(3.23)	(3.23)	15.24	(26.37%)	15,415	—	—	2.20%	2.00%	(0.52%)	1,796%
Year ended December 31, 2007	25.71	(0.07)	0.88	0.81	(1.25)	(1.33)	25.19	3.11%	27,865	—	—	1.94%	2.00%	(0.27%)	1,018%
Year ended December 31, 2006	23.12	0.11	2.83	2.94	(0.00) ⁸	(0.35)	25.71	12.70%	27,204	—	—	2.09%	2.00%	0.44%	909%
Year ended December 31, 2005	21.06	0.03	2.03	2.06	—	—	23.12	9.78%	7,980	—	—	3.84%	2.00%	0.12%	1,001%
July 1, 2004 ¹ to December 31, 2004	20.00	(0.15)	1.21	1.06	—	—	21.06	5.30% ²	1,044	—	—	20.13% ³	2.00% ³	(1.53%) ³	2% ²

¹ Commencement of operations.

² Not annualized.

³ Annualized.

⁴ Net investment income (loss) per share represents net investment income (loss) divided by the daily average shares of beneficial interest outstanding throughout each period.

⁵ Portfolio turnover ratio is calculated without regard to short-term securities having a maturity of less than one year. Investments in options, swaps, futures contracts and repurchase agreements are deemed short-term securities. The Fund's aggressive investment strategy may result in significant portfolio turnover to take advantage of anticipated changes in market conditions.

⁶ Net investment income (loss) before dividends on short positions for the year ended December 31, 2005 was \$0.72 for the Evolution VP Managed Bond Fund.

⁷ The net investment income (loss) ratio included dividends on short positions. The ratio excluding dividends on short positions for the year ended December 31, 2005 was 3.60% for the Evolution VP Managed Bond Fund. Amount less than \$0.005 per share.

⁸ All returns reflect reinvested dividends, if any, but do not reflect the impact of taxes or any fees and expenses imposed under the Contracts and Plans, which would increase overall fees and expenses. Please refer to your Contract or Plan prospectus for a description of those fees and expenses.

Evolution VP Managed Bond Fund
Evolution VP All-Cap Equity Fund
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009 (Unaudited)

1. ORGANIZATION

Direxion Insurance Trust (the "Trust") was organized as a Massachusetts business trust on December 28, 1999 and is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end management investment company issuing its shares in series, each series representing a distinct portfolio with its own investment objective and policies. The Trust currently has three series in operation of which two are included in this report, the Evolution VP Managed Bond Fund and the Evolution VP All-Cap Equity Fund (each a "Fund" and collectively, the "Funds"). Each Fund is a "non-diversified" series of the Trust pursuant to the 1940 Act. The Trust offers shares to unaffiliated life insurance separate accounts (registered as unit investment trusts under the 1940 Act) to fund the benefits under variable annuity and variable life contracts. The Evolution VP Managed Bond Fund and Evolution VP All-Cap Equity Fund commenced operations on July 1, 2004.

The objective of the Evolution VP Managed Bond Fund is to seek the highest appreciation on an annual basis consistent with a high tolerance for risk by investing at least 80% of its assets (plus any borrowing for investment purposes) in fixed-income securities indirectly through securities that invest in or are a derivative of fixed-income securities, including exchange traded funds ("ETFs") and closed-end investment companies (collectively, fixed-income securities). The objective of the Evolution VP All-Cap Equity Fund is to seek the highest appreciation on an annual basis consistent with a high tolerance for risk by investing at least 80% of its assets (plus any borrowing for investment purposes) in equity securities either directly through individual stocks and American Depository Receipts ("ADRs") or indirectly through securities that invest in or are a derivative of equity securities.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Funds in the preparation of their financial statements. These policies are in conformity with U.S. generally accepted accounting principles ("GAAP").

a) Investment Valuation – The Net Asset Value ("NAV") of each Fund is determined daily, Monday through Friday, as of the close of regular trading on the New York Stock Exchange ("NYSE"), each day the NYSE is open for business. The value of all portfolio securities and other assets held by a Fund will be determined as of the time a Fund calculates its NAV, 4:00 p.m. Eastern Time ("Valuation Time"). Equity securities and exchange-traded funds are valued at their last sales price, or if not available, at the average of the last bid and ask prices. Futures are valued at the settlement price established on the exchange on which they are traded, if that settlement price reflects trading prior to the Valuation Time. If the settlement price established by the exchange reflects trading after the Valuation Time, then the last sales price prior to Valuation Time will be used. Options are valued at the composite price, using the National Best Bid and Offer quotes ("NBBO"). NBBO consists of the highest bid price and lowest ask price across any of the exchanges on which an option is quoted. Specifically, composite pricing looks at the last trades on the exchanges where the options are traded. If there are no trades for the option on a given business day, the composite pricing calculates the mean of the highest bid and lowest ask price across the exchanges where the option is traded. Over-the-counter ("OTC") securities are valued at the average of the last bid and ask prices. Securities primarily traded on the NASDAQ National Market are valued using the NASDAQ Official Closing Price ("NOCP"). Investments in open-end mutual funds are valued at their respective net asset values on the valuation dates. Swaps are valued based upon prices from third party vendor models or quotations from market makers to the extent available. Short-term debt securities with a maturity of 60 days or less and money market securities are valued using the amortized cost method. Other debt securities are valued by using the mean prices provided by the Fund's pricing service or, if such services are unavailable, by a pricing matrix method. Securities for which reliable market quotations are not readily available, the Funds' pricing service does not provide a valuation for such securities, the Fund's pricing service provides valuation that in the judgment of Rafferty Asset Managements, LLC (the "Adviser") does not represent fair value, or the Fund or Adviser believes the market price is stale will be fair valued as determined by the Adviser under the supervision of the Board of Trustees.

b) Repurchase Agreements – Each Fund may enter into repurchase agreements with institutions that are members of the Federal Reserve System or securities dealers who are members of a national securities exchange or are primary dealers in U.S. government securities. In connection with transactions in repurchase agreements, it is the Trust’s policy that the Fund receives, as collateral, cash and/or securities (primarily U.S. government securities) whose market value, including accrued interest, at all times will be at least equal to 100% of the amount invested by the Fund in each repurchase agreement. If the seller defaults, and the value of the collateral declines, realization of the collateral by the Fund may be delayed or limited.

c) Swap Contracts – Each Fund may enter into equity swap contracts. Standard swap contracts are between two parties that agree to exchange the returns (or differentials in rates of return) earned or realized on particular predetermined investments or instruments. The gross amount to be exchanged is calculated with respect to a “notional amount” (i.e. the return on or increase in value of a particular dollar amount invested in a “basket” of securities representing a particular index or industry sector). The Fund’s obligations are accrued daily (offset by any amounts owed to the funds.)

In a “long” swap agreement, the counterparty will generally agree to pay the Funds the amount, if any, by which the notional amount of swap contract would have increased in value if the Funds had been invested in the particular securities, plus dividends that would have been received on those securities. The Funds will agree to pay the counterparty a floating rate of interest on the notional amount of the swap contract plus the amount, if any, by which the notional amount would have decreased in value had it been invested in such securities plus, in certain instances, commissions or trading spreads on the notional amounts. Thus, the return on the swap contract should be the gain or loss on the notional amount plus dividends on the securities less the interest paid by the Fund on the notional amount. Payments may be made at the conclusion of the contract or periodically during its term. Swap contracts do not include the delivery of securities or other underlying securities. The net amount of the excess, if any, of the Fund’s obligations over its entitlement with respect to each swap is accrued on a daily basis and an amount of cash or liquid assets, having an aggregate net asset value at least equal to such accrued excess is maintained in a segregated account by the Fund’s custodian. Until a swap contract is settled in cash, the gain or loss on the notional amount plus dividends on the securities less the interest paid by the Funds on the notional amount are recorded as “unrealized gains or losses on swaps and futures” and when cash is exchanged, the gain or loss is recorded as “realized gains or losses on swaps and futures.” Swap contracts are collateralized by cash, cash equivalents and securities of the Fund held as deposits at broker.

Each Fund may enter into swap contracts that provide the opposite return of the particular benchmark or security (“short” the index or security). The operations are similar to that of the swaps disclosed above except that the counterparty pays interest to the Fund on the notional amount outstanding and the dividends on the underlying securities reduce the value of the swap, plus, in certain instances, the Fund will agree to pay to the counterparty commissions or trading spreads on the notional amount. These amounts are netted with any unrealized appreciation or depreciation to determine the value of the swap.

Swap contracts involve, to varying degrees, elements of market risk and exposure to loss in excess of the amount reflected in the Statements of Assets and Liabilities. The notional amounts reflect the extent of the total investment exposure that each Fund has under the swap contract. The primary risks associated with the use of swap agreements are imperfect correlation between movements in the notional amount and the price of the underlying securities and the inability of counterparties to perform. A Fund bears the risk of loss of the amount expected to be received under a swap contract in the event of default or bankruptcy of a swap contract counterparty. In order to minimize credit risk, the Funds will attempt to enter into swap contracts with multiple counterparties. The Funds will not enter into swap agreements unless the Adviser believes that the other party to the transaction is creditworthy, the Funds do bear the risk of loss of the amount in the event of the default or bankruptcy of the agreement counterparty. The Funds have established counterparty credit guidelines and entered into transactions only with financial institutions of investment grade or better. The Funds were not invested in swap contracts at June 30, 2009.

d) Short Positions – Each Fund may engage in short sale transactions. For financial statement purposes, an amount equal to the settlement amount is included in the Statement of Assets and Liabilities as an asset and an equivalent liability. The amount of the liability is subsequently marked-to-market to reflect the current value of the short position. Subsequent fluctuations in the market prices of short positions may require purchasing the securities at prices which may differ from the market value reflected on the Statement of Assets and Liabilities. The Fund is liable to the buyer for any dividends payable on

securities while those securities are in a short position. As collateral for its short positions, the Fund is required under the 1940 Act to maintain assets consisting of cash, cash equivalents or liquid securities equal to the market value of the securities sold short. This collateral is required to be adjusted daily. The Funds were not invested in short positions at June, 2009.

e) Stock Index Futures Contracts and Options on Futures Contracts – Each Fund may purchase and sell stock index futures contracts and options on such futures contracts. Upon entering into a contract, the Fund deposits and maintains as collateral such initial margin as required by the exchange on which the transaction is effected. Pursuant to the contract, the Fund agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in value of the contract. Such receipts or payments are known as “variation margin” and are recorded by the Fund as unrealized gains and losses. When the contract is closed, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed. As collateral for futures contracts, the Fund is required under the 1940 Act to maintain assets consisting of cash, cash equivalents or liquid securities. This collateral is required to be adjusted daily to reflect the market value of the purchase obligation for long futures contracts or the market value of the instrument underlying the contract, but not less than the market price at which the futures contract was established, for short futures contracts.

f) Risks of Options, Futures Contracts, Options on Futures Contracts and Short Positions – The risks inherent in the use of options, futures contracts, options on futures contracts and short positions include 1) adverse changes in the value of such instruments; 2) imperfect correlation between the price of options and futures contracts and options thereon and movements in the price of the underlying securities, index or futures contracts; 3) the possible absence of a liquid secondary market for any particular instrument at any time; 4) the possible need to defer closing out certain positions to avoid adverse tax consequences; and 5) the possible nonperformance by the counterparty under the terms of the contract. The Funds designate cash, cash equivalents and liquid securities as collateral for written options, futures contracts, options on futures contracts and short positions.

g) Risks of Investing in Foreign Securities – Investments in foreign securities involve greater risks than investing in domestic securities. As a result, the Fund’s returns and net asset values may be affected to a large degree by fluctuations in currency exchange rates, political, diplomatic or economic conditions and regulatory requirements in other countries. The laws and accounting, auditing, and financial reporting standards in foreign countries typically are not as strict as they are in the U.S., and there may be less public information available about foreign companies.

h) Security Transactions – Investment transactions are recorded on trade date. The Funds determine the gain or loss realized from investment transactions by comparing the identified cost, which is the same basis used for federal income tax purposes, with the net sales proceeds.

i) Federal Income Taxes – Each Fund intends to comply with the requirements of Subchapter M of the Internal Revenue Code necessary to qualify as a regulated investment company and to make the requisite distributions of income and capital gains to its shareholders sufficient to relieve it from all or substantially all federal income and excise taxes.

j) Income and Expenses – Dividend income is recorded on the ex-dividend date. Interest income, including amortization of premium and discount, is recognized on an accrual basis. The Funds are charged for those expenses that are directly attributable to each series, such as Advisory fees and registration costs. Expenses that are not directly attributable to a series are generally allocated among the Trust’s series in proportion to their respective net assets.

k) Distributions to Shareholders – Each Fund generally pays dividends from net investment income and distributes net realized capital gains, if any, at least annually. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from U.S. generally accepted accounting principles. Distributions to shareholders are recorded on the ex-dividend date. Each Fund may utilize earnings and profits distributed to shareholders on redemption of shares as part of the dividend paid deduction.

The tax character of distributions for the Funds during the six months ended June 30, 2009 and the year ended December 31, 2008, were as follows:

	Evolution VP Managed Bond Fund		Evolution VP All-Cap Equity Fund	
	<u>Six Months Ended June 30, 2009</u>	<u>Year Ended December 31, 2008</u>	<u>Six Months Ended June 30, 2009</u>	<u>Year Ended December 31, 2008</u>
Distributions paid from:				
Ordinary Income	\$73,948	\$469,818	\$—	\$2,691,024
Long-Term Capital Gains	—	—	—	—
Total Distributions paid	<u>\$73,948</u>	<u>\$469,818</u>	<u>\$—</u>	<u>\$2,691,024</u>

As of June 30, 2009, the components of distributable earnings of the Funds on a tax basis were as follows:

	Evolution VP Managed Bond Fund	Evolution VP All-Cap Equity Fund
Net unrealized appreciation/(depreciation)	<u>\$ 364,379</u>	<u>\$(1,118,140)</u>
Undistributed ordinary income	305,927	—
Undistributed long-term capital gain	—	—
Total distributable earnings	<u>305,927</u>	<u>—</u>
Other accumulated gain/(loss)	<u>(881,412)</u>	<u>(7,144,160)</u>
Other temporary difference	—	104,657
Total accumulated earnings/(loss)	<u>\$(211,106)</u>	<u>\$(8,157,643)</u>

The difference between book cost of investments and tax cost of investments is attributable primarily to the tax deferral of losses on wash sales.

The cost basis of investments for federal tax purposes as of June 30, 2009 was as follows:

	Evolution VP Managed Bond Fund	Evolution VP All-Cap Equity Fund
Tax cost of investments	\$9,691,238	\$14,039,895
Gross unrealized appreciation	473,805	753,205
Gross unrealized depreciation	<u>(424,027)</u>	<u>(2,084,474)</u>
Net unrealized appreciation/(depreciation)	<u>\$ 49,778</u>	<u>\$(1,331,269)</u>

In order to meet certain excise tax distribution requirements, the Funds are required to measure and distribute annually, net capital gains realized during a twelve-month period ending October 31st. In connection with this, the Funds are permitted for tax purposes to defer into their next fiscal year any net capital losses incurred between November 1st and the end of their fiscal year, December 31, 2008.

At December 31, 2008 the Evolution VP All-Cap Equity Fund deferred, on a tax basis, post-October losses of \$1,877,201.

As of December 31, 2008, the Funds had capital loss carryforwards on a tax basis of:

	Expires				Total
	<u>12/31/2013</u>	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>12/31/2016</u>	
Evolution VP Managed Bond Fund	\$143,203	\$38,577	\$280,466	\$ 419,166	\$ 881,412
Evolution VP All-Cap Equity Fund	—	—	—	5,162,302	5,162,302

To the extent that the Fund realizes future net capital gains, those gains will be offset by any unused capital loss carryover.

FIN 48 requires the Funds to analyze all open tax years. Open tax years are those years that are open for examination by the relevant income taxing authority. As of June 30, 2009, open Federal and state income tax years include the tax years ended December 31, 2006 through December 31, 2008. The Funds have no examinations in progress.

The Funds have reviewed all open tax years and major jurisdictions and concluded that the adoption of FIN 48 resulted in no effect to the Funds' financial position or results of operations. There is no tax liability resulting from unrecognized tax benefits relating to uncertain income tax positions taken or expected to be taken on the tax returns for the fiscal year-end December 31, 2006 through December 31, 2008. The Funds are also not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax expense will significantly change in the next twelve months.

l) Credit Facility – U.S. Bank, N.A. has made available to the Funds a credit facility pursuant to a Line of Credit Agreement ("Line of Credit") for meeting redemption requests. The Line of Credit amounts are \$1,475,000 for the Evolution VP Managed Bond Fund and \$2,700,000 for the Evolution VP All-Cap Equity Fund. Borrowings under the Line of Credit are charged at prime rate less ½%. The Funds did not utilize the credit facility for the six months ended June 30, 2009.

m) Guarantees and Indemnifications – In the ordinary course of business, the Fund enters into contracts that contain a variety of indemnification provisions pursuant to which the Fund agrees to indemnify third parties upon occurrence of specified events. The Fund's maximum exposure relating to these indemnification agreements is unknown. However, the Fund has not had prior claims or losses in connection with these provisions and believes the risk of loss is remote.

n) Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. CAPITAL SHARE TRANSACTIONS

Capital share transactions for the Funds during the six months ended June 30, 2008 and the year ended December 31, 2008 were as follows:

	Evolution VP Managed Bond Fund		Evolution VP All-Cap Equity Fund	
	Six Months Ended June 30, 2009	Year Ended December 31, 2008	Six Months Ended June 30, 2009	Year Ended December 31, 2008
Shares sold	53,922	343,607	5,422	63,755
Shares issued in reinvestment of distributions	3,969	24,292	—	180,727
Shares redeemed	(100,524)	(409,572)	(99,531)	(338,874)
Total net increase (decrease) from capital share transactions	<u>(42,633)</u>	<u>(41,673)</u>	<u>(94,109)</u>	<u>(94,392)</u>

4. INVESTMENT TRANSACTIONS

During the six months ended June 30, 2009, the aggregate purchases and sales of investments (excluding short-term investments) for each Fund were as follows:

	Purchases	Sales
Evolution VP Managed Bond Fund	\$ 23,378,348	\$24,514,844
Evolution VP All-Cap Equity Fund	\$100,000,945	\$99,275,585

There were no purchases or sales of long-term U.S. Government securities during the six months ended June 30, 2009.

5. INVESTMENT ADVISORY AND OTHER AGREEMENTS

Investment Advisory Fees: The Funds have entered into an investment advisory agreement with the Adviser. The Adviser receives a fee, computed daily and payable monthly, at the annual rates presented below as applied to each Fund's average daily net assets. In addition, the Adviser has entered into a sub-advisory agreement relating to the Funds whereby the

sub-adviser, Flexible Plan Investments, Ltd., will direct investment activities of the Funds. The Adviser pays, out of the management fees it receives from the Funds, a fee for these sub-advisory services. For the six months ended June 30, 2009, the Adviser had contractually agreed to pay all operating expenses (excluding dividends on short positions), in excess of the annual cap on expenses presented below as applied to each Fund's average daily net assets. The Adviser may recover from the Funds the expenses paid in excess of the annual cap on expenses for the three previous years, as long as the recovery does not cause the Fund to exceed such annual cap on expenses. For the six months ended June 30, 2009, the Adviser paid or recouped the following expenses:

	<u>Evolution VP Managed Bond Fund</u>	<u>Evolution VP All-Cap Equity Fund</u>
Annual Advisory rate	1.00%	1.00%
Annual cap on expenses	2.35%	2.35%
Expenses paid in excess of annual cap on expenses - 2009	\$ —	\$ —
Adviser expense waiver recovery - 2009	\$ —	\$ —

Expenses subject to potential recovery expiring in:

	<u>Evolution VP Managed Bond Fund</u>	<u>Evolution VP All-Cap Equity Fund</u>
2010	\$ 8,065	\$ —
2011	\$20,047	\$43,401
2012	\$ —	\$ —
Total	<u>\$28,112</u>	<u>\$43,401</u>

On May 20, 2009, the Board of Trustees, based upon on management's recommendation, approved a new Operating Services Agreement (the "Agreement"). Under the Agreement, the Adviser will be responsible for all expenses of the Trust except the following: management fees, distribution and/or service fees, acquired fund fees, taxes, leverage interest, dividends or interest on short positions, other interest expenses, brokerage commission and other extraordinary expenses outside the typical day-to-day operations of the Funds. Effective July 1, 2009, the annual expense caps will no longer be applicable. The Adviser will relinquish all recovery of expenses waived by the Funds for the previous three years.

In consideration for the services rendered pursuant to the Agreement, the Funds will pay to the Adviser, as compensation for the services provided by the Adviser under the Agreement, a monthly fee. The monthly fee is calculated on an annualized basis on the average net assets of each Fund and the below amount:

Evolution VP Managed Bond Fund	0.70%
Evolution VP All-Cap Equity Fund	0.70%

Distribution Expenses: Shares of the Funds are subject to an annual Rule 12b-1 fee of up to 0.25% of Fund's average daily net assets. The fee is paid to the Distributor for expenses incurred for distribution-related activities. Because the fees are paid out of the Fund's net assets on an ongoing basis, the cost of an investment in the Fund will increase over time.

Shareholder Servicing Fees: The Board has also authorized each Fund to pay a shareholder servicing fee of 0.20% of the Fund's average daily net assets. The Trust, on behalf of the Fund, pays the fee to financial institutions and other persons who provide services for and maintain shareholder accounts.

Rafferty Capital Markets, LLC (the "Distributor") serves as principal underwriter of the Funds and acts as the Funds' distributor in a continuous public offering of the Funds' shares. The Distributor is an affiliate of the Adviser.

6. VALUATION MEASUREMENTS

The Funds have adopted Statement on Financial Accounting Standards No. 157, *Fair Value Measurements* ("FAS 157") and FASB Staff Position No. 157-4 ("FSP 157-4"). FSP 157-4 clarifies FAS 157 and requires an entity to evaluate certain factors to determine whether there has been a significant decrease in volume and level of activity for the asset or liability such that recent transactions and quoted prices may not be determinative of fair value and further analysis and adjustment may be necessary to estimate fair value. FSP 157-4 also requires enhanced disclosure regarding the inputs and valuation techniques used to measure fair value in those instances as well as expanded disclosures of valuation for major security types. FAS 157 requires each fund to classify its securities based on valuation method, using the three levels listed below:

Level 1 — Quoted prices in active markets for identical securities,

Level 2 — Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)

Level 3 — Significant unobservable inputs (including the Fund's own assumptions in determining fair value of investments)

The inputs or methodology used for valuing securities are not an indication of the credit risk associated with investing in those securities.

The follow is a summary of the inputs used to value the Fund's net assets as of June 30, 2009:

	Evolution VP Managed Bond Fund			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment Companies	\$9,427,274	\$—	\$—	\$9,427,274
Short-Term Investments	\$ 313,742	\$—	\$—	\$ 313,742
Other Financial Instruments*	\$ —	\$—	\$—	\$ —
	Evolution VP All-Cap Equity Fund			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity				
Consumer Discretionary	\$ 1,600,723	\$—	\$—	\$ 1,600,723
Consumer Staples	807,273	—	—	807,273
Energy	563,366	—	—	563,366
Financials	386,862	—	—	386,862
Health Care	1,494,317	—	—	1,494,317
Industrials	1,599,803	—	—	1,599,803
Information Technology	3,730,966	—	—	3,730,966
Materials	519,520	—	—	519,520
Telecommunication Services	146,905	—	—	146,905
Utilities	113,696	—	—	113,696
Total Equity	\$10,963,431	\$—	\$—	\$10,963,431
Investment Companies	\$ 1,606,931	\$—	\$—	\$ 1,606,931
Short-Term Investments	\$ 138,264	\$—	\$—	\$ 138,264
Other Financial Instruments*	\$ (149,635)	\$—	\$—	\$ (149,635)

* Other financial instruments are derivative instruments not reflected in the Schedule of Investments, such as futures and swap contracts. Futures and swap contracts are valued at the unrealized appreciation (depreciation) on the instrument.

7. ADDITIONAL DISCLOSURES ABOUT DERIVATIVE INSTRUMENTS

In March 2008, FASB issued its Statement on Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities* ("FAS 161") effective for fiscal years beginning after November 15, 2008. FAS 161 is intended to improve financial reporting for derivative instruments by requiring enhanced disclosures that enables investors to understand how and why a fund uses derivatives instruments, how derivatives instruments are accounted for and how derivative instruments affect a fund's financial position and results of operations.

Each Fund uses derivative instruments as part of its principal investment strategy to achieve its investment objective. As of June 30, 2009, the Evolution VP All-Cap Equity Fund was invested in futures contracts.

Fair Values of Derivative Instruments as of June 30, 2009

Evolution VP All-Cap Equity Fund		
<u>Derivatives not Accounted for as Hedging Instruments Under Statement 133</u>	<u>Liability Derivatives as of June 30, 2009</u>	
	<u>Balance Sheet Location</u>	<u>Fair Value</u>
Equity Contracts	Payables, Net Assets — Unrealized depreciation	\$149,635*

* Includes cumulative depreciation on futures contracts as reported in the Schedule of Investments. Only current day's variation margin is reported within the Statement of Assets and Liabilities.

The Effect of Derivative Instruments on the Statement of Operations for the Six Months Ended June 30, 2009

Evolution VP All-Cap Equity Fund			
<u>Derivatives not Accounted for as Hedging Instruments Under Statement 133</u>	<u>Location of Gain(Loss) on Derivatives Recognized in Income</u>	<u>Realized Gain(Loss) on Derivatives Recognized in Income</u>	<u>Change in Unrealized Appreciation(Depreciation) on Derivatives Recognized in Income</u>
Equity Contracts	Net realized gain(loss) on futures/Change in unrealized appreciation (depreciation) on futures	\$(1,304,231)	\$(44,978)

8. NEW ACCOUNTING PRONOUNCEMENTS

In May 2009, FASB issued Statement of Financial Accounting Standards No. 165, *Subsequent Events* ("FAS 165"). The Funds adopted FAS 165 which requires an entity to recognize in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet. For non-recognized subsequent events that must be disclosed to keep the financial statements from being misleading, an entity will be required to disclose the nature of the event as well as an estimate of its financial effect, or a statement that such an estimate cannot be made. In addition, FAS 165 requires an entity to disclose the date through which subsequent events have been evaluated. The Funds have evaluated subsequent events through the issuance of their financial statements on August 28, 2009.

In June 2009, FASB issued Statement of Financial Accounting Standards No. 168, *The FASB Accounting Standards Codification*TM and the Hierarchy of Generally Accepted Accounting Principles – a replacement of FASB Statement No. 162 ("FAS 168"). FAS 168 replaces FASB Statement No. 162, *Hierarchy of Generally Accepted Accounting Principles* and establishes the "FASB Accounting Standards Codification"TM ("Codification") as the source of authoritative accounting principles recognized by FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with U.S. GAAP. All guidance contained in the Codification carries an equal level of authority. On the effective date of FAS 168, the Codification will supersede all then-existing non-SEC accounting and reporting standards. All other nongrandfathered non-SEC accounting literature not included in the Codification will become nonauthoritative. FAS 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Funds evaluated this new statement, and have determined that it will not have a significant impact on the determination or reporting of the Funds' financial statements.



SEMI-ANNUAL REPORT JUNE 30, 2009

Adviser

Rafferty Asset Management, LLC
33 Whitehall St. 10th Floor
New York, NY 10004

Sub-Advisor

Flexible Plan Investments, Ltd.
3883 Telegraph Road
Bloomfield Hills, MI 48302

Administrator, Transfer Agent, Dividend Paying Agent & Shareholding Servicing Agent

U.S. Bancorp Fund Services, LLC
P.O. Box 1993
Milwaukee, WI 53201-1993

Custodian

U.S. Bank, N.A.
1555 RiverCenter Dr., Suite 302
Milwaukee, WI 53212

Independent Registered Public Accounting Firm

Ernst & Young LLP
875 E. Wisconsin Ave.
Milwaukee, WI 53202

Distributor

Rafferty Capital Markets, LLC
59 Hilton Avenue
Garden City, NY 11530

The Fund's Proxy Voting Policies are available without charge by calling 1-800-851-0511, or by accessing the SEC's website, at www.sec.gov.

The actual voting records relating to portfolio securities during the most recent period ended June 30 (starting with the year ended June 30, 2005) is available without charge by calling 1-800-851-0511 or by accessing the SEC's website at www.sec.gov.

The Fund files complete schedules of portfolio holdings with the SEC on Form N-Q. The Form N-Q is available without charge, upon request, by calling 1-800-851-0511, by accessing the SEC's website, at www.sec.gov, or by calling the SEC at 1-800-SEC-0330

This report has been prepared for shareholders and may be distributed to others only if preceded or accompanied by a current prospectus.