



The Fund seeks long-term capital appreciation through investments and advocacy that promote the American system of free enterprise.

Semi-Annual Report
Dated June 30, 2005

FREE ENTERPRISE ACTION FUND

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A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to the portfolio securities and information regarding how the Fund voted proxies relating to the portfolio securities during the most recent 12-month period ended June 30 is available without charge, upon request, by calling 1-800-766-3960 or on the Securities and Exchange Commission's ("SEC") website at <http://www.sec.gov>.

The Fund files a Form N-Q with the SEC no more than sixty days after the Fund's first and third quarters of its fiscal year. Form N-Q includes a schedule of the Fund's portfolio holdings as of the end of those fiscal quarters. The Fund's N-Q filings can be found on the SEC's website at <http://www.sec.gov>. The Fund's N-Q filings may also be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Call 800-SEC-0330 for information on the operation of the Public Reference Room.

This report must be preceded or accompanied by a prospectus of the Fund. The prospectus contains more complete information, including investment objective, risks, fees and expenses and should be read carefully before investing or sending any money.

Action Fund Management, LLC ("AFM") serves as Investment Adviser to the Fund and receives a fee for their services. BISYS Fund Services, L.P. serves as Distributor for the Fund.

Free Enterprise Action Fund, like all mutual funds:

- **Is NOT FDIC insured**
- **Has no bank guarantee**
- **May lose value**

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FREE ENTERPRISE ACTION FUND

Letter to Shareholders

Dear Shareholder,

We are pleased to present the enclosed semi-annual report for the Free Enterprise Action Fund. It contains information on Fund strategy and investments, as well as performance for the Fund's first four months of operation, ending June 30, 2005.

Performance

Although the broad market was slightly down for the period, the Fund achieved its goal of tracking the market's performance as reflected by the S&P 500 Index¹. Higher oil prices and the Federal Reserve's tightening campaign are seen as notable contributors to the market's listless performance.

Advocacy

The Fund commenced sustained advocacy efforts in two key areas: (1) financial services companies permitting anti-business activists to dictate lending policies and (2) companies being pressured by global warming activists.

Although the Fund didn't commence operations until well into the 2005 annual meeting season and so was not able to introduce any shareholder resolutions, we participated in the JPMorgan Chase & Co. annual meeting and elicited from the Chairman an apparent reversal of the bank's announcement that it would lobby the Bush administration for national limits on greenhouse gas emissions. We have also requested that JPMorgan Chase's Audit Committee conduct a detailed analysis of the new policy's costs to shareholders.

Our advocacy concerning JPMorgan Chase's capitulation to anti-business activists was captured in media reports including print stories in the *Wall Street Journal* (April 25), *American Banker* (May 20) and *National Review* (July 4), and a television interview on CNBC's Kudlow & Co. (March 28).

As the three largest U.S. banks (Citigroup, Bank of America and JPMorgan Chase) have yielded to pressure from anti-business activists, we are working to prevent other financial services companies from following suit. We will also be working to reverse earlier concessions.

In response to an activist campaign to pressure mutual fund managers to vote in favor of global warming resolutions offered at the May 25, 2005 ExxonMobil annual meeting, the Fund's managers urged mutual fund managers to vote against the resolutions. Both global warming resolutions were eventually defeated by margins of 89.7% to 10.3% and 71.6% to 28.4%.

The Future

We are optimistic toward the stock market and its long-term potential. We believe that a core investment for most investors is a diversified portfolio that performs with the market. It's important to maintain a long-term perspective when evaluating investment performance.

Although anti-business activists have had a tremendous head start and are supported by a well-financed network of mutual funds, pension funds, foundations, non-governmental organizations and street-level activists, we are confident that the Fund's voice can and will be heard by corporate managements.

We appreciate the support, confidence and trust that you have placed in the Free Enterprise Action Fund. If you have any questions about your account, please call us at 1-800-766-3960.



Thomas J. Borelli
Action Fund Management, LLC



Steven J. Milloy
Action Fund Management, LLC

(1) *The S&P 500 Index consists of 500 common stocks chosen for market size, liquidity, and industry representation, among other factors and is a measure of the U.S. stock market as a whole. The S&P 500 Index is unmanaged and does not reflect the deduction of fees associated with a mutual fund, such as investment advisory and administration fees, or a deduction of taxes.*

FREE ENTERPRISE ACTION FUND
Schedule of Portfolio Investments
June 30, 2005
(Unaudited)

	Shares	Value		Shares	Value
Common Stock — 86.0%			Common Stocks — (continued)		
Advertising — 0.2%			Banks — 5.8%		
Interpublic Group of Companies, Inc.*	157	\$ 1,912	AmSouth Bancorporation	132	\$ 3,432
Omnicom Group, Inc.	60	4,792	Bank of America Corp.	1,360	62,029
		<u>6,704</u>	Bank of New York Company, Inc.	268	7,713
			BB&T Corp.	198	7,914
Aerospace & Defense — 1.6%			Comerica, Inc.	65	3,757
Boeing Co.	257	16,962	Fifth Third Bankcorp.	215	8,860
General Dynamics Corp.	69	7,558	KeyCorp	145	4,807
Lockheed Martin Corp.	146	9,471	M&T Bank Corp.	44	4,627
Northrop Grumman Corp.	121	6,685	Marshall & Ilsley Corp.	91	4,045
Raytheon Co.	151	5,907	Mellon Financial Corp.	151	4,332
Rockwell Collins, Inc.	60	2,861	National City Corp.	238	8,121
United Technologies Corp.	346	17,768	North Fork Bancorporation, Inc.	180	5,056
		<u>67,212</u>	Northern Trust Corp.	86	3,921
			PNC Financial Services Group, Inc.	105	5,718
Agricultural Operations — 0.2%			Regions Financial Corp.	170	5,760
Archer-Daniels-Midland Co.	234	5,003	State Street Corp.	126	6,080
Monsanto Co.	86	5,407	SunTrust Banks, Inc.	127	9,174
		<u>10,410</u>	Synovus Financial Corp.	121	3,469
			U.S. Bancorp	645	18,834
Airlines — 0.1%			Wachovia Corp.	565	28,024
Southwest Airlines Co.	274	3,817	Wells Fargo & Co.	587	36,147
					<u>241,820</u>
Apparel/Footwear — 0.6%			Biotechnology — 1.2%		
Coach, Inc.*	132	4,431	Amgen, Inc.*	435	26,299
Gap, Inc.	304	6,004	Biogen Idec, Inc.*	182	6,270
Jones Apparel Group, Inc.	51	1,583	Chiron Corp.*	68	2,373
Limited Brands, Inc.	147	3,149	Genzyme Corp.*	89	5,348
Liz Claiborne, Inc.	40	1,590	Gilead Sciences, Inc.*	146	6,423
Nike, Inc. — Class B	91	7,881	MedImmune, Inc.*	90	2,405
V.F. Corp.	35	2,003			<u>49,118</u>
		<u>26,641</u>	Brewery — 0.5%		
			Anheuser-Busch Companies, Inc.	283	12,947
Automotive — 0.7%			Molson Coors Brewing Co.	101	6,262
AutoNation, Inc.*	105	2,155			<u>19,209</u>
AutoZone, Inc.*	25	2,312	Brokerage Services — 4.7%		
Ford Motor Co.	671	6,871	Bear Stearns Companies, Inc.	40	4,158
General Motors Corp.	205	6,969	Charles Schwab Corp.	508	5,730
Genuine Parts Co.	64	2,630	Citigroup, Inc.	1,792	82,845
Johnson Controls, Inc.	68	3,830			
PACCAR, Inc.	57	3,876			
		<u>28,643</u>			

continued

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Schedule of Portfolio Investments
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	Shares	Value		Shares	Value
Common Stocks — (continued)			Common Stocks — (continued)		
Brokerage Services — (continued)			Computer Software & Services — (continued)		
Goldman Sachs Group, Inc.	161	\$ 16,425	Autodesk, Inc.	83	\$ 2,853
JPMorgan Chase & Co.	1,220	43,090	Automatic Data Processing, Inc. ..	203	8,520
Lehman Brothers Holdings, Inc. ..	93	9,233	Computer Associates		
Merrill Lynch & Company, Inc. ..	321	17,658	International, Inc.	209	5,743
Morgan Stanley	375	19,676	Electronic Arts, Inc.*	104	5,887
		<u>198,815</u>	First Data Corp.	275	11,039
			Fiserv, Inc.*	72	3,092
Building Materials — 0.2%			Intuit, Inc.*	64	2,887
American Standard Companies, Inc.	68	2,851	Mercury Interactive Corp.*	28	1,074
Masco Corp.	169	5,367	Microsoft Corp.	3,809	94,616
Vulcan Materials Co.	35	2,275	Oracle Corp.*	1,796	23,707
		<u>10,493</u>	Siebel Systems, Inc.*	197	1,753
			SunGard Data Systems, Inc.*	106	3,728
Casino Services — 0.1%			Veritas Software Corp.*	161	3,928
Harrah's Entertainment, Inc.	36	2,595			<u>175,471</u>
International Game Technology,			Computers & Peripherals — 4.4%		
Inc.	129	3,631	Apple Computer, Inc.*	246	9,055
		<u>6,226</u>	Cisco Systems, Inc.*	2,245	42,903
			Computer Sciences Corp.*	76	3,321
Chemicals — 1.0%			Dell, Inc.*	861	34,018
Dow Chemical Co.	295	13,136	Electronic Data Systems Corp.	184	3,542
E.I. du Pont de Nemours & Co. ..	302	12,989	EMC Corp.*	816	11,187
Eastman Chemical Co.	29	1,599	Hewlett-Packard Co.	977	22,969
Ecolab, Inc.	99	3,204	IBM Corp.	565	41,924
International Flavors &			Lexmark International, Inc. —		
Fragrances, Inc.	42	1,521	Class A*	49	3,177
PPG Industries, Inc.	60	3,766	NCR Corp.*	62	2,177
Rohm & Haas Co.	73	3,383	Network Appliance, Inc.*	131	3,703
Sigma-Aldrich Corp.	28	1,569	Sun Microsystems, Inc.*	1,180	4,401
		<u>41,167</u>	Symbol Technologies, Inc.	105	1,036
					<u>183,413</u>
Commercial Services — 0.5%			Consumer Products — 2.2%		
Cendant Corp.	377	8,433	Avon Products, Inc.	173	6,548
Cintas Corp.	65	2,509	Colgate-Palmolive Co.	183	9,134
Moody's Corp.	104	4,676	Fortune Brands, Inc.	53	4,706
Paychex, Inc.	120	3,905	Gillette Co.	335	16,961
		<u>19,523</u>	Kimberly-Clark Corp.	169	10,578
Computer Software & Services — 4.2%					
Adobe Systems, Inc.	150	4,293			
Affiliated Computer Services, Inc.* ..	46	2,351			

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	Shares	Value		Shares	Value
Common Stocks — (continued)			Common Stocks — (continued)		
Consumer Products — (continued)			Electronics — (continued)		
Newell Rubbermaid, Inc.	93	\$ 2,217	Soletron Corp.*	332	\$ 1,258
Procter & Gamble Co.	843	44,468	W.W. Grainger, Inc.	32	1,753
		<u>94,612</u>			<u>27,440</u>
Containers — 0.1%			Financial Services — 2.8%		
Ball Corp.	39	1,402	AMBAC Financial Group, Inc. ...	43	3,000
Sealed Air Corp.*	32	1,594	American Express Co.	438	23,314
		<u>2,996</u>	Capital One Financial Corp.	87	6,961
Cruise Lines — 0.3%			CIT Group, Inc.	83	3,567
Carnival Corp.	225	12,274	Countrywide Financial Corp.	223	8,610
Diversified Manufacturing Operations — 5.0%			Fannie Mae	372	21,725
3M Co.	262	18,943	Franklin Resources, Inc.	83	6,389
Cooper Industries Ltd. — Class A	35	2,237	Freddie Mac	251	16,373
Danaher Corp.	105	5,496	H&R Block, Inc.	54	3,151
Dover Corp.	72	2,619	MBIA, Inc.	57	3,381
Eaton Corp.	50	2,995	MBNA Corp.	461	12,060
General Electric Co.	3,591	124,429	SLM Corp.	158	8,026
Honeywell International, Inc.	276	10,110	T. Rowe Price Group, Inc.	47	2,942
Illinois Tool Works, Inc.	96	7,649			<u>119,499</u>
Ingersoll-Rand Company Ltd. —			Food & Beverages — 2.6%		
Class A	54	3,853	Campbell Soup Co.	161	4,954
ITT Industries, Inc.	32	3,124	Coca-Cola Co.	779	32,524
Leggett & Platt, Inc.	73	1,940	Coca-Cola Enterprises, Inc.	176	3,874
Parker Hannifin Corp.	42	2,604	ConAgra Foods, Inc.	189	4,377
Textron, Inc.	45	3,413	General Mills, Inc.	136	6,363
Tyco International Ltd.	685	20,002	H.J. Heinz Co.	132	4,675
		<u>209,414</u>	Hershey Foods Corp.	83	5,154
Electronics — 0.7%			Kellogg Co.	153	6,799
Agilent Technologies, Inc.*	160	3,683	PepsiCo, Inc.	571	30,794
Emerson Electric Co.	149	9,333	Sara Lee Corp.	302	5,983
Jabil Circuit, Inc.*	64	1,967	Wm. Wrigley Jr. Co.	83	5,714
L-3 Communications Holdings,					<u>111,211</u>
Inc.	39	2,987	Food Distributors, Supermarkets & Wholesalers — 0.4%		
Molex, Inc.	79	2,057	Kroger Co.*	256	4,872
Rockwell Automation, Inc.	65	3,166	Safeway, Inc.*	187	4,224
Sanmina-SCI Corp.*	226	1,236	Sysco Corp.	227	8,215
					<u>17,311</u>

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	Shares	Value		Shares	Value
Common Stocks — (continued)			Common Stocks — (continued)		
Forest Products & Paper — 0.4%			Industrial Gases — 0.2%		
Georgia-Pacific Corp.	88	\$ 2,798	Air Products & Chemicals, Inc. . .	73	\$ 4,402
International Paper Co.	172	5,196	Praxair, Inc.	110	5,126
MeadWestvaco Corp.	65	1,823			<u>9,528</u>
Temple Inland, Inc.	34	1,263	Instruments — Scientific — 0.1%		
Weyerhaeuser Co.	80	5,092	Fisher Scientific International,		
		<u>16,172</u>	Inc.*	47	3,051
			Waters Corp.*	44	1,635
					<u>4,686</u>
Healthcare — 1.6%			Insurance — 3.8%		
Aetna, Inc.	86	7,123	ACE Ltd.	98	4,395
Caremark Rx, Inc.*	157	6,990	AFLAC, Inc.	184	7,964
Express Scripts, Inc.*	54	2,699	Allstate Corp.	227	13,562
Humana, Inc.*	64	2,543	American International Group,		
McKesson Corp.	98	4,389	Inc.	894	51,940
Medco Health Solutions, Inc.*	95	5,069	Aon Corp.	124	3,105
UnitedHealth Group, Inc.	434	22,628	Chubb Corp.	65	5,565
WellPoint, Inc.*	204	14,207	CIGNA Corp.	44	4,709
		<u>65,648</u>	Cincinnati Financial Corp.	68	2,690
			Hartford Financial Services		
			Group, Inc.	97	7,254
Homebuilders — 0.2%			Lincoln National Corp.	64	3,003
Centex Corp.	44	3,109	Loews Corp.	61	4,728
KB Home	34	2,592	Marsh & McLennan Companies,		
Pulte Homes, Inc.	41	3,455	Inc.	198	5,485
		<u>9,156</u>	MetLife, Inc.	254	11,415
			Principal Financial Group, Inc. . . .	115	4,819
Hospitals — 0.2%			Progressive Corp.	68	6,719
HCA, Inc.	136	7,707	Prudential Financial, Inc.	168	11,031
Health Management Associates,			St. Paul Travelers Companies, Inc.	234	9,250
Inc. — Class A	93	2,435	XL Capital Ltd. — Class A	50	3,721
		<u>10,142</u>			<u>161,355</u>
			Internet Business Services — 0.4%		
Hotels & Motels — 0.3%			eBay, Inc.*	420	13,864
Hilton Hotels Corp.	146	3,482	Symantec Corp.*	228	4,957
Marriott International, Inc. —					<u>18,821</u>
Class A	76	5,184			
Starwood Hotels & Resorts					
Worldwide, Inc.	73	4,276			
		<u>12,942</u>			
Household Appliances — 0.0%					
Whirlpool Corp.	27	1,893			

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	Shares	Value		Shares	Value
Common Stocks — (continued)			Common Stocks — (continued)		
Machinery — 0.4%			Metals & Mining — 0.4%		
Caterpillar, Inc.	109	\$ 10,388	Alcoa, Inc.	279	\$ 7,291
Deere & Co.	87	5,698	Freeport-McMoRan Copper & Gold, Inc. — Class B	60	2,246
		<u>16,086</u>	Newmont Mining Corp.	149	5,815
			Phelps Dodge Corp.	31	2,868
					<u>18,220</u>
Medical — Drugs — 4.3%			Motorcycles — 0.1%		
Abbott Laboratories	522	25,583	Harley-Davidson, Inc.	99	4,910
Allergan, Inc.	49	4,177	Multimedia — 2.6%		
Bristol-Myers Squibb Co.	635	15,862	Clear Channel Communications, Inc.	195	6,031
Eli Lilly & Co.	375	20,891	Comcast Corp. — Class A*	717	22,012
Forest Laboratories, Inc.*	125	4,856	News Corp. — Class A	872	14,109
Merck & Company, Inc.	669	20,605	Time Warner, Inc.*	1,587	26,519
Pfizer, Inc.	2,248	62,000	Univision Communications, Inc. — Class A*	108	2,975
Schering-Plough Corp.	502	9,568	Viacom, Inc. — Class B	603	19,308
Wyeth	435	19,358	Walt Disney Co.	693	17,450
		<u>182,900</u>			<u>108,404</u>
Medical Information Systems — 0.1%			Newspapers — 0.3%		
IMS Health, Inc.	87	2,155	Gannett Company, Inc.	87	6,188
Medical Labs & Testing Services — 0.2%			Knight-Ridder, Inc.	31	1,902
Laboratory Corporation of America Holdings*	53	2,645	New York Times Co. — Class A ..	57	1,776
Quest Diagnostics, Inc.	72	3,835	Tribune Co.	112	3,940
		<u>6,480</u>			<u>13,806</u>
Medical Products — 3.6%			Non-Hazardous Waste Disposal — 0.1%		
AmerisourceBergen Corp.	40	2,766	Waste Management, Inc.	195	5,526
Baxter International, Inc.	209	7,754	Office Equipment & Supplies — 0.4%		
Becton Dickinson & Co.	86	4,512	Avery Dennison Corp.	41	2,171
Biomet, Inc.	95	3,291	Office Depot, Inc.*	106	2,421
Boston Scientific Corp.*	339	9,153	Pitney Bowes, Inc.	77	3,353
C.R. Bard, Inc.	43	2,860	Staples, Inc.	274	5,842
Cardinal Health, Inc.	153	8,810	Xerox Corp.*	343	4,730
Guidant Corp.	109	7,336			<u>18,517</u>
Johnson & Johnson	974	63,309	Oil & Gas — 6.5%		
Medtronic, Inc.	406	21,027	Anadarko Petroleum Corp.	78	6,408
St. Jude Medical, Inc.*	132	5,757	Apache Corp.	102	6,589
Stryker Corp.	149	7,086			
Zimmer Holdings, Inc.*	86	6,551			
		<u>150,212</u>			

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	Shares	Value		Shares	Value
Common Stocks — (continued)			Common Stocks — (continued)		
Oil & Gas — (continued)			Railroads — (continued)		
Baker Hughes, Inc.	114	\$ 5,832	Norfolk Southern Corp.	138	\$ 4,272
BJ Services Co.	62	3,254	Union Pacific Corp.	86	5,573
Burlington Resources, Inc.	124	6,850			<u>18,694</u>
ChevronTexaco Corp.	646	36,124	Real Estate Investment Trusts — 0.3%		
ConocoPhillips	404	23,226	Equity Office Properties Trust	137	4,535
Devon Energy Corp.	151	7,653	Equity Residential	102	3,756
EOG Resources, Inc.	75	4,260	Simon Property Group, Inc.	79	5,726
Exxon Mobil Corp.	1,838	105,629			<u>14,017</u>
Halliburton Co.	172	8,225	Restaurants — 0.6%		
Kerr-McGee Corp.	49	3,739	McDonald's Corp.	405	11,240
Marathon Oil Corp.	102	5,444	Starbucks Corp.*	140	7,232
Nabors Industries Ltd.*	54	3,273	Wendy's International, Inc.	45	2,144
Occidental Petroleum Corp.	113	8,693	Yum! Brands, Inc.	92	4,791
Schlumberger Ltd.	180	13,669			<u>25,407</u>
Transocean, Inc.*	112	6,045	Retail — 4.9%		
Unocal Corp.	78	5,074	Bed Bath & Beyond, Inc.*	112	4,679
Valero Energy Corp.	75	5,933	Best Buy Company, Inc.	117	8,020
XTO Energy, Inc.	114	3,875	Costco Wholesale Corp.	175	7,844
		<u>269,795</u>	CVS Corp.	256	7,442
Paints & Coatings — 0.1%			Dollar General Corp.	109	2,219
Sherwin-Williams Co.	54	2,543	Family Dollar Stores, Inc.	62	1,618
Photo Equipment & Supplies — 0.1%			Federated Department Stores, Inc.	57	4,177
Eastman Kodak Co.	106	2,846	Home Depot, Inc.	764	29,720
Pipelines — 0.2%			J.C. Penney Company, Inc.	95	4,995
Kinder Morgan, Inc.	43	3,578	Kohl's Corp.*	109	6,094
Williams Companies, Inc.	205	3,895	Lowe's Companies, Inc.	258	15,021
		<u>7,473</u>	May Department Stores Co.	98	3,936
Printing & Publishing — 0.2%			Nordstrom, Inc.	45	3,059
McGraw-Hill Companies, Inc.	130	5,752	RadioShack Corp.	72	1,668
R.R. Donnelley & Sons Co.	88	3,037	Target Corp.	291	15,833
		<u>8,789</u>	Tiffany & Co.	55	1,802
Railroads — 0.4%			TJX Companies, Inc.	172	4,188
Burlington Northern Santa Fe			Toys "R" Us, Inc.*	73	1,933
Corp.	120	5,649	Wal-Mart Stores, Inc.	1,412	68,058
CSX Corp.	75	3,200	Walgreen Co.	342	15,729
					<u>208,035</u>

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	Shares	Value		Shares	Value
Common Stocks — (continued)			Common Stocks — (continued)		
Savings & Loans — 0.5%			Telecommunications — (continued)		
Golden West Financial Corp.	114	\$ 7,339	Comverse Technology, Inc.*	71	\$ 1,679
Sovereign Bancorp, Inc.	147	3,284	Corning, Inc.*	463	7,695
Washington Mutual, Inc.	291	11,841	Lucent Technologies, Inc.*	1,586	4,615
		<u>22,464</u>	Qwest Communications		
			International, Inc.*	732	2,716
Schools — 0.1%			SBC Communications, Inc.	1,105	26,244
Apollo Group, Inc. — Class A* ...	68	<u>5,319</u>	Scientific-Atlanta, Inc.	55	1,830
Semiconductors — 2.7%			Sprint Corp.	506	12,696
Advanced Micro Devices, Inc.* ...	138	2,393	Tellabs, Inc.*	183	1,592
Altera Corp.*	117	2,319	Verizon Communications, Inc. ...	923	<u>31,889</u>
Analog Devices, Inc.	124	4,626			<u>121,030</u>
Applied Materials, Inc.*	557	9,012	Tobacco — 1.2%		
Broadcom Corp. — Class A*	110	3,906	Altria Group, Inc.	671	43,387
Freescale Semiconductor, Inc. —			Reynolds American, Inc.	54	4,255
Class B*	126	2,669	UST, Inc.	54	<u>2,466</u>
Intel Corp.	1,958	51,024			<u>50,108</u>
KLA-Tencor Corp.*	65	2,841	Tools — Hand Held — 0.1%		
Linear Technology Corp.	108	3,963	Black & Decker Corp.	29	2,606
Maxim Integrated Products, Inc.	108	4,127	Stanley Works	36	<u>1,639</u>
Micron Technology, Inc.*	216	2,205			<u>4,245</u>
National Semiconductor Corp. ...	102	2,247	Toys — 0.1%		
Novellus Systems, Inc.*	46	1,137	Mattel, Inc.	135	<u>2,471</u>
NVIDIA Corp.*	61	1,630	Transportation Services — 0.8%		
QLogic Corp.*	32	988	FedEx Corp.	101	8,182
Teradyne, Inc.*	83	994	United Parcel Service, Inc. —		
Texas Instruments, Inc.	523	14,680	Class B	368	<u>25,451</u>
Xilinx, Inc.	115	<u>2,933</u>			<u>33,633</u>
		<u>113,694</u>	Travel Services — 0.0%		
Staffing — 0.0%			Sabre Holdings Corp. — Class A . .	61	<u>1,217</u>
Robert Half International, Inc. ...	72	<u>1,798</u>	Utilities — Electric — 2.8%		
Steel — 0.1%			AES Corp.*	186	3,047
Nucor Corp.	53	2,418	Ameren Corp.	68	3,760
United States Steel Corp.	35	<u>1,203</u>	American Electric Power		
		<u>3,621</u>	Company, Inc.	147	5,420
Telecommunications — 2.9%			Cinergy Corp.	69	3,093
ALLTEL Corp.	102	6,353	Consolidated Edison, Inc.	91	4,262
AT&T Corp.	279	5,312	Constellation Energy Group	61	3,519
Avaya, Inc.*	172	1,431			
BellSouth Corp.	639	16,978			

continued

FREE ENTERPRISE ACTION FUND
Schedule of Portfolio Investments
June 30, 2005
(Unaudited)

	Shares	Value		Shares	Value
Common Stocks — (continued)			Common Stocks — (continued)		
Utilities — Electric — (continued)			Wireless Communications — 1.1%		
Dominion Resources, Inc.	110	\$ 8,073	Motorola, Inc.	850	\$ 15,521
DTE Energy Co.	61	2,853	Nextel Communications, Inc. —		
Duke Energy Corp.	319	9,484	Class A*	371	11,987
Edison International.	108	4,379	QUALCOMM, Inc.	564	<u>18,618</u>
Entergy Corp.	76	5,742			<u>46,126</u>
Exelon Corp.	225	11,549	Total Common Stocks		
FirstEnergy Corp.	112	5,388	(Cost \$3,702,322)		<u>3,625,669</u>
FPL Group, Inc.	124	5,215	Short-Term Investments — 5.1%		
NiSource, Inc.	106	2,621	Money Market Mutual Fund — 5.1%		
PG&E Corp.	140	5,256	Huntington Money Market Fund ..	213,935	<u>213,935</u>
Pinnacle West Capital Corp.	31	1,378	Total Short-Term Investments		
PPL Corp.	72	4,275	(Cost \$213,935)		<u>213,935</u>
Progress Energy, Inc.	92	4,162			
Public Service Enterprise Group,					
Inc.	79	4,805			
Southern Co.	268	9,292			
TECO Energy, Inc.	80	1,513			
TXU Corp.	75	6,232			
Xcel Energy, Inc.	156	<u>3,045</u>			
		<u>118,363</u>			
Utilities — Natural Gas — 0.1%					
KeySpan Corp.	60	2,442			
Sempra Energy	77	<u>3,181</u>			
		<u>5,623</u>			
Web Portals/ISP — 0.4%					
Yahoo!, Inc.*	501	<u>17,360</u>			

(a) Represents cost for financial reporting and is substantially the same for federal income tax purposes and differs from value by net unrealized depreciation of securities as follows:

Unrealized appreciation	\$ 90,153
Unrealized depreciation	<u>(185,810)</u>
Net unrealized depreciation	<u>\$ (95,657)</u>

* Represents non-income producing securities.

Call Options Written

	Contracts	Value
S&P 500 Call Option expiring July 2005 @ \$121	309	<u>\$9,270</u>
Total Call Options Written (premiums received \$33,527)		<u>\$9,270</u>

See notes to financial statements.

FREE ENTERPRISE ACTION FUND
Statement of Assets and Liabilities
June 30, 2005
(Unaudited)

Assets:	
Investments in securities, at value (cost \$3,939,896)	\$3,844,239
Cash	255,508
Dividends receivable	4,766
Receivable from Adviser	63,446
Deposits with broker for call options written	60,572
Prepaid expenses	17,497
Total Assets	<u>4,246,028</u>
Liabilities:	
Call options written (premiums received \$33,527)	9,270
Other accrued expenses	20,984
Total Liabilities	<u>30,254</u>
Net Assets	<u>\$4,215,774</u>
Net Assets Consist of:	
Capital	\$4,284,445
Accumulated net investment income	(4,926)
Accumulated net realized gain on investments	7,655
Net unrealized depreciation on investments	(71,400)
Net Assets	<u>\$4,215,774</u>
Shares Outstanding	<u>428,369</u>
Net Asset Value — Offering and Redemption Price per Share	<u>\$ 9.84</u>

See notes to financial statements.

FREE ENTERPRISE ACTION FUND
Statement of Operations
Period Ended June 30, 2005(a)
(Unaudited)

Investment Income:

Dividends	\$ 21,651
Total Investment Income	<u>21,651</u>

Expenses:

Investment advisory fees	16,498
Administration fees	15,243
Accounting fees	17,203
Audit fees	6,993
Legal fees	20,419
Registration and filing fees	7,214
Shareholder reports	10,912
Transfer agent fees	15,042
Trustees' fees	3,000
Other fees	<u>12,829</u>
Total Expenses	<u>125,353</u>
Expenses waived by the Adviser	(16,498)
Expenses reimbursed	<u>(82,278)</u>
Net Expenses	<u>26,577</u>

Net Investment Loss	<u>(4,926)</u>
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Realized and Unrealized Gain/(Loss) on Investments:

Net realized gain on investment transactions and option contracts	7,655
Change in unrealized appreciation/(depreciation) on investments and option contracts	<u>(71,400)</u>
Net realized and unrealized loss on investments	<u>(63,745)</u>

Change in Net Assets Resulting from Operations	<u><u>\$ (68,671)</u></u>
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(a) From the commencement of operations on March 1, 2005 to June 30, 2005.

See notes to financial statements.

FREE ENTERPRISE ACTION FUND
Statement of Changes in Net Assets
(Unaudited)

	<u>Period Ended June 30, 2005(a)</u>
Change in Net Assets:	
Operations:	
Net investment loss	\$ (4,926)
Net realized gain on investment transactions and option contracts	7,655
Change in unrealized appreciation/(depreciation) on investments and option contracts	<u>(71,400)</u>
Change in net assets from operations	(68,671)
Capital Transactions:	
Proceeds from shares issued	<u>4,284,445</u>
Change in net assets from capital transactions	<u>4,284,445</u>
Change in Net Assets	4,215,774
Net Assets:	
Beginning of period	<u>—</u>
End of period	<u>\$4,215,774</u>
Accumulated Net Investment Income	<u>\$ (4,926)</u>
Share Transactions:	
Issued	<u>428,369</u>
Change in fund shares	<u>428,369</u>

(a) From the commencement of operations on March 1, 2005 to June 30, 2005.

See notes to financial statements.

FREE ENTERPRISE ACTION FUND

Financial Highlights

<u>(For a share outstanding throughout the period indicated)</u>	March 1, 2005(c) to June 30, 2005 (Unaudited)
Net Asset Value, Beginning of Period	\$10.00
Investment Activities:	
Net investment loss	(0.01)
Net realized and unrealized loss on investments	<u>(0.15)</u>
Total from investment activities	<u>(0.16)</u>
Change in Net Asset Value per Share	<u>(0.16)</u>
Net Asset Value, End of Period	<u>\$ 9.84</u>
Total Return	(1.60%)(b)
Ratios/Supplemental Data:	
Net Assets at end of period (000's omitted)	\$4,216
Ratio of net expenses to average net assets	2.00%(a)
Ratio of total expenses to average net assets*	9.43%(a)
Ratio of net investment loss to average net assets	(0.37%)(a)
Portfolio turnover rate	0%

(a) Annualized.

(b) Not annualized.

(c) Commencement of operations.

* During the period, certain fees were contractually reduced and/or reimbursed. If such contractual fee reductions and/or reimbursements had not occurred, the ratio would have been as indicated.

See notes to financial statements.

FREE ENTERPRISE ACTION FUND

Notes To Financial Statements

(Unaudited)

1. Organization:

The Variable Insurance Funds (the "Trust") was organized on July 20, 1994, and is registered under the Investment Company Act of 1940, as amended (the "Act"), as an open-end management investment company established as a Massachusetts business trust.

The Trust is authorized to issue an unlimited number of shares without par value. As of the date of this report, the Trust offered multiple separate series, each with its own investment objective. The accompanying financial statements are for the Free Enterprise Action Fund (the "Fund").

Under the Trust's organizational documents, its officers and trustees are indemnified against certain liabilities arising out of the performance of their duties to the Trust. In addition, in the normal course of business, the Trust enters into contracts with their vendors and others that provide for general indemnifications. The Trust's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Trust. However, based on experience, the Trust expects that risk of loss is remote.

2. Significant Accounting Policies:

The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements. The policies are in conformity with Generally Accepted Accounting Principles of the United States of America ("GAAP"). The preparation of financial statements in conformity with GAAP 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 income and expenses for the period. Actual results could differ from those estimates.

Securities Valuation: Portfolio securities listed or traded on domestic securities exchanges or the NASDAQ/NMS, including American Depositary Receipts ("ADRs"), are valued at the closing price on the exchange or system where the security is principally traded or at the NASDAQ Official Closing Price, if applicable. If there have been no sales for that day on any exchange or system, a security is valued at the mean between the closing bid and asked quotes on the exchange or system where the security is principally traded. Investments for which there are no such quotations available, or for which available quotations appear to not accurately reflect their current value, are valued at fair value as determined in good faith under the supervision of the Board of Trustees pursuant to guidelines established by the Board of Trustees of the Trust. Investments in other open-ended investment companies are valued at net asset values as reported by those investment companies. Put and call options will be valued at their closing mid-price. Mid-price is the average of the sum of the closing bid and the closing ask prices.

Securities Transactions and Related Income: Changes in holdings of portfolio securities shall be reflected no later than in the first calculation on the first business day following the trade date for purposes of calculating the Fund's daily net asset value per share. However, for financial reporting purposes, portfolio security transactions are reported on trade date. Interest income is recognized on the accrual basis and includes, where applicable, the amortization of premium or accretion of discount. Dividend income is recorded on the ex-dividend date. Gains or losses realized on sales of securities are determined by using the FIFO (First In, First Out) method.

Expenses: Expenses that are directly related to the Fund are charged directly to the Fund, while general Trust expenses are allocated to the Fund and other series of the Trust based on their relative net assets or another appropriate method.

Distributions to Shareholders: The Fund intends to declare and pay applicable dividends from net investment income and to make distributions of applicable net realized capital gains, if any, on an annual basis. Dividends from net investment income and distributions from net realized gains are determined in accordance with federal income tax regulations, which may differ from GAAP. These "book/tax" differences are considered to be either temporary or permanent in nature. To the extent these differences are permanent in nature, such amounts are reclassified within the composition of net assets based on their federal tax-basis treatment; temporary differences do not require reclassifications. To the extent these differences exceed net investment income and net realized gains for tax purposes, they are reported as distributions of capital.

FREE ENTERPRISE ACTION FUND
Notes to the Financial Statements, continued
(Unaudited)

Options: The Fund may employ various types of options arrangements. The Fund may engage in the writing of covered call options and put options. A call option gives the purchaser the right to buy, and the writer the obligation to sell the underlying security at the stated exercise price at any time prior to the expiration of the option, regardless of the market price of the security. A put option gives the purchaser the right to sell, and the writer the obligation to buy the underlying security at the stated exercise price at any time prior to the expiration of the option, regardless of the market price of the security.

Transactions in options written for the period ended June 30, 2005 were as follows:

	Number of Contracts	Premiums Received
Options at beginning of period	0	\$ 0
Options written	1,545	163,200
Options terminated in closing purchase transactions	1,236	129,673
Options expired	0	0
Options exercised	0	0
Options outstanding at June 30, 2005	309	\$ 33,527

Federal Income Taxes: It is the intention of the Fund to qualify as a regulated investment company by complying with the provisions available to certain investment companies, as defined in applicable sections of the Internal Revenue Code, and to make distributions of net investment income and net realized capital gains sufficient to relieve it from all, or substantially all, federal income taxes.

3. Purchases and Sales of Securities:

The aggregate purchases and sales of portfolio securities (excluding short-term and U.S. government obligation securities) for the period ended June 30, 2005, were as follows:

Purchases	Sales
\$3,705,916	\$3,492

4. Related Party Transactions:

Action Fund Management, LLC (“AFM” or the “Adviser”) provides investment advisory services to the Fund. Under the terms of the investment advisory agreement, the Adviser is entitled to receive a fee computed daily and paid monthly at the annual rate of 1.25% of the average daily net assets of the Fund.

The Adviser has contractually agreed to waive all or a portion of its fees and reimburse certain expenses for the Fund through April 30, 2006 to the extent that expenses exceed 2.00% of the average daily net assets of the Fund. Under the terms of this agreement, the Adviser may request and receive reimbursement of the investment advisory fees waived and other expenses reimbursed by it at a later date not to exceed three years from the period ending April 30 in which they were taken. Such reimbursement shall be made monthly, but only if the operating expenses of the Fund are at an annualized rate less than the expense limit for the payments made through the period ended December 31. As of the period ended June 30, 2005, the reimbursement that may potentially be made by the Fund is as follows:

<u>Expires 2008</u>
\$98,776

FREE ENTERPRISE ACTION FUND
Notes to the Financial Statements, continued
(Unaudited)

Thinkorswim Advisors, Inc. (“TOS” or the “Sub-adviser”) serves as the investment sub-adviser to the Fund pursuant to an Investment Subadvisory Agreement entered into between the Sub-adviser and the Adviser. The Sub-adviser assists the Adviser in making day-to-day investment decisions for the Fund, subject to the general supervision of the Adviser, the Fund’s Board of Trustees, and in accordance with the investment objectives, policies, and restrictions of the Fund. The Sub-adviser conducts all research relating to potential options positions for the Fund, makes recommendations to the Adviser, and assists the Adviser in making investment decisions with respect to all options trading.

For its services and expenses incurred under the Investment Subadvisory Agreement, the Sub-adviser is entitled to a fee payable by the Adviser. The fee is computed daily and paid monthly at an annual rate of 0.35% of the Fund’s average daily net assets or such lower fees as may be agreed upon in writing by the Adviser and Sub-adviser; provided that if the Adviser waives some or all of its investment advisory fee, the Sub-adviser shall waive its fee so that it shall receive no more than seventy percent (70%) of the net investment advisory fee paid to the Adviser.

BISYS Fund Services Ohio, Inc. (“BISYS Ohio”) with which certain officers and trustees of the Trust are affiliated, serves the Trust as Fund Accountant, Administrator and Transfer Agent. Such officers and trustees are paid no fees directly by the Trust for serving as officers and trustees of the Trust. Under the Fund Accounting Agreement, BISYS Ohio receives a fee from the Trust based upon a tiered fee structure, subject to a minimum fee of \$37,500 per annum, plus applicable out-of-pocket charges. Under the Administration Agreement, BISYS Ohio receives a fee from the Trust based upon a tiered fee structure, subject to a minimum fee of \$45,000 per annum. Under the Transfer Agent Agreement, BISYS Ohio receives additional fees, which are payable monthly. BISYS Fund Services Limited Partnership (“BISYS”) serves, without compensation, as principal underwriter and distributor of the Fund’s shares. BISYS Ohio also provides an employee to serve the Trust as Chief Compliance Officer for which BISYS Ohio receives compensation and reimbursement from the Trust for out-of-pocket expenses as approved by the Trust’s Board of Trustees. BISYS, an Ohio limited partnership, and BISYS Ohio are subsidiaries of The BISYS Group, Inc.

Huntington National Bank serves as the Fund’s custodian and receives a fee equal to an annual minimum of \$3,600 plus transaction charges and other expenses.

FREE ENTERPRISE ACTION FUND

Supplemental Information (unaudited)

1. Expense Examples

As a shareholder of the Fund, you incur ongoing costs, which include investment advisory fees, administration fees and other Fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period from March 1, 2005 through June 30, 2005.

Actual Expenses

The table below provides information about actual account values and actual expenses. You may use the information below, 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 table under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Beginning Account Value 3/1/05	Ending Account Value 6/30/05	Expenses Paid During Period* 3/1/05-6/30/05	Expense Ratio During Period 3/1/05-6/30/05**
\$1,000.00	\$984.00	\$6.63	2.00%

Hypothetical Example for Comparison Purposes

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. However, you may use this information to compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of 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 sales charges (loads), redemption fees, or exchange fees, if applicable. Therefore, the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

Beginning Account Value 3/1/05	Ending Account Value 6/30/05	Expenses Paid During Period* 3/1/05-6/30/05	Expense Ratio During Period 3/1/05-6/30/05**
\$1,000.00	\$1,010.03	\$6.72	2.00%

* Expenses are equal to the average account value times the Fund's annualized expense ratio multiplied by the number of days in the period (122) divided by the number of days in the fiscal year (365).

** Absent waiver of fees and/or reimbursement of expenses during the period, expenses would have been higher and ending account values would have been lower.

2. Sector Diversification (as a percentage of total investments)***

As of 6/30/2005

Business Services	3.5%	Media	3.8%
Consumer Goods	8.8%	Software	3.9%
Consumer Services	8.5%	Telecommunications	3.0%
Energy	7.2%	Utilities	3.2%
Financial Services	19.5%	Options	0.1%
Hardware	9.3%	Short Term Investments	5.6%
Healthcare	12.3%		100%
Industrial Materials	11.3%		100%

*** The Fund's composition is subject to change.

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