



Dear Valued Shareholder,

What a difference a year makes. Last year this time many had forecasted a dire 2009, with some well known experts suggesting the stock markets would be just as bad as they were in 2008. Of course, as you read this letter, well known financial experts are most likely making their predictions for the new year. They are probably backing up their predictions with charts, figures, ratios, graphs, etc. Some may be right but often many are wrong. In my opinion, the most effective approach to investing is to invest in what you know.

Each and every one of us has an area that we are familiar with and therefore can determine for oneself if a certain investment and/or fund makes sense. By following this simple philosophy, you should have the ultimate control to determine what may or may not be an appropriate investment. Lets be honest, most financial experts suggest predictions that benefit their companies—a fixed income/bond manager often predicts a weak market and hence need for more conservative investments while an equity manager may showcase data that proves a booming economy, and hence needs to be in stocks

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At USA Mutuals, we feel each of you are the experts and it is our role to identify the companies and strategies which we believe will maximize shareholder value within the industries you know best. It is a responsibility we do not take lightly and it is a true privilege to help you achieve your financial goals

In the last newsletter we had announced our Invest Your Knowledge contest in which we asked each of you to share your stories on how one has been able to leverage one's knowledge when investing. Within this newsletter we share three such stories and hope you enjoy them as much as we did. We thank everyone, for sharing their story with us.

Within this letter, we also share the insights and outlook from the managers of the Vice and Generation Wave Growth Fund and encourage you to compare your insights with those of our managers. We also encourage you to visit USAMutuals.com for most recent performance and holding information on each of our funds.

Finally, we are committed to continually providing you timely manager insights, including opportunities to listen and even interact with our managers and industry experts within our Invest Your Knowledge conference call series. We also welcome the opportunity to address questions, comments and/or requests that you may have for our managers or even myself. I can be reached at elansky@usamutuals.com or call 866.264.8783.

On behalf of the USA Mutuals family, we thank you for your continued confidence in us. Have a very happy, healthy and joyous New Year.

Sincerely,

Eric Lansky
President

INSIGHTS FROM THE MANAGER:

Featured Fund: Generation Wave Growth Fund (GWGFX)

The past nine months were the Dr. Jekyll to the preceding period's Mr. Hyde. Over the course of a very short period of time, immobilizing fears of a financial apocalypse turned into a jubilant celebration that all is right in the world. As a result of just the perfect mix of a government willing to backstop risk, accommodative central bankers and unrestrained fiscal stimulus, investors once again regained their appetite for risk.

Unfortunately, economic headwinds persist. A nosedive in home values and stock prices has melted away trillions of dollars of household wealth. Joblessness is skyrocketing, mortgage delinquencies and home foreclosures are on the rise, credit availability is contracting, incomes are plummeting and so is consumption. With their wealth eroded, consumers – the engine of U.S. economic growth – are tending to their balance sheets by saving more and spending less.

We anticipate that consumer belt tightening and a world with less leverage and more regulation will presage a sustained period of slow economic growth in the future.

Yet, over the past six months, risk assets have shot to the moon in anticipation that government policies will produce a perfect resumption of economic growth with no inflation. But government handouts can't last forever, and whether the economic recovery can sustain itself organically, without the generosity of Uncle Sam, is still questionable. Equity valuations currently reflect the sunniest of possible outcomes and now seem stretched, given the moderate growth prospects we expect and the significant risks still present.

The Generation Wave Growth Fund was designed to invest in sectors of the market that could be most impacted by the spending habits of the massive Baby Boomer population, and the demographic focus has recently been broadened as we are beginning to add companies to the portfolio that we believe will benefit from the spending habits of the younger Generation X and Generation Y cohorts. As consumers age, both their level of spending and the way that they allocate their expenditures change. So, this expanded demographic focus should allow us to capture multiple generational themes.

In addition to the points mentioned above, the boomer generation is gradually moving out of the peak-spending age bracket, which might foster a slower growing economy in the coming years as the boomers turn from

spenders to savers. Health care expenditures, though, continue to accelerate as people age, providing companies with this sector with the greatest demographic tailwinds. As a result, health care comprises the largest sector holdings in the Generation Wave Growth Fund as a percent of net assets.

Needless to say, age-related effects on sectors and companies develop at a snail's pace, so investing to capitalize on demographic trends naturally requires a long-term view.

Special Report: A Bet on Macau

This month marks the ten-year anniversary of the Chinese government's resumption of sovereignty over Macau, a gaming enclave sitting about 40 miles southwest of Hong Kong that neighbors the southern Chinese province of Guangdong, the wealthiest and most populous province in China. Two billion people – nearly one-third of the world's population – live within a four-hour flight of Macau, the only place in China where casinos are legal.

Legalized gambling in Macau dates back to the late 1840s, when, under Portuguese rule, the city developed a seedy reputation as a hub for prostitution, slavery and opium smuggling. Today, Macau is ranked as the world's largest gaming market. Over the past year, Macau has outperformed every other major gaming center and demand is still booming. Strong demand plus a near-term absence of meaningful supply is a winning formula for the Macau-oriented casino operators and might make them a sound bet for investors.

In late 2001, a wave of construction hit Macau, fostered by easy credit, and the supply of new casino-resorts and gaming capacity bloomed. To wit, from 2003 to 2008, the number of gaming tables grew at a 5-year annualized growth rate of 56.8%. In 2003, there were 11 casinos in Macau; today there are 33.

The explosive building frenzy came to an abrupt halt in 2008 when unfriendly credit markets made financing more difficult, causing suspensions or delays in the construction of a number of large-scale projects. Some of the most ambitious developments are now being revived, but even under the most optimistic scenarios they aren't expected to open until 2011 or 2012. Until then, I expect relatively benign growth in the number of gaming tables, especially compared to the brisk pace witnessed during the prior expansion.

At the same time that supply is relatively contained, demand continues to be strong. In 2008 – a year marked by a worldwide financial apocalypse – gaming revenue in Macau was up 31%. While other gaming markets around the world are still struggling, total Macau gaming revenues in August hit an all-time high. For the sake of comparison, that same month gaming revenue on the Vegas Strip totaled about \$450 million and it, too, set a new record but of another variety: 20 consecutive months of declines.

All told, while many other gaming markets are still reeling, total gaming revenues in the former Portuguese colony are expected to increase around 7% this year to over \$14.5 billion, implying fourth-quarter growth of nearly 40%. Even during the near collapse of the global economy, annual growth of Macau gaming revenue, on a year-end basis, never turned negative. Next year, growth is expected to resume its prior upward trajectory.

Of the nearly 16 million visitors that have arrived in Macau so far this year, about 32% of them have come from nearby Hong Kong, while 50% arrived from mainland China, where an emergent middle class has contributed to its sizzling economy. Macau is the ultimate Chinese consumption play; its growth is largely tethered to the fastest-growing major economy in the world and its powerful consumer.

One of the most compelling aspects of the Macau investment story is also its biggest risk factor: its reliance on China. With too-fast growth, visitor arrivals from China may be purposely impeded by travel restrictions; a downturn in the Chinese economy – especially the economy in China's Guangdong province, where most visitors to Macau come from – would also hurt.

Aside from the potential stumbling blocks, limited supply over the near term and still-mushrooming demand, plus the future prospects of a more fully developed Cotai Strip and the visitors it will produce, make the Macau-oriented casino operators seem like a bet worth making.

Opinions expressed in the Insights from the Manager and Special Report: A Bet on Macau are those of Charles Norton, CFA and portfolio manager of the Vice Fund and, are subject to change and should not be considered a recommendation to buy or sell any security.

CONTEST WINNERS!

In our last newsletter, we asked you to share your best Invest Your Knowledge story. Below are the stories from three of our shareholders. I hope you enjoy them as much as we did.

Not what the teacher wanted

I'm a tax and estate planning attorney. Because my dad was way into investing, I've had a Roth IRA since I was old enough to hold a job. Well, fast forward to law school where I had jobs clerking on the side. My trusts and estates class was talking about fiduciary responsibilities and duties. He was mentioning how people could put language in their documents regarding the direction of investments. Touching on the idea of "socially responsible" investments, he popped up a slide containing the Vice Fund logo and its investment outlay. I thought, "this is awesome!" I read up on the fund, even though the professor was more or less showing it as the extreme opposite of what someone who was a "socially sensitive" investor would want. That year's contribution was my first investment into the Vice Fund.

Best ideas can come from anywhere

About 9 years ago I began attending a new group that met weekly at my office building. There were some very large attendees at the group. I got to the session early one week, and a group of veteran members were huddled and whispering. I could overhear their conversation: "The truck gets in Thursday nights around 10 PM at the store." Mmmm...were they talking about a controlled substance? Were they strategizing something illegal? Nope. They were discussing the delivery of the Skinny Cow Ice Cream Sandwiches at the grocery store in our Midwestern town.

Weight Watchers diet plans are built around a points range that is based on the calories, fat, and fiber of foods one eats. My points range to lose weight was 18-24 points per day. A peanut butter & jelly sandwich is 6 points, for example. That means you aren't getting a lot of food overall. Candy and desserts can take up your whole point allotment for a day! A Skinny Cow sandwich was just 1 point. In theory I could eat 18 of them...and continue my weight loss. Evidently, that was what my meeting cohorts were doing! A package of six Skinny Cow Ice Cream Sandwiches cost a whopping \$6.99! They never went on sale, and they were always in short supply. Women who won't go the gym would get up out of their houses at 10 PM on a snowy winter night to drive out and BUY THEM ALL.

I bought a package, and looked them up. Right there on the pink sheets at .88 per share I found SIHB. I bought \$1,000 worth and watched as the price climbed higher

and higher as more Weight Watcher members spread the word. Oprah touted them, and after that the stock went over \$12. I hung in there – figuring Skinny Cow would get bought out by a bigger player. I was bought out at \$17.66 a year after purchase.

So, what are you eating????

An obvious fit

Let's see.....I drink Captain Morgan, I like to hit the slots, I rode submarines operating nuclear power plants during the Cold War, and I like a cigar every now and then. Now you tell me how a guy with vices couldn't help but look for a vice fund. Anyway, I just googled "vice funds" and you guys came up on the list of links.

Thank you to everyone who submitted their story and we would love to hear your story on how you have been able to Invest Your Knowledge. Email your story to info@usamutuals.com and perhaps we will share your story in future newsletters.

Past performance is no guarantee of future results. For current performance, please visit USAMutuals.com or call 1.866.264.8783.

The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The [statutory](#) and [summary prospectuses](#) contain this and other information about the investment company, and they may be obtained by contacting 866.264.8783 or go to www.USAMutuals.com. Read it carefully before investing.

Mutual fund investing involves risk; principal loss is possible. The Vice Fund is non diversified, meaning it may concentrate its assets in fewer individual holdings than a diversified fund. Therefore, the Fund is more exposed to individual stock volatility than a diversified fund. The Fund invests in foreign securities which involve greater volatility and political, economic and currency risks and differences in accounting methods. The Fund invests in smaller companies, which involve additional risks such as limited liquidity and greater volatility.

Because the Generation Wave Growth Fund is a "fund of funds", your cost of investing in the Fund will generally be higher than the cost of investing directly in the shares of the mutual funds in which it invests. By investing in the Fund, you will indirectly bear your share of any fees and expenses charged by the underlying funds, in addition to indirectly bearing the principal risks of those funds. Please refer to the prospectus for more information about the Fund, including risks, fees and expenses. The Fund also invests in ETFs. They are subject to additional risks that do not apply to conventional mutual funds, including the risks that the market price of an ETF's shares may trade at a discount to its net asset value ("NAV"), an active secondary trading market may not develop or be maintained, or trading may be halted by the exchange in which they trade, which may impact the Fund's ability to sell its shares. The Fund may also invest in foreign securities. Investments in foreign securities involve greater volatility and political, economic, and currency risks and differences in accounting methods.

Opinions expressed are those of the portfolio managers and contest entrants and are subject to change, are not guaranteed and should not be considered a recommendations to buy or sell any security. Fund holdings and sector allocations are subject to change at any time and are not recommendations to buy or sell any security.

Please note that as of 9/30/09, the Vice Fund owned 4.4% of Diageo (owner of Captain Morgan). Neither the Vice or Generation Wave Growth Fund had holdings in Skinny Cow or Weight Watchers., Fund holdings and sector allocations are subject to change and are not recommendations to buy or sell any security.

FROM THE EDITOR:

A Word to Our Readers

One of the most important aspects of successful relationship is an open line of communication. In addition to this newsletter, each month we share important updates on your fund; from recent appearances in the media, to timely updates on events which may impact your investment. For us, the most efficient means of communication is email. If you are not already receiving such updates, please send your email address to info@usamutuals.com. Going forward, future editions of this newsletter will be sent electronically. If you are unable to access email or simply prefer a printed edition, please call us at 866.264.8783 and we will be sure you receive a physical copy.

We thank you for your time and always welcome your suggestions on future topics as well as how we can continue to best serve you and your investment objectives.