



Dear Valued Shareholder,

Shortly after the last newsletter, a client responded with his own commentary regarding our commentary. Some of his views directly aligned with ours. Others varied. But in all cases, I had to smile. This is what we mean when we say "Invest Your Knowledge." We not only want our clients to know what they're invested in, but why they're invested in it, too. It's a wonderful bonus if they then let us know what they think.

Obviously, a significant component of investors' knowledge is their own interest and drive to learn. But, make no mistake, it's also the job of financial firms to be as forthcoming and open as possible. Without a doubt, that's a driving principle here at USA Mutuals. We don't just like to say that. We back it up, too. For instance, USA Mutuals is an early adopter of the SEC's new regulations requiring firms to provide a newly formatted "summary prospectus". In the near future, all firms will be required to issue the easy-to-read, investor-friendly summary prospectus, which gives its reader a clear and cohesive snap shot of their investments.

We feel your confidence is dependent on your knowledge of your investments and the people handling your money. That's why we're increasing the information flow from our offices to your inbox. Newsletters such as these will be an ongoing, consistent, and free service. In them, you can read commentary from our fund managers, and other interesting items. Furthermore, we're now doing frequent conference calls, which include industry and investment experts. In them, we discuss the issues affecting our portfolios. We even offer the transcripts online at our site, USAMutuals.com, which we feel is an excellent resource for those looking to learn more. If you would like to receive updates via email please forward your request to info@USAMutuals.com.

Conversely, I'm asking you, the investor, to keep us in-the-know with you how feel and what you think. Send along your comments, questions, and suggestions. I promise to read each and every one I receive. Of course, that may not be enough incentive for you. But perhaps this is: We're holding a contest! We want to hear a story about how you invested your knowledge! Learn more inside this issue of the newsletter!

Thank you; and happy reading, happier investing!

Sincerely,

Eric Lansky
President
USA Mutuals
elansky@USAMutuals.com

In this issue:

- A letter from the President
- Manager Insights
- USA Mutuals: Early Adopter
- Lipper Ratings
- Invest Your Knowledge Call Series
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INSIGHTS FROM THE MANAGER:

It is our belief that with the continuing uncertainty of the U.S. and global economies, defensive sectors like those on which the Vice Fund and Generation Wave Growth Fund concentrate on appear particularly attractive. Below are our portfolio managers' latest thoughts regarding the overall economy and more specifically outlook and strategy for the Vice and Generation Wave Growth Fund.

General Markets

Policymakers around the world took unprecedented steps in coordinated fashion in the past year to avoid complete ruin. In the course of central bankers giving a do-over to risk takers of every variety, the public sector has utterly invaded the private-sector economy. As could be expected when full-speed-ahead monetary printing presses are combined with unbridled fiscal stimulus, public-driven economic growth has stabilized things.

As the crisis ebbs, now comes the tricky part: the graceful exit. Done too soon, an already fragile economy could buckle. On the other hand, policymakers risk kindling inflation and breeding speculative excess by staying accommodative for too long.

Meanwhile, we've yet to see any meaningful organic, private-sector growth and the consumer is still wounded. A nosedive in home values and stock prices has melted away nearly \$14 trillion of household wealth since the middle of 2007. Joblessness has been skyrocketing, credit availability has been contracting, incomes have been plummeting. With their wealth eroded, consumers – the engine of U.S. economic growth – are saving more and spending less.

A more cautious consumer is a hallmark of what others have termed the "new normal" environment we should come to expect. In addition to a wary consumer, we believe the future is also likely to include less leverage, a move toward de-globalization and heightened regulation, all of which equate to a slower-growing economy.

Yet, accommodative policies and a backstopping of risk have produced something of a short-term sugar high for risk-seeking investors. High-yield corporate credit spreads have collapsed and remained tight despite a flood of new issuance, sovereign Credit Default Swaps spreads for many emerging markets have dramatically narrowed, and some low-quality equities with the hairiest fundamentals have appreciated.

In our opinion, the risk trade has now run its course and the sunniest of forecasts is adequately reflected in equity prices, while the potential hazards – and there are plenty – have gone ignored. Equity valuations seem stretched given the moderate growth prospects we expect and the risks lurking below the surface.

As any parent of young children will attest, sugar highs are short-lived and the after effects can be rather unpleasant. In the coming months we anticipate a reevaluation of risk as investors once again focus on fundamentals; we believe the most prudent stance right now is a cautious one – which we believe is well reflected within our funds.

Vice Fund

While a happy-go-lucky attitude towards risk and momentum has driven equity returns for the past few months, we believe capital preservation with an income component may be a long-term winning strategy. In the Vice Fund portfolio, we have expressed this outlook by maintaining an appropriate cash position that will give us added flexibility when sunny skies turn gray. We are also tilting more heavily towards tobacco, as outlined below.

The global economic slowdown has had limited visible impact on tobacco consumption, with no broad-based trend towards consumer downtrading. Pricing power remains very strong. Balance sheets are generally solid and appear to support their current dividend yields in the 4-7% range. Operationally, many global tobacco companies are firing on all cylinders. Industry competition is rational (i.e. no price wars) and increasingly profit-focused. In short, tobacco-industry fundamentals appear robust and the valuations within the sector are generally attractive.

At the opposite end of the spectrum, the gaming sector has been ground-zero of widespread speculation. Despite several fundamental red flags, many stocks have overshot to the upside as a result of an improving credit market's ability to help such a highly leveraged business; substantial short interest in the sector; and the gaming sector's treatment as a proxy for a fully recuperated consumer and his propensity to spend.

In our opinion, the greatest downside risk in our universe presides in the gaming sector. When those risks are balanced with select opportunities, our current allocation to gaming is a modest 5-6%. We have focused our attention to companies with strong balance sheets relative to peers and which also have significant Macau operations, as the U.S. gaming markets are still anemic. We also favor gaming-equipment makers which have been benefiting from expanding markets.

INSIGHTS FROM THE MANAGER (continued):

Generation Wave Growth Fund

In the Generation Wave Growth Fund portfolio, we have expressed our macro view of the world – one where fundamentals will matter again and capital preservation is critical – by maintaining an ample cash position and by remaining overweight in health care, a relatively defensive sector that we believe will be dramatically impacted by demographic trends. In financials, we have focused on companies that purchase consumer receivable portfolios at deep discounts and then collect on them at, hopefully, less-deep discounts.

The mandate has recently been enhanced on two fronts. First, it has expanded to have more of a focus on individual equities rather than ETFs. In our opinion, the move to all equities is an enormous improvement in the implementation of our investment process. ETFs, while attractive in many situations, are blunt instruments; as stock pickers, we prefer the more surgical approach that individual equities can provide.

In addition, the demographic target of the Fund has been broadened beyond the baby boomers to include companies affected by Generation X (those born in between the early 1960s to late 1970s, currently in their 30s and 40s) and Generation Y (those born in the early 1980s to early 1990s, currently late teens to 20s) consumers.

In both cases, we believe added flexibility is always a good thing, particularly when navigating in the more challenging market environment that we anticipate.

For more complete manager insights and holding information, please visit USAMutuals.com.

Building Wealth with an Automatic Investment Plan

Setting up an Automatic Investment Plan ('AIP') can be a great way to begin building wealth.

By investing consistently, we believe that you can really make a difference over the long term. AIP's can be a great way to potentially benefit from the power of compounding over time.

Consider starting an Automatic Investment Plan for as little as \$100 a month. Call our shareholder services department at (866) 264-8783 to learn more!

Automatic Investment Plans do no assure a profit and do not protect against a loss in declining markets.

USA Mutuals: Early Adopter

USA MUTUALS ENTHUSIASTICALLY ADOPTS THE SEC'S SUMMARY PROSPECTUS GUIDELINES

USA Mutuals is proud to be an early adopter of the new regulatory guidelines and rules for the summary prospectus. USA Mutuals has long been a proponent of transparency. In fact, throughout its history, we have voluntarily published the portfolios of our mutual funds.

We believe the summary prospectus is a fantastic idea, and we're fully behind it. These days, investors want clarity and transparency. We are more than happy to oblige.

New regulations require mutual funds to provide investors with the new summary prospectus by January, 2010. Although many firms may wait until then to adopt the rules, USA Mutuals is an early adopter. Not surprising considering our stance on transparency and investor knowledge.

The idea behind the summary prospectus is a simple one: Most prospectuses are nearly 50 pages in length. Thus, many people may not read the entire thing, or any of it at all. The summary prospectus compacts important information into 3 – 4 pages. It provides an overview for the investor in a short space, and provides additional resources and opportunities for them to learn more.

To view the summary (and statutory) prospectus, please visit USAMutuals.com.

Lipper Leader Rating for USA Mutuals!

The USA Mutuals Generation Wave Growth Fund was recognized as a Lipper Leader for Preservation as of 6/30/2009 (out of 9399 funds in the Multi-Cap Core category.) The USA Mutuals Vice Fund was recognized as a Lipper Leader for Total Return as of 6/30/2009 (out of 610 funds in the Multi-cap Core category.) The overall calculation is based on an equal-weighted average of percentile ranks for the Preservation and Total Return metrics over the three-, five-, and ten-year periods (if applicable.)

In our view, being recognized as a Lipper Leader is an important accomplishment. Lipper's evaluation system only rates the top 20% of all funds in each category as a Lipper Leader.

Past performance is not a guarantee of future results. The funds have experienced recent negative total returns. For current performance, please visit www.usamutuals.com or call 1.866.264.8783.

You're Invited: Invest Your Knowledge (IYK) Call Series!

Featuring academic and industry leaders

Did you know USA Mutuals hosts a conference call series in which along with our portfolio managers, we invite leaders from academia and business to share their insights on the industries in which we invest?

All calls are open to our shareholders. Our most recent call: Vice Investing in Uncertain Markets-Special Focus Gaming took place on September 24, 2009. If you would like to participate in future calls, simply email info@USAMutuals.com and enter "Call invite" in the subject line.

Contest Time:

We want to know how you've invested your knowledge. Tell us a story about how you observed something, or simply followed your instincts and made a great investment decision! Out of the all entries we receive, we will randomly pick two stories. Winners will have the opportunity to have their photo featured on our homepage USAMutuals.com, E-mail info@USAMutuals.com and put "Contest entry" in the subject line!

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 summary and statutory prospectus contains this and other information about the investment company, and it may be obtained by contacting 866.264.8783 or go to www.USAMutuals.com, or contact your financial advisor. 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.

Lipper ratings for Preservation reflect funds' historical loss avoidance relative to other funds within the same asset class, as of 6/30/2009. Preservation ratings are relative, rather than absolute, measures, and funds named Lipper Leaders for Preservation may still experience losses periodically; those losses may be larger for equity and mixed equity funds than for fixed income funds. The Lipper ratings are subject to change every month and are based on an equal-weighted average of percentile ranks for the Preservation metric over three-, five-, and ten-year periods (if applicable). The highest 20% of funds in each peer group are named Lipper Leader or a score of 5 for Preservation, the next 20% receive a score of 4, the middle 20% are scored 3, the next 20% are scored 2, and the lowest 20% are scored 1. USA Mutuals Generation Wave Growth Fund, in Lipper's Equity asset class, received a Lipper Leader designation for Preservation for the 3-year (out of 9399 funds) and 5-year periods (out of 7503 funds.)

Lipper ratings for Total Return reflect funds' historical total return performance relative to peers as of 6/30/09. The ratings are subject to change every month and are based on an equal-weighted average of percentile ranks for the Total Return metrics over three-, five-, and ten-year periods (if applicable). The highest 20% of funds in each peer group are named Lipper Leader or receive a score of 5, the next 20% receive a score of 4, the middle 20% are scored 3, the next 20% are scored 2, and the lowest 20% are scored 1. USA Mutuals Vice Fund in Lipper's Multi-Cap Core classification, received for Total Return a score of 4 for the 3-year (out of 610 funds) and a score of 5 for the 5-year periods (out of 454 funds.)

Lipper ratings are not intended to predict future results, and Lipper does not guarantee the accuracy of this information. More information is available at www.lipperweb.com. Lipper Leader Copyright 2009, Reuters, All Rights Reserved.

Opinions expressed are those of the portfolio managers and are subject to change, are not guaranteed and should not be considered a recommendation 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.

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