

Market Environment

Stock markets around the world fell in the second quarter of 2010, driven by a jittery global investment community that perceived slowing global growth. The abundance of government debt in several countries caused the eurozone to significantly underperform the rest of the developed regions. Small-cap stocks in the European region declined more than in other regions during the quarter. Further evidence of turmoil in Europe was seen in the decline of the euro relative to the U.S. dollar during the quarter. The single currency region faces both economic and political challenges going forward.

For the second quarter of 2010, the Fund's S&P[®] Developed ex-U.S. SmallCap benchmark had a double-digit negative return. The large dispersion between country returns, which existed in the first quarter, continued in the second. The Greek stock market posted the largest decline, as stocks fell by 30.3%, on average, while the Japanese market was a relative bright spot, with stocks falling by 4.0%. All ten economic sectors posted negative overall returns for the quarter, with energy being the worst performing sector with a decline of 16.2%. Consumer staples (-6.5%) and telecommunications services (-7.3%) showed relative strength for the quarter. Financials (-11.8%) trailed the overall Index.

Portfolio Review

The International Small-Cap Fund trailed relative to its S&P benchmark for the quarter, as solid outperformance through the first ten weeks of the quarter disappeared in the late quarter sell off. Security selection showed relative strength in six of ten sectors, with consumer discretionary and health care leading the way. As the sentiment in the market turned negative in the latter part of the quarter, the more cyclical sectors, such as industrials and materials, became a headwind for the Fund's performance.

Security selection in the industrials sector lagged relative to the Index, as Virgin Blue Holdings Ltd. (0.3% of the Fund) lowered its profit guidance. The Australian low-cost airline reportedly expects fares to drop as a result of a rapid deterioration in leisure travel both domestically and abroad. The stock fell by 62.1% for the quarter. Additionally, commodity prices began a downward march as investor appetite and money flows to commodity funds declined. Canadian mining company Quadra FNX Mining, Ltd. (0.9%) fell 39.8% as revenues were pressured by the decline in the spot price for metals.

The defensive sectors of the Fund mitigated some of the negative impact from more cyclical sectors, with particular strength in consumer discretionary and health care holdings. Japanese generic drug producer Towa Pharmaceutical Co., Ltd. (0.5%) was up by 28.0% for the quarter. The company posted solid fourth quarter operating results as gross margins remained high and investors continued to believe that government-sponsored generic drug incentives would boost long-term sales. Relative performance in the consumer discretionary sector was also strong, boosted especially by Avex Group Holdings, Inc. (0.5%), a producer and seller of DVDs, videos, and music CDs. The company announced better than expected earnings guidance based on an aggressive plan to cut costs and its stock price rose by 37.1%. Other top contributors to relative performance included U.K.-based Aggreko PLC (0.8%). The manufacturer of mobile electricity generators benefited from large contracts with both the Vancouver Winter Olympics and the World Cup and was up by 17.9% for the quarter. Electronic equipment manufacturer Alps Electric Co., Ltd. (0.8%) reported better than expected operating margins due to lower costs and higher automotive electronic component demand, and experienced a 25.9% increase for the quarter.

Market Outlook

While we remain concerned about the abundance of government debt in several countries, we have seen improving trends in the top line growth of companies we analyze. One year ago, bottom line improvement was mainly due to cost cutting and government stimulus that will dissipate over time. Now there are improving trends in the quality of earnings that are being generated from new market share and general increased economic activity. Recognizing quality earnings growth will be key to generating excess returns. This investing environment is geared toward disciplined stock picking. The Fund's bottom-up focus will continue to seek companies with higher quality business momentum at a price that may not yet reflect an improving environment for the company's potential earnings growth.

Past performance does not guarantee future results. The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The prospectus and summary prospectus contain this and other important information about the Fund. To obtain a prospectus and summary prospectus, call 800.468.6337, or visit the website www.munder.com. Read the prospectus and summary prospectuses carefully before investing.

RISKS: *Investors should note that investments in foreign securities involve additional risks due to currency fluctuations, economic and political conditions, and differences in financial reporting standards. The Fund may concentrate its investments in one or more countries. When the Fund's investments are concentrated in a country or countries, market, economic, political, regulatory and other factors affecting those countries could have a significant effect on the Fund's value. Smaller and medium-sized company stocks are more volatile and less liquid than larger, more established company securities.*

Fund holdings mentioned in the Quarterly Commentary are as of 5.31.10 and the percentages shown are based on net assets as of that date. Fund holdings are subject to change and should not be considered purchase recommendations. There is no assurance that the securities mentioned remain in the Fund's portfolio or that securities sold have not been repurchased. The Fund's top ten holdings as of 5.31.10 were: MTU Aero Engines Holdings AG (1.0%), ProSiebenSat.1 Media AG (1.0%), K's Holding Corp. (0.9%), Quadra FNX mining Ltd. (0.9%), Imtech NV (0.8%), Aggreko PLC (0.8%), Chemring Group PLC (0.8%), Obrascón Huarte Lain SA (0.8%), Alps Electric Co., LTD (0.8%) and Texwinca Holdings, Ltd. (0.8%). Top holdings do not reflect cash, money market instruments or options/futures contracts holdings. The most currently available data regarding portfolio holdings can be found on our website, www.munder.com.

The S&P® Developed ex-U.S. SmallCap Index (formerly known as the S&P®/Citigroup Extended Market Index (EMI) World ex-U.S.) consists of the bottom 15% (based on market capitalization) of companies from each country other than the U.S. represented in the S&P® Developed Broad Market Index (BMI). The S&P® Developed BMI includes all listed shares of companies from 25 developed market countries with float-adjusted market capitalizations of at least US\$100 million and annual trading volume of at least US\$50 million. You cannot invest directly in an index, securities in the Fund will not match those in an index, and performance of the Fund will differ. Although reinvestment of dividend and interest payments is assumed, no expenses are netted against an index's returns.

The Lipper universe of international small/mid-cap core funds represents the universe of mutual funds that are categorized by Lipper, Inc. under the same investment objective as the Fund. You cannot invest directly in a Lipper universe.

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