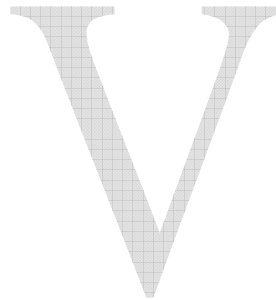


# *Veracity Funds*

## *Veracity Small Cap Value Fund*



**Semi-Annual Report**  
August 31, 2010  
(Unaudited)

**Investment Advisor**

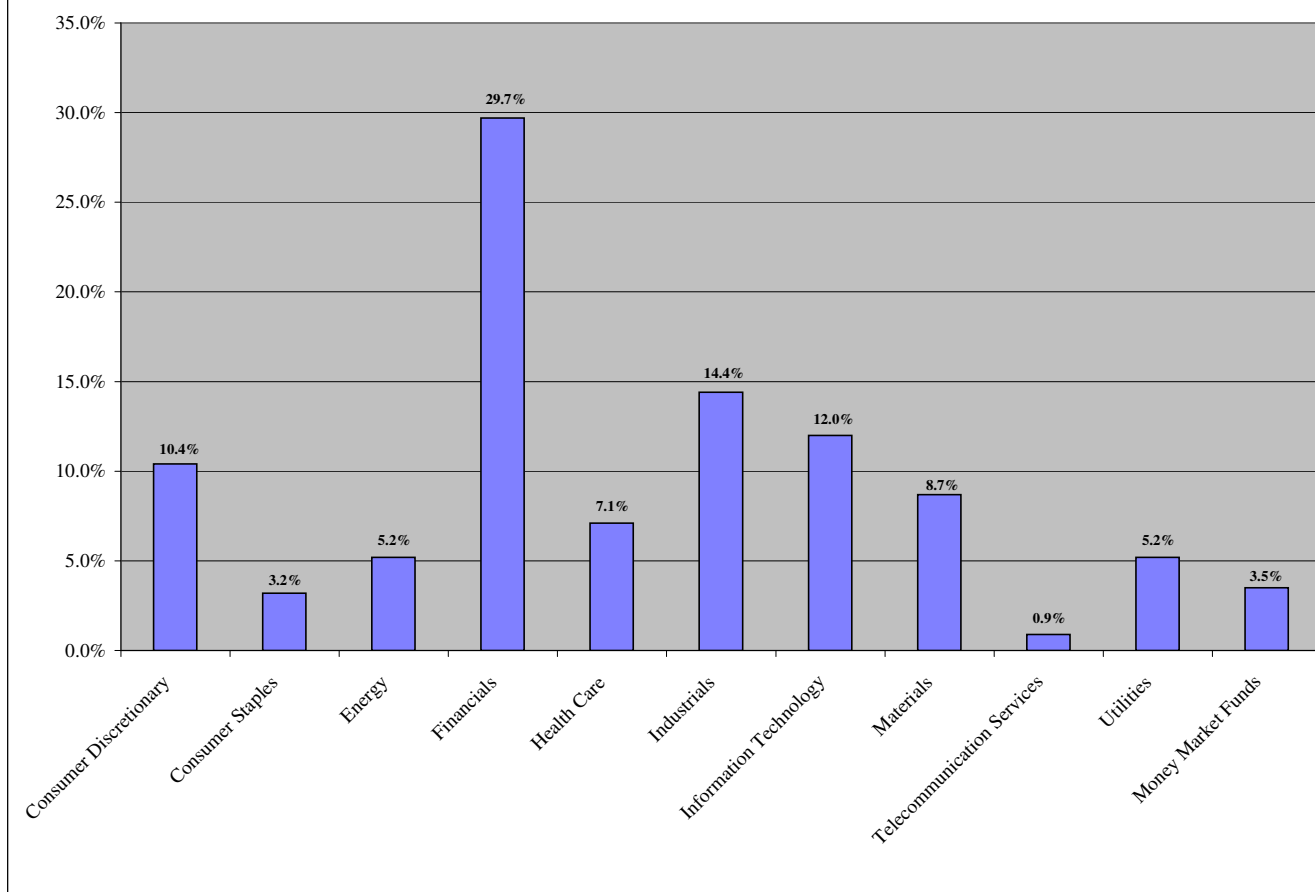
**Integrity Asset Management, LLC**  
401 West Main Street, Suite 2100  
Louisville, Kentucky 40202

**Administrator**

**Ultimus Fund Solutions, LLC**  
P.O. Box 46707  
Cincinnati, Ohio 45246-0707  
1-866-896-9292



**Veracity Small Cap Value Fund**  
**Sector Diversification (% of Net Assets)**  
**As of August 31, 2010 (Unaudited)**



**Top Ten Equity Holdings**  
**As of August 31, 2010 (Unaudited)**

| Company                            | Primary Business                      | Sector Classification | % of Net Assets |
|------------------------------------|---------------------------------------|-----------------------|-----------------|
| Magellan Health Services, Inc.     | Health Care Providers & Services      | Health Care           | 1.4%            |
| TreeHouse Foods, Inc.              | Food Products                         | Consumer Staples      | 1.4%            |
| DiamondRock Hospitality Co. - REIT | Real Estate Investment Trusts (REITs) | Financials            | 1.3%            |
| Key Energy Services, Inc.          | Energy Equipment & Services           | Energy                | 1.3%            |
| Highwoods Properties, Inc. - REIT  | Real Estate Investment Trusts (REITs) | Financials            | 1.3%            |
| Whitney Holding Corp.              | Commercial Banks                      | Financials            | 1.3%            |
| AMERIGROUP Corp.                   | Health Care Providers & Services      | Health Care           | 1.2%            |
| Innophos Holdings, Inc.            | Chemicals                             | Materials             | 1.2%            |
| Ruddick Corp.                      | Food & Staples Retailing              | Consumer Staples      | 1.2%            |
| BE Aerospace, Inc.                 | Aerospace & Defense                   | Industrials           | 1.2%            |

# Veracity Small Cap Value Fund

## Schedule of Investments

### August 31, 2010 (Unaudited)

| <b>COMMON STOCKS - 96.8%</b>                      | <b>Shares</b> | <b>Value</b> |
|---|---------------|--------------|
| <b>Consumer Discretionary - 10.4%</b>             |               |              |
| Buckle, Inc. (The)                                | 12,513        | \$ 299,686   |
| Callaway Golf Co.                                 | 108,184       | 676,150      |
| CEC Entertainment, Inc. <sup>(a)</sup>            | 37,744        | 1,184,029    |
| Cooper Tire & Rubber Co.                          | 48,633        | 787,368      |
| Cracker Barrel Old Country Store, Inc.            | 24,283        | 1,083,265    |
| Dana Holding Corp. <sup>(a)</sup>                 | 78,632        | 806,764      |
| Entercom Communications Corp. <sup>(a)</sup>      | 80,429        | 442,360      |
| Foot Locker, Inc.                                 | 56,487        | 663,157      |
| Gaylord Entertainment Co. <sup>(a)</sup>          | 46,048        | 1,204,616    |
| Genesco, Inc. <sup>(a)</sup>                      | 42,220        | 1,065,633    |
| Isle of Capri Casinos, Inc. <sup>(a)</sup>        | 75,373        | 533,641      |
| Jones Apparel Group, Inc.                         | 61,103        | 939,764      |
| Media General, Inc. - Class A <sup>(a)</sup>      | 35,509        | 273,064      |
| OfficeMax, Inc. <sup>(a)</sup>                    | 70,290        | 684,625      |
| RC2 Corp. <sup>(a)</sup>                          | 54,102        | 996,018      |
| Ryland Group, Inc. (The)                          | 56,072        | 903,320      |
| Stage Stores, Inc.                                | 115,069       | 1,284,170    |
| Tenneco, Inc. <sup>(a)</sup>                      | 54,633        | 1,350,528    |
|   |               | 15,178,158   |
| <b>Consumer Staples - 3.2%</b>                    |               |              |
| Casey's General Stores, Inc.                      | 21,268        | 800,102      |
| Ruddick Corp.                                     | 54,196        | 1,754,325    |
| TreeHouse Foods, Inc. <sup>(a)</sup>              | 49,772        | 2,065,538    |
|   |               | 4,619,965    |
| <b>Energy - 5.2%</b>                              |               |              |
| Berry Petroleum Co. - Class A                     | 33,689        | 914,656      |
| Complete Production Services, Inc. <sup>(a)</sup> | 44,285        | 781,187      |
| Helix Energy Solutions Group, Inc. <sup>(a)</sup> | 119,615       | 1,088,497    |
| Key Energy Services, Inc. <sup>(a)</sup>          | 232,313       | 1,860,827    |
| Kodiak Oil & Gas Corp. <sup>(a)</sup>             | 290,974       | 715,796      |
| Lufkin Industries, Inc.                           | 41,680        | 1,611,349    |
| Venoco, Inc. <sup>(a)</sup>                       | 39,210        | 694,017      |
|   |               | 7,666,329    |
| <b>Financials - 29.7%</b>                         |               |              |
| AmTrust Financial Services, Inc.                  | 58,856        | 803,384      |
| Associated Estates Realty Corp. - REIT            | 97,289        | 1,319,239    |
| Assured Guaranty Ltd.                             | 62,429        | 964,528      |
| Cardinal Financial Corp.                          | 71,917        | 660,198      |
| Cedar Shopping Centers, Inc. - REIT               | 106,890       | 590,033      |
| Cogdell Spencer, Inc. - REIT                      | 175,933       | 1,087,266    |
| Colonial Properties Trust - REIT                  | 74,380        | 1,179,667    |
| Developers Diversified Realty Corp. - REIT        | 119,268       | 1,235,617    |
| DiamondRock Hospitality Co. - REIT <sup>(a)</sup> | 217,511       | 1,905,396    |
| Education Realty Trust, Inc. - REIT               | 177,000       | 1,210,680    |
| First Financial Bancorp                           | 98,553        | 1,571,920    |
| FPIC Insurance Group, Inc. <sup>(a)</sup>         | 34,521        | 1,047,712    |
| Fulton Financial Corp.                            | 97,325        | 805,851      |

See accompanying notes to financial statements.

## Veracity Small Cap Value Fund

### Schedule of Investments (Continued)

| <b>COMMON STOCKS - 96.8% (Continued)</b>                    | <b>Shares</b> | <b>Value</b> |
|---|---------------|--------------|
| <b>Financials - 29.7% (Continued)</b>                       |               |              |
| Hancock Holding Co.   | 29,943        | \$ 815,049   |
| Hanover Insurance Group, Inc. (The)                         | 38,598        | 1,674,381    |
| Highwoods Properties, Inc. - REIT                           | 59,043        | 1,846,865    |
| Inland Real Estate Corp. - REIT                             | 185,315       | 1,428,779    |
| Lexington Realty Trust - REIT                               | 167,443       | 1,116,845    |
| National Penn Bancshares, Inc.                              | 236,130       | 1,371,915    |
| National Retail Properties, Inc. - REIT                     | 69,223        | 1,686,272    |
| Pacific Continental Corp.                                   | 69,560        | 571,088      |
| PacWest Bancorp   | 56,556        | 964,845      |
| Pennsylvania Real Estate Investment Trust - REIT            | 58,205        | 608,824      |
| Post Properties, Inc. - REIT                                | 57,046        | 1,448,968    |
| Radian Group, Inc.  | 161,822       | 1,024,333    |
| RLI Corp.   | 21,184        | 1,111,313    |
| Seacoast Banking Corp. of Florida <sup>(a)</sup>            | 180,606       | 218,533      |
| Sunstone Hotel Investors, Inc. - REIT <sup>(a)</sup>        | 166,069       | 1,423,211    |
| Susquehanna Bancshares, Inc.                                | 175,296       | 1,386,591    |
| Trustmark Corp.   | 68,335        | 1,303,149    |
| U-Store-It Trust - REIT                                     | 160,590       | 1,284,720    |
| Waddell & Reed Financial, Inc. - Class A                    | 33,602        | 773,182      |
| Washington Real Estate Investment Trust - REIT              | 48,429        | 1,483,865    |
| Western Alliance Bancorp <sup>(a)</sup>                     | 186,110       | 1,138,993    |
| Whitney Holding Corp.                                       | 248,015       | 1,842,752    |
| World Acceptance Corp. <sup>(a)</sup>                       | 39,167        | 1,596,055    |
| Zions Bancorp.  | 53,334        | 982,946      |
|   |               | 43,484,965   |
| <b>Health Care - 7.1%</b>                                   |               |              |
| AMERIGROUP Corp. <sup>(a)</sup>                             | 48,175        | 1,777,657    |
| Cooper Cos., Inc. (The)                                     | 35,576        | 1,435,136    |
| Health Management Associates, Inc. - Class A <sup>(a)</sup> | 229,919       | 1,436,994    |
| ICU Medical, Inc. <sup>(a)</sup>                            | 19,976        | 711,745      |
| King Pharmaceuticals, Inc. <sup>(a)</sup>                   | 78,520        | 683,909      |
| LifePoint Hospitals, Inc. <sup>(a)</sup>                    | 46,734        | 1,421,648    |
| Magellan Health Services, Inc. <sup>(a)</sup>               | 47,913        | 2,099,069    |
| Medicis Pharmaceutical Corp. - Class A                      | 31,669        | 870,897      |
|   |               | 10,437,055   |
| <b>Industrials - 14.4%</b>                                  |               |              |
| AAR CORP. <sup>(a)</sup>                                    | 78,048        | 1,198,817    |
| ABM Industries, Inc.  | 39,614        | 776,830      |
| Actuant Corp. - Class A                                     | 57,689        | 1,143,396    |
| Atlas Air Worldwide Holdings, Inc. <sup>(a)</sup>           | 31,591        | 1,369,154    |
| Baldor Electric Co.   | 35,870        | 1,258,320    |
| BE Aerospace, Inc. <sup>(a)</sup>                           | 64,568        | 1,740,108    |
| Ceradyne, Inc. <sup>(a)</sup>                               | 32,488        | 709,538      |
| Consolidated Graphics, Inc. <sup>(a)</sup>                  | 30,217        | 1,199,917    |
| Crane Co.   | 25,480        | 863,772      |
| Dycom Industries, Inc. <sup>(a)</sup>                       | 96,291        | 774,180      |
| EMCOR Group, Inc. <sup>(a)</sup>                            | 32,036        | 728,499      |
| Genesee & Wyoming, Inc. - Class A <sup>(a)</sup>            | 30,255        | 1,174,196    |
| Great Lakes Dredge & Dock Co.                               | 196,855       | 993,133      |

See accompanying notes to financial statements.

## Veracity Small Cap Value Fund

### Schedule of Investments (Continued)

| <b>COMMON STOCKS - 96.8% (Continued)</b>                   | <b>Shares</b> | <b>Value</b> |
|--|---------------|--------------|
| <b>Industrials - 14.4% (Continued)</b>                     |               |              |
| Hexcel Corp. <sup>(a)</sup>                                | 53,077        | \$ 905,494   |
| Mueller Water Products, Inc. - Class A                     | 348,533       | 826,023      |
| Old Dominion Freight Line, Inc. <sup>(a)</sup>             | 39,238        | 914,638      |
| Robbins & Myers, Inc.                                      | 45,260        | 1,070,852    |
| Standex International Corp.                                | 29,950        | 704,723      |
| Tetra Tech, Inc. <sup>(a)</sup>                            | 57,132        | 1,036,946    |
| Wabash National Corp. <sup>(a)</sup>                       | 136,212       | 834,980      |
| Werner Enterprises, Inc.                                   | 42,658        | 850,600      |
|  |               | 21,074,116   |
| <b>Information Technology - 12.0%</b>                      |               |              |
| Aviat Networks, Inc. <sup>(a)</sup>                        | 170,349       | 671,175      |
| Benchmark Electronics, Inc. <sup>(a)</sup>                 | 49,733        | 697,754      |
| Comtech Telecommunications Corp. <sup>(a)</sup>            | 47,930        | 976,334      |
| Diodes, Inc. <sup>(a)</sup>                                | 55,814        | 823,256      |
| Entegris, Inc. <sup>(a)</sup>                              | 224,598       | 864,702      |
| Fairchild Semiconductor International, Inc. <sup>(a)</sup> | 214,820       | 1,660,559    |
| Integrated Device Technology, Inc. <sup>(a)</sup>          | 222,971       | 1,141,612    |
| JDA Software Group, Inc. <sup>(a)</sup>                    | 60,135        | 1,381,301    |
| Lawson Software, Inc. <sup>(a)</sup>                       | 79,190        | 601,844      |
| Mentor Graphics Corp. <sup>(a)</sup>                       | 171,737       | 1,561,089    |
| Parametric Technology Corp. <sup>(a)</sup>                 | 97,869        | 1,668,666    |
| Photronics, Inc. <sup>(a)</sup>                            | 218,850       | 941,055      |
| Plexus Corp. <sup>(a)</sup>                                | 43,927        | 1,011,200    |
| Sapient Corp.  | 135,820       | 1,416,603    |
| TriQuint Semiconductor, Inc. <sup>(a)</sup>                | 114,237       | 793,947      |
| TTM Technologies, Inc. <sup>(a)</sup>                      | 87,100        | 719,446      |
| Veeco Instruments, Inc. <sup>(a)</sup>                     | 22,003        | 731,160      |
|  |               | 17,661,703   |
| <b>Materials - 8.7%</b>                                    |               |              |
| AK Steel Holding Corp.                                     | 34,520        | 439,785      |
| Carpenter Technology Corp.                                 | 47,872        | 1,484,511    |
| Innophos Holdings, Inc.                                    | 60,870        | 1,775,578    |
| OMNOVA Solutions, Inc. <sup>(a)</sup>                      | 120,690       | 736,209      |
| Quaker Chemical Corp.                                      | 31,821        | 942,220      |
| Rockwood Holdings, Inc. <sup>(a)</sup>                     | 58,786        | 1,519,618    |
| RTI International Metals, Inc. <sup>(a)</sup>              | 34,233        | 944,831      |
| Schnitzer Steel Industries, Inc. - Class A                 | 22,535        | 996,948      |
| Solutia, Inc. <sup>(a)</sup>                               | 123,571       | 1,673,151    |
| Spartech Corp. <sup>(a)</sup>                              | 62,627        | 559,259      |
| Temple-Inland, Inc.  | 64,226        | 1,023,120    |
| Worthington Industries, Inc.                               | 47,733        | 678,763      |
|  |               | 12,773,993   |
| <b>Telecommunication Services - 0.9%</b>                   |               |              |
| Cincinnati Bell, Inc. <sup>(a)</sup>                       | 267,178       | 627,869      |
| PAETEC Holding Corp. <sup>(a)</sup>                        | 186,252       | 763,633      |
|  |               | 1,391,502    |
| <b>Utilities - 5.2%</b>                                    |               |              |
| Cleco Corp.  | 50,172        | 1,421,373    |

See accompanying notes to financial statements.

## Veracity Small Cap Value Fund Schedule of Investments (Continued)

| <b>COMMON STOCKS - 96.8% (Continued)</b>   | <b>Shares</b> | <b>Value</b>          |
|--|---------------|-----------------------|
| <b>Utilities - 5.2% (Continued)</b>  |               |                       |
| El Paso Electric Co. <sup>(a)</sup>  | 40,333        | \$ 925,642            |
| IDACORP, Inc.  | 41,796        | 1,465,368             |
| New Jersey Resources Corp.   | 35,833        | 1,333,346             |
| PNM Resources, Inc.  | 124,403       | 1,423,170             |
| Vectren Corp.  | 41,672        | 1,022,631             |
|  |               | <u>7,591,530</u>      |
| <b>Total Common Stocks (Cost \$139,145,271)</b>  |               | <u>\$ 141,879,316</u> |
| <b>MONEY MARKET FUNDS - 3.5%</b>   |               |                       |
| First American Treasury Obligations Fund - Class Y, 0.00% <sup>(b)</sup><br>(Cost \$5,208,670) | 5,208,670     | \$ 5,208,670          |
| <b>Total Investments at Value - 100.3%</b> (Cost \$144,353,941)                                |               | \$ 147,087,986        |
| <b>Liabilities in Excess of Other Assets - (0.3%)</b>  |               | <u>(452,617)</u>      |
| <b>Net Assets - 100.0%</b>   |               | <u>\$ 146,635,369</u> |

REIT - Real Estate Investment Trust.

<sup>(a)</sup> Non-income producing security.

<sup>(b)</sup> Variable rate security. The rate shown is the 7-day effective yield as of August 31, 2010.

**Veracity Small Cap Value Fund**  
**Statement of Assets and Liabilities**  
**August 31, 2010 (Unaudited)**

|  |                       |
|--|-----------------------|
| <b>ASSETS</b>  |                       |
| Investments in securities:   |                       |
| At acquisition cost  | \$ 144,353,941        |
| At value (Note 1)  | \$ 147,087,986        |
| Receivable for investment securities sold  | 32,759                |
| Receivable for capital shares sold   | 302,066               |
| Dividends receivable   | 111,394               |
| Other assets   | 23,791                |
| <b>TOTAL ASSETS</b>  | <b>147,557,996</b>    |
| <b>LIABILITIES</b>   |                       |
| Payable for investment securities purchased  | 626,067               |
| Payable for capital shares redeemed  | 125,536               |
| Payable to Advisor (Note 3)  | 136,195               |
| Payable to administrator (Note 3)  | 19,700                |
| Accrued distribution and service plan fees (Note 3)  | 12,308                |
| Other accrued expenses and liabilities   | 2,821                 |
| <b>TOTAL LIABILITIES</b>   | <b>922,627</b>        |
| <b>NET ASSETS</b>  | <b>\$ 146,635,369</b> |
| <b>Net assets consist of:</b>  |                       |
| Paid-in capital  | \$ 176,157,098        |
| Accumulated net investment loss  | (171,288)             |
| Accumulated net realized losses from security transactions   | (32,084,486)          |
| Net unrealized appreciation on investments   | 2,734,045             |
| <b>NET ASSETS</b>  | <b>\$ 146,635,369</b> |
| <b>PRICING OF CLASS R SHARES</b>   |                       |
| Net assets applicable to Class R shares  | \$ 58,266,319         |
| Shares of beneficial interest outstanding (unlimited<br>number of shares authorized, no par value) | 2,788,349             |
| Net asset value and offering price per share <sup>(a)</sup> (Note 1)                               | \$ 20.90              |
| <b>PRICING OF CLASS I SHARES</b>   |                       |
| Net assets applicable to Class I shares  | \$ 88,369,050         |
| Shares of beneficial interest outstanding (unlimited<br>number of shares authorized, no par value) | 4,215,892             |
| Net asset value and offering price per share <sup>(a)</sup> (Note 1)                               | \$ 20.96              |

<sup>(a)</sup> Redemption price varies based on length of time held (Note 1).

See accompanying notes to financial statements.

**Veracity Small Cap Value Fund**  
**Statement of Operations**  
**For the Six Months Ended August 31, 2010 (Unaudited)**

|   |                       |
|---|-----------------------|
| <b>INVESTMENT INCOME</b>  |                       |
| Dividends   | \$ 925,513            |
| Interest  | 4                     |
| <b>TOTAL INVESTMENT INCOME</b>                                    | <u>925,517</u>        |
| <b>EXPENSES</b>   |                       |
| Investment advisory fees (Note 3)                                 | 814,668               |
| Mutual fund services fees (Note 3)                                | 122,393               |
| Distribution and service plan expense - Class R (Note 3)          | 112,106               |
| Custodian and bank service fees                                   | 13,919                |
| Compliance service fees (Note 3)                                  | 12,000                |
| Professional fees   | 11,910                |
| Trustees' fees and expenses                                       | 10,110                |
| Registration fees - Common  | 6,116                 |
| Registration fees - Class R                                       | 1,931                 |
| Registration fees - Class I                                       | 1,440                 |
| Insurance expense   | 7,813                 |
| Postage and supplies  | 5,463                 |
| Other expenses  | 10,588                |
| <b>NET EXPENSES</b>   | <u>1,130,457</u>      |
| <b>NET INVESTMENT LOSS</b>  | <u>(204,940)</u>      |
| <b>REALIZED AND UNREALIZED GAINS (LOSSES) ON INVESTMENTS</b>      |                       |
| Net realized gains from security transactions                     | 4,640,736             |
| Net change in unrealized appreciation/depreciation on investments | <u>(10,151,262)</u>   |
| <b>NET REALIZED AND UNREALIZED LOSSES ON INVESTMENTS</b>          | <u>(5,510,526)</u>    |
| <b>NET DECREASE IN NET ASSETS FROM OPERATIONS</b>                 | <u>\$ (5,715,466)</u> |

See accompanying notes to financial statements.

## Veracity Small Cap Value Fund

### Statements of Changes in Net Assets

|   | Six Months<br>Ended<br>August 31,<br>2010<br>(Unaudited) | Year<br>Ended<br>February 28,<br>2010 |
|---|--|---------------------------------------|
| <b>FROM OPERATIONS</b>  |  |                                       |
| Net investment income (loss)  | \$ (204,940)   | \$ 195,167                            |
| Net realized gains (losses) from security transactions                        | 4,640,736  | (2,481,403)                           |
| Net change in unrealized appreciation/depreciation on investments             | (10,151,262)   | 62,585,798                            |
| Net increase (decrease) in net assets from operations                         | <u>(5,715,466)</u>                                       | <u>60,299,562</u>                     |
| <b>FROM DISTRIBUTIONS TO SHAREHOLDERS</b>                                     |  |                                       |
| From net investment income, Class R   | -  | (24,103)                              |
| From net investment income, Class I   | -  | (137,412)                             |
| Decrease in net assets from distributions to shareholders                     | <u>-</u>   | <u>(161,515)</u>                      |
| <b>FROM CAPITAL SHARE TRANSACTIONS</b>  |  |                                       |
| <b>CLASS R</b>  |  |                                       |
| Proceeds from shares sold   | 11,401,474   | 17,963,487                            |
| Reinvestment of distributions to shareholders                                 | -  | 24,101                                |
| Proceeds from redemption fees collected (Note 1)                              | 239  | 2,133                                 |
| Payments for shares redeemed  | (39,074,883) <sup>(a)</sup>                              | (16,362,664)                          |
| Net increase (decrease) in net assets from Class R capital share transactions | <u>(27,673,170)</u>                                      | <u>1,627,057</u>                      |
| <b>CLASS I</b>  |  |                                       |
| Proceeds from shares sold   | 38,435,882 <sup>(a)</sup>                                | 20,121,062                            |
| Reinvestment of distributions to shareholders                                 | -  | 110,398                               |
| Proceeds from redemption fees collected (Note 1)                              | 13   | 23                                    |
| Payments for shares redeemed  | (9,266,894)  | (7,229,483)                           |
| Net increase in net assets from Class I capital share transactions            | <u>29,169,001</u>  | <u>13,002,000</u>                     |
| <b>TOTAL INCREASE (DECREASE) IN NET ASSETS</b>                                | <b>(4,219,635)</b>                                       | <b>74,767,104</b>                     |
| <b>NET ASSETS</b>   |  |                                       |
| Beginning of period   | 150,855,004  | 76,087,900                            |
| End of period   | <u>\$ 146,635,369</u>                                    | <u>\$ 150,855,004</u>                 |
| <b>ACCUMULATED NET INVESTMENT INCOME (LOSS)</b>                               |  |                                       |
|   | <u>\$ (171,288)</u>                                      | <u>\$ 33,652</u>                      |
| <b>SUMMARY OF CAPITAL SHARE ACTIVITY</b>                                      |  |                                       |
| <b>CLASS R</b>  |  |                                       |
| Shares sold   | 485,844  | 1,002,449                             |
| Shares issued in reinvestment of distributions to shareholders                | -  | 1,140                                 |
| Shares redeemed   | (1,754,299)  | (904,518)                             |
| Net increase (decrease) in shares outstanding                                 | (1,268,455)  | 99,071                                |
| Shares outstanding, beginning of period                                       | 4,056,804  | 3,957,733                             |
| Shares outstanding, end of period   | <u>2,788,349</u>   | <u>4,056,804</u>                      |
| <b>CLASS I</b>  |  |                                       |
| Shares sold   | 1,719,934  | 1,037,119                             |
| Shares issued in reinvestment of distributions to shareholders                | -  | 5,215                                 |
| Shares redeemed   | (402,128)  | (391,589)                             |
| Net increase in shares outstanding  | 1,317,806  | 650,745                               |
| Shares outstanding, beginning of period                                       | 2,898,086  | 2,247,341                             |
| Shares outstanding, end of period   | <u>4,215,892</u>   | <u>2,898,086</u>                      |

<sup>(a)</sup> Includes an exchange of shares from Class R to Class I of \$30,174,229.

See accompanying notes to financial statements.

**Veracity Small Cap Value Fund - Class R**  
**Financial Highlights**

Per share data for a share outstanding throughout each period:

|   | Six Months<br>Ended<br>August 31,<br>2010<br>(Unaudited) | Year<br>Ended<br>February 28,<br>2010 | Year<br>Ended<br>February 28,<br>2009 | Year<br>Ended<br>February 29,<br>2008 | Year<br>Ended<br>February 28,<br>2007 | Year<br>Ended<br>February 28,<br>2006 |
|---|--|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| Net asset value at beginning of period                      | \$ 21.67   | \$ 12.26                              | \$ 20.92                              | \$ 26.79                              | \$ 26.01                              | \$ 22.99                              |
| Income (loss) from investment operations:                   |  |                                       |                                       |                                       |                                       |                                       |
| Net investment income (loss)                                | (0.06)   | 0.01                                  | 0.13                                  | 0.03                                  | 0.03                                  | (0.02)                                |
| Net realized and unrealized gains (losses) on investments   | (0.71)   | 9.41                                  | (8.66)                                | (4.05)                                | 2.18                                  | 3.84                                  |
| Total from investment operations                            | (0.77)   | 9.42                                  | (8.53)                                | (4.02)                                | 2.21                                  | 3.82                                  |
| Less distributions:   |  |                                       |                                       |                                       |                                       |                                       |
| From net investment income                                  | -  | (0.01)                                | (0.13)                                | (0.03)                                | (0.03)                                | -                                     |
| From net realized gains on investments                      | -  | -                                     | -                                     | (1.81)                                | (1.40)                                | (0.80)                                |
| Return of capital   | -  | -                                     | (0.00) <sup>(a)</sup>                 | (0.01)                                | -                                     | -                                     |
| Total distributions   | -  | (0.01)                                | (0.13)                                | (1.85)                                | (1.43)                                | (0.80)                                |
| Proceeds from redemption fees collected (Note 1)            | 0.00 <sup>(a)</sup>                                      | 0.00 <sup>(a)</sup>                   | 0.00 <sup>(a)</sup>                   | 0.00 <sup>(a)</sup>                   | 0.00 <sup>(a)</sup>                   | 0.00 <sup>(a)</sup>                   |
| Net asset value at end of period                            | \$ 20.90   | \$ 21.67                              | \$ 12.26                              | \$ 20.92                              | \$ 26.79                              | \$ 26.01                              |
| Total return <sup>(b)</sup>                                 | (3.55%) <sup>(c)</sup>                                   | 76.80%                                | (40.91%)                              | (15.81%)                              | 8.46%                                 | 16.98%                                |
| Net assets at end of period (000's)                         | \$ 58,266  | \$ 87,928                             | \$ 48,510                             | \$ 91,731                             | \$ 116,883                            | \$ 44,708                             |
| Ratio of net expenses to average net assets                 | 1.50% <sup>(e)</sup>                                     | 1.50% <sup>(d)</sup>                  | 1.50% <sup>(d)</sup>                  | 1.50% <sup>(f)</sup>                  | 1.50% <sup>(d)</sup>                  | 1.49% <sup>(d)</sup>                  |
| Ratio of net investment income (loss) to average net assets | (0.36%) <sup>(e)</sup>                                   | 0.06%                                 | 0.70%                                 | 0.06% <sup>(f)</sup>                  | 0.08%                                 | (0.13%)                               |
| Portfolio turnover rate                                     | 27% <sup>(c)</sup>                                       | 69%                                   | 86%                                   | 92%                                   | 106%                                  | 140%                                  |

<sup>(a)</sup> Amount rounds to less than \$0.01 per share.

<sup>(b)</sup> Total return is a measure of the change in value of an investment in the Fund over the period covered, which assumes any dividends or capital gains distributions are reinvested in shares of the Fund. Returns shown do not reflect the deduction of taxes a shareholder would pay on Fund distributions or the redemption of Fund shares.

<sup>(c)</sup> Not annualized.

<sup>(d)</sup> Absent fee reductions and expense reimbursements by the Advisor, the ratio of expenses to average net assets would have been 1.54%, 1.56%, 1.56% and 1.82% for the years ended February 28, 2010, 2009, 2007 and 2006, respectively.

<sup>(e)</sup> Annualized.

<sup>(f)</sup> Absent the recoupment of previous fee reductions and expense reimbursements by the Advisor, the ratio of expenses to average net assets would have been 1.49% and the ratio of net investment income to average net assets would have been 0.07% for the year ended February 29, 2008.

See accompanying notes to financial statements.

## Veracity Small Cap Value Fund - Class I

### Financial Highlights

Per share data for a share outstanding throughout each period:

|   | Six Months<br>Ended<br>August 31,<br>2010<br>(Unaudited) | Year<br>Ended<br>February 28,<br>2010 | Year<br>Ended<br>February 28,<br>2009 | Year<br>Ended<br>February 29,<br>2008 | Year<br>Ended<br>February 28,<br>2007 | Period<br>Ended<br>February 28,<br>2006 <sup>(a)</sup> |
|---|--|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|--|
| Net asset value at beginning of period                    | \$ 21.71   | \$ 12.27                              | \$ 20.97                              | \$ 26.85                              | \$ 26.04                              | \$ 23.42   |
| Income (loss) from investment operations:                 |  |                                       |                                       |                                       |                                       |  |
| Net investment income (loss)                              | (0.01)   | 0.05                                  | 0.18                                  | 0.07                                  | 0.08                                  | 0.02   |
| Net realized and unrealized gains (losses) on investments | (0.74)   | 9.44                                  | (8.69)                                | (4.03)                                | 2.20                                  | 3.42   |
| Total from investment operations                          | (0.75)   | 9.49                                  | (8.51)                                | (3.96)                                | 2.28                                  | 3.44   |
| Less distributions:                                       |  |                                       |                                       |                                       |                                       |  |
| From net investment income                                | -  | (0.05)                                | (0.18)                                | (0.07)                                | (0.07)                                | (0.02)   |
| From net realized gains on investments                    | -  | -                                     | -                                     | (1.81)                                | (1.40)                                | (0.80)   |
| Return of capital   | -  | -                                     | (0.01)                                | (0.04)                                | -                                     | -  |
| Total distributions                                       | -  | (0.05)                                | (0.19)                                | (1.92)                                | (1.47)                                | (0.82)   |
| Proceeds from redemption fees collected (Note 1)          | 0.00 <sup>(b)</sup>                                      | 0.00 <sup>(b)</sup>                   | -                                     | 0.00 <sup>(b)</sup>                   | -                                     | -  |
| Net asset value at end of period                          | \$ 20.96   | \$ 21.71                              | \$ 12.27                              | \$ 20.97                              | \$ 26.85                              | \$ 26.04   |
| Total return <sup>(c)</sup>                               | (3.45%) <sup>(d)</sup>                                   | 77.33%                                | (40.79%)                              | (15.57%)                              | 8.72%                                 | 15.03% <sup>(d)</sup>                                  |
| Net assets at end of period (000's)                       | \$ 88,369  | \$ 62,927                             | \$ 27,578                             | \$ 50,456                             | \$ 74,583                             | \$ 29,328  |
| Ratio of net expenses to average net assets               | 1.25% <sup>(f)</sup>                                     | 1.25% <sup>(e)</sup>                  | 1.24% <sup>(e)</sup>                  | 1.25% <sup>(g)</sup>                  | 1.25% <sup>(e)</sup>                  | 1.25% <sup>(e)(f)</sup>                                |
| Ratio of net investment income to average net assets      | (0.11%) <sup>(f)</sup>                                   | 0.31%                                 | 0.95%                                 | 0.31% <sup>(g)</sup>                  | 0.33%                                 | 0.12% <sup>(f)</sup>                                   |
| Portfolio turnover rate                                   | 27% <sup>(d)</sup>                                       | 69%                                   | 86%                                   | 92%                                   | 106%                                  | 140%   |

<sup>(a)</sup> Represents the period from the commencement of operations (July 7, 2005) through February 28, 2006.

<sup>(b)</sup> Amount rounds to less than \$0.01 per share.

<sup>(c)</sup> Total return is a measure of the change in value of an investment in the Fund over the period covered, which assumes any dividends or capital gains distributions are reinvested in shares of the Fund. Returns shown do not reflect the deduction of taxes a shareholder would pay on Fund distributions or the redemption of Fund shares.

<sup>(d)</sup> Not annualized.

<sup>(e)</sup> Absent fee reductions and expense reimbursements by the Advisor, the ratio of expenses to average net assets would have been 1.29%, 1.30%, 1.31% and 1.58%<sup>(f)</sup> for the periods ended February 28, 2010, 2009, 2007 and 2006, respectively.

<sup>(f)</sup> Annualized.

<sup>(g)</sup> Absent the recoupment of previous fee reductions and expense reimbursements by the Advisor, the ratio of expenses to average net assets would have been 1.24% and the ratio of net investment income to average net assets would have been 0.32% for the year ended February 29, 2008.

See accompanying notes to financial statements.

# Veracity Small Cap Value Fund

## Notes to Financial Statements

### August 31, 2010 (Unaudited)

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#### 1. Organization and Significant Accounting Policies

The Veracity Small Cap Value Fund (the “Fund”) is a diversified series of Veracity Funds (the “Trust”), an open-end management investment company established under the laws of Delaware by the filing of a Certificate of Trust dated December 29, 2003. The public offering of Class R shares and Class I shares commenced on March 30, 2004 and July 7, 2005, respectively.

The investment objective of the Fund is long-term capital growth.

The Fund’s two classes of shares, Class R and Class I, represent interests in the same portfolio of investments and have the same rights, but differ primarily in the expenses to which they are subject and required investment minimums. Class R shares are subject to a distribution (12b-1) fee at the annual rate of 0.25% of the Fund’s average daily net assets allocable to Class R shares and require a \$25,000 initial investment, whereas Class I shares are not subject to distribution fees and require a \$250,000 initial investment.

**Securities valuation** – Common stocks, including REIT’s, that are traded on any stock exchange are generally valued at the last quoted sale price, and when the market is active, will be classified as Level 1 within the fair value hierarchy. Lacking a last sale price, an exchange traded security is generally valued at its last bid price. Securities traded on NASDAQ are valued at the NASDAQ Official Closing Price. When market quotations are not readily available, when Integrity Asset Management, LLC (the “Advisor”) determines that the market quotation or the price provided by the pricing service does not accurately reflect the current fair value, or when restricted securities are being valued, such securities are valued as determined in good faith by the Advisor, in conformity with guidelines adopted by and subject to review of the Board of Trustees of the Trust, and will be classified as Level 2 or 3 within the fair value hierarchy, depending on the inputs used.

Accounting principles generally accepted in the United States (“GAAP”) establish a single authoritative definition of fair value, set out a framework for measuring fair value and require additional disclosures about fair value measurements.

Various inputs are used in determining the value of the Fund’s investments. These inputs are summarized in the three broad levels listed below:

- Level 1 – quoted prices in active markets for identical securities
- Level 2 – other significant observable inputs
- Level 3 – significant unobservable inputs

The inputs or methodology used for valuing securities are not necessarily an indication of the risks associated with investing in those securities. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurements falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

## Veracity Small Cap Value Fund

### Notes to Financial Statements (Continued)

The following is a summary of the inputs used to value the Fund's investments by security type as of August 31, 2010:

|                    | Level 1               | Level 2     | Level 3     | Total                 |
|--------------------|-----------------------|-------------|-------------|-----------------------|
| Common Stocks      | \$ 141,879,316        | \$ -        | \$ -        | \$ 141,879,316        |
| Money Market Funds | 5,208,670             | -           | -           | 5,208,670             |
| Total              | <u>\$ 147,087,986</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 147,087,986</u> |

Refer to the Fund's Schedule of Investments for a listing of the common stocks valued using Level 1 inputs by sector type. The Fund did not have any significant transfers in and out of Level 1 or Level 2 during the six months ended August 31, 2010. The Fund did not have any derivative instruments or assets or liabilities that were measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as of or during the six months ended August 31, 2010.

**Share valuation** – The net asset value per share of each class of shares of the Fund is calculated as of the close of trading on the New York Stock Exchange (the "Exchange") (normally 4:00 p.m., Eastern time) on each day that the Exchange is open for business. The net asset value per share of each class of shares of the Fund is calculated by dividing the total value of the Fund's assets attributable to that class, minus liabilities attributable to that class, by the number of shares of that class outstanding. The offering price and redemption price per share is equal to the net asset value per share, except that shares of each class are subject to a redemption fee of 2% if redeemed within 30 days of purchase. During the periods ended August 31, 2010 and February 28, 2010, proceeds from redemption fees totaled \$239 and \$2,133, respectively, for Class R shares and \$13 and \$23, respectively, for Class I shares.

**Security transactions and investment income** – Security transactions are accounted for on trade date. Cost of securities sold is determined on a specific identification basis. Dividend income is recorded on the ex-dividend date. Interest income is accrued as earned.

**Distributions to shareholders** – Dividends arising from net investment income and net capital gains, if any, are declared and paid annually in December. The amount of distributions from net investment income and net realized gains are determined in accordance with income tax regulations which may differ from GAAP. Dividends and distributions to shareholders are recorded on the ex-dividend date. The tax character of distributions paid during the periods ended August 31, 2010 and February 28, 2010 was as follows:

|                | <u>Periods Ended</u> | <u>Ordinary<br/>Income</u> | <u>Total<br/>Distributions</u> |
|----------------|----------------------|----------------------------|--------------------------------|
| <b>Class R</b> | August 31, 2010      | \$ -                       | \$ -                           |
|                | February 28, 2010    | \$ 24,103                  | \$ 24,103                      |
| <b>Class I</b> | August 31, 2010      | \$ -                       | \$ -                           |
|                | February 28, 2010    | \$ 137,412                 | \$ 137,412                     |

## Veracity Small Cap Value Fund

### Notes to Financial Statements (Continued)

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**Allocation between classes** – Investment income earned, realized capital gains and losses, and unrealized appreciation and depreciation are allocated daily to each class of shares based upon its proportionate share of total net assets of the Fund. Class specific expenses are charged directly to the class incurring the expense. Common expenses which are not attributable to a specific class are allocated daily to each class of shares based upon its proportionate share of total net assets of the Fund.

**Repurchase agreements** – The Fund may enter into repurchase agreements (agreements to purchase securities subject to the seller’s agreement to repurchase them at a specified time and price) with well-established registered securities dealers or banks. Repurchase agreements may be deemed to be loans by the Fund. The Fund’s policy is to take possession of U.S. Government obligations as collateral under a repurchase agreement and, on a daily basis, mark-to-market such obligations to ensure that their value, including accrued interest, is at least equal to the amount to be repaid to the Fund under the repurchase agreement. If the seller defaults and the fair value of the collateral declines, then realization of the collateral by the Fund may be delayed or limited.

**Estimates** – 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 the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

**Federal income tax** – It is the Fund’s policy to comply with the special provisions of Subchapter M of the Internal Revenue Code applicable to regulated investment companies. As provided therein, in any fiscal year in which the Fund so qualifies and distributes at least 90% of its taxable net income, the Fund (but not the shareholders) will be relieved of federal income tax on the income distributed. Accordingly, no provision for income taxes has been made.

In order to avoid imposition of the excise tax applicable to regulated investment companies, it is also the Fund’s intention to declare as dividends in each calendar year at least 98% of its net investment income (earned during the calendar year) and 98% of its net realized capital gains (earned during the twelve months ended October 31) plus undistributed amounts from prior years.

The following information is computed on a tax basis for each item as of August 31, 2010:

|                               |                        |
|-------------------------------|------------------------|
| Cost of portfolio investments | <u>\$ 145,451,988</u>  |
| Gross unrealized appreciation | 19,315,342             |
| Gross unrealized depreciation | <u>(17,679,344)</u>    |
| Net unrealized appreciation   | \$ 1,635,998           |
| Undistributed ordinary income | 33,652                 |
| Accumulated ordinary loss     | (204,940)              |
| Capital loss carryforwards    | (35,287,483)           |
| Other gains                   | <u>4,301,044</u>       |
| Accumulated deficit           | <u>\$ (29,521,729)</u> |

## **Veracity Small Cap Value Fund**

### **Notes to Financial Statements (Continued)**

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The difference between the federal income tax cost of portfolio investments and the financial statement cost for the Fund is due to timing differences in the recognition of capital gains or losses under income tax regulations and GAAP. These “book/tax” differences are temporary in nature and are due to the tax deferral of losses on wash sales.

As of February 28, 2010, the Fund had capital loss carryforwards of \$35,287,483, of which \$19,242,509 expires February 28, 2017 and \$16,044,974 expires February 28, 2018. These capital loss carryforwards may be utilized in the current and future years to offset net realized capital gains, if any, prior to distributing such gains to shareholders.

As of and during the six months ended August 31, 2010, the Fund did not have any liability for unrecognized tax benefits. The Fund recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the statement of operations. During the six months ended August 31, 2010, the Fund did not incur any interest or penalties. The statute of limitations on the Fund’s tax returns remains open for the years ended February 29, 2008, February 28, 2009 and February 28, 2010.

**Contingencies and commitments** – The Fund indemnifies the Trust's officers and Trustees for certain liabilities that might arise from their performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enters into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Fund’s maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Fund that have not yet occurred. However, the Fund expects the risk of loss to be remote.

#### **2. Investment Transactions**

During the six months ended August 31, 2010, cost of purchases and proceeds from sales of investment securities, other than short-term investments, amounted to \$43,810,894 and \$40,778,778, respectively.

#### **3. Transactions with Affiliates**

Certain Trustees and officers of the Trust are affiliated with the Advisor, or with Ultimus Fund Solutions, LLC (“Ultimus”), the Fund’s administrator, transfer agent and fund accounting agent, and Ultimus Fund Distributors, LLC (“UFD”), the Fund’s principal underwriter.

#### **INVESTMENT ADVISORY AGREEMENT**

Under the terms of the Investment Advisory Agreement between the Trust and the Advisor, the Advisor serves as the investment advisor to the Fund. For its services, the Fund pays the Advisor an investment advisory fee at the annual rate of 1.00% of the Fund’s average daily net assets. The Advisor has agreed to reduce its advisory fees and/or reimburse expenses of the Fund to the extent necessary to maintain the Fund’s total annual expense ratio at no greater than 1.50% for Class R shares and 1.25% for Class I shares. This contractual obligation expires on June 30, 2011. For the six months ended August 31, 2010, the Advisor did not reduce its advisory fees or reimburse expenses of the Fund. As of August 31, 2010, the amount of advisory fees payable to the Advisor is \$136,195.

## Veracity Small Cap Value Fund

### Notes to Financial Statements (Continued)

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The Advisor may recover advisory fee reductions and/or expense reimbursements on behalf of the Fund, but only for a period of three years after the fee reduction and/or expense reimbursement, and only if such recovery will not cause the Fund's expense ratio with respect to Class R and Class I shares to exceed 1.50% and 1.25%, respectively. As of August 31, 2010, the amount available for recovery by the Advisor is \$123,250 and the Advisor may recover a portion of such amounts no later than the dates as stated below:

|                   |    |                |
|-------------------|----|----------------|
| February 29, 2012 | \$ | 67,153         |
| February 28, 2013 |    | 56,097         |
|                   | \$ | <u>123,250</u> |

Trustees who are not affiliated with the Advisor receive compensation from the Fund. Trustees who are affiliated with the Advisor receive no compensation from the Fund.

#### MUTUAL FUND SERVICES AGREEMENT

Under the terms of a Mutual Fund Services Agreement, Ultimus provides administrative, fund accounting and pricing, and transfer agent and shareholder services to the Fund. For these services, Ultimus receives a monthly fee from the Fund at an annual rate of 0.15% of the Fund's average daily net assets, subject to a minimum monthly fee of \$6,500. In addition, the Fund pays out-of-pocket expenses including, but not limited to, postage, supplies and costs of pricing the Fund's portfolio securities.

#### SERVICE PLAN AND AGREEMENT

The Trust has adopted a Service Plan and Agreement for Class R shares, pursuant to which the Fund pays the Advisor a monthly fee for distribution and/or shareholder servicing expenses not to exceed 0.25% per annum of the Fund's average daily net assets allocable to Class R shares. The Advisor, in turn, may pay such fees to third parties for eligible services provided by those parties to Class R shareholders.

#### DISTRIBUTION AGREEMENT

Under the terms of a Distribution Agreement, UFD provides distribution services and serves as principal underwriter to the Fund. For the six months ended August 31, 2010, UFD received \$3,000 for its services under the Distribution Agreement.

#### COMPLIANCE CONSULTING AGREEMENT

Under the terms of a Compliance Consulting Agreement, Drake Compliance, LLC ("Drake") provides ongoing regulatory compliance consulting, monitoring and reporting services for the Trust. In addition, a principal of Drake serves as the Trust's Chief Compliance Officer as required by Rule 38a-1 under the Investment Company Act of 1940. For these services, Drake receives \$2,000 per month from the Fund. In addition, the Fund reimburses certain out-of-pocket expenses incurred by Drake including, but not limited to, postage and supplies and travel expenses.

#### PRINCIPAL HOLDERS OF FUND SHARES

As of August 31, 2010, Wilmington Trust Retirement Company, P.O. Box 52129, Phoenix, AZ 85072-2129, owned of record 32% of the Fund's outstanding Class I shares.

## **Veracity Small Cap Value Fund**

### **Notes to Financial Statements (Continued)**

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#### **4. Subsequent Events**

The Fund is required to recognize in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed as of the date of the Statement of Assets and Liabilities. For non-recognized subsequent events that must be disclosed to keep the financial statements from being misleading, the Fund is 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. Management has evaluated subsequent events through the issuance of these financial statements and has noted no such events.

#### **5. New Accounting Pronouncement**

In January 2010, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2010-06 “Improving Disclosures about Fair Value Measurements.” ASU No. 2010-06 amends FASB Accounting Standards Codification Topic 820, Fair Value Measurements and Disclosures, to require additional disclosures regarding fair value measurements. Certain disclosures required by ASU No. 2010-06 are effective for interim and annual reporting periods beginning after December 15, 2009 and others for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. Management is currently evaluating the impact ASU No. 2010-06 will have on the Fund’s financial statement disclosures.

## **Veracity Small Cap Value Fund**

### **About Your Fund's Expenses (Unaudited)**

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We believe it is important for you to understand the impact of costs on your investment. All mutual funds have operating expenses. As a shareholder of the Fund, you may incur two types of costs: (1) transaction costs, including redemption fees; and (2) ongoing costs, including management fees, distribution (12b-1) fees and other Fund expenses. The following examples are 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.

A mutual fund's ongoing costs are expressed as a percentage of its average net assets. This figure is known as the expense ratio. The expenses in the tables are based on an investment of \$1,000 made at the beginning of the most recent semi-annual period (March 1, 2010) and held until the end of the period (August 31, 2010).

The tables that follow illustrate the Fund's costs in two ways:

Actual fund return – This section helps you to estimate the actual expenses that you paid over the period. The “Ending Account Value” shown is derived from the Fund's actual return, and the third column shows the dollar amount of operating expenses that would have been paid by an investor who started with \$1,000 in the Fund. You may use the information here, together with the amount you invested, to estimate the expenses that you paid over the period.

To do so, 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 given for the Fund under the heading “Expenses Paid During Period.”

Hypothetical 5% return – This section is intended to help you compare the Fund's ongoing costs with those of other mutual funds. It assumes that the Fund had an annual return of 5% before expenses during the period shown, but that the expense ratio is unchanged. In this case, because the return used is not the Fund's actual return, the results do not apply to your investment. The example is useful in making comparisons because the Securities and Exchange Commission (“SEC”) requires all mutual funds to calculate expenses based on a 5% return. You can assess the Fund's ongoing costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other funds.

Note that expenses shown in the table are meant to highlight and help you compare ongoing costs only. The Fund does not impose any sales loads. However, a redemption fee of 2% is applied on the sale of shares (sold within 30 days of the date of their purchase) and does not apply to the redemption of shares acquired through reinvestment of dividends and other distributions. The calculations assume no shares were bought or sold during the period. Your actual costs may have been higher or lower, depending on the amount of your investment and the timing of any purchases or redemptions.

## Veracity Small Cap Value Fund

### About Your Fund's Expenses (Unaudited) (Continued)

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More information about the Fund's expenses, including annualized expense ratios, can be found in this report. For additional information on operating expenses and other shareholder costs, please refer to the Fund's prospectus.

#### Class R

|  | Beginning<br>Account Value<br>March 1, 2010 | Ending<br>Account Value<br>Aug. 31, 2010 | Expenses Paid<br>During Period* |
|--|---|--|---------------------------------|
| Based on Actual Fund Return                          | \$1,000.00                                  | \$ 964.50                                | \$7.43                          |
| Based on Hypothetical 5% Return<br>(before expenses) | \$1,000.00                                  | \$ 1,017.64                              | \$7.63                          |

\* Expenses are equal to Class R's annualized expense ratio of 1.50% for the period, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).

#### Class I

|  | Beginning<br>Account Value<br>March 1, 2010 | Ending<br>Account Value<br>Aug. 31, 2010 | Expenses Paid<br>During Period* |
|--|---|--|---------------------------------|
| Based on Actual Fund Return                          | \$1,000.00                                  | \$ 965.50                                | \$6.19                          |
| Based on Hypothetical 5% Return<br>(before expenses) | \$1,000.00                                  | \$ 1,018.90                              | \$6.36                          |

\* Expenses are equal to Class I's annualized expense ratio of 1.25% for the period, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).

### Other Information (Unaudited)

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The Fund files its complete schedule of portfolio holdings with the SEC as of the end of the first and third quarters of each fiscal year on Form N-Q. The filings are available free of charge, upon request, by calling 1-866-896-9292. Furthermore, you may obtain a copy of these filings on the SEC's website at <http://www.sec.gov>. The Fund's Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room in Washington, DC, and information on the operation of the Public Reference Room may be obtained by calling 1-(800) SEC-0330.

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available without charge upon request by calling toll-free 1-866-896-9292, or on the SEC's website at <http://www.sec.gov>. Information regarding how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is also available without charge upon request by calling toll-free 1-866-896-9292, or on the SEC's website at <http://www.sec.gov>.