

Semi-Annual Report 2007

Tilson Focus Fund
Tilson Dividend Fund
April 30, 2007
(Unaudited)

Tilson Mutual Funds

This report and the financial statements contained herein are submitted for the general information of the shareholders of the Tilson Focus Fund and the Tilson Dividend Fund (individually, the "Fund" and collectively, the "Funds"). This report is not authorized for distribution to prospective investors in the Funds unless preceded or accompanied by an effective prospectus. Mutual fund shares are not deposits or obligations of, or guaranteed by, any depository institution. Shares are not insured by the FDIC, Federal Reserve Board or any other agency, and are subject to investment risks, including possible loss of principal amount invested. Neither the Funds nor the Funds' distributor is a bank.

Distributor: Capital Investment Group, Inc., 116 S. Franklin St. Rocky Mount, NC 27804, Phone 1-800-773-3863.

Statements in this semi-annual report that reflect projections or expectations of future financial or economic performance of the Tilson Funds ("Funds") and of the market in general and statements of the Funds' plans and objectives for future operations are forward-looking statements. No assurance can be given that actual results or events will not differ materially from those projected, estimated, assumed or anticipated in any such forward-looking statements. Important factors that could result in such differences, in addition to the other factors noted with such forward-looking statements, include, without limitation, general economic conditions such as inflation, recession and interest rates. Past performance is not a guarantee of future results.

Investment in the Tilson Funds ("Funds") is subject to investment risks, including the possible loss of some or all of the principal amount invested. There can be no assurance that the Funds will be successful in meeting its investment objective. Generally, the Funds will be subject to the following additional risks: market risk, management style risk, sector focus risk, foreign securities risk, non-diversified fund risk, portfolio turnover risk, credit risk, interest rate risk, maturity risk, investment grade securities risk, junk bonds or lower-rated securities risk, derivative instruments risk, valuation risks for non-exchange traded options and real estate securities risk. More information about these risks and other risks can be found in the Funds' prospectus. When the Funds sell covered call options, the Funds give up additional appreciation in the stock above the strike price since there is the obligation to sell the stock at the covered call option's strike price.

The performance information quoted in this semi-annual report represents past performance, which is not a guarantee of future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The performance data reflects the maximum sales load and/or fee charges applicable. An investor may obtain performance data current to the most recent month-end by visiting www.nottinghamco.com.

An investor should consider the investment objectives, risks, and charges and expenses of the Funds carefully before investing. The prospectus contains this and other information about the Funds. A copy of the prospectus is available at www.nottinghamco.com or by calling Shareholder Services at 1-888-4TILSON (1-888-484-5766). The prospectus should be read carefully before investing.

Stated performance in the Funds was achieved at some or all points during the year by waiving or reimbursing part of the Funds' total expenses to ensure shareholders did not absorb expenses significantly greater than the industry norm.

This Semi-Annual Report was first distributed to shareholders on or about June 29, 2007.

For More Information on your Tilson Mutual Funds:

See Our Web site @ www.tilsonmutualfunds.com

or

Call Our Shareholder Services Group Toll-Free at **1-888-4TILSON, 1-888-484-5766**

Fund Expenses

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, which may include redemption fees for shares redeemed within one year and (2) ongoing costs, including management fees and other Fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds. The example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period as indicated below.

Actual Expenses – The first line of the table below provides information about the actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled “Expenses Paid During Period” to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes – The second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed annual rate of return of 5% before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds by comparing this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as redemption fees for shares redeemed within one year. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

Tilson Focus Fund Expense Example	Beginning Account Value November 1, 2006	Ending Account Value April 30, 2007	Expenses Paid During Period*
Actual	\$1,000.00	\$1,040.30	\$11.23
Hypothetical (5% return before expenses)	\$1,000.00	\$1,013.79	\$11.08

Tilson Dividend Fund Expense Example	Beginning Account Value November 1, 2006	Ending Account Value April 30, 2007	Expenses Paid During Period**
Actual	\$1,000.00	\$1,063.60	\$9.98
Hypothetical (5% return before expenses)	\$1,000.00	\$1,015.12	\$9.74

* Actual Expenses are based on expenses incurred in the most recent six-month period. The Fund's annualized six-month expense ratio is 0.45% (exclusive of interest, taxes, brokerage fees and commissions, investment advisory and/or variable performance incentive fees paid to the Advisor, extraordinary expenses, and payments, if any, under a Rule 12b-1 Plan). As a result the Fund's "Total Annual Fund Operating Expense" (excluding interest, taxes, brokerage fees and commissions, and extraordinary expenses) will be limited to 2.40% (assuming the maximum variable performance-based incentive fee of 1.95% as discussed in more detail in footnote 2) of the Fund's average daily net assets. The values under "Expenses Paid During Period" are equal to the annualized expense ratio of 2.22% multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period (181 days), then divided by 365 (to reflect the number of days in the current six month period).

** Expenses are equal to the Fund's annualized expense ratio of 1.95% multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period (181 days), then divided by 365 (to reflect the number of days in the current six month period).

June 13, 2007

Dear Tilson Focus Fund and Tilson Dividend Fund investors:

As you can see from the table below, during the six-month period ending on April 30, 2007, the Tilson Focus Fund produced a total return of 4.03%, versus a 9.07% return over the same period for its benchmark, the Dow Jones Wilshire 5000 Composite Total Return Index (full cap), while the Tilson Dividend Fund produced a six-month total return of 6.36% versus a 9.68% return over the same period for its benchmark, the Dow Jones U.S. Select Dividend Total Return Index.

For the cumulative period since the Funds' inception on March 16, 2005, the Tilson Focus Fund returned an annualized 14.06% return versus an annualized 13.61% return over the same period for its benchmark, while the Tilson Dividend Fund reported an annualized 14.83% return versus the annualized 13.38% return over the same period for its benchmark.

(For the Funds' most up-to-date performance information, please see our web site at www.tilsonmutualfunds.com. Note that the net asset value (NAV) of both funds at inception on March 16, 2005 was \$10.00.)

Performance as of April 30, 2007				
	Tilson Focus Fund	Tilson Dividend Fund	Dow Jones Wilshire 5000 Composite Total Return Index	Dow Jones Select Dividend Total Return Index
3 Month Total Return	-0.38%	3.93%	3.31%	4.26%
6 Month Total Return	4.03%	6.36%	9.07%	9.68%
1 Year Total Return	21.89%	14.63%	14.53%	19.23%
Average Annual Total Return Since Inception**	14.06%	14.83%	13.61%	13.38%
Gross Expense Ratio	3.87%	4.55%	N/A	N/A
Net Expense Ratio*	2.41%	1.96%	N/A	N/A

Performance shown is for the period ended April 30, 2007. The performance data quoted above represents past performance, which is not a guarantee of future results. Investment return and principal value of an investment in the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance data may be lower or higher than the performance data quoted. To obtain more current performance data regarding the Fund, including performance data current to the Fund's most recent month-end, please visit www.tilsonmutualfunds.com. A 2% redemption fee is charged upon redemption of Fund shares occurring within one year from following the issuance of shares. The performance data quoted above does not reflect the deduction of the redemption fee and if reflected, the redemption fee would reduce the performance quoted.

***The Advisor has entered into an Expense Limitation Agreement with the Funds under which it has agreed to reduce the amount of investment advisory fees to be paid to the Advisor by the Funds for certain months and to assume other expenses of the Funds. It is expected that the Expense Limitation Agreement will continue from year-to-year, provided such continuance is approved by the Board of Trustees of the Funds.**

****The Fund's inception date is March 16, 2005.**

Tilson Focus Fund

[This section is written by Whitney Tilson and Glenn Tongue, the co-managers of the Tilson Focus Fund.]

We are not concerned by our fund's recent, brief period of underperformance, as we believe the intrinsic value of the companies we own is increasing steadily and their stocks are undervalued. We cannot say when the market will correct the misvaluations we perceive, but we believe that it eventually will.

Largest Holdings

Since our last letter (for the fiscal year ending 10/31/06), our fund has grown 62% to \$18.7 million, so every position was diluted unless we purchased more. Thus, even though we didn't sell Celebrate Express, Resource America, USG and Canadian Tire, they all fell off our top 10 list, as did Foot Locker, which we trimmed slightly. These five positions were replaced in our top 10 by new positions in Mueller Water and Sears Holdings, plus we added to our Wal-Mart, Tim Hortons and Tyco positions, moving them into the top 10.

Overall, our 10 largest holdings as of April 30th were:

<u>Position</u>	<u>% of Fund</u>
1) Stock of Berkshire Hathaway (B shares) (BRK.B)	12.7
2) Stock and calls of McDonald's (MCD)	7.7
3) Stock and calls of Microsoft (MSFT)	7.5
4) Stock of Wendy's (WEN)	5.7
5) Stock and calls of Wal-Mart (WMT)	4.6
6) Stock of Mueller Water Products (MWA)	2.8
7) Stock of Tim Hortons (THI)	2.6
8) Stock of Sears Holdings (SHLD)	2.6
9) Stock of Western Union (WU)	2.3
10) Stock and calls of Tyco (TYC)	<u>2.3</u>
Total:	50.8

Please refer to the Portfolio of Investments section of the Semi-Annual Report for a complete listing of the Fund holdings and the amount each represents of the portfolio.

Microsoft

Microsoft's stock has been weak since Vista was introduced a few months ago to much fanfare – but disappointing consumer response. This did not surprise us (though it apparently surprised others), as we did not expect consumers to upgrade their current computers, but rather upgrade to Vista upon the purchase of a new computer. What's important to us from an investment standpoint is that we believe Microsoft has entrenched one of its most important businesses for an additional few years, and that virtually every new computer sold in the world going forward will have Vista pre-installed on it.

We continue to estimate that Microsoft is undervalued and that the major new software releases (Vista, Office and server software) will drive a jump in profitability – and the stock price.

Spin-Offs

Companies like Cendant or Tyco can spend billions of dollars to grow by acquisition only to reverse course a few years later and break up. The quest for synergy and economies of scale gives way to a desire for focus and flexibility – all, of course, in the name of creating shareholder value.

As wasteful as all this can be, the breaking-up process can provide fertile ground for investment – an experience confirmed by numerous studies. This is particularly true in the case of spin-offs, in which one or more corporate divisions that are no longer deemed to fit together are spun out to existing shareholders as separately traded entities.

Half of the stocks among our top 10 holdings are in one way or another related to spin-offs or break-ups: last year, Wendy's spun off Tim Hortons, Walter Industries spun off Mueller Water Products and First Data spun off Western Union, while Tyco is planning to break itself into three pieces in the near future.

While all spun-out companies will clearly not be winners, we believe there are built-in inefficiencies in the process that can work to the benefit of savvy investors. Shares of spin-offs often face immediate selling pressure, as the new company may not have the market capitalization required by a big fund's charter or must be immediately sold because it is not in a particular index. In addition, growth companies often spin off cyclical or low-growth divisions, which the growth investors who own the parent company stock immediately sell, irrespective of price.

A final reason spin-offs can perform so well is basic capitalistic motivation. Famed investor Joel Greenblatt puts it well in his classic book, [You Can Be A Stock Market Genius](#): "When a business and its management are freed from a large corporate parent, pent-up entrepreneurial forces are unleashed. The combination of accountability, responsibility and more direct incentives take their natural course."

Mueller Water Products

We particularly like Mueller Water Products, which is the leading North American provider of water infrastructure and flow control products – things such as fire hydrants, valves, pipes, fittings and couplings. While this is no doubt a mundane business, it is also an excellent one. Mueller has a strong competitive position, with one of the largest installed bases in the US and 74% of sales coming from products with number one or two market positions.

Adjusted for one-time charges, its operating margin was 14% in its latest fiscal year and revenue, earnings before interest, tax, depreciation and amortization and operating income grew 11%, 30% and 42%, respectively. Future growth prospects are excellent, as the crumbling US water infrastructure – the American Society of Civil Engineers gave US drinking-water and wastewater infrastructure a grade of "D-" in 2005 – will require billions of dollars of new investment during the next few decades.

We think Mueller shares are plenty cheap for this stable, high-quality business.

Piggybacking on Activism

We occasionally become activists, but usually only reluctantly, when an investment has gone awry. More commonly, we've piggybacked on the activities of other activists a handful of times. We believe this is a fertile area of opportunity, so we decided to share our thinking with you despite having some reservations because, frankly, it might be misunderstood as blindly following other investors. We have never done this – and never will – because it is a recipe for disaster, as dozens of cases prove. Consider, for example, BKF Capital Group, a money management firm that was targeted by two savvy activists – to their deep regret, as this stock chart shows:



While activist investors are not a new phenomenon, there's been an enormous surge in this area over the past few years, which we believe translates into significant opportunity for passive investors such as ourselves. At its best, it's a mutually beneficial relationship: all investors benefit from the hard work (and, often, huge expense) of the activist, but the activist also benefits by having supportive shareholders. After all, even the most aggressive activists may only accumulate a 5-10% ownership stake in a company, so the activist needs the support of the far greater number of passive shareholders to pressure the company to do what the activist is calling for.

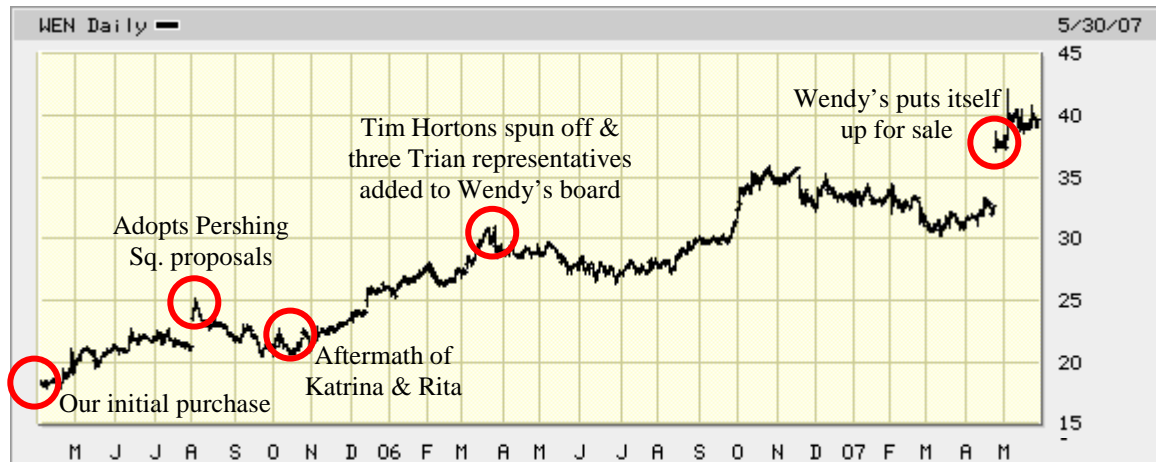
Over the course of a typical year, we evaluate dozens of companies in which activists are present. As with all investments, we do our own work and only invest when we understand a company deeply and are convinced that its stock is significantly undervalued. Only then do we consider the activist's track record, plans for the company and likelihood of success. In many cases, we are unimpressed with the activist and/or the plan. Or, even if we are impressed, we're skeptical that the activist will be successful. In a few rare cases, however, the stars align and we conclude that there is genuine value that can be unlocked, which isn't reflected in the stock price, and that the activist is likely to be a catalyst for unleashing this value.

Wendy's

Wendy's is a particularly good example of how we occasionally piggyback on activism because we are very familiar with both activists, Pershing Square and Trian Partners, and we understand the company and its industry well.

We began buying the stock in April 2005, shortly after we launched the Tilson Focus Fund, mostly in the form of long-dated call options (LEAPs), with the stock around \$18 (all prices in this letter are adjusted for the spin-off of Tim Hortons). Here's a chart of the stock's

performance since then, with key events discussed below highlighted:



At the time we first invested, Wendy's had been the victim of a hoax, in which a woman claimed she found a severed finger in a bowl of Wendy's chili, beef prices had soared, and there was increasing competition from McDonald's and Burger King, both of which were finally getting their acts together.

In addition to these external factors, Wendy's management was not doing a good job, as evidenced by the fact that company-owned restaurants had significantly lower margins and same-store sales vs. units run by franchisees.

Given the underperforming stock and business, what did we find attractive about Wendy's when we began buying it in April 2005? In short, the combination of Tim Hortons plus a smart, determined activist with the right plan to unlock Wendy's hidden value.

Tim Hortons is a magnificent business that today franchises nearly 3,000 units, 90% of them in Canada, selling coffee and baked goods – sort of a cross between Starbucks and Dunkin Donuts. It dominates its niche in Canada to a remarkable degree and, thanks to the beauty of a strong franchising model, has mouth-watering economic characteristics.

Wendy's had purchased Tims in 1995 and, as we examined it 10 years later, the business was thriving, with robust new unit expansion and high growth in sales, same-store sales and earnings. Yet this success was being masked by the poor performance of the Wendy's restaurant business. To be specific, in the first quarter of 2005, the Wendy's brand accounted for 65.9% of the company's revenues, yet only 42.7% of operating income, whereas Tims was 28.5% of revenues and 60.7% of operating income! Making the disparity even greater, Wendy's sucked up 59.5% of the company's cap ex vs. 36.0% for Tims.

When we conservatively estimated the value of Tim Hortons as a standalone business, it was worth nearly the value that the stock market was placing on the entire company – in other words, buyers of Wendy's stock were paying for Tims and getting 6,699 Wendy's restaurants (1,491 company-owned and 5,208 franchised) *almost for free!*

The decision to invest was not so easy, however, because our experience is that the decision-makers at companies that have two divisions, one firing on all cylinders and one

underperforming, are highly reluctant to separate them, especially if they might be stuck running the inferior business. Thus, the main risk to this investment was that the status quo might have continued indefinitely, with the value of Tims remaining hidden within the larger company and Wendy's-branded restaurants continuing to struggle under weak management.

This risk was diminished by the appearance of an activist investor, Pershing Square, a highly successful hedge fund that we know well, which made public a large stake in the company in late April 2005. It had acquired a 9.3% stake and was calling on Wendy's to rebrand units, use the proceeds to buy back stock and, most importantly, spin off Tim Hortons. Pershing Square hired Blackstone Group to back up its analysis and, on June 9th, released an open letter to the company, outlining its proposal and an analysis showing the stock to be worth nearly 50% above the current level in the low \$20s.

Wendy's did nothing for nearly two months until, in late July, it announced "Comprehensive Strategic Initiatives to Enhance Shareholder Value" that exactly mirrored what Pershing Square had proposed. The stock popped to around \$25 on this news (indicated by the 2nd circle).

At that price, we had no intention of adding to our position, but then the stock trickled back down to nearly \$20 (see 3rd circle) due to temporary closures of Wendy's units in the aftermath of Hurricanes Katrina and Rita. This was clearly a temporary effect and certainly had no impact on Tims' value, and by then we knew with certainty that the Tims' spin-off was happening, so we enthusiastically added to our position.

The stock rose about 50% over the next six months as the Tim Hortons spin-off approached (it took place in late March 2006, indicated by the 4th circle). Consistent with the cliché, "buy on the rumor and sell on the news," many investors sold their Wendy's stock and, until recently, this appeared to have been the smart thing to do, as the stock went nowhere for the next year.

We hung on, however, because another activist, Nelson Peltz of Trian Partners, had also accumulated stock and pressured Wendy's into adding three of his colleagues onto the company's board, which took place in early 2006. We are very familiar with Peltz and, in particular, the remarkable turnaround he engineered with a far inferior restaurant business, Arby's, so we decided to hold on, figuring that one of two things would happen: Peltz would help Wendy's improve its business or, failing that, put the company into play. In either case, we saw the stock hitting \$40 this year.

The latter scenario appears to be playing out, as the company put itself into play in late April (see the final circle). We continue to hold our position in the belief that there is little downside risk and the company will likely be sold at a modest premium to today's price.

We thank you for your confidence and support and look forward to many years of partnership.

Investment in the Tilson Funds ("Funds") is subject to investment risks, including the possible loss of some or all of the principal amount invested. There can be no assurance that the Funds will be successful in meeting its investment objective. Generally, the Funds will be subject to the following additional risks: market risk, management style risk, sector focus risk, foreign securities risk, non-diversified fund risk, portfolio turnover risk, credit risk, interest rate risk, maturity risk, investment grade securities risk, junk bonds or lower-rated securities risk,

derivative instruments risk, valuation risks for non-exchange traded options and real estate securities risk. More information about these risks and other risks can be found in the Funds' prospectus. When the Funds sell covered call options, the Funds give up additional appreciation in the stock above the strike price since there is the obligation to sell the stock at the covered call option's strike price.

Tilson Dividend Fund

[This section is written by Zeke Ashton and Matthew Richey, the co-managers of the Tilson Dividend Fund.]

The Tilson Dividend Fund gained 6.36% during the six-month period ending on April 30, 2007. This was somewhat below the return of our benchmark, the Dow Jones U.S. Select Dividend Total Return Index, which achieved a 9.68% return over the same period. As we've stated in past letters, we don't mind underperforming our benchmark for a few quarters (or even a few years) as long as we're tracking towards our long-term goal of achieving solid absolute returns with a portfolio that's resistant to capital loss. To that end, we're satisfied with our progress thus far as we now enter the Fund's third year of operation.

As of April 30, 2007, Tilson Dividend Fund was 84.5% invested in equities, spread across 24 holdings. The remainder of the Fund was in cash and money market funds, representing the balance of the portfolio. This compares to about 12.7% cash at October 30, 2006 and 10.2% cash at April 30, 2006 – so we're carrying a bit more cash than we have at other times in the past year. Our willingness to hold cash in the absence of compelling investment opportunities means that our Fund will sometimes lag the broad indices when the stock market is rising rapidly. But the reverse is also true – when the market declines, cash helps to reduce our downside risk and provides us with “dry powder” to deploy when attractive opportunities present themselves.

Despite our somewhat elevated cash position, we're very satisfied with our current portfolio, which continues to be weighted towards high-quality businesses with strong balance sheets and shareholder-friendly management teams. At April 30, 2007, our top 10 positions were as follows:

<u>Position</u>	<u>% of Fund</u>
1) Whole Foods Market (WFMI)	6.2
2) Fidelity National Financial (FNF)	6.1
3) Austrian Post (POST.VI)	5.9
4) Sears Holdings (SHLD)	5.6
5) PetMed Express (PETS)	5.4
6) Costco Wholesale (COST)	5.3
7) P.F. Chang's (PFCB)	4.9
8) Microsoft (MSFT)	4.8
9) eBay (EBAY)	4.8
10) Barnes & Noble (BKS)	4.3
Total:	53.4

Please refer to the Portfolio of Investments section of the Semi-Annual Report for a complete listing of the Fund holdings and the amount each represents of the portfolio.

Since we're an income-oriented fund, one way to consider our holdings is from the perspective of their income potential. When we say "income," we mean more than just dividends. Although "dividend" is our middle name, it's not our only source of income. We also generate cash by writing covered calls, which essentially allow us to sell a stock's appreciation potential above a certain price and within a certain timeframe in exchange for current income. Dividends and covered calls are similar in that they both provide a direct source of cash income to the Fund. In addition, there's a third source of shareholder income, albeit indirect, and that's share buybacks. When a company repurchases its own shares, it effectively returns cash on a tax-free basis to shareholders (though the degree of benefit to shareholders is influenced by whether the stock is undervalued or not).

From our perspective, the most important similarity among dividends, covered calls, and share buybacks is that all three provide a source of positive returns independent of the stock market's general direction. That's why an emphasis on income is central to our goal of achieving reliable absolute returns.

Here's a snapshot of the Fund's income contribution across the three key categories, based on positions as of April 30, 2007:

Dividends – We held 13 dividend-paying companies, comprising 48.8% of the Fund's assets. Those with particularly high yields include Ag Growth (7.5% yield), Fidelity National Financial (4.7% yield), and Collector's Universe (3.4% yield). Our weighted-average yield among the dividend-paying portion of the portfolio is 2.3%.

Covered Calls – We sold covered calls on 11 positions, representing 22.8% of the Fund's assets. As of April 30, 2007, our covered calls had remaining time value equivalent to 1.5% of the Fund's assets, with the latest of those calls expiring by January 2008. This means that even if the underlying stocks on these covered-call positions were to merely go flat between now and January 2008, we'd still collect the entirety of that covered-call income as the calls work their way towards expiration. This level of income contribution (i.e., 1.5% of the Fund's assets at April 30, 2007) relative to the 22.8% of the portfolio that's covered by these calls represents a *non-annualized* "covered call yield" of 6.6%.

Share Buybacks – Twelve of our holdings, representing 50.8% of the Fund's assets, have been active in repurchasing their own shares during the past year. Microsoft, for instance, has repurchased an incredible 9.0% of its shares outstanding in the past 12 months. Other portfolio companies we've anointed "buyback kings" include the following (with the percentage of stock repurchased over past year in parentheses): Costco (6.9%), P.F. Chang's (5.2%), eBay (4.6%), and Sears Holdings (3.9%). Notably, all of the above companies have been successful at repurchasing their shares at prices well below our estimate of intrinsic value, which has the wonderful benefit of increasing the intrinsic value of the remaining shares outstanding. How does that work? These companies exchange cash (a fairly valued asset) for their own stock (an undervalued asset), with the net benefit accruing to shareholders.

Our aim is to make all three of these income sources – dividends, covered calls, and share buybacks – amount to a meaningful component of Tilson Dividend Fund's annual returns. In addition, we also hope to achieve capital appreciation by only buying securities that we believe

have a margin of safety in their price and that are reasonably undervalued. By focusing both on income and capital appreciation, reinforced by an underlying value discipline, we believe our Fund is well equipped to continue towards our ultimate goal of compounding wealth at a satisfactory rate over the long term.

We thank you for your continued confidence in the Tilson Dividend Fund.

Investment in the Tilson Funds (“Funds”) is subject to investment risks, including the possible loss of some or all of the principal amount invested. There can be no assurance that the Funds will be successful in meeting its investment objective. Generally, the Funds will be subject to the following additional risks: market risk, management style risk, sector focus risk, foreign securities risk, non-diversified fund risk, portfolio turnover risk, credit risk, interest rate risk, maturity risk, investment grade securities risk, junk bonds or lower-rated securities risk, derivative instruments risk, valuation risks for non-exchange traded options and real estate securities risk. More information about these risks and other risks can be found in the Funds’ prospectus. When the Funds sell covered call options, the Funds give up additional appreciation in the stock above the strike price since there is the obligation to sell the stock at the covered call option’s strike price.

Tilson Focus Fund

Schedule of Investments (Unaudited)

As of April 30, 2007

	Shares	Market Value (Note 1)		Shares	Market Value (Note 1)
COMMON STOCKS - 67.41%			Retail - 32.25%		
Beverages - 1.64%			Barnes & Noble, Inc.		
Anheuser-Busch Companies, Inc.	7,500.00	\$ 368,925		9,750	\$ 385,418
Building Materials - 2.09%			Borders Group, Inc.		
* USG Corporation	10,200	470,730		12,000	253,320
Commercial Services - 0.12%			α Canadian Tire Corporation, Limited		
* Premier Exhibitions Inc.	2,000	27,020		7,000	477,281
Diversified Financial Services - 2.34%			Celebrate Express, Inc.		
Western Union Company	25,000	526,250		43,000	392,160
Food - 1.28%			CKE Restaurants, Inc.		
* American Italian Pasta Company	27,000	288,900		3,000	60,930
Holding Company - Diversified - 2.21%			Costco Wholesale Corporation		
Resource America, Inc.	22,500	497,475		5,800	310,706
Home Furnishings - 0.09%			Foot Locker, Inc.		
Whirlpool Corporation	200	21,206		17,618	419,132
Insurance - 12.73%			McDonald's Corporation		
* Berkshire Hathaway Inc.	789	2,862,492		34,800	1,680,144
Metal Fabricate/Hardware - 2.82%			α Sears Canada Inc.		
Mueller Water Products, Inc.	44,000	633,600		17,000	438,132
Miscellaneous Manufacturing - 2.32%			* Sears Holdings Corporation		
Tyco International Ltd.	16,000	522,080		3,000	572,730
Oil & Gas - 0.36%			Tim Hortons, Inc.		
Crosstex Energy, Inc.	2,700	81,135		18,354	578,701
Real Estate Investment Trust - 0.04%			Wal-Mart Stores, Inc.		
Winthrop Realty Trust, Inc.	1,408	9,335		8,400	402,528
				34,000	1,281,800
					<u>7,252,982</u>
			Software - 6.66%		
			Microsoft Corporation	50,000	1,497,000
			Transportation - 0.46%		
			* Sirva Inc.	40,000	102,400
			Total Common Stocks (Cost \$13,089,529)		15,161,530
			CALL OPTIONS PURCHASED - 6.62%		
			* Anheuser-Busch Co. Inc., 01/19/2008		
			Strike \$35.00	12,500	183,125
			* Foot Locker, Inc., 01/19/2008		
			Strike \$20.00	1,500	7,425
			* McDonald's Corp., 01/19/2008		
			Strike \$30.00	2,500	48,000
			* Microsoft Corp., 01/19/2008		
			Strike \$25.00	30,000	183,000
			* Tyco International, 01/19/2008		
			Strike \$20.00	32,000	432,320
			* Wal-Mart Stores Inc., 01/19/2008		
			Strike \$40.00	10,000	94,000
			Strike \$35.00	39,000	540,150
			Total Call Options Purchased (Cost \$1,188,658)		1,488,020

(Continued)

Tilson Focus Fund

Schedule of Investments (Unaudited)

As of April 30, 2007

	Shares	Market Value (Note 1)
WARRANTS - 0.16%		
* Freedom Acquisition Holdings - CW11		
(Cost \$29,616)	23,000	\$ 35,190
INVESTMENT COMPANIES - 9.08%		
Evergreen Institutional Money Market Fund, 5.21%	1,021,721	1,021,721
Merrimac Cash Series Fund, 5.15%	1,021,722	1,021,722
Total Investment Companies (Cost \$2,043,443)		2,043,443
Total Investments (Cost \$16,351,246) - 83.27%		\$18,728,183
Other Assets less Liabilities - 16.73%		3,762,912
Net Assets - 100.00%		\$22,491,095

* Non-income producing investment.

α Canadian securities - represent 4.07% of Net Assets (note 1).

Summary of Investments by Industry

Industry	% of Net Assets	Market Value
Banks	0.16%	\$ 35,190
Beverages	2.46%	552,050
Building Materials	2.09%	470,730
Commercial Services	0.12%	27,020
Diversified Financial Services	2.34%	526,250
Food	1.28%	288,900
Holding Company - Diversified	2.21%	497,475
Home Furnishings	0.09%	21,206
Insurance	12.73%	2,862,492
Investment Companies	9.08%	2,043,443
Metal Fabricate/Hardware	2.82%	633,600
Miscellaneous Manufacturing	4.24%	954,400
Oil & Gas	0.36%	81,135
Real Estate Investment Trust	0.04%	9,335
Retail	35.32%	7,942,557
Software	7.47%	1,680,000
Transportation	0.46%	102,400
Total	83.27%	\$18,728,183

See Notes to Financial Statements

Tilson Dividend Fund

Schedule of Investments (Unaudited)

As of April 30, 2007

	Shares	Market Value (Note 1)		Shares	Market Value (Note 1)
COMMON STOCKS - 81.32%			Retail - 22.65%		
Auto Parts & Equipment - 0.48%			Barnes & Noble, Inc.		
* MileMarker International, Inc.	20,975	\$ 42,579		9,800	\$ 387,394
Biotechnology - 4.23%			Costco Wholesale Corporation		
* American Oriental				8,900	476,773
Bioengineering, Inc. †	38,000	378,100	* Jamba, Inc. †	25,300	221,628
Commercial Services - 2.01%			* P.F. Chang's China Bistro, Inc. †		
Collectors Universe, Inc.	12,600	179,550	* Sears Holdings Corporation †	2,600	496,366
Computers - 1.51%					
* Palm, Inc. †	8,000	135,040	<u>2,022,036</u>		
Diversified Financial Services - 1.75%			Software - 4.83%		
Hennessy Advisors, Inc.	11,000	156,750	Microsoft Corporation		
Electronics - 0.43%			14,400		
Mesa Laboratories, Inc.	2,000	38,140	<u>431,136</u>		
Food - 6.18%			Transportation - 5.85%		
Whole Foods Market, Inc. †	11,800	552,122	*Ω Oesterreichische Post AG		
Insurance - 10.93%			11,500		
Fidelity National Title Group, Inc.	21,500	548,035	<u>522,571</u>		
First American Corporation	4,400	226,600	Total Common Stocks (Cost \$6,680,170)		
Stewart Information Services Corporation	5,000	201,100	<u>7,260,995</u>		
<u>975,735</u>			LIMITED PURPOSE TRUSTS - 3.18%		
Internet - 8.48%			α AG Growth Income Fund		
* eBay Inc. †	12,700	431,038	(Cost \$196,108)		
* Netflix Inc. †	14,700	325,899	14,000		
<u>756,937</u>			<u>284,389</u>		
Mining - 0.89%			INVESTMENT COMPANIES - 9.53%		
* PAN American Silver Corporation †	2,800	79,100	Evergreen Institutional Money Market		
Oil & Gas - 5.70%			Fund, 5.21%		
α Canadian Natural Resources Ltd. †	6,200	369,582	425,299		
α Precision Drilling Trust	5,800	139,606	Merrimac Cash Series Fund,		
<u>509,188</u>			5.15%		
Pharmaceuticals - 5.40%			425,300		
* PetMed Express, Inc. †	43,700	482,011	Total Investment Companies (Cost \$850,599)		
			<u>850,599</u>		
			Total Investments (Cost \$7,726,877) - 94.03%		
			\$ 8,395,983		
			Other Assets less Liabilities - 5.97%		
			<u>533,282</u>		
			Net Assets - 100.00%		
			<u>\$ 8,929,265</u>		

* Non-income producing investment.

α Canadian security (note 1).

Ω Austrian security (note 1).

† Portion of the security is pledged as collateral for call options written.

The following acronym is used in this portfolio:

AG - Aktiengesellschaft (Austrian).

(Continued)

Tilson Dividend Fund

Schedule of Investments (Unaudited)

As of April 30, 2007

Summary of Investments by Industry

<i>Industry</i>	<i>% of Net Assets</i>	<i>Market Value</i>
Auto Parts & Equipment	0.48%	\$ 42,579
Biotechnology	4.23%	378,100
Comercial Services	2.01%	179,550
Computers	1.51%	135,040
Diversified Financial Services	1.75%	156,750
Electronics	0.43%	38,140
Food	6.18%	552,122
Insurance	10.93%	975,735
Internet	8.48%	756,937
Investment Companies	9.53%	850,599
Limited Purpose Trusts	3.18%	284,389
Mining	0.89%	79,100
Oil & Gas	5.70%	509,188
Pharmaceuticals	5.40%	482,011
Retail	22.65%	2,022,036
Software	4.83%	431,136
Transportation	5.85%	522,571
Total	94.03%	\$ 8,395,983

Summary of Investments by Country

<i>Country</i>	<i>% of Net Assets</i>	<i>Market Value</i>
Austria	5.85%	\$ 522,571
Canada	8.89%	793,577
United States	79.29%	7,079,835
Total	94.03%	\$ 8,395,983

See Notes to Financial Statements

Tilson Dividend Fund

Call Options Written (Unaudited)

As of April 30, 2007

	Shares	Market Value
	Subject to Call	(Note 1)
Common Stocks, Expiration Date, Exercise Price		
* American Oriental Bioengineering, Inc., 1/19/2008		
Strike \$ 12.50	38,000	\$ 36,100
* Canadian Natural Resources Ltd., 1/19/2008		
Strike \$ 55.00	3,100	32,860
* eBay Inc., 7/21/2007		
Strike \$32.50	3,700	11,840
Strike \$35.00	3,000	4,800
* eBay Inc., 01/19/2008		
Strike \$35.00	1,800	6,660
* Jamba, Inc., 10/20/2007		
Strike \$10.00	8,400	4,620
* Netflix Inc., 01/19/2008		
Strike \$27.50	7,800	9,555
* Palm, Inc., 1/19/2008		
Strike \$15.00	8,000	27,600
* PAN American Silver Corporation, 10/20/2007		
Strike \$30.00	2,800	7,616
* PetMed Express, Inc., 9/22/2007		
Strike \$12.50	15,400	10,395
Strike \$15.00	6,400	1,280
* P.F. Chang's China Bistro, Inc., 10/20/2007		
Strike \$45.00	3,800	4,465
* Sears Holding Corp, 1/19/2008		
Strike \$200.00	900	13,230
* Sears Holding Corp, 6/16/2007		
Strike \$180.00	300	4,500
* Whole Foods Market, Inc., 8/18/2007		
Strike \$50.00	1,700	4,063
* Whole Foods Market, Inc., 1/19/2008		
Strike \$52.50	700	1,978
Total (Premiums Received \$184,639)		\$ 181,562

See Notes to Financial Statements

Tilson Funds

Statements of Assets and Liabilities (Unaudited)

<i>As of April 30, 2007</i>	<i>Focus Fund</i>	<i>Dividend Fund</i>
Assets:		
Investments, at cost	\$ 16,351,246	\$ 7,726,877
Investments, at value (<i>note 1</i>)	\$ 18,728,183	\$ 8,395,983
Cash	3,792,237	776,986
Receivables:		
Investments sold	-	4,074
Fund shares sold	24,803	1,642
Dividends and Interest, at value (<i>note 1</i>)	12,883 *	7,157 **
Prepaid expenses		
Fund accounting fees	2,250	2,250
Compliance services fees	737	646
Other expenses	9,657	5,278
Due from affiliates:		
Advisor (<i>note 2</i>)	-	298
Total Assets	22,570,750	9,194,314
Liabilities:		
Call options written, at value (Premiums received \$184,639)	-	181,562
Payables:		
Investments purchased	-	73,844
Fund shares repurchased	-	140
Accrued expenses	79,242	9,503
Due to affiliates:		
Advisor (<i>note 2</i>)	413	-
Total Liabilities	79,655	265,049
Net Assets	\$ 22,491,095	\$ 8,929,265
Net Assets Consist of:		
Capital (par value and paid in surplus)	19,906,646	7,815,042
Accumulated net investment (loss) income	(25,094)	15,766
Accumulated net realized gain from investment and foreign currency transactions	232,602	426,269
Unrealized appreciation of investments and foreign currency translations	2,376,941	672,188
Total Net Assets	\$ 22,491,095	\$ 8,929,265
Shares Outstanding, \$0.001 par value (unlimited authorized shares)	1,733,354	719,362
Net Asset Value, Offering Price and Redemption Price Per Share (a)	\$ 12.98	\$ 12.41

* At cost \$12,879

** At cost \$7,152

(a) The Funds charge a redemption fee of 2% of the amount redeemed on redemptions of fund shares occurring within one year following the issuance of such shares.

See Notes to Financial Statements

Tilson Funds

Statements of Operations (Unaudited)

	<i>Focus Fund</i>	<i>Dividend Fund</i>
<i>For the six month period ended April 30, 2007</i>		
Investment Income:		
Dividends	\$ 152,114	\$ 86,922
Foreign withholding tax	(321)	(2,975)
Other income	4,462	-
Total Income	156,255	83,947
Expenses:		
Advisory fees (note 2)	143,933	57,439
Administration fees (note 2)	14,301	6,701
Transfer agent fees (note 2)	10,500	10,500
Registration and filing administration fees (note 2)	4,017	4,017
Fund accounting fees (note 2)	14,317	13,883
Compliance services fees (note 2)	3,875	3,875
Custody fees (note 2)	3,419	2,998
Other accounting fees (note 2)	403	5,468
Legal fees	6,943	6,943
Audit and tax preparation fees	6,447	6,446
Registration and filing expenses	20,605	19,499
Shareholder servicing expenses	1,984	1,859
Printing expenses	1,240	992
Trustees' fees and meeting expenses	3,968	3,224
Securities pricing fees	1,736	1,488
Other operating expenses (note 2)	5,951	5,455
Total Expenses	243,639	150,787
Expenses reimbursed by Advisor (note 2)	(62,290)	(76,265)
Net Expenses	181,349	74,522
Net Investment (Loss) Income	(25,094)	9,425
Net Realized and Unrealized Gain (Loss) from Investments and Foreign Currency:		
Net realized gain (loss) from:		
Investments	438,837	483,392
Options	(183,435)	(28,714)
Foreign currency transactions	2	(403)
Change in unrealized appreciation on investments and translation of assets and liabilities in foreign currencies	388,477	32,292
Net Realized and Unrealized Gain on Investments	643,881	486,567
Net Increase in Net Assets Resulting from Operations	\$ 618,787	\$ 495,992

See Notes to Financial Statements

Tilson Funds

Statements of Changes in Net Assets

<i>For the six month period or fiscal year ended</i>	Focus Fund	
	April 30, 2007 (a)	October 31, 2006
Operations:		
Net investment loss	\$ (25,094)	\$ (83,879)
Net realized gain from investment transactions and foreign currency translations	438,839	179,015
Net realized (loss) gain from options	(183,435)	48,572
Change in unrealized appreciation on investments and translation of assets and liabilities in foreign currencies	388,477	2,158,379
Net Increase in Net Assets Resulting from Operations	618,787	2,302,087
Distributions to Shareholders: <i>(note 5)</i>		
Net realized gain from investment transactions	(163,420)	(53,025)
Decrease in Net Assets Resulting from Distributions	(163,420)	(53,025)
Capital Share Transactions: <i>(note 8)</i>		
Shares sold	11,408,961	3,582,885
Reinvested dividends and distributions	154,118	50,767
Redemption fees	11,959	7,645
Shares repurchased	(829,331)	(874,596)
Increase from Capital Share Transactions	10,745,707	2,766,701
Net Increase in Net Assets	11,201,074	5,015,763
Net Assets:		
Beginning of Period	11,290,021	6,274,258
End of Period	\$ 22,491,095	\$ 11,290,021
Accumulated Net Investment Loss	\$ (25,094)	\$ -

<i>For the six month period or fiscal year ended</i>	Dividend Fund	
	April 30, 2007 (a)	October 31, 2006
Operations:		
Net investment income	\$ 9,425	\$ 20,180
Net realized gain from investment transactions and foreign currency translations	482,989	421,188
Net realized (loss) gain from options	(28,714)	82,301
Change in unrealized appreciation on investments and translation of assets and liabilities in foreign currencies	32,292	524,818
Net Increase in Net Assets Resulting from Operations	495,992	1,048,487
Distributions to Shareholders: <i>(note 5)</i>		
Net investment income	(14,411)	-
Net realized gain from investment transactions	(508,945)	-
Decrease in Net Assets Resulting from Distributions	(523,356)	-
Capital Share Transactions: <i>(note 8)</i>		
Shares sold	2,121,267	1,987,238
Reinvested dividends and distributions	520,759	-
Redemption fees	2,204	1,779
Shares repurchased	(337,889)	(221,965)
Increase from Capital Share Transactions	2,306,341	1,767,052
Net Increase in Net Assets	2,278,977	2,815,539
Net Assets:		
Beginning of Period	6,650,288	3,834,749
End of Period	\$ 8,929,265	\$ 6,650,288
Accumulated Net Investment Income	\$ 15,766	\$ 20,752

(a) Unaudited.

See Notes to Financial Statements

Tilson Funds

Financial Highlights

For a share outstanding during the six month period and fiscal years ended	Focus Fund		
	April 30, 2007 (a)	October 31, 2006	October 31, 2005 (b)
Net Asset Value, Beginning of Period	\$ 12.61	\$ 9.79	\$ 10.00
Income from Investment Operations:			
Net investment loss	(0.01)	(0.09)	(0.06)
Net realized and unrealized gain (loss) on securities and foreign currency translations	0.53	2.98	(0.15)
Total from Investment Operations	0.52	2.89	(0.21)
Less Distributions:			
Distributions (from capital gains)	(0.16)	(0.08)	-
Total Distributions	(0.16)	(0.08)	-
Paid in Capital:			
Paid in Capital (from redemption fees) (note 1)	0.01	0.01	0.00 (c)
Net Asset Value, End of Period	\$ 12.98	\$ 12.61	\$ 9.79
Total Return (d)	4.03%	29.74%	(2.10%)
Net Assets, End of Period (in thousands)	\$ 22,491	\$ 11,290	\$ 6,274
Average Net Assets for the Period (in thousands)	\$ 16,479	\$ 8,663	\$ 4,558
Ratio of Gross Expenses to Average Net Assets (f)	2.98% (e)	3.47%	6.22% (e)
Ratio of Net Expenses to Average Net Assets (f)	2.22% (e)	2.01%	1.95% (e)
Ratio of Net Investment Loss to Average Net Assets	(0.30%) (e)	(0.97%)	(1.33%) (e)
Portfolio Turnover Rate	18.23%	84.67%	79.96%

For a share outstanding during the six month period and fiscal years ended	Dividend Fund		
	April 30, 2007 (a)	October 31, 2006	October 31, 2005 (b)
Net Asset Value, Beginning of Period	\$ 12.61	\$ 10.32	\$ 10.00
Income from Investment Operations:			
Net investment income (loss)	-	0.04	(0.01)
Net realized and unrealized gain on securities and foreign currency translations	0.76	2.25	0.33
Total from Investment Operations	0.76	2.29	0.32
Less Distributions:			
Dividends (from net investment income)	(0.02)	-	-
Distributions (from capital gains)	(0.94)	-	-
Total Distributions	(0.96)	-	-
Paid in Capital:			
Paid in Capital (from redemption fees) (note 1)	0.00 (c)	0.00 (c)	0.00 (c)
Net Asset Value, End of Period	\$ 12.41	\$ 12.61	\$ 10.32
Total Return (d)	6.36%	22.19%	3.20%
Net Assets, End of Period (in thousands)	\$ 8,929	\$ 6,650	\$ 3,835
Average Net Assets for the Period (in thousands)	\$ 7,722	\$ 5,238	\$ 2,559
Ratio of Gross Expenses to Average Net Assets (f)	3.93% (e)	4.54%	9.52% (e)
Ratio of Net Expenses to Average Net Assets (f)	1.95% (e)	1.95%	1.95% (e)
Ratio of Net Investment Income (Loss) to Average Net Assets	0.24% (e)	0.39%	(0.14%) (e)
Portfolio Turnover Rate	46.63%	99.10%	31.13%

(a) Unaudited.

(b) For the period from March 16, 2005 (Date of Initial Public Investment) to October 31, 2005.

(c) Actual amount is less than \$0.01 per share.

(d) Total Return does not reflect sales charge.

(e) Annualized.

(f) The expense ratios listed above reflect total expenses prior to any waivers and reimbursements (gross expense ratio) and after any waivers and reimbursements (net expense ratio).

See Notes to Financial Statements

Tilson Funds

Notes to Financial Statements (Unaudited)

1. Organization and Significant Accounting Policies

The Tilson Focus Fund and the Tilson Dividend Fund (collectively the "Funds" and individually a "Fund") are series funds. The Funds are part of the Tilson Investment Trust (the "Trust"), which was organized as a Delaware statutory trust and is registered under the Investment Company Act of 1940 (the "1940 Act"), as amended, as an open-ended management investment company. Each of the Funds in this report is classified as non-diversified as defined in the 1940 Act.

The Tilson Focus Fund (the "Focus Fund") commenced operations on March 16, 2005. The investment objective of the Fund is to seek long-term capital appreciation through investment in equity securities of companies that the Advisor believes are undervalued in the securities market.

The Tilson Dividend Fund (the "Dividend Fund") commenced operations on March 16, 2005. The investment objective of the Fund is to seek maximum total return through a combination of capital appreciation and current income. The Fund invests in common stocks of companies that the Advisors believe to be undervalued in their respective markets, but which also offer high dividend yields relative to the average yields of the broad market.

The following accounting policies have been consistently followed by the Funds and are in conformity with accounting principles generally accepted in the United States of America in the investment company industry.

Investment Valuation

The Funds' investments in securities are carried at value. Securities listed on an exchange or quoted on a national market system are valued at the last sales price as of 4:00 p.m. Eastern Time. Securities traded in the NASDAQ over-the-counter market are generally valued at the NASDAQ Official Closing Price. Other securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the most recent bid price. Securities and assets for which representative market quotations are not readily available or which cannot be accurately valued using the Funds' normal pricing procedures are valued at fair value as determined in good faith under policies approved by the Trustees. Fair value pricing may be used, for example, in situations where (i) a portfolio security is so thinly traded that there have been no transactions for that security over an extended period of time; (ii) the exchange on which the portfolio security is principally traded closes early; or (iii) trading of the

portfolio security is halted during the day and does not resume prior to the Funds' net asset value calculation. A portfolio security's "fair value" price may differ from the price next available for that portfolio security using the Funds' normal pricing procedures. Instruments with maturities of 60 days or less are valued at amortized cost, which approximates market value.

Option Valuation

Exchange-listed options are valued at their last quoted sales price as reported on their primary exchange as of 4 p.m. Eastern Time (the "Valuation Time"). For purposes of determining the primary exchange for each exchange-traded portfolio option the following shall apply: (i) if the option is traded on the Chicago Board Options Exchange ("CBOE"), the CBOE shall be considered the primary exchange for such option, unless the Advisor instructs the Administrator in writing to use a different exchange as the primary exchange for such option; and (ii) if the option does not trade on the CBOE, the Advisor shall instruct the Administrator in writing as to the primary exchange for such option. Unlisted options for which market quotations are readily available are valued at the last quoted sales price at the Valuation Time. If an option is not traded on the valuation date, the option shall be priced at the mean of the last quoted bid and ask prices as of the Valuation Time. An option may be valued using Fair Valuation when (i) the option does not trade on the valuation date; and (ii) reliable last quoted bid and ask prices as of the Valuation Time are not readily available.

Foreign Currency Translation

Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the exchange rate of such currencies against U.S. dollars on the date of valuation. Purchases and sales of securities and income items denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date.

The Funds do not separately report the effect of changes in foreign exchange rates from changes in market prices on securities held. Such changes are included in net realized and unrealized gain or loss from investments.

Realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the recorded amounts of dividends, interest, and foreign withholding taxes, and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in foreign

(Continued)

Tilson Funds

Notes to Financial Statements (Unaudited)

exchange rates on foreign denominated assets and liabilities other than investments in securities held at the end of the reporting period.

Investment Transactions and Investment Income

Investment transactions are accounted for as of the date purchased or sold (trade date). Dividend income is recorded on the ex-dividend date. Certain dividends from foreign securities will be recorded as soon as the Trust is informed of the dividend if such information is obtained subsequent to the ex-dividend date. Interest income is recorded on the accrual basis and includes amortization of discounts and premiums. Gains and losses are determined on the identified cost basis, which is the same basis used for federal income tax purposes.

Option Writing

When the Funds write an option, an amount equal to the premium received by the Funds is recorded as a liability and is subsequently adjusted to the current fair value of the option written. Premiums received from writing options that expire unexercised are treated by the Funds on the expiration date as realized gains from investments. The difference between the premium and the amount paid on effecting a closing purchase transaction, including brokerage commissions, is also treated as a realized gain or loss (depending on if the premium is less than the amount paid for the closing purchase transaction). If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security or currency in determining whether the Funds have realized a gain or loss. If a put option is exercised, the premium reduces the cost basis of the securities purchased by the Funds. The Funds, as the writer of an option, bear the market risk of an unfavorable change in the price of the security underlying the written option.

Expenses

The Funds bear expenses incurred specifically on its behalf as well as a portion of general Trust expenses, which may be allocated on the basis of relative net assets or the nature of the services performed relative to applicability to each Fund.

Dividend Distributions

The Funds may declare and distribute dividends from net investment income (if any) at the end of each calendar quarter. Distributions from capital gains (if any) are generally declared and distributed annually. Dividends and distributions are recorded on the ex-date.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amount of assets, liabilities, expenses and revenues reported in the financial statements. Actual results could differ from those estimates.

Fees on Redemptions

The Funds charge a redemption fee of 2.00% of the amount redeemed on redemptions of Funds' shares occurring within one year following the issuance of such shares. The Redemption Fee is not a fee to finance sales or sales promotion expenses, but is paid to the Funds to defray the costs of liquidating an investor and discouraging short-term trading of the Funds' shares. No Redemption Fee will be imposed on the redemption of shares representing dividends or capital gains distributions, or on amounts representing capital appreciation of shares. The redemption fees charged for the six month period ended April 30, 2007 were \$11,949 and \$2,204 for the Focus Fund and Dividend Fund, respectively.

Federal Income Taxes

No provision for income taxes is included in the accompanying financial statements, as the Funds intend to distribute to shareholders all taxable investment income and realized gains and otherwise comply with Subchapter M of the Internal Revenue Code applicable to regulated investment companies.

2. Transactions with Affiliates

Advisor (Both Funds)

The Funds pay a monthly advisory fee to T2 Partners Management L.P. (the "Advisor") based upon the average daily net assets of each Fund. The Advisor has entered into contractual agreements ("Expense Limitation Agreement") with the Funds under which it has agreed to reduce the amount of the investment advisory fee to be paid to the Advisor by the Funds for certain months and to assume other expenses of each of the Funds, if necessary, in an amount that limits the Funds' total operating expenses (exclusive of interest, taxes, brokerage fees and commissions, investment advisory and/or variable performance incentive fees paid to the Advisor, extraordinary expenses, and payments, if any, under a Rule 12b-1 Plan) to not more than a specified percentage of the average daily assets of each Fund for the current fiscal year. There can be no assurance the Expense Limitation Agreement will continue in the future. The expense limitation

(Continued)

Tilson Funds

Notes to Financial Statements (Unaudited)

percentages for the six month period ended April 30, 2007 were 0.45% for each fund. The expenses reimbursed during this period are \$62,290 and \$76,265, for the Focus Fund and Dividend Fund, respectively.

Advisor (Focus Fund)

As full compensation for investment advisory services, the Advisor receives monthly compensation in the form of a Variable Advisory Fee. The fee is comprised of two component fees: (i) a fixed rate of 1.50% of the average daily net assets of the Focus Fund ("Fulcrum Fee") and (ii) a performance incentive fee ("Performance Fee").

The Fulcrum Fee is calculated by multiplying 1.50% by the average net assets of the Focus Fund for the fiscal year to date divided by the number of days in the year multiplied by the number of days in the calendar month. The Performance Fee is calculated by multiplying the "Performance Adjustment Rate" (as described below) by the average daily net assets of the Focus Fund over the Measuring Period. While the Performance Fee is calculated on the 12-month Measuring Period, it is prorated to a monthly payment to correspond with the Focus Fund's monthly payment of the Variable Advisory Fee.

The Performance Adjustment Rate will vary with the Focus Fund's performance as compared to the performance of the Wilshire 5000 Index as published on the close of the market on the last day of the Measuring Period, with dividends reinvested, and will range from -0.45% to +0.45%. The Performance Adjustment Rate will be calculated at 4.50% of the cumulative difference between the performance of the Focus Fund and that of the Wilshire 5000 Index over the Measuring Period, except that no performance adjustment will be paid if the cumulative difference between the Focus Fund's performance and that of the Wilshire 5000 index is +/- 2.00%. The factor of 4.50% is derived from the fact that the Advisor will achieve the maximum / minimum Performance Adjustment Rate when the cumulative total return difference between the Focus Fund and the Wilshire 5000 Index is +/- 10.00% over the Measuring Period (i.e., 0.45% divided by 10.00%=4.50%). During the first full twelve calendar months following the effective date of the Trust's registration statement, the Advisor is entitled to receive only the Fulcrum Fee. Performance fees earned for the six month period ended April 30, 2007 was \$21,357.

Advisor (Dividend Fund)

As full compensation for the investment advisory services provided to the Dividend Fund, the Advisor receives monthly compensation based on the Dividend

Fund's average daily net assets at the annual rate of 1.50%.

Sub-Advisor (Dividend Fund)

The Dividend Fund's sub-advisor is Centaur Capital Partners, L.P., ("Sub-Advisor"). The Sub-Advisor serves in that capacity pursuant to an investment sub-advisory contract with the Advisor as approved by the Trustees. The Sub-Advisor, with oversight from the Advisor, makes day-to-day investment decisions for the Dividend Fund and selects broker-dealers for executing portfolio transactions, subject to the brokerage policies established by the Trustees.

For its sub-advisory services to the Dividend Fund, the Sub-Advisor receives from the Advisor quarterly compensation based on the Dividend Fund's average daily net assets at the rate of 0.75% less certain of the Advisor's marketing and operating expenses, as agreed to between the Advisor and Sub-Advisor. The Sub-Advisor has also agreed to allow the Advisor to withhold from that compensation up to one-half of the Advisor's expenses under the Expense Limitation Agreement as it relates to the Dividend Fund. The Dividend Fund does not pay a direct fee to the Sub-Advisor.

Administrator

The Funds pay a monthly administration fee to The Nottingham Company (the "Administrator") based upon the average daily net assets of each Fund and calculated at the annual rates as shown in the schedule on the following page which is subject to a minimum of \$2,000 per month per Fund. The Administrator also receives a fee to procure and pay the custodian for the Funds, additional compensation for fund accounting and recordkeeping services, and additional compensation for certain costs involved with the daily valuation of securities and as reimbursement for out-of-pocket expenses. A breakdown of these fees are provided in the schedule on the following page.

Compliance Services

The Nottingham Compliance Services, LLC, a fully owned affiliate of The Nottingham Company, provides services which assist the Trust's Chief Compliance Officer in monitoring and testing the policies and procedures of the Trust in conjunction with requirements under Rule 38a-1 of the Securities and Exchange Commission. It receives compensation for this service at an annual rate of \$7,750 per fund.

Transfer Agent

North Carolina Shareholder Services, LLC ("Transfer Agent") serves as transfer, dividend paying, and

(Continued)

Tilson Funds

Notes to Financial Statements (Unaudited)

shareholder servicing agent for the Funds. It receives compensation for its services based upon \$15 per shareholder per year, subject to a minimum fee of \$1,750 per month per fund.

Certain Trustees and officers of the Trust are also officers of the Advisor, the Distributor or the Administrator.

	<i>Administration Fees (1)</i>		<i>Custody fees (1)</i>		<i>Fund Accounting Fees (monthly)</i>	<i>Fund Accounting Fees</i>	<i>Blue Sky Administration Fees (annual)</i>
	<i>Average Net Assets</i>	<i>Annual Rate</i>	<i>Average Net Assets</i>	<i>Annual Rate</i>			
Both Funds	First \$50 million	0.175%	First \$100 million	0.020%	\$2,250	0.01%	\$150 per state
	Next \$50 million	0.150%	Over \$100 million	0.009%			
	Next \$50 million	0.125%					
	Next \$50 million	0.100%					
	Over \$200 million	0.075%					

(1) Minimum monthly fees of \$2,000 and \$400 for Administration and Custody fees, respectively.

3. Purchases and Sales of Investment Securities

For the six month period ended April 30, 2007, the aggregate cost of purchases and proceeds from sales of investment securities (excluding short-term securities) were as follows:

<i>Fund</i>	<i>Purchases of Securities</i>	<i>Proceeds from Sales of Securities</i>
Focus Fund	\$4,228,583	\$1,715,523
Dividend Fund	\$3,914,796	\$2,850,537

There were no long-term purchases or sales of U.S Government Obligations during the six month period ended April 30, 2007.

4. Options Written

As of April 30, 2007, portfolio securities valued at \$2,039,223 were held in escrow by the custodian to cover call options written by the Dividend Fund.

<i>Option Contracts Written for the six month period ended April 30, 2007 (Dividend Fund only).</i>	<i>Number of Contracts</i>	<i>Premiums Received</i>
Options Outstanding, Beginning of Period	171	\$45,988
Options written	1,072	189,098
Options closed	(185)	(50,447)
Options exercised	-	-
Options expired	-	-
Options Outstanding, End of Period	1,058	\$184,639

5. Federal Income Tax

The information shown on the following tables represent: (1) distribution requirements the Fund must satisfy under the income tax regulations as of October 31, 2006, (2) unrealized appreciation or depreciation of investments for federal income tax purposes as of April 30, 2007.

Book to tax differences in the current period primarily consist of capital loss deferrals on wash sales and different book tax treatment of short-term capital gains and 988 gains.

Table 1

<i>Fund</i>	<i>Undistributed Ordinary Income</i>	<i>Long-Term Gains</i>	<i>Net Tax Appreciation/ (Depreciation)</i>
Focus Fund	\$121,230	\$38,557	\$1,969,295
Dividend Fund	\$394,244	\$113,475	\$633,868

The aggregate cost of investments and the composition of unrealized appreciation and depreciation of investment securities for federal income tax purposes as of April 30, 2007, are shown in table below. The net appreciation/depreciation for the Focus Fund and Dividend Fund as of April 30, 2007 is \$2,376,937, and \$672,183, respectively.

Table 2

<i>Fund</i>	<i>Federal Tax</i>	<i>Aggregate Gross Unrealized</i>	
		<i>Appreciation</i>	<i>Depreciation</i>
Focus Fund	\$16,351,246	\$2,660,440	(\$283,503)
Dividend Fund	\$7,542,238	\$835,886	(\$163,703)

(Continued)

Tilson Funds

Notes to Financial Statements (Unaudited)

The amount of dividends and distributions from net investment income and net realized capital gains are determined in accordance with federal income tax regulations which may differ from generally accepted accounting principles. These differences are due to differing treatments for items such as net short-term gains, deferral of wash sale losses, foreign currency transactions, and net investment losses. Permanent differences such as tax returns of capital and net investment losses, if any, would be reclassified against capital.

For the fiscal year or period ended October 31, Fund	Distributions from			
	Ordinary Income		Long-Term Capital Gains	
	2006	2005	2006	2005
Focus Fund	\$53,025	\$ -	\$ -	\$ -
Dividend Fund	\$ -	\$ -	\$ -	\$ -

6. Commitments and Contingencies

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

7. New Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement on Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurements".

8. Capital Share Transactions

For the six month period or fiscal year ended	Focus Fund		Dividend Fund	
	April 30, 2007	October 31, 2006 (1)	April 30, 2007	October 31, 2006 (1)
Transactions in Capital Shares				
Shares sold	891,803	331,519	175,390	175,210
Reinvested distributions	11,901	4,803	43,804	-
Shares repurchased	(65,353)	(82,428)	(27,418)	(19,253)
Net Increase in Capital Shares	838,351	253,894	191,776	155,957
Shares Outstanding, Beginning of Period	895,003	641,109	527,586	371,629
Shares Outstanding, End of Period	1,733,354	895,003	719,362	527,586

(1) Audited

This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value and requires additional disclosure about fair value measurements. SFAS No. 157 applies to fair value measurements already required or permitted by existing standards. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The changes to current generally accepted accounting principles from the application of this Statement relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements. As of October 31, 2006, the Funds do not believe the adoption of SFAS No. 157 will impact the amounts reported in the financial statements, however, additional disclosures may be required about the inputs used to develop the measurements and the effect of certain of the measurements reported on the statement of changes in net assets for a fiscal period.

On July 13, 2006, the FASB released FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes" (FIN 48). FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Fund's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. Adoption of FIN 48 is required for April 30, 2008 and is to be applied to all open tax years as of the effective date. At this time, management is evaluating the implications of FIN 48. Although not yet determined, management does not expect FIN 48 to have a material impact on the financial statements.

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Tilson Funds

Additional Information (Unaudited)

1. Proxy Voting Policies and Voting Record

A copy of the Trust's Proxy Voting and Disclosure Policy and the Advisor's Proxy Voting and Disclosure Policy are included as Appendix B to the Funds' Statement of Additional Information and is available, without charge, upon request, by calling 1-800-773-3863. Information regarding how the Funds voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available (1) without charge, upon request, by calling the Funds at the number above and (2) on the SEC's website at <http://www.sec.gov>.

2. Quarterly Portfolio Holdings

The Funds file their complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Funds' Forms N-Q are available on the SEC's website at <http://www.sec.gov>. You may review and make copies at the SEC's Public Reference Room in Washington, D.C. You may also obtain copies after paying a duplicating fee by writing the SEC's Public Reference Section, Washington, D.C. 20549-0102 or by electronic request to publicinfo@sec.gov, or is available without charge, upon request, by calling the Funds at 1-800-773-3863. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 202-942-8090.

3. Approval of Advisory Agreements During the Period

The Advisor supervises the Funds' investments pursuant to an Investment Advisory Agreement ("Advisory Agreement"). During the Funds' most recent fiscal half-year, the Advisory Agreement came up for renewal. The Trust's Board of Trustees unanimously approved the renewal of the Advisory Agreement for another year at a Board Meeting on December 19, 2006.

In considering whether to renew the Advisory Agreement, the Board reviewed and considered such information as the Board deemed reasonably necessary, including the following material factors: (i) the nature, extent, and quality of the services to be provided by the Advisor to the Funds; (ii) the investment performance of the Funds and the Advisor, (iii) the costs of the services to be provided and profits to be realized by the Advisor and its affiliates from the relationship with the Funds; (iv) the extent to which economies of scale would be realized as the Funds grows and whether advisory fee levels reflect these economies of scale for the benefits of the Funds' investors; (v) the Advisor's practices

regarding brokerage and portfolio transactions; and (vi) the Advisor's practices regarding possible conflicts of interest.

To aid it in its review, the Board reviewed various informational materials including, without limitation, copies of the Advisory Agreement and Expense Limitation Agreement for the Funds; the Advisor's Form ADV; a memorandum from the Advisor to the Board including information about the Advisor, its business, its finances, its personnel, its services to the Funds; comparative expense ratio and fee information for other mutual funds with the strategy similar to the Funds (the "Advisor Memorandum"); and a memorandum from Parker Poe LLP (former counsel to the Trust) to the Board regarding considerations relevant to a review of investment advisory contracts by investment company trustees.

In considering the nature, extent, and quality of the services provided by the Advisor, the Board reviewed the services being provided by the Advisor to the Funds including, without limitation, the quality of its investment advisory services since each Fund's inception (including research and recommendations with respect to portfolio securities); its procedures for formulating investment recommendations and assuring compliance with each Fund's investment objectives and limitations; its coordination of services for the Funds among the Funds' service providers; and its efforts to promote the Funds, grow the Funds' assets, and assist in the distribution of Fund shares. The Board noted that the Trust's principal executive officer, principal financial officer, president, vice-president, treasurer, and chief compliance officer were employees of the Advisor and serve the Trust without additional compensation. After reviewing the foregoing information and further information in the memorandum from the Advisor (e.g., descriptions of the Advisor's business, the Advisor's compliance programs, and the Advisor's Form ADV), the Board concluded that the nature, extent, and quality of the services provided by the Advisor were satisfactory and adequate for the Funds.

In considering the investment performance of the Funds and the Advisor, the Board compared the short and long-term performance of each Fund with the performance of its benchmark index, comparable funds with similar objectives and sizes managed by other investment advisors, and comparable peer group indices (e.g., Morningstar category averages). The Board also considered the consistency of the Advisor's management of each Fund with its investment objective and policies. After reviewing the short and long-term

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Tilson Funds

Additional Information (Unaudited)

investment performance of the Funds, the Advisor's experience managing the Funds and other advisory accounts, the Advisor's historical investment performance, and other factors, the Board concluded that the investment performance of the Funds and the Advisor were satisfactory.

In considering the costs of the services to be provided and profits to be realized by the Advisor and its affiliates from the relationship with the Funds, the Board considered the Advisor's staffing, personnel, and methods of operating; the education and experience of the Advisor's personnel; the Advisor's compliance policies and procedures; the financial condition of the Advisor and the level of commitment to the Funds and the Advisor by the principals of the Advisor; the asset level of each Fund; and the overall expenses of each Fund, including certain prior fee waivers and reimbursements by the Advisor on behalf of the Funds and the nature and frequency of advisory fee payments. The Board reviewed the financial statements for the Advisor and discussed the financial stability and profitability of the firm. The Board reviewed the Funds' Expense Limitation Agreement in detail, including the nature and scope of the cost allocation for such fees. The Board also considered potential benefits for the Advisor in managing the Funds, including promotion of the Advisor's name, the ability for the Advisor to place small accounts into the Funds, and the potential for the Advisor to generate soft dollars from certain of the Funds' trades that may benefit the Advisor's other clients as well. The Board then compared the fees and expenses of each Fund (including the management fee) to other funds comparable the Fund in terms of the type of fund, the style of investment management, the size of the fund, and the nature of its investment strategy, among other factors. With respect to each Fund, the Board determined that the management fee was higher than the comparable funds and the net expense ratio, while higher than some of the comparable funds and lower than another, was higher than the industry average. Following this comparison and upon further consideration and discussion of the foregoing, the Board concluded that the fees to be paid to the Advisor by the Funds were fair and reasonable in relation to the nature and quality of the services provided by the Advisor.

In considering the extent to which economies of scale would be realized as the Funds grows and whether the advisory fee levels reflect these economies of scale for the benefits of the Funds' investors, the Board considered that each Fund's fee arrangements with the Advisor involved only the management fee. The Board noted that, while the management fees remained the

same at all asset levels, the Funds' shareholders had experienced benefits from the Funds' Expense Limitation Agreement and would benefit from economies of scale under the Funds' agreements with service providers other than the Advisor. Following further discussion of the Funds' asset levels, expectations for growth, and fee levels, the Board determined that the Funds' fee arrangements were fair and reasonable in relation to the nature and quality of the services provided by the Advisor and that the Expense Limitation Agreement provided potential savings for the benefit of the Funds' investors.

In considering the Advisor's practices regarding brokerage and portfolio transactions, the Board reviewed the Advisor's standards, and performance in utilizing those standards, for seeking best execution for the Funds' portfolio transactions, including the use of alternative markets (e.g., direct purchases from issuers or underwriters or, as to equity securities, "third market" for listed securities and principal market makers for over-the-counter securities). The Board also considered the anticipated portfolio turnover rate for the Funds; the process by which evaluations are made of the overall reasonableness of commissions paid; the method and basis for selecting and evaluating the broker-dealers used; any anticipated allocation of portfolio business to persons affiliated with the Advisor; and the opportunities for the Advisor to recapture brokerage or related fees (e.g., tender offer fees, underwriting fees, etc.) and credit them against the expenses of the Funds. After further review and discussion, the Board determined that the Advisor's practices regarding brokerage and portfolio transactions were satisfactory.

In considering the possible conflicts of interest, the Board evaluated the potential for conflicts of interest and considered such matters as the experience and ability of the advisory personnel assigned to the Funds; the basis for soft dollar payments with broker-dealers, including any broker-dealers affiliated with the Advisor; the basis of decisions to buy or sell securities for the Funds and/or the Advisor's other accounts; the method for bunching of portfolio securities transactions; and the substance and administration of the Advisor's code of ethics. Following further consideration and discussion, the Board indicated that the Advisor's standards and practices relating to the identification and mitigation of possible conflicts of interests were satisfactory.

Based upon all of the foregoing considerations, the Board, including a majority of the Trust's independent trustees, approved the renewal of the Advisor Agreement.

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**The Tilson Mutual
Funds are a series of the
Tilson Investment Trust**

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