

*The American Trust*  
Allegiance Fund

One Court Street  
Lebanon, New Hampshire 03766

SEMI-ANNUAL REPORT

FOR THE SIX MONTHS ENDED

AUGUST 31, 2009

# American Trust Allegiance Fund

October, 2009

Dear Fellow Shareholders,

It is our pleasure to provide you with the American Trust Allegiance Fund Semi-Annual Report for the period ending August 31, 2009.

This is not our typical letter to our shareholders, mainly because this is not a typical time for investors. Most participants in the equity markets have witnessed significant losses of both wealth and confidence. Most troubling, for many investors, fear continues to reign and they are not sure who or what to trust. For this reason, we have put together a quick primer on investing principles that like most principles, we believe can help guide us through some very troubled waters.

But first, here are the performance numbers for the six months ending August 31, 2009. The Allegiance Fund for this six month period was up 39.62% while the S&P 500 Index was up 40.52%. The Fund had one of its best six month performance results due to the growing investor confidence that the worst of the recession was over and the chance of a world financial collapse had abated. While many investors sold their stocks and went heavily into cash in March, the Allegiance Fund stayed focused on well-established companies that have survived difficult financial storms. We underweighted financial stocks which helped us at the beginning of this six month period but hurt us toward the end when bank stocks rallied. We also continue to overweight technology stocks and this has clearly helped the fund performance. We continue to look for opportunities to invest in reasonably priced quality companies.

As mentioned above, since the last shareholder letter six months ago, the stock markets in the U.S. and around the world have rallied beyond almost anyone's expectations. For example, the U.S. stock market has rallied over 50% from its lows on March 9 of this year. Ironically and somewhat sadly, rather than buying or holding onto stock mutual funds at their lows last March, investors were selling their shares in the U.S. at a near record level. Similarly, when the stock market (including stock mutual funds) was at record highs in 2000, investors were buying mutual funds at a record pace. Tragically, this has been the behavioral pattern of the majority of investors as far back as records have been kept. The human tendency to invest based on what has happened over the recent *past* rather than what *should* happen in the future has frustrated investors and understandably caused many to wonder why they would ever want to invest again. Many are still saying, "as soon as I get back to even, I will sell my shares" or "the stock market is rigged against the small investor" or "no one can ever make profits in the stock market." This is not dissimilar to the boy who came home from school with a D on his math quiz and said to his dad, "I'm sorry, but math just doesn't work." Results will always be bad when the principles are not applied. Investing is no exception.

# American Trust Allegiance Fund

Now we are not claiming that investing is an exact science but there are certain principles and disciplines that we believe can clearly help investors avoid the classic tendencies that so many investors fall victim to.

Our Investing Beliefs:

**Do not use market timing.** This is the tendency to buy and sell your stocks based on your perception of what the market will do. There are whole books that have been written about the folly of this effort but suffice it to say; of the many successful investors we are not aware of 1 that employs market timing.

**Do not put funds in the stock market (including stock mutual funds) that you cannot commit for at least 3 years.** It is now early fall in New England. On any given day it could reach 70 degrees or maybe just 40 degrees. However, on the day it reaches 70, no one goes out to buy summer shorts – they are more likely to buy a winter coat. Obviously this is because in October in New England we know that no matter how warm it might be on one day or for one week, in two months we will need warm cloths. Similarly, the stock market can do just about anything over short periods of time (dive in a panic, soar on exuberance, etc.) but over the longer term it is company earnings that drive stock prices and if you do your homework, it is more likely that you will invest in companies whose earnings rise over time thus gradually growing your portfolio - which brings us to the next rule.

**Know what you are buying.** Thorough research decreases the likelihood of unwelcome surprises. Today there are fantastic on-line resources for understanding companies. Still with the plethora of information, it is essential to know what statistics are prime determinants of a company's success.

**Always diversify.** No matter how confident you might be about a single company's prospects, we believe it is vital to have at least 30 stocks in a portfolio for proper diversification. Just as importantly, these stocks need to be spread among the major economic sectors such as energy, financial services, information technology and utilities to name a few. The Allegiance Fund currently holds about 40 stocks diversified carefully among all the major economic sectors except areas that would bring us into conflict with our screening standards. There are many additional ways to diversify (by asset class, value, growth, market capitalization, domestic, international, etc) but the diversification mentioned above is basic to a successful portfolio.

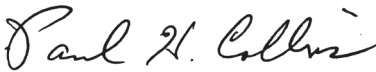
**Invest with your ethics.** You have ethical standards. Why not extend that to your investments? If you are in the Allegiance Fund, you obviously have. But many will ask, does socially responsible investing limit performance? There are about 15,000 publicly traded stocks in the U.S. The screens that the Allegiance Fund uses, reduces that number to about 13,000. It certainly should be possible to find 30 or 40 good investments whether you are choosing from

## American Trust Allegiance Fund

15,000 or 13,000 companies. If you would not commit your time to help promote tobacco, why commit your investments?

We hope this quick review is helpful in building a long-term portfolio with strong results. As with most things in life, discipline is the key to applying investing principles successfully. Investors often hire professionals to manage their assets even if they have the skill and the time to do the required work because individuals (churches, foundations, etc.) sometimes lack the discipline needed to weather those pivotal moments in the stock market that can torpedo performance for a decade or more. But consistently applying these simple principles can help avoid these pitfalls and should establish a foundation to build long-term performance.

Sincerely yours,



Paul H. Collins



Carey Callaghan

Co-Fund Managers

*Past performance is not a guarantee of future results.*

**The Fund may invest in small- and medium-capitalization companies, which tend to have limited liquidity and greater price volatility than larger-capitalization companies.**

The S&P 500 Index is an unmanaged index commonly used to measure performance of U.S. stocks. This index is not available for investment and does not incur charges or expenses.

The information provided herein represents the opinion of Paul H. Collins and/or Carey Callaghan and is not intended to be a forecast of future events, a guarantee of future results, nor investment advice.

# American Trust Allegiance Fund

## EXPENSE EXAMPLE at August 31, 2009 (Unaudited)

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As a shareholder of a fund, you incur two types of costs: (1) transaction costs, including sales charges (loads) on purchase payments; redemption fees; and exchange fees; and (2) ongoing costs, including management fees; distribution and/or service 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 (3/1/09 – 8/31/09).

### Actual Expenses

The first line of the table below provides information about actual account values and actual expenses, with actual net expenses being limited to 1.45% per the advisory agreement. Although the Fund charges no sales load or transaction fees, you will be assessed fees for outgoing wire transfers, returned checks, and stop payment orders at prevailing rates charged by U.S. Bancorp Fund Services, LLC, the Fund's transfer agent. The example below includes, but is not limited to, management fees, fund accounting, custody and transfer agent fees. 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 rate of return of 5% per year 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. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the 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 sales charges (loads), redemption fees, or exchange fees. 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.

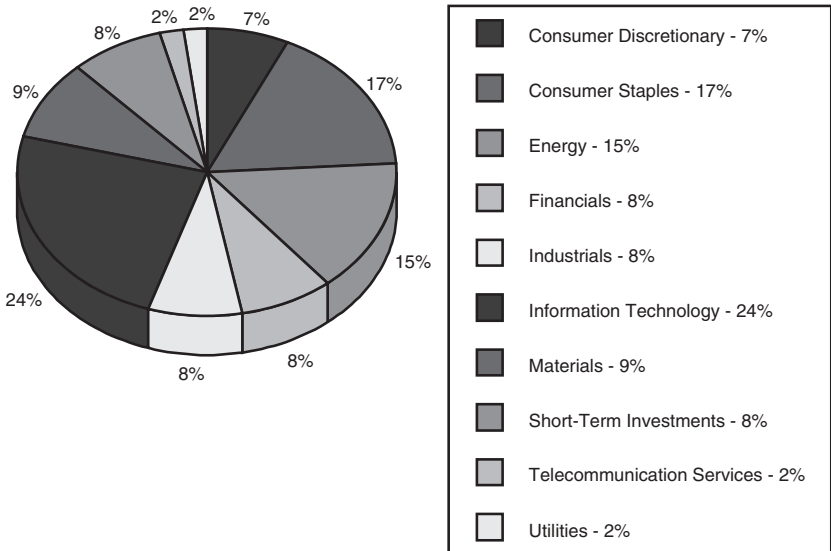
# American Trust Allegiance Fund

## EXPENSE EXAMPLE at August 31, 2009 (Unaudited), Continued

|   | Beginning<br>Account Value<br><u>3/1/09</u> | Ending<br>Account Value<br><u>8/31/09</u> | Expenses Paid<br>During Period<br><u>3/1/09 – 8/31/09*</u> |
|---|---|---|--|
| Actual                                      | \$1,000.00                                  | \$1,396.20                                | \$8.76   |
| Hypothetical (5% return<br>before expenses) | \$1,000.00                                  | \$1,017.90                                | \$7.37   |

\* Expenses are equal to the Fund's annualized expense ratio of 1.45%, multiplied by the average account value over the period, multiplied by 184 (days in most recent fiscal half-year)/365 days to reflect the one-half year expense.

## SECTOR ALLOCATION OF PORTFOLIO ASSETS at August 31, 2009 (Unaudited)



Percentages represent market value as a percentage of total investments.

# American Trust Allegiance Fund

## SCHEDULE OF INVESTMENTS at August 31, 2009 (Unaudited)

| Shares | COMMON STOCKS: 92.46%                                | Value          |
|--------|--|----------------|
|        | <b>Agricultural Products: 1.74%</b>                  |                |
| 8,500  | Archer-Daniels-Midland Co. ....                      | \$ 245,055     |
|        | <b>Automobiles: 0.93%</b>                            |                |
| 4,190  | Honda Motor Co., Ltd. - ADR.....                     | 131,273        |
|        | <b>Chemicals: 6.11%</b>                              |                |
| 5,900  | Monsanto Co. ....                                    | 494,892        |
| 4,800  | Praxair, Inc. ....                                   | 367,776        |
|        |  | <u>862,668</u> |
|        | <b>Commercial Services &amp; Supplies: 2.69%</b>     |                |
| 8,700  | Iron Mountain, Inc.* .....                           | 254,823        |
| 4,200  | Waste Management, Inc. ....                          | 125,706        |
|        |  | <u>380,529</u> |
|        | <b>Communications Equipment: 2.82%</b>               |                |
| 5,450  | Research In Motion Ltd.*# .....                      | 398,177        |
|        | <b>Computer Hardware: 5.82%</b>                      |                |
| 2,500  | Apple, Inc.* .....                                   | 420,525        |
| 3,400  | International Business Machines Corp. ....           | 401,370        |
|        |  | <u>821,895</u> |
|        | <b>Computer Software: 3.88%</b>                      |                |
| 7,600  | Citrix Systems, Inc.* .....                          | 271,168        |
| 11,200 | Microsoft Corp. ....                                 | 276,080        |
|        |  | <u>547,248</u> |
|        | <b>Computers &amp; Peripherals: 3.22%</b>            |                |
| 10,140 | Hewlett-Packard Co. ....                             | 455,185        |
|        | <b>Construction &amp; Engineering: 2.76%</b>         |                |
| 7,200  | ABB Ltd. - ADR.....                                  | 138,024        |
| 8,700  | Foster Wheeler Ltd.*# .....                          | 251,865        |
|        |  | <u>389,889</u> |
|        | <b>Diversified Financial Services: 1.90%</b>         |                |
| 5,100  | State Street Corp. ....                              | 267,648        |
|        | <b>Diversified Telecommunication Services: 1.83%</b> |                |
| 9,900  | AT&T, Inc. ....                                      | 257,895        |
|        | <b>Energy Equipment &amp; Services: 2.48%</b>        |                |
| 10,000 | Noble Corp.#.....                                    | 350,300        |
|        | <b>Food Products: 2.92%</b>                          |                |
| 6,900  | General Mills, Inc. ....                             | 412,137        |

The accompanying notes are an integral part of these financial statements.

# American Trust Allegiance Fund

## SCHEDULE OF INVESTMENTS at August 31, 2009 (Unaudited), Continued

| Shares |   | Value      |
|--------|---|------------|
|        | <b>Household Durables: 2.41%</b>                |            |
| 9,200  | Tupperware Brands Corp. ....                    | \$ 340,308 |
|        | <b>Household Products: 10.44%</b>               |            |
| 9,000  | Avon Products, Inc. ....                        | 286,830    |
| 9,527  | Church & Dwight Co., Inc. ....                  | 544,278    |
| 4,600  | Clorox Co. ....                                 | 271,814    |
| 5,105  | Colgate-Palmolive Co. ....                      | 371,133    |
|        |   | 1,474,055  |
|        | <b>Independent Power Producer: 2.05%</b>        |            |
| 10,800 | NRG Energy, Inc.* ....                          | 289,980    |
|        | <b>Insurance: 6.62%</b>                         |            |
| 124    | Berkshire Hathaway, Inc. - Class B* ....        | 407,464    |
| 8,720  | Loews Corp. ....                                | 297,788    |
| 8,900  | Willis Group Holdings Ltd.# ....                | 229,531    |
|        |   | 934,783    |
|        | <b>Internet Services: 2.71%</b>                 |            |
| 830    | Google, Inc. - Class A* ....                    | 383,186    |
|        | <b>IT Services: 1.89%</b>                       |            |
| 8,100  | Accenture Ltd. - Class A# ....                  | 267,300    |
|        | <b>Machinery: 0.88%</b>                         |            |
| 4,000  | AGCO Corp.* ....                                | 124,960    |
|        | <b>Metals &amp; Mining: 2.77%</b>               |            |
| 6,200  | Freeport-McMoRan Copper & Gold, Inc. ....       | 390,476    |
|        | <b>Networking Equipment: 2.82%</b>              |            |
| 18,420 | Cisco Systems, Inc.* ....                       | 397,872    |
|        | <b>Oil &amp; Gas: 10.74%</b>                    |            |
| 5,600  | Devon Energy Corp. ....                         | 343,728    |
| 4,371  | Exxon Mobil Corp. ....                          | 302,255    |
| 6,880  | Hess Corp. ....                                 | 348,059    |
| 5,334  | Kinder Morgan Management, LLC* ....             | 252,458    |
| 8,150  | Petroleo Brasileiro S.A. - Petrobras - ADR .... | 270,580    |
|        |   | 1,517,080  |
|        | <b>Personal Products: 1.87%</b>                 |            |
| 10,000 | Alberto-Culver Co. ....                         | 263,900    |
|        | <b>Renewable Energy: 1.72%</b>                  |            |
| 2,000  | First Solar, Inc.* ....                         | 243,160    |

The accompanying notes are an integral part of these financial statements.

# American Trust Allegiance Fund

## SCHEDULE OF INVESTMENTS at August 31, 2009 (Unaudited), Continued

| Shares  |   | Value               |
|---------|---|---------------------|
|         | <b>Semiconductors: 1.09%</b>  |                     |
| 7,600   | Intel Corp. ....  | \$ 154,432          |
|         | <b>Specialty Retail: 3.39%</b>  |                     |
| 6,320   | Nike, Inc. - Class B.....   | 350,065             |
| 5,925   | Staples, Inc. ....  | 128,039             |
|         |   | <u>478,104</u>      |
|         | <b>Utilities - Pipelines: 1.96%</b>   |                     |
| 14,700  | Spectra Energy Corp. ....   | 276,654             |
|         | TOTAL COMMON STOCKS<br>(Cost \$11,906,803).....   | <u>13,056,149</u>   |
|         | <b>SHORT-TERM INVESTMENTS: 7.60%</b>  |                     |
| 341,534 | AIM STIT-Treasury Portfolio - Institutional<br>Class, 0.08% <sup>†</sup> .....                  | 341,534             |
| 661,212 | Fidelity Institutional Money Market<br>Government Portfolio - Class I, 0.19% <sup>†</sup> ..... | 661,212             |
| 161,832 | Reserve Primary Fund - Class 45+ <sup>‡</sup> .....   | 69,588              |
|         | TOTAL SHORT-TERM INVESTMENTS<br>(Cost \$1,164,579) .....  | <u>1,072,334</u>    |
|         | Total Investments in Securities<br>(Cost \$13,071,382): 100.06% .....                           | 14,128,483          |
|         | Liabilities in Excess of Other Assets: (0.06)% .....  | <u>(7,936)</u>      |
|         | Net Assets: 100.00% .....   | <u>\$14,120,547</u> |

\* Non-income producing security.

# U.S. traded security of a foreign issuer.

+ Valued at a fair value in accordance with procedures established by the Fund's Board of Trustees.

‡ Illiquid security. As of August 31, 2009, the security had a value of \$69,588 or 0.49% of net assets. The security was acquired between April 21, 2008 and October 22, 2008, and has a cost basis of \$161,832.

† Rate shown is the 7-day yield as of August 31, 2009.

ADR - American Depository Receipt

The accompanying notes are an integral part of these financial statements.

# American Trust Allegiance Fund

## STATEMENT OF ASSETS AND LIABILITIES at August 31, 2009 (Unaudited)

### ASSETS

|   |              |
|---|--------------|
| Investments in securities, at value (cost \$13,071,382) ..... | \$14,128,483 |
| Cash .....  | 324          |
| Receivables:  |              |
| Fund shares sold .....  | 426          |
| Dividends and interest.....                                   | 17,149       |
| Prepaid expenses .....  | 13,396       |
| Total assets .....  | 14,159,778   |

### LIABILITIES

|  |        |
|--|--------|
| Payables:                              |        |
| Fund shares redeemed.....              | 990    |
| Due to advisor .....                   | 2,250  |
| Administration fees .....              | 2,548  |
| Audit fees .....                       | 9,175  |
| Transfer agent fees and expenses ..... | 8,364  |
| Fund accounting fees.....              | 6,837  |
| Legal fees .....                       | 3,082  |
| Custody fees .....                     | 2,096  |
| Shareholder reporting fees.....        | 1,031  |
| Chief Compliance Officer fee .....     | 1,675  |
| Accrued other expenses .....           | 1,183  |
| Total liabilities .....                | 39,231 |

NET ASSETS ..... \$14,120,547

#### Net asset value, offering and redemption price

**per share** [\$14,120,547 / 912,966 shares  
outstanding; unlimited number of shares  
(par value \$0.01) authorized] ..... \$15.47

### COMPONENTS OF NET ASSETS

|  |              |
|--|--------------|
| Paid-in capital.....                               | \$19,062,046 |
| Undistributed net investment income .....          | 64,909       |
| Accumulated net realized loss on investments ..... | (6,063,509)  |
| Net unrealized appreciation on investments.....    | 1,057,101    |
| Net assets .....                                   | \$14,120,547 |

The accompanying notes are an integral part of these financial statements.

# American Trust Allegiance Fund

## STATEMENT OF OPERATIONS

For the Six Months Ended August 31, 2009 (Unaudited)

### INVESTMENT INCOME

#### Income

|  |                |
|--|----------------|
| Dividends (net of foreign tax withheld of \$522) ..... | \$ 103,573     |
| Interest .....   | 922            |
| Total income .....                                     | <u>104,495</u> |

#### Expenses

|   |                 |
|---|-----------------|
| Advisory fees (Note 3) .....                    | 58,763          |
| Transfer agent fees and expenses (Note 3) ..... | 19,166          |
| Administration fees (Note 3) .....              | 15,123          |
| Fund accounting fees (Note 3) .....             | 12,937          |
| Audit fees .....                                | 9,175           |
| Registration fees .....                         | 9,151           |
| Legal fees .....                                | 7,228           |
| Reports to shareholders .....                   | 3,766           |
| Custody fees (Note 3) .....                     | 3,634           |
| Chief Compliance Officer fee (Note 3) .....     | 3,497           |
| Trustee fees .....                              | 2,975           |
| Insurance expense .....                         | 2,138           |
| Miscellaneous expense .....                     | 1,362           |
| Total expenses .....                            | 148,915         |
| Less: advisory fee waiver (Note 3) .....        | <u>(59,223)</u> |
| Net expenses .....                              | <u>89,692</u>   |
| <b>Net investment income</b> .....              | <u>14,803</u>   |

### REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS

|   |                     |
|---|---------------------|
| Net realized loss on investments .....                                | (2,334,129)         |
| Net change in unrealized appreciation on investments .....            | <u>6,264,972</u>    |
| Net realized and unrealized gain on investments .....                 | <u>3,930,843</u>    |
| <b>Net increase in net assets<br/>resulting from operations</b> ..... | <u>\$ 3,945,646</u> |

The accompanying notes are an integral part of these financial statements.

# American Trust Allegiance Fund

## STATEMENTS OF CHANGES IN NET ASSETS

|  | Six Months Ended<br>August 31, 2009<br>(Unaudited) | Year Ended<br>February 28, 2009 |
|--|--|---------------------------------|
| <b>INCREASE/(DECREASE) IN NET ASSETS FROM:<br/>OPERATIONS</b>                        |  |                                 |
| Net investment income .....  | \$ 14,803  | \$ 49,248                       |
| Net realized loss on investments .....   | (2,334,129)  | (2,732,157)                     |
| Net change in unrealized<br>appreciation/(depreciation)<br>on investments.....       | <u>6,264,972</u>                                   | <u>(5,560,067)</u>              |
| <b>Net increase/(decrease) in<br/>net assets resulting<br/>from operations.....</b>  | <u>3,945,646</u>                                   | <u>(8,242,976)</u>              |
| <b>DISTRIBUTIONS TO SHAREHOLDERS</b>   |  |                                 |
| From net investment income .....   | <u>—</u>   | <u>(149,508)</u>                |
| <b>CAPITAL SHARE TRANSACTIONS</b>  |  |                                 |
| Net decrease in net assets derived from<br>net change in outstanding shares (a)..... | <u>(949,356)</u>                                   | <u>(1,014,928)</u>              |
| <b>Total increase/(decrease)<br/>in net assets .....</b>                             | <u>2,996,290</u>                                   | <u>(9,407,412)</u>              |
| <b>NET ASSETS</b>  |  |                                 |
| Beginning of period.....   | <u>11,124,257</u>                                  | <u>20,531,669</u>               |
| <b>End of period .....</b>   | <u>\$14,120,547</u>                                | <u>\$11,124,257</u>             |
| Includes undistributed net<br>investment income of.....                              | <u>\$ 64,909</u>                                   | <u>\$ 50,106</u>                |

(a) A summary of share transactions is as follows:

|   | Six Months Ended<br>August 31, 2009<br>(Unaudited) |                     | Year Ended<br>February 28, 2009 |                      |
|---|--|---------------------|---------------------------------|----------------------|
|   | Shares   | Paid-in Capital     | Shares                          | Paid-in Capital      |
| Shares sold .....   | 79,581   | \$ 1,145,827        | 147,002                         | \$ 2,368,587         |
| Shares issued in<br>reinvestment of<br>distributions..... | —  | —                   | 9,280                           | 117,394              |
| Shares redeemed .....                                     | <u>(170,469)</u>                                   | <u>(2,095,183)</u>  | <u>(235,004)</u>                | <u>(3,500,909)</u>   |
| Net decrease .....  | <u>(90,888)</u>                                    | <u>\$ (949,356)</u> | <u>(78,722)</u>                 | <u>\$(1,014,928)</u> |

The accompanying notes are an integral part of these financial statements.

# American Trust Allegiance Fund

## FINANCIAL HIGHLIGHTS

For a share outstanding throughout the period

|  | Six Months<br>Ended<br>8/31/09<br>(Unaudited) |                | Year Ended     |                |                |                |
|--|---|----------------|----------------|----------------|----------------|----------------|
|  | 2/28/09                                       | 2/29/08        | 2/28/07        | 2/28/06        | 2/28/05        |                |
| Net asset value,<br>beginning of period . . .                        | <u>\$11.08</u>                                | <u>\$18.97</u> | <u>\$18.62</u> | <u>\$17.37</u> | <u>\$16.04</u> | <u>\$14.79</u> |
| <b>Income from investment operations:</b>                            |   |                |                |                |                |                |
| Net investment income  | 0.02  | 0.06           | 0.14           | 0.02           | 0.01           | 0.01           |
| Net realized and<br>unrealized gain/(loss)<br>on investments . . . . | <u>4.37</u>                                   | <u>(7.80)</u>  | <u>0.23</u>    | <u>1.24</u>    | <u>1.33</u>    | <u>1.24</u>    |
| Total from investment<br>operations . . . . .                        | <u>4.39</u>                                   | <u>(7.74)</u>  | <u>0.37</u>    | <u>1.26</u>    | <u>1.34</u>    | <u>1.25</u>    |
| Less distributions:  |   |                |                |                |                |                |
| From net<br>investment income . . .                                  | <u>—</u>                                      | <u>(0.15)</u>  | <u>(0.02)</u>  | <u>(0.01)</u>  | <u>(0.01)</u>  | <u>—</u>       |
| Total distributions . . .  | <u>—</u>                                      | <u>(0.15)</u>  | <u>(0.02)</u>  | <u>(0.01)</u>  | <u>(0.01)</u>  | <u>—</u>       |
| Net asset value,<br>end of period . . . . .                          | <u>\$15.47</u>                                | <u>\$11.08</u> | <u>\$18.97</u> | <u>\$18.62</u> | <u>\$17.37</u> | <u>\$16.04</u> |
| Total return . . . . .   | 39.62%‡                                       | -40.90%        | 1.97%          | 7.25%          | 8.36%          | 8.45%          |
| <b>Ratios/supplemental data:</b>                                     |   |                |                |                |                |                |
| Net assets, end of<br>period (thousands) . . .                       | \$14,121                                      | \$11,124       | \$20,532       | \$20,707       | \$21,888       | \$23,556       |
| Ratio of expenses to<br>average net assets:                          |   |                |                |                |                |                |
| Before expense<br>waiver . . . . .                                   | 2.41%†  | 2.03%          | 1.87%          | 1.90%          | 1.85%          | 1.84%          |
| After expense<br>waiver . . . . .                                    | 1.45%†  | 1.45%          | 1.45%          | 1.45%          | 1.45%          | 1.45%          |
| Ratio of net investment<br>income/(loss) to<br>average net assets:   |   |                |                |                |                |                |
| Before expense<br>waiver . . . . .                                   | (0.72)%†                                      | (0.30)%        | 0.27%          | (0.36)%        | (0.33)%        | (0.33)%        |
| After expense<br>waiver . . . . .                                    | 0.24%†  | 0.28%          | 0.69%          | 0.09%          | 0.07%          | 0.06%          |
| Portfolio turnover rate . .  | 44.56%‡                                       | 36.55%         | 59.19%         | 79.89%         | 27.09%         | 35.39%         |

† Annualized.

‡ Not annualized.

The accompanying notes are an integral part of these financial statements.

# American Trust Allegiance Fund

## NOTES TO FINANCIAL STATEMENTS at August 31, 2009 (Unaudited)

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### NOTE 1 – ORGANIZATION

The American Trust Allegiance Fund (the “Fund”) is a diversified series of Advisors Series Trust (the “Trust”), which is registered under the Investment Company Act of 1940 (the “1940 Act”) as an open-end management investment company. The investment objective of the Fund is to seek capital appreciation. The Fund began operations on March 11, 1997.

### NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Fund. These policies are in conformity with accounting principles generally accepted in the United States of America.

- A. *Security Valuation:* All investments in securities are recorded at their estimated fair value, as described in note 3.
- B. *Federal Income Taxes:* It is the Fund’s policy to comply with the requirements of Subchapter M of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its taxable income to its shareholders. Therefore, no federal income or excise tax provision is required.

The Fund recognizes the tax benefits of uncertain tax positions only where the position is “more likely than not” to be sustained assuming examination by tax authorities. Management has analyzed the Fund’s tax positions, and has concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on returns filed for open tax years 2007 – 2009, or expected to be taken in the Fund’s 2010 tax returns. The Fund identifies its major tax jurisdictions as U.S. Federal and the state of Arizona; however the Fund is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next twelve months.

- C. *Security Transactions, Income and Distributions:* Security transactions are accounted for on the trade date. Realized gains and losses on securities sold are calculated on the basis of first in, first out. Interest income is recorded on an accrual basis. Dividend income and distributions to shareholders are recorded on the ex-dividend date. Withholding taxes on foreign dividends have been provided for in accordance with the Fund’s understanding of the applicable country’s tax rules and rates.

# American Trust Allegiance Fund

## NOTES TO FINANCIAL STATEMENTS, Continued

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The Fund distributes substantially all net investment income, if any, and net realized gains, if any, annually. The amount of dividends and distributions to shareholders from net investment income and net realized capital gains is determined in accordance with Federal income tax regulations which differ from accounting principles generally accepted in the United States of America.

- D. *Use of 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 reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets during the reporting period. Actual results could differ from those estimates.
- E. *Reclassification of Capital Accounts:* Accounting principles generally accepted in the United States of America require that certain components of net assets relating to permanent differences be reclassified between financial and tax reporting. These reclassifications have no effect on net assets or net asset value per share.
- F. *REITs:* The Fund has made certain investments in real estate investment trusts ("REITs") which pay dividends to their shareholders based upon available funds from operations. It is quite common for these dividends to exceed the REITs' taxable earnings and profits resulting in the excess portion being designated as a return of capital. The Fund intends to include the gross dividends from such REITs in its annual distributions to its shareholders and, accordingly, a portion of the Fund's distributions may also be designated as a return of capital.
- G. *Derivatives:* The Fund has adopted FAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* ("FAS 161"). FAS 161 amends FAS No. 133, *Accounting for Derivatives and Hedging Activities*. FAS 161 is intended to improve financial reporting for derivative instruments by requiring enhanced disclosure that enables investors to understand how and why an entity uses derivatives, how derivatives are accounted for, and how derivative instruments affect an entity's results of operations and financial position.

During the six months ended August 31, 2009, the Fund did not hold any derivative instruments.

- H. *Events Subsequent to the Fiscal Period End:* The Fund has adopted FAS No. 165, *Subsequent Events* ("FAS 165"). FAS 165 requires an entity to recognize in the financial statements the effects of all subsequent events

# American Trust Allegiance Fund

## NOTES TO FINANCIAL STATEMENTS, Continued

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that provide additional evidence about conditions that existed at the date of the balance sheet. In addition, FAS 165 requires an entity to disclose the date through which subsequent events have been evaluated.

Management has evaluated fund related events and transactions that occurred subsequent to August 31, 2009, through October 30, 2009, the date of issuance of the Fund's financial statements. There were no events or transactions that occurred during this period that materially impacted the amounts or disclosures in the Fund's financial statements.

### NOTE 3 – SECURITIES VALUATION

The Fund has adopted FAS No. 157, *Fair Value Measurements* ("FAS 157") and FASB Staff Position ("FSP 157-4"). FSP 157-4 clarifies FAS 157 and requires an entity to evaluate certain factors to determine whether there has been a significant decrease in volume and level of activity for the security such that recent transactions and quoted prices may not be determinative of fair value and further analysis and adjustment may be necessary to estimate fair value. FSP 157-4 also requires enhanced disclosure regarding the inputs and valuation techniques used to measure fair value in those instances as well as expanded disclosure of valuation levels for major security types. FAS 157 requires the Fund to classify its securities based on valuation method. 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 (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).
- Level 3 – Significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments).

Following is a description of the valuation techniques applied to the Fund's major categories of assets and liabilities measured at fair value on a recurring basis.

*Equity Securities:* Securities that are primarily traded on a national securities exchange shall be valued at the last sale price on the exchange on which they are primarily traded on the day of valuation or, if there has been no sale on such day, at the mean between the bid and asked prices. Securities primarily traded in the NASDAQ Global Market System for which market quotations are readily available shall be valued using the NASDAQ Official Closing Price ("NOCP"). If the NOCP is not available, such securities shall be valued at the last sale price on the day of valuation, or if there has been no sale on such day, at the mean between the bid and asked prices. Over-the-counter

# American Trust Allegiance Fund

## NOTES TO FINANCIAL STATEMENTS, Continued

("OTC") securities which are not traded in the NASDAQ Global Market System shall be valued at the most recent sales price. Investments in other mutual funds are valued at their net asset value per share. To the extent, these securities are actively traded and valuation adjustments are not applied, they are categorized in level 1 of the fair value hierarchy.

Securities for which market quotations are not readily available, or if the closing price doesn't represent fair value, are valued following procedures approved by the Board of Trustees. These procedures consider many factors, including the type of security, size of holding, trading volume and news events. Depending on the relative significance of the valuation inputs, these securities may be classified in either level 2 or level 3 of the fair value hierarchy.

*Short-Term Notes:* Short-term notes having a maturity of less than 60 days are valued at amortized cost, which approximates market value. To the extent the inputs are observable and timely, these securities would be classified in level 2 of the fair value hierarchy.

*Illiquid Securities:* A security may be considered illiquid if it lacks a readily available market. Securities are generally considered liquid if they can be sold or disposed of in the ordinary course of business within seven days at approximately the price at which the security is valued. Illiquid securities may be valued under methods approved by the Fund's Board of Trustees as reflecting fair value. At August 31, 2009, the Fund had investments in illiquid securities with a total value of \$69,588 or 0.49% of net assets.

The inputs or methodology used for valuing securities are not an indication of the risk associated with investing in those securities. The following is a summary of the inputs used to value the Fund's securities as of August 31, 2009:

|                               | <u>Level 1</u>      | <u>Level 2</u> | <u>Level 3</u>  | <u>Total</u>        |
|-------------------------------|---------------------|----------------|-----------------|---------------------|
| <b>Equity</b>                 |                     |                |                 |                     |
| Consumer Discretionary        | \$ 949,685          | \$ —           | \$ —            | \$ 949,685          |
| Consumer Staples              | 2,395,147           | —              | —               | 2,395,147           |
| Energy                        | 2,144,034           | —              | —               | 2,144,034           |
| Financials                    | 1,202,431           | —              | —               | 1,202,431           |
| Industrials                   | 1,138,538           | —              | —               | 1,138,538           |
| Information Technology        | 3,425,295           | —              | —               | 3,425,295           |
| Materials                     | 1,253,144           | —              | —               | 1,253,144           |
| Telecommunication Services    | 257,895             | —              | —               | 257,895             |
| Utilities                     | 289,980             | —              | —               | 289,980             |
| <b>Total Equity</b>           | <u>13,056,149</u>   | <u>—</u>       | <u>—</u>        | <u>13,056,149</u>   |
| <b>Short-Term Investments</b> | <u>1,002,746</u>    | <u>—</u>       | <u>69,588</u>   | <u>1,072,334</u>    |
| <b>Total Investments</b>      |                     |                |                 |                     |
| <b>in Securities</b>          | <u>\$14,058,895</u> | <u>\$ —</u>    | <u>\$69,588</u> | <u>\$14,128,483</u> |

# American Trust Allegiance Fund

## NOTES TO FINANCIAL STATEMENTS, Continued

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The following is a reconciliation of Level 3 assets for which significant unobservable inputs were used to determine fair value:

|  | <u>Investments<br/>in Securities</u> |
|--|--------------------------------------|
| Balance as of 2/28/09                            | \$100,723                            |
| Realized gain/(loss)                             | —                                    |
| Change in unrealized appreciation/(depreciation) | 41,271                               |
| Net purchases/(sales)                            | <u>(72,406)</u>                      |
| Balance as of 8/31/09                            | <u>\$ 69,588</u>                     |

### NOTE 4 – INVESTMENT ADVISORY FEE AND OTHER TRANSACTIONS WITH AFFILIATES

For the six months ended August 31, 2009, American Trust Investment Advisors, LLC (the “Advisor”) provided the Fund with investment management services under an Investment Advisory Agreement. The Advisor furnished all investment advice, office space, facilities, and provides most of the personnel needed by the Fund. As compensation for its services, the Advisor is entitled to a monthly fee at the annual rate of 0.95% based upon the average daily net assets of the Fund. For the six months ended August 31, 2009, the Fund incurred \$58,763 in advisory fees.

The Fund is responsible for its own operating expenses. The Advisor has agreed to reduce fees payable to it by the Fund and to pay Fund operating expenses to the extent necessary to limit the Fund’s aggregate annual operating expenses to 1.45% of average daily net assets. Any such reduction made by the Advisor in its fees or payment of expenses which are the Fund’s obligation are subject to reimbursement by the Fund to the Advisor, if so requested by the Advisor, in subsequent fiscal years if the aggregate amount actually paid by the Fund toward the operating expenses for such fiscal year (taking into account the reimbursement) does not exceed the applicable limitation on Fund expenses. The Advisor is permitted to be reimbursed only for fee reductions and expense payments made in the previous three fiscal years. Any such reimbursement is also contingent upon Board of Trustees review and approval at the time the reimbursement is made. Such reimbursement may not be paid prior to the Fund’s payment of current ordinary operating expenses. For the six months ended August 31, 2009, the Advisor reduced its fees in the amount of \$59,223; no amounts were reimbursed to the Advisor. Cumulative expenses subject to recapture pursuant to the aforementioned conditions amounted to \$347,402 at August 31, 2009. Cumulative expenses subject to recapture expire as follows:

# American Trust Allegiance Fund

## NOTES TO FINANCIAL STATEMENTS, Continued

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| <u>Year</u> | <u>Amount</u>    |
|-------------|------------------|
| 2010        | \$ 94,411        |
| 2011        | 91,636           |
| 2012        | 102,132          |
| 2013        | <u>59,223</u>    |
|             | <u>\$347,402</u> |

U.S. Bancorp Fund Services, LLC (the “Administrator”) acts as the Fund’s Administrator under an Administration Agreement. The Administrator prepares various federal and state regulatory filings, reports and returns for the Fund; prepares reports and materials to be supplied to the Trustees; monitors the activities of the Fund’s custodian, transfer agent and accountants; coordinates the preparation and payment of the Fund’s expenses and reviews the Fund’s expense accruals. For the six months ended August 31, 2009, the Fund incurred \$15,123 in administration fees.

U.S. Bancorp Fund Services, LLC (“USBFS”) also serves as the fund accountant and transfer agent to the Fund. U.S. Bank N.A., an affiliate of USBFS, serves as the Fund’s custodian. For the six months ended August 31, 2009, the Fund incurred \$12,937, \$12,220, and \$3,634 in fund accounting, transfer agency, and custody fees, respectively.

Quasar Distributors, LLC (the “Distributor”) acts as the Fund’s principal underwriter in a continuous public offering of the Fund’s shares. The Distributor is an affiliate of the Administrator.

Certain officers of the Fund are also employees of the Administrator.

For the six months ended August 31, 2009, the Fund was allocated \$3,497 of the Chief Compliance Officer fee.

## NOTE 5 – PURCHASES AND SALES OF SECURITIES

For the six months ended August 31, 2009, the cost of purchases and the proceeds from sales of securities, excluding short-term securities, were \$5,167,339 and \$6,334,698, respectively.

## NOTE 6 – LINE OF CREDIT

Through March 31, 2009, the Fund had a line of credit in the amount of \$1,000,000. Effective April 1, 2009, the Fund has a credit line in the amount of \$575,000. This line of credit is intended to provide short-term financing, if

# American Trust Allegiance Fund

## NOTES TO FINANCIAL STATEMENTS, Continued

necessary, subject to certain restrictions, in connection with shareholder redemptions. The credit facility is with the Fund's custodian, U.S. Bank N.A. During the six months ended August 31, 2009, the Fund did not draw upon the line of credit.

### NOTE 7 – INCOME TAXES AND DISTRIBUTIONS TO SHAREHOLDERS

Net investment income/(loss) and net realized gains/(losses) differ for financial statement and tax purposes due to differing treatments of wash sales and real estate investment trusts.

The tax character of distributions paid during the six months ended August 31, 2009 and the year ended February 28, 2009 were as follows:

|                 | August 31, 2009 | February 28, 2009 |
|-----------------|-----------------|-------------------|
| Ordinary income | \$—             | \$149,508         |

Ordinary income distributions may include dividends paid from short-term capital gains.

As of February 28, 2009, the Fund's most recent fiscal year end, the components of accumulated earnings/(losses) on a tax basis were as follows:

|  |               |
|--|---------------|
| Cost of investments (a) . . . . .              | \$16,401,876  |
| Gross tax unrealized appreciation . . . . .    | 251,795       |
| Gross tax unrealized depreciation . . . . .    | (5,544,506)   |
| Net tax unrealized depreciation . . . . .      | (5,292,711)   |
| Undistributed ordinary income . . . . .        | 50,106        |
| Undistributed long-term capital gain . . . . . | —             |
| Total distributable earnings . . . . .         | 50,106        |
| Other accumulated gains/(losses) . . . . .     | (3,644,540)   |
| Total accumulated earnings/(losses) . . . . .  | \$(8,887,145) |

(a) The cost for federal income tax purposes differs from the cost for financial statement purposes due to wash sales.

# American Trust Allegiance Fund

## NOTES TO FINANCIAL STATEMENTS, Continued

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At February 28, 2009, the Fund had a capital loss carryforward of \$3,245,840, which expires as follows:

| <u>Year</u> | <u>Amount</u>      |
|-------------|--------------------|
| 2011        | \$ 975,087         |
| 2017        | <u>2,270,753</u>   |
|             | <u>\$3,245,840</u> |

At February 28, 2009, the Fund deferred, on a tax basis, post-October losses of \$398,700.

# **American Trust Allegiance Fund**

## **NOTICE TO SHAREHOLDERS at August 31, 2009 (Unaudited)**

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### **How to Obtain a Copy of the Fund's Proxy Voting Policies**

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 1-800-385-7003 or on the SEC's website at <http://www.sec.gov>.

### **How to Obtain a Copy of the Fund's Proxy Voting Records for the 12-Month Period Ended June 30, 2009**

Information regarding how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available without charge, upon request, by calling 1-800-385-7003. Furthermore, you can obtain the Fund's proxy voting records on the SEC's website at <http://www.sec.gov>.

### **Quarterly Filings on Form N-Q**

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Form N-Q is available on the SEC's website at <http://www.sec.gov>. The Fund's Form N-Q may 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 1-202-551-8090. Information included in the Fund's Form N-Q is also available by calling 1-800-385-7003.

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(800) 788-8806

**Distributor**

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615 East Michigan Street  
Milwaukee, WI 53202

**Transfer Agent**

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**Custodian**

U.S. Bank N.A.  
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**Independent Registered Public Accounting Firm**

Tait, Weller & Baker LLP  
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This report is intended for shareholders of the Fund and may not be used as sales literature unless preceded or accompanied by a current prospectus. For a current prospectus please call 1-800-385-7003.