

The American Trust
Allegiance Fund

One Court Street
Lebanon, New Hampshire 03766

ANNUAL REPORT

FOR THE YEAR ENDED

FEBRUARY 29, 2012

American Trust Allegiance Fund

April, 2012

Dear Fellow Shareholders,

It is our pleasure to provide you with the American Trust Allegiance Fund's Annual Report for the 12 months ended February 29, 2012.

The Allegiance Fund just completed its 15th year with strong performance. We believe this should give pause to people who think one cannot invest ethically and still perform well. If you had invested \$10,000 in the Allegiance Fund at its inception (March 11, 1997), on February 29, 2012 it would have been worth \$23,539.45. If invested in the benchmark S&P 500® Index, it would have been worth \$21,980.33, and if invested in our Morningstar peer group (large cap growth mutual funds), it would have been worth \$19,554.56. We want you to know that we did not amass this significant growth through taking excessive risk, but instead by focusing on good quality companies with strong balance sheets, generally low debt and good management. We also feel that not only did the Allegiance Fund's screens not hinder performance, but that they contributed to the Fund's long-term performance.

During the 12 months ended February 29, 2012, the general stock market, as measured by the S&P 500® Index, was up 5.12%, as compared to your Allegiance Fund which was up 5.44%. Additionally, over the past 6 months ending February 29, 2012, the S&P 500® Index was up 13.31%, while your Allegiance Fund was up 15.42%.

Why has the Allegiance Fund's performance been so strong? Over the last several years, the stock market has exhibited markedly different performance based on the sectors and geographies in which one is invested. One side of the market has suffered with housing, building, banking and related stocks. The other side has fared far better, driven by strong earnings from such sectors as information technology and telecommunication services. Our exposure to these two sectors, in particular, drove our better than market performance during the Fund's most recent fiscal year. Stocks like Apple, Inc. and Brazilian telecommunications giant, Telecommunicacoes de Sao Paulo, were standout performers in our portfolio. We have generally avoided stocks in the materials, industrials and financials sectors, such as banks and home-builders, though the portfolio holds CBRE Group and Ford Motor Co., which have detracted from the Fund's performance. We believe that their day will come, but recently they have served only to add volatility.

We should note that all performance data referenced above is after fees. This means that the data reflects what you, the shareholder, actually receive.

Many have asked whether the stock market's significant rally from the bottom in March of 2009 means it is too expensive now. We believe the answer is no. For instance, technology stocks have continued to grow their earnings almost as fast as their stock price thereby keeping such stocks reasonably priced.

American Trust Allegiance Fund

The broadest and most well known measure of value in the stock market is the price/earnings multiple which stands at only 16 on trailing 12 months earnings according to the S&P 500® Index. That is the average over the last 30 years, so it would be difficult to argue stocks are expensive on that basis. In fact, with interest rates still quite low, many would argue that stocks deserve a price-to-earnings ratio of closer to 18.

Valuing stocks cannot be done in a vacuum. In particular, they should be assessed versus the alternatives. Based on our review of data over the past 30 years, there has almost never been a moment when stocks look so much more attractive than bonds as they do now. In fact, recently the yield on the stocks in the S&P 500® Index has exceeded the yield on the 10-Year U.S. Treasury bond.

This suggests that investors remain cautious overall, and are likely underweighted in stocks and overweighted in bonds. We hope that our investors recognize that following the crowd is typically a poor maxim for investment performance, and that an analytical approach to relative value is a better approach than being driven by fear and greed. For those who would like to discuss the relative merits of stocks versus bonds in more detail, we invite you to call us for a more fulsome discussion than space permits in this report.

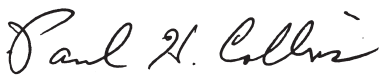
There are, of course, plenty of challenges to be dealt with, including the European Union debt issues, the viability of the Euro, Chinese over-expansion and U.S. budgetary wrangling. Yet, all these were with us last summer when the stock market reacted as though the EU would drag the U.S. into a double-dip recession. The stock market has rallied enormously since then and today the perception is changing to the possibility that the U.S. recovery will help the EU out of its economic woes - thus the importance of focusing on what may happen in the future and not on the consternations of the moment.

Looking forward, we see the U.S. economy improving as Americans get back to work. For the last 5 months, employment has increased more than 200,000 per month. At some point, job increases should lead to a stronger housing market and the worst post-war housing recession should begin to recover. Cash on corporate balance sheets is at a record high and corporate earnings have continued to show strength along with corporate balance sheets.

This is the kind of atmosphere that is usually conducive to stock growth and we will continue to look for opportunities in this improving economy.

Most importantly, we are grateful to you for your support of the American Trust Allegiance Fund and we hope that, in return, we can help you meet your financial goals.

Sincerely yours,



Paul H. Collins

American Trust Allegiance Fund

Past performance is not a guarantee of future results.

The Fund's socially responsible policy could cause it to make or avoid investments that could result in the portfolio under-performing similar funds that do not have similar policies. 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 Fund invests in foreign securities, which are subject to the risks of currency fluctuation, political and economic stability and differences in accounting standards. These risks are greater in emerging markets. The Fund may make short sales of securities, which involves the risk that losses may exceed the original amount invested.

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.

Stocks are a type of security that signifies ownership in a corporation and represents a claim on a part of the corporation's assets and earnings. Bonds are fixed income securities that are financial obligations of an entity that promises to pay a specified sum of money at a specified future date.

Price-Earnings Ratio (P/E) is a valuation ratio of a company's current share price compared to its per-share earnings.

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

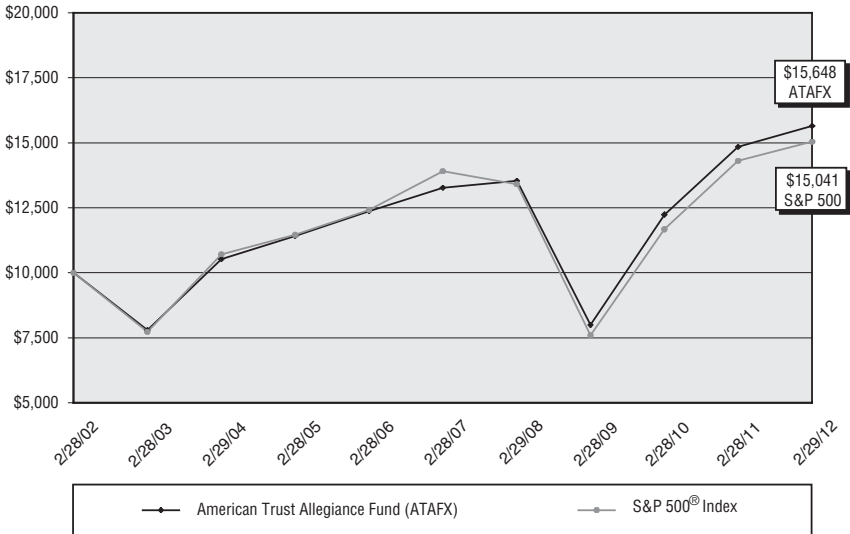
Fund holdings and sector allocations are subject to change and should not be considered a recommendation to buy or sell any security. For a complete list of fund holdings please refer to the Schedule of Investments in this report.

The information on page one illustrates the performance of a hypothetical \$10,000 investment made in the Fund on its inception date of March 11, 1997. It assumes the reinvestment of dividends and capital gains. This information does not imply any future performance.

Each Morningstar average represents a universe of funds with similar investment objectives.

American Trust Allegiance Fund

Comparison of the change in value of a hypothetical \$10,000 investment in the American Trust Allegiance Fund vs the S&P 500® Index for the 10-year period ending February 29, 2012



Average Annual Total Return:

American Trust Allegiance Fund
S&P 500® Index

1 Year

5.44%
5.12%

5 Years*

3.35%
3.24%

10 Years*

4.58%
4.17%

Performance data quoted represents past performance; past performance does not guarantee future results. The 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 of the Fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling 1-800-385-7003.

The performance data and graph do not reflect the deduction of taxes that a shareholder may pay on dividends, capital gain distributions, or redemption of Fund shares. Returns reflect the reinvestment of dividends and capital gains. Investment performance reflects fee waivers in effect. In the absence of such waivers, total return would be reduced. Indices do not incur expenses and are not available for investment.

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

The S&P 500® Index is an unmanaged capitalization-weighted index of 500 stocks designed to represent the broad domestic economy.

* Average annual total return represents the average change in account value over the periods indicated.

American Trust Allegiance Fund

EXPENSE EXAMPLE at February 29, 2012 (Unaudited)

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 (9/1/11 – 2/29/12).

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 operating expenses limitation 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.

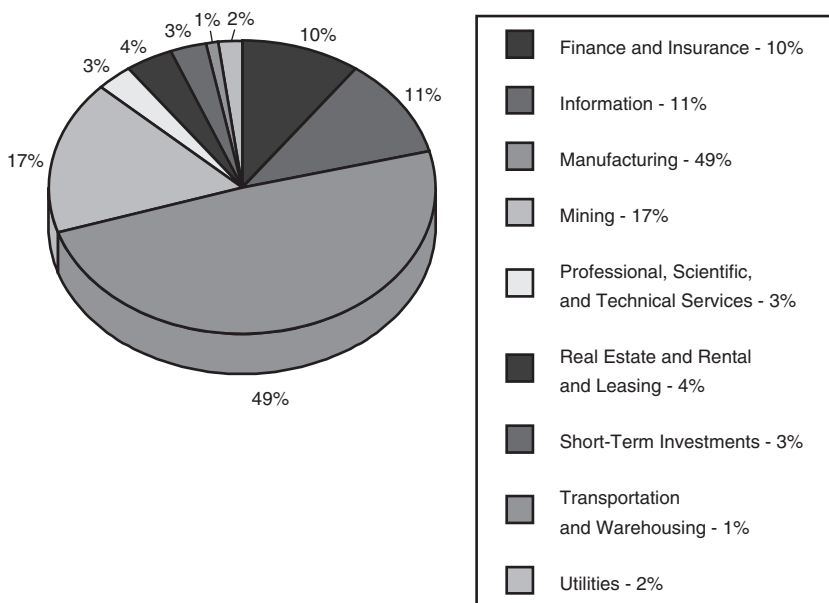
American Trust Allegiance Fund

EXPENSE EXAMPLE at February 29, 2012 (Unaudited), Continued

	Beginning Account Value 9/1/11	Ending Account Value 2/29/12	Expenses Paid During Period 9/1/11 – 2/29/12*
Actual	\$1,000.00	\$1,154.20	\$7.77
Hypothetical (5% return before expenses)	\$1,000.00	\$1,017.65	\$7.27

* Expenses are equal to the Fund's annualized expense ratio of 1.45%, multiplied by the average account value over the period, multiplied by 182 (days in most recent fiscal half-year)/366 days to reflect the one-half year expense.

SECTOR ALLOCATION OF PORTFOLIO ASSETS at February 29, 2012 (Unaudited)



Percentages represent market value as a percentage of total investments.

American Trust Allegiance Fund

SCHEDULE OF INVESTMENTS at February 29, 2012

Shares	COMMON STOCKS: 95.44%	Value
	Aerospace Product and Parts Manufacturing: 2.99%	
17,680	Embraer S. A. - ADR.....	\$ 531,461
	Basic Chemical Manufacturing: 1.82%	
2,960	Praxair, Inc.	322,640
	Building Materials: 1.94%	
10,900	Owens Corning, Inc.*	344,985
	Communications Equipment Manufacturing: 1.93%	
5,520	Qualcomm, Inc.	343,234
	Computer & Peripheral Equipment Manufacturing: 9.44%	
1,110	Apple, Inc.*	602,108
26,430	EMC Corp.*	731,847
1,740	International Business Machines Corp.	342,310
	<u>1,676,265</u>	
	Conglomerates: 2.58%	
11,710	Loews Corp.	458,329
	Dairy Product Manufacturing: 4.76%	
68,940	Dean Foods Co.*	845,204
	Deep Sea, Coastal, and Great Lakes Water Transportation: 0.92%	
3,510	Alexander & Baldwin, Inc.	162,899
	Depository Credit Intermediation: 4.18%	
17,590	State Street Corp.	742,826
	Engine, Turbine, and Power Transmission Equipment Manufacturing: 3.29%	
4,840	Cummins, Inc.	583,559
	Footwear Manufacturing: 1.02%	
1,680	Nike, Inc. - Class B	181,306
	Grain and Oilseed Milling: 1.62%	
7,500	General Mills, Inc.	287,325
	Insurance Carriers: 3.64%	
8,230	Berkshire Hathaway, Inc. - Class B*	645,643
	Lessors of Real Estate: 4.13%	
40,026	CBRE Group, Inc.*	733,677

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

American Trust Allegiance Fund

SCHEDULE OF INVESTMENTS at February 29, 2012, Continued

Shares		Value
	Metal Ore Mining: 10.78%	
10,090	Freeport-McMoRan Copper & Gold, Inc.	\$ 429,430
12,290	Newmont Mining Corp.	730,026
26,000	Pacific Rubiales Energy Corp.#	754,945
		1,914,401
	Motor Vehicle Manufacturing: 3.88%	
55,650	Ford Motor Co.	688,947
	Navigational, Measuring, Electromedical, and Control Instruments Manufacturing: 2.25%	
17,650	Swatch Group AG - ADR	399,243
	Oilfield Services: 2.55%	
5,830	Schlumberger Ltd.#	452,466
	Oil and Gas Extraction: 3.59%	
5,900	Apache Corp.	636,787
	Other Financial Investment Activities: 2.52%	
3,800	Franklin Resources, Inc.	447,982
	Other Information Services: 3.73%	
1,070	Google, Inc. - Class A*	661,527
	Petroleum and Coal Products Manufacturing: 3.84%	
7,890	Exxon Mobil Corp.	682,485
	Resin, Synthetic Rubber, and Artificial Synthetic Fibers and Filaments Manufacturing: 2.86%	
11,760	LyondellBasell Industries NV - Class A#	507,797
	Scientific Research and Development Services: 3.07%	
21,170	The Babcock & Wilcox Co.*	544,916
	Semiconductor and Other Electronic Component Manufacturing: 3.99%	
21,230	Texas Instruments, Inc.	708,020
	Soap, Cleaning Compound, and Toilet Preparation Manufacturing: 0.84%	
1,590	Colgate-Palmolive Co.	148,156

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

American Trust Allegiance Fund

SCHEDULE OF INVESTMENTS at February 29, 2012, Continued

Shares		Value
Software Publishers: 6.32%		
17,120	Adobe Systems, Inc.*	\$ 563,077
19,100	Oracle Corp.	559,057
		1,122,134
Wireless Telecommunications Carriers: 0.96%		
2,720	American Tower Corp.*	170,218
	TOTAL COMMON STOCKS	
	(Cost \$14,230,890).....	16,944,432
PREFERRED STOCKS: 2.02%		
Natural Gas Distribution: 2.02%		
16,000	Ultrapar Participacoes S.A. - ADR.....	358,720
	TOTAL PREFERRED STOCKS	
	(Cost \$272,310).....	358,720
SHORT-TERM INVESTMENTS: 2.70%		
480,125	Fidelity Institutional Money Market Government Portfolio - Class I, 0.01% †	480,125
3,164	Reserve Primary Fund - Class 5+ ‡	—
	TOTAL SHORT-TERM INVESTMENTS	
	(Cost \$483,289)	480,125
	Total Investments in Securities	
	(Cost \$14,986,489): 100.16%	17,783,277
	Liabilities in Excess of Other Assets: (0.16)%	(29,467)
	Net Assets: 100.00%	\$17,753,810

* 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 February 29, 2012, the security had a value of \$0 (0.0% of net assets). The security was acquired between September 16, 2008 and October 22, 2008, and has a cost basis of \$3,164.

† Rate shown is the 7-day yield as of February 29, 2012.

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 February 29, 2012

ASSETS

Investments in securities, at value (cost \$14,986,489)...	\$17,783,277
Receivables:	
Fund shares sold.....	339
Dividends and interest	19,115
Prepaid expenses.....	11,225
Total assets.....	17,813,956

LIABILITIES

Payables:	
Fund shares redeemed	75
Due to advisor	5,297
Administration fees	8,400
Audit fees.....	16,900
Transfer agent fees and expenses.....	11,777
Fund accounting fees	6,744
Legal fees.....	4,683
Custody fees	680
Shareholder reporting.....	2,451
Chief Compliance Officer fee.....	1,750
Accrued other expenses	1,389
Total liabilities.....	60,146

NET ASSETS..... \$17,753,810

Net asset value, offering and redemption price per share [\$17,753,810 / 823,967 shares outstanding; unlimited number of shares (par value \$0.01) authorized]..... \$21.55

COMPONENTS OF NET ASSETS

Paid-in capital	\$17,407,657
Undistributed net investment income.....	18,407
Accumulated net realized loss on investments.....	(2,469,042)
Net unrealized appreciation on investments	2,796,788
Net assets.....	\$17,753,810

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

American Trust Allegiance Fund

STATEMENT OF OPERATIONS For the Year Ended February 29, 2012

INVESTMENT INCOME

Income

Dividends (net of foreign tax withheld of \$2,405)	\$ 281,762
Interest	130
Total income	<u>281,892</u>

Expenses

Advisory fees (Note 4)	162,818
Transfer agent fees and expenses (Note 4)	46,980
Administration fees (Note 4)	34,312
Fund accounting fees (Note 4)	26,537
Registration fees	18,806
Audit fees	14,700
Legal fees	12,870
Reports to shareholders	7,636
Chief Compliance Officer fee (Note 4)	7,000
Trustee fees	6,680
Custody fees (Note 4)	4,531
Miscellaneous expense	3,258
Insurance expense	3,133
Total expenses	349,261
Less: advisory fee waiver (Note 4)	<u>(100,749)</u>
Net expenses	<u>248,512</u>
Net investment income	<u>33,380</u>

REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS

Net realized gain on investments	878,450
Net change in unrealized depreciation on investments	<u>(76,390)</u>
Net realized and unrealized gain on investments	<u>802,060</u>
Net increase in net assets resulting from operations	<u>\$ 835,440</u>

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

American Trust Allegiance Fund

STATEMENTS OF CHANGES IN NET ASSETS

	Year Ended February 29, 2012	Year Ended February 28, 2011
INCREASE/(DECREASE) IN NET ASSETS FROM:		
OPERATIONS		
Net investment income	\$ 33,380	\$ 37,407
Net realized gain on investments	878,450	1,792,167
Net change in unrealized appreciation/(depreciation) on investments	<u>(76,390)</u>	<u>1,330,738</u>
Net increase in net assets resulting from operations	<u>835,440</u>	<u>3,160,312</u>
DISTRIBUTIONS TO SHAREHOLDERS		
From net investment income	<u>(24,135)</u>	<u>(17,718)</u>
CAPITAL SHARE TRANSACTIONS		
Net decrease in net assets derived from net change in outstanding shares (a).....	<u>(602,849)</u>	<u>(726,458)</u>
Total increase in net assets.....	<u>208,456</u>	<u>2,416,136</u>
NET ASSETS		
Beginning of year.....	<u>17,545,354</u>	<u>15,129,218</u>
End of year.....	<u>\$17,753,810</u>	<u>\$17,545,354</u>
Includes undistributed net investment income of.....	<u>\$ 18,407</u>	<u>\$ 24,135</u>

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

	Year Ended February 29, 2012		Year Ended February 28, 2011	
	Shares	Paid-in Capital	Shares	Paid-in Capital
Shares sold.....	117,000	\$ 2,341,349	69,146	\$ 1,180,964
Shares issued in reinvestment of distributions.....	1,046	19,418	746	14,207
Shares redeemed	<u>(151,274)</u>	<u>(2,963,616)</u>	<u>(107,855)</u>	<u>(1,921,629)</u>
Net decrease	<u>(33,228)</u>	<u>\$ (602,849)</u>	<u>(37,963)</u>	<u>\$ (726,458)</u>

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

American Trust Allegiance Fund

FINANCIAL HIGHLIGHTS

For a share outstanding throughout the year

	Year Ended				
	2/29/12	2/28/11	2/28/10	2/28/09	2/29/08
Net asset value, beginning of year	<u>\$20.47</u>	<u>\$16.90</u>	<u>\$11.08</u>	<u>\$18.97</u>	<u>\$18.62</u>
Income from					
investment operations:					
Net investment income	0.04	0.04	0.03	0.06	0.14
Net realized and unrealized gain/(loss) on investments	<u>1.07</u>	<u>3.55</u>	<u>5.85</u>	<u>(7.80)</u>	<u>0.23</u>
Total from investment operations	<u>1.11</u>	<u>3.59</u>	<u>5.88</u>	<u>(7.74)</u>	<u>0.37</u>
Less distributions:					
From net					
investment income	<u>(0.03)</u>	<u>(0.02)</u>	<u>(0.06)</u>	<u>(0.15)</u>	<u>(0.02)</u>
Total distributions	<u>(0.03)</u>	<u>(0.02)</u>	<u>(0.06)</u>	<u>(0.15)</u>	<u>(0.02)</u>
Net asset value, end of year	<u>\$21.55</u>	<u>\$20.47</u>	<u>\$16.90</u>	<u>\$11.08</u>	<u>\$18.97</u>
Total return	5.44%	21.25%	53.07%	-40.90%	1.97%
Ratios/supplemental data:					
Net assets, end					
of year (thousands)	\$17,754	\$17,545	\$15,129	\$11,124	\$20,532
Ratio of expenses to average net assets:					
Before expense waiver	2.04%	2.13%	2.27%	2.03%	1.87%
After expense waiver	1.45%	1.45%	1.45%	1.45%	1.45%
Ratio of net investment income/(loss) to average net assets:					
Before expense waiver	(0.39)%	(0.44)%	(0.69)%	(0.30)%	0.27%
After expense waiver	0.20%	0.24%	0.13%	0.28%	0.69%
Portfolio turnover rate	48.59%	76.63%	79.51%	36.55%	59.19%

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

American Trust Allegiance Fund

NOTES TO FINANCIAL STATEMENTS at February 29, 2012

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 2009 – 2011, or expected to be taken in the Fund’s 2012 tax returns. The Fund identifies its major tax jurisdictions as U.S. Federal and the state of Wisconsin; 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 at February 29, 2012, Continued

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. To the extent these book/tax differences are permanent, such amounts are reclassified within the capital accounts based on their Federal tax treatment.

- D. *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.

For the year ended February 29, 2012, the Fund made the following permanent tax adjustments on the statement of assets and liabilities:

<u>Undistributed Net Investment Income/(Loss)</u>	<u>Accumulated Net Realized Gain/(Loss)</u>
\$(14,973)	\$14,973

- E. *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.
- 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. *Events Subsequent to the Fiscal Year End:* In preparing the financial statements as of February 29, 2012, management considered the impact of subsequent events for potential recognition or disclosure in the financial statements.

American Trust Allegiance Fund

NOTES TO FINANCIAL STATEMENTS at February 29, 2012, Continued

NOTE 3 – SECURITIES VALUATION

The Fund has adopted authoritative fair value accounting standards which establish an authoritative definition of fair value and set out a hierarchy for measuring fair value. These standards require additional disclosures about the various inputs and valuation techniques used to develop the measurements of fair value, a discussion in changes in valuation techniques and related inputs during the period and expanded disclosure of valuation levels for major security types. These inputs are summarized in the three broad levels listed below:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access.

Level 2 – Observable inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Fund's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

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: The Fund's investments are carried at fair value. 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 securities which are not traded in the NASDAQ Global Market System shall be valued at the most recent sales price. Investments in open-end mutual funds are valued at their net asset value per share. To the extent these securities are actively traded and valuation

American Trust Allegiance Fund

NOTES TO FINANCIAL STATEMENTS at February 29, 2012, Continued

adjustments are not applied, they are categorized in level 1 of the fair value hierarchy.

Short-Term Securities: Short-term securities having a maturity of 60 days or less 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.

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.

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 February 29, 2012, the Fund had investments in illiquid securities with a total value of \$0 or 0.0% 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 February 29, 2012:

American Trust Allegiance Fund

NOTES TO FINANCIAL STATEMENTS at February 29, 2012, Continued

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stocks				
Finance and Insurance	\$ 1,836,451	\$ —	\$ —	\$ 1,836,451
Information	1,953,879	—	—	1,953,879
Manufacturing	8,708,956	—	—	8,708,956
Mining	3,003,654	—	—	3,003,654
Professional, Scientific, and Technical Services	544,916	—	—	544,916
Real Estate and Rental and Leasing	733,677	—	—	733,677
Transportation and Warehousing	162,899	—	—	162,899
Total Common Stocks	<u>16,944,432</u>	<u>—</u>	<u>—</u>	<u>16,944,432</u>
Preferred Stocks				
Utilities	358,720	—	—	358,720
Total Preferred Stocks	<u>358,720</u>	<u>—</u>	<u>—</u>	<u>358,720</u>
Short-Term Investments	<u>480,125</u>	<u>—</u>	<u>—</u>	<u>480,125</u>
Total Investments in Securities	<u>\$17,783,277</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$17,783,277</u>

Refer to the Fund's Schedule of Investments for a detailed break-out of common stocks and preferred stocks by industry classification. Transfers between levels are recognized at February 29, 2012, the end of the reporting period. The Fund recognized no transfers to/from level 1 or level 2.

New Accounting Pronouncement: On May 12, 2011, the Financial Accounting Standards Board ("FASB") issued an Accounting Standard Update ("ASU") modifying Topic 820, Fair Value Measurements and Disclosures. At the same time, the International Accounting Standards Board ("IASB") issued International Financial Reporting Standard ("IFRS") 13, Fair Value Measurement. The objective by the FASB and IASB is convergence of their guidance on fair value measurements and disclosures. Specifically, the ASU requires reporting entities to disclose i) the amounts of any transfers between Level 1 and Level 2, and the reasons for the transfers, ii) for Level 3 fair value measurements, a) quantitative information about significant unobservable inputs used, b) a description of the valuation processes used by the reporting entity and c) a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs might result in a significantly higher or lower fair value measurement. The effective date of the ASU is for interim and annual periods beginning after December 15, 2011. At this time, the Fund is evaluating the implications of this

American Trust Allegiance Fund

NOTES TO FINANCIAL STATEMENTS at February 29, 2012, Continued

guidance and the impact it will have on the financial statement amounts and footnote disclosures, if any.

In December 2011, FASB issued ASU No. 2011-11 related to disclosures about offsetting assets and liabilities. The amendments in this ASU require an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. The ASU is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The guidance requires retrospective application for all comparative periods presented. The Fund is currently evaluating the impact ASU 2011-11 will have on the financial statement disclosures.

NOTE 4 – INVESTMENT ADVISORY FEE AND OTHER TRANSACTIONS WITH AFFILIATES

For the year ended February 29, 2012, 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 year ended February 29, 2012, the Fund incurred \$162,818 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 year ended February 29, 2012, the Advisor reduced its fees in the amount of \$100,749; no amounts were reimbursed to the Advisor. Cumulative expenses subject to recapture pursuant to the aforementioned conditions amounted to

American Trust Allegiance Fund

NOTES TO FINANCIAL STATEMENTS at February 29, 2012, Continued

\$318,153 at February 29, 2012. Cumulative expenses subject to recapture expire as follows:

<u>Year</u>	<u>Amount</u>
2013	\$111,006
2014	106,398
2015	100,749
	<u>\$318,153</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 year ended February 29, 2012, the Fund incurred \$34,312 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 year ended February 29, 2012, the Fund incurred \$26,537, \$24,808, and \$4,531 in fund accounting, transfer agency (excluding out-of-pocket expenses), 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 year ended February 29, 2012, the Fund was allocated \$7,000 of the Chief Compliance Officer fee.

NOTE 5 – PURCHASES AND SALES OF SECURITIES

For the year ended February 29, 2012, the cost of purchases and the proceeds from sales of securities, excluding short-term securities, were \$7,972,891 and \$8,354,331, respectively.

American Trust Allegiance Fund

NOTES TO FINANCIAL STATEMENTS at February 29, 2012, Continued

NOTE 6 – LINE OF CREDIT

The Fund has a credit line in the amount of \$575,000. This line of credit is intended to provide short-term financing, if 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 year ended February 29, 2012, 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.

The tax character of distributions paid during the year ended February 29, 2012 and the year ended February 28, 2011 were as follows:

	<u>February 29, 2012</u>	<u>February 28, 2011</u>
Ordinary income	\$24,135	\$17,718

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

As of February 29, 2012, the components of accumulated earnings/(losses) on a tax basis were as follows:

Cost of investments (a)	<u>\$14,989,779</u>
Gross tax unrealized appreciation	3,187,990
Gross tax unrealized depreciation	<u>(394,492)</u>
Net tax unrealized appreciation	<u>2,793,498</u>
Undistributed ordinary income	18,407
Undistributed long-term capital gain	<u>—</u>
Total distributable earnings	<u>18,407</u>
Other accumulated gains/(losses)	<u>(2,465,752)</u>
Total accumulated earnings/(losses)	<u>\$ 346,153</u>

- (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 at February 29, 2012, Continued

At February 29, 2012, the Fund had a capital loss carryforward of \$2,352,028 which expires as follows:

<u>Year</u>	<u>Amount</u>
2017	\$ 475,036
2018	<u>1,876,992</u>
	<u>\$2,352,028</u>

Under the Regulated Investment Company Modernization Act of 2010 (the "Act"), net capital losses recognized after December 31, 2010, may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses. Under the law in effect prior to the Act, pre-enactment net capital losses were carried forward for eight years and treated as short-term losses. As a transition rule, the Act requires that post-enactment net capital losses be used before pre-enactment net capital losses.

At February 29, 2012, the Fund deferred, on a tax basis, post-October losses of \$113,724.

American Trust Allegiance Fund

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

**To the Board of Trustees
Advisors Series Trust and
Shareholders of
The American Trust Allegiance Fund**

We have audited the accompanying statement of assets and liabilities of The American Trust Allegiance Fund, a series of Advisors Series Trust (the "Trust"), including the schedule of investments, as of February 29, 2012, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Trust is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of February 29, 2012, by correspondence with the custodian and brokers. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of The American Trust Allegiance Fund as of February 29, 2012, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

TAIT, WELLER & BAKER LLP

**Philadelphia, Pennsylvania
April 27, 2012**

American Trust Allegiance Fund

NOTICE TO SHAREHOLDERS at February 29, 2012 (Unaudited)

For the year ended February 29, 2012, the American Trust Allegiance Fund designated \$24,135 as ordinary income for purposes of the dividends paid deduction.

For the year ended February 29, 2012, certain dividends paid by the American Trust Allegiance Fund may be subject to a maximum tax rate of 15%, as provided by the Jobs and Growth Tax Relief Reconciliation Act of 2003. The percentage of dividends declared from net investment income designated as qualified dividend income was 100.00%.

For corporate shareholders in the American Trust Allegiance Fund, the percent of ordinary income distributions qualifying for the corporate dividends received deduction for the year ended February 29, 2012 was 100.00%.

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, 2011

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.

American Trust Allegiance Fund

INFORMATION ABOUT TRUSTEES AND OFFICERS (Unaudited)

This chart provides information about the Trustees and Officers who oversee the Fund. Officers elected by the Trustees manage the day-to-day operations of the Fund and execute policies formulated by the Trustees.

Name, Address and Age	Position Held with the Trust	Term of Office and Length of Time Served	Principal Occupation During Past Five Years	Number of Portfolios in Fund Complex Overseen by Trustee ⁽²⁾	Other Directorships Held During Past Five Years
Independent Trustees⁽¹⁾					
Sallie P. Diederich (age 62) 615 E. Michigan Street Milwaukee, WI 53202	Trustee	Indefinite term since January 2011.	Independent Mutual Fund Consultant, (1995 to present); Corporate Controller, Transamerica Fund Management Company (1994 to 1995); Senior Vice President, Putnam Investments (1992 to 1993); Vice President and Controller, American Capital Mutual Funds (1986 to 1992).	1	Trustee, Advisors Series Trust (for series not affiliated with the Fund).

American Trust Allegiance Fund

INFORMATION ABOUT TRUSTEES AND OFFICERS (Unaudited), Continued

Name, Address and Age	Position Held with the Trust	Term of Office and Length of Time Served	Principal Occupation During Past Five Years	Number of Portfolios in Fund Complex Overseen by Trustee ⁽²⁾	Other Directorships Held During Past Five Years
Donald E. O'Connor (age 75) 615 E. Michigan Street Milwaukee, WI 53202	Trustee	Indefinite term since February 1997.	Retired; former Financial Consultant and former Executive Vice President and Chief Operating Officer of ICI Mutual Insurance Company (until January 1997).	1	Trustee, Advisors Series Trust (for series not affiliated with the Fund); Trustee, The Forward Funds (37 portfolios).
George J. Rebhan (age 77) 615 E. Michigan Street Milwaukee, WI 53202	Trustee	Indefinite term since May 2002.	Retired; formerly President, Hotchkis and Wiley Funds (mutual funds) (1985 to 1993).	1	Trustee, Advisors Series Trust (for series not affiliated with the Fund); Independent Trustee from 1999 to 2009, E*TRADE Funds.
George T. Wofford (age 72) 615 E. Michigan Street Milwaukee, WI 53202	Trustee	Indefinite term since February 1997.	Retired; formerly Senior Vice President, Federal Home Loan Bank of San Francisco.	1	Trustee, Advisors Series Trust (for series not affiliated with the Fund).

American Trust Allegiance Fund

INFORMATION ABOUT TRUSTEES AND OFFICERS (Unaudited), Continued

<u>Name, Address and Age</u>	<u>Position Held with the Trust</u>	<u>Term of Office and Length of Time Served</u>	<u>Principal Occupation During Past Five Years</u>	<u>Number of Portfolios in Fund Complex Overseen by Trustee⁽²⁾</u>	<u>Other Directorships Held During Past Five Years</u>
Interested Trustee					
Joe D. Redwine ⁽³⁾ (age 64) 615 E. Michigan Street Milwaukee, WI 53202	Interested Trustee	Indefinite term since September 2008.	President, CEO, U.S. Bancorp Fund Services, LLC (May 1991 to present).	1	Trustee, Advisors Series Trust (for series not affiliated with the Fund).

<u>Name, Address and Age</u>	<u>Position Held with the Trust</u>	<u>Term of Office and Length of Time Served</u>	<u>Principal Occupation During Past Five Years</u>
Officers			
Joe D. Redwine (age 64) 615 E. Michigan Street Milwaukee, WI 53202	Chairman and Chief Executive Officer	Indefinite term since September 2007.	President, CEO, U.S. Bancorp Fund Services, LLC (May 1991 to present).
Douglas G. Hess (age 44) 615 E. Michigan Street Milwaukee, WI 53202	President and Principal Executive Officer	Indefinite term since June 2003.	Senior Vice President, Compliance and Administration, U.S. Bancorp Fund Services, LLC (March 1997 to present).
Cheryl L. King (age 50) 615 E. Michigan Street Milwaukee, WI 53202	Treasurer and Principal Financial Officer	Indefinite term since December 2007.	Vice President, Compliance and Administration, U.S. Bancorp Fund Services, LLC (October 1998 to present).

American Trust Allegiance Fund

INFORMATION ABOUT TRUSTEES AND OFFICERS (Unaudited), Continued

<u>Name, Address and Age</u>	<u>Position Held with the Trust</u>	<u>Term of Office and Length of Time Served</u>	<u>Principal Occupation During Past Five Years</u>
Michael L. Ceccato (age 54) 615 E. Michigan Street Milwaukee, WI 53202	Vice President, Chief Compliance Officer and AML Officer	Indefinite term since September 2009.	Vice President, U.S. Bancorp Fund Services, LLC (February 2008 to present); General Counsel/Controller, Steinhafels, Inc. (September 1995 to February 2008).
Jeanine M. Bajczyk, Esq. (age 46) 615 E. Michigan Street Milwaukee, WI 53202	Secretary	Indefinite term since June 2007.	Senior Vice President and Counsel, U.S. Bancorp Fund Services, LLC (May 2006 to present); Senior Counsel, Wells Fargo Funds Management, LLC (May 2005 to May 2006); Senior Counsel, Strong Financial Corporation (January 2002 to April 2005).

- (1) The Trustees of the Trust who are not "interested persons" of the Trust as defined under the 1940 Act ("Independent Trustees").
- (2) The Trust is comprised of numerous portfolios managed by unaffiliated investment advisers. The term "Fund Complex" applies only to the Fund. The Fund does not hold itself out as related to any other series within the Trust for investment purposes, nor does it share the same investment adviser with any other series.
- (3) Mr. Redwine is an "interested person" of the Trust as defined by the 1940 Act. Mr. Redwine is an interested Trustee of the Trust by virtue of the fact that he is an interested person of Quasar Distributors, LLC who acts as principal underwriter to the series of the Trust.

The Statement of Additional Information includes additional information about the Fund's Trustees and Officers and is available, without charge, upon request by calling 1-800-385-7003.

American Trust Allegiance Fund

APPROVAL OF INVESTMENT ADVISORY AGREEMENT (Unaudited)

At a meeting held on December 6-8, 2011, the Board, including all the persons who are Independent Trustees as defined under the Investment Company Act of 1940, as amended, considered and approved the continuance of the Advisory Agreement for the American Trust Allegiance Fund with the Advisor for another annual term. At this meeting, and at a prior meeting held on October 26-27, 2011, the Board received and reviewed substantial information regarding the Fund, the Advisor and the services provided by the Advisor to the Fund under the Advisory Agreement. This information, together with the information provided to the Board throughout the course of the year, formed the primary (but not exclusive) basis for the Board's determinations. Below is a summary of the factors considered by the Board and the conclusions that formed the basis for the Board's continuance of the Advisory Agreement:

1. **THE NATURE, EXTENT AND QUALITY OF THE SERVICES PROVIDED AND TO BE PROVIDED BY THE ADVISOR UNDER THE ADVISORY AGREEMENT.** The Board considered the Advisor's specific responsibilities in all aspects of day-to-day investment management of the Fund. The Board considered the qualifications, experience and responsibilities of the portfolio managers, as well as the responsibilities of other key personnel of the Advisor involved in the day-to-day activities of the Fund. The Board also considered the resources and compliance structure of the Advisor, including information regarding its compliance program, its chief compliance officer and the Advisor's compliance record, and the Advisor's business continuity plan. The Board also considered the prior relationship between the Advisor and the Trust, as well as the Board's knowledge of the Advisor's operations, and noted that during the course of the prior year they had met with the Advisor in person to discuss various marketing and compliance topics, including the Advisor's diligence in risk oversight. The Board concluded that the Advisor had the quality and depth of personnel, resources, investment methods and compliance policies and procedures essential to performing its duties under the Advisory Agreement and that the nature, overall quality, cost and extent of such management services are satisfactory and reliable.
2. **THE FUND'S HISTORICAL YEAR-TO-DATE PERFORMANCE AND THE OVERALL PERFORMANCE OF THE ADVISOR.** In assessing the quality of the portfolio management delivered by the Advisor, the Board reviewed the short-term and long-term performance of the Fund as of August 31, 2011 on both an absolute basis, and in comparison to its peer funds as classified by Lipper and Morningstar.

American Trust Allegiance Fund

APPROVAL OF INVESTMENT ADVISORY AGREEMENT (Unaudited), Continued

The Board noted that the Fund's performance, with regard to its Lipper comparative universe, was above its peer group median and Lipper Index for the three-month, year-to-date, one-year and five-year periods, and below its peer group median and Lipper Index for the three-year and ten-year periods.

The Board noted that the Fund's performance, with regard to its Morningstar comparative universe, was above its peer group median and average for the year-to-date, five-year and ten-year periods, and below its peer group median and average for the three-month, one-year and three-year periods.

The Board further recognized that the Fund's investments are subject to socially-responsible investment criteria and that the Advisor does not manage any other accounts with the same or a similar strategy.

3. THE COSTS OF THE SERVICES TO BE PROVIDED BY THE ADVISOR AND THE STRUCTURE OF THE ADVISOR'S FEE UNDER THE ADVISORY AGREEMENT. In considering the advisory fee and total fees and expenses of the Fund, the Board reviewed, among other things, comparisons to its Lipper peer funds and to separate accounts for other types of clients advised by the Advisor and all Fund expense waivers and reimbursements, as well as information regarding fee offsets for separate accounts invested in the Fund.

The Board noted that the Advisor had contractually agreed to maintain an annual expense ratio for the Fund of 1.45% (the "Expense Cap"). Additionally, the Board noted that the Fund's total expense ratio was above the peer group median and average both before and after the adjustment of the peer group to include only funds of a similar asset size. Additionally, the Board noted that the contractual advisory fee was above the peer group median and average. The Board also considered that after advisory fee waivers and the payment of Fund expenses necessary to maintain the Expense Cap, the net advisory fees received by the Advisor from the Fund during the most recent fiscal period were significantly less than the peer group median and average. The Board also took into consideration the services the Advisor provided to its separately managed account clients, comparing the fees charged for those management services to the management fees charged to the Fund. The Board found that the management fees charged to the Fund were slightly less than the standard fees charged to the Advisor's separately managed account clients. As a result, the Trustees noted that the Fund's expenses and advisory fee were not outside the range of its peer group.

American Trust Allegiance Fund

APPROVAL OF INVESTMENT ADVISORY AGREEMENT (Unaudited), Continued

4. ECONOMIES OF SCALE. The Board also considered that economies of scale would be expected to be realized by the Advisor as the assets of the Fund grow. The Board further noted that the Advisor has contractually agreed to reduce its advisory fees or reimburse Fund expenses so that the Fund does not exceed the Expense Cap. The Board concluded that there were no effective economies of scale to be shared with the Fund at current asset levels, but considered revisiting this issue in the future as circumstances changed and asset levels increased.
5. THE PROFITS TO BE REALIZED BY THE ADVISOR AND ITS AFFILIATES FROM THEIR RELATIONSHIP WITH THE FUND. The Board reviewed the Advisor's financial information and took into account both the direct benefits and the indirect benefits to the Advisor from advising the Fund. The Board considered the profitability to the Advisor from its relationship with the Fund and considered any additional benefits derived by the Advisor from its relationship with the Fund, including the receipt of additional advisory fees from certain separately managed accounts that are also invested in the Fund. The Board also considered that the Fund does not charge Rule 12b-1 fees or utilize "soft dollars." After such review, the Board determined that the profitability to the Advisor with respect to the Advisory Agreement was not excessive, and that the Advisor had maintained adequate profit levels to support the services it provides to the Fund.

No single factor was determinative of the Board's decision to approve the continuance of the Advisory Agreement for the American Trust Allegiance Fund, but rather the Board based its determination on the total mix of information available to them. Based on a consideration of all the factors in their totality, the Board determined that the advisory arrangement with the Advisor, including the advisory fees, were fair and reasonable. The Board therefore determined that the continuance of the Advisory Agreement for the American Trust Allegiance Fund would be in the best interest of the Fund and its shareholders.

HOUSEHOLDING

In an effort to decrease costs, the Fund intends to reduce the number of duplicate prospectuses, annual and semi-annual reports, proxy statements and other similar documents you receive by sending only one copy of each to those addresses shared by two or more accounts and to shareholders the Transfer Agent reasonably believes are from the same family or household. Once implemented, if you would like to discontinue householding for your accounts, please call toll-free at 1-800-385-7003 to request individual copies of these documents. Once the Transfer Agent receives notice to stop householding, the Transfer Agent will begin sending individual copies thirty days after receiving your request. This policy does not apply to account statements.

PRIVACY NOTICE

The Fund collects non-public information about you from the following sources:

- Information we receive about you on applications or other forms;
- Information you give us orally; and/or
- Information about your transactions with us or others.

We do not disclose any non-public personal information about our customers or former customers without the customer's authorization, except as permitted by law or in response to inquiries from governmental authorities. We may share information with affiliated and unaffiliated third parties with whom we have contracts for servicing the Fund. We will provide unaffiliated third parties with only the information necessary to carry out their assigned responsibilities. We maintain physical, electronic and procedural safeguards to guard your non-public personal information and require third parties to treat your personal information with the same high degree of confidentiality.

In the event that you hold shares of the Fund through a financial intermediary, including, but not limited to, a broker-dealer, bank, or trust company, the privacy policy of your financial intermediary would govern how your non-public personal information would be shared by those entities with unaffiliated third parties.

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Advisor

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Distributor

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Milwaukee, WI 53202

Transfer Agent

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Custodian

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Philadelphia, PA 19103

Legal Counsel

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75 East 55th Street
New York, NY 10022

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.