

THE UPGRADER

Insights from the FUNDX UPGRADER FUNDS

Dear Investor,

Happy New Year! The start of a new year is an appropriate time to reflect on the past and plan for the coming year.

2004 marked our thirty-fifth year of business at DAL Investment Company and we have much to be grateful for. In 2004, the FUNDX UPGRADER FUND celebrated its third year, NoLoad Fund★X newsletter reached 10,000 subscribers, and DAL celebrated over \$1 billion in assets under management.

Growth in Fund Industry Brings Opportunities and Challenges

When DAL began in 1969, the fund industry was in its infancy with only a handful of little known funds. DAL had under \$10 million invested in noload funds when I joined the firm in 1978.

We've grown dramatically as has the fund industry. There are now more funds than there are stocks on the NY Stock Exchange. Although more funds offered noload investors more choices, they also brought more restrictions.

Short-term redemption fees and broker restrictions mean that fund investors have less flexibility to move between funds. But, our UPGRADER FUNDS, the youngest members of the DAL family, help investors address both of these challenges by applying a systematic methodology to fund selection, eliminating the need for our shareholders to buy and sell funds on an individual account level.

What's Inside

Welcome Letter	1-2
Question & Answer	2
Quarterly Update	2-3
Fund Profiles	4-5
Asset Allocation	6
Investment Process	7

FUNDX Reaches Three-Year Milestone.

We are pleased to report that our flagship FUNDX UPGRADER FUND (FUNDX) achieved, in our opinion, notable success in its first three years. Since its inception November 1, 2001 through December 31, 2004, FUNDX returned a cumulative 37.47% (10.57% annualized) return versus 17.89% (5.35% annualized) for the benchmark S&P 500 index. The one year return was 13.21% versus 10.83% for the S&P 500.

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 866-455-3863 or by visiting www.fundxfund.com.

FUNDX started with just \$25,000 in assets and was only available through direct purchase for the first several weeks. The fund quickly grew once we became established with the discount brokers.

HOTFX, RELAX and INCMX were launched July 1, 2002 to give our investors the ability to create custom portfolios using one or a combination of the FUNDX UPGRADER FUNDS (see page 6).

New Year Resolutions

We aim to make Upgrading easier for investors and the FUNDX UPGRADER FUNDS do just that. With the UPGRADER FUNDS, it is now possible for shareholders to leave the Upgrading to us.

As institutional investors, we have a larger universe of funds available to us on a noload basis. We also have a full-time team dedicated to employing the Upgrading discipline on your behalf.

Our primary focus, this year and every year, remains implementing the Upgrading strategy in your portfolios. As always, we remain alert to changes in leadership and shift our portfolios in a deliberate and

CONTINUED ON PAGE 2 . . .

CALL YOUR BROKER, OR 866-455-FUND (3863)

... CONTINUED FROM PAGE 1

disciplined manner as new trends develop.

The markets will rise and fall and leadership will change. Interest rates will rise and fall and the economy will strengthen, then slow. As Upgraders, we focus on actions that keep us aligned with the current trends. Some trades add value, others do not. But the cumulative effect of consistently and incrementally selling low ranking funds and replacing them with higher ranking alternatives keeps us in what we feel are the best funds, while eliminating the need to forecast the future.



Janet Brown, President
DAL INVESTMENT COMPANY
Publisher of NoLoad Fund★X
Advisor to FUNDX UPGRADER FUNDS



Fund News

Direct Shareholder Rebalancing

★ *The Model Portfolios (page 6) can now be assigned to your account and automatically rebalanced each calendar quarter at no additional charge. Simply call 1-866-455-3863, select option 0, and tell our shareholder service representative which model best suits your objectives.*

Redemption Fee Policy

★ *The Funds currently impose a short-term redemption fee of 2% on shares held less than one calendar month. This redemption fee went into effect on September 1, 2004. Any fees paid, of course, stay in pooled fund assets to benefit all remaining shareholders.*



Quarterly Update

2004 - A Difficult But Fruitful Year

2004 reminds us of the true value of the Upgrading discipline. Following strong results in 2003, most "gurus" forecasted dismal returns for '04. They had plenty of support for their views. Oil prices were skyrocketing, interest rates were on the rise, the market remained at historically high multiples, and market volatility certainly increased going into the New Year.

Early in the year, these predictions appeared correct, as oil rose, stocks slid, and small caps were hit harder than large companies. Real estate stocks fell sharply in the first quarter, as we felt the impact of the first indications of a series of fed rate hikes. Bond yields also rose, sending prices into retreat.

But the changes proved to be short lived. While the fed continued to raise rates five times, bringing the fed funds rate from 1.00% to 2.25% the 10 year treasury yield remains below its 4.26% rate as of 12/31/03. Investors who repositioned from intermediate term to short term bonds actually faced greater volatility while earning a lower yield versus those who remained patient. Real estate stocks regained their leadership status, turning in solid gains for the year.

While small caps and international funds underperformed the S&P 500 index for the first half of the year, they remained highly ranked because the changes failed to hold. In fact, the FundX Scores increased

CONTINUED ON NEXT PAGE . . .



Q&A

WHEN I BOUGHT THE FUNDX UPGRADER FUND (FUNDX) AND THE FUNDX FLEXIBLE INCOME FUND (INCMX) A COUPLE OF YEARS AGO, I DECIDED A 50/50 MIX WOULD BE THE RIGHT ASSET ALLOCATION FOR MY SITUATION AND RISK TOLERANCE. NOW IT'S ALL OUT OF WHACK. SHOULD I JUST LEAVE IT AS IT IS?

If you invested equal amounts in these two funds two years ago, your portfolio is now allocated about 55% in FUNDX and 45% in INCMX. This is because FUNDX gained more than twice as much as its more conservative counterpart during that time. Because different assets grow at different rates, percent weightings will inevitably veer from their original levels over time. We suggest that you review your portfolio allocation at least once a year - or even quarterly - to realign it back to your original targets. You could sell some of FUNDX and buy some INCMX to return to your target allocation.

If rebalancing seems sort of contrarian to you, that's because it is. When you rebalance your UPGRADER FUNDS portfolio, you sell some of the fund that performed well in order to buy more of the fund that hasn't done so well. In effect, you are buying low and selling high.

Periodic rebalancing of your portfolio is an important part of risk management. Remember why you set your target allocation in the first place: to offer the growth potential of equities while the fixed income side cushions the ride when the market goes through rough patches. If you do not rebalance, your weightings will become lopsided toward equities during a rising market and toward fixed income when the stock market is weak. That will increase your risk after the market has risen, and lower your potential returns after the market has declined.

If you prefer, you can let us do it for you. Just call 866-455-3863 and ask to have your UPGRADER FUNDS rebalanced. Tell us what model (see page 6) you want for the FUNDX UPGRADER FUNDS and we will rebalance your portfolio back to those targets every quarter.

QUARTERLY UPDATE CONTINUED

our international exposure as the year progressed. This proved to be a huge benefit for the UPGRADER FUNDS when the market regained its ground beginning in August and our willingness to stick to our system despite short term contrary signals led to another year of respectable gains.

If hindsight is 20/20, why should anyone choose to trust blind instincts?

Investor behavior shows us that our judgment is wrong more often than it is correct. Upgrading is effective because it allows us to harness the power of current observations rather than predictions or assumptions in making investment decisions. It works because meaningful trends last long enough that they can be observed real time using the FundX Scores.

We believe that for investment success to be repeatable over time, it must be based on simple observations that are subject to minimal and preferably no interpretation. By following the FundX Scores in a disciplined and consistent manner, we get the benefits of adapting our portfolios to changing market conditions based on the same observations that we feel have successfully navigated the markets for the past 35 years.

The year in review

Now that 2004 is behind us, it is interesting to note how Upgrading aligned our portfolios with the prevailing trends.

Some of our strongest 2003 holdings, which included such technology favorites as **Firsthand Tech Value (TVFQX)** and **Profunds Ultra OTC (UOPIX)**, were sold shortly after the start of the year. In Class 3, long term winners **Pimco Renaissance (PREDX)** and **Legg Mason Value Trust (LMNVX)** fell in rank and were replaced. In most cases, we found ourselves selling domestic funds and buying interna-

tional and global funds. While many anticipated a change in leadership from small-cap to large-cap and from value to growth, our FundX Ranks moved us away from technology and into more defensive sectors such as energy, utilities, real estate and natural resources.

Oil surged to record highs before settling back to \$45 per barrel, nearly double the price of last year. Each of the UPGRADER FUNDS benefited from modest exposure to commodities through funds such as **Pimco Commodity Real Return (PCRAX)** and **Oppenheimer Real Asset (QRAAX)**.

Some of our best performing aggressive positions in 2004 included **State Street Global Natural Resources (SSGRX)**, **Fidelity International Small Cap (FISMIX)**, **Icon Energy (ICENX)** and **Baron Partners (BPTRX)**. In Class 3, **Alliance Bernstein International Value (ABIAX)**, **Causeway International (CIVIX)**, **Muhlenkamp (MUHLX)** and

Excelsior Value and Restructuring (UMBIX) were especially beneficial.

In Class 4, real estate funds such as **Kensington Select Income (KIFAX)** and **PBHG Heitman REIT (PBRTX)** fared best, along with **American Century Utilities (BULIX)** and **Matthews Asian Growth and Income (MACSX)**.

The FLEXIBLE INCOME FUND owes much of its success to high yield bond funds including **Fidelity Capital and Income (FAGIX)** and **Mainstay High Yield (MHCAX)**. Foreign bonds, especially emerging markets bonds, also added value, as did **Permanent Portfolio (PRPFX)** from Class 4.

2004 witnessed a dramatic decline in the dollar, a close and highly controversial presidential election, rising interest rates, and a dramatic increase in the price of oil. Despite each of these, it proved to be a productive year.

Mutual fund investing involves risk. Principal loss is possible.

Because each of the Funds is a "fund of funds", an investor will indirectly bear the principal risks of the underlying funds, including but not limited to, risks associated with smaller companies, foreign securities, emerging markets, non-diversification, high yield bonds, fixed income investments and short sales.

Small- and medium-capitalization companies tend to have limited liquidity and greater price volatility than large-capitalization companies. Growth stocks typically are more volatile than value stocks; however, value stocks have a lower expected growth rate in earnings and sales.

Investments in foreign securities involve greater volatility and political, economic and currency risks and differences in accounting methods.

Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities.

FUNDX: FUNDX UPGRADER FUND

The original FUNDX UPGRADER FUND (FUNDX -Inception 11/1/01) is designed for moderately aggressive investors seeking long-term growth. Though not necessarily correlated to the U.S. stock market, FUNDX is expected to display a similar level of risk. It will consist mostly of Class 3 growth funds, though it may utilize funds from the other equity classes when they appear more attractive.

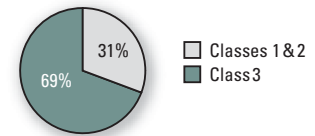
Designed not to exceed a weighting of 30% in Classes 1 and/or 2, the fund is also limited to 30% in Class 4. FUNDX could be a core equity fund for most investors.

TOP 5 HOLDINGS

AllianceBern Intl Value	ABIAX	6.06%
Ariel Fund	ARGFX	5.96%
Causeway Intl Value	CIVIX	6.03%
Excelsior Val & Restr	UMBIX	5.82%
Muhlenkamp	MUHLX	6.10%

Total % in Top 5 Holdings 29.97%
Total # of Positions 30

CLASS ALLOCATION

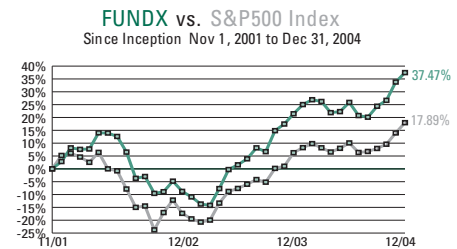


Fund holdings and class allocations are subject to change and should not be considered a recommendation to buy or sell any of the underlying funds.

PERFORMANCE

FUNDX vs. S&P 500 Index

SINCE INCEPTION
NOV 1, 2001 TO DEC 31, 2004



The advisor has agreed to limit expenses to 1.5%. Currently, the expense levels have not been exceeded.

PERFORMANCE	Since Inception of fund 11/01/01						
	Data current to 12/31/04	1 mo	3 mo	6 mo	12 mo	Avg Ann	Actual Ret
Fundx Upgrader Fund (FUNDX)		2.74%	10.53%	9.22%	13.21%	10.57%	37.47%
S&P 500		3.39%	9.20%	7.16%	10.83%	5.35%	17.89%

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 866-455-3863 or visiting www.fundxfund.com. The S&P 500 Index is a broad based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general. You cannot invest directly in an index.

Please refer to page 7 for the risks associated with investing in the funds.

HOTFX: FUNDX AGGRESSIVE UPGRADER FUND

The FUNDX AGGRESSIVE UPGRADER FUND (HOTFX - Inception 7/1/02) is designed for investors willing to take on above-average risk in the hopes of achieving higher returns over time. The portfolio may shift between Classes 1, 2, or 3 at the manager's discretion, and will not invest in Classes 4 or 5. The Fund could be 100% in the more speculative Class 1 and 2 funds if they appear more attractive. This may cause the fund to experience dramatic price swings.

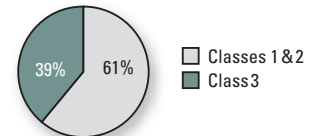
HOTFX could be a core holding if you're an aggressive investor, but more likely is suitable as a speculative component of a diversified portfolio for long-term growth.

TOP 5 HOLDINGS

Columbia Acorn Intl	ACINX	5.10%
Excelsior Emerg Mkts	UMLCX	4.60%
Fidelity Intl Sm Cap	FISMX	5.08%
iShrs MSCI EMU Idx	EZU	4.38%
State Street Global Nat Res	SSGRX	4.99%

Total % in Top 5 Holdings 24.15%
Total # of Positions 28

CLASS ALLOCATION

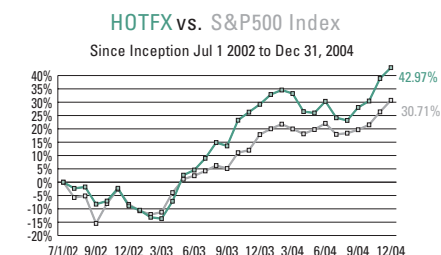


Fund holdings and class allocations are subject to change and should not be considered a recommendation to buy or sell any of the underlying funds.

PERFORMANCE

HOTFX vs. S&P 500 Index

SINCE INCEPTION
JULY 1, 2002 TO DEC 31, 2004



Investment performance reflects fee waivers in effect. In the absence of such waivers, total return would be reduced.

PERFORMANCE	Since Inception of fund 7/01/02						
	Data current to 12/31/04	1 mo	3 mo	6 mo	12 mo	Avg Ann	Actual Ret
Fundx Aggressive Upgrader Fund (HOTFX)		2.94%	11.66%	9.70%	10.69%	15.34%	42.97%
S&P 500		3.39%	9.20%	7.16%	10.83%	11.29%	30.71%

RELAX: FUNDX CONSERVATIVE UPGRADER FUND

The FUNDX CONSERVATIVE UPGRADER FUND (RELAX -Inception 07/01/02) is designed for investors seeking long-term growth, but with only average risk. Here we are less concerned with beating the market, or performing consistently with the NoLoad Fund★X Class 3 track record, and are willing to err on the side of caution.

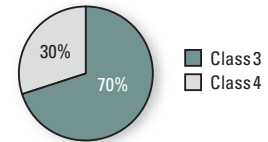
This fund avoids Class 1 and 2 funds entirely. Moreover, when stocks are doing particularly poorly, or Class 4 funds are performing at least as well as Class 3 funds, we may shift as much as 50% of the portfolio into these more defensive Class 4 funds.

TOP 5 HOLDINGS

AllianceBern Intl Value	ABIAX	5.98%
Ariel Fund	ARGFX	6.28%
Causeway Intl Value	CIVIX	6.03%
Heitman REIT PBHG	PBRTX	6.21%
Matthew Asian Gro&Inc	MACSX	6.01%

Total % in Top 5 Holdings **30.51%**
Total # of Positions **22**

CLASS ALLOCATION

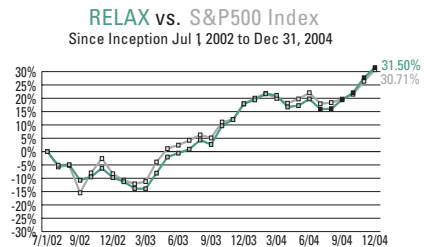


Fund holdings and class allocations are subject to change and should not be considered a recommendation to buy or sell any of the underlying funds.

PERFORMANCE

RELAX vs. S&P 500 Index

SINCE INCEPTION
JULY 1, 2002 TO DEC 31, 2004



Investment performance reflects fee waivers in effect. In the absence of such waivers, total return would be reduced.

PERFORMANCE	Since Inception of fund 7/01/02					
Data current to 12/31/04	1 mo	3 mo	6 mo	12 mo	Avg Ann	Actual Ret
Fundx Conservative Upgrader Fund (RELAX)	2.99%	10.13%	9.83%	12.85%	11.56%	31.50%
S&P 500	3.39%	9.20%	7.16%	10.83%	11.29%	30.71%

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 866-455-3863 or visiting www.fundxfund.com. The S&P 500 Index is a broad based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general. The Lehman Aggregate Bond Index is an unmanaged index generally representative of intermediate-term government bonds, investment grade corporate debt securities and mortgage-backed securities. You cannot invest directly in an index.

Please refer to page 7 for the risks associated with investing in the funds.

INCMX: FUNDX FLEXIBLE INCOME FUND

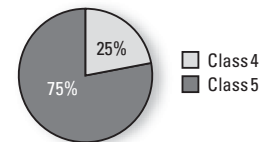
The FUNDX FLEXIBLE INCOME FUND (INCMX - Inception 7/1/02) is geared toward investors seeking a component to reduce the volatility of their overall portfolio. The fund seeks a reasonable total return with minimal risk. The core of this fund consists of Class 5 bond funds, with the average maturity and duration depending on the current interest rate environment. But when traditional fixed-income instruments appear less attractive, INCMX has the flexibility to utilize funds from Class 4 for up to 50% of its portfolio. Class 4 funds may include REITs, convertible bonds, preferred stock, or even a blend of bonds with common stock.

TOP 5 HOLDINGS

Columbia High Yield	CMHYX	9.92%
Fidelity Capital Inc	FAGIX	9.01%
Loomis Sayles Bond	LSBDX	7.00%
Mainstay High Yld Corp	MHCAX	6.50%
Permanent Portfolio	PRPFX	6.86%

Total % in Top 5 Holdings **39.29%**
Total # of Positions **24**

CLASS ALLOCATION

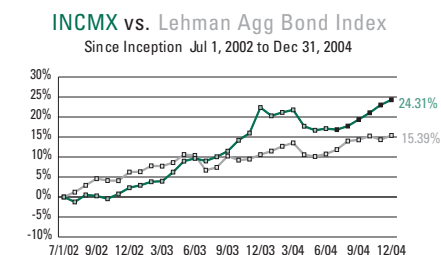


Fund holdings and class allocations are subject to change and should not be considered a recommendation to buy or sell any of the underlying funds.

PERFORMANCE

INCMX vs. Lehman Agg Bond Index

SINCE INCEPTION
JULY 1, 2002 TO DEC 31, 2004



Investment performance reflects fee waivers in effect. In the absence of such waivers, total return would be reduced.

PERFORMANCE	Since Inception of fund 7/01/02					
Data current to 12/31/04	1 mo	3 mo	6 mo	12 mo	Avg Ann	Actual Ret
Fundx Flexible Income Fund (INCMX)	1.06%	4.13%	6.16%	4.93%	9.08%	24.31%
Lehman Agg Bond Index	0.92%	0.95%	4.18%	4.34%	5.89%	15.39%



Select a portfolio that's right for you with the FUNDX UPGRADER FUNDS

The FUNDX UPGRADER FUNDS are managed portfolios consisting of more than 20 underlying mutual funds. For many investors, the FUNDX UPGRADER FUNDS replace the need to build a diversified portfolio on their own. But while there are four FUNDX UPGRADER FUNDS, you are not limited to just four options.

Our Risk Spectrum of Investor Profiles (right) identifies four basic types of investors, from aggressive to conservative. The accompanying boxes show 13 examples of portfolios that are appropriate for investors at interim points along the spectrum. These include the four FUNDX UPGRADER FUNDS individually. The nine model allocations, labeled with a letter and number (A1, G1, M1, etc.), are combinations of two or more of the FUNDX UPGRADER FUNDS.

Direct shareholders can have their portfolio rebalanced automatically each quarter for free. Call 866-455-3863 and ask to have your account assigned to one of these nine pre-designated models.

All of these options involve some risk of principal loss. Depending on your goals, time frame, and personal inclination toward risk, you may find an option that is right for you, or for a subset of your overall investments. Consult an investment advisor for advice and information on your particular situation. Neither the Fund nor any of its representatives may give investment advice.

Aggressive

The aggressive investor has a long-term outlook and is willing to accept substantial risk to pursue higher returns. The aggressive investor is comfortable with portfolio volatility and willing to withstand even severe market corrections.

Growth

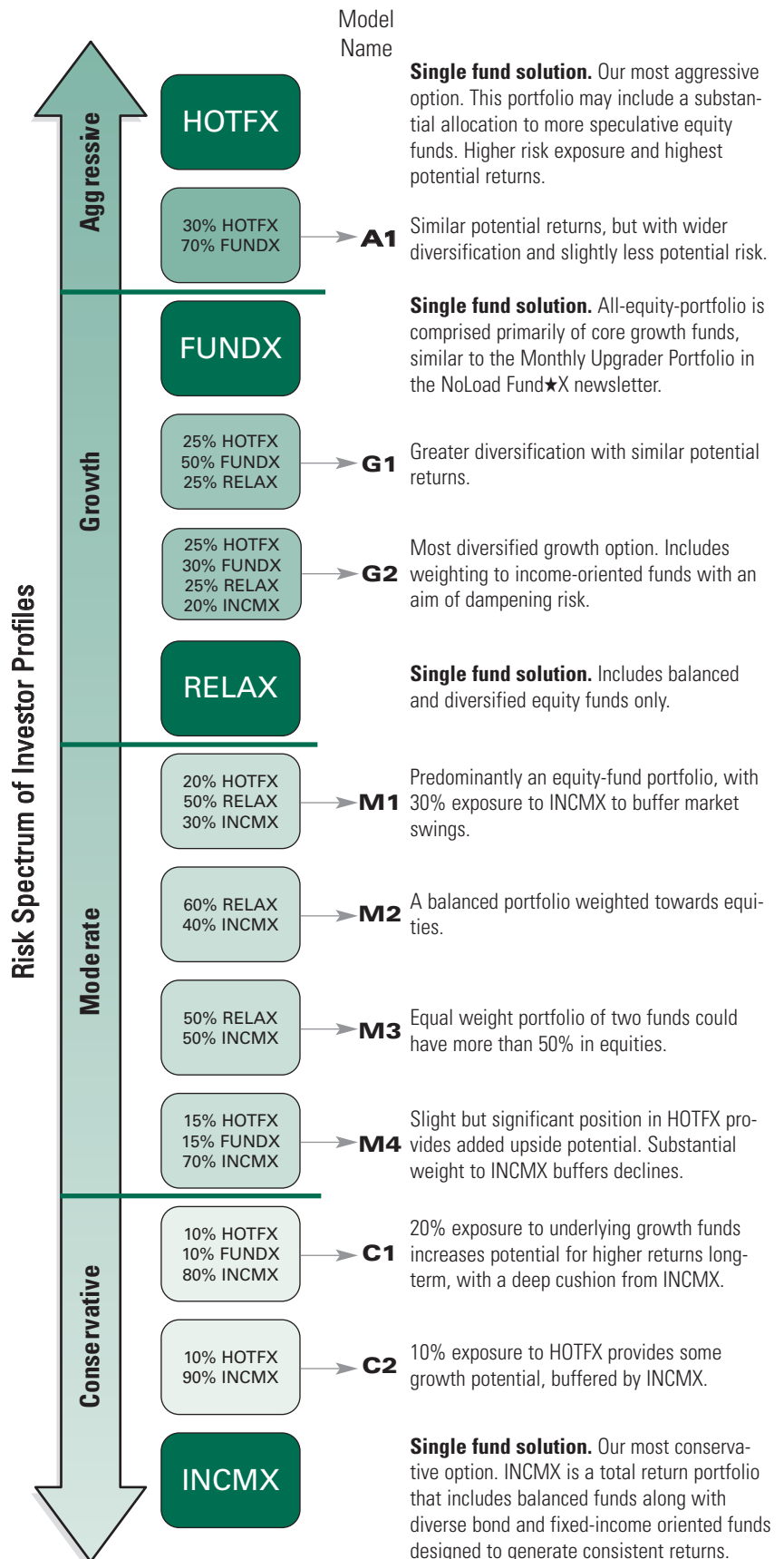
The growth investor is interested in accumulating wealth over time rather than generating current income. The growth investor has long-term goals and is willing to withstand significant market fluctuations, but not willing to take on as much risk as the aggressive investor.

Moderate

The moderate investor seeks a balance between equity funds for long-term growth and income funds to dampen volatility. This investor must be willing to assume some risk of possible loss of principal in order to reach long-term goals.

Conservative

The conservative investor seeks more stable capital growth. This investor is cautious and wants to avoid substantial volatility, but is willing to accept some short-term risk and fluctuation in portfolio value. Modest exposure to equities provide growth potential to reach long-term goals; significant holdings in income-generating funds are intended to smooth returns, rather than provide current income.





About Upgrading

Upgrading is a systematic approach to investing in the top-performing no-load mutual funds, holding those funds as long as they continue to outperform their peers, selling them when they fall in rank and Upgrading to the current winners. DAL INVESTMENT COMPANY has developed this strategy over the past 35 years.

Unlike market timers, we don't attempt to predict the market or switch back and forth from stocks to cash. Upgrading is also unlike a typical buy-and-hold approach. Instead, Upgrading moves us flexibly among those areas of the market showing the best relative performance.

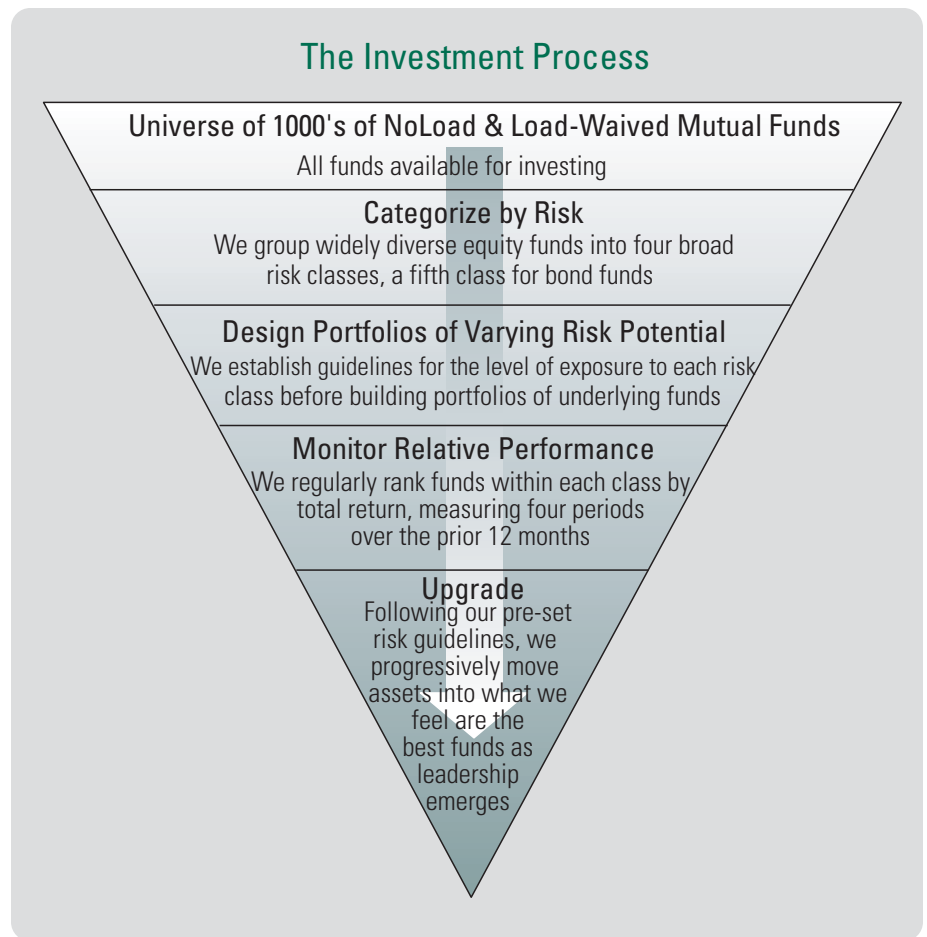
Put your portfolio on Autopilot

Invest Direct!

Visit www.fundxfund.com for:

- Prospectus
- Users Guide
- Application

Or, simply call 866-455-3863



What's Online at www.fundxfund.com

- Monthly performance updates
- Current fund holdings
- Historical share prices
- Dividend distributions
- How we classify funds
- More on the investment process

FUNDX UPGRADER FUNDS

615 East Michigan Street
Milwaukee, WI 53202

Phone: (866) 455-FUND (3863)

www.fundxfund.com

Disclosures: *Must be preceded or accompanied by a prospectus.*

Mutual fund investing involves risk. Principal loss is possible. Because each of the Funds is a "fund of funds", an investor will indirectly bear the principal risks of the underlying funds, including but not limited to, risks associated with smaller companies, foreign securities, emerging markets, non-diversification, high yield bonds, fixed income investments and short sales. Small- and medium-capitalization companies tend to have limited liquidity and greater price volatility than large-capitalization companies. Growth stocks typically are more volatile than value stocks; however, value stocks have a lower expected growth rate in earnings and sales. Investments in foreign securities involve greater volatility and political, economic and currency risks and differences in accounting methods. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Fund holdings and/or sector allocations are subject to change at any time and are not recommendations to buy or sell any security.

Quasar Distributors, LLC, Distributor. (1/05)

CALL YOUR BROKER, OR 866-455-FUND (3863)

FUNDX UPGRADER FUNDS: *A Simpler Way to Upgrade*

Founded in 1969, DAL Investment Company was one of the first to use no-load mutual funds to manage accounts for individuals and institutions.

DAL first published NoLoad Fund★X newsletter in 1976 providing guidance to thousands of investors following the Upgrading strategy.

Now, Upgrading is available to all with the FundX Upgrader Funds, a series of no-load funds that apply the same winning strategy written about in NoLoad Fund★X.

When you invest in one or more of the Upgrader Funds, DAL does the Upgrading for you.

DAL INVESTMENT COMPANY is publisher of the monthly investment newsletter NoLoad Fund★X and advisor to the FUNDX UPGRADER FUNDS.

In the Winter 2004 Issue . . .

Strength of Upgrading

An Upgrader's Year in Review page 1

What's new in your funds

What we're buying and selling page 2-3

Questions investors are asking

Should I rebalance my portfolio? page 2

How're we doing?

Current returns of FUNDX UPGRADER FUNDS pages 4-5

How to build your ideal portfolio

A Risk Spectrum of Investor Profiles page 6



DAL Investment Company *Since 1969*
NoLoad Fund★X *Since 1976*
FUNDX UPGRADER FUNDS *Since 2001*

235 Montgomery Street, Suite 1049
San Francisco, CA 94104-3008
www.fundxfund.com

