

THE UPGRADER

Insights from the FUNDX UPGRADER FUNDS

Dear Investor,

Welcome.

I am delighted to introduce the first edition of *The Upgrader*, a quarterly newsletter designed to help you make the most of your investment in the FUNDX UPGRADER FUNDS.

With *The Upgrader*, not only will you stay current with changes to the FUNDX UPGRADER FUNDS, but you will also get the latest results from our ongoing research, and know our take on industry issues affecting all no-load fund investors.

No-load Mutual Funds Are the True Champions of the Individual Investor

Mutual funds level the playing field so all investors have equal access to the same services and diversification of investments that were previously available only to an elite group of wealthy investors.

But the benefits of mutual funds extend well beyond their populist appeal. By using no-load funds instead of stocks, investors can exploit trends in the stock market, such as large- and small-cap, and value- and growth-style investing. And when leadership changes, investors can easily switch investment strategies with a single trade – which is why mutual funds are the investment vehicle of choice for the smart investor.

Other transaction fees and fund expenses may apply. Please refer to each fund's prospectus for details.

What's Inside

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

Our Beginnings

Burt Berry never thought of himself as a pioneer. But when he founded DAL Investment Company in 1969, he took a bold step. Burt used no-load mutual funds to manage client assets, instead of traditional stocks and bonds.

At the time, only a handful of no-load funds were in existence and performance data was difficult to obtain. But from the start, Burt realized their potential. With no-load mutual funds, the individual investor could have qualified money managers working for them. When a fund didn't perform, the investor could trade the fund and easily replace it with a better performing alternative.

Burt's investment process consisted of calculating the returns for all of the available no-load mutual funds by hand, comparing individual fund performance to funds with similar risk and investing only in the funds with the best relative performance.

I joined Burt in 1978, and further defined the system by developing the Fund★X system of classifying funds and the Fund★X Score and Rank. As part of our commitment to helping investors, we shared our investment data and research with the public through the *NoLoad Fund★X* newsletter. Since then, we have helped thousands of no-load fund investors navigate the ever-changing currents of the financial markets and apply the Upgrading strategy in their own accounts.

CONTINUED ON PAGE 2 . . .

... CONTINUED FROM PAGE 1

Where We Are Now

As times have changed, so have we. Noload mutual funds are commonplace and computers and technology now do much of the work we used to do by hand. DAL Investment Company has expanded to satisfy the needs of a growing roster of clients, subscribers and individual investors. Today, our team of investment managers oversees nearly \$900 million including the FUNDX UPGRADER FUNDS.

But not everything has changed. We still diligently monitor funds and we continue to Upgrade to the new and current winners.

Communication is key.

As investors in the FUNDX UPGRADER FUNDS, you are our partners. We encourage you to ask any questions you have, so we can better serve your needs in the future.

Thank you for entrusting us with your assets,



Janet Brown, President
DAL Investment Company

Industry Changes

In the wake of recent developments in the mutual fund industry, one of the most common concerns of our clients, subscribers and investors is whether Upgrading can continue to be effective in a changing industry environment. Our answer is yes.



Quarterly Update

The quarter ending June 30, 2004 was volatile. The funds that fared best in the first quarter suffered the most in the second. Small-cap and international funds (especially emerging markets) were among the hardest hit. Many pundits were quick to call the demise of small-cap dominance. But any real changes in leadership have yet to fully emerge in the Fund★X system of scoring and ranking funds. By the end of the second quarter, many small-cap and international funds regained their luster, although emerging markets funds continued to lag.

Of the four UPGRADER FUNDS, FUNDX UPGRADER FUND (FUNDX) had the best performance for both the second quarter and the 1-month period ending June 30 (see performance on pages 4 and 5).

At DAL Investment Company, research is an ongoing process. We've tested a number of different variables and measured their impact on portfolio returns, volatility, and turnover. Ultimately, the results of our research direct the management of our portfolios.

So far, evidence indicates:

- Increasing the number of funds in a portfolio does not necessarily dilute returns, but allows for increased diversification and incremental Upgrading.
- The larger the universe of funds we select from, the better the potential returns.
- Holding funds for a minimum of 90 days (or possibly longer) does not necessarily lead to poor returns. But by holding funds longer, portfolio turnover and transaction costs are greatly reduced. ✱

Recent portfolio additions include:

- Fidelity Japan Small Company (FJSCX)
- Mairs and Powers Growth (MPGFX)
- Strong Mid-Cap Disciplined (SMCDX)

Fidelity Japan Small Company (FJSCX) was the top-performing fund held in any of the Upgrader Funds - up 8.22% for the quarter and 10.31% in June alone. But FJSCX's journey to the top has not been a smooth ride. The fund lost more than 18% in just 12 days (May 5 through May 12), which underscores the volatility of the quarter and the value of taking carefully measured

CONTINUED ON NEXT PAGE . . .

Past performance is no guarantee of future results.

Changes to the Prospectus

We recently issued a supplement to the UPGRADER FUNDS prospectus detailing our policy on "market timing." We plan to implement a short-term redemption fee of 2% on shares held less than 30 days. This redemption fee will go into effect on September 1, 2004. Any fees paid, of course, stay in pooled fund assets to benefit all remaining shareholders.

Our primary focus remains to protect the interests of our shareholders, including our families and ourselves. Initially, we thought that a clarification of "market timing" in the prospectus would satisfy concerns over harmful trading activity. However, after reviewing industry trends and considering our relationship with the funds we invest in, we found the need for the added protection provided by a short-term redemption fee. This protection will allow us to continue our Upgrading strategy for years to come. ✱

QUARTERLY UPDATE CONTINUED

positions in speculative and concentrated funds. Relative newcomer, State Street Global Resources (SSGRX) stands out as a unique offering that specializes in natural resources and energy.

Five of the 28 funds currently held, are long-term holdings (held for more than a year). Several long-term holdings have been top contributors to the fund's performance. For instance, since originally added to the portfolio, PRNIX has returned 35.73% and FLVCX 55.79%.

Funds held for more than a year include:

- Fidelity Lvrg Comp Stk (FLVCX)
- Pimco Renaissance Inst (PRNIX)
- Heartland Value (HRTVX)
- Janus Special Equity (JSVAX)
- Buffalo Small Cap (BUFSX)

While JSVAX was still a top holding at quarter end, we have since Upgraded it to make room for higher-ranked Ariel (ARGFX). HRTVX also fell in rank and consequently, we've trimmed our position. Excelsior Emerging Markets (UMEMX) and Acadian Emerging Markets (AEMGX) were the weakest performers in the fund, and have been Upgraded as their performance waned. Most of the transactions described above, also apply to the AGGRESSIVE UPGRADER FUND (HOTFX) and the CONSERVATIVE UPGRADER FUND (RELAX). In general, more speculative and concentrated funds like UMEMX and AEMGX, the Japan Fund (FJSCX) and SSGRX have a greater impact on the

Past performance is no guarantee of future results.

performance of HOTFX than FUNDX, and no impact on RELAX. RELAX, however, benefited from its exposure to more conservative offerings such as FPA Crescent (FPACX) and Matthews Asian Growth and Income (MACSX).

The FLEXIBLE INCOME FUND (INCMX) faced significant challenges in the second quarter. We made substantial changes to adapt to the environment, such as increasing our exposure to foreign and short-term bond funds. Early in the quarter, interest rates rose by nearly 1% causing the average bond fund to drop 3%-5%. REIT funds, which were among the top performers this past year, declined as much as 15% in the first two weeks of April. Fortunately, INCMX had limited exposure to REITs.

New to INCMX is Eaton Vance Floating Rate (EIBLX), a bank loan

fund that invests in ultra-short-duration, adjustable-rate loans. Adjustable rate loans provide two significant benefits in the current environment: First, they have very low volatility due to their short duration (generally 90 days). Second, the adjustable-rate feature increases the dividend payout as rates rise.

While it has been a trying but relatively neutral quarter, it is important to remember that we believe the process of Upgrading to be far more important than any individual transaction. Rather than turning over an entire portfolio at once, shifting abruptly from small-cap funds to large-cap funds or from growth to value, changes to the Upgrader Funds are gradual. In Upgrading, portfolio returns are not dependent on the performance of a single fund. Instead, they are the product of a collective portfolio that is continually moving toward leadership as it develops. ✨

 Q&A

Is it smart to invest in just one fund — the FUNDX UPGRADER FUND?

Each of the FUNDX UPGRADER FUNDS consists of a portfolio of underlying mutual funds, and each of those underlying funds contains dozens — if not hundreds — of individual stocks, bonds and other securities. As of June 30, the total number of issues held in the 28 funds making up the portfolio of FUNDX topped 3,500!

So, if you're concerned about diversification, be assured your investment is spread across a wide array of securities.

So, why would I want to invest in more than one of the FUNDX UPGRADER FUNDS?

While all of the FUNDX FUNDS adhere to the Upgrading strategy, each is tailored to a different risk level. This is determined by how much each is allocated to underlying funds in our five risk classifications. By combining two or more of the funds in different proportions, you can fine tune your portfolio to suit your goals and risk tolerance. (See Page 6 for more information.)

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.

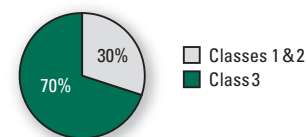
The advisor has an agreement in place to waive fees. Currently, the expense levels have not been exceeded.

TOP 5 HOLDINGS

Excelsior Value & Restruct.	UMBIX	6.10%
Fidelity Diversified Intl	FDIVX	5.96%
Janus Special Equity	JSAVX	5.89%
PIMCO Renaissance Inst.	PRNIX	6.22%
Tweedy Browne GIB Val	TBGVX	5.69%

Total % in Top 5 Holdings **29.86%**
Total # of Positions **28**

CLASS ALLOCATION

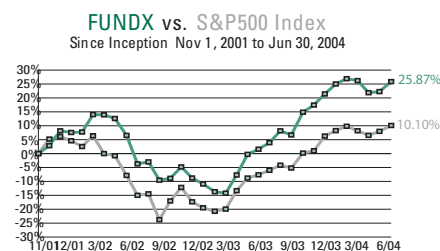


Fund holdings and class allocations are subject to change and should not be considered a recommendation to buy or sell any of the underlying funds.

PERFORMANCE

FUNDX vs. S&P 500 Index

SINCE INCEPTION
NOV 1, 2001 TO JUN 30, 2004



PERFORMANCE

Data current to 6/30/04

Since Inception of fund 11/01/01

	1 mo	3 mo	6 mo	12 mo	Avg Ann	Actual Ret
Fundx Upgrader Fund (FUNDX)	2.93%	-0.29%	3.65%	23.92%	9.02%	25.87%
S&P 500	1.95%	1.75%	3.58%	19.19%	3.70%	10.10%

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 more suitable as a speculative component of a diversified portfolio for long-term growth.

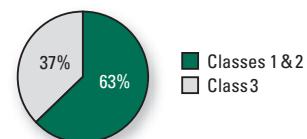
Investment performance reflects fee waivers in effect. In the absence of such waivers, total return would be reduced.

TOP 5 HOLDINGS

Fidelity Japan Sm Co	FJSCX	5.99%
Fidelity Intl Small Cap	FISMX	5.48%
Fidelity Leveraged Co Stk	FLVCX	5.79%
PIMCO Renaissance D	PREDX	5.25%
Thornburg Intn'l Value	TGVAX	5.08%

Total % in Top 5 Holdings **27.59%**
Total # of Positions **27**

CLASS ALLOCATION

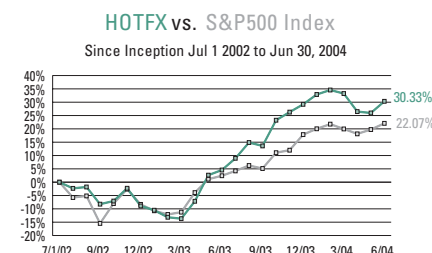


Fund holdings and class allocations are subject to change and should not be considered a recommendation to buy or sell any of the underlying funds.

PERFORMANCE

HOTFX vs. S&P 500 Index

SINCE INCEPTION
JULY 1, 2002 TO JUN 30, 2004



PERFORMANCE

Data current to 6/30/04

Since Inception of fund 7/01/02

	1 mo	3 mo	6 mo	12 mo	Avg Ann	Actual Ret
Fundx Aggressive Upgrader Fund (HOTFX)	3.46%	-2.19%	0.90%	24.64%	14.16%	30.33%
S&P 500	1.95%	1.75%	3.58%	19.19%	10.50%	22.07%

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.

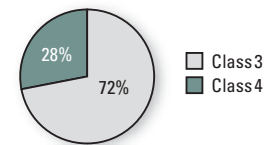
This fund avoids Class 1 and 2 funds entirely. Moreover, when stocks are doing particularly poorly, or Class 4 funds are performing at least as well as Class 3 funds, we may shift as much as 50% of the portfolio into these more defensive Class 4 funds.

TOP 5 HOLDINGS

PIMCO PEA Renaissance D	PREDX	5.96%
PIMCO PEA Value D	PVLDX	5.91%
StateStr Rsc MidCp Val A	SSEAX	6.40%
Tweedy Browne Glb Val	TBGVX	5.87%
Heartland Value Plus	HRVIX	6.15%

Total % in Top 5 Holdings 30.29%
Total # of Positions 20

CLASS ALLOCATION

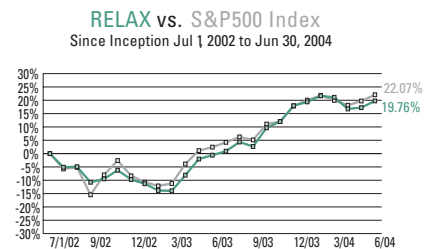


Fund holdings and class allocations are subject to change and should not be considered a recommendation to buy or sell any of the underlying funds.

PERFORMANCE

RELAX vs. S&P 500 Index

SINCE INCEPTION
JULY 1, 2002 TO JUN 30, 2004



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

PERFORMANCE	Data current to 6/30/04	1 mo	3 mo	6 mo	12 mo	Avg Ann	Actual Ret
Fundx Conservative Upgrader Fund (RELAX)		2.15%	-1.11%	2.75%	20.45%	9.42%	19.73%
S&P 500		1.95%	1.75%	3.58%	19.19%	10.50%	22.07%

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

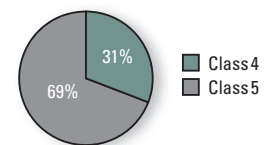
The FundX FLEXIBLE INCOME FUND (INCMX - Inception 7/1/02) is geared toward investors seeking a component to reduce the volatility of their overall portfolio. The fund seeks a reasonable total return with minimal risk. The core of this fund consists of Class 5 bond funds, with the average maturity and 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

FPA New Income	FPNIX	10.01%
Mainstay High Yld Corp A	MHCAX	5.81%
Matthews Asian Gro & Inc	MACSX	5.94%
Rydex Juno	RYJUX	9.37%
Strong S/T High Yld Bnd	STHBX	5.08%

Total % in Top 5 Holdings 36.21%
Total # of Positions 30

CLASS ALLOCATION

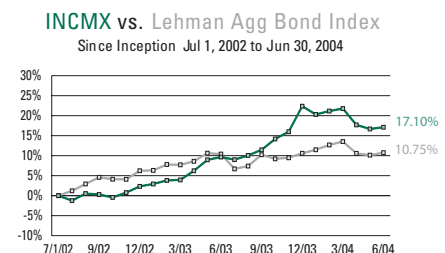


Fund holdings and class allocations are subject to change and should not be considered a recommendation to buy or sell any of the underlying funds.

PERFORMANCE

INCMX vs. Lehman Agg Bond Index

SINCE INCEPTION
JULY 1, 2002 TO JUN 30, 2004



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

PERFORMANCE	Data current to 6/30/04	1 mo	3 mo	6 mo	12 mo	Avg Ann	Actual Ret
Fundx Flexible Income Fund (INCMX)		0.36%	-3.84%	-1.16%	6.79%	8.21%	17.10%
Lehman Aggregate Bond Index		0.57%	-2.44%	0.15%	0.32%	5.24%	10.75%



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

The FUNDX UPGRADER FUNDS are managed portfolios generally 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 only 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. The accompanying boxes show 13 examples of portfolios that use the FUNDX UPGRADER FUNDS to arrive at interim points along the spectrum. 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. Investors should consult an investment advisor for advice and information concerning their 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

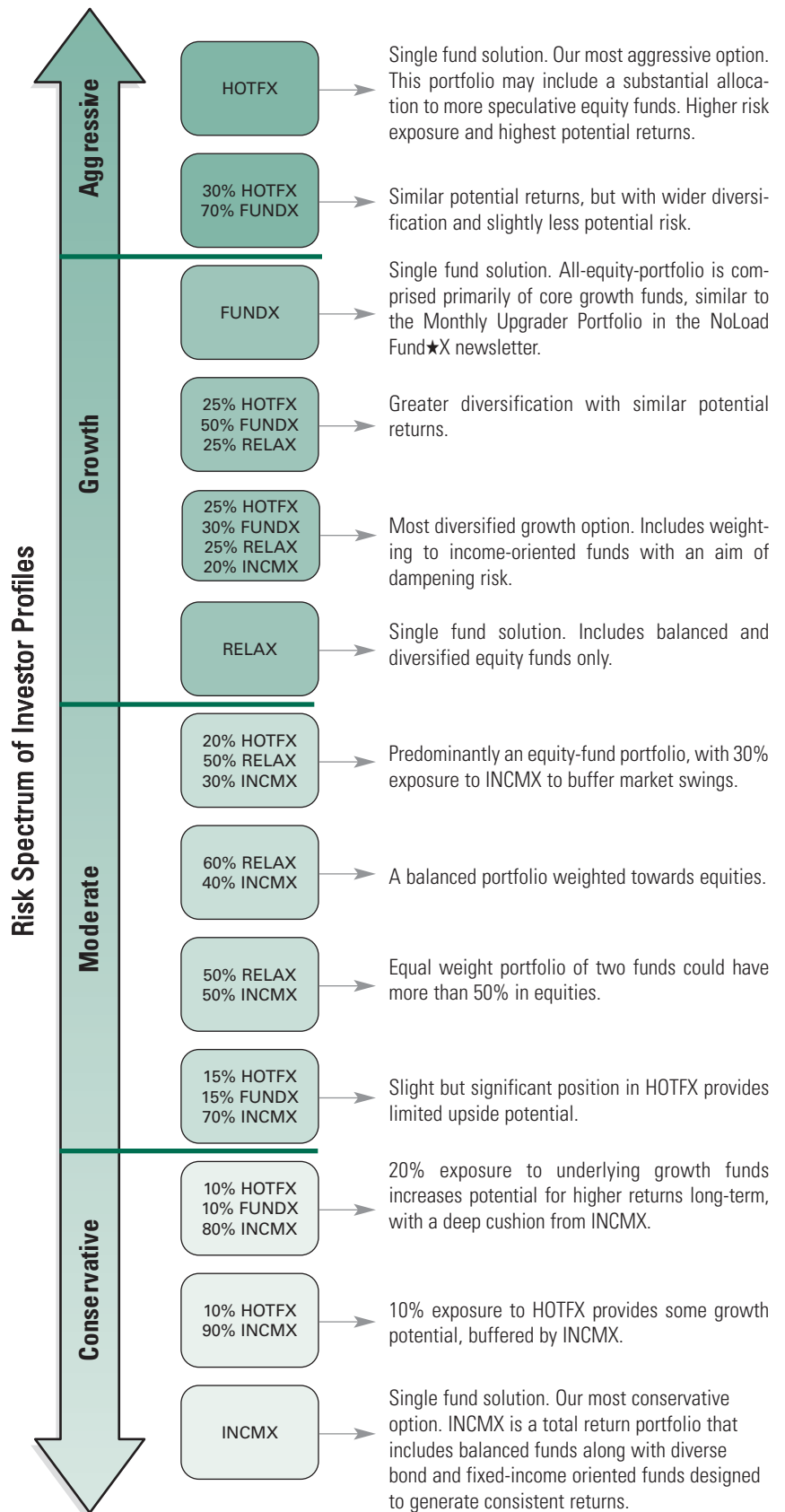
The growth investor is interested in accumulating wealth over time rather than generating current income. The growth investor has long-term goals and is willing to withstand significant market fluctuations, but not willing to take on as much risk as the aggressive investor.

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 relatively stable capital growth. This investor is cautious and wants to avoid substantial volatility, but is willing to accept some short-term risk and moderate fluctuations in portfolio value. Modest exposure to equities provide growth potential to reach long-term goals; significant allocations to 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.

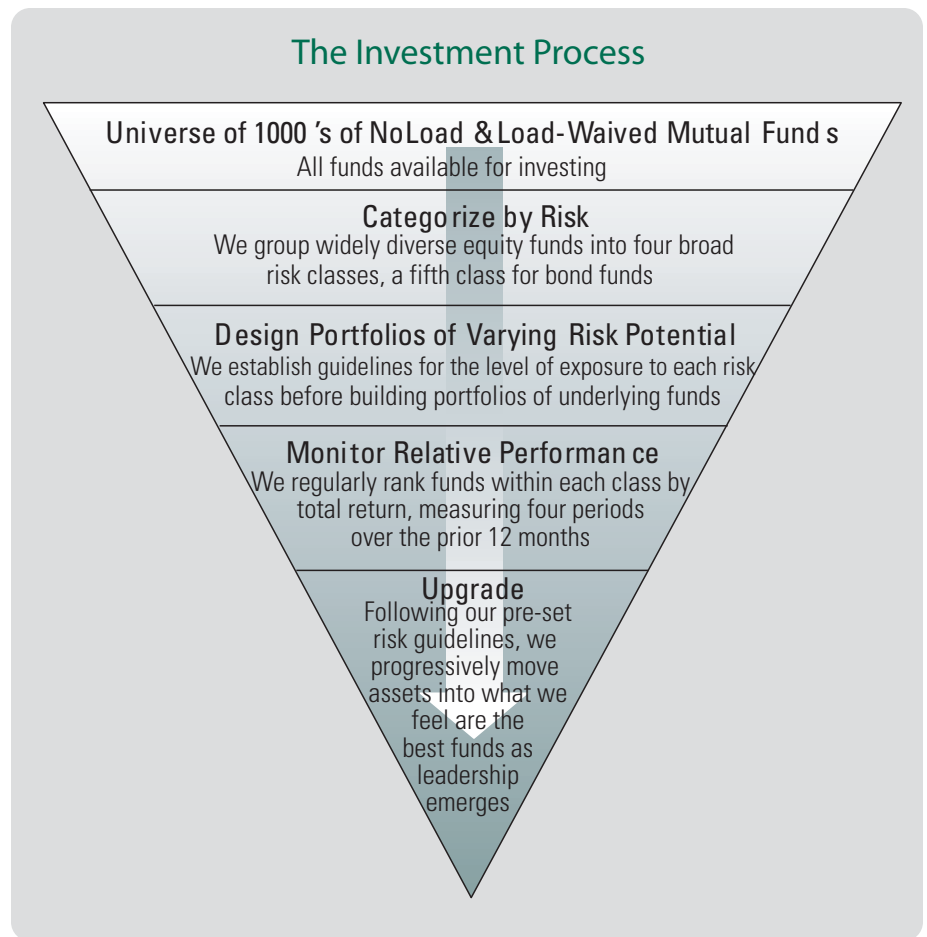
Put your portfolio on Autopilot

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: *The fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The prospectus contains this and other important information about the investment company, and it may be obtained by calling 866-455-3863, or visiting www.fundxfund.com. Read it carefully before investing.*

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, 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.

Quasar Distributors, LLC, Distributor. (08/04)

FundsNetwork is a service of Fidelity Brokerage Services LLC (FBS), Member NYSE, SIPC. FBS may receive remuneration for providing certain recordkeeping and shareholder services to the fund family. FBS does not recommend or endorse any particular mutual fund.

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

FUNDX UPGRADER FUNDS: *A Simpler Way to Upgrade*

In this premier issue of *The Upgrader*, you'll find news, insight and practical advice from the managers of the FUNDX UPGRADER FUNDS.

Find out what changes the investment team has made in the fund portfolios. Take a peek inside the investment process. Learn a little history of the company that developed the Upgrading investment strategy.

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

In This Issue . . .

Origins of Upgrading

Humble beginnings, proud history page 1

What's new in your funds

What we're buying and selling page 2

Questions investors are asking

Find the answers on... page 3

How're we doing?

Quarterly returns of FUNDX UPGRADER FUNDS pages 4-5

How to build your ideal portfolio

A Risk Spectrum of Investor Profiles page 6

FUNDX

UPGRADER FUNDS

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

