

# THE UPGRADER

## Insights into the UPGRADER FUNDS

*The Upgrader* is a quarterly newsletter about the UPGRADER FUNDS. In each quarterly issue, you'll find updated performance data, what Upgrades we've made in the Fund portfolios, answers to common questions and any news or updates that may be useful to you as a shareholder.

### A Diversified Portfolio in One Fund

When you purchase one of the original four Upgrader Funds, you get a complete, diversified fund portfolio in one simple purchase. What's more, these Upgrader Funds only own funds that we believe are the best performing funds available (turn to page 4 to see how we find top funds).

### Active Management Without the Work

As an investor, you know the market changes, and it's important to change your portfolio as market conditions change. But who has the time to continually monitor the markets and make the necessary changes? We do.

When you invest in the UPGRADER FUNDS, your funds actively change course as the market changes. We'll monitor the market and your portfolio. As the market changes, we'll adjust your portfolio according to the Upgrading strategy.

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### Dear Fellow Shareholders,

The second quarter of 2006 was a difficult one as the market tumbled from mid-May, taking most funds along for the ride. As is typical, the funds with the largest recent gains gave back most.

Like most funds, the UPGRADER FUNDS suffered losses in the second quarter, but unlike many funds, they retained sizable gains for the trailing year. (See pages 5-11 for detailed performance as of June 30, 2006.) It can be challenging to face losses, but remember that normal market action is two steps forwards, one step back.

Stock market corrections are an inevitable part of investing. No one can predict consistently when market declines will happen nor how long they will last. All we know is that they end, and we believe Upgrading keeps us best positioned regardless of market direction. On pages 5-11 you'll see what changes we've made in the UPGRADER FUNDS' portfolios in the last quarter.

### How Upgrading Responds to Down Markets

It can be beneficial to know how the Upgrading system responds to market changes, particularly when the market declines.

#### 1. Upgrading Takes the Emotion Out of Investing

Upgrading's quantitative system keeps us from reacting emotionally to market swings. It prevents us from erratically dumping stock funds after they've suffered a sharp loss and buying back in after a strong run-up. Instead, investment decisions are based on what we believe is a proven, quantitative methodology.

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## 2. Upgrading Seeks to Capture Sustained Market Trends

Our system won't react immediately to what may be blips in the market and therefore helps us avoid reacting to short term market moves. Rather, Upgrading is designed to capitalize on lasting market cycles and leadership.

The FundX Score that we use to rank funds has a built-in lag because it involves four periods: 1-month, 3- months, 6-months and 12- months. The score filters out the short term noise and we believe it helps us avoid false starts.

Although it is tempting to try to capture short-term moves, we attribute a great deal of our success to Upgrading's lack of susceptibility to short-lived leadership changes.

## 3. Upgrading Does Not Move in Lock Step with the S&P 500

Although Upgrading follows the funds that our proprietary scoring system indicates are performing best in the current market, sometimes we gain more than the market and sometimes we lose more than the market. This ability to move independently creates the opportunity for long term outperformance.

Upgrading is not always directly correlated with the S&P 500 and Upgrading portfolios do not move in lockstep with the index. Instead, Upgrading often zigs when the S&P zags.

Being different means that sometimes the index will outperform. Over time, Upgrading has added substantial value versus the index. See page 3 for fund performance.

## Are International Funds Too Risky?

The UPGRADER FUNDS of funds invest in whatever funds are currently leading the market as measured by our scoring system. And in the last few years, our system led us increasingly to international funds.

We don't have set allocations to certain areas of the market, rather Upgrading concentrates our portfolios in the funds that our scoring system indicates are outperforming their peers.

As international funds lost more than domestic funds in the last few months, some wondered if internationals were simply too risky.

There's no denying our Upgrading portfolios experienced a stronger setback during the recent downturn than did the S&P 500 Index.

Despite the recent backslide in the market and in our portfolios, the past 12-months has produced strong gains for Upgraders (see pages 5-7).

Remember that the S&P 500 has had its share of volatility as well: the index lost -47.44% from September 2000 to October 2002.

As Upgraders, we know that there are risks peculiar to every asset class and every category of investment. Growth funds tend to be somewhat more volatile than value funds, for example, and small-cap and mid-cap companies are inherently riskier than large-caps. But this does not mean we should shun these investments.

Rather we stay open to a range of possible investments because we never know when a certain style of funds may provide a crucial advantage to our portfolios.




## Questions

### Understanding the Redemption Fee Policy

#### Do the Upgrader Funds have a redemption fee?

Yes, as noted in the prospectus, the UPGRADER FUNDS charge 2% on shares sold in one calendar month. But if you purchase the UPGRADER FUNDS at a broker, you may be held to the broker's redemption terms as well as that of the UPGRADER FUNDS. If you purchase the Funds directly, you are only held to the Fund's one month redemption fee.

#### What if I exchange my shares of one Upgrader Fund for another Upgrader Fund? Will the redemption fee still apply?

Yes, if you sell shares of one of the UPGRADER FUNDS in less than one calendar month you will be charged the redemption fee –

even if you are investing the proceeds into another UPGRADER FUND.

The one exception: if you invest directly in one of the UPGRADER FUNDS Investor Models, your portfolio will not be held to the redemption fee when we rebalance your portfolio each quarter.

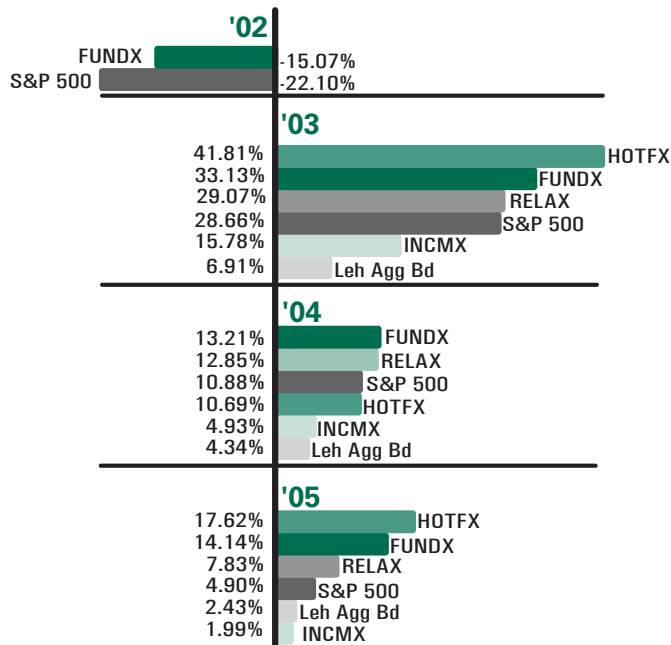
But this applies only to rebalancing: if you purchase an Investor Model and sell out of it within the first calendar month, you will be subject to the 2% fee.

PERFORMANCE Data current to 6/30/06	1 mo	3 mo	6 mo	12 mo	Avg. Annual Total Ret Since Inception		Cumulative Inception
					3 Yrs		
FUNDX UPGRADER FUND (FUNDX)	-0.57	-2.38	6.28	17.87	17.97	11.59	66.76 11/1/2001
S&P 500 Index	0.15	-1.46	2.69	8.62	11.20	5.28	27.05 *from 11/1/01
FUNDX AGGRESSIVE UPGRADER (HOTFX)	-0.59	-3.35	5.76	20.20	19.37	15.48	77.84 7/1/2002
FUNDX CONSERVATIVE UPGRADER (RELAX)	0.15	-2.25	4.63	11.21	14.28	10.37	48.37 7/1/2002
S&P 500 Index	0.15	-1.46	2.69	8.62	11.20	8.94	40.87 *from 7/1/02
FUNDX FLEXIBLE INCOME (INCMX)	-0.14	-0.07	2.26	3.92	5.74	6.71	29.65 7/1/2002
Lehman Agg Bond Index	0.21	-0.08	-0.72	-0.81	2.05	4.08	17.33 *from 7/1/02
STOCK UPGRADER (STOCX)	0.26	-5.53	4.43	N/A	N/A	N/A	9.32 11/1/2005
S&P 500 Index	0.15	-1.46	2.69	N/A	N/A	N/A	6.91 *from 11/1/05

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 current to the most recent monthend may be obtained by calling 800-455-3863 or visiting [www.upgraderfunds.com](http://www.upgraderfunds.com). The funds impose a 2% redemption fee on shares held less than 1 calendar month. Performance data shown does not reflect the 2.00% redemption fee imposed on shares held less than one calendar month. If it did, total returns would be reduced. You cannot invest directly in an index.

## Annual Fund Performance 2002 - 2005



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-FUND, or visiting [www.upgraderfunds.com](http://www.upgraderfunds.com). Read it carefully before investing.

Mutual fund investing involves risk. Principal loss is possible. Because most of the Funds are "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.

### Additional Risks Associated with the FundX Stock Upgrader Fund:

- Market Risk – The value of the Fund's shares will go up and down based on the performance of the stocks it owns and other factors affecting the securities markets generally.
- Price Volatility – The Fund invests primarily in common stocks and the market for these securities can be volatile. The value of the Fund's shares may fluctuate significantly in the short term.
- Fund Management Risk – The risk that investment strategies employed by the Advisor in selecting the stocks and executing trades may not result in an increase in the value of your investment or in overall performance equal to other investments.
- Concentration Risk – To the extent that the Fund concentrates its investments in a particular industry or sector, the Fund's shares may be more volatile and fluctuate more than shares of a fund investing in a broader range of securities.
- New Fund Risk – There can be no assurance that the Fund will grow to or maintain an economically viable size, in which case the Board of Trustees or the Advisor may determine to liquidate the Fund. A liquidation can be initiated by the Board of Trustees without shareholder vote and, while shareholder interests will be the paramount consideration, the timing of any liquidation may not be favorable to certain individual shareholders.

The adviser has an agreement in place to limit expenses of the funds. Investment performance reflects voluntary fee waivers in effect for the Conservative Upgrader and Flexible Income Funds. Currently expenses have not exceeded the limit for the Upgrader and Aggressive Upgrader funds. In the absence of such waivers, total return would be reduced. Returns shown include reinvestment of dividends and capital gains. The S&P 500 Index is an unmanaged index commonly used to measure performance of U.S. stocks. 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. DAL Investment Company, LLC serves as the investment advisor to the Upgrader Funds, and publisher of the NoLoad FundX Newsletter.

The FundX Upgrader Funds are distributed by Quasar Distributors, LLC. (July 2006)

## Who We Are

### DAL Investment Company -

DAL is the advisor to the UPGRADER FUNDS. Founded in 1969, DAL Investment Company was one of the first to use no-load mutual funds to manage accounts for individuals and institutions. The firm designs multi-million dollar portfolios and has over \$1.6 billion under management.

DAL created the Upgrading investment strategy and offers three services which provide access to the benefits of the Upgrading strategy:

**Investment Advisory Services** – personalized portfolio management for private clients with assets of \$2 million and above.

**NoLoad Fund★X** – DAL's monthly newsletter, published since 1976, helps investors apply the Upgrading methodology to their own portfolios.

**UPGRADER FUNDS** – A series of open-end mutual funds is managed by DAL's portfolio management team following the same Upgrading principles used to manage our private client portfolios.

The following firms provide necessary services for the UPGRADER FUNDS and our shareholders:

**Quasar** is the fund's distributor. As distributor, Quasar distributes shares of the funds to be sold.

**US Bank** is the custodian and transfer agent for the Upgrader Funds. Mutual funds are required by law to protect their portfolio securities by placing them with a custodian.

As custodian, US Bank holds mutual funds assets in a trust on behalf of shareholders and DAL has the ability to trade the assets in this trust. As transfer agent for the funds, US Bank maintains shareholder records, including

purchases, sales, and account balances.

They also calculate and disburse dividends, and prepare and mail shareholder account statements, federal income tax information and other shareholder notices. This means that when you invest in the Upgrader Funds directly, you open an account with US Bank. If you invest in one of the models, US Bank takes care of the quarterly rebalancing in your account.

### What is 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 our ranks and Upgrading to the current strong performers. 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 between stocks and 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.

### How We Find Top Funds

The four UPGRADER FUNDS of funds use DAL's four-step Upgrading strategy to find top funds. First, we sort a universe of thousands of mutual funds by risk. We rank these funds by current performance and purchase the funds at the top of our ranks. We monitor these funds and when they fall in our ranks, we Upgrade – selling lower ranked funds and investing in the new leaders. The Stock Upgrader Fund (STOCK) applies this methodology to stocks.



## News & Appearances

### Improved Applications

Revamped account applications are now available.

In addition to our recently revised New Account Application, you can now download the new IRA and Transfer IRA forms online at [www.upgraderfunds.com](http://www.upgraderfunds.com) or call 866 455 8639 to receive a copy by mail. The new design and clearer instructions should make the applications even easier to complete.

Also available soon, a new Coverdell Education Savings Account form.

### Approaching 4 Year Records

We are pleased to announce that on July 1, 2006, three of our funds, RELAX, HOTFX, and INCMX, hit their 4 year records. Performance since inception, July 1, 2002, can be found on page 3.

### Upgrading in the News:

*The Wall Street Journal* recently highlighted our FundX Upgrader Fund, labeling it a "Multicap Core" fund, because we can invest in all styles and sizes.

*Investor's Business Daily* recently featured one of our Portfolio Managers, Jason Browne, who discussed how we integrate ETFs into our Upgrading strategy.

### Appearances:

Portfolio Manager Jason Browne will be hosting a series of lectures at the Washington D.C. Money Show, July 20-22, at the Wardman Park Marriot Hotel.

The UPGRADER FUNDS will be exhibiting and DAL Investment Company President Janet Brown will be presenting at the San Francisco Money Show, October 16-18, at the San Francisco Marriot.

For more information go to [www.moneyshow.com](http://www.moneyshow.com) or call 800 970 4355.

## Investor Models: Combinations of Upgrader Funds

### Time to Reassess Your Risk Tolerance?

One way to get a handle on your tolerance for risk is to use a tool such as our **Investor Questionnaire**.

We've included our **Investor Questionnaire** in this issue of The Upgrader so you can see if your portfolio matches your risk tolerance and time horizon. The Questionnaire directs you to either a single fund or one of our Investor Models.

### Stay Invested in Difficult Markets

The UPGRADER FUND Investor Models offer another way to stay invested during volatile markets since many of the Models balance investments in our more aggressive UPGRADER FUNDS with allocations to more conservative UPGRADER FUNDS.

See how the models performed on page 6 and find out if a mix of equity and flexible income UPGRADER FUNDS may better help you weather the storm.

### Common Questions about the Investor Models

#### Can I invest in one of the Upgrader Fund Investor Models through my broker?

Yes, you can purchase the same allocation of each UPGRADER FUND as used in the Investor Models through your broker.

But, if you invest in a Model directly with US Bank, the Fund's custodian, your account will be rebalanced to the Investor Model allocations each

quarter. If you invest through a broker, you'll have to do the rebalancing on your own.

Remember that if you've purchased the UPGRADER FUNDS through a broker, you will be held to your broker's redemption fee period as well as that of the UPGRADER FUNDS. So depending on your broker's redemption fee terms, you may opt to rebalance annually, rather than quarterly.

#### Can I create my own Investor Model?

Yes, you are welcome to invest in any combination of the UPGRADER FUNDS, but your chosen combination won't be listed as one of our Investor Models (as shown on page 6) and only those who invest in one of the designated Investor Models directly through US Bank, the Fund's custodian, will have their account automatically rebalanced quarterly.

If you create your own model, you can always rebalance on your own. Just remember to consider possible redemption fees before you rebalance (read up on the redemption fee policy on page 2).

We have evaluated combinations of the funds before setting up the Investor Models and we believe the models shown offer an excellent trade off between risk and reward.

**Turn to page 6 for returns of the Investor Models through June 30, 2006.**

## How We Classify Funds

### CLASS 1: SECTOR AND SPECIALIZED AGGRESSIVE STOCK FUNDS

*Class 1 funds have high levels of risk and include funds that focus on a particular industry or market sector, gold or precious metals funds, funds invested in very small or unseasoned companies (micro-caps), or particular countries or geographic regions like "emerging markets" - countries with less stable developing economies.*

### CLASS 2: AGGRESSIVE STOCK FUNDS WITH ABOVE-AVERAGE RISK

*Class 2 funds typically experience higher volatility than the overall U.S. equity market. This class includes funds that invest in stocks or convertible bonds of small- or mid-sized companies and funds that focus on a few industry sectors or are concentrated in a few individual holdings.*

### CLASS 3: HIGHER QUALITY DIVERSIFIED STOCK FUNDS

*Primarily Class 3 funds have diversified portfolios of well-established mid- and large-sized companies. The international and global funds tend to invest in larger companies in mature economies, such as Europe and Japan, and are diversified across many countries.*

### CLASS 4: TOTAL RETURN (BALANCED) FUNDS

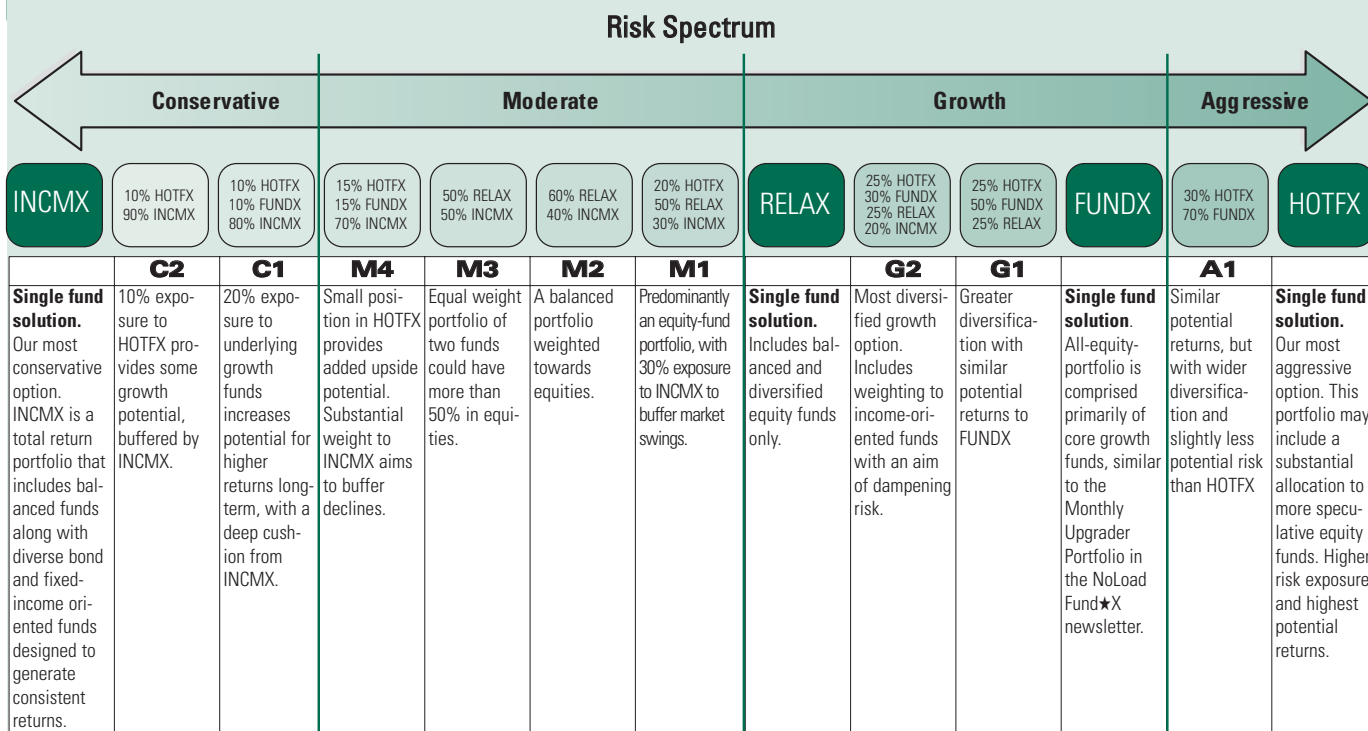
*Class 4 funds tend to be more defensive and usually have lower volatility than the domestic stock market. These funds may hold common stocks in combination with income-generating instruments in order to reduce the risk of their stock holdings.*

### CLASS 5: FIXED INCOME (BOND) FUNDS

*Funds that invest in bonds with higher credit quality and shorter maturity tend to be less risky than those with lower credit quality and longer maturity. Some Class 5 funds specialize in high yield bonds with lower credit quality or in international bonds denominated in foreign currencies.*

**The Upgrader is the quarterly newsletter for the Upgrader Funds. Each issue contains an update to performance and holding information. In addition, articles of interest to current and prospective investors to the funds are published. Previous issues of The Upgrader are available at [www.upgraderfunds.com](http://www.upgraderfunds.com).**

## UPGRADER FUNDS INVESTOR MODELS



For More Information, including a questionnaire to help you find a model, please visit: [www.upgraderfunds.com](http://www.upgraderfunds.com)

### Performance of the Upgrader Fund Investor Models

	2nd Qtr 3/31/06 to 6/30/06	1 Year 6/30/05 to 6/30/06	7/1/02 to 6/30/06	
			Cumulative Returns	Annualized Returns
INCMX	-0.07%	3.92%	29.65%	6.71%
C2	-0.40%	5.51%	34.20%	7.63%
C1	-0.63%	6.88%	37.23%	8.23%
M4	-0.91%	8.38%	41.05%	8.98%
M3	-1.16%	7.56%	39.38%	8.65%
M2	-1.38%	8.29%	41.24%	9.02%
M1	-1.82%	10.78%	48.54%	10.40%
RELAX	-2.25%	11.21%	48.37%	10.37%
G2	-2.13%	13.94%	54.91%	11.56%
G1	-2.59%	16.77%	60.54%	12.56%
FUNDX	-2.38%	17.87%	58.34%	12.17%
A1	-2.67%	18.57%	64.08%	13.18%
HOTFX	-3.35%	20.20%	77.84%	15.48%
S&P 500 Index	-1.46%	8.62%	40.87%	8.94%
Lehman Agg Bond Idx	-0.08%	-0.81%	17.33%	4.08%

The chart (left) shows performance of the Investor Models from July 1, 2002 to June 30, 2006. The returns assume that each portfolio was rebalanced back to its target weighting on the last day of each quarter.

With this issue, we've begun including quarterly performance of the Models as well as the returns for the trailing year and since inception. This past quarter is of particular interest since it represents a more volatile time in the market.

As expected, our most aggressive models lost the most over the last three months, but gained the most over the trailing 12 months. The more conservative models held up better in the recent downturn but had smaller gains over the last 12 months.

Past performance does not guarantee of future results  
 Performance of FundX Upgrader Fund from Inception (11/1/2001) may be found on page 8.  
 Performance shown is from inception date of three of the UPGRADER Funds of Funds.

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

## STOCK UPGRADER FUND (STOCX)

Now that the FundX Stock Upgrader fund (STOCX) has completed two full calendar quarters of performance, we are proud to be able to include it in our quarterly updates.

### Quarterly Update

A total of 61 individual stocks makes up the portfolio of the FundX Stock Upgrader Fund.

The biggest shifts in the portfolio last quarter were partial moves out of technology & communications (cutting those weightings in half) and further into the precious metals and energy sectors.

At the end of March our largest weightings by industry sector were in communications equipment and technology stocks, each with about 8% of the portfolio.

By mid-year we were allocated over

10% in metals and mining, and 9% each in energy services and oil & gas.

In a very tough quarter there were, in fact, winners, including Kerr-McGee (KMG), up 29%, and Archer Daniels Midland (ADM), up 26%. Harsh losses were incurred by tech companies, most notably JDS Uniphase (JDSU), down 40% for the quarter and Advanced Micro Devices (AMD) and Nvidia (NVDA), each down 26%.

### QUICK INFO

Inception Date: Nov 1, 2005  
 Ticker: STOCX  
 Assets: \$47 Million  
 Redemption Fee: 2% under 30 days  
 Expenses: 1.50%  
 Minimum Investment: \$2,500

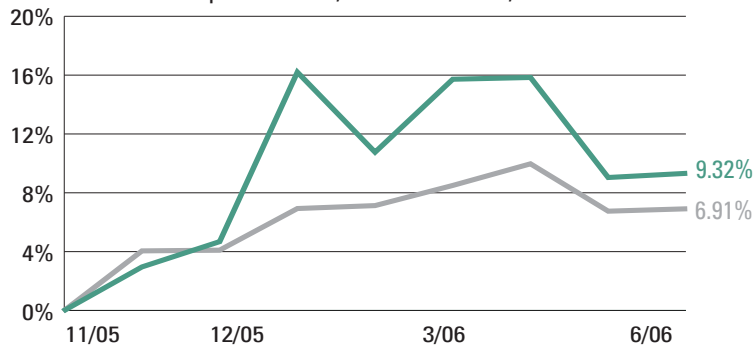
www.upgraderfunds.com  
 866-455-FUND (3863)

### PERFORMANCE

Cumulative Return since 11/1/2001

### STOCX vs. S&P 500 Index

Since Inception Nov 1, 2005 to Jun 30, 2006



### PERFORMANCE

Data current to 6/30/06

Since Inception  
11/01/05

	1 mo	3 mo	6 mo	Cumulative
FundX Stock Upgrader Fund (STOCX)	0.26	-5.53	4.43	9.32
S&P 500	0.15	-1.46	2.69	6.91

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 current to the most recent month end may be obtained by calling 800-455-3863 or visiting [www.upgraderfunds.com](http://www.upgraderfunds.com). The funds impose a 2% redemption fee on shares held less than 1 calendar month.

You cannot invest directly in an index. Please refer to page 3 for the risks associated with investing in this fund.

### HOLDINGS AS OF 6/30/06

Advanced Micro Devices	AMD	1.54%
Allegheny Energy Inc	AYE	1.99%
Allegheny Technologies	ATI	2.13%
Allied Waste Ind Inc. (	AW	1.86%
Applied Biosystems Grp	ABI	1.07%
Archer Daniels Midland	ADM	1.94%
Baker Hughes Inc	BHI	1.85%
Bear Stearns Comp Inc.	BSC	1.03%
Best Buy Inc.	BBY	0.91%
BIG LOTS INC	BLI	2.06%
Boston Properties, Inc.	BXP	1.05%
Burlington N Santa Fe	BNI	1.00%
Caterpillar Inc.	CAT	1.00%
Ciena Corp.	CLEN	2.18%
Circuit City Stores Inc	CC	1.76%
Citrix Systems, Inc.	CTXS	2.08%
Corning Inc.	GLW	0.97%
CSX Corp	CSX	2.06%
Cummins Inc.	CMI	2.16%
E*TRADE Financial Corp.	ET	1.82%
El Paso Corp	EP	1.90%
Fluor	FLR	1.04%
Freeport-McMoRan C&G	FCX	0.95%
Freescale Semiconductor	FSL	0.92%
Gilead Sciences Inc	GILD	1.01%
Goldman Sachs Grp	GS	0.98%
Halliburton Company	HAL	1.96%
Hercules Co.	HPC	1.88%
Hess Corporation	HES	2.09%
Hewlett-Packard Co	HPQ	0.86%
JDS Uniphase Corp	JDSU	1.61%
Johnson Controls Inc.	JCI	1.88%
Kerr-McGee Corporation	KMG	2.58%
King Pharmaceuticals Inc	KG	1.87%
Limited Brands, Inc	LTD	0.90%
Marathon Oil Corp	MRO	1.12%
Micron Technology Inc	MU	0.88%
Monsanto Company	MON	0.98%
Monster Wwide	MNST	1.71%
Norfolk Southern Corp.	NSC	1.97%
Nucor Corp	NUE	2.04%
Nvidia Corp	NVDA	0.90%
Office Depot Inc	ODP	1.79%
OfficeMax Inc.	OMX	1.92%
Phelps Dodge Corporatio	PD	1.86%
Qwest Comm Intl Inc	Q	2.16%
Robert Half Internation	RHI	2.00%
Ryder System, Inc.	R	2.11%
SanDisk Corp	SNDK	1.77%
Schlumberger Ltd.	SLB	1.95%
Starbucks	SBUX	1.04%
Starwood Hotels & Resor	HOT	1.92%
Tektronix Inc	TEK	0.83%
Tellabs Inc	TLAB	1.82%
Transocean Inc	RIG	1.94%
TXU Corp	TXU	2.04%
U S Steel	X	2.05%
Union Pacific Corp	UNP	0.98%
Valero Energy Corp	VLO	2.12%
Weatherford Internation	WFT	1.85%
Wendy's International I	WEN	0.95%

Cash 2.41%

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

# FUNDX UPGRADER FUND (FUNDX)

The FundX Upgrader Fund (FUNDX) is designed for moderately aggressive investors seeking long-term growth.

FUNDX consists of a portfolio of over 40 underlying mutual funds that collectively represent well diversified mix of over 1,000 individual stocks.

### Quarterly Update

A total of 43 equity funds makes up the underlying portfolio of the FundX Upgrader Fund, up from 40 holdings as of March 31.

New additions include several single-country exchange traded funds from iShares, including Spain (EWP), Sweden (EWD), and France (EWQ).

Notable winners this quarter included iShares MSCI France (EWQ) and iShares MSCI Spain (EWP), both purchased in the middle of June as the market bottomed and each garnering over 6% through the end of the quarter.

The sharpest losses of the quarter were incurred by emerging market funds, including Eaton Vance Greater India

(ETGIX), which lost 15%, and Oppenheimer Developing Markets (ODMAX) and iShares MSCI Mexico (EWW) were each down 10%. EWW was sold by the end of the quarter. Many emerging markets funds were among our strongest winners in previous quarters.

International holdings increased from roughly 69% of the portfolio at the end of the first quarter to almost 80% as of June 30. Despite this rise, our exposure to emerging markets declined slightly, to about 13%.

Holdings of "hard asset" stocks, including natural resources, energy, metals, etc., increased further, from 18% to almost 24% of the portfolio, vs. about 11% for the S&P 500 Index.

### QUICK INFO

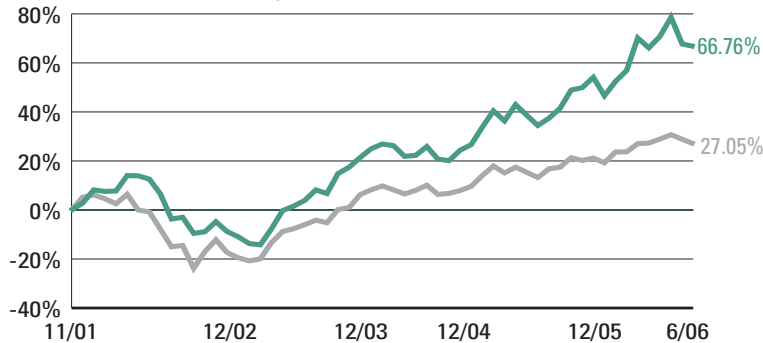
Inception Date: Nov 1, 2001  
 Ticker: FUNDX  
 Assets: \$517 Million  
 Redemption Fee: 2% under 30 days  
 Expenses: 1.22%  
 Minimum Investment: \$2,500  
 www.upgraderfunds.com  
 866-455-FUND (3863)

### PERFORMANCE

Cumulative Return since 11/1/2001

## FUNDX vs. S&P 500 Index

Since Inception Nov 1, 2001 to Jun 30, 2006



### HOLDINGS AS OF 6/30/06

BlackRock Glb Rsrscs	SSGRX	3.57%
Columbia Acorn Internat	ACINX	1.96%
Eaton Vance Greater Ind	ETGIX	1.09%
Excelsior Emerging Mark	UMEMX	1.72%
Fidelity Intl Small Ca	FISMIX	0.18%
Fidelity Latin America	FLATX	0.89%
iShares MSCI Germany	EWG	1.64%
iShares MSCI Spain Inde	EWP	0.19%
iShares MSCI Sweden	EWD	0.47%
iShrs GS Natural Resouc	IGE	0.76%
iShrs MSCI Austria Idx	EWO	0.94%
iShrs MSCI Brazil Idx	EWZ	1.12%
iShrs MSCI Canada Idx	EWC	0.45%
iShrs MSCI Emg Mkts	EEM	2.22%
iShrs MSCI France	EWQ	0.48%
iShrs MSCI Japan Idx	EWJ	2.69%
iShrs MSCI South Korea	EWY	1.48%
iShrs MSCI U.K. Idx	EWU	0.98%
iShrs S&P Latin America	ILF	2.42%
Oppenheimer Developing	ODMAX	1.74%
Oppenheimer Intl SmC	OSMAX	1.97%
ProFunds Precious Metal	PMPIX	0.55%
US Glb Inv Wrd Precious	UNWPX	0.52%

### Total Class 1 & 2 30.03%

AllianceB Int Val A	ABIAX	5.41%
AllianceB Int Gro A	AWPAX	2.86%
BlackRock Intl Opp Svc	BRESX	2.37%
Columbia Acorn Select	ACTWX	4.15%
Excelsior International	UMINX	0.90%
Fidelity Value Fund	FDVLX	0.57%
iShrs MSCI EAFE Idx	EFA	8.61%
iShrs MSCI EMU Idx	EZU	5.40%
iShrs S&P Europe 350 In	IEV	2.93%
iShrs S&P400 Mid Val	IJJ	0.97%
Julius Baer Int Equit	BJBIX	5.68%
Laudus Int Mrkt Masters	SWOIX	4.67%
NeubergerB Int	NBISX	4.67%
Pennsylvania Mutual Fnd	PENNX	2.70%
Rydex Sector Rotation	RYSRX	1.23%
SSgA Int'l Stock Sel	SSAIX	0.88%
Thornburg Core Growth	THIGX	2.44%
Thornburg Int Value	TGVAX	5.91%
Vanguard Int Value	VTRIX	3.27%
Vanguard Viper European	VGK	3.09%

### Total Class 3 68.71%

CASH 1.26%

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.

Please see page 5 for a description of fund classifications.

PERFORMANCE	Since Inception of fund 11/01/01							
	Data current to 6/30/06	1 mo	3 mo	6 mo	12 mo	3 Yr Avg Ann	Avg Ann	Cumulative
Fundx Upgrader Fund (FUNDX)		-0.57	-2.38	6.28	17.87	17.97	11.59	66.76
S&P 500 Index		0.15	-1.46	2.69	8.62	11.20	5.28	27.05

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 current to the most recent monthend may be obtained by calling 800-455-3863 or visiting [www.upgraderfunds.com](http://www.upgraderfunds.com). The funds impose a 2% redemption fee on shares held less than 1 calendar month.

You cannot invest directly in an index. Please refer to page 3 for the risks associated with investing in the funds.

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# FUNDX AGGRESSIVE UPGRADER FUND (HOTFX)

The FundX Aggressive Upgrader fund (HOTFX) is intended as an aggressive component of an otherwise diversified portfolio. HOTFX could also be attractive to an investor who is willing to take above average risk in hopes of achieving higher returns over time.

## Quarterly Update

A total of 46 equity funds makes up the underlying portfolio of the FundX Aggressive Upgrader Fund, up from 37 holdings as of March 31.

New additions include several single-country exchange traded funds from iShares, including Italy (EWI), Netherlands (EWN), Belgium (EWK), Spain (EWP), Sweden (EWP), and France (EWO).

Notable winners this quarter included Rydex Energy Services (RYVIX), iShares MSCI Netherlands (EWN) and iShares MSCI Spain (EWP), all purchased in the middle of June as the market bottomed and each garnering over 10% through the end of the quarter.

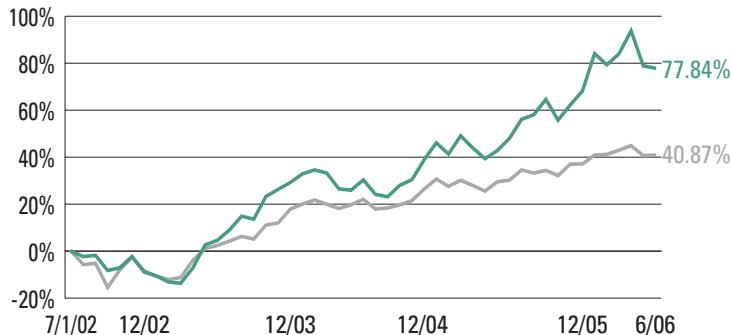
The sharpest losses of the quarter were incurred by emerging market funds,

## PERFORMANCE

Cumulative Return since 7/1/2002

## HOTFX vs. S&P 500 Index

Since Inception July 1, 2002 to Jun 30, 2006



including Eaton Vance Greater India (ETGIX), down 15%, and Oppenheimer Developing Markets (ODMAX) and US Global Investors Eastern Europe (EUROX), each down 10%. Since purchased in April 2004, EUROX has gained over 80%.

International holdings were already quite heavy at the end of last quarter, and increased only slightly, from roughly 77% of the portfolio to about 80% as of June 30. Our exposure to emerging markets declined significantly, from over 25% to just over 16%.

Holdings of "hard asset" stocks, including natural resources, energy, metals, etc., increased further, from over 18% to almost 37% of the portfolio, vs. about 11% for the S&P 500 Index.

## QUICK INFO

Inception Date: Jul 1, 2002  
 Ticker: HOTFX  
 Assets: \$172 Million  
 Redemption Fee: 2% under 30 days  
 Expenses: 1.32%  
 Minimum Investment: \$2,500  
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## HOLDINGS AS OF 6/30/06

BlackRock Glb Rsrcs	SSGRX	2.41%
Columbia Acorn Internat	ACINX	2.85%
Eaton Vance Greater Ind	ETGIX	2.21%
Excelsior Emerging Mark	UMEMX	2.18%
Fidelity Sel Brokerage	FSLBX	1.25%
ICON Asia-Pacific Regio	ICARX	0.49%
iShares MSCI Belgium In	EWK	0.50%
iShares MSCI Germany	EWG	4.13%
iShares MSCI Italy Inde	EWI	0.64%
iShares MSCI Netherland	EWN	0.50%
iShares MSCI Spain Inde	EWP	0.97%
iShares MSCI Sweden	EWD	0.94%
iShrs GS Natural Resouc	IGE	3.01%
iShrs MSCI Austria Idx	EWO	2.57%
iShrs MSCI Brazil Idx	EWZ	2.37%
iShrs MSCI Canada Idx	EWC	2.10%
iShrs MSCI Emg Mkts	EEM	1.86%
iShrs MSCI France	EWQ	0.95%
iShrs MSCI Japan Idx	EWJ	4.99%
iShrs MSCI South Korea	EWY	3.72%
iShrs MSCI U.K. Idx	EWU	0.94%
iShrs S&P Latin America	ILF	3.31%
Oppenheimer Developing	ODMAX	3.83%
Oppenheimer Glb Oppnts	OPGIX	2.14%
Oppenheimer Int'l SmC	OSMAX	3.39%
ProFunds Precious Metal	PMPIX	1.80%
Rydex Energy Servs	RYVIX	1.44%
US Glb Inv Eastern Euro	EUROX	0.93%
US Glb Inv Wrld Precious	UNWPX	0.79%
<b>Total Class 1 &amp; 2</b>		<b>59.21%</b>

AllianceB Int Val A	ABIAX	2.56%
AllianceB Int Gro A	AWPAX	2.46%
BlackRock Int Opp Svc	BRESX	2.76%
Columbia Acorn Select	ACTWX	1.82%
Excelsior International	UMINX	0.95%
iShrs MSCI EAFE Idx	EFA	4.35%
iShrs MSCI EMU Idx	EZU	4.04%
iShrs S&P Europe 350 In	IEV	0.58%
Julius Baer Int Equity	BJBIX	2.89%
Laudus Int Mrkt Masters	SWOIX	2.26%
NeubergerB Int	NBISX	2.48%
Pennsylvania Mutual Fnd	PENNIX	1.75%
SSgA Int Stock Sel	SSAIX	0.83%
Thornburg Core Growth	THIGX	2.39%
Thornburg Int Value	TGVAX	2.80%
Vanguard Intl Value	VTRIX	2.51%
Vanguard Viper European	VGK	1.85%
<b>Total Class 3</b>		<b>39.28%</b>
<b>CASH</b>		<b>1.51%</b>

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. Please see page 5 for a description of fund classifications

Since Inception of fund 7/01/02

## PERFORMANCE Data current to 6/30/06

	1 mo	3 mo	6 mo	12 mo	3 Yr Avg Ann	Avg Ann	Cumulative
Fundx Aggressive Upgrader (HOTFX)	-0.59	-3.35	5.76	20.20	19.37	15.48	77.84
S&P 500 Index	0.15	-1.46	2.69	8.62	11.20	8.94	40.87

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You cannot invest directly in an index. Please refer to page 3 for the risks associated with investing in the funds.

## FUNDX CONSERVATIVE UPGRADER FUND (RELAX)

The FundX Conservative Upgrader fund (RELAX) is designed for investors seeking long-term growth, but with only average risk.

RELAX typically holds a 50% allocation to diversified funds from Class 3, with the balance in total return funds from Class 4 which tend to be less risky.

### Quarterly Update

A total of 30 equity funds makes up the underlying portfolio of the FundX Conservative Upgrader Fund, up from 27 holdings as of March 31.

Recent additions include Pennsylvania Mutual (PENN), a small to mid-cap value fund, and a blended fund called Permanent Portfolio (PRPF).

Winners during the quarter included Fidelity Utilities (FIUI) which gained over 3%. Losers were more plentiful this quarter, most notably Rydex Sector Rotation (RYSRX) down over 6%.

### PERFORMANCE

Cumulative Return since 7/1/2002

International holdings increased only slightly from roughly 42% of the portfolio at the end of the first quarter to about 47% as of June 30. Despite this rise, our exposure to emerging markets declined slightly, to about 6%.

Holdings of "hard asset" stocks, including natural resources, energy, metals, etc., decreased, from 40% to just over 37% of the portfolio, vs. about 11% for the S&P 500 Index.

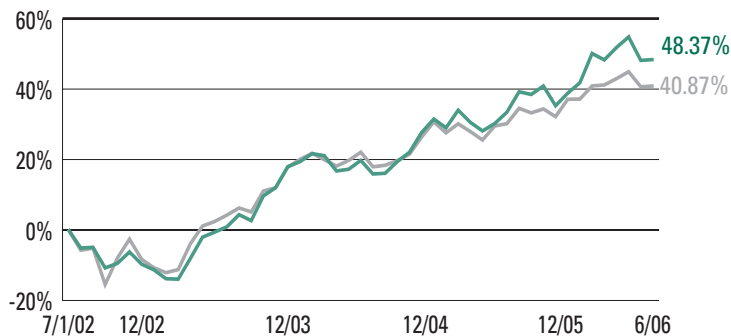
### QUICK INFO

Inception Date: July 1, 2002  
 Ticker: RELAX  
 Assets: \$64 Million  
 Redemption Fee: 2% under 30 days  
 Expenses: 1.50%  
 Minimum Investment: \$2,500

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### RELAX vs. S&P 500 Index

Since Inception July 1, 2002 to Jun 30, 2006



### HOLDINGS AS OF 6/30/06

AllianceB Int Val A	ABIAX	2.02%
AllianceB Int Gro A	AWPAX	4.77%
BlackRock Int Opp Svc	BRESX	3.87%
Columbia Acorn Select	ACTWX	3.22%
Excelsior International	UMINX	2.81%
iShrs MSCI EAFE Idx	EFA	4.60%
iShrs MSCI EMU Idx	EZU	3.55%
Julius Baer Int Equity	BJBIX	4.56%
Laudus Int Mrkt Masters	SWOIX	2.15%
NeubergerB Int	NBISX	2.61%
Pennsylvania Mutual Fnd	PENN	5.32%
Rydex Sector Rotation	RYSRX	3.94%
Thornburg Core Growth	THIGX	3.56%
Thornburg Int Value	TGVAX	2.68%
Vanguard Int Value	VTRIX	1.01%
<b>Total Class 3</b>		<b>50.67%</b>
Alpine Dynamic Dividend	ADVDX	4.37%
Calamos Global Growth &	CVLOX	5.49%
Fidelity Balanced	FBALX	4.88%
Fidelity Int'l Discover	FIGRX	2.48%
Fidelity Real Estate	FRESX	2.05%
Fidelity Utilities Fund	FIUIX	0.99%
Greenspring Fund	GRSPX	1.16%
Heartland Value Plus	HRVIX	0.94%
iShrs C & S Realty Majo	ICF	5.19%
iShrs DJ US Real Estate	IYR	0.53%
Leuthold Core	LCORX	4.72%
Matthews Asian Gro & In	MACSX	5.88%
Old Mutual Heitman REIT	OBRTX	4.07%
Permanent Portfolio	PRPF	2.53%
Prudent Global Income	PSAFX	2.95%
<b>Total Class 4</b>		<b>48.23%</b>
CASH		1.10%

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.

Please see page 5 for a description of fund classifications

### PERFORMANCE

Data current to 6/30/06

Since Inception of fund 7/01/02

	1 mo	3 mo	6 mo	12 mo	3 Yr Avg Ann	Avg Ann	Cumulative
Fundx Conservative Upgrader (RELAX)	0.15	-2.25	4.63	11.21	14.28	10.37	48.37
S&P 500 Index	0.15	-1.46	2.69	8.62	11.20	8.94	40.87

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## FUNDX FLEXIBLE INCOME FUND (INCMX)

The FundX Flexible Income fund (INCMX) seeks a reasonable total return with minimal risk.

### Quarterly Update

A total of 24 mutual funds makes up the underlying portfolio of the FundX Flexible Income Fund, up from 23 holdings as of March 31.

Recent additions include PIMCO Floating Income (PFIDX), a short-duration fund invested largely in bank loans, designed to benefit from rising interest rates.

Winners during the quarter included Merger Fund (MERFX), up over 2%, and Matthews Asian Growth & Income, which gained almost 1% in what proved to be a difficult quarter. International and emerging market debt suffered the worse, after having added considerable value to the portfolio in prior quarters. Oppenheimer International Bond (OIBAX)

and PIMCO Emerging Markets Bonds (PEMDX) each lost over 2% last quarter.

The trend in the portfolio appears to be a move toward safety. Most of the shifts during the quarter were directed to the more conservative of area of the fixed-income realm: domestic ultra-short-term funds and a floating rate fund.

The average duration of the portfolio as a whole is slightly lower than at the end of last quarter, moving from 4.6 to 4.2 years.

### QUICK INFO

Inception Date: July 1, 2002  
 Ticker: INCMX  
 Assets: \$59 Million  
 Redemption Fee: 2% under 30 days  
 Expenses: 0.99%  
 Minimum Investment: \$2,500

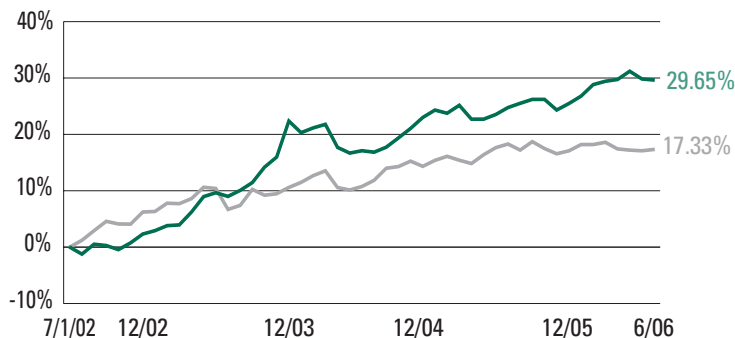
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### PERFORMANCE

Cumulative Return since 7/1/2002

### INCMX vs. Lehman Agg Bond Index

Since Inception July 1, 2002 to Jun 30, 2006



### HOLDINGS AS OF 6/30/06

Fidelity Real Estate In	FRIFX	0.44%
Gateway Fund	GATEX	3.46%
Matthews Asian Gro & In	MACSX	4.75%
Merger Fund	MERFX	8.72%
Permanent Portfolio	PRPFX	9.99%
<b>Total Class 4</b>		<b>27.36%</b>
Eaton Vance Floating Ra	EIBLX	9.77%
Eaton Vance Fltng Rate	EAFHX	5.33%
Eaton Vance Strategic I	ETSIX	2.71%
Fidelity Capital Income	FAGIX	5.01%
Fidelity FloatingR Hi I	FFRHX	2.47%
FPA New Income	FPNIX	1.68%
John Hancock Hi Yld	JHHBX	10.26%
Loomis Sayles Bond Fund	LSBDX	4.49%
MainStay High Yld Corp	MHCAX	10.38%
Oppenheimer Internation	OIBAX	1.26%
Oppenheimer Str Inc A	OPSIX	2.25%
PIMCO Emerg Mkts Bnd D	PEMDX	1.60%
PIMCO Floating Income D	PFIDX	5.47%
PIMCO Foreign Bnd D	PFODX	0.28%
PIMCO Total Return D	PTTDX	0.00%
Pioneer High Yield A	TAHYX	5.47%
Pioneer Strategic Incom	PSRAX	1.30%
WellsF Adv Ultra Sh-Tm	STADX	1.68%
Western Asset Core Bond	WATFX	0.68%
<b>Total Class 5</b>		<b>72.09%</b>
CASH		0.55%

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.

Please see page 5 for a description of fund classifications

### PERFORMANCE

Data current to 6/30/06

Since Inception of fund 7/01/02

	1 mo	3 mo	6 mo	12 mo	3 Yr Avg Ann	Avg Ann	Cumulative
Fundx Flexible Income (INCMX)	-0.14	-0.07	2.26	3.92	5.74	6.71	29.65
Lehman Agg Bond Index	0.21	-0.08	-0.72	-0.81	2.05	4.08	17.33

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# UPGRADER FUNDS: *A Simpler Way to Upgrade*

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Download an Application to send in.

### Online:

Go to [www.upgraderfunds.com](http://www.upgraderfunds.com)

Click on Account Access

Click to "Create a Login"

Select "Establish An Account"

### By Broker:

The UPGRADER FUNDS are also available at most major brokers.

DAL INVESTMENT COMPANY is publisher of the monthly investment newsletter NoLoad Fund★X and advisor to the Upgrader Funds.

## *In the Summer 2006 Issue . . .*

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**FUNDX**

**UPGRADER FUNDS**

**DAL Investment Company** *Since 1969*

**NoLoad Fund★X** *Since 1976*

**UPGRADER FUNDS** *Since 2001*

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