



Annual Report

March 31, 2008

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LETTER TO SHAREHOLDERS

March 31, 2008

Dear Valued Shareholder,

The Vice Fund takes a global approach in its exclusive focus on the tobacco, alcoholic beverages, gaming and aerospace/defense sectors.¹ With a U.S. recession seemingly well underway, we believe that these traditionally defensive sectors are particularly attractive right now, as in our opinion, the companies' fundamental outlook is not contingent on robust economic conditions.

Here, in brief, are our current views of each of our target sectors.

We continue to favor tobacco companies with exposure to emerging markets and those that have the strongest brand portfolio, the most cost-cutting opportunities or financial flexibility to utilize their balance sheet to repurchase stock (or do some sort of restructuring). The tobacco sector, in general, has historically offered earnings stability and consistent dividends, which we believe are vital in this otherwise uncertain market environment.

In gaming, the equipment makers and Asia-focused casino operators are our focus while the regional players have been weak, the result of increased competition and more economic sensitivity. We continue to believe that the slot makers are at the epicenter of two important drivers: new or expanding markets opening up, and a massive replacement cycle driven by server-based gaming, a new technology set to potentially have a dramatic impact on casino floors around the world. The expansion of new markets, both domestically and internationally, continues to be an important theme for the gaming sector. We think the opening up of Asia, in particular, may be a long-term driver for the sector.

Our defense-sector view is largely influenced by our expectations that budget authority on modernization (procurement plus development) should continue to increase for the next few years, at least; historically, this has been one of the most critical drivers of defense-stock relative performance. As a result, we expect the major defense contractors to do well in this environment. On the commercial aerospace side, worldwide air traffic growth has been surging, fertilizing what looks to be a new upcycle in global demand for commercial aircraft. We believe that the aircraft suppliers should enjoy a prolonged upcycle in aircraft demand that is more globally diversified than ever before.

The brewers have been weighed down over concerns of higher input costs (mostly barley); we think this is creating an opportunity for those focused on emerging markets. We believe most cost pressures may be recovered through higher prices, and we are looking for margin expansion in 2009 as input-cost pressures should abate. We continue to avoid the brewers whose fortunes are tied to the lackluster U.S. market. Spirits growth in the important U.S. market, though decelerating, has remained robust and we're mostly focused on the large, multi-national players with the greatest distribution networks and brand portfolio.

We're looking forward to seeing how these drivers unfold over the remainder of the year.

¹ While international exposure is an important component of the Fund's portfolio management strategy, it is important to note that the Fund may not hold more than 33 1/3% of its net assets in foreign securities on a time of purchase basis.

Please remember that detailed fund information including holdings and performance, updated monthly, is always available at www.ViceFund.com.

Thank you for being a valued shareholder of the Vice Fund.



Charles L. Norton, CFA
Portfolio Manager



Allen R. Gillespie, CFA
Portfolio Manager

Past performance does not guarantee future results.

The S&P 500 Index includes 500 common stocks, most of which are listed on the New York Stock Exchange. The Index is a market capitalization-weighted index representing approximately two-thirds of the total market value of all domestic common stocks. One cannot invest directly in an index.

Opinions expressed are those of GNI Capital, Inc. and are subject to change, are not guaranteed and should not be considered a recommendation to buy or sell any security.

This report is intended for shareholder use only and must be preceded or accompanied by a prospectus. Read it carefully before investing or sending money.

Fund holdings and/or sector allocations are subject to change at any time and are not recommendations to buy or sell any security.

Mutual funds with a narrow investment focus are subject to greater price fluctuations than funds with broader investment choices. The Vice Fund may invest in foreign securities which involve greater volatility and political, economic and currency risks and differences in accounting methods.

(05/08)

EXPENSE EXAMPLE

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, including redemption fees, and (2) ongoing costs, including advisory fees and other Fund expenses. Although the Fund charges no sales load, you will be assessed fees for outgoing wire transfers, returned checks and stop payment orders at prevailing rates charged by U.S. Bancorp Fund Services, LLC, the Fund's transfer agent. If you request that a redemption be made by wire transfer, currently a \$15.00 fee is charged by the Fund's transfer agent. You will be charged a redemption fee equal to 1.00% of the net amount of the redemption if you redeem your shares of the Fund within 60 days of purchase. IRA accounts will be charged a \$15.00 annual maintenance fee. To the extent the Fund invests in shares of other investment companies as part of its investment strategy, you will indirectly bear your proportionate share of any fees and expenses charged by the underlying funds in which the Fund invests in addition to the expenses of the Fund. Actual expenses of the underlying funds are expected to vary among the various underlying funds. These expenses are not included in the Example.

This Example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds. The Example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period (10/1/07 – 3/31/08).

Actual Expenses

The first line of the following table provides information about actual account values and actual expenses. The Example includes, but is not limited to, advisory fees, 12b-1 fees, fund administration and accounting, custody and transfer agent fees. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second line of the table provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds. Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as sales charges (loads), redemption fees or exchange fees. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

EXPENSE EXAMPLE (Continued)

	Vice Fund		
	Beginning Account Value October 1, 2007	Ending Account Value March 31, 2008	Expenses Paid During Period October 1, 2007 - March 31, 2008*
Actual**	\$1,000.00	\$ 887.80	\$8.68
Hypothetical (5% return before expenses)***	\$1,000.00	\$1,015.77	\$9.30

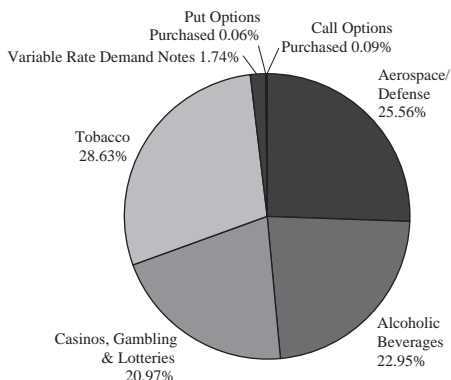
* Expenses are equal to the Fund's annualized expense ratio of 1.84%, multiplied by the average account value over the period, multiplied by 183/366 to reflect the one-half year period.

** Excluding dividends on short positions, your actual cost of investment in the Fund would be \$8.26.

*** Excluding dividends on short positions, your hypothetical cost of investment in the Fund would be \$8.82.

INVESTMENT HIGHLIGHTS

Sector Breakdown % Total Investments



Total Returns as of March 31, 2008

<u>Average Total Return</u>	<u>Vice Fund</u>	<u>S&P 500 Index</u>
Six Months	(11.22)%	(12.46)%
One year	4.44%	(5.08)%
Average annual three years	12.34%	5.84%
Average annual five years	20.96%	11.30%
Average annual since inception 8/30/02	15.15%	8.77%

Performance data quoted represents past performance and 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. In the absence of the existing fee waiver, the total return would be reduced. Performance data current to the most recent month end may be obtained by calling 1-866-264-8783 or visiting www.ViceFund.com.

The returns shown on the graph and table assume reinvestment of dividends and capital gains and do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares.

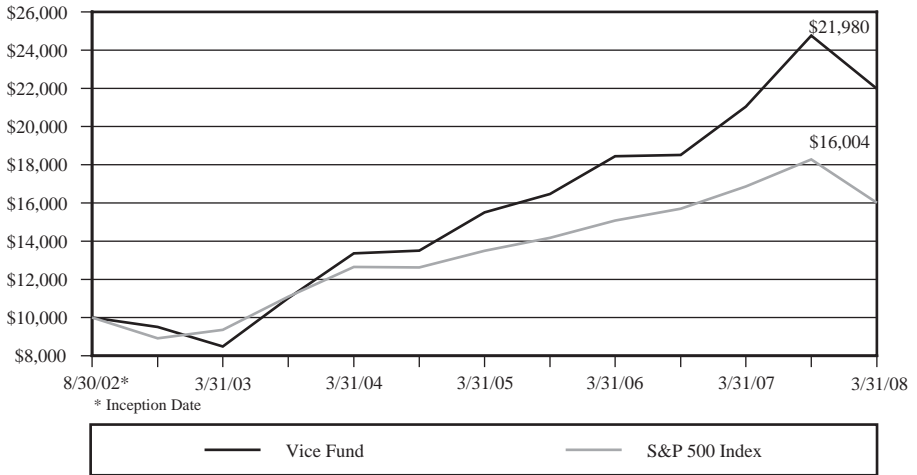
The S&P 500 Index includes 500 common stocks, most of which are listed on the New York Stock Exchange. The Index is a market capitalization-weighted index representing approximately two-thirds of the total market value of all domestic common stocks. One cannot invest directly in an index.

INVESTMENT HIGHLIGHTS (Continued)

The Fund imposes a 1.00% redemption fee on shares held less than 60 days. Performance data does not reflect the redemption fee. If reflected, total returns would be reduced.

This chart assumes an initial gross investment of \$10,000 made on August 30, 2002 (the commencement of operations).

Hypothetical Comparison of Change in Value of \$10,000 Investment



PORTFOLIO OF INVESTMENTS

March 31, 2008

Ticker Symbol: VICEX

COMMON STOCKS 99.5%

Aerospace & Defense 25.9%

	Shares	Market Value
The Boeing Co.	107,000	\$ 7,957,590
General Dynamics Corp. ⁽²⁾	75,500	6,294,435
L-3 Communications Holdings, Inc.	25,500	2,788,170
Lockheed Martin Corp. ⁽²⁾	71,500	7,099,950
Northrop Grumman Corp.	63,000	4,902,030
Raytheon Co.	116,000	7,494,760
Rockwell Collins, Inc.	64,500	3,686,175
Spirit AeroSystems Holdings Inc. - Class A*	161,000	3,570,980
United Technologies Corp.	43,500	2,993,670
		46,787,760

Alcoholic Beverages 23.3%

Central European Distribution Corp. *	36,000	2,094,840
Companhia de Bebidas das Americas (AmBev), ADR	34,500	2,606,475
Diageo plc, ADR	126,000	10,246,320
Heineken NV	82,000	4,762,760
InBev NV	92,500	8,139,988
Pernod Ricard SA	67,500	6,943,844
SABMiller plc	330,000	7,230,436
		42,024,663

Casinos, Gambling & Lotteries 21.3%

International Game Technology	235,500	9,469,455
Las Vegas Sands Corp.*	88,000	6,480,320
MGM MIRAGE*	137,000	8,051,490
WMS Industries Inc.*	196,000	7,050,120
Wynn Resorts, Ltd.	73,000	7,346,720
		38,398,105

Tobacco 29.0%

Altria Group, Inc.	390,000	8,658,000
British American Tobacco PLC., ADR	127,500	9,658,125
Imperial Tobacco Group plc, ADR	72,000	6,629,040
JAPAN TOBACCO INC.	355	1,777,137
Loews Corp. - Carolina Group ⁽²⁾	166,000	12,043,300
Philip Morris International Inc.*	270,000	13,656,600
		52,422,202

Total Common Stocks (Cost \$168,226,126)

179,632,730

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

PORTFOLIO OF INVESTMENTS (Continued)

March 31, 2008

Ticker Symbol: VICEX

CALL OPTIONS PURCHASED 0.1%	Contracts	Market Value
Altria Group, Inc.		
Expiration: June 2008, Exercise Price: \$80.00	200	\$ 11,000
Melco PBL Entertainment (Macau) Ltd:		
Expiration: April 2008, Exercise Price: \$15.00	300	1,500
Expiration: October 2008, Exercise Price: \$10.00	100	31,500
Expiration: January 2009, Exercise Price: \$10.00	350	124,250
Total Call Options Purchased (Cost \$330,910)		168,250
PUT OPTIONS PURCHASED 0.0%		
The Boeing Co.		
Expiration: May 2008, Exercise Price: \$75.00	100	35,500
Expiration: May 2008, Exercise Price: \$80.00	100	68,000
Total Put Options Purchased (Cost \$91,540)		103,500
SHORT-TERM INVESTMENTS 1.8%	Principal Amount	
Variable Rate Demand Note⁽¹⁾		
Wisconsin Corporate Central Credit Union, 4.869%	\$3,178,787	3,178,787
Total Short-Term Investments (Cost \$3,178,787)		3,178,787
Total Investments (Cost \$171,827,363) 101.4%		183,083,267
Liabilities in Excess of Other Assets (1.4)%		(2,503,493)
Total Net Assets 100.0%		\$180,579,774

(1) Variable rate demand notes are considered short-term obligations and are payable upon demand. Interest rates change periodically on specified dates. The rates listed are as of March 31, 2008.

(2) A portion of the investment is held by the broker as collateral for short sales activity. As of March 31, 2008, the segregated market value of collateral is \$10,128,015.

* Non Income Producing

ADR – American Depositary Receipt

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

SCHEDULE OF SECURITIES SOLD SHORT

March 31, 2008

Ticker Symbol: VICEX

COMMON STOCKS 5.4%	Shares	Market Value
Aerospace & Defense 2.0%		
BE Aerospace, Inc.	43,000	\$ 1,502,850
Goodrich Corp.	16,000	920,160
TransDigm Group, Inc.	30,000	1,111,500
		<u>3,534,510</u>
Alcoholic Beverages 1.9%		
Anheuser-Busch Companies, Inc.	30,000	1,423,500
Constellation Brands, Inc. - Class A	50,000	883,500
Fortune Brands, Inc.	16,300	1,132,850
		<u>3,439,850</u>
Tobacco 1.5%		
Reynolds American Inc.	15,000	885,450
UST, Inc.	33,500	1,826,420
		<u>2,711,870</u>
Total Common Stock (Proceeds \$9,806,001)		<u>9,686,230</u>
INVESTMENT COMPANY 0.5%		
Exchange-Traded Fund 0.5%		
SPDR Trust Series 1	7,000	923,790
Total Investment Company (Proceeds \$938,797)		<u>923,790</u>
Total Securities Sold Short 5.9% (Proceeds \$10,744,798)		<u><u>\$10,610,020</u></u>

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

SCHEDULE OF OPTIONS WRITTEN

March 31, 2008

Ticker Symbol: VICEX

CALL OPTIONS WRITTEN 0.0%	Contracts	Market Value
MGM MIRAGE		
Expiration: April 2008, Exercise Price: \$60.00	200	\$41,000
Expiration: May 2008, Exercise Price: \$65.00	100	18,500
Total Call Options Written (Premiums received \$66,810)		<u>\$59,500</u>

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

FINANCIAL STATEMENTS

Statement of Assets and Liabilities

March 31, 2008

ASSETS

Investments, at value (cost \$171,827,363)	\$183,083,267
Deposits at broker for securities sold short and options written	12,204,207
Receivable for investments sold	765,410
Receivable for capital shares sold	629,747
Income receivable	618,984
Other assets	17,372
TOTAL ASSETS	<u>197,318,987</u>

LIABILITIES

Securities sold short at value (proceeds \$10,744,798)	10,610,020
Written options, at value (premium received \$66,810)	59,500
Payable for investments purchased	5,592,872
Payable to Advisor	123,430
Payable for capital shares redeemed	140,329
Payable to affiliates	92,846
Payable for distribution fees	47,943
Payable for dividends on short sales	19,045
Accrued expenses and other liabilities	53,228
TOTAL LIABILITIES	<u>16,739,213</u>

NET ASSETS	<u>\$180,579,774</u>
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Net assets consist of:

Paid-in capital	\$168,359,093
Undistributed net investment income	88,247
Accumulated net realized gain	734,407
Net unrealized appreciation on:	
Investments	11,255,939
Short positions	134,778
Written options	7,310

NET ASSETS	<u>\$180,579,774</u>
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Shares of beneficial interest outstanding (unlimited

number of shares authorized, \$0.001 par value)	<u>8,780,374</u>
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Net asset value, redemption price and offering price per share	<u>\$ 20.57</u>
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The accompanying notes are an integral part of these financial statements.

FINANCIAL STATEMENTS

Statement of Operations

For the Year Ended March 31, 2008

INVESTMENT INCOME

Dividend income ⁽¹⁾	\$ 2,833,311
Interest income	103,241
TOTAL INVESTMENT INCOME	2,936,552

EXPENSES

Advisory fees	1,415,870
Distribution fees (Note 3)	372,597
Administration fees	159,811
Transfer agent fees and expenses	154,898
Fund accounting fees	58,191
Federal and state registration fees	36,646
Custody fees	32,704
Legal fees	29,062
Audit fees	22,500
Chief compliance officer fees and expenses (Note 3)	16,248
Reports to shareholders	15,892
Trustees' fees and related expenses	7,750
Other expenses	34,190

TOTAL EXPENSES BEFORE DIVIDENDS ON SHORT

POSITIONS AND INTEREST EXPENSE	2,356,359
Dividends on short positions	146,739
Interest expense on short positions	7,538
Interest expense (Note 6)	2,910

TOTAL EXPENSES

Plus expenses recaptured by Advisor (Note 3)	248,912
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NET EXPENSES

NET INVESTMENT INCOME	174,094
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REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS

Net realized gain on:

Investments	2,577,537
Short positions	1,606,619
Written Options	64,080

Change in net unrealized appreciation/depreciation on:

Investments	(5,351,657)
Short positions	48,971
Written options	30,335

NET REALIZED AND UNREALIZED LOSS ON INVESTMENTS

NET DECREASE IN NET ASSETS FROM OPERATIONS	\$ (850,021)
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(1) Net of \$50,897 in foreign withholding tax.

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

FINANCIAL STATEMENTS

Statements of Changes in Net Assets

	Year Ended March 31, 2008	Year Ended March 31, 2007
FROM OPERATIONS		
Net investment income	\$ 174,094	\$ 276,366
Net realized gain (loss) on:		
Investments	2,440,068	2,656,530
Short positions	1,606,619	(17,713)
Written Options	201,549	
Change in net unrealized appreciation/depreciation on:		
Investments	(5,351,657)	5,778,944
Short positions	48,971	85,807
Written options	30,335	(23,025)
Net increase (decrease) in net assets from operations . . .	<u>(850,021)</u>	<u>8,756,909</u>
FROM DISTRIBUTIONS		
Net investment income	(204,893)	(162,960)
Net realized gain on investments	<u>(5,809,825)</u>	<u>(789,340)</u>
Net decrease in net assets resulting from distributions paid	<u>(6,014,718)</u>	<u>(952,300)</u>
FROM CAPITAL SHARE TRANSACTIONS		
Proceeds from shares sold	126,144,651	58,469,879
Net asset value of shares issued in reinvestment of distributions to shareholders	5,737,464	894,561
Payments for shares redeemed ⁽¹⁾	<u>(47,463,011)</u>	<u>(14,674,142)</u>
Net increase in net assets from capital share transactions	<u>84,419,104</u>	<u>44,690,298</u>
TOTAL INCREASE IN NET ASSETS	77,554,365	52,494,907
NET ASSETS		
Beginning of year	103,025,409	50,530,502
End of year	<u>\$180,579,774</u>	<u>\$103,025,409</u>
UNDISTRIBUTED NET INVESTMENT INCOME . .	<u>\$ 88,247</u>	<u>\$ 113,406</u>

(1) Net of redemption fees of \$78,652 for the year ended March 31, 2008, and \$16,158 for the year ended March 31, 2007.

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

FINANCIAL STATEMENTS

Financial Highlights

Per Share Data for a Share Outstanding Throughout each Year

	Year Ended March 31, 2008	Year Ended March 31, 2007	Year Ended March 31, 2006	Year Ended March 31, 2005	Year Ended March 31, 2004
Net Asset Value, Beginning of Period	\$ 20.37	\$ 18.08	\$ 15.42	\$ 13.34	\$ 8.49
Income (loss) from investment operations:					
Net investment income (loss)	0.03	0.06 ⁽²⁾	—	—	(0.01)
Net realized and unrealized gain on investments	0.94	2.48	2.87	2.12	4.86
Total from investment operations	0.97	2.54	2.87	2.12	4.85
Less distributions:					
Dividends from net investment income	(0.04)	(0.04)	—	—	(0.01)
From net realized gain on investments	(0.74)	(0.21)	(0.24)	(0.06)	—
Total distributions	(0.78)	(0.25)	(0.24)	(0.06)	(0.01)
Paid-in capital from redemption fees (Note 2)	0.01	— ⁽³⁾	0.03	0.02	0.01
Net Asset Value, End of Period	\$ 20.57	\$ 20.37	\$ 18.08	\$ 15.42	\$ 13.34
Total Return	4.44%	14.10%	18.98%	16.05%	57.34%
Supplemental Data and Ratios:					
Net assets at end of period (000's)	\$180,580	\$103,025	\$50,531	\$31,483	\$10,375
Ratio of expenses to average net assets:					
Before waiver and expense reimbursement and expense recapture	1.69% ⁽¹⁾	1.93% ⁽¹⁾	2.20%	2.67%	3.75%
After waiver and expense reimbursement and expense recapture	1.85% ⁽¹⁾	1.78% ⁽¹⁾	1.75%	1.75%	1.75%
Ratio of net investment income (loss) to average net assets:					
Before waiver and expense reimbursement and expense recapture	0.28% ⁽⁴⁾	0.27% ⁽⁴⁾	(0.46)%	(0.93)%	(2.07)%
After waiver and expense reimbursement and expense recapture	0.12% ⁽⁴⁾	0.42% ⁽⁴⁾	(0.01)%	(0.01)%	(0.07)%
Portfolio turnover rate	36.40%	44.44%	67.29%	15.01%	6.58%

(1) The ratio of expenses to average net assets includes dividends and interest on short positions. The before waiver, expense reimbursement and expense recapture and after waiver, expense reimbursement and expense recapture ratios excluding dividends and interest on short positions were 1.58% and 1.75% for the year ended March 31, 2008, and 1.90% and 1.75% for the year ended March 31, 2007.

(2) Per share net investment income was calculated prior to tax adjustments.

(3) Less than one cent per share.

(4) The net investment income ratios include dividends and interest on short positions.

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

March 31, 2008

(1) Organization

The Fund is a separate series of USA MUTUALS (the “Trust”) which is registered under the Investment Company Act of 1940, as amended (“1940 Act”), as a non-diversified open-end management company. The Trust was organized on March 20, 2001 as a Delaware business trust and may issue an unlimited number of shares of beneficial interest at \$0.001 par value. The Fund became effective on August 15, 2002 and commenced operations on August 30, 2002. The Fund is managed by Mutuals Advisors, Inc. (the “Advisor”), formerly known as MUTUALS.com, Inc., which has retained GNI Capital, Inc. (“GNI”) to act as the Fund’s subadvisor.

The Fund’s investment objective is long-term growth of capital.

(2) Significant Accounting Policies

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of the financial statements. These policies are in conformity with accounting principles generally accepted in the United States of America (“GAAP”).

(a) Investment Valuation

Securities are stated at value. Securities traded on a national securities exchange are valued at the latest reported sale price on such exchange. Exchange-traded securities for which there were no transactions are valued at the latest bid prices. All equity securities that are traded using the National Association of Securities Dealers’ Automated Quotation System (“NASDAQ”) are valued using the NASDAQ Official Closing Price (“NOCP”). Debt securities (other than short-term obligations) are valued at prices furnished by a pricing service, subject to review by the Fund’s Advisor. Short-term obligations (maturing within 60 days) are valued on an amortized cost basis, which approximates market value. Securities for which quotations are not readily available and other assets are valued at fair value as determined by the Advisor under the supervision of the Fund’s Board of Trustees. When determining fair value, the following factors are taken into consideration: (i) fundamental analytical data relating to the investment; (ii) the nature and duration of restrictions on disposition of the securities; and (iii) an evaluation of the forces which influence the market in which these securities are purchased and sold.

(b) Federal Income Taxes

The Fund intends to comply with the requirements of Subchapter M of the Internal Revenue Code necessary to qualify as a regulated investment company and will make the requisite distributions of income and capital gains to its shareholders sufficient to relieve it from all or substantially all Federal income taxes. Therefore, no Federal income tax provision has been provided.

(c) New Accounting Pronouncements

The Fund adopted the Financial Accounting Standards Board (“FASB”) Interpretation No. 48 “Accounting for Uncertainty in Income Taxes” (“FIN 48”), on September 29, 2007. FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48

March 31, 2008

requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Fund's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. Adoption of FIN 48 is required as of the date of the last Net Asset Value ("NAV") calculation in the first required financial statement reporting period for fiscal years beginning after December 15, 2006 and is to be applied to all open tax years as of the effective date. As of March 31, 2008, FIN 48 did not result in an impact to the Fund's financial statements.

In September 2006, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements". SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with GAAP, and expands disclosure about fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. Management is currently evaluating the implications of SFAS No. 157, and its impact on the financial statements has not yet been determined.

(d) *Distributions to Shareholders*

The Fund will distribute any net investment income semi-annually and any net realized long or short-term capital gains at least annually. Distributions from net realized gains for book purposes may include short-term capital gains. All short-term capital gains are included in ordinary income for tax purposes. Distributions to shareholders are recorded on the ex-dividend date. The Fund may also pay a special distribution at the end of the calendar year to comply with federal tax requirements.

The tax character of distributions paid during the year ended March 31, 2008 and the year ended March 31, 2007 were as follows:

	<u>Year Ended</u> <u>March 31, 2008</u>	<u>Year Ended</u> <u>March 31, 2007</u>
Ordinary income	\$1,364,403	\$241,851
Long-term capital gains	\$4,650,315 ⁽¹⁾	\$710,449

- (1) The Fund designated as a long-term capital dividend, pursuant to the Internal Revenue Code Section 852(b)(3).

NOTES TO FINANCIAL STATEMENTS (Continued)

March 31, 2008

As of March 31, 2008, the components of accumulated earnings on a tax basis were as follows:

Cost basis of investments for federal income tax purposes . . .	<u>\$172,214,317</u>
Gross tax unrealized appreciation	21,262,390
Gross tax unrealized depreciation	<u>(10,393,405)</u>
Net tax unrealized appreciation	10,868,985
Undistributed ordinary income	162,409
Undistributed long-term capital gain	<u>1,047,199</u>
Total distributable earnings	1,209,608
Other accumulated gains	<u>142,088</u>
Total accumulated earnings	<u>\$ 12,220,681</u>

The difference between book-basis and tax-basis unrealized appreciation is attributable primarily to the deferral of losses on wash sales and mark-to-market adjustments on Section 1256 contracts.

(e) *Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(f) *Share Valuation*

The net asset value ("NAV") per share of the Fund is calculated by dividing the sum of the value of the securities held by the Fund, plus cash or other assets, minus all liabilities (including estimated accrued expenses) by the total number of shares outstanding for the Fund, rounded to the nearest cent. The Fund's shares will not be priced on the days on which the NYSE is closed for trading. The offering and redemption price per share for the Fund is equal to the Fund's net asset value per share. The Fund charges a 1.00% redemption fee on shares held less than 60 days. These fees are deducted from the redemption proceeds otherwise payable to the shareholder. The Fund will retain the fee charged as paid-in capital and such fees become part of the Fund's daily NAV calculation.

(g) *Short Positions*

The Fund may sell a security it does not own in anticipation of a decline in the fair value of that security. When the Fund sells a security short, it must borrow the security sold short and deliver it to the broker-dealer through which it made the short sale. A gain, limited to the price at which the Fund sold the security short, or a loss, unlimited in size, will be recognized upon the termination of a short sale.

March 31, 2008

For financial statement purposes, an amount equal to the settlement amount is included in the Statement of Assets and Liabilities as an asset and an equivalent liability. The amount of the liability is subsequently marked-to-market to reflect the current value of the short positions. Subsequent fluctuations in the market prices of securities sold, but not yet purchased, may require purchasing the securities at prices which could differ from the amount reflected in the Statement of Assets and Liabilities. The Fund is liable for any dividends or interest payable on securities while those securities are in a short position. As collateral for its short positions, the Fund is required under the 1940 Act to maintain segregated assets consisting of cash, cash equivalents or liquid securities. These segregated assets are valued consistent with Note 2a above. The amount of segregated assets are required to be adjusted daily to reflect changes in the market value of the securities sold short. The Fund's receivable for proceeds on securities sold short is with one major security dealer. The Fund does not require this broker to maintain collateral in support of the receivable for proceeds on securities sold short. As of March 31, 2008, the Fund had 5.9% of its net assets invested in short positions.

(h) Options

The Fund may purchase and write call or put options on securities and indices and enter into related closing transactions. As a holder of a call option, the Fund has the right, but not the obligation, to purchase a security at the exercise price during the exercise period. As the writer of a call option, the Fund has the obligation to sell the security at the exercise price during the exercise period. As a holder of a put option, the Fund has the right, but not the obligation, to sell a security at the exercise price during the exercise period. As the writer of a put option, the Fund has the obligation to buy the underlying security at the exercise price during the exercise period.

The premium that the Fund pays when purchasing a call option or receives when writing a call option will reflect, among other things, the market price of the security, the relationship of the exercise price to the market price of the security, the relationship of the exercise price to the volatility of the security, the length of the option period and supply and demand factors. The premium is the market value of an option.

A purchaser (holder) of a put option pays a non-refundable premium to the seller (writer) of a put option to obtain the right to sell a specified amount of a security at a fixed price (the exercise price) during a specified period (exercise period). Conversely, the seller (writer) of a put option, upon payment by the holder of the premium, has the obligation to buy the security from the holder of the put option at the exercise price during the exercise period.

An option that is written by the Fund is generally valued at the last sale price or, in the absence of the last sale price, the average of the quoted bid and asked prices. An option that is purchased by the Fund is generally valued at the last sale price or, in the absence of the last sale price, the average of the quoted bid and asked prices. If an options exchange closes after the time at which the Fund's net asset value is calculated, the last sale or last bid and asked prices as of that time will be used to calculate the net asset value.

NOTES TO FINANCIAL STATEMENTS (Continued)

March 31, 2008

The number of option contracts written and the premiums received by the Fund during the period ended March 31, 2008, were as follows:

	<u>Number of Contracts</u>	<u>Premiums Received</u>
Options outstanding, beginning of period	(150)	\$ (6,225)
Options written	(900)	(157,909)
Options exercised	—	—
Options expired	250	21,825
Options closed	500	75,499
Options outstanding, end of period	<u>(300)</u>	<u>\$ (66,810)</u>

(i) *Other*

Investment transactions are accounted for on the trade date. The Fund determines the gain or loss from investment transactions on the identified cost basis by comparing the original cost of the security lot sold with the net sale proceeds. Dividend income is recognized on the ex-dividend date and interest income is recognized on an accrual basis.

(j) *Reclassifications of Capital Accounts*

Due to inherent differences in the recognition of income, expenses and realized gains/losses under GAAP and federal income tax purposes, permanent differences between book and tax basis reporting have been identified and appropriately reclassified on the Statement of Assets and Liabilities. For the fiscal year ended March 31, 2008 reclassifications were recorded to increase undistributed net investment income by \$5,640 and decrease undistributed net realized gain by \$5,640. These reclassifications have no effect on net assets or net asset value per share.

(3) Transactions with Affiliates

The Trust has an Investment Advisory Agreement (the “Agreement”) with the Advisor, with whom an officer of the Trust is affiliated, to furnish investment advisory services to the Fund. Under the terms of the Agreement, the Trust, on behalf of the Fund, compensates the Advisor for its management services at the annual rate of 0.95% of the Fund’s average daily net assets.

The Advisor has agreed to waive, through July 31, 2017, its management fee and/or reimburse the Fund’s other normal operating expenses (excludes dividends on short positions and interest expense) to the extent necessary to ensure that the Fund’s operating expenses do not exceed 1.75% of the Fund’s average daily net assets. Any such waiver or reimbursement is subject to later adjustment to allow the Advisor to recoup amounts waived or reimbursed to the extent actual fees and expenses for a fiscal period are less than the Fund’s expense limitation cap, provided, however, that the Advisor shall only be entitled to recoup such amounts for a period of three years from the date such amount was waived or reimbursed. For the year ended March 31, 2008, \$248,912, was recouped by the Advisor.

NOTES TO FINANCIAL STATEMENTS (Continued)

March 31, 2008

The following table shows the remaining waived or reimbursed expenses subject to potential recovery expiring in:

2009	\$110,097
2010	\$ 95,868

A Trustee of the Trust is affiliated with U.S. Bancorp Fund Services, LLC and U.S. Bank, N.A., which provide accounting, administration, transfer agency and custodian services to the Fund. For the year ended March 31, 2008, the Fund incurred \$159,811 in administration fees.

The Fund paid the Chief Compliance Officer \$16,248 for the year ended March 31, 2008.

The Trust has adopted a plan pursuant to Rule 12b-1 under the 1940 Act (the “12b-1 Plan”), on behalf of the Fund, which authorizes it to pay Quasar Distributors, LLC (the “Distributor”) a distribution fee of 0.25% of the Fund’s average daily net assets for services to prospective Fund shareholders and distribution of Fund shares. During the year ended March 31, 2008, the Fund accrued expenses of \$372,597 pursuant to the 12b-1 Plan.

(4) Capital Share Transactions

Transactions in shares of the Fund were as follows:

	<u>Year Ended</u> <u>March 31, 2008</u>	<u>Year Ended</u> <u>March 31, 2007</u>
Shares sold	5,645,020	3,003,112
Shares issued to holders in reinvestment of distributions	253,236	44,919
Shares redeemed	(2,176,627)	(783,404)
Net increase	<u>3,721,629</u>	<u>2,264,627</u>

(5) Investment Transactions

The aggregate purchases and sales of securities, excluding short-term investments, for the Fund for the year ended March 31, 2008, were \$146,426,998 and \$53,471,616, respectively. There were no purchases or sales of U.S. government securities.

(6) Credit Facility

U.S. Bank, N.A. (the “Bank”) has made available to the Fund a credit facility pursuant to a Loan and Security Agreement for the Fund dated October 1, 2004 for the purpose of purchasing portfolio securities. The interest rate on the outstanding principal amount was the Bank’s Prime Rate (weighted average rate of 7.47% for the year ended March 31, 2008). During the year ended March 31, 2008, the Fund had an outstanding average daily balance of \$38,298 and the maximum amount outstanding during the period was \$1,000,000. Interest expense amounted to \$2,910 for the Fund for the year ended March 31, 2008. At March 31, 2008 there was no loan payable balance for the Fund.

**REPORT OF INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM**

**To the Board of Trustees and Shareholders of
USA MUTUALS
Dallas, Texas**

We have audited the accompanying statement of assets and liabilities of the Vice Fund, a series of USA MUTUALS, including the portfolio of investments, as of March 31, 2008, the related statement of operations for the year then ended, statement of changes in net assets for each of the two years in the period then ended and financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of March 31, 2008 by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the Vice Fund as of March 31, 2008, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

TAIT, WELLER & BAKER LLP

Philadelphia, Pennsylvania
May 28, 2008

ADDITIONAL INFORMATION

Information about Trustees

The business and affairs of the Fund are managed under the direction of the Fund's Board of Trustees. Information pertaining to the Trustees of the Fund is set forth below. The Statement of Additional Information includes additional information about the Fund's Trustees and is available, without charge, upon request by calling 1-866-264-8783.

Non-Interested Trustees

<u>Name, Address and Age</u>	<u>Position Held with the Trust</u>	<u>Term of Office and Length of Time Served</u>	<u>Principal Occupation During Past Five Years</u>	<u>Number of Portfolios Overseen by Trustee</u>	<u>Other Directorships Held by Trustee</u>
Dr. Michael D. Akers Straz Hall, 481 606 N. 13th Street Milwaukee, WI 53201 Age: 51	Independent Trustee	Indefinite term; Since 2001	Professor and Chair, Department of Accounting, Marquette University (2004 - present); Associate Professor of Accounting, Marquette University (1996 - 2004)	2	Independent Trustee, Trust for Professional Managers (an open-end investment company)
Gary A. Drska 6744 S. Howell Avenue Oak Creek, WI 53154 Age: 50	Independent Trustee	Indefinite term; Since 2001	Captain, Midwest Airlines (Airline Company) (1985 - present); Director - Flight Standards and Training (July 1990 - December 1999)	2	Independent Trustee, Trust for Professional Managers (an open-end investment company)

Interested Trustee and Officers

<u>Name, Address and Age</u>	<u>Position(s) Held with the Trust</u>	<u>Term of Office and Length of Time Served</u>	<u>Principal Occupation During Past Five Years</u>	<u>Number of Portfolios Overseen by Trustee</u>	<u>Other Directorships Held by Trustee</u>
Joseph C. Neuberger* 615 E. Michigan Street Milwaukee, WI 53202 Age: 46	Trustee and Chairperson	Indefinite term; Since 2001	Executive Vice President, U.S. Bancorp Fund Services, LLC (1994 - present)	2	Trustee, Trust for Professional Managers (an open-end investment company); Director/Trustee, Buffalo Funds (an open-end investment company)

* This trustee is considered an "interested person" as defined in the 1940 Act because of his affiliation with U.S. Bancorp Fund Services, LLC and U.S. Bank, N.A., which provide fund accounting, administration, transfer agency and custodian services to the Funds.

ADDITIONAL INFORMATION (Continued)

Interested Trustee and Officers (Continued)

<u>Name, Address and Age</u>	<u>Position(s) Held with the Trust</u>	<u>Term of Office and Length of Time Served</u>	<u>Principal Occupation During Past Five Years</u>	<u>Number of Portfolios Overseen by Trustee</u>	<u>Other Directorships Held by Trustee</u>
Laurie P. Roberts Plaza of the Americas 700 N. Pearl Street, Suite 900 Dallas, TX 75201 Age: 42	President and Treasurer	Indefinite term; Since 2007	President, Mutuals Advisors, Inc. (2007 - present); Executive Vice President and Chief Compliance Officer, Douglas Scott Securities, Inc. (1995 - January 2007); Chief Executive Officer, LPCR Consulting Inc. (2002 - 2007)	N/A	N/A
Rachel A. Spearo 615 E. Michigan Street Milwaukee, WI 53202 Age: 28	Secretary	Indefinite term; Since 2005	Counsel, Fund Administration and Compliance, U.S. Bancorp Fund Services, LLC (2004 - present)	N/A	N/A
David E. Scott 521 Fifth Avenue, Suite 1700 New York, NY 10175 Age: 37	Chief Compliance Officer	Indefinite term; Since 2007	Managing Member, D.E. Scott & Associates, LLC (December 2005 - present); CCO, Strategic Value Partners, LLC (August 2004 - December 2005); Managing Director, IMRC Group (August 2003 - August 2004); Director of Fund Compliance, US Trust Company (August 2001 - August 2003)	N/A	N/A

Tax Information

The Fund designates 100% of its ordinary income distribution for the year ended March 31, 2008 as qualified dividend income under the Jobs and Growth Tax Relief Reconciliation Act of 2003.

For the year ended March 31, 2008, 100% of the dividends paid from net ordinary income qualify for the dividends received deduction available to corporate shareholders.

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A NOTE ON FORWARD LOOKING STATEMENTS

Except for historical information contained in this report for the Fund, the matters discussed in this report may constitute forward-looking statements made pursuant to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. These include any advisor, sub-advisor or portfolio manager predictions, assessments, analyses or outlooks for individual securities, industries, market sectors and/or markets. These statements involve risks and uncertainties. In addition to the general risks described for the Fund in the current Prospectus, other factors bearing on this report include the accuracy of the advisor's, sub-advisor's or portfolio manager's forecasts and predictions, and the appropriateness of the investment programs designed by the advisor, sub-advisor or portfolio manager to implement their strategies efficiently and effectively. Any one or more of these factors, as well as other risks affecting the securities markets and investment instruments generally, could cause the actual results of the Fund to differ materially as compared to benchmarks associated with the Fund.

PROXY VOTING POLICIES AND PROCEDURES

The Fund has adopted proxy voting policies and procedures that delegate to Mutuals Advisors, Inc., the Fund's investment advisor (the "Advisor"), the authority to vote proxies. A description of the Vice Fund's proxy voting policies and procedures is available without charge, upon request, by calling the Fund toll free at 1-866-264-8783. A description of these policies and procedures is also included in the Fund's Statement of Additional Information, which is available on the SEC's website at <http://www.sec.gov>.

The actual voting records relating to portfolio securities during the most recent twelve month period ended June 30 are available without charge, upon request, by calling 1-866-264-8783 or by accessing the SEC's website at <http://www.sec.gov>.

PORTFOLIO DISCLOSURE INFORMATION

The Fund files its complete schedule of portfolio holdings with the SEC four times each fiscal year at quarter-ends. The Fund files the Schedule of Portfolio Holdings with the SEC on Form N-CSR (second and fourth quarters) and on Form N-Q (first and third quarters). Shareholders may view the Fund's Forms N-CSR and N-Q on the SEC's website at <http://www.sec.gov>. Forms N-CSR and N-Q may also be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling 1-202-942-8090 (direct) or 1-800-SEC-0330 (general SEC number).

VICE FUND

Investment Advisor

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Subadvisor

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Independent Registered Public
Accounting Firm

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Philadelphia, Pennsylvania 19103

Transfer Agent, Fund Accountant
and Fund Administrator

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Custodian

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