

**THE BERKSHIRE FUNDS  
SEMI-ANNUAL REPORT**

June 30, 2014

**Berkshire  
Funds**

**BERKSHIRE FOCUS FUND (BFOCX)**

This report is provided for the general information of the Berkshire Funds shareholders. It is not authorized for distribution unless preceded or accompanied by an effective Prospectus, which contains more complete information about the Berkshire Funds. Please read it carefully before you invest.

In recent years, returns have sustained significant gains and losses due to market volatility in the technology sector. Due to market volatility, current performance may be lower than the figures shown. Call 1-877-526-0707 or visit [berkshirefunds.com](http://berkshirefunds.com) for more current performance information. Past performance is no guarantee of future results and investment results and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. The returns shown do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. Total return includes reinvestment of dividends and capital gain distributions.

The Dow Jones Industrial Average is a measurement of general market price movement for 30 widely-held stocks primarily listed on the New York Stock Exchange. The S&P 500® Index is a registered trademark of Standard & Poor's Corporation and is a market-weighted index of common stock prices for 500 large U.S. companies. The Nasdaq Composite Index is a capitalization-weighted index of over 5,000 common stocks listed on the Nasdaq Stock Market. Each index represents an unmanaged, broad-based basket of stocks. These indices are typically used as benchmarks for overall market performance.

Portfolio composition is subject to change at any time and references to specific securities, industries and sectors are not recommendations to purchase or sell any particular security.

## FUND OVERVIEW

JUNE 30, 2014 (UNAUDITED)

### PERFORMANCE COMPARISON (AVERAGE ANNUAL TOTAL RETURNS AS OF 6/30/14)

	YTD <sup>(1)</sup>	1 YEAR	3 YEAR	5 YEAR	10 YEAR	SINCE INCEPTION <sup>(2)</sup>
<b>BERKSHIRE FOCUS FUND</b>	<b>3.48%</b>	<b>40.28%</b>	<b>15.82%</b>	<b>25.36%</b>	<b>12.72%</b>	<b>4.92%</b>
DOW JONES INDUSTRIAL AVERAGE	2.68%	15.56%	13.57%	17.83%	7.63%	7.09%
S&P 500® INDEX	7.14%	24.61%	16.58%	18.83%	7.78%	6.68%
NASDAQ COMPOSITE INDEX	6.20%	31.24%	18.28%	20.59%	9.22%	7.68%

### NET ASSETS

6/30/14 **\$82.2 MILLION**

### NET ASSET VALUE

NET ASSET VALUE PER SHARE **\$18.45**

### TOP TEN STOCK HOLDINGS<sup>(3)</sup>

WORKDAY, INC. (CLASS A)	6.96%
FACEBOOK, INC. (CLASS A)	6.91%
GT ADVANCED TECHNOLOGIES, INC.	6.39%
PALO ALTO NETWORKS, INC.	5.43%
RESTORATION HARDWARE HOLDINGS, INC.	4.83%
SERVICENOW, INC.	4.81%
SALESFORCE.COM, INC.	4.72%
TABLEAU SOFTWARE, INC. (CLASS A)	4.52%
TWITTER, INC.	4.41%
UNDER ARMOUR, INC. (CLASS A)	4.16%

### TOP TEN SECTORS<sup>(5)</sup>

BUSINESS SOFTWARE & SERVICES	32.31%
INTERNET SOCIAL MEDIA	14.35%
INTERNET SOFTWARE & SERVICES	11.91%
RENEWABLE ENERGY	7.33%
SEMICONDUCTOR EQUIPMENT	6.39%
NETWORKING EQUIPMENT	5.43%
RETAIL	4.83%
APPAREL CLOTHING	4.16%
AUTOMOBILE MANUFACTURERS	3.51%
COMPUTER HARDWARE	3.14%

### GROWTH OF \$10,000<sup>(3)</sup>



(1) NOT ANNUALIZED FOR PERIODS OF LESS THAN ONE FULL YEAR.

(2) THE FUND'S INCEPTION DATE WAS JULY 1, 1997.

(3) STATED AS A PERCENTAGE OF TOTAL NET ASSETS AS OF 6/30/14. THE HOLDING S INFORMATION PROVIDED SHOULD NOT BE CONSTRUED AS A RECOMMENDATION TO PURCHASE OR SELL A PARTICULAR SECURITY AND MAY NOT BE REPRESENTATIVE OF THE FUND'S CURRENT OR FUTURE INVESTMENTS.

(4) THIS CHART ASSUMES AN INITIAL INVESTMENT OF \$10,000 MADE ON JUNE 30, 2004. PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS. INVESTMENT RETURN AND PRINCIPAL VALUE WILL FLUCTUATE SO THAT SHARES, WHEN REDEEMED, MAY BE WORTH MORE OR LESS THAN THEIR ORIGINAL COST. ALL RETURNS REFLECT REINVESTED DIVIDENDS BUT DO NOT REFLECT THE IMPACT OF TAXES.

(5) STATED AS A PERCENTAGE OF TOTAL NET ASSETS AS OF 6/30/14. THE HOLDINGS BY SECTOR ARE PRESENTED TO ILLUSTRATE EXAMPLES OF THE SECTORS IN WHICH THE FUND HAS BOUGHT SECURITIES AND MAY NOT BE REPRESENTATIVE OF THE FUND'S CURRENT OR FUTURE INVESTMENTS.

THIS FUND CONCENTRATES ITS INVESTMENTS IN THE TECHNOLOGY INDUSTRY. AS A RESULT, THE FUND IS SUBJECT TO GREATER RISK THAN MORE DIVERSIFIED FUNDS BECAUSE OF ITS CONCENTRATION OF INVESTMENTS IN FEWER COMPANIES AND CERTAIN SEGMENTS OF A SINGLE INDUSTRY.

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**BERKSHIRE FOCUS FUND**  
PERFORMANCE AND PORTFOLIO DISCUSSION  
**6/30/2014**

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## LETTER TO THE SHAREHOLDERS



Dear Fellow Shareholders,

For the six-month period ended June 30, 2014, the Berkshire Focus Fund underperformed its primary benchmark index. The Fund generated a total return of +3.48% while the S&P 500® Index – which we consider to be the Fund’s primary benchmark index – had a total return of +7.14% over the same period. For comparative purposes, the Dow Jones Industrial Average posted a return of +2.68% and the Nasdaq Composite Index generated a return of +6.20% during the first half of the year. *Please see the Fund Overview section and the accompanying financial statements for more detailed information about the Fund’s longer-term performance. All return data includes reinvested dividends but do not reflect the impact of taxes.*

U.S. equity markets sold-off sharply at the beginning of the first quarter as investors grappled with worries about the Federal Reserve’s tapering of monetary stimulus. Also weighing heavily on stocks was uncertainty surrounding slower growth in emerging markets, weak U.S. economic data across-the-board, and geopolitical tensions between Russia and the Ukraine. Setting all concerns aside however, U.S. equity markets were arguably due for a profit-taking pullback after booking outsized gains for calendar year 2013.

During the quarter, U.S. gross domestic product (“GDP”) contracted at a 2.1% annual rate – its sharpest pullback since the recession ended nearly five years ago. Russia added to investor angst during the period after its troops seized control of the predominately pro-Russian Crimea region of Ukraine. For market participants, concerns over the Ukraine were tied up in geopolitical risk that had the potential to become a global economic problem. Unnerved, stock markets came roaring back in February – as just about every disappointing data point for the U.S. economy was written-off as the result of severe weather. In addition, investors cheered the potential end to the diplomatic standoff in the Ukraine after a closely-watched referendum in Crimea voted overwhelmingly to join the Russian Federation. As the quarter progressed, U.S. equity indices marked new highs for the year – then moved mostly sideways for the balance of the period.

U.S. stock markets slowly drifted higher during the second quarter, masking the tremendous performance volatility below the surface. After delivering prodigious returns for the months of January and February – driven in large part by the significant outperformance of our growth-oriented technology companies – many of the Fund’s best-performing investments suddenly became our worst. Beginning in March and extending into May, nearly all of the leading high-growth internet, social media, cloud-based software and biotechnology company stocks experienced a “mini-technology crash.” The Fund’s short-term performance suffered dramatically as a result. Meanwhile, the U.S. economy reaccelerated in the second quarter with GDP coming in at a much stronger-than-expected 4.2% annual rate. U.S. equity markets resumed their upward climb at the end of May and deep into June, as both the Dow Jones Industrial Average and the S&P 500® Index reached new all-time highs.

Looking at the portfolio, among the Fund’s biggest percentage gainers year-to-date were Facebook (FB), Illuminia (ILMN), Netflix (NFLX), Tesla Motors (TSLA) and Under Armour (UA). Other contributors to the Fund were Chipotle Mexican Grill (CMG), SolarCity (SCTY) and Zillow (Z). Some of the Fund’s investments which contributed most to our relative underperformance during the period included Amazon.com (AMZN), NetSuite (N), Splunk (SPLK) and Twitter (TWTR). New additions to the portfolio during the first half included GT Advanced Technologies (GTAT), Palo Alto Networks (PANW), ServiceNow (NOW), SunEdison (SUNE), Tableau Software (DATA) and Zillow (Z).

As always, we thank you for your confidence and continued investment in the Berkshire Focus Fund.

A handwritten signature in blue ink, appearing to read 'M. Fobes III', with a stylized flourish at the end.

Malcolm R. Fobes III  
Chairman and Chief Investment Officer

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**FINANCIAL STATEMENTS**  
(UNAUDITED)  
**6/30/2014**

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# PORTFOLIO OF INVESTMENTS

JUNE 30, 2014 (UNAUDITED)

SHARES		VALUE
	<b>COMMON STOCKS – 100.11%</b>	<b>\$ 82,305,776</b>
	(Cost \$67,659,972)	
	<b>APPAREL CLOTHING – 4.16%</b>	<b>3,420,523</b>
5 57,490	MICHAEL KORS HOLDINGS LTD* UNDER ARMOUR, INC. (CLASS A)*	443 3,420,080
	<b>AUTOMOBILE MANUFACTURERS – 3.51%</b>	<b>2,884,321</b>
12,015	TESLA MOTORS, INC.*	2,884,321
	<b>BIOTECHNOLOGY – 2.92%</b>	<b>2,399,777</b>
5 5 13,420 5	ALEXION PHARMACEUTICALS, INC.* BIOGEN IDEC, INC.* ILLUMINA, INC.* REGENERON PHARMACEUTICALS, INC.*	781 1,577 2,396,007 1,412
	<b>BUSINESS SOFTWARE &amp; SERVICES – 32.31%</b>	<b>26,560,702</b>
67,975 5 36,925 66,745 63,800 53,355 52,130 63,700	CORNERSTONE ONDEMAND, INC.* FIRE EYE, INC.* NETSUITE, INC.* SALESFORCE.COM, INC.* SERVICE NOW, INC.* SPLUNK, INC.* TABLEAU SOFTWARE, INC. (CLASS A)* WORKDAY, INC. (CLASS A)*	3,128,210 203 3,208,044 3,876,550 3,953,048 2,952,132 3,718,433 5,724,082
	<b>COMPUTER HARDWARE – 3.14%</b>	<b>2,585,518</b>
5 28,520	APPLE, INC. SYNAPTICS, INC*	465 2,585,053
	<b>INTERNET SOCIAL MEDIA – 14.35%</b>	<b>11,799,733</b>
84,380 10 88,440 32,560	FACEBOOK, INC. (CLASS A)* LINKEDIN CORP. (CLASS A)* TWITTER, INC.* YELP, INC.*	5,677,930 1,715 3,623,387 2,496,701
	<b>INTERNET SOFTWARE &amp; SERVICES – 11.91%</b>	<b>9,795,380</b>
10 5 5 5 5,660 5 1,875 22,635 18,025	AMAZON.COM, INC.* BAIDU, INC. – ADR* GOOGLE, INC. (CLASS A)* GOOGLE, INC. (CLASS C)* NETFLIX, INC.* PANDORA MEDIA, INC.* THE PRICELINE GROUP, INC.* TRIPADVISOR, INC.* ZILLOW, INC. (CLASS A)*	3,248 934 2,923 2,876 2,493,796 146 2,255,625 2,459,519 2,576,313
	<b>NETWORKING EQUIPMENT – 5.43%</b>	<b>4,461,239</b>
53,205	PALO ALTO NETWORKS, INC.*	4,461,239

\*NON-INCOME PRODUCING

(SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS)

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## PORTFOLIO OF INVESTMENTS (CONTINUED)

JUNE 30, 2014 (UNAUDITED)

SHARES		VALUE
	<b>PACKAGED FOODS – 0.92%</b>	753,891
6,050	KEURIG GREEN MOUNTAIN, INC.	753,891
	<b>RENEWABLE ENERGY – 7.33%</b>	6,028,227
44,560	SOLARCITY CORP.*	3,145,936
127,535	SUNEDISON, INC.*	2,882,291
	<b>RESTAURANTS – 2.91%</b>	2,390,778
4,035	CHIPOTLE MEXICAN GRILL, INC.*	2,390,778
	<b>RETAIL – 4.83%</b>	3,969,978
42,665	RESTORATION HARDWARE HOLDINGS, INC.*	3,969,978
	<b>SEMICONDUCTOR EQUIPMENT – 6.39%</b>	5,255,709
282,565	GT ADVANCED TECHNOLOGIES, INC.*	5,255,709
	<b>EXCHANGE TRADED FUNDS – 0.00%</b>	1,508
	(COST \$1,003)	
10	POWERSHARES QQQ	939
5	PROSHARES ULTRA QQQ	569
	<b>TOTAL INVESTMENT SECURITIES – 100.11%</b>	82,307,284
	(COST \$67,660,975)	
	<b>LIABILITIES IN EXCESS OF OTHER ASSETS – (0.11%)</b>	(92,654)
	<b>NET ASSETS – 100.00%</b>	<b>\$ 82,214,630</b>
	EQUIVALENT TO \$18.45 PER SHARE	

\*NON-INCOME PRODUCING

(SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS)



# STATEMENT OF ASSETS AND LIABILITIES

JUNE 30, 2014 (UNAUDITED)

<b>ASSETS</b>	
INVESTMENT SECURITIES:	
AT COST	\$ 67,660,975
AT VALUE	\$ 82,307,284
CASH	1,000
RECEIVABLE FOR SECURITIES SOLD	2,832,716
RECEIVABLE FOR CAPITAL SHARES SOLD	44,146
DIVIDENDS AND INTEREST RECEIVABLE	4
TOTAL ASSETS	85,185,150
<b>LIABILITIES</b>	
PAYABLE FOR SECURITIES PURCHASED	
	2,615,310
PAYABLE FOR CAPITAL SHARES REDEEMED	
	137,103
PAYABLE TO AFFILIATE (NOTE 5)	
	127,932
PAYABLE TO CUSTODIAN	
	90,175
TOTAL LIABILITIES	2,970,520
<b>NET ASSETS</b>	<b>\$ 82,214,630</b>
NET ASSETS CONSIST OF:	
PAID-IN CAPITAL	
	\$ 74,720,208
ACCUMULATED NET REALIZED LOSSES FROM SECURITY TRANSACTIONS	
	(7,151,887)
NET UNREALIZED APPRECIATION ON INVESTMENTS	
	14,646,309
NET ASSETS	\$ 82,214,630
SHARES OF BENEFICIAL INTEREST ISSUED AND OUTSTANDING (UNLIMITED NUMBER OF SHARES AUTHORIZED, WITHOUT PAR VALUE)	
	4,457,265
NET ASSET VALUE AND OFFERING PRICE PER SHARE	\$ 18.45
MINIMUM REDEMPTION PRICE PER SHARE*	\$ 18.08

\*THE FUND WILL IMPOSE A 2.00% REDEMPTION FEE ON SHARES REDEEMED WITHIN 90 CALENDAR DAYS OF PURCHASE.

(SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS)

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**STATEMENT OF OPERATIONS**  
FOR THE SIX MONTHS ENDED JUNE 30, 2014 (UNAUDITED)

<b>INVESTMENT INCOME</b>	
DIVIDENDS	\$ 26,839
TOTAL INVESTMENT INCOME	26,839
<b>EXPENSES</b>	
INVESTMENT ADVISORY FEES (NOTE 5)	598,366
ADMINISTRATIVE FEES (NOTE 5)	191,907
INTEREST EXPENSE	1,329
TOTAL EXPENSES	791,602
<b>NET INVESTMENT LOSS</b>	(764,763)
<b>REALIZED AND UNREALIZED GAINS (LOSSES) ON INVESTMENTS</b>	
NET REALIZED LOSSES FROM SECURITY TRANSACTIONS	(5,014,698)
NET CHANGE IN UNREALIZED APPRECIATION/DEPRECIATION ON INVESTMENTS	5,650,974
<b>NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS</b>	636,276
<b>NET DECREASE IN NET ASSETS FROM OPERATIONS</b>	<b>\$ (128,487)</b>

(SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS)

## STATEMENTS OF CHANGES IN NET ASSETS

FOR THE PERIODS ENDED JUNE 30, 2014 (UNAUDITED) AND DECEMBER 31, 2013

	SIX MONTHS ENDED 6/30/14	YEAR ENDED 12/31/13
<b>FROM OPERATIONS:</b>		
NET INVESTMENT LOSS	\$ (764,763)	\$ (860,148)
NET REALIZED GAINS (LOSSES) FROM SECURITY TRANSACTIONS	(5,014,698)	10,413,713
NET CHANGE IN UNREALIZED APPRECIATION/ DEPRECIATION ON INVESTMENTS	5,650,974	9,540,390
NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	(128,487)	19,093,955
<b>FROM DISTRIBUTIONS:</b>		
NET REALIZED GAINS FROM SECURITY TRANSACTIONS	-	(8,107,563)
NET DECREASE IN NET ASSETS RESULTING FROM DISTRIBUTIONS PAID	-	(8,107,563)
<b>FROM CAPITAL SHARE TRANSACTIONS:</b>		
PROCEEDS FROM SHARES SOLD	30,529,028	25,092,563
PROCEEDS FROM REINVESTED DISTRIBUTIONS	-	7,988,148
PROCEEDS FROM REDEMPTION FEES (NOTE 6)	108,457	34,784
PAYMENTS FOR SHARES REDEEMED	(19,777,994)	(26,521,424)
NET INCREASE IN NET ASSETS FROM CAPITAL SHARE TRANSACTIONS	10,859,491	6,594,071
<b>TOTAL INCREASE IN NET ASSETS</b>	<b>10,731,004</b>	<b>17,580,463</b>
<b>NET ASSETS:</b>		
BEGINNING OF PERIOD	71,483,626	53,903,163
END OF PERIOD <sup>(A)</sup>	\$ 82,214,630	\$ 71,483,626
<b>CAPITAL SHARE ACTIVITY:</b>		
SHARES SOLD	1,605,589	1,455,022
SHARES REINVESTED	-	449,530
SHARES REDEEMED	(1,157,581)	(1,730,797)
NET INCREASE IN SHARES OUTSTANDING	448,008	173,755
SHARES OUTSTANDING, BEGINNING OF PERIOD	4,009,257	3,835,502
SHARES OUTSTANDING, END OF PERIOD	4,457,265	4,009,257

(A) ACCUMULATED UNDISTRIBUTED NET INVESTMENT INCOME IS \$0 FOR THE YEAR ENDED DECEMBER 31, 2013.

(SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS)

## FINANCIAL HIGHLIGHTS

SELECTED PER SHARE DATA AND RATIOS FOR A SHARE OUTSTANDING THROUGHOUT EACH PERIOD

	SIX MONTHS ENDED 6/30/14 (UNAUDITED)	YEAR ENDED 12/31/13	YEAR ENDED 12/31/12	YEAR ENDED 12/31/11	YEAR ENDED 12/31/10	YEAR ENDED 12/31/09
<b>NET ASSET VALUE, BEGINNING OF PERIOD</b>	\$ 17.83	\$ 14.05	\$ 11.67	\$ 12.61	\$ 8.66	\$ 4.71
<b>INCOME FROM INVESTMENT OPERATIONS:</b>						
NET INVESTMENT LOSS <sup>(A)</sup>	(0.17)	(0.22)	(0.22)	(0.28)	(0.14)	(0.09)
NET REALIZED AND UNREALIZED GAINS (LOSSES) ON INVESTMENTS	0.77	6.26	2.59	(0.73)	4.09	4.03
TOTAL FROM INVESTMENT OPERATIONS	0.60	6.04	2.37	(1.01)	3.95	3.94
PROCEEDS FROM REDEMPTION FEES	0.02	0.01	0.01	0.07	0.00 <sup>(B)</sup>	0.01
<b>LESS DISTRIBUTIONS:</b>						
DISTRIBUTIONS FROM NET REALIZED GAINS	0.00	(2.27)	0.00	0.00	0.00	0.00
TOTAL DISRIBUTIONS	0.00	(2.27)	0.00	0.00	0.00	0.00
<b>NET ASSET VALUE, END OF PERIOD</b>	\$ 18.45	\$ 17.83	\$ 14.05	\$ 11.67	\$ 12.61	\$ 8.66
<b>TOTAL RETURN <sup>(C)</sup></b>	3.48% <sup>(G)</sup>	43.09%	20.39%	(7.45%)	45.61%	83.86%
<b>SUPPLEMENTAL DATA AND RATIOS:</b>						
NET ASSETS AT END OF PERIOD (THOUSANDS)	\$ 82,215	\$ 71,484	\$ 53,903	\$ 30,191	\$ 30,562	\$ 18,819
RATIO OF EXPENSES TO AVERAGE NET ASSETS <sup>(D)</sup>	1.99% <sup>(F)</sup>	2.00%	2.00%	2.01%	2.00%	2.00%
RATIO OF NET INVESTMENT LOSS TO AVERAGE NET ASSETS	(1.92%) <sup>(F)</sup>	(1.60%)	(1.64%)	(1.88%)	(1.87%)	(1.50%)
PORTFOLIO TURNOVER RATE <sup>(E)</sup>	323.0% <sup>(G)</sup>	464.1%	613.8%	796.3%	950.5%	833.0%

(A) NET INVESTMENT LOSS PER SHARE IS CALCULATED USING ENDING BALANCES PRIOR TO CONSIDERATION OR ADJUSTMENT FOR PERMANENT BOOK AND TAX DIFFERENCES.

(B) AMOUNT IS LESS THAN \$0.01 PER SHARE.

(C) TOTAL RETURN REPRESENTS THE RATE THAT THE INVESTOR WOULD HAVE EARNED OR (LOST) ON AN INVESTMENT IN THE FUND ASSUMING REINVESTMENT OF DIVIDENDS.

(D) THE RATIO OF EXPENSES TO AVERAGE NET ASSETS INCLUDES INTEREST EXPENSE. THE RATIO EXCLUDING INTEREST EXPENSE WOULD BE 2.00%.

(E) PORTFOLIO TURNOVER IS GREATER THAN MOST FUNDS DUE TO THE INVESTMENT STYLE OF THE FUND.

(F) ANNUALIZED FOR PERIODS OF LESS THAN ONE FULL YEAR.

(G) NOT ANNUALIZED FOR PERIODS OF LESS THAN ONE FULL YEAR.

(SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS)

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## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 (UNAUDITED)

### 1. Organization

The Berkshire Focus Fund (the “Fund”) is a non-diversified series of The Berkshire Funds (the “Trust”), an open-end management investment company registered under the Investment Company Act of 1940, as amended (the “1940 Act”). The Trust was organized as a Delaware business trust on November 25, 1996. The Fund commenced operations on July 1, 1997. The Fund’s investment objective is to seek long-term growth of capital primarily through investments in equity securities.

### 2. Significant Accounting Policies

The following is a summary of the Trust’s significant accounting policies:

*Securities valuation* — The Fund’s portfolio securities are valued as of the close of the regular session of trading on the New York Stock Exchange (the “NYSE”), normally 4:00 p.m., Eastern time. Securities which are traded on stock exchanges or are quoted by Nasdaq are valued at the last reported sale price as of the close of the regular session of trading on the NYSE, or, if not traded, at the most recent bid price. Securities which are traded in the over-the-counter market, and which are not quoted by Nasdaq, are valued at the most recent bid price, as obtained from one or more of the major market makers for such securities. Securities for which market quotations are not readily available are valued at their fair value as determined in good faith in accordance with consistently applied procedures established by and under the general supervision of the Board of Trustees.

The Trust has adopted accounting standards which establish an authoritative definition of fair value and set out a hierarchy for measuring fair value. These standards require additional disclosures about the various inputs and valuation techniques used to develop the measurements of fair value and a discussion of changes in valuation techniques and related inputs during the period. These standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy is organized into three levels based upon the assumptions (referred to as “inputs”) used in pricing the asset or liability. These standards state that “observable inputs” reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from independent sources and “unobservable inputs” reflect an entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability. These inputs are summarized in the three broad levels listed below:

Level 1 – quoted prices in active markets for identical securities.

Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).

Level 3 – significant unobservable inputs (including the Fund’s own assumptions in determining the fair value of investments).

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 (UNAUDITED)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used to value the Fund's net assets as of June 30, 2014:

	Level 1	Level 2	Level 3	Total
<i>Common Stocks</i>				
Business Software & Services	\$ 26,560,702	–	–	\$26,560,702
Internet Social Media	11,799,733	–	–	11,799,733
Internet Software & Services	9,795,380	–	–	9,795,380
Renewable Energy	6,028,227	–	–	6,028,227
Semiconductor Equipment	5,255,709	–	–	5,255,709
Networking Equipment	4,461,239	–	–	4,461,239
Retail	3,969,978	–	–	3,969,978
Apparel Clothing	3,420,523	–	–	3,420,523
Automobile Manufacturers	2,884,321	–	–	2,884,321
Computer Hardware	2,585,518	–	–	2,585,518
Biotechnology	2,399,777	–	–	2,399,777
Restaurants	2,390,778	–	–	2,390,778
Packaged Foods	753,891	–	–	753,891
Total Common Stocks	<u>82,305,776</u>	–	–	<u>82,305,776</u>
<i>Exchange Traded Funds</i>	1,508	–	–	1,508
Total Investments	<u>\$ 82,307,284</u>	–	–	<u>\$ 82,307,284</u>

There were no transfers into or out of Level 1, Level 2 or Level 3 fair value measurements during the reporting period, as compared to their classification from the most recent annual report. It is the Fund's policy to consider transfers into or out of Level 1, Level 2 or Level 3 as of the end of the reporting period. The Fund did not hold any derivative instruments during the reporting period.

*Investment income* — Dividend income is recorded on the ex-dividend date. Interest income is accrued as earned.

*Distributions to shareholders* — Distributions to shareholders arising from net investment income and net realized capital gains, if any, are distributed at least once each year. Distributions to shareholders are recorded on the ex-dividend date. Dividends from net investment income and capital gain distributions are determined in accordance with income tax regulations, which may differ from GAAP.

*Security transactions* — Security transactions are accounted for on the trade date. Securities sold are determined on a specific identification basis.

*Estimates* — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("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 income and expenses during the reporting period. Actual results could differ from those estimates.

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## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 (UNAUDITED)

*Federal income tax* — The Fund intends to comply with the requirements of Subchapter M of the Internal Revenue Code (the “Code”) necessary to qualify as a regulated investment company. As provided therein, in any fiscal year in which the Fund so qualifies and distributes at least 90% of its taxable net income, the Fund (but not the shareholders) will be relieved of federal income tax on the income distributed. Accordingly, no provision for income taxes has been made.

As of and during the year ended December 31, 2013, the Fund did not have a liability for any unrecognized tax benefits. The Fund recognizes interest and penalties, if any, related to unrecognized tax benefits as other expense on the statement of operations. During the year, the Fund did not incur any tax-related interest or penalties. The Fund is not subject to examination by U.S. federal tax authorities for tax years before 2010.

In order to avoid imposition of the excise tax applicable to regulated investment companies, it is also the Fund’s intention to declare as dividends in each calendar year at least 98% of its net investment income and 98.2% of its net realized capital gains plus undistributed amounts from prior years.

*Other* — The treatment for financial reporting purposes of distributions made to shareholders during the year from net investment income or net realized capital gains may differ from their ultimate treatment for federal income tax purposes. These differences are caused primarily by differences in the timing of the recognition of certain components of income, expense or realized capital gain for federal income tax purposes. Where such differences are permanent in nature, they are reclassified in the components of the net assets based on their ultimate characterization for federal income tax purposes. Any such reclassifications will have no effect on net assets, results of operations or net asset value per share of the Fund. For the year ended December 31, 2013, the Fund increased accumulated net investment income by \$860,148 and decreased accumulated net realized losses from security transactions by \$860,148.

### 3. Investment Transactions

Purchases and sales of investment securities (excluding short-term instruments) for the six months ended June 30, 2014 were \$269,752,233 and \$259,337,532, respectively. There were no purchases or sales of U.S. Government securities for the Fund.

### 4. Tax Information

As of December 31, 2013, the components of accumulated earnings (deficit) on a tax basis were as follows:

Federal income tax cost	\$ 63,661,449
Gross unrealized appreciation	\$ 9,168,739
Gross unrealized depreciation	(1,573,882)
Net unrealized appreciation	7,594,857
Undistributed ordinary income	28,052
Accumulated gains	-
Total accumulated gains	\$ 7,622,909

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## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 (UNAUDITED)

The cost basis of investments for tax and financial reporting purposes differs primarily due to the deferral of capital losses from wash sales.

There was no distribution paid during for the six months ended June 30, 2014. There was a short-term capital gain distribution paid in the amount of \$8,107,563 during the year ended December 31, 2013. Short-term capital gain distributions are considered ordinary income distributions for tax purposes.

Under the Regulated Investment Company Modernization Act of 2010, the Fund is permitted to carry forward capital losses incurred in taxable years beginning after December 22, 2010 for an unlimited period. However, any losses incurred during those future taxable years will be required to be utilized prior to the losses incurred in pre-enactment taxable years. As a result of this, pre-enactment capital loss carryforwards may be more likely to expire unused. Additionally, post-enactment capital losses that are carried forward will retain their character as either short-term or long-term capital losses rather than being considered all short-term as under previous law.

At December 31, 2013, the Fund had no accumulated net realized capital loss carryforwards. During the year ended December 31, 2013, the Fund utilized \$2,291,935 of its outstanding capital loss carryforward.

### 5. Related Party Transactions, Investment Advisory and Administrative Fees

Certain Officers and Trustees of the Trust are also Officers and Directors of Berkshire Capital Holdings, Inc. ("Berkshire Capital"). The non-interested Trustees of the Fund were not paid any Trustee fees and expenses directly by Berkshire Capital during the six months ended June 30, 2014.

The Fund has an Investment Advisory Agreement (the "Advisory Agreement") and a separate Administration Agreement with Berkshire Capital. Under the Advisory Agreement, Berkshire Capital will determine what securities will be purchased, retained or sold by the Fund on the basis of a continuous review of the portfolio. For the services it provides under the Advisory Agreement, Berkshire Capital receives a fee accrued each calendar day (including weekends and holidays) at a rate of 1.50% per annum of the daily net assets of the Fund. Under the Administration Agreement, Berkshire Capital renders all administrative and supervisory services of the Fund, as well as facilities furnished and expenses assumed. For these services, Berkshire Capital receives a fee at the annual rate of 0.50% of the Fund's average daily net assets up to \$50 million, 0.45% of average net assets from \$50 million to \$200 million, 0.40% of average net assets from \$200 million to \$500 million, 0.35% of average net assets from \$500 million to \$1 billion and 0.30% of average net assets in excess of \$1 billion. Such fee is computed as a percentage of the Fund's daily net assets and is accrued each calendar day (including weekends and holidays). For the six months ended June 30, 2014, Berkshire Capital was paid an investment advisory fee of \$598,366 and an administration fee of \$191,907 from the Fund. The amount due to Berkshire Capital for these fees at June 30, 2014 totaled \$127,932.



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## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 (UNAUDITED)

6. Redemption Fee

The Fund may impose a redemption fee of 2.00% on shares held for 90 days or less. For the six months ended June 30, 2014, proceeds from redemption fees were \$108,457.

7. Beneficial Ownership

The beneficial ownership, either directly or indirectly, of more than 25% of the voting securities of a fund creates a presumption of control of the Fund, under Section 2(a)(9) of the Investment Company Act of 1940. At June 30, 2014, National Financial Services Corp. and Charles Schwab & Co. beneficially owned, in aggregate, 43.19% and 27.42% of the Fund, respectively.

8. Subsequent Events

In preparing these financial statements, management has performed an evaluation of subsequent events after June 30, 2014 and determined that there were no significant subsequent events that would require adjustment to or additional disclosure in the financial statements.

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**ADDITIONAL INFORMATION**  
(UNAUDITED)

**EXPENSE EXAMPLE**

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, and (2) ongoing costs, including advisory fees, administrative fees and interest expense. 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 in the Fund on January 1, 2014 and held through June 30, 2014.

**Actual Expenses**

The first line of the table on the following page provides information about actual account values and actual expenses. Although the Fund charges no sales load or transaction fees, you will be assessed fees for outgoing wire transfers, returned checks and stop payment orders at prevailing rates charged by Mutual Shareholder Services, LLC, the Fund's transfer agent. If you request that a redemption be made by wire transfer, currently a \$20.00 fee is charged by the Fund's transfer agent. IRA accounts will be charged an \$8.00 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. The example includes advisory fees, administrative fees and interest expense. However, the example does not include portfolio trading commissions and related expenses and other extraordinary expenses as determined under generally accepted accounting principles. 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%

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## ADDITIONAL INFORMATION

(UNAUDITED)

hypothetical examples that appear in the shareholder reports of the other funds. Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs. 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.

	Beginning Account Value <u>January 1, 2014</u>	Ending Account Value <u>June 30, 2014</u>	Expenses Paid During the Period* January 1, 2014 to <u>June 30, 2014</u>
Actual	\$1,000.00	\$1,034.80	\$10.04
Hypothetical (5% annual return before expenses)	\$1,000.00	\$1,014.93	\$9.94

\*Expenses are equal to the Fund's annualized expense ratio of 1.99%, multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period.

### OTHER INFORMATION

#### Proxy Voting Guidelines

Berkshire Capital Holdings, Inc., the Fund's Adviser, is responsible for exercising the voting rights associated with the securities held by the Fund. A description of the policies and procedures used by the Adviser in fulfilling this responsibility and a record of the Fund's proxy votes for the most recent twelve month period ended June 30, are available without charge, upon request, by calling toll free 1-877-526-0707. They are also available on the Securities and Exchange Commission's ("SEC") website at <http://www.sec.gov>.

#### Quarterly Filing of Portfolio Holdings

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the SEC's website at <http://www.sec.gov>. The Fund's Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-202-551-8090 (direct) or 1-800-SEC-0330 (general SEC number).

#### Tax Information

The percentage of taxable ordinary income distributions that are designated as short-term capital gain distributions under Internal Revenue Service Section 871(k)(2)(c) for the Fund was 100%.

**The Berkshire Funds**

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