

# Foresight Value Fund



*Finance Your Future With Foresight™*

24695 Deer Ridge Lane  
Athens, AL 35613

## SEMI-ANNUAL REPORT

June 30, 2004



Foresight Value Fund  
Semi-Annual Report  
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Dear fellow shareholders:

This is the first shareholder letter of the Foresight Value Fund. On behalf of the Fund's management and as President of Foresight Funds, Inc. and of the Fund's adviser, Foresight Asset Management, LLC, I welcome you in joining my family and me as the initial investors in the Fund. I fully appreciate that investing in a new fund requires confidence in the skills and abilities of the fund's management to successfully achieve a stated investment objective, and we aim to justify your confidence through long-term appreciation of capital invested in the Foresight Value Fund.

Our performance as of June 30, 2004 has been good, both on an absolute basis (the Fund's total return is positive), and in relation to our performance benchmark, the S&P 500 Index, an unmanaged, capitalization-weighted index of the common stocks of 500 major U.S. corporations. The chart below compares the performance of the Fund with the S&P 500 Index by presenting total returns (dividends reinvested) from March 31, 2004 through June 30, 2004 (most recent quarter) and from the Fund's inception date of January 15, 2004 through June 30, 2004. The Fund's returns are net of expenses, whereas the S&P 500 Index returns assume no expenses are incurred by investors.

**Total Returns (Dividends Reinvested)**  
**Periods Ending June 30, 2004**

|                      | Most Recent Quarter | Since Inception<br>(January 15, 2004) |
|----------------------|---------------------|---------------------------------------|
| Foresight Value Fund | 7.92%               | 8.00%                                 |
| S&P 500 Index        | 1.72%               | 1.74%                                 |

*The performance figures given above represent past performance and may not be indicative of future results. Above results do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares. Future investment returns and the principal value of an investment in the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost.*

Although it is gratifying that our short-term performance has been good, it is not a valid basis for measuring or predicting success in achieving long-term appreciation of capital, the investment objective of the Fund. However, we believe that our investment strategy of buying equity securities for prices that value companies significantly less than their intrinsic or underlying business value will, over a long enough period of time, result in appreciation of invested capital and a total investment return exceeding that which could be achieved by investing in the S&P 500 Index.

Since commencement of Fund operations on January 15, it has been difficult finding undervalued securities for investment due to the run-up in the market averages which occurred during the preceding year. In some cases we have purchased stock in companies that we believe to be excellent businesses, but at discounts to our estimate of their intrinsic value that were somewhat lower than what we would normally prefer to see. Some of these holdings have not performed as well as other investments that were purchased at larger discounts to our estimate of their intrinsic values. However, as long as a company continues to perform well, we will maintain our investment unless

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the market price of the security approaches that which we believe represents its intrinsic value, or in our opinion a better opportunity for investment becomes available.

Our top performing investments over the past six months have been Tyson Foods, Reliant Energy, Kroll and The Gap. We were able to purchase Tyson Foods, one of the world's largest food processors, at what we believed to be an undervalued price, depressed due to investor concerns over a recently discovered case of "mad cow" disease. Our investment in Reliant Energy, a major wholesale producer and retailer of electricity, was based on our belief that its stock price significantly undervalued its unregulated power plant assets and Texas retail energy franchise. We believe the failure of Enron has significantly impacted the valuation of unregulated power producers, but that the effect will be temporary, as demand for energy will continue to increase in the long term. Kroll is a leading global provider of risk consulting services. We purchased their stock at what we believed to be an undervalued price. Subsequent to our purchase, Marsh & McLennan Companies apparently agreed with our assessment that Kroll was undervalued and made a cash offer to purchase Kroll for a significant premium to our purchase price. We took this opportunity to sell our investment for a nice profit. The Gap is a leading retailer of casual apparel with valuable franchises in Gap, Banana Republic and Old Navy stores. The Gap is continuing a turnaround in operations that began over a year ago and which we believe will continue.

Not all of our investments have performed as well as those mentioned above. Among the poorer performers are Altria, Liberty Media and InterActiveCorp. Although Altria, the world's leading tobacco company and a majority owner of Kraft Foods, pays an attractive dividend, the stock price has been hurt recently due to concerns over the Justice Department's pending civil racketeering case against Altria and other cigarette companies. Liberty Media owns and invests in various media content providers and distribution channels. In our opinion, Liberty Media's many and diverse holdings have made it difficult for Liberty to gain market recognition for its underlying intrinsic value. Similar to Liberty Media, InterActiveCorp owns and operates a diverse collection of businesses including Expedia, Hotel.com and TicketMaster. InterActiveCorp has come under recent competitive pressure from companies in the travel and hotel industries offering internet services on their own behalf.

As the year progresses, stock market indices will fluctuate, as will the value of the Fund's assets. As a matter of fact, since the Fund holds a relatively small number of securities in its portfolio, its value could very well fluctuate more than market indices. However, since we are investing for the long-term, we will look upon any short-term price swings, barring any negative changes to fundamentals, as potential opportunities to acquire additional shares of good businesses at attractive prices.

If you have any questions or comments concerning the Fund, our strategies, our portfolio of securities or the financial results presented below, or to obtain a current prospectus, please do not hesitate to give us a call at 1-877-FSV-FUND. Thank you for your support of the Foresight Value Fund!

Sincerely yours,

Michael M. Bissell

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Schedule of Investments  
June 30, 2004 (Unaudited)

|  | <u>Shares</u> | <u>Market Value</u> |
|--|---------------|---------------------|
| <b>Common Stocks - 90.48%</b>                    |               |                     |
| <b>Advertising - 3.56%</b>                       |               |                     |
| WPP Group PLC (ADR) .....                        | 500           | \$ 25,615           |
| <b>Apparel/Accessories - 3.00%</b>               |               |                     |
| Liz Claiborne, Inc. ....                         | 600           | \$ 21,588           |
| <b>Beverages (Alcoholic) - 3.09%</b>             |               |                     |
| Constellation Brands, Inc.* .....                | 600           | \$ 22,278           |
| <b>Broadcasting &amp; Cable TV - 2.71%</b>       |               |                     |
| Liberty Media Corp.* .....                       | 1800          | \$ 16,182           |
| Liberty Media International, Inc.* .....         | 90            | 3,339               |
|  |               | <u>\$ 19,521</u>    |
| <b>Business Services - 4.69%</b>                 |               |                     |
| Iron Mountain Incorporated* .....                | 700           | \$ 33,782           |
| <b>Casinos &amp; Gaming - 3.88%</b>              |               |                     |
| American Real Estate Partners, LP* .....         | 1300          | \$ 27,924           |
| <b>Communications Services - 3.01%</b>           |               |                     |
| Verizon Communications .....                     | 600           | \$ 21,714           |
| <b>Computer Services - 3.09%</b>                 |               |                     |
| First Data Corporation .....                     | 500           | \$ 22,260           |
| <b>Electric Utilities - 3.76%</b>                |               |                     |
| Reliant Energy, Inc.* .....                      | 2500          | \$ 27,075           |
| <b>Food Processing - 4.65%</b>                   |               |                     |
| Tyson Foods, Inc. ....                           | 1600          | \$ 33,520           |
| <b>Healthcare Facilities - 7.44%</b>             |               |                     |
| HCA Inc. ....                                    | 600           | \$ 24,954           |
| Orthodontic Centers of America, Inc.* .....      | 3500          | 28,665              |
|  |               | <u>\$ 53,619</u>    |
| <b>Insurance (Accident &amp; Health) - 8.14%</b> |               |                     |
| Anthem, Inc.* .....                              | 300           | \$ 26,868           |
| UnumProvident Corp. ....                         | 2000          | 31,800              |
|  |               | <u>\$ 58,668</u>    |

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|   |      |                          |
|---|------|--------------------------|
| <b>Insurance (Miscellaneous) - 6.71%</b>          |      |                          |
| Brown & Brown, Inc. ....                          | 600  | \$ 25,860                |
| Willis Group Holdings Ltd. ....                   | 600  | <u>22,470</u>            |
|   |      | <u>\$ 48,330</u>         |
| <b>Major Drugs - 3.81%</b>                        |      |                          |
| Pfizer Inc. ....                                  | 800  | <u>\$ 27,424</u>         |
| <b>Natural Gas Utilities - 4.37%</b>              |      |                          |
| El Paso Corporation ....                          | 4000 | <u>\$ 31,520</u>         |
| <b>Oil &amp; Gas Operations - 3.49%</b>           |      |                          |
| Whiting Petroleum Corporation* ....               | 1000 | <u>\$ 25,150</u>         |
| <b>Oil Well Services &amp; Equipment - 2.64%</b>  |      |                          |
| Seitel, Inc.* ** ....                             | 4000 | <u>\$ 19,000</u>         |
| <b>Photography - 3.00%</b>                        |      |                          |
| Eastman Kodak Company ....                        | 800  | <u>\$ 21,584</u>         |
| <b>Retail (Apparel) - 3.70%</b>                   |      |                          |
| The Gap, Inc. ....                                | 1100 | <u>\$ 26,675</u>         |
| <b>Retail (Catalog &amp; Mail Order) - 2.51%</b>  |      |                          |
| InterActiveCorp* ....                             | 600  | <u>\$ 18,084</u>         |
| <b>Retail (Drugs) - 3.30%</b>                     |      |                          |
| Express Scripts, Inc.* ....                       | 300  | <u>\$ 23,769</u>         |
| <b>Retail (Grocery) - 3.17%</b>                   |      |                          |
| Safeway Inc.* ....                                | 900  | <u>\$ 22,806</u>         |
| <b>Tobacco - 2.78%</b>                            |      |                          |
| Altria Group, Inc. ....                           | 400  | <u>\$ 20,020</u>         |
| <b>Total Common Stocks (Cost \$593,595) .....</b> |      | <u><b>\$ 651,926</b></u> |

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**Cash Equivalents - 8.85%**

|   |        |                                 |
|---|--------|---------------------------------|
| <b>Money Market Funds</b>                                     |        |                                 |
| Prime Obligation Fund ISS (.72% Yield) .....                  | 63,732 | <u>\$ 63,732</u>                |
| <b>Total Cash Equivalents (Cost \$63,732) .....</b>           |        | <u><b>\$ 63,732</b></u>         |
| <b>Total Investments (Cost \$657,327) - 99.33% .....</b>      |        | <u><b>\$ 715,658</b></u>        |
| <b>Cash and Other Assets Net of Liabilities - 0.67% .....</b> |        | <u><b>\$ 4,830</b></u>          |
| <b>Net Assets - 100.00%</b>                                   |        | <u><u><b>\$ 720,488</b></u></u> |

\* Non-income producing security

\*\* Common stock traded ex-warrant on June 30, 2004, therefore value of embedded warrant added to arrive at common stock valuation

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

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Statement of Assets and Liabilities  
June 30, 2004 (Unaudited)

|   |                   |
|---|-------------------|
| <b>Assets</b>   |                   |
| Investments, at Market Value (Cost - \$657,327) .....     | \$ 715,658        |
| Cash .....  | 5,046             |
| Dividends Receivable .....                                | 956               |
| Receivable Due from Adviser .....                         | 348               |
| Other Assets .....  | <u>591</u>        |
| <b>Total Assets</b> .....                                 | <u>\$ 722,599</u> |
| <b>Liabilities</b>  |                   |
| Accrued Investment Advisory Fee .....                     | \$ 578            |
| Other Payables and Accrued Expenses .....                 | <u>1,533</u>      |
| <b>Total Liabilities</b> .....                            | <u>\$ 2,111</u>   |
| <b>Net Assets</b>   |                   |
| Capital (Par value and paid in surplus) .....             | \$ 663,995        |
| Undistributed Net Investment Income/(Loss) .....          | (1,224)           |
| Undistributed Realized Gain/(Loss) on Investments .....   | (614)             |
| Net Unrealized Appreciation/(Depreciation) on Investments | <u>8,331</u>      |
| <b>Net Assets</b> .....                                   | <u>\$ 720,488</u> |
| <b>Shares of Beneficial Interest Outstanding</b> .....    | <u>66,713</u>     |
| <b>Net Asset Value Per Share</b> .....                    | <u>\$ 10.80</u>   |

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

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Statement of Operations  
January 15, 2004\* Through June 30, 2004 (Unaudited)

**Investment Income**

**Income**

|                           |                 |
|---------------------------|-----------------|
| Dividends .....           | \$ 2,082        |
| Interest .....            | <u>405</u>      |
| <b>Total Income</b> ..... | <b>\$ 2,487</b> |

**Expenses**

|   |              |
|---|--------------|
| Investment Advisory Fees (Note 3) ..... | \$ 2,718     |
| Custodian Fees and Expenses .....       | 2,140        |
| Audit and Accounting Fees .....         | 1,250        |
| Other Fees and Expenses .....           | <u>1,531</u> |

|                             |                 |
|-----------------------------|-----------------|
| <b>Total Expenses</b> ..... | <b>\$ 7,639</b> |
|-----------------------------|-----------------|

|  |                |
|--|----------------|
| Less Expenses Reimbursed by Adviser (Note 3) ..... | <u>(3,928)</u> |
|--|----------------|

|                           |                 |
|---------------------------|-----------------|
| <b>Net Expenses</b> ..... | <b>\$ 3,711</b> |
|---------------------------|-----------------|

|   |                   |
|---|-------------------|
| <b>Net Investment Income/(Loss)</b> ..... | <b>\$ (1,224)</b> |
|---|-------------------|

**Realized and Unrealized Gain/(Loss) on Investments**

|  |               |
|--|---------------|
| Realized Gain/(Loss) on Investments .....                | \$ (614)      |
| Unrealized Appreciation/(Depreciation) on Investments .. | <u>58,331</u> |

|   |                  |
|---|------------------|
| <b>Net Realized and Unrealized Gain/(Loss) on Investments</b> ..... | <b>\$ 57,717</b> |
|---|------------------|

|  |                  |
|--|------------------|
| <b>Net Increase/(Decrease) in Net Assets from Operations</b> ..... | <b>\$ 56,493</b> |
|  | <u>=====</u>     |

\* Commencement of operations

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

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Statement of Changes in Net Assets  
January 15, 2004\* Through June 30, 2004 (Unaudited)

**Change in Net Assets**

**From Operations**

|  |              |
|--|--------------|
| Net Investment Income/(Loss) .....                           | \$ (1,224)   |
| Net Realized Gain/(Loss) on Investments .....                | (614)        |
| Net Increase in Unrealized Appreciation on Investments ..... | <u>8,331</u> |

|  |                  |
|--|------------------|
| <b>Net Increase/(Decrease) in Net Assets from Operations</b> ..... | <u>\$ 56,493</u> |
|--|------------------|

**From Distributions to Shareholders**

|                             |          |
|-----------------------------|----------|
| Net Investment Income ..... | \$ 0     |
| Net Realized Gains .....    | <u>0</u> |

|   |             |
|---|-------------|
| <b>Net Increase/(Decrease) in Net Assets from Distributions</b> ..... | <u>\$ 0</u> |
|---|-------------|

**From Capital Share Transactions**

|  |            |
|--|------------|
| Proceeds from Sale of Shares .....               | \$ 214,000 |
| Shares Issued in Reinvestment of Dividends ..... | 0          |
| Cost of Shares Redeemed .....                    | <u>0</u>   |

|  |                   |
|--|-------------------|
| <b>Net Increase/(Decrease) in Net Assets from Share Transactions</b> ..... | <u>\$ 214,000</u> |
|--|-------------------|

**Net Assets**

|   |                            |
|---|----------------------------|
| Total Increase/(Decrease) in Net Assets ..... | \$ 270,493                 |
| Net Assets at Beginning of Period .....       | <u>449,995</u>             |
| <b>Net Assets at End of Period</b> .....      | <u>\$ 720,488</u><br>===== |

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Statement of Changes in Net Assets  
January 15, 2004\* Through June 30, 2004 (Unaudited)

**Share Transactions**

|  |                        |
|--|------------------------|
| Issued .....                                     | 21,713                 |
| Reinvested .....                                 | 0                      |
| Redeemed .....                                   | <u>0</u>               |
| Net Increase/(Decrease) in Shares .....          | 21,713                 |
| Shares Outstanding at Beginning of Period .....  | <u>45,000</u>          |
| <b>Shares Outstanding at End of Period .....</b> | <u>66,713</u><br>===== |

\* Commencement of operations

The accompanying notes form an integral part of these Financial Statements

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Financial Highlights  
January 15, 2004\* Through June 30, 2004 (Unaudited)

**Operating Performance** (Per Share Outstanding Throughout Period)

|  |                   |
|--|-------------------|
| Net Asset Value at Beginning of Period .....                 | <u>\$ 10.00</u>   |
| <b>Income from Investment Operations</b>                     |                   |
| Net Investment Income/(Loss) .....                           | \$ (0.02)         |
| Net Realized and Unrealized Gain/(Loss) on Investments ..... | <u>0.82</u>       |
| <b>Total from Investment Operations</b> .....                | <u>\$ 0.80</u>    |
| <b>Less Distributions to Shareholders</b>                    |                   |
| From Net Investment Income .....                             | \$ 0.00           |
| From Net Realized Gain .....                                 | <u>0.00</u>       |
| <b>Total Distributions to Shareholders</b> .....             | <u>\$ 0.00</u>    |
| <b>Net Asset Value at End of Period</b> .....                | \$ 10.80<br>===== |
| <b>Total Return **</b> .....                                 | 8.00%             |

**Ratios and Supplemental Data**

|   |         |
|---|---------|
| Net Assets at End of Period (Thousands) ..... | \$ 720  |
| <b>Ratios to Average Net Assets</b>           |         |
| Expenses *** .....                            | 1.25%   |
| Net Investment Income/(Loss) *** .....        | (0.41%) |
| Portfolio Turnover Rate ** .....              | 19.19%  |

- \* The Fund commenced operations on January 15, 2004
- \*\* Not annualized
- \*\*\* Annualized

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

Notes to Financial Statements  
June 30, 2004 (Unaudited)

### **1. Organization**

Foresight Funds Inc. (the "Company"), a Maryland Corporation, is registered under the Investment Company Act of 1940, as amended, as a non-diversified, open-end management investment company. The Company's Articles of Incorporation permit the Board of Directors of the Company (the "Board") to issue 100,000,000 shares of common stock at \$.0001 par value per share. The Board has the power to designate one or more separate and distinct series and/or classes of shares of common stock and to classify or reclassify any shares not issued with respect to such series. A single series of shares comprising the Foresight Value Fund (the "Fund"), has been authorized. The Fund's investment objective is to provide long-term capital appreciation by primarily investing in equities. Foresight Asset Management, LLC (the "Adviser") serves as investment adviser to the Fund.

### **2. Significant Accounting Policies**

The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements.

**Securities Valuation** - Readily marketable securities listed on the New York Stock Exchange are valued at their last sales price of the day for which the value is being determined. If there has been no sale of a security on such day, the security is valued at the mean of the closing bid and asked prices. Readily marketable securities listed on other national securities exchanges are valued in a similar manner. If market quotations are not readily available for an asset, the Fund's Board will value such assets at a fair value determined in good faith.

**Federal Income Taxes** - There is no provision for federal income tax. The Fund intends to qualify each year as a "regulated investment company" under Subchapter M of the Internal Revenue Code of 1986, as amended, by distributing substantially all of its net investment income and net realized capital gains.

**Accounting for Investments** - Investment transactions are accounted for on the trade date and dividend income is recorded on the ex-dividend date. The net realized gain or loss on security transactions is determined for accounting and tax purposes on the specific identification basis. Interest income is recorded on an accrual basis or monthly as paid.

**Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

### **3. Related Party Transactions**

The Fund retains Foresight Asset Management, LLC as its investment adviser. The Adviser provides the Fund with investment advice and transfer agent, accounting and administrative services.

Under the terms of the Investment Advisory Agreement (the "Agreement"), the Adviser receives an annualized management fee equal to 1% of the Fund's average daily net asset value, computed daily. This percentage will not increase or decrease in relation to increases or decreases in the net asset value of the Fund. Under the Agreement, the Adviser is obligated to reimburse the Fund for the

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amount, if any, by which the operating expenses of the Fund (including the management fee) in any year exceed the sum of 1.25% of the average daily net asset values of the Fund during such year. The expenses incurred by the Fund exceeded the percentage limitation during the period from January 15, 2004 through June 30, 2004 and the Adviser reimbursed the Fund \$3,928.

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 1940 Act. As of June 30, 2004, Michael M. Bissell and Hilda M. Bissell, joint tenants in common, held 75.06% of the outstanding Fund shares and Michael M. Bissell, as custodian for his daughters, held an additional 24.35% of the outstanding Fund shares.

#### **4. Investments**

For the period from January 15, 2004 through June 30, 2004, purchases and sales of investment securities, other than short-term investments, aggregated \$680,561 and \$86,351, respectively. The gross unrealized appreciation for all securities totaled \$66,034 and the gross unrealized depreciation for all securities totaled (\$7,703) for a net unrealized appreciation of \$58,331. The aggregate cost of securities for federal income tax purposes as of June 30, 2004 was \$657,327.

#### **5. Distribution to Shareholders**

Income and long-term capital gain distributions are determined in accordance with Federal income tax regulations, which may differ from accounting principles generally accepted in the United States. As of June 30, 2004, no distributions have been made.

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**Proxy Voting**

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available without charge, upon request by calling the Fund at 1-877-FSV-FUND (378-3863) or on the SEC's website at [www.sec.gov](http://www.sec.gov).

**Directors and Principal Officers**

Michael M. Bissell, Chairman, President, and Treasurer  
Hilda M. Bissell, Secretary  
Herbert R. Leita, Director  
Rebecca L. Leita, Director

**Investment Advisor**

Foresight Asset Management, LLC  
24695 Deer Ridge Ln.  
Athens, AL 35613

**Independent Accountants**

Marmann, McCrary & Associates, P.C.  
900 E. 2nd St.  
Sheffield, AL 35660

**Custodian**

Mission Management & Trust Co.  
3567 E. Sunrise Drive, Ste. 235  
Tucson, AZ 85718

This report is intended only for the information of shareholders or those who have received the Fund's prospectus which contains information about the Fund's management fee and expenses. Please read the prospectus carefully before investing.