



**The  
Cutler  
Trust**

**ANNUAL REPORT**

**June 30, 2009**

# CUTLER EQUITY FUND

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# CUTLER EQUITY FUND

## LETTER TO SHAREHOLDERS

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To The Cutler Trust Shareholders:

We are pleased to present the Cutler Equity Fund (the “Fund”) annual report for the year ended June 30th, 2009. Investors were shaken this past year, by economic and political turmoil, and by violent swings in equity prices. During 2008, the S&P 500 Index had daily movements greater than three percent on 42 separate occasions. This level of volatility is unprecedented since the Great Depression, reflecting the extreme uncertainty following the implosion of Lehman Brothers and the Financials sector.

The result of this tumult (or perhaps the cause) has been the longest recession in U.S. history, an economic malaise only surpassed by the 1930’s in modern U.S. history. Truly, this has been a challenging period. As we enter the 3rd quarter of 2009, however, the storm appears to have eased a bit. Economists have sporadically been forecasting an end of the recession, businesses appear to be increasingly optimistic, and investors are once again returning to riskier asset categories. Yet while the skies are somewhat clearer, the storm left considerable damage.

The previous 12 months have reinforced the strengths of Cutler’s dividend-based approach. The Fund’s performance, shown on page 6, highlights the outperformance versus the S&P 500 Index in 1-year, 5-year, and 10-year time periods net of all fees and expenses. While there are times when performance does not look as impressive, Cutler has repeated many times the long-term value of dividend investing. During fiscal 2009, the “long-term” was the present.

All of us at Cutler would like to thank the shareholders of the Fund for their resoluteness during the previous year. It is difficult to stay calm during such uncertain times. Yet while investors were fleeing non-cash assets in record numbers this past year, the shareholdings in the Fund actually increased. The Fund had a net increase of nearly 250,000 shares outstanding, an increase of over 7%. In a year where the mutual fund industry saw unprecedented redemptions, this is a testament to both the soundness of Cutler’s investment strategy and the poise of the shareholders in the Fund. We appreciate your confidence in our investment approach.

Thank you for your continued support.

Sincerely,



Matthew C. Patten  
Chairman  
The Cutler Trust



Erich M. Patten  
Portfolio Manager  
Cutler Investment Counsel, LLC

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# CUTLER EQUITY FUND

## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

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### 1) How did the Fund perform last year?

The Fund outperformed the S&P 500 Total Return Index by 2.15% during the past year. Despite these strong relative returns, the total return for the Fund was -24.06%.

### 2) What were the most significant market factors affecting the Fund's performance during the past year?

Market factors included:

- 1) Stressed credit markets
- 2) Continued weakness in housing prices
- 3) Government involvement in strategic economic sectors
- 4) Global GDP contraction
- 5) Dividend cuts for Financials and Materials based companies

### 3) Why did the Fund outperform relative to the benchmark?

Cutler's focus on large capitalization, dividend-paying companies benefited the Fund's performance this past year, as the Fund maintains a risk profile below the S&P 500 Index as measured by beta. Market uncertainty contributed to a flight to quality that produced strong relative performance versus the Fund's benchmark. The underweight of the Financials sector was a substantial benefit during the first two quarters of the year, but more recently was a drag on performance due to a recovery in this sector. The sector positioning was a net positive for the Fund during the fiscal year.

### 4) What strategies did you use to manage the Fund?

The Cutler Equity Fund's income process focuses on dividends as the primary driver of investment returns. The process was slightly altered during the period to allow holdings above a \$2 billion market capitalization, versus a \$3 billion minimum previously. This change in criteria does not impact the vast majority of portfolio holdings, which average over \$30 billion market capitalization, however, a slightly lower minimum threshold was necessary due to the sell-off in equity prices. All securities held had a dividend yield of 1.25% at the time of the initial purchase and an investment grade rating on their senior debt. In addition, securities with dividend cuts during the period have been removed from the portfolio.

### 5) What were the primary strategic factors that guided your management of the Fund?

Cutler's investment approach combines dividend-paying securities with a top-down sector allocation strategy. This combination of fundamental bottom-up analysis with macro-economic sector allocation contributed to the overall performance of the Fund. Strategic factors include an underweighting in Financials and an overweight of the Materials sector. Cutler believes that an inflationary economic recovery will occur, and these sector allocations reflect that investment theme.

# CUTLER EQUITY FUND

## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### (Continued)

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#### **6) What were some of the key trends in each of the regions/significant industries the Fund invests in?**

The Fund holdings remain 100% domiciled in the U.S., and the strategies employed do not have any additional regional bias.

This past year witnessed broad-based selling, a trend which has moderated in recent months. The strong sell-off resulted in an outperformance of high quality securities. After the March 9th lows, small-capitalization and distressed companies have led the market rally. Cutler believes that stabilization in the market will result in a return to fundamentally-based investing, a trend that should benefit the portfolio.

#### **7) Which securities helped the Fund's performance?**

- 1) Nucor
- 2) Procter & Gamble
- 3) Union Pacific
- 4) Honeywell
- 5) Halliburton

#### **8) Did any securities hurt the Fund's performance?**

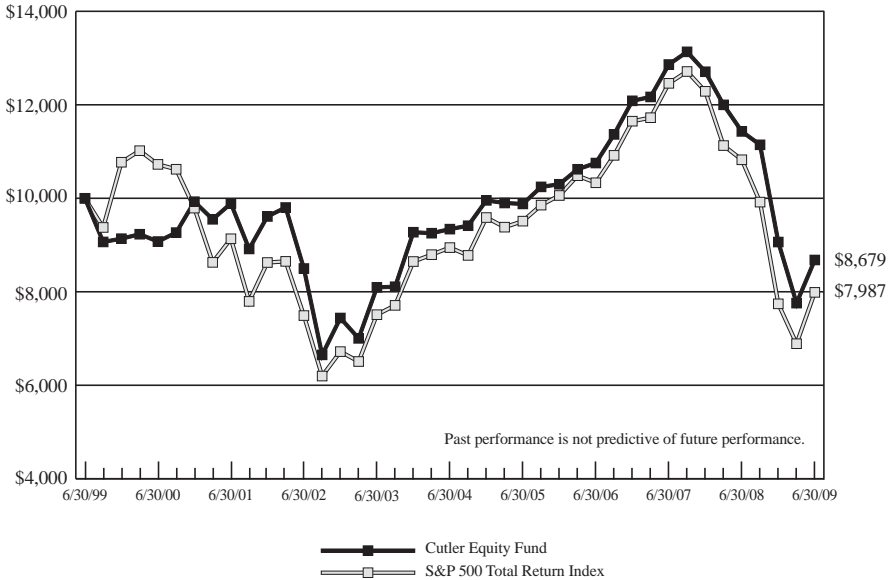
- 1) Alcoa
- 2) ConocoPhillips
- 3) General Electric
- 4) US Bancorp
- 5) Dow Chemical

The views in this report were those of Cutler Investment Counsel, LLC as of June 30, 2009 and may not reflect their views on the date this report is first published or anytime thereafter. These views are intended to assist shareholders in understanding their investment in the Fund and do not constitute investment advice.

*Before investing you should carefully consider the Fund's investment objectives, risks, charges and expenses. This and other information is in the prospectus, a copy of which may be obtained by calling 1-800-228-8537. Please read the prospectus carefully before you invest. Past performance is not predictive of future performance. Investment results and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than the performance data quoted. Performance data current to the most recent month-end, are available by calling 800-228-8537.*

**CUTLER EQUITY FUND**  
**PERFORMANCE INFORMATION**  
**June 30, 2009 (Unaudited)**

**Comparison of the Change in Value of a \$10,000 Investment in  
Cutler Equity Fund and the S&P 500 Total Return Index**



**Average Annual Total Returns<sup>(a)</sup>**  
**(for periods ended June 30, 2009)**

	<u>1 Year</u>	<u>5 Years</u>	<u>10 Years</u>
Cutler Equity Fund	-24.06%	-1.46%	-1.41%
S&P 500 Total Return Index	-26.21%	-2.24%	-2.22%

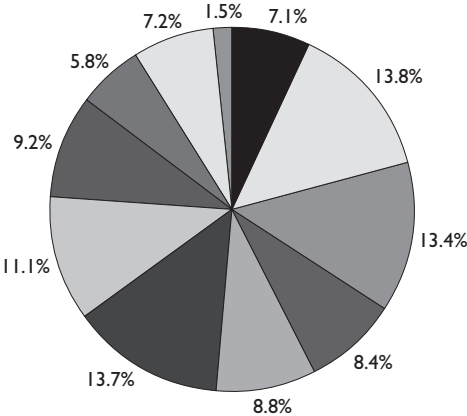
<sup>(a)</sup> Returns shown do not reflect the deduction of taxes a shareholder would pay on Fund distributions or the redemption of Fund shares.

The Cutler Equity Fund (the "Fund") is managed pursuant to an equity income strategy. The investment adviser and Board of Trustees believe the S&P 500 Total Return Index is the most appropriate benchmark for the Fund due to its focus on large capitalization securities, broad index membership, and the representation of multiple security types that are used in the management of the Fund.

**CUTLER EQUITY FUND**  
**PORTFOLIO INFORMATION**  
June 30, 2009 (Unaudited)

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**Sector Allocation (% of Net Assets)**



- Consumer Discretionary – 7.1%
- Consumer Staples – 13.8%
- Energy – 13.4%
- Financials – 8.4%
- Health Care – 8.8%
- Industrials – 13.7%
- Information Technology – 11.1%
- Materials – 9.2%
- Telecommunication Services – 5.8%
- Utilities – 7.2%
- Other – 1.5%

**CUTLER EQUITY FUND**  
**SCHEDULE OF INVESTMENTS**  
June 30, 2009

Shares	COMMON STOCKS — 98.5%	Value
	<b>Consumer Discretionary — 7.1%</b>	
	<i>Media — 2.4%</i>	
22,060	McGraw-Hill Cos., Inc. (The).....	\$ 664,227
	<i>Multi-Line Retail — 2.2%</i>	
30,530	Nordstrom, Inc. ....	607,242
	<i>Specialty Retail — 2.5%</i>	
29,280	Home Depot, Inc. (The) .....	691,886
	<b>Consumer Staples — 13.8%</b>	
	<i>Beverages — 3.9%</i>	
19,430	PepsiCo, Inc. ....	1,067,873
	<i>Food &amp; Staples Retailing — 3.0%</i>	
36,520	Sysco Corp. ....	820,970
	<i>Food Products — 3.4%</i>	
34,960	Archer-Daniels-Midland Co. ....	935,879
	<i>Household Products — 3.5%</i>	
18,190	Kimberly-Clark Corp. ....	953,702
	<b>Energy — 13.4%</b>	
	<i>Energy Equipment &amp; Services — 3.0%</i>	
40,570	Halliburton Co. ....	839,799
	<i>Oil, Gas &amp; Consumable Fuels — 10.4%</i>	
16,540	Chevron Corp. ....	1,095,775
16,180	ConocoPhillips.....	680,531
15,565	Exxon Mobil Corp. ....	1,088,149
		2,864,455
	<b>Financials — 8.4%</b>	
	<i>Consumer Finance — 2.7%</i>	
32,465	American Express Co. ....	754,487
	<i>Diversified Financial Services — 3.3%</i>	
26,500	JPMorgan Chase & Co. ....	903,915
	<i>Thrifts &amp; Mortgage Finance — 2.4%</i>	
50,330	Hudson City Bancorp, Inc. ....	668,886

## CUTLER EQUITY FUND

### SCHEDULE OF INVESTMENTS (Continued)

Shares	COMMON STOCKS — 98.5% (Continued)	Value
	<b>Health Care — 8.8%</b>	
	<i>Health Care Equipment &amp; Supplies — 2.9%</i>	
11,120	Becton, Dickinson and Co. ....	\$ 792,967
	<i>Pharmaceuticals — 5.9%</i>	
32,500	Bristol-Myers Squibb Co. ....	660,075
17,200	Johnson & Johnson .....	976,960
		<u>1,637,035</u>
	<b>Industrials — 13.7%</b>	
	<i>Aerospace &amp; Defense — 6.2%</i>	
21,500	Honeywell International, Inc. ....	675,100
19,800	United Technologies Corp. ....	1,028,808
		<u>1,703,908</u>
	<i>Electrical Equipment — 2.6%</i>	
21,800	Emerson Electric Co. ....	706,320
	<i>Machinery — 2.3%</i>	
18,890	Caterpillar, Inc. ....	624,125
	<i>Road &amp; Rail — 2.6%</i>	
14,000	Union Pacific Corp. ....	728,840
	<b>Information Technology — 11.1%</b>	
	<i>Computers &amp; Peripherals — 4.7%</i>	
12,500	International Business Machines Corp. ....	1,305,250
	<i>Semiconductors &amp; Semiconductor Equipment — 6.4%</i>	
44,530	Intel Corp. ....	736,971
48,450	Texas Instruments, Inc. ....	1,031,985
		<u>1,768,956</u>
	<b>Materials — 9.2%</b>	
	<i>Chemicals — 3.1%</i>	
33,470	E.I. du Pont de Nemours and Co. ....	857,501
	<i>Construction Materials — 2.8%</i>	
17,820	Vulcan Materials Co. ....	768,042
	<i>Metals &amp; Mining — 3.3%</i>	
20,325	Nucor Corp. ....	903,040
	<b>Telecommunication Services — 5.8%</b>	
	<i>Diversified Telecommunication Services — 5.8%</i>	
32,770	AT&T, Inc. ....	814,007
25,450	Verizon Communications, Inc. ....	782,078
		<u>1,596,085</u>

**CUTLER EQUITY FUND**  
**SCHEDULE OF INVESTMENTS (Continued)**

Shares	COMMON STOCKS — 98.5% (Continued)	Value
	<b>Utilities — 7.2%</b>	
	<i>Gas Utilities — 3.4%</i>	
26,290	National Fuel Gas Co. ....	\$ 948,543
	<i>Multi-Utilities — 3.8%</i>	
28,000	Consolidated Edison, Inc. ....	<u>1,047,760</u>
	<b>Total Common Stocks (Cost \$27,764,977) .....</b>	<u>\$ 27,161,693</u>

Shares	MONEY MARKET FUNDS — 1.6%	Value
451,638	Fidelity Institutional Money Market Portfolio - Select Class, 0.65% <sup>(a)</sup> (Cost \$451,638) .....	\$ 451,638
	<b>Total Investments at Value — 100.1%</b> (Cost \$28,216,615) .....	\$ 27,613,331
	<b>Liabilities in Excess of Other Assets — (0.1%)</b> .....	<u>( 23,704 )</u>
	<b>Net Assets — 100.0%</b> .....	<u>\$ 27,589,627</u>

<sup>(a)</sup> Variable rate security. The rate shown is the 7-day effective yield as of June 30, 2009.

See accompanying notes to financial statements.

**CUTLER EQUITY FUND**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**June 30, 2009**

<b>ASSETS</b>	
Investments in securities:	
At acquisition cost .....	\$ 28,216,615
At value .....	\$ 27,613,331
Dividends receivable .....	45,456
Receivable for capital shares sold .....	15,395
Other assets .....	5,450
Total assets .....	<u>27,679,632</u>
<b>LIABILITIES</b>	
Dividends payable .....	3,076
Payable for capital shares redeemed .....	39,681
Payable to Adviser (Note 3) .....	20,888
Payable to administrator (Note 3) .....	6,000
Other accrued expenses .....	20,360
Total liabilities .....	<u>90,005</u>
<b>NET ASSETS</b> .....	<u>\$ 27,589,627</u>
<b>NET ASSETS CONSIST OF:</b>	
Paid-in capital .....	\$ 44,724,556
Undistributed net investment income .....	10,329
Accumulated net realized losses from security transactions .....	( 16,541,974 )
Net unrealized depreciation on investments .....	( 603,284 )
<b>NET ASSETS</b> .....	<u>\$ 27,589,627</u>
Shares of beneficial interest outstanding (unlimited number of shares authorized, no par value) .....	<u>3,446,859</u>
Net asset value, offering price and redemption price per share (Note 2) .....	<u>\$ 8.00</u>

See accompanying notes to financial statements.

**CUTLER EQUITY FUND**  
**STATEMENT OF OPERATIONS**  
For the Year Ended June 30, 2009

<b>INVESTMENT INCOME</b>	
Dividend income .....	\$ 1,110,293
<b>EXPENSES</b>	
Investment advisory fees (Note 3) .....	215,862
Administration fees (Note 3) .....	72,000
Trustees' fees and expenses .....	36,719
Professional fees .....	33,258
Insurance expense .....	15,400
Registration fees .....	15,223
Custody and bank service fees .....	11,864
Postage and supplies .....	6,566
Printing of shareholder reports .....	6,259
Shareholder services fees (Note 3) .....	5,410
Other expenses .....	14,286
Total expenses .....	432,847
Fees voluntarily waived by the Adviser (Note 3) .....	( 29,295 )
Net expenses .....	403,552
<b>NET INVESTMENT INCOME</b> .....	<u>706,741</u>
<b>REALIZED AND UNREALIZED LOSSES ON INVESTMENTS</b>	
Net realized losses from investments .....	( 3,398,192 )
Net change in unrealized appreciation/depreciation on investments .....	<u>( 5,725,443 )</u>
<b>NET REALIZED AND UNREALIZED LOSSES ON INVESTMENTS</b> .....	<u>( 9,123,635 )</u>
<b>NET DECREASE IN NET ASSETS FROM OPERATIONS</b> .....	<u>\$ ( 8,416,894 )</u>

See accompanying notes to financial statements.

# CUTLER EQUITY FUND

## STATEMENTS OF CHANGES IN NET ASSETS

	Year Ended June 30, 2009	Year Ended June 30, 2008
<b>FROM OPERATIONS</b>		
Net investment income.....	\$ 706,741	\$ 568,303
Net realized gains (losses) from investments .....	( 3,398,192 )	1,502,137
Net change in unrealized appreciation/depreciation on investments .....	<u>( 5,725,443 )</u>	<u>( 6,448,599 )</u>
Net decrease in net assets from operations .....	<u>( 8,416,894 )</u>	<u>( 4,378,159 )</u>
<b>DISTRIBUTIONS TO SHAREHOLDERS</b>		
From net investment income .....	<u>( 697,377 )</u>	<u>( 571,357 )</u>
<b>CAPITAL SHARE TRANSACTIONS</b>		
Proceeds from shares sold .....	5,317,706	3,782,936
Net asset value of shares issued in reinvestment of distributions to shareholders .....	679,417	546,735
Payments for shares redeemed .....	<u>( 3,841,849 )</u>	<u>( 5,343,431 )</u>
Net increase (decrease) from capital share transactions .....	<u>2,155,274</u>	<u>( 1,013,760 )</u>
<b>TOTAL DECREASE IN NET ASSETS .....</b>	<b>( 6,958,997 )</b>	<b>( 5,963,276 )</b>
<b>NET ASSETS</b>		
Beginning of year .....	<u>34,548,624</u>	<u>40,511,900</u>
End of year .....	<u>\$ 27,589,627</u>	<u>\$ 34,548,624</u>
<b>UNDISTRIBUTED NET INVESTMENT INCOME .....</b>	<b>\$ 10,329</b>	<b>\$ 965</b>
<b>CAPITAL SHARE ACTIVITY</b>		
Shares sold .....	616,692	315,266
Shares reinvested .....	81,201	47,040
Shares redeemed.....	<u>( 450,727 )</u>	<u>( 446,161 )</u>
Net increase (decrease) in shares outstanding .....	247,166	( 83,855 )
Shares outstanding at beginning of year .....	<u>3,199,693</u>	<u>3,283,548</u>
Shares outstanding at end of year .....	<u>3,446,859</u>	<u>3,199,693</u>

See accompanying notes to financial statements.

# CUTLER EQUITY FUND

## FINANCIAL HIGHLIGHTS

Per Share Data for a Share Outstanding Throughout Each Year

	Years Ended June 30,				
	2009	2008	2007	2006	2005
Net asset value at beginning of year .....	\$ 10.80	\$ 12.34	\$ 10.46	\$ 9.75	\$ 9.38
Income (loss) from investment operations:					
Net investment income .....	0.21	0.18	0.16	0.15	0.17
Net realized and unrealized gains (losses) on investments .....	(2.80)	(1.54)	1.88	0.71	0.37
Total from investment operations .....	(2.59)	(1.36)	2.04	0.86	0.54
Less distributions from:					
Net investment income .....	(0.21)	(0.18)	(0.16)	(0.15)	(0.17)
Net asset value at end of year.....	\$ 8.00	\$ 10.80	\$ 12.34	\$ 10.46	\$ 9.75
Total return <sup>(a)</sup> .....	(24.06%)	(11.13%)	19.59%	8.86%	5.77%
Net assets at the end of year (000's) .....	\$ 27,590	\$ 34,549	\$ 40,512	\$ 38,083	\$ 40,107
Ratios/supplementary data:					
Ratio of net expenses to average net assets <sup>(b)</sup> .....	1.40%	1.31%	1.30%	1.26%	1.30%
Ratio of net investment income to average net assets.....	2.45%	1.48%	1.36%	1.44%	1.77%
Portfolio turnover rate .....	21%	13%	10%	21%	14%

<sup>(a)</sup> Total return is a measure of the change in value of an investment in the Fund over the period covered, which assumes any dividends or capital gains distributions are reinvested in shares of the Fund. Returns shown do not reflect the deduction of taxes a shareholder would pay on Fund distributions or the redemption of Fund shares.

<sup>(b)</sup> Absent fee waivers by the Fund's investment adviser, the ratio of gross expenses to average net assets would have been 1.50% and 1.43% for the years ended June 30, 2009 and 2005, respectively.

See accompanying notes to financial statements.

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# CUTLER EQUITY FUND

## NOTES TO FINANCIAL STATEMENTS

### June 30, 2009

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#### 1. Organization

The Cutler Equity Fund (the “Fund”) is a diversified series of The Cutler Trust (the “Trust”). The Trust is a Delaware statutory trust that is registered as an open-end management investment company under the Investment Company Act of 1940. The Fund is the only series of the Trust. Under its Trust Instrument, the Trust is authorized to issue an unlimited number of Fund shares of beneficial interest without par value. The Fund commenced operations on October 2, 1992.

The Fund seeks current income and long-term capital appreciation.

#### 2. Significant Accounting Policies

The following summarizes the significant accounting policies of the Fund:

**Securities Valuation** — Portfolio securities are valued as of the close of business of the regular session of the principal exchange where the security is traded. Exchange traded securities for which market quotations are readily available are valued using the last reported sales price provided by independent pricing services as of the close of trading on the New York Stock Exchange (normally 4:00 p.m. Eastern time), on each Fund business day. In the absence of a sale, such securities are valued at the mean of the last bid and asked price. Securities which are quoted by NASDAQ are valued at the NASDAQ Official Closing Price. Non-exchange traded securities for which over-the-counter quotations are available are generally valued at the mean between the closing bid and asked prices. Money market instruments that mature in sixty days or less may be valued at amortized cost unless the Fund’s investment adviser believes another valuation is more appropriate.

The Fund values securities at fair value pursuant to procedures adopted by the Board of Trustees if (1) market quotations are insufficient or not readily available or (2) the Fund’s investment adviser believes that the prices or values available are unreliable due to, among other things, the occurrence of events after the close of the securities markets on which the Fund’s securities primarily trade but before the time as of which the Fund calculates its net asset value.

The Financial Accounting Standards Board’s (“FASB”) Statement of Financial Accounting Standards No. 157 “Fair Value Measurements” establishes a single authoritative definition of fair value, sets out a framework for measuring fair value and requires additional disclosures about fair value measurements.

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## CUTLER EQUITY FUND

### NOTES TO FINANCIAL STATEMENTS (Continued)

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Various inputs are used in determining the value of the Fund's investments. 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
- Level 3 – significant unobservable inputs

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

As of June 30, 2009, all of the inputs used to value the Fund's investments were Level 1.

In April 2009, FASB issued Staff Position No. 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly" ("FSP 157-4" or the "Position"). FSP 157-4 provides additional guidance for estimating fair value when the volume and level of activity has significantly decreased in relation to normal market activity for the asset or liability. The Position also provides additional guidance on circumstances that may indicate that a transaction is not orderly and requires additional disclosures in annual and interim reporting periods. FSP 157-4 is effective for fiscal periods and interim periods ending after June 15, 2009. Management has evaluated the impact of FSP 157-4 and has concluded that FSP 157-4 has no impact on these financial statements.

As of June 30, 2009, all of the securities held by the Fund were valued using Level 1 inputs. See the Fund's Schedule of Investments for a listing of the securities valued using Level 1 inputs by security type and industry type as required by FSP 157-4.

**Share Valuation** — The net asset value per share of the Fund is calculated daily by dividing the total value of the Fund's assets, less liabilities, by the number of shares outstanding. The offering price and redemption price per share of the Fund is equal to the net asset value per share.

**Estimates** — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

**Security Transactions, Investment Income and Realized Gains and Losses** — Investment transactions are accounted for on trade date. Dividend income is recorded on the ex-dividend date. Interest income is recorded as earned. Gains and losses on securities sold are determined on a specific identification basis.

# CUTLER EQUITY FUND

## NOTES TO FINANCIAL STATEMENTS (Continued)

**Distributions to Shareholders** — Distributions to shareholders of net investment income, if any, are declared and paid quarterly. Capital gain distributions, if any, are distributed to shareholders annually. Distributions are based on amounts calculated in accordance with applicable Federal income tax regulations, which may differ from accounting principles generally accepted in the United States of America. These differences are due primarily to differing treatments of income and gains on various investment securities held by the Fund, timing differences and differing characterizations of distributions made by the Fund. Dividends and distributions are recorded on the ex-dividend date. The tax character of distributions paid during the years ended June 30, 2009 and 2008 was ordinary income.

**Federal Income Taxes** — The Fund intends to comply with the special provisions of Subchapter M of the Internal Revenue Code applicable to regulated investment companies. 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 income distributed. Accordingly, no provision for income taxes has been made.

In order to avoid imposition of the excise tax applicable to regulated investment companies, it is also the Fund's intention to declare and pay as dividends in each calendar year at least 98% of its investment income (earned during the calendar year) and 98% of its net realized gains (earned during the twelve months ended October 31) plus undistributed amounts from prior years.

The following information is computed on a tax basis for each item as of June 30, 2009:

Tax cost of portfolio investments.....	\$ 28,252,610
Gross unrealized appreciation.....	\$ 3,136,324
Gross unrealized depreciation.....	<u>( 3,775,603 )</u>
Net unrealized depreciation.....	( 639,279 )
Undistributed ordinary income.....	13,405
Capital loss carryforwards.....	( 12,988,443 )
Post-October losses.....	( 3,517,536 )
Other temporary differences due to timing of cash distributions.....	<u>( 3,076 )</u>
Accumulated deficit.....	<u>\$ ( 17,134,929 )</u>

The difference between the federal income tax cost of portfolio investments and the financial statement cost is due to certain timing differences in the recognition of capital gains or losses under income tax regulations and accounting principles generally accepted in the United States of America. These "book/tax" differences are temporary in nature and are due to losses deferred due to wash sales.

During the year ended June 30, 2009, the Fund utilized capital loss carryforwards of \$107,427 to offset current year realized gains.

# CUTLER EQUITY FUND

## NOTES TO FINANCIAL STATEMENTS (Continued)

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As of June 30, 2009, the Fund had capital loss carryforwards of \$12,988,443, of which \$4,213,541 expires June 30, 2010, \$5,747,725 expires June 30, 2011, \$2,687,016 expires June 30, 2012 and \$340,161 expires June 30, 2014. In addition, the Fund had net capital losses of \$3,517,536 during the period November 1, 2008 through June 30, 2009, which are treated for federal income tax purposes as arising during the Fund's tax year ending June 30, 2010. These capital loss carryforwards and "post-October" losses may be utilized in future years to offset net realized capital gains, if any, prior to distributing such gains to shareholders.

IASB's Interpretation No. 48 ("FIN 48") "Accounting for Uncertainty in Income Taxes" provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the evaluation of tax positions 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 are required to be recorded as a tax benefit or expense in the current year. Based on management's analysis, the application of FIN 48 does not have a material impact on these financial statements. The statute of limitations on the Fund's tax returns remains open for the years ended June 30, 2006 through June 30, 2008.

### 3. Transactions with Affiliates

**Investment Adviser** — Cutler Investment Counsel, LLC (the "Adviser") is the investment adviser to the Fund. Pursuant to an Investment Advisory Agreement, the Fund pays the Adviser a fee, which is accrued daily and paid monthly, at an annual rate of 0.75% of the Fund's average daily net assets.

Certain officers of the Trust are also officers of the Adviser.

During the year ended June 30, 2009, the Adviser voluntarily undertook to limit the total operating expenses of the Fund to 1.40% of average daily net assets. Accordingly, the Adviser voluntarily waived \$29,295 of its investment advisory fee during the year ended June 30, 2009.

**Administration and Other Services** — Under the terms of a Mutual Fund Services Agreement between the Trust and Ultimus Fund Solutions, LLC ("Ultimus"), Ultimus provides administrative, pricing, accounting, dividend disbursing, shareholder servicing and transfer agent services for the Fund. For these services, Ultimus receives a monthly fee from the Fund at an annual rate of 0.15% of the Fund's average daily net assets up to \$500 million; 0.125% on the next \$500 million of such assets; and 0.10% on such assets in excess of \$1 billion, subject to a minimum monthly fee of \$6,000. In addition, the Fund pays out-of-pocket expenses including, but not limited to, postage, supplies and costs of pricing the Fund's portfolio securities. Certain officers of the Trust are also officers of Ultimus, or of Ultimus Fund Distributors, LLC, the principal underwriter of the Fund's shares and an affiliate of Ultimus.

**Shareholder Service Plan** — The Fund may pay shareholder servicing fees not to exceed an annual rate of 0.25% of the Fund's average daily net assets. These fees may be paid to various financial institutions that provide shareholder and account maintenance services.

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## **CUTLER EQUITY FUND**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

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#### **4. Securities Transactions**

The cost of purchases and proceeds from sales of investment securities, other than short-term investments, amounted to \$8,018,478 and \$6,051,032, respectively, during the year ended June 30, 2009.

#### **5. Contingencies and Commitments**

The Fund indemnifies the Trust's officers and Board of Trustees for certain liabilities that might arise from their performance of their duties to the Fund. Additionally, in the normal course of business the Fund enters into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Fund's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Fund that have not yet occurred. However, based on experience, the Fund expects the risk of loss to be remote.

#### **6. Recent Accounting Pronouncement**

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 168, "The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles – a replacement of FASB Statement No. 162" ("SFAS 168"). SFAS 168 replaces SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles" and establishes the "FASB Accounting Standards Codification™" ("Codification") as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with U.S. GAAP. All guidance contained in the Codification carries an equal level of authority. On the effective date of SFAS 168, the Codification will supersede all then-existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification will become nonauthoritative. SFAS 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. Management has evaluated this new statement and has determined that it will not have a significant impact on the determination or reporting of the Fund's financial statements.

#### **7. Subsequent Events**

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events" ("SFAS No. 165"). The Fund has adopted SFAS No. 165 with these financial statements. SFAS No. 165 requires the Fund to recognize in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the Statement of Assets and Liabilities. For nonrecognized subsequent events that must be disclosed to keep the financial statements from being misleading, the Fund is required to disclose the nature of the event as well as an estimate of its financial effect, or a statement that such an estimate cannot be made. In addition, SFAS No. 165 requires the Fund to disclose the date through which subsequent events have been evaluated. Management has evaluated subsequent events through the issuance of the Fund's financial statements on August 27, 2009 and has noted no such events.

# CUTLER EQUITY FUND

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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To the Board of Trustees of  
The Cutler Trust  
and the Shareholders of the Cutler Equity Fund

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of the Cutler Equity Fund, a series of shares of beneficial interest of The Cutler Trust, as of June 30, 2009, and the related statement of operations for the year then ended, and the statement of changes in net assets and financial highlights for each of the two 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. The financial highlights for each of the three years ended June 30, 2007 were audited by other auditors whose report dated August 21, 2007 expressed an unqualified opinion on such financial highlights.

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. 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 June 30, 2009 by correspondence with the custodian. 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 Cutler Equity Fund as of June 30, 2009, the results of its operations for the year then ended, and the changes in its net assets and the financial highlights for each of the two years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

*Briggs, Bunting & Dougherty, LLP*

BRIGGS, BUNTING & DOUGHERTY, LLP

Philadelphia, Pennsylvania  
August 27, 2009

## CUTLER EQUITY FUND

### ABOUT YOUR FUND'S EXPENSES (Unaudited)

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We believe it is important for you to understand the impact of costs on your investment. As a shareholder of the Fund, you incur ongoing costs, including management fees and other Fund expenses. These ongoing costs, which are deducted from the Fund's gross income, directly reduce the investment return of the Fund.

A mutual fund's ongoing costs are expressed as a percentage of its average net assets. This figure is known as the expense ratio. The following examples are intended to help you understand the 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 examples below are based on an investment of \$1,000 made at the beginning of the period shown (January 1, 2009) and held for the entire period (June 30, 2009).

The table below illustrates the Fund's costs in two ways:

**Actual Fund return** – This section helps you to estimate the actual expenses that you paid over the period. The “Ending Account Value” shown is derived from the Fund's actual return, and the third column shows the dollar amount of operating expenses that would have been paid by an investor who started with \$1,000 in the Fund. You may use the information here, together with the amount you invested, to estimate the expenses that you paid over the period.

To do so, 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 given for the Fund under the heading “Expenses Paid During Period.”

**Hypothetical 5% return** – This section is intended to help you compare the Fund's costs with those of other mutual funds. It assumes that the Fund had an annual return of 5% before expenses during the period shown, but that the expense ratio is unchanged. In this case, because the return used is not the Fund's actual return, the results do not apply to your investment. The example is useful in making comparisons because the Securities and Exchange Commission requires all mutual funds to calculate expenses based on a 5% return. You can assess the Fund's costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other funds.

Note that expenses shown in the table are meant to highlight and help you compare ongoing costs only. The Fund does not charge transaction fees, such as purchase or redemption fees, nor does it impose any sales loads.

The calculations assume no shares were bought or sold during the period. Your actual costs may have been higher or lower, depending on the amount of your investment and the timing of any purchases or redemptions.

## CUTLER EQUITY FUND

### ABOUT YOUR FUND'S EXPENSES (Unaudited) (Continued)

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More information about the Fund's expenses, including annual expense ratios over the past five years, can be found in this report. For additional information on operating expenses and other shareholder costs, please refer to the Fund's prospectus.

	Beginning Account Value January 1, 2009	Ending Account Value June 30, 2009	Expenses Paid During Period*
Based on Actual Fund Return	\$ 1,000.00	\$ 957.60	\$ 6.80
Based on Hypothetical 5% Return (before expenses)	\$ 1,000.00	\$ 1,017.85	\$ 7.00

\* Expenses are equal to the Fund's annualized expense ratio of 1.40% for the period, multiplied by the average account value over the period, multiplied by 181/365 (to reflect the one-half year period).

### FEDERAL TAX INFORMATION (Unaudited)

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For the fiscal year ended June 30, 2009, certain dividends paid by the Fund may be subject to a maximum tax rate of 15%, as provided by the Jobs and Growth Tax Relief Reconciliation Act of 2003. The Fund intends to designate up to a maximum amount of \$697,377 as taxed at a maximum rate of 15%. For the fiscal year ended June 30, 2009, 100% of the dividends paid from ordinary income by the Fund qualified for the dividends received deduction for corporations. Complete information will be computed and reported in conjunction with your 2009 Form 1099-DIV.

## CUTLER EQUITY FUND

### TRUSTEES AND OFFICERS OF THE TRUST (Unaudited)

The Board of Trustees is responsible for managing the Trust's business affairs and exercising all the Trust's powers except those reserved for shareholders. The following tables give information about each Board member and the senior officers of the Fund. Each Trustee holds office until the person resigns, is removed, or replaced. Officers are elected for an annual term. Unless otherwise noted, the Trustees and officers have held their principal occupations for more than five years. The Fund's Statement of Additional Information includes additional information about the Trustees and is available, without charge and upon request, by calling 1-888-CUTLER4.

Name, Date of Birth and Address	Position with the Trust	Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee
<b>Interested Trustees</b>					
Matthew C. Patten <sup>(a)</sup> Born: December 1975 525 Bigham Knoll Jacksonville, OR 97530	Trustee/ Chairman/ Treasurer	Trustee Since 2006; Treasurer Since 2004	President since 2004 and Investment Committee Member and Portfolio Manager since 2003 of Cutler Investment Counsel, LLC. Chief Operating Officer and Portfolio Manager of Cutler Asia, LLC (a private equity firm) from 2000 until 2005. Director of The First America Asia Fund I, L.P. (a private equity fund) from 1999 until 2006.	1	None
<b>Independent Trustees</b>					
Robert E. Clarke Born: May 1922 One Skyline Drive Apt. 3407 Medford, OR 97504	Trustee	Since 2002	Retired.	1	None
John P. Cooney Born: January 1932 100 Greenway Circle Medford, OR 97504	Trustee	Since 2007	Retired since March 2007; U.S. Magistrate Judge until March 2007.	1	None
Dr. Mario Campagna Born: April 1927 1701 Lake Village Drive Medford, OR 97504	Trustee	Since 2007	Retired.	1	None

<sup>(a)</sup> Matthew C. Patten is an "Interested Person," as defined by the 1940 Act, because he is an affiliated person of the Adviser.

# CUTLER EQUITY FUND

## TRUSTEES AND OFFICERS OF THE TRUST (Unaudited)

### (Continued)

Name, Date of Birth and Address	Position with the Trust	Length of Time Served	Principal Occupation(s) During Past 5 Years
<b>Senior Officers</b>			
Erich M. Patten Born: October 1977 525 Bigham Knoll Jacksonville, OR 97530	President	Since 2004	Investment Committee Member, Portfolio Manager, and Corporate Secretary of Cutler Investment Counsel, LLC since 2003. Member of Cutler Asia, LLC (a private equity firm) from 2003 until 2005.
Brooke C. Ashland Born: December 1951 525 Bigham Knoll Jacksonville, OR 97530	Vice President/ Chief Compliance Officer	Since 2002	Investment Committee Member and Chief Executive Officer of Cutler Investment Counsel, LLC since 2003. General Partner of The First America Asia Fund I, LP (a private equity fund) from 1999-2006. Chief Operating Officer, Chief Executive Officer and Portfolio Manager of Cutler Asia, LLC (a private equity firm) from 1998-2006.
Carol S. Fischer Born: December 1955 525 Bigham Knoll Jacksonville, OR 97530	Vice President/ Asst. Secretary/ Asst. Treasurer	Since 1996	Chief Operating Officer of Cutler Investment Counsel, LLC since 2003.
Robert G. Dorsey Born: April 1957 225 Pictoria Drive Suite 450 Cincinnati, OH 45246	Vice President	Since 2005	Managing Director of Ultimus Fund Solutions, LLC and Ultimus Fund Distributors, LLC.
John F. Splain Born: September 1956 225 Pictoria Drive Suite 450 Cincinnati, OH 45246	Secretary	Since 2005	Managing Director of Ultimus Fund Solutions, LLC and Ultimus Fund Distributors, LLC.

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## **CUTLER EQUITY FUND**

### **ADDITIONAL INFORMATION (Unaudited)**

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#### **Proxy Voting Information**

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to securities held in the Fund's portfolio is available without charge, upon request, by calling 1-800-228-8537 or on the Securities and Exchange Commission ("SEC") website at <http://www.sec.gov>. Information regarding how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is also available without charge upon request by calling 1-800-228-8537 or on the SEC's website at <http://www.sec.gov>.

#### **Form N-Q Information**

The Trust files a complete listing of the Fund's portfolio holdings with the SEC as of the first and third quarters of each fiscal year on Form N-Q. The filings are available without charge, upon request, by calling 1-800-228-8537. Furthermore, you may obtain a copy of the filings on the SEC's website at <http://www.sec.gov>. The Trust's Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room in Washington, DC, and information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

#### **Change in Independent Registered Public Accounting Firm**

On December 18, 2007, Deloitte & Touche ("D&T") was replaced as independent registered public accounting firm of the Fund, and Briggs, Bunting & Dougherty, LLP was selected as the Fund's new independent registered public accounting firm. The Fund's selection of Briggs, Bunting & Dougherty, LLP as its independent registered public accounting firm was approved by the Audit Committee and Board of Trustees of the Trust.

D&T's reports on the Fund's financial statements for the fiscal years ended June 30, 2007 and 2006 did not contain an adverse opinion or a disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope or accounting principles. During such fiscal years, and through the date of D&T's replacement, there were no disagreements between the Fund and D&T on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements, if not resolved to the satisfaction of D&T, would have caused it to make reference to the subject matter of the disagreements in connection with its reports on the financial statements for such years.

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## **CUTLER EQUITY FUND**

### **APPROVAL OF INVESTMENT ADVISORY AGREEMENT**

#### **(Unaudited)**

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The Board of Trustees, including the Independent Trustees voting separately, has reviewed and approved the continuance of the Fund's Investment Advisory Agreement (the "Agreement") with the Adviser for an additional one year period. Approval took place at an in-person meeting held on April 9, 2009, at which all of the Trustees were present. The Independent Trustees were advised by their counsel of their fiduciary obligations in approving the Agreement and the Trustees requested such information from the Adviser as they deemed reasonably necessary to evaluate the terms of the Agreement and whether the Agreement continues to be in the best interests of the Fund and its shareholders. The Trustees reviewed: (i) the nature, extent and quality of the services provided by the Adviser; (ii) the investment performance of the Fund and of comparable private accounts the Adviser; (iii) the costs of the services provided and the profits realized by the Adviser from its relationship with the Fund; (iv) the extent to which economies of scale would be realized as the Fund grows; and (v) whether fee levels reflect these economies of scale for the benefit of the Fund's shareholders.

The Trustees reviewed the background, qualifications, education and experience of the Adviser's investment and operational personnel. Management provided detailed information on its professional personnel, including each person's area of responsibility.

The Trustees also discussed and considered the quality of administrative and other services provided to the Fund, the Adviser's and the Fund's compliance programs, and the Adviser's role in coordinating such services and programs. The Independent Trustees were advised by experienced independent counsel throughout the process. The Adviser provided the Board with information to assist the Trustees in analyzing the performance of the Fund over various periods ended December 31, 2008. The Fund's returns were compared to the returns of S&P 500 Total Return Index, the Dow Jones Industrial Average and certain other indices, comparable private accounts managed by the Adviser, and domestic equity funds in the Morningstar database of similar size with similar investment objectives. These analyses and comparisons showed that the Fund has performed competitively over both the short and long term. Based upon their review, the Trustees found that the Fund's performance has been competitive with the returns of relevant securities indices and other similarly situated mutual funds.

In reviewing the advisory fee and total expense ratios of the Fund, the Trustees were provided with comparative expense and advisory fee information for other mutual funds, categorized both by fund size and by investment style. The Fund currently pays an investment advisory fee computed at the annual rate of 0.75% of the Fund's average daily net assets. The total expense ratio for the Fund for the fiscal year ended June 30, 2008 was 1.31% of average net assets and, beginning in December 2008, the Adviser began voluntarily waiving a portion of its advisory fee in order to limit the Fund's expense ratio to 1.40% of average daily net assets. The Trustees took note of the fact that the Fund's advisory fee and expense ratio were equal to the median advisory fee and expense ratio for funds with assets under \$100 million which are categorized by Morningstar as Large Cap Value.

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## **CUTLER EQUITY FUND**

### **APPROVAL OF INVESTMENT ADVISORY AGREEMENT**

#### **(Unaudited) (Continued)**

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The Trustees reviewed the Adviser's current registration form (Form ADV) and its financial statement as well as an analysis prepared by the Adviser reflecting its revenues and expenses with respect to its services to the Fund for the year ended December 31, 2008. The Trustees noted that the Fund does not have any "soft dollar" arrangements with broker-dealers that would otherwise benefit the Adviser and considered any fall-out benefits to the Adviser from managing the Fund.

Prior to voting, the Independent Trustees reviewed the proposed continuance of the Agreement with counsel in executive session. In approving the Agreement, the Independent Trustees reached the following conclusions: (1) based on the performance and risk characteristics of the Fund and the effectiveness of the Fund in achieving its stated objective, they believe the Adviser has provided high quality services; (2) the Adviser has the financial resources and personnel to continue to provide quality advisory services to the Fund; (3) the advisory fees paid by the Fund are reasonable and the total expenses of the Fund are reasonable; and (4) the continuation of the Agreement is in the best interests of the Fund and its shareholders. The Independent Trustees also reviewed and considered the profitability of the Adviser with regards to its management of the Fund, concluding that the Adviser's profitability was not excessive given the quality and scope of services provided by the Adviser and the investment performance of the Fund. The Independent Trustees further determined that, based on the Fund's asset levels, which have remained relatively constant over the past several years, it would not be relevant to consider the extent to which economies of scale would be realized as the Fund grows, and whether fee levels reflect these economies of scale. Following further discussion, it was the consensus of the Independent Trustees that it is not appropriate to introduce fee breakpoints at the present time. The Trustees noted, however, that if the Fund grows significantly in assets, it may become necessary for the Adviser to consider adding fee breakpoints to the Agreement.

No single factor was considered in isolation or to be determinative to the decision of the Trustees to approve continuance of the Agreement. Rather, the Trustees concluded, in light of a weighing and balancing of all factors considered, that it would be in the best interests of the Fund and its shareholders to renew the Agreement for an additional annual period.

CUTLER INVESTMENT COUNSEL, LLC  
INVESTMENT MANAGEMENT

INVESTMENT ADVISER TO THE TRUST

525 Bigham Knoll  
Jacksonville, OR 97530  
(800)228-8537 • (541)770-9000  
Fax:(541)779-0006  
[info@cutler.com](mailto:info@cutler.com)