

Statement of Additional Information

For

Queens Road Value Fund
Queens Road Small Cap Value Fund

Each a series of Bragg Capital Trust

September 29, 2008

100 Queens Road
Charlotte, NC 28204
(800) 595-3088

This Statement of Additional Information relating to the Funds is not a prospectus and should be read in conjunction with the Funds' prospectus dated September 29, 2008. A copy of the Funds' prospectus and the Annual Report for the period ended May 31, 2008 can be obtained from the Funds at (800) 595-3088 or on the Funds' website at www.queensroadfunds.com. The prospectus to which this Statement of Additional Information relates is hereby incorporated by reference.

Fund History	2
Description of the Funds, their Investments and Risks	2
Fundamental and Non Fundamental Investment Restrictions	11
Management of the Funds	14
Standing Committees	15
Ownership of Equity Securities	16
Compensation Table	17
Ownership of Shares	17
Investment Advisory Services	18
Other Services	21
Brokerage Allocation & Other Practices	22
Capital Stock and Other Securities	24
Purchase, Redemption and Pricing of Securities Being Offered	25
Taxation of the Funds	25
Financial Statements	28
Proxy Voting Policies	29

Definitions

"1940 Act " means the Investment Company Act of 1940, as amended

"Distributor" means Queens Road Securities, LLC, 100 Queens Road, Charlotte, NC 28204

"BFA" means Bragg Financial Advisors, Inc., 100 Queens Road, Charlotte, NC 28204

"Vote of the majority of outstanding voting securities" means the vote, at the annual or special meeting of shareholders duly called, (i) of 67% or more of the voting securities present at the meeting if the holders of more than 50% of the outstanding voting securities are present or represented by proxy or (ii) or more than 50% of the outstanding voting securities, whichever is less.

Fund History

The Queens Road Value Fund ("Queens Road Value") and Queens Road Small Cap Value ("Queens Road Small Cap") (collectively, the "Funds") are series of the Bragg Capital Trust ("Trust"). The Trust is an open-end management investment company, as defined in the 1940 Act, organized as a business trust under the laws of the State of Delaware by Certificate of Trust, dated as of January 1, 2002 and by the Declaration of Trust, dated as of May 10, 2002 (the "Declaration of Trust"). A "Series" is a separate pool of assets of the Trust which is separately managed and may have a different investment objective and different investment policies of another Series. The Funds are currently the only two Series of the Trust.

Description of The Funds and Their Investment Risks

Each Fund is a non-diversified open-end management investment company. A non-diversified fund does not have to meet the diversification requirements of a diversified fund required by the 1940 Act.

Each Fund's investment objective is fundamental and may only be changed by a vote of a majority of the outstanding voting securities of the Fund.

Principal Investments

Each Fund will primarily invest in common and preferred stock (which are more fully described in the Funds' prospectus).

Non Principal Investments

Each Fund may also invest, trade or engage in the securities or investment activities described below.

- Money-Market Investments. A Fund may invest in no-load money-market mutual funds, high-quality short-term debt securities and money-market instruments (such as repurchase agreements, commercial paper and certificates of deposit) (collectively, "money-market investments"), when and to the extent deemed advisable by the Adviser. A mutual fund investment by a Fund, the portfolio of which consists of money-market investments, typically involves some duplication of advisory fees and other expenses. Money market funds typically invest in short-term debt instruments and attempt to maintain a stable net asset value. Although, the risk is low, these funds may lose value.
- Securities of Foreign Issuers. Each Fund may invest in the securities of foreign issuers including sponsored or unsponsored ADRs and investments in developing markets. (For purposes of this restriction, securities issued by a foreign domiciled company that are registered with the SEC under Section 12(b) or (g) of the

Securities Exchange Act of 1934 are not treated as securities of foreign issuers.) Foreign investments involve certain risks which typically are not present in securities of domestic issuers. There may be less information available about a foreign company than a domestic company; foreign companies may not be subject to accounting, auditing and reporting standards and requirements comparable to those applicable to domestic companies; and foreign markets, brokers and issuers are generally subject to less extensive government regulation than their domestic counterparts. Markets for foreign securities may be less liquid and may be subject to greater price volatility than those for domestic securities. Foreign brokerage commissions and custodial fees are generally higher than those in the United States. Foreign markets also have different clearance and settlement procedures, and in certain markets there have been times when settlements have been unable to keep pace with the volume of securities transactions, thereby making it difficult to conduct such transactions. Delays or problems with settlements might affect the liquidity of a Fund's portfolio. Foreign investments may also be subject to local economic and political risks, political, economic and social instability, military action or unrest or adverse diplomatic developments, and possible nationalization of issuers or expropriation of their assets, which might adversely affect a Fund's ability to realize on its investment in such securities. The Fund's advisor may not be able to anticipate these potential events or counter their effects. Furthermore, some foreign securities are subject to brokerage taxes levied by foreign governments, which have the effect of increasing the cost of such investment and reducing the realized gain or increasing the realized loss on such securities at the time of sale.

Although changes in foreign currency rates may adversely affect the Funds' foreign investments, the Funds do not expect to purchase or sell foreign currencies for the Funds to hedge against declines in the U.S. dollar or to lock in the value of any foreign securities they purchase. Consequently, the risks associated with such investments may be greater than if the Funds were to engage in foreign currency transactions for hedging purposes.

Exchange control regulations in such foreign markets may also adversely affect the Funds' foreign investments and the Funds' ability to make certain distributions necessary to maintain their eligibility as regulated investment companies and avoid the imposition of income and excise taxes may, to that extent, be limited.

The considerations noted above are generally intensified for investments in developing countries. Developing countries may have relatively unstable governments, economies based on only a few industries and securities markets that trade a small number of securities.

The Funds may purchase the securities of foreign companies in the form of American Depositary Receipts (ADRs). ADRs are certificates held in trust by a bank or similar financial institution evidencing ownership of securities of a

foreign-based issuer. Designed for use in U.S. securities markets, ADRs are alternatives to the purchase of the underlying foreign securities in their national markets and currencies.

Depositories may establish either unsponsored or sponsored ADR facilities. While ADRs issued under these two types of facilities are in some respects similar, there are distinctions between them relating to the rights and obligations of ADR holders and the practices of market participants. A depository may establish an unsponsored facility without participation by the issuer of the deposited securities, although typically the depository requests a letter of non-objection from such issuer prior to the establishment of the facility. Holders of unsponsored ADRs generally bear all the costs of such facilities. The depository usually charges fees upon the deposit and withdrawal of the deposited securities, the conversion of dividends into U.S. dollars, the disposition of non-cash distributions and the performance of other services. The depository of an unsponsored facility frequently is under no obligation to distribute shareholder communications received from the issuer of the deposited securities or to pass through voting rights to ADR holders in respect of the deposited securities. Depositories create sponsored ADR facilities in generally the same manner as unsponsored facilities, except that the issuer of the deposited securities enters into a deposit agreement with the depository. The deposit agreement sets out the rights and responsibilities of the issuer, the depository and the ADR holders. With sponsored facilities, the issuer of the deposited securities generally will bear some of the costs relating to the facility (such as deposit and withdrawal fees). Under the terms of most sponsored arrangements, depositories agree to distribute notices of shareholder meetings and voting instructions and to provide shareholder communications and other information to the ADR holders at the request of the issuer of the deposited securities.

- Convertible securities. Each Fund may invest in convertible securities which is generally a debt obligation or preferred stock that may be converted within a specified period of time into a certain amount of common stock of the same or a different issuer. A convertible security provides a fixed-income stream and the opportunity, through its conversion feature, to participate in the capital appreciation resulting from a market price advance in its underlying common stock. As with a straight fixed-income security, a convertible security tends to increase in market value when interest rates decline and decrease in value when interest rates rise. Like a common stock, the value of a convertible security also tends to increase as the market value of the underlying stock rises, and it tends to decrease as the market value of the underlying stock declines. Because its value can be influenced by both interest rates and market movements, a convertible security is not as sensitive to interest rates as a similar fixed-income security, nor is it as sensitive to changes in share price as its underlying stock.

A convertible security is usually issued either by an operating company or by an investment bank. When issued by an operating company, a convertible

security tends to be senior to common stock, but subordinate to other types of fixed-income securities issued by that company. When a convertible security issued by an operating company is "converted," the operating company often issues new stock to the holder of the convertible security but, if the parity price of the convertible security is less than the call price, the operating company may pay out cash instead of common stock. If the convertible security is issued by an investment bank, the security is an obligation of and is convertible through the issuing investment bank.

The issuer of a convertible security may be important in determining the security's true value. This is because the holder of a convertible security will have recourse only to the issuer. In addition, a convertible security may be subject to redemption by the issuer, but only after a specified date and under circumstances established at the time the security is issued.

While the Fund uses the same criteria to rate a convertible debt security that it uses to rate a more conventional debt security, a convertible preferred stock is treated like a preferred stock for the Fund's financial reporting, credit rating, and investment limitation purposes. A preferred stock is subordinated to all debt obligations in the event of insolvency, and an issuer's failure to make a dividend payment is generally not an event of default entitling the preferred shareholder to take action. A preferred stock generally has no maturity date, so that its market value is dependent on the issuer's business prospects for an indefinite period of time. In addition, distributions from preferred stock are dividends, rather than interest payments, and are usually treated as such for corporate tax purposes.

- Exchange Traded Funds. Each Fund may invest in investment companies issuing shares which are traded like traditional equity securities on a national stock exchange or the NASDAQ National Market System. Many exchange traded securities represent ownership in a trust that has been established to accumulate and hold a portfolio of securities that is intended to track the performance of a securities market index. Certain indices tracked by exchange traded funds are highly concentrated in one or a few industries or individual securities, and thus, may have higher price volatility than many broad-based stock indices. With many exchange-traded funds, there is a risk that the overall liquidity of the secondary market for shares of those funds may fluctuate and shares become illiquid. An investment in Exchange Traded Funds by a Fund will involve some duplication of advisory fees and other expenses.
- Real Estate Investment Trusts. REITs are sometimes described as equity REITs, mortgage REITs and hybrid REITs. An equity REIT invests primarily in the fee ownership or leasehold ownership of land and buildings and derives its income primarily from rental income. An equity REIT may also realize capital gains (or losses) by selling real estate properties in its portfolio that have appreciated (or depreciated) in value. A mortgage REIT invests primarily in mortgages on real estate, which may secure construction, development or long-term loans. A

mortgage REIT generally derives its income primarily from interest payments on the credit it has extended. A hybrid REIT combines the characteristics of equity REITs and mortgage REITs, generally by holding both ownership interests and mortgage interests in real estate.

Equity REITs may be further characterized as operating companies or financing companies. To the extent that an equity REIT provides operational and management expertise to the properties held in its portfolio, the REIT generally exercises some degree of control over the number and identity of tenants, the terms of their tenancies, the acquisition, construction, repair and maintenance of properties and other operational issues. A mortgage REIT or an equity REIT that provides financing rather than operational and management expertise to the properties in its portfolio will generally not have control over the operations that are conducted on the real estate in which the REIT has an interest.

An investment in REITS by a Fund may involve some duplication of advisory fees and other expenses.

○ DEBT SECURITIES

Each Fund may invest in debt securities of corporate and governmental issuers. There are no credit quality or maturity limitations on a Fund's investments in debt securities. The risks inherent in short-, intermediate- and long-term debt securities depend on a variety of factors, including the term of the obligations, the size of a particular offering and the credit quality and rating of the issuer, in addition to general market conditions. In general, the longer the maturity of a debt obligation, the higher its yield and the greater its sensitivity to changes in interest rates. Conversely, the shorter the maturity, the lower the yield but the greater the price stability. A decline in the prevailing levels of interest rates will generally increase the value of the securities held by a Fund, and an increase in rates will generally have the opposite effect.

Yields on debt securities depend on a variety of factors, including the financial condition of the issuer or other obligor thereon or the revenue source from which debt service is payable, the general economic and monetary environment, conditions in the relevant market, the size of a particular issue, maturity of the obligation and the rating of the issue.

Debt obligations rated high and some debt obligations rated medium quality are commonly referred to as "investment-grade" debt obligations. Investment-grade debt obligations are generally believed to have relatively low degrees of credit risk. However, medium-quality debt obligations, while considered investment grade, may have some speculative characteristics, since their issuers' capacity for repayment may be more vulnerable to adverse economic conditions or changing circumstances than that of higher-rated issuers. The principal value of lower-rated securities generally will fluctuate more widely than higher-quality

securities. Lower-quality securities entail a higher degree of risk as to the payment of interest and return of principal. Such securities are also subject to special risks, discussed below. To compensate investors for taking on such increased risk, issuers deemed to be less creditworthy generally must offer their investors higher interest rates than do issuers with better credit ratings.

In conducting its credit research and analysis, the Funds will consider both qualitative and quantitative factors to evaluate the creditworthiness of individual issuers and will rely to a great extent on credit ratings compiled by a number of nationally recognized statistical rating organizations ("NRSROs").

"HIGH-YIELD" RISK (Junk Bonds). The Funds are permitted to invest in non-investment grade debt obligations, sometimes referred to as "junk bonds" (hereinafter referred to as "lower-quality securities"). Lower-quality securities are those securities that are rated lower than investment grade and unrated securities believed by to be of comparable quality. Although these securities generally offer higher yields than investment grade securities with similar maturities, lower-quality securities involve greater risks, including the possibility of default or bankruptcy. In general, they are regarded to be more speculative with respect to the issuer's capacity to pay interest and repay principal. Other potential risks associated with investing in lower-quality securities include:

- Effect of Interest Rates and Economic Changes. The market for lower-quality and comparable unrated securities is relatively new and its growth has paralleled a long economic expansion. As a result, it is not clear how this market would withstand a prolonged recession or economic downturn. Such conditions could severely disrupt the market for, and adversely affect the value of, such securities.

All interest-bearing securities typically experience price appreciation when interest rates decline and price depreciation when interest rates rise. The market values of lower-quality and comparable unrated securities tend to reflect individual issuer developments to a greater extent than do higher rated securities, which react primarily to fluctuations in the general level of interest rates. Lower-quality and comparable unrated securities also tend to be more sensitive to economic conditions than are higher rated securities. As a result, they generally involve more credit risk than securities in the higher-rated categories. During an economic downturn or a sustained period of rising interest rates, highly leveraged issuers of lower-quality and comparable unrated securities may experience financial stress and may not have sufficient revenues to meet their payment obligations. The issuer's ability to service its debt obligations may also be adversely affected by specific corporate developments, the issuer's inability to meet specific projected business forecasts or the unavailability of additional financing. The risk of loss due to default by an issuer of the securities is significantly greater than issues of higher-rated securities because such securities are generally unsecured and are often subordinated to their creditors. Further, if the issuer of a lower-quality or comparable unrated security defaulted, a Fund

might incur additional expense to seek recovery. Periods of economic uncertainty and changes would also generally result in increased volatility in the market prices of these securities and thus in a Fund's net asset value.

As previously noted, the value of a lower-quality or comparable unrated security generally will decrease in a rising interest rate market, and a Fund's net asset value will decline correspondingly. If a Fund experiences unexpected net redemptions in such a market, it may be forced to liquidate a portion of its portfolio securities without regard to their investment merits. Due to the limited liquidity of lower-quality and comparable unrated securities (discussed below), a Fund may be forced to liquidate these securities at a substantial discount. Any such liquidation could force the Fund to sell the more liquid portion of its portfolio.

Credit Risk. Credit ratings issued by credit rating agencies are designed to evaluate the safety of principal and interest payments of rated securities. They do not, however, evaluate the market value risk of lower-quality securities, and therefore may not fully reflect the true risks of an investment. In addition, credit rating agencies may or may not make timely changes in a rating to reflect changes in the economy or in the condition of the issuer that affect the market value of the security. Consequently, credit ratings, including, for example, those published by Standard & Poor's Ratings Service("S&P"), Moody's Investors Service and Fitch Ratings, are used only as a preliminary indicator of investment quality. Investments in lower-quality and comparable unrated obligations will be more dependent on the Advisors' credit analysis than would be the case with investments in investment-grade debt obligations.

Legal Risk. Securities in which a Fund may invest are subject to the provisions of bankruptcy, insolvency, reorganization and other laws affecting the rights and remedies of creditors, such as the Federal Bankruptcy Code, and laws, if any, which may be enacted by Congress, state legislatures or other governmental agencies extending the time for payment of principal or interest, or both, or imposing other constraints upon enforcement of such obligations within constitutional limitations. There is also the possibility that, as a result of litigation or other conditions, the power or ability of issuers to make principal and interest payments on their debt securities may be materially impaired. From time to time, legislation designed to limit the use of certain lower-quality and comparable unrated securities by certain issuers may be adopted. It is anticipated that if legislation is enacted or proposed, it could have a material affect on the value of these securities and the existence of a secondary trading market for such securities.

Liquidity Risk. Each Fund may have difficulty disposing of certain lower quality and comparable unrated securities because there may be a thin trading market for such securities. Because not all dealers maintain markets in all lower-quality and comparable unrated securities, there is no established retail secondary market for

many of these securities. The Funds anticipate that such securities could be sold only to a limited number of dealers or institutional investors. To the extent a secondary trading market does exist, it generally is not as liquid as the secondary market for higher-rated securities. The lack of a liquid secondary market may have an adverse impact on the market price of the security and disposition of the security may involve time-consuming negotiation and legal expense. As a result, a Fund's net asset value and ability to dispose of particular securities when necessary to meet the Fund's liquidity needs, or in response to a specific economic event, may be affected.

U.S. GOVERNMENT OBLIGATIONS. Each Fund may invest in securities issued or guaranteed by the U.S. Government or its agencies or instrumentalities. These securities include a variety of Treasury securities, which differ in their interest rates, maturities and times of issuance. Treasury Bills generally have maturities of one year or less; Treasury Notes generally have maturities of one to ten years; and Treasury Bonds generally have maturities of greater than ten years. Some obligations issued or guaranteed by U.S. Government agencies and instrumentalities, such as Government National Mortgage Association pass-through certificates, are supported by the full faith and credit of the U.S. Treasury; other obligations, such as those of the Federal Home Loan Banks, are secured by the right of the issuer to borrow from the Treasury; other obligations, such as those issued by the Federal National Mortgage Association, are supported by the discretionary authority of the U.S. Government to purchase certain obligations of the agency or instrumentality; and other obligations, such as those issued by the Student Loan Marketing Association, are supported only by the credit of the instrumentality itself. Although the U.S. Government provides financial support to such U.S. Government-sponsored agencies or instrumentalities, no assurance can be given that it will always do so, since it is not so obligated by law.

FLOATING AND VARIABLE RATE SECURITIES. Each Fund may invest in securities which offer a variable or floating rate of interest. Floating rate securities generally provide for automatic adjustment of the interest rate whenever some specified interest rate index changes. Variable rate securities, on the other hand, provide for automatic establishment of a new interest rate at fixed intervals. Interest rates on floating and variable rate securities are based on a designated rate or a specified percentage thereof, such as a bank's prime rate.

Floating or variable rate securities typically include a demand feature entitling the holder to demand payment of the obligation on short notice at par plus accrued interest. Some securities which do not have floating or variable interest rates may be accompanied by puts producing similar results and price characteristics. The issuer of these securities normally has a corresponding right, after a given period, to prepay in its discretion the outstanding principal amount of the note plus accrued interest upon a specified number of days notice to the noteholders. When considering the maturity of any instrument which may be sold or put to the issuer

or a third party, the Fund may consider the instrument's maturity to be shorter than its stated maturity.

- Options. Each Fund may invest in put and call options for which a Fund pays a premium (cost of option), and a Fund may buy or sell from a long position such options, exercise such options, or permit such options to expire, in each case, when and to the extent deemed advisable by the Adviser there are two basic types of options: "puts" and "calls." A call option on a security gives the purchaser of the option the right to buy, and the writer the obligation to sell, the underlying asset at the exercise price during the option period. Alternatively, a put option on a security gives the purchaser the right to sell, and the writer the obligation to buy, the underlying asset at the exercise price during the option period. Purchased options have defined risk, that is, the premium paid for the option, regardless of how much the affording an opportunity for gain corresponding to the increase or decrease in the value of the optioned asset. In general, a purchased put increases in value as the price of the underlying security falls and a purchased call increases in value as the value of the underlying security rises. The Funds will not engage in the writing of call or put options.

In addition to options on individual securities, a Fund may buy or sell from a long position options on securities indices. In general, options on indices of securities are similar to option on individual securities except that delivery requirements are different. For example, a put option on an index of securities does not give the holder the right to make actual delivery of a basket of securities but instead gives the holder the right to receive an amount of cash upon exercise of the option if the value of the underlying index has fallen below the exercise price. The amount of cash received will be equal to the difference between the closing price of the index and the exercise price of the option expressed in dollars times a specified multiple. As with option on equity securities or futures contracts, a Fund may offset its position in index options prior to expiration by entering into a closing transaction on an exchange or it may let the option expire unexercised.

Each Fund may engage in both hedging and nonhedging strategies. Although effective hedging can generally capture the bulk of a desired risk adjustment, no hedge is completely effective. A Fund's ability to hedge effectively through transactions in options depends on the degree to which price movements in its holdings correlate with price movements of the options.

- Short Sales. Each Fund may engage in short sale transactions in securities listed on one or more worldwide securities exchanges, particularly the United States, when and to the extent deemed advisable by the Adviser. A Fund may only make short sales "against the box", i.e., sales made when a Fund owns securities identical to those sold short. A short sale is a transaction in which a Fund sells a security it does not own by borrowing it from a broker, and consequently becomes obligated to replace that security. A short sale against the box is a short sale

- where a Fund owns the security sold short or has an immediate and unconditional right to acquire that security without additional cash consideration upon conversion, exercise or exchange of options with respect to securities held in its portfolio. The effect of selling a security short against the box is to insulate that security against any future gain or loss.
- Illiquid Securities. Each Fund may invest up to 15% of its net assets in illiquid securities. The term "illiquid securities" for this purpose means securities that cannot be disposed of within seven days in the ordinary course of business at approximately the amount at which a Fund has valued the securities. The price quoted for illiquid securities shall be the fair market value determined by a method approved by the Trustees. Due to the nature of illiquid securities, the actual price received for the securities when sold may be substantially less than the quoted price when the decision to sell the securities was made.
 - Temporary Defensive Position. Each Fund may hold up to 100% of its assets in cash or high quality debt securities for temporary defensive purposes. A Fund will adopt a temporary defensive position when, in the opinion of the Adviser, such a position is more likely to provide protection against adverse market conditions than adherence to a Fund's other investment policies. The types of high-quality instruments in which a Fund may invest for such purposes include money market mutual funds, money market securities (such as repurchase agreements) and securities issued or guaranteed by the United States Government or its agencies or instrumentalities, certificates of deposit, time deposits, and banker' acceptances of certain qualified financial institutions and corporate commercial paper, which at the time of purchase are rated at least within the "A" major rating category by Standard & Poor's Corporation ("S&P") or the "Prime" major rating category by Moody's Investor's Service, Inc. ("Moody's"), or, if not rated, issued by companies having an outstanding long-term unsecured debt issued rated at least "A" category by S&P or Moody's.
 - Short Term Trading. Each Fund may engage in short term trading of securities and reserves full freedom with respect to portfolio turnover. In period where there are rapid changes in economic conditions and security price levels or when reinvestment strategy changes significantly, portfolio turnover may be higher than during times of economic and market price stability or when investment strategy remains relatively constant. A higher portfolio turnover rate may involve greater transaction costs, relative to other funds in general, and may have tax and other consequences.
 - Leverage. Each Fund may borrow money from a bank not to exceed 33 1/3% of total assets (including the proceeds of any such borrowing). However, such borrowing is permitted only in extraordinary circumstances such as to raise cash to fund redemptions. Leverage involves the borrowing of money to purchase securities. The use of borrowed money will incur interest charges and may have an adverse impact on a Fund's performance. Although a Fund will only use

leverage for extraordinary or emergency purposes, the use of leverage may increase the overall riskiness of a Fund's portfolio. Typically, use of leverage will cause a Fund's assets to increase more when portfolio assets increase in value and decrease more when portfolio assets decrease in value than if a Fund did not use leverage. Additionally, if securities values fall, the Fund may have to liquidate securities at a loss to pay off any borrowings.

Investment Restrictions

Queens Road Value and Queens Road Small Cap have adopted certain investment restrictions. These restrictions are classified as either Fundamental or Non-Fundamental. Fundamental restrictions may not be changed without the affirmative vote of a majority of outstanding voting securities of the applicable fund. Non-Fundamental restrictions may be changed without a shareholder vote. However, with regard to the non-fundamental policy of investing at least 80% of assets in the equity securities of small cap companies, Queens Road Small Cap Value Fund's, the Fund will not change this policy without providing shareholders with a least 60 days prior written notice.

For more information, see "Investment Objective and Principal Investment Strategies" and "Risk Factors" in the Funds' prospectus.

Fundamental Restrictions

The fundamental investment restrictions with respect to each Fund are set forth below. Under these restrictions, each Fund may not:

(1) issue senior securities as defined in the 1940 Act, except as permitted by that Act and the rules, regulations or pronouncements thereunder or as permitted by the Securities and Exchange Commission (the creation of general liens or security interests under industry practices for transactions in portfolio assets are not deemed to involve the issuance of senior securities);

(2) underwrite or participate in the marketing of securities of other issuers, except (a) the Fund may, acting alone or in syndicates or groups, purchase or otherwise acquire securities of other issuers for investment, either from the issuers or from persons in a control relationship with the issuers or from underwriters of such securities; and (b) to the extent that, in connection with the disposition of the Fund's securities, the Fund may be a selling shareholder in an offering or deemed to be an underwriter under certain federal securities laws;

(3) make direct investments in real estate unless acquired as a result of ownership of securities or other instruments, although the Fund may purchase and sell other interests in real estate including securities which are secured by real estate, or securities of companies which make real estate loans or own, or invest or deal in, real estate;

(4) invest in physical commodities or physical commodity contracts, except that investments in essentially financial items or arrangements such as, but not limited to, swap arrangements, hybrids, currencies, currency and other forward contracts, delayed delivery and when-issued contracts, futures contracts and options on futures contracts on securities, securities indices, interest rates and currencies shall not be deemed investments in commodities or commodities contracts;

(5) lend any security or make any other loan if, as a result, more than 33 1/3% of its total assets would be lent to other parties, but this restriction does not apply to purchases of debt securities or repurchase agreements.

(6) invest 25% or more of the value of its total assets in any one industry, as determined by standard industry classification codes. However, the Funds are not obligated to sell excess securities when securities of a given industry come to constitute 25% or more of the value of a Fund's total assets by reason of changes in value of either the concentrated securities or other securities, and

(7) borrow money, including reverse repurchase agreements in so far as such agreements may be regarded as borrowings, except for borrowings from a bank and not in an amount in excess of 33 1/3% of the value of its total assets (including the proceeds of any such borrowings). The Funds will not make investments in securities when the outstanding borrowing exceeds 5% of the funds total assets.

Non-Fundamental Restrictions

The following investment restrictions are not fundamental and may be changed with respect to each Fund without shareholder approval. Under these restrictions, each Fund may not:

(1) purchase any security or enter into a repurchase agreement if as a result more than 15% of its net assets would be invested in securities that are illiquid (including repurchase agreements not entitling the holder to payment of principal and interest within seven days);

(2) engage in transactions in options except in connection with options on securities, securities indices, currencies and interest rates, and options on futures of securities, securities indices, currencies and interest rates;

(3) purchase securities on margin or make short sales of securities or maintain a short position except for short sales "against the box" (for the purpose of this restriction, escrow or custodian receipts or letters, margin or safekeeping accounts, or similar arrangements used in the industry in connection with the trading of futures, options and forward commitments are not deemed to involve the use of margin); and

(4) purchase a security issued by another investment company, except to the extent permitted under the 1940 Act or any exemptive order from the Securities and Exchange Commission.

(5) invest 10% or more of the value of its total assets in options. However, the Funds are not obligated to sell options when options come to constitute 10% or more of the value of the Fund's total assets by reason of changes in value of either options or other securities.

(6) with regard to Fundamental Restriction 7 above - Such borrowing will only be made from a bank and for extraordinary or emergency purposes, such as permitting redemption requests to be honored.

Excluding the Funds restrictions regarding borrowing (Fundamental Restriction 7 above) and illiquid securities (Non-fundamental Restriction 1 above), any investment restriction or limitation which involves a maximum percentage of securities or assets shall not be considered to be violated unless an excess over the percentage occurs immediately after an acquisition of securities and such excess results therefrom. If events subsequent to a transaction result in a Fund exceeding the percentage limitation on illiquid securities, the adviser will reduce the percentage of held in illiquid securities as soon as practical until the Fund is in compliance with that percentage limitation. If events subsequent to a transaction result in a Fund exceeding the percentage limitation on borrowings, the investment manager will reduce the percentage of borrowings within 3 days (not including Sundays or holidays or such longer period as the Commission may prescribe by rules and regulations) until the Fund is in compliance with that percentage limitation.

Disclosure of Portfolio Holdings

It is the policy of the Fund's Adviser to provide portfolio holdings in two ways:

Regulatory Filings – The Funds will file with the SEC Semi-Annual and Annual Reports which contain a schedule of portfolio investments. Additionally each Fund files its complete schedule of portfolio investments with the Securities and Exchange Commission for the first and third quarters of each fiscal year on Form N-Q. These forms are available on the SEC's website at <http://www.sec.gov> and they may 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 1-800-SEC-0330. Additionally, you may request a Semi Annual Report, Annual Report or Form N-Q by calling the Funds at 1-800-595-3088.

Ratings and Ranking Organizations – The Fund Adviser has authorized the Fund Accountant to distribute each month a schedule of portfolio investments of each Fund to certain reputable Ratings and Ranking Organizations. The schedules are transmitted electronically after the market close as of the last business day of the month.

The Funds' Portfolio Disclosure Holdings Policy has been authorized by the Board of Trustees and may not be changed without the prior approval of the Board of Trustees. No compensation or other consideration is received by the Fund, its Adviser, any Service Provider or their Affiliates for the disclosure of portfolio holdings. The Board believes the Fund disclosure policy is in shareholder best interests as it provides adequate disclosure of portfolio holdings while limiting any apparent conflicts of interest. If any potential conflicts of interest arise regarding the Funds' disclosure policy, the executive officers of the Adviser will disclose such conflict at the next scheduled Trustee meeting.

Management of The Funds

Trustees and Officers

Under state law, the duties of the Trustees are generally characterized as a duty of loyalty and a duty of care. The duty of loyalty requires a Trustee to exercise his or her powers in the interest of the Trust and not the Trustee's own interest or the interest of another person or organization. A Trustee satisfies his or her duty of care by acting in good faith with the care of an ordinarily prudent person and in a manner the Trustee reasonably believes to be in the best interest of the Trust and its beneficiaries, which include the shareholders of the Funds. The Trustees have authority to issue an unlimited number of shares of beneficial interest of separate series, \$.001 par value per share. The Trustees also have the authority, without the necessity of a shareholder vote, to create any number of new series or classes of shares or to commence the public offering of share of any previously established series or classes. Each share of a Fund has equal dividend, redemption and liquidation rights, and when issued, is fully paid and non assessable by the Fund.

The following table provides biographical information with respect to each current Trustee and officer of the Trust.

Officers and Interested Trustees

<u>Name (Age)</u>	<u>Position with Fund</u>	<u>Term of Office and Length of Time Served</u> <u>Number of Funds Served</u>	<u>Principal Occupations During Past Five Years</u>	<u>Other Directorships Held</u> <u>Director</u>
Steve Scruggs, 39	Trustee, President Secretary	Unlimited 6 yr 2	Bragg Financial Advisors, Portfolio Manager/CCO(2000-present)	None
Benton Bragg, 40	Trustee, Chairman Treasurer	Unlimited 6 yr 2	Bragg Financial Advisors, President, CEO (1996-present)	None
<i>Unaffiliated Trustees</i>				
Phil Blount, 53	Trustee	Unlimited 6 yr 2	Icons, Inc., President (2001-present) Marketing Merchandise	None

Chris Brady, 38	Trustee	Unlimited 6 yr 2	Brady Distributing, Vice President (1995-present) Machinery Distribution	None
Harold Smith, 43	Trustee	Unlimited 6 yr 2	Raftelis Financial, Vice President (1996 – present) Public Finance Consulting	None
Tim Ignasher, 48	Trustee	Unlimited 6 yr 2	Colony Signature Bank, Exec.Vice President (2008 to present) Paragon Commercial Bank, Chief Operating Officer (2007 to 2008) Scottish Bank, Senior Vice President (1998 – 2007) Chief Credit Officer	None

All Trustees may be reached by mail, care of the Funds, at:

Queens Road Mutual Funds
100 Queens Road
Charlotte, NC 28204

Steve Scruggs and Benton Bragg are Interested Trustees of the Funds (as that term is defined in Section 2(a)(19) of the Investment Company Act of 1940) by reason of their affiliation with the Funds' adviser, Bragg Financial Advisers, Inc. and their affiliation as registered principals with the Funds' underwriter, Queens Road Securities, LLC. Benton Bragg and Steve Scruggs are brothers-in-law.

Standing Committees

The Audit Committee is a standing committee consisting of independent trustees who communicate directly with the Fund's independent auditor discussing financial and control issues relating to the Fund. The Audit Committee consists of Tim Ignasher and Chris Brady. Tim Ignasher and Chris Brady are unaffiliated Trustees. The Audit Committee does not have a designated financial expert.

The Audit Committee met on August 12, 2008 to discuss the independent audit for fiscal year 6/1/2007 to 5/31/2008.

The Nominating Committee is a standing committee consisting of independent directors whose role is to identify and nominate potential Trustees of the Funds. The nominating committee accepts nomination requests from shareholders. All shareholder nominations must be submitted in writing to the Nominating Committee at 100 Queens Road, Charlotte, NC 28204. During fiscal year 6/1/2007 to 5/31/2008 the nominating committee did not meet.

Ownership of Equity Securities
As of 12/31/2008

Trustee	I – Interested U – Unaffiliated	Ownership in Queens Road Value	Ownership in Queens Road Small Cap	Ownership in Fund Complex
Benton Sellers Bragg	I	D	D	D
Steven H. Scruggs	I	B	C	D
Phil Blount	U	A	C	C
Tim Ignasher	U	A	A	A
Chris Brady	U	C	C	D
Harold Smith	U	A	C	C

Ownership Code

A-\$0 to \$10,000

B-\$10,001 to \$50,000

C-\$50,001 to \$100,000

D-Greater than \$100,000

Currently, no officer or employee of the Adviser receives any compensation from the Trust (for serving as an officer, employee, or Trustee of the Trust), and it is not anticipated that any compensation will be given to such officers or Trustees in the future. Each Trustee who is not an officer, director or employee of the Adviser or any affiliate will receive from the Funds a fee of \$125 for each Board or shareholders meeting attended.

Compensation

(1)	(2)(a)	(2)(b)	(3)	(5)
<u>Name of Person, Position</u>	<u>Aggregate Compensation from Queens Road</u>	<u>Aggregate Compensation from Queens Road Small Cap</u>	<u>Pension or Retirement Benefits Accrued as Part of Funds Expenses</u>	<u>Total Compensation from Funds and Fund Complex to Trustees</u>
Harold Smith, Trustee	\$250	\$250	\$0	\$500
Chris Brady, Trustee	\$250	\$250	\$0	\$500
Phil Blount, Trustee	\$250	\$250	\$0	\$500
Tim Ignasher, Trustee	\$250	\$250	\$0	\$500

The amounts shown above represent Trustee compensation for the period from June 1, 2007 through May 31, 2008. The amount shown is paid by the Fund's advisor on behalf of the Funds in accordance with the Advisory agreement.

The Trust does not have any retirement or pension plan for its Trustees or officers.

No Unaffiliated Trustee of the Trust owns, directly or indirectly, any interest in the Fund's Adviser or Principal Underwriter.

Control Persons and Principal Holders of Securities

A shareholder who beneficially owns, directly or indirectly, more than 25% of the Fund shares may be deemed a "control person" (as defined in the 1940 Act) of the Fund. As of September 17, 2008, no shareholder owns more than 25% of a funds' shares.

A shareholder who owns of record or is known by the Fund to own beneficially 5% or more of any Class of the Fund's outstanding shares is considered to be a Principal Holder.

Principal Holders (As of September 17, 2008)	Address	Ownership % in Queens Road Value	Ownership % in Queens Road Small Cap
John Frank Bragg, Jr.	C/O Pershing LLC PO BOX 2052 Jersey City NJ 07303	N/A	12.96%
NATIONAL FINANCIAL SERVICES LLC FBO OUR CUSTOMERS	200 LIBERTY STREET ONE WORLD FINANCIAL CENTER ATTN:MUT FUNDS DEPT 5TH FL NEW YORK NY 10281-	N/A	12.93%

John Frank Bragg Jr is owner of record of the full amount listed. National Financial Services LLC is owner for benefit of its customers.

Management Ownership

As of September 17, 2008. the officers and Board of Trustees of the Funds collectively owned 2.78% of the outstanding shares of the Queens Road Value and 4.07% of the outstanding shares of the Queens Road Small Cap Value Funds.

Investment Advisory and Other Services

Investment Adviser

The Funds' adviser, Bragg Financial Advisors, Inc, is registered with the Securities and Exchange Commission ("SEC") as an investment adviser under the Investment Advisers Act of 1940 (the "Advisers Act"). The Adviser has not been sponsored, recommended or approved, nor have its abilities or qualifications been passed upon, by the SEC or any other governmental agency.

The Adviser acts as investment adviser to the Funds pursuant to an Investment Advisory Agreement dated May 10, 2002 (the "Advisory Agreement"). This Advisory Agreement shall continue in effect for two years after its initial effectiveness and will continue from year to year as long as it is approved at least annually by both (i) a vote of the majority of the Trustees or a majority of the outstanding voting securities of the Fund (as defined by the 1940 Act), and (ii) a vote of the majority of the Trustees who are not parties to the Advisory Agreement or "interested persons" of any party thereto, cast in person at a meeting called for the purpose of voting on such approval. The Advisory Agreement may be terminated by either party provided the terminating party provides 60 days'

written notice. The Advisory Agreement cannot be assigned, and automatically terminates in the event of assignment. A transaction which does not result in a change of actual control or management of an adviser is not deemed an assignment, as provided by the 1940 Act.

Subject to the supervision and direction of the Board of Trustees, the Adviser manages each Fund's portfolio in accordance with the stated policies of the Fund. The Adviser makes investment decisions for the Funds and places the purchase and sale orders for portfolio transactions. In addition, the Adviser furnishes office facilities and clerical and administrative services and subject to the direction of the Board of Trustees, is responsible for the overall management of the business affairs of the Funds, including the provision of personnel for record keeping, the preparation of governmental reports and responding to shareholder communications.

Each Fund, the Adviser, and the Distributor have adopted a Code of Ethics pursuant to the requirements of the 1940 Act. Under the Code of Ethics, personnel are allowed to engage in personal securities transactions only in accordance with certain conditions relating to such person's position, the identity of the security, the timing of the transaction, and other similar factors. Transactions in securities held by the Funds are permitted, subject to compliance with the Code of Ethics.

Affiliates of the Adviser who are affiliates of the Funds.

<u>Name</u>	<u>Position with Fund</u>	<u>Position with Adviser</u>
Benton Bragg	Chairman, Treasurer	CEO
Steve Scruggs	President, Secretary	Portfolio Manager/Analyst

Management Fee

As described in the Prospectus, each Fund will pay the Adviser a management fee based on the net assets of the Fund. The following table illustrates the fee structure. The fees are expressed as a percentage of the Fund's average net assets.

Net Assets	Queens Road Value Management Fee	Queens Road Small Cap Management Fee
\$0 - \$250,000,000	0.95%	1.35%
\$250,000,001 - \$500,000,000	0.85%	1.25%
Greater than \$500,000,000	0.80%	1.15%

DESCRIPTION OF PORTFOLIO MANAGER COMPENSATION STRUCTURE

BASE SALARY. Each Portfolio Manager is paid a base salary. In setting the base salary, the Adviser seeks to be competitive in light of the particular Portfolio Manager’s experience and responsibilities.

PERFORMANCE BONUS. Each Portfolio Manager is paid a discretionary performance bonus based on the performance of the firm. The amount, nature and timing of the performance bonus is made at the discretion of the owners of the Adviser. The owners of the Adviser include Benton S. Bragg and Steven H. Scruggs.

Additionally, a Portfolio Manager may receive distributions of the Adviser’s profits to the extent that the Portfolio Manager is a shareholder of the Adviser. Steven H. Scruggs is a Portfolio Manager and shareholder of the Adviser.

Name of Portfolio Manager	Type of Account	Number of Accounts Managed	Total Assets Managed	Number of Accounts Managed for which Advisory Fee is Performance-Based	Value of Managed Accounts for which Advisory Fee is Performance-Based
Steven H Scruggs	Registered investment companies	2	\$24,475,320	None	-
	Private pooled investment vehicles	0	-	None	-
	Other accounts*	**	**	None	-

* - Other accounts include separate accounts and high net worth individual accounts.

** - Mr. Scruggs as Director of Research and Investment Committee Member has oversight over all research activities however assumes no day to day management of any accounts classified “Other Accounts”

Potential Conflicts of Interest

The fact that a Portfolio Manager has day-to-day management responsibility for more than one client account may create actual, potential or only apparent conflicts of interest. For example, the Portfolio Manager may have an opportunity to purchase securities of limited availability. In this circumstance, the Portfolio Manager is expected to review each account’s investment guidelines, restrictions, tax considerations, cash balances, liquidity needs and other factors to determine the suitability of the investment for each

account and to ensure that his or her managed accounts are treated equitably. The Portfolio Manager may also decide to purchase or sell the same security for multiple managed accounts at approximately the same time. The Portfolio Manager may allocate securities in a manner other than pro-rata if it determines that the allocation is fair and equitable under the circumstances and does not discriminate against any account.

Finally, conflicts of interest may arise when a Portfolio Manager personally buys, holds or sells securities held or to be purchased or sold for a Fund or other client account or personally buys, holds or sells the shares of one or more of the Funds. To address this, the Funds have adopted a written Code of Ethics designed to prevent and detect personal trading activities that may interfere or conflict with client interests (including Fund shareholders' interests). A copy of the Code of Ethics is available free of charge by calling toll free 1-800-595-3088.

The Funds have adopted certain compliance procedures which are designed to address the above-described types of conflicts. However, there is no guarantee that such procedures will detect each and every situation in which a conflict arises.

Other Expenses

Each Fund pays its own (1) brokerage fees and commissions; (2) taxes and governmental fees; (3) interest; and (4) extraordinary and non-recurring expenses.

Pursuant to the Advisory Agreement, the Adviser, on behalf of each Fund, will pay the following: (1) fees of the Independent Trustees; (2) expenses of registration of the Trust and of the shares of the Fund with the SEC and various states; (3) charges of the custodian, dividend and transfer agent; (4) outside auditing and legal expenses; (5) liability insurance premiums on property or personnel (including officers and trustees) (6) maintenance of business trust existence; (7) costs of preparing, printing and mailing registration statements, prospectuses, periodic reports and other documents furnished to shareholders and regulatory authorities; (8) portfolio pricing services; and (9) Fund shareholder meetings.

Principal Underwriter

Queens Road Securities, LLC ("QRS") acts as the principal underwriter in the continuous public offering of the Funds' shares. QRS is located at 100 Queens Road, Charlotte, NC 28204 and is an affiliate of Bragg Financial Advisors, Inc. the Funds' adviser. Certain owners of Bragg Financial Advisors, Benton Bragg, John Bragg, Phillips Bragg, Steve Scruggs, and Katie Scruggs, own in the aggregate 100% of QRS. QRS is not obligated to sell any amount of shares.

From inception 6/13/2002 to 5/31/2008, Queens Road Securities, LLC received no compensation relating to the underwriting agreement.

Other Service Providers

Fund Accountant

Mutual Shareholder Services, LLC. (MSS), 8000 Towne Center Drive, Suite 400, Broadview Heights, OH 44147 provides the Funds with accounting and administrative services relating to pricing fund shares, distributing daily pricing, maintaining books and records relating to such pricing and other administrative duties. In consideration of such services, the Adviser on behalf of each Fund pays the Accountant an annual fee which is paid monthly and computed as a percentage of the average daily net assets of the Fund. The Trust reserves the right to change its fund accountant at any time, subject to the terms of the Accounting Agreement.

Transfer Agent

Each Fund has entered into a Transfer Agent Agreement ("Transfer Agent Agreement") with Mutual Shareholder Services, LLC. (MSS), pursuant to which MSS has agreed to act as the Fund's transfer, redemption and dividend disbursing agent. As such, the Transfer Agent maintains the Funds' official records of shareholders and is responsible for crediting dividends to shareholders' accounts. In consideration for such services, the Transfer Agent receives from the Adviser on behalf of each Fund an annual fee, paid monthly, computed as a percentage of the average daily net assets of the Fund. The Trust reserves the right to change its transfer, redemption and dividend distributing agent at any time, subject to the terms of the Transfer Agent Agreement.

Custodian

The Funds' custodian is US Bank, N.A. ("Custodian"), 425 Walnut Street, Cincinnati, OH, 45202. Each Fund has entered into a Custodian Agreement ("Custodian Agreement") with the Custodian, pursuant to which the Custodian will hold all securities and cash of the Fund, deliver and receive payment for securities sold, receive and pay for securities purchased, collect income from investments and perform other duties, all as directed by officers of the Fund. The Custodian will not exercise any supervisory function over the purchase and sale of securities or the payment of distributions to shareholders. In consideration of such services, the Adviser on behalf of each Fund pays the Custodian an annual fee which is paid monthly and computed as a percentage of the average daily net assets of the Fund. The Fund reserves the right to change its custodian at any time, subject to the terms of the Custodian Agreement.

Independent Registered Public Accounting Firm

Cohen Fund Audit Services, Ltd., 800 Westpoint Parkway, Suite 1100 Westlake, OH 44145-1524 serves as the Funds' independent registered public accountant and audits the

financial statements of the Funds. The Funds' independent registered public accounting firm must be approved annually by the Board of Trustees.

Administrator

Bragg Financial Advisors, Inc. (BFA), 100 Queens Road, Charlotte, NC 28204, the Funds' investment adviser has entered into an Administrative Agreement with each Fund pursuant to which BFA will provide advice and assistance relating to the administrative affairs of the Funds. BFA will receive no compensation under the terms of the Administration Agreement.

Brokerage Allocation and Other Practices

Portfolio Transactions

Decisions to buy and sell securities for the Funds are made by the Adviser. Portfolio security transactions for the Funds are effected by or under the supervision of the Adviser.

Transactions on stock exchanges involve the payment of negotiated brokerage commissions. There is generally no stated commission in the case of securities traded in the over-the-counter markets, but the price of those securities includes an undisclosed commission or markup. The cost of securities purchased from underwriters includes an underwriting commission or concession, and the prices at which securities are purchased from and sold to dealers include a dealer's markup or markdown.

In executing portfolio transactions and selecting brokers and dealers, it is each Fund's policy to seek the best overall terms available. In assessing the best overall terms available for any transaction, the Adviser shall consider the factors it deems relevant, including the breadth of the market in the security, the price of the security, the financial condition and execution capability of the broker or dealer, and the reasonableness of the commission, if any, for the specific transaction and on a continuing basis. In addition, the Advisory Agreement authorizes the Adviser to pay a higher commission than is charged by other broker-dealers if the Adviser determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services (as those terms are defined in Section 28(e) of the Securities Exchange Act of 1934) provided to the Fund.

The Adviser may execute securities transactions through its affiliate, Queens Road Securities, LLC.

The Board of Trustees will periodically review the commissions paid by the Funds to determine if the commissions paid over representative periods of time were reasonable in relation to the benefits inuring to the Funds. It is possible that certain of the services received will primarily benefit one or more other accounts for which investment

discretion is exercised. Conversely, the Fund may be the primary beneficiary of services received as a result of portfolio transactions effected for other accounts. The Adviser's fee under the Advisory Agreement is not reduced by reason of the Adviser's receiving such brokerage and research services.

Although investment decisions for the Funds are made independently from those of the other accounts managed by the Adviser, investments of the kind made by the Funds may also be made by those other accounts. When a Fund and one or more accounts managed by the Adviser are prepared to invest in, or desire to dispose of, the same security, available investments or opportunities for sales will be allocated in a manner believed by the Adviser to be equitable. In some cases, this procedure may adversely affect the price paid or received by a Fund or the size of the position obtained for or disposed of by a Fund.

When selecting brokers the Fund negotiates with its brokers to ensure that the Funds pay a rate of commission that is competitive with the current market environment as determined by the Adviser.

All trades were in accordance with the 17e-1 procedures of the Investment Company Act of 1940. The expenses paid by the Funds to execute the portfolio transactions were:

Commissions Paid to Affiliated Brokers

Queens Road Securities, LLC	6/1/2005– 5/31/2006	6/1/2006– 5/31/2007	6/1/2007– 5/31/2008
Queens Road Value Fund	0	0	0
Queens Road Small Cap Value Fund	0	0	0

Total Commissions Paid

	6/1/2005 – 5/31/2006	6/1/2006– 5/31/2007	6/1/2007– 5/31/2008
Queens Road Value Fund	\$2,046.58	\$2,442.12	\$2,876.62
Queens Road Small Cap Value Fund	\$10,652.58	\$11,195.43	\$13,002.72

The increase in total commissions paid is due to increased level of assets in the Funds.

Portfolio Turnover

A greater rate of portfolio turnover may be experienced during periods of marketplace volatility which necessitates more active trading. A higher portfolio turnover rate involves greater transaction costs to the Fund and may result in the realization of net capital gains which would be taxable to shareholders when distributed.

Portfolio Turnover

	06/01/2007 to 05/31/2008	06/01/2006 to 05/31/2007	06/01/2005 to 05/31/2006	06/01/2004 to 05/31/2005	06/01/2003 to 05/31/2004
Queens Road Value Fund	14.05%	8.66%	6.54%	54.43%	36.79%
Queens Road Small Cap Value Fund	24.60%	64.65%	74.23%	39.74%	82.56%

Capital Stock and Other Securities

The Declaration of Trust provides for an unlimited number of authorized shares, which may, without shareholder approval, be divided into an unlimited number of series of such shares. There are presently two series of shares, which are Queens Road Value Fund and Queens Road Small Cap Value Fund. Each Fund share represents an equal proportionate interest in the Fund with other Fund shares, and is entitled to such dividends and distributions out of the Fund's income as are declared at the discretion of the Board of Trustees. All consideration received by the Trust for shares of a Fund and all assets in which such consideration is invested will belong to the Fund and will be subject to the liabilities relating thereto.

Shareholders are entitled to one vote per share (and proportional voting for fractional shares, e.g. 2.5 shares cast 2.5 votes) on such matters as shareholders are entitled to vote. The laws of the State of Delaware, under which the Trust is organized, and the Trust's bylaws provide that a Fund is not required to hold an annual meeting of shareholders unless required to do so under the 1940 Act. Accordingly, the Funds will not hold annual shareholder meetings unless required to do so under the 1940 Act. Shareholders holding two-thirds of a Fund's voting shares do have the right to call a meeting of shareholders for the purpose of voting to remove one or more Trustees. A Fund will render assistance to shareholders in connection with their efforts to arrange a shareholder meeting as required under Section 16(c) of the 1940 Act.

Upon issuance and sale in accordance with the terms of the Funds' prospectus, each share will be fully paid and non-assessable. Shares of the Funds have no preemptive, subscription or conversion rights and are redeemable as set forth in the Funds' prospectus in the section titled "How to Redeem Shares." The Funds will not issue share certificates evidencing shares. Instead, your account will be credited with the number of shares purchased, relieving you of responsibility for safekeeping of certificates and the need to deliver them upon redemption.

The Declaration of Trust also provides that shareholders shall not be subject to any personal liability for the acts or obligations of either Fund and that every agreement, obligation or instrument entered into or executed by either Fund shall contain a provision to the effect that the shareholders are not personally liable thereunder.

Purchase, Redemption and Pricing of Shares

See "How To Purchase Shares" and "How To Redeem Shares" in the Fund's prospectus.

Taxation of the Funds

Each Fund has qualified and intends to remain qualified each year for the tax treatment applicable to a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). To so qualify, a Fund must comply with certain requirements of the Code relating to, among other things, the source of its income, the amount of its distributions and the diversification of its assets.

By so qualifying, a Fund will not be subject to Federal income taxes to the extent that its net investment income and capital gain net income are distributed, so long as the Fund distributes, as ordinary income dividends, at least 90% of its investment company taxable income.

The Internal Revenue Service (the "IRS") will impose a non-deductible 4% excise tax on a Fund to the extent that the Fund does not distribute (including by declaration of certain dividends), during each calendar year, (i) 98% of its ordinary income for such calendar year, (ii) 98% of its capital gain net income for the one-year period ending October 31 of such calendar year (or the Fund's actual taxable year ending December 31, if elected) and (iii) any income realized but not distributed in the prior year. To avoid the application of this tax, each Fund intends to distribute substantially all of its net investment income and capital gain net income at least annually to its shareholders.

Each Fund maintains accounts and calculates income by reference to the U.S. dollar for U.S. Federal income tax purposes. Investments calculated by reference to foreign currencies will not necessarily correspond to a Fund's distributable income and capital gains for U.S. Federal income tax purposes as a result of fluctuations in foreign currency exchange rates. Furthermore, if any exchange control regulations were to apply to a Fund's investments in foreign securities, such regulations could restrict that Fund's ability to repatriate investment income or the proceeds of sales of securities, which may limit the Fund's ability to make sufficient distributions to satisfy the 90% distribution requirement and avoid the 4% excise tax.

Income earned or received by a Fund from investments in foreign securities may be subject to foreign withholding taxes unless a withholding exemption is provided under an applicable treaty. Any such taxes would reduce that Fund's cash available for distribution to shareholders. It is currently anticipated that none of the Funds will be eligible to elect to "pass through" such taxes to their shareholders for purposes of enabling them to claim foreign tax credits or other U.S. income tax benefits with respect to such taxes.

If a Fund invests in stock of a so-called passive foreign investment company (“PFIC”), the Fund may be subject to Federal income tax on a portion of any “excess distribution” with respect to, or gain from the disposition of, the stock. The Fund would determine the tax by allocating such distribution or gain ratably to each day of the Fund’s holding period for the stock. The Fund would be taxed on the amount so allocated to any taxable year of the Fund prior to the taxable year in which the excess distribution or disposition occurs, at the highest marginal income tax rate in effect for such years, and the tax would be further increased by an interest charge. The Fund would include in its investment company taxable income the amount allocated to the taxable year of the distribution or disposition and, accordingly, it would not be taxable to the Fund to the extent distributed by the Fund as a dividend to shareholders.

In lieu of being taxable in the manner described above, a Fund may be able to elect to include annually in income its pro rata share of the ordinary earnings and net capital gain (whether or not distributed) of the PFIC. In order to make this election, the Fund would need to obtain annual information from the PFICs in which it invests, which in many cases may be difficult to obtain. Alternatively, the Fund may elect to mark to market its PFIC stock, resulting in the stock being treated as sold at fair market value on the last business day of each taxable year. In the event that the Fund makes a mark to market election for the current taxable year, the resulting gain or loss generally is reportable as ordinary income or loss. The Fund may make either of these elections with respect to its investments (if any) in PFICs.

Investments of a Fund in securities issued at a discount or providing for deferred interest payments or payments of interest in kind (which investments are subject to special tax rules under the Code) will affect the amount, timing and character of distributions to shareholders. For example, a Fund which acquires securities issued at a discount is required to accrue as ordinary income each year a portion of the discount (even though the Fund may not have received cash interest payments equal to the amount included in income) and to distribute such income each year in order to maintain its qualification as a regulated investment company and to avoid income and excise taxes. In order to generate sufficient cash to make distributions necessary to satisfy the 90% distribution requirement and to avoid income and excise taxes, the Fund may have to dispose of securities that it would otherwise have continued to hold.

Distributions

The following discussions are limited to the U.S. federal income tax consequences relevant to U.S. shareholders. As used herein, a U.S. shareholder is a beneficial owner of shares that, for U.S. federal income tax purposes, is (i) a citizen or resident (as defined in the Code) of the United States, (ii) a corporation (or entity taxable as a corporation for U.S. federal income tax purposes) organized under the laws of the United States, any state or the District of Columbia, (iii) an estate, the income of which is subject to U.S. federal income tax regardless of source, or (iv) a trust with respect to which a court within the United States is able to exercise primary jurisdiction over its administration and one or more U.S. persons (as defined in the Code) have the authority to control all

substantial decisions, or a trust that was treated as a domestic trust under the law in effect before 1997 that has properly elected to continue to be treated as a domestic trust.

For Federal income tax purposes, distributions by each Fund, whether received in cash or reinvested in additional shares, from net investment income and from any net realized short-term capital gain are taxable to shareholders as ordinary income, which generally cannot be offset by capital losses. For taxable years beginning before January 1, 2009, distributions of “qualified dividend income” to non-corporate shareholders are taxable at a maximum rate of 15% (5% for 10% and 15% rate taxpayers). A distribution from a Fund will be treated as qualified dividend income to the extent that it is comprised of dividend income received by the Fund from taxable domestic and certain foreign corporations, provided that the Fund satisfies certain holding period requirements with respect to the security paying the dividend. In addition, the non-corporate shareholder must also satisfy certain holding period requirements with respect to its Fund shares in order to qualify for these preferential rates. For U.S. corporate shareholders, distributions of net investment income (but not distributions of short-term capital gains) may qualify in part for the 70% dividends received deduction for purposes of determining their regular taxable income, provided the shareholder satisfies certain holding period requirements with respect to its Fund shares. (However, the 70% dividends received deduction is not allowable in determining a corporate shareholder’s alternative minimum taxable income.).

So long as a Fund qualifies as a regulated investment company and satisfies the 90% distribution requirement, distributions by the Fund from net capital gains will be taxable as long-term capital gain, whether received in cash or reinvested in Fund shares and regardless of how long a shareholder has held Fund shares. Such distributions are not eligible for the dividends received deduction. Capital gain distributions by the Fund, although fully includible in income, currently are taxed at a lower maximum marginal Federal income tax rate than ordinary income in the case of non-corporate shareholders. Such long-term capital gains are generally taxed at a maximum marginal Federal income tax rate of 15% (5% for 10% and 15% rate taxpayers).

Distributions by a Fund in excess of its current and accumulated earnings and profits will reduce a shareholder’s basis in Fund shares (but, to that extent, will not be taxable) and, to the extent such distributions exceed the shareholder’s basis, will be taxable as capital gain assuming the shareholder holds Fund shares as capital assets.

A distribution is treated as paid during a calendar year if it is declared in October, November or December of the year to shareholders of record in such month and paid by January 31 of the following year. Such distributions are taxable to such shareholders as if received by them on December 31, even if not paid to them until January. In addition, certain other distributions made after the close of a Fund’s taxable year may be “spilled back” and treated as paid by the Fund (other than for purposes of avoiding the 4% excise tax) during such year. Such dividends would be taxable to the shareholders in the taxable year in which the distribution was actually made by the Fund. The Trust will send written notices to shareholders regarding the amount and Federal income tax status of all distributions made by a Fund during each calendar year.

Back-up Withholding/Withholding Tax

Under the Code, certain non-corporate shareholders who are United States persons may be subject to back-up withholding at the rate of 28% on reportable dividends, capital gains distributions and redemption payments (“back-up withholding”). Generally, shareholders subject to back-up withholding are those for whom a taxpayer identification number and certain required certifications are not on file with the Trust or who, to the Trust’s knowledge, have furnished an incorrect number. In addition, the IRS requires the Trust to withhold from distributions to any shareholder who does not certify to the Trust that such shareholder is not subject to back-up withholding due to notification by the IRS that such shareholder has under-reported interest or dividend income. When establishing an account, an investor must certify under penalties of perjury that such investor’s taxpayer identification number is correct and that such investor is not subject to or is exempt from back-up withholding.

PROSPECTIVE INVESTORS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF SHARES OF THE FUND.

Financial Statements**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The financial statements and independent auditor’s report required to be included in the Statement of Additional Information are hereby incorporated by reference to the Funds’ Annual Report to the shareholders for the period ended May 31, 2008. The trust will provide the Annual Report without charge upon written request or request, by telephone by calling 1-800-595-3088, or on its website at www.queensroadfunds.com.

Quarterly Portfolio Schedule

The Funds file their complete schedule of portfolio holdings with the Securities and Exchange Commission for the first and third quarters of each fiscal year on Form N-Q. The Funds’ Forms N-Q are available on the SEC’s website at <http://www.sec.gov>; or may be reviewed and copied at the Commission’s Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. Shareholders may request a copy in writing directly from the Funds by writing to: Queens Road Funds, 100 Queens Road, Charlotte, NC 28204.

Proxy Voting Guidelines

The Board of Trustees has adopted proxy voting procedures and guidelines to govern the voting of proxies relating to the Funds' portfolio securities. The procedures and guidelines delegate to the Adviser the authority to vote proxies relating to portfolio securities and provide guidelines to ensure that proxies are voted in the best interest of the Funds' shareholders. The Adviser will put the interests of the Funds' shareholders above all others when voting proxies. If a conflict of interest should arise between the interests of the Adviser and the interests of the Funds' shareholders, the Adviser will vote the proxies in the shareholders best interests. Any such conflict of interest will be reported to the Board of Trustees at the next meeting of the Trustees.

A copy of the proxy voting procedure guidelines for the Funds is available at no charge upon request by calling 1-800-595-3088 or at the Securities and Exchange Commission's Website, www.sec.gov. Also, a report is available at no charge which details the proxy votes made by each Fund for the previous 12 month period ended June 30. These reports are available by calling 1-800-595-3088 and will also be made available on the Securities and Exchange Commission website, www.sec.gov.