

# Mundoval Fund

**ANNUAL REPORT**

December 31, 2008

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**Mundoval Fund  
Annual Report  
December 31, 2008**

Fellow Shareholders,

For the one year period ending December 31, 2008, the Mundoval Fund returned -35.15% versus -40.71% for the MSCI World Index. Since inception on September 3, 2004, the annualized average rate of return for the Mundoval Fund has been -0.21% versus -0.98% for the MSCI World Index.

Assets under management in the Fund as of December 31, 2008 are \$7.17 million. Altria Group, Amgen, British Petroleum Plc, Cemex, Intel, Nestle and Telefonos de Mexico were sold during the year because the investment adviser either believed them to be fairly valued or determined that there were more attractive businesses to be purchased with the proceeds. New security positions for the year included Bank of America, Citigroup, Ebay Inc., Diageo Plc, General Electric, HSBC Holdings, News Corporation, SK Telecom and Wellpoint Health Net.

Positive factors impacting investment performance of the Fund during the year included the health care (Johnson & Johnson, Amgen, AstraZeneca, Novartis & Wellpoint Health Net) and consumer staples sectors (Procter & Gamble, Nestle & Unilever). Negative factors impacting performance of the Fund during the quarter included the financial (Citigroup, Bank of America, & ING Groep), information technology (Dell, Cisco Systems and Microsoft) and industrial sectors (Ingersoll Rand and Illinois Toolworks).

Health care continues to be the largest sector in the Fund while the information technology sector is prominently represented as well. The Fund owns shares of common stock in 33 companies as of December 31, 2008.

Intrinsic value is an important concept that offers a rational approach when evaluating the attractiveness of an investment in a business. A simple definition of intrinsic value is the discounted value of the cash that can be taken out of business during its remaining life. The calculation is an estimate rather than a precise figure that must be revised at times to reflect changes in interest rates and future cash flows.

The Mundoval Fund will continue to seek intrinsic value from our investments in order to maintain a margin of safety to protect from significant loss of capital and provide for a satisfactory rate of return over time. Investors should realize that short-term prices of common stocks are going to fluctuate widely from time to time and that the intrinsic value of a business will eventually be reflected in its share price. Because the capital markets tend to regress from extremes toward normal faster than people think, patience and the ability to handle the emotional ups and downs of owning publicly traded common stocks are proven determinants for long-run investment success.

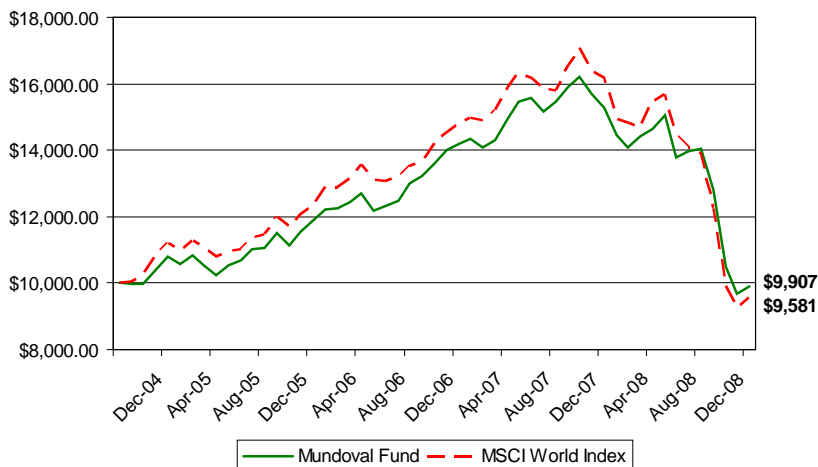
Thank you for your continued support & confidence.

Sincerely,

Arthur Q. Johnson, CFA

# Mundoval Fund

The Value of a \$10,000 Investment in the Mundoval Fund  
From September 3, 2004 to December 31, 2008  
As compared to the MSCI World Index



## PERFORMANCE INFORMATION

AVERAGE ANNUAL RATE OF RETURN (%) FOR PERIODS ENDED DECEMBER 31, 2008.

December 31, 2008 NAV \$8.45

|                                 | 1Year <sup>(A)</sup> | Since Inception <sup>(A)</sup> |
|---------------------------------|----------------------|--------------------------------|
| Mundoval Fund                   | -35.15%              | -0.21%                         |
| MSCI World Index <sup>(B)</sup> | -40.71%              | -0.98%                         |

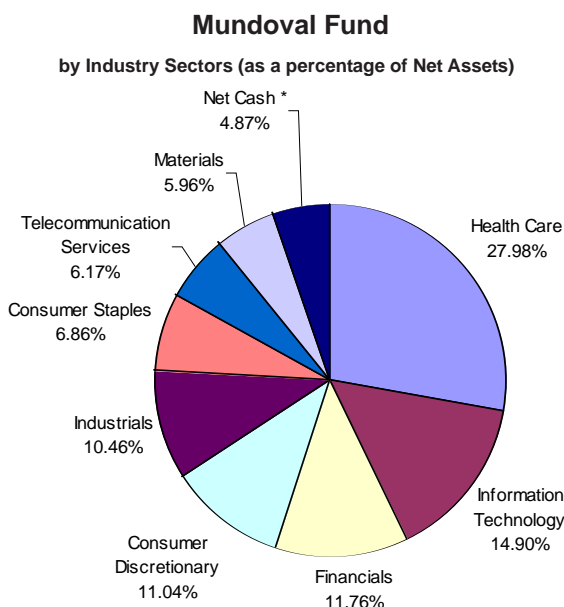
<sup>(A)</sup> 1 Year and Since Inception returns include change in share prices and in each case includes reinvestment of any dividends and capital gain distributions. The inception date of the Mundoval Fund was September 3, 2004.

<sup>(B)</sup>The MSCI World Index is a free float-adjusted market capitalization index that is designed to measure global developed market equity performance in twenty-three countries in Europe, Australia, Asia, the Far East and North America.

**PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS. INVESTMENT RETURN AND PRINCIPAL VALUE WILL FLUCTUATE SO THAT SHARES, WHEN REDEEMED, MAY BE WORTH MORE OR LESS THAN THEIR ORIGINAL COST. RETURNS DO NOT REFLECT THE DEDUCTION OF TAXES THAT A SHAREHOLDER WOULD PAY ON FUND DISTRIBUTIONS OR THE REDEMPTION OF FUND SHARES. TO OBTAIN PERFORMANCE DATA CURRENT TO THE MOST RECENT MONTH END, PLEASE CALL 1-800-595-2877.**

## Mundoval Fund (Unaudited)

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\*Net Cash represents cash equivalents and other assets less liabilities.

### Availability of Quarterly Schedule of Investments (Unaudited)

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

### Proxy Voting Guidelines (Unaudited)

A.Q. Johnson & Co., Inc., the Fund's Adviser, is responsible for exercising the voting rights associated with the securities held by the Fund. A description of the policies and procedures used by the Adviser in fulfilling this responsibility is available without charge by calling our toll free number (1-800-595-2877) or by visiting the Fund's website at [www.mundoval.com](http://www.mundoval.com). It is also included in the Fund's Statement of Additional Information, which is available on the Securities and Exchange Commission's website at <http://www.sec.gov>.

Information regarding how the Fund voted proxies, Form N-PX, relating to portfolio securities during the most recent 12-month period ended June 30th is available without charge, upon request, by calling our toll free number (1-800-595-2877). This information is also available on the Securities and Exchange Commission's website at <http://www.sec.gov>.

### Expense Example (Unaudited)

Shareholders of this Fund incur ongoing expenses consisting solely of management fees. The following example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with similar costs of investing in other mutual funds. The example is based on an investment of \$1,000 invested in the Fund on July 1, 2008 and held through December 31, 2008.

The first line of the table below provides information about actual account values and actual expenses. In order to estimate the expenses a shareholder paid during the period covered by this report, shareholders can divide their account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6) and then multiply the result by the number in the first line under the heading entitled "Expenses Paid During the Period."

The second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses paid by a shareholder for the period. Shareholders may use this information to compare the ongoing costs of investing in this Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in other funds' shareholder reports.

|   | Beginning<br>Account Value<br>July 1, 2008 | Ending<br>Account Value<br>December 31, 2008 | Expenses Paid<br>During the Period*<br>July 1, 2008 to<br>December 31, 2008 |
|---|--|--|---|
| Actual  | \$1,000.00                                 | \$719.52                                     | \$6.48  |
| Hypothetical<br>(5% annual return<br>before expenses) | \$1,000.00                                 | \$1,017.60                                   | \$7.61  |

- \* Expenses are equal to the Fund's annualized expense ratio of 1.50%, multiplied by the average account value over the period, multiplied by 184/366 (to reflect the one-half year period ended December 31, 2008).

# Mundoval Fund

## Schedule of Investments December 31, 2008

| Shares/Principal Amount  | Market Value | % of Net Assets |
|--|--------------|-----------------|
| <b>COMMON STOCKS</b>   |              |                 |
| <b>Beverages</b>   |              |                 |
| 4,000 Diageo plc **  | \$ 226,960   | 3.17%           |
| <b>Books: Publishing or Publishing &amp; Printing</b>                      |              |                 |
| 15,000 Pearson plc **  | 143,100      | 2.00%           |
| <b>Chemicals &amp; Allied Products</b>                                     |              |                 |
| 8,000 BASF Aktiengesellschaft **   | 314,000      | 4.38%           |
| <b>Computer Communications Equipment</b>                                   |              |                 |
| 15,000 Cisco Systems Inc. *  | 244,500      | 3.41%           |
| <b>Electronic &amp; Other Electrical Equipment (No Computer Equipment)</b> |              |                 |
| 10,000 General Electric Co.  | 162,000      | 2.26%           |
| <b>Electronic Computers</b>  |              |                 |
| 17,000 Dell Inc. *   | 174,080      | 2.43%           |
| <b>Fire, Marine &amp; Casualty Insurance</b>                               |              |                 |
| 35,000 American International Group, Inc.                                  | 54,950       | 0.77%           |
| <b>Food and Kindred Products</b>   |              |                 |
| 11,500 Unilever plc **   | 264,730      | 3.69%           |
| <b>General Industrial Machinery &amp; Equipment</b>                        |              |                 |
| 7,000 Illinois Tool Works Inc.   | 245,350      |                 |
| 11,500 Ingersoll-Rand Co., Ltd.  | 199,525      |                 |
|  | 444,875      | 6.21%           |
| <b>Hospital &amp; Medical Service Plans</b>                                |              |                 |
| 6,000 WellPoint Inc. *   | 252,780      | 3.53%           |
| <b>Life Insurance</b>  |              |                 |
| 15,000 ING Groep NV **   | 166,500      | 2.32%           |
| <b>National Commercial Banks</b>   |              |                 |
| 11,000 Bank of America Corporation   | 154,880      |                 |
| 11,500 Citigroup Inc.  | 77,165       |                 |
|  | 232,045      | 3.24%           |
| <b>Newspapers: Publishing or Publishing &amp; Printing</b>                 |              |                 |
| 18,000 News Corporation  | 172,440      | 2.41%           |
| <b>Pharmaceutical Preparations</b>   |              |                 |
| 7,000 AstraZeneca plc **   | 287,210      |                 |
| 7,500 GlaxoSmithKline plc **   | 279,525      |                 |
| 4,500 Johnson & Johnson  | 269,235      |                 |
| 4,500 Novartis AG **   | 223,920      |                 |
| 20,000 Pfizer Inc.   | 354,200      |                 |
| 10,500 Sanofi-Aventis **   | 337,680      |                 |
|  | 1,751,770    | 24.45%          |
| <b>Plastic Materials, Synth Resins &amp; Nonvulcan Elastomers</b>          |              |                 |
| 7,500 Dow Chemical Co.   | 113,175      | 1.58%           |
| <b>Radiotelephone Communications</b>                                       |              |                 |
| 9,000 SK Telecom Co. Ltd. **   | 163,620      |                 |
| 20,000 Tele Norte Leste Participacoes S.A. **                              | 278,400      |                 |
|  | 442,020      | 6.17%           |
| <b>Rubber &amp; Plastics Footwear</b>                                      |              |                 |
| 3,200 Nike Inc. Cl B   | 163,200      | 2.28%           |
| <b>Savings Institution, Federally Chartered</b>                            |              |                 |
| 3,300 HSBC Holdings plc **   | 160,611      | 2.24%           |
| <b>Semiconductors &amp; Related Devices</b>                                |              |                 |
| 32,161 Taiwan Semiconductor Manufacturing Co. Ltd. **                      | 254,072      | 3.55%           |

\*Non-Income Producing Securities.

\*\*ADR - American Depositary Receipt.

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

# Mundoval Fund

## Schedule of Investments December 31, 2008

| Shares/Principal Amount  | Market Value        | % of Net Assets |
|--|---------------------|-----------------|
| <b>COMMON STOCKS</b>   |                     |                 |
| <b>Services - Advertising Agencies</b>   |                     |                 |
| 3,500 Omnicom Group Inc.   | \$ 94,220           | 1.31%           |
| <b>Services - Business Services, NEC</b>   |                     |                 |
| 12,000 eBay Inc. *   | 167,520             | 2.34%           |
| <b>Services - Motion Picture &amp; Video</b>   |                     |                 |
| 5,000 Time Warner Inc.   | 50,300              | 0.70%           |
| <b>Services - Prepackaged Software</b>   |                     |                 |
| 12,000 Microsoft Corp.   | 233,280             | 3.25%           |
| <b>Soap, Detergents, Cleaning Preparations, Perfumes, Cosmetics</b>                  |                     |                 |
| 3,700 Procter & Gamble Co.   | 228,734             | 3.19%           |
| <b>Surgical &amp; Medical Instruments &amp; Apparatus</b>                            |                     |                 |
| 5,300 3M Co.   | 304,962             | 4.25%           |
| <b>Total for Common Stock (Cost - \$9,114,830)</b>                                   | <b>\$ 6,816,824</b> | <b>95.13%</b>   |
| <b>Cash Equivalents</b>  |                     |                 |
| 342,537 First American Treasury Obligation Fund CI Y 0.17% ***<br>(Cost - \$342,537) | 342,537             | 4.78%           |
| Total Investments<br>(Cost - \$9,457,367)  | 7,159,361           | 99.91%          |
| Other Assets in Excess of Liabilities  | 6,781               | 0.09%           |
| <b>Net Assets</b>  | <b>\$ 7,166,142</b> | <b>100.00%</b>  |

\*Non-Income Producing Securities.

\*\*\* Variable Rate Security; the Yield Rate shown represents the rate at December 31, 2008.

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

# Mundoval Fund

## Statement of Assets and Liabilities

December 31, 2008

|   |                     |
|---|---------------------|
| Assets:   |                     |
| Investment Securities at Market Value                 | \$ 7,159,361        |
| (Cost - \$9,457,367)                                  |                     |
| Dividend Receivable                                   | 16,276              |
| Interest Receivable                                   | 13                  |
| Total Assets  | <u>7,175,650</u>    |
| Liabilities:  |                     |
| Payable to Adviser                                    | <u>9,508</u>        |
| Total Liabilities                                     | <u>9,508</u>        |
| Net Assets  | <u>\$ 7,166,142</u> |
| Net Assets Consist of:                                |                     |
| Capital Paid In                                       | \$ 9,630,145        |
| Accumulated Undistributed Net Investment Income       | 1,481               |
| Accumulated Realized Gain (Loss) on Investments - Net | (167,478)           |
| Unrealized Depreciation in Value of Investments       |                     |
| Based on Identified Cost - Net                        | <u>(2,298,006)</u>  |
| Net Assets, for 848,119 Shares Outstanding            | <u>\$ 7,166,142</u> |
| (Without par value, unlimited shares authorized)      |                     |
| Net Asset Value, Offering and Redemption Price        |                     |
| Per Share (\$7,166,142/848,119 shares)                | \$ 8.45             |

## Statement of Operations

For the year ended December 31, 2008

|   |                       |
|---|-----------------------|
| Investment Income:  |                       |
| Dividends (Net of foreign withholding taxes and fees of \$22,149) | \$ 318,957            |
| Interest  | <u>3,066</u>          |
| Total Investment Income   | 322,023               |
| Expenses:   |                       |
| Management Fees   | <u>144,959</u>        |
| Total Expenses  | 144,959               |
| Net Investment Income   | 177,064               |
| Realized and Unrealized Gain (Loss) on Investments:               |                       |
| Realized Loss on Investments                                      | (78,516)              |
| Change in Unrealized Depreciation on Investments                  | <u>(4,007,820)</u>    |
| Net Realized and Unrealized Loss on Investments                   | <u>(4,086,336)</u>    |
| Net Increase (Decrease) in Net Assets from Operations             | <u>\$ (3,909,272)</u> |



# Mundoval Fund

## Statements of Changes in Net Assets

|  | 1/1/2008<br>to<br>12/31/2008 | 9/1/2007<br>to<br>12/31/2007 | 9/1/2006<br>to<br>8/31/2007 |
|--|------------------------------|------------------------------|-----------------------------|
| From Operations:   |                              |                              |                             |
| Net Investment Income  | \$ 177,064                   | \$ 39,165                    | \$ 141,776                  |
| Net Realized Gain (Loss) on Investments  | (78,516)                     | 410,595                      | 759,851                     |
| Change in Net Unrealized Appreciation (Depreciation)   | (4,007,820)                  | (564,613)                    | 1,027,787                   |
| Increase (Decrease) in Net Assets from Operations  | (3,909,272)                  | (114,853)                    | 1,929,414                   |
| From Distributions to Shareholders:  |                              |                              |                             |
| Net Investment Income  | (176,629)                    | (144,218)                    | (64,674)                    |
| Net Realized Gain from Security Transactions   | (480)                        | (1,112,427)                  | (92,581)                    |
| Change in Net Assets from Distributions  | (177,109)                    | (1,256,645)                  | (157,255)                   |
| From Capital Share Transactions:   |                              |                              |                             |
| Proceeds From Sale of Shares   | 846,491                      | 340,362                      | 6,355,148                   |
| Shares Issued on Reinvestment of Dividends   | 177,109                      | 1,256,645                    | 157,255                     |
| Cost of Shares Redeemed  | (1,503,210)                  | (1,975,202)                  | (2,375,569)                 |
| Net Increase (Decrease) from Shareholder Activity  | (479,610)                    | (378,195)                    | 4,136,834                   |
| Net Increase (Decrease) in Net Assets  | (4,565,991)                  | (1,749,693)                  | 5,908,993                   |
| Net Assets at Beginning of Period  | 11,732,133                   | 13,481,826                   | 7,572,833                   |
| Net Assets at End of Period  |                              |                              |                             |
| (Including Accumulated Undistributed Net Investment<br>Income of \$1,481, \$3,526 and \$108,579, respectively) | \$ 7,166,142                 | \$ 11,732,133                | \$ 13,481,826               |
| Share Transactions:  |                              |                              |                             |
| Issued   | 74,359                       | 21,854                       | 454,602                     |
| Reinvested   | 21,572                       | 93,016                       | 11,297                      |
| Redeemed   | (125,259)                    | (128,832)                    | (161,118)                   |
| Net Increase (Decrease) in Shares  | (29,328)                     | (13,962)                     | 304,781                     |
| Shares Outstanding Beginning of Period   | 877,447                      | 891,409                      | 586,628                     |
| Shares Outstanding End of Period   | 848,119                      | 877,447                      | 891,409                     |

## Financial Highlights

| Selected data for a share outstanding<br>throughout the period: | 1/1/2008<br>to<br>12/31/2008 | 9/1/2007<br>to<br>12/31/2007 | 9/1/2006<br>to<br>8/31/2007 | 9/1/2005<br>to<br>8/31/2006 | 9/3/2004*<br>to<br>8/31/2005 |
|---|------------------------------|------------------------------|-----------------------------|-----------------------------|------------------------------|
| Net Asset Value -<br>Beginning of Period                        | \$ 13.37                     | \$ 15.12                     | \$ 12.91                    | \$ 11.04                    | \$ 10.00                     |
| Net Investment Income ****                                      | 0.21                         | 0.05                         | 0.16                        | 0.11                        | 0.10                         |
| Net Gain (Loss) on Securities<br>(Realized and Unrealized)      | (4.92)                       | (0.20)                       | 2.25                        | 1.84                        | 0.95                         |
| Total from Investment Operations                                | (4.71)                       | (0.15)                       | 2.41                        | 1.95                        | 1.05                         |
| Distributions (From Net Investment Income)                      | (0.21)                       | (0.18)                       | (0.08)                      | (0.08)                      | (0.01)                       |
| Distributions (From Realized Capital Gains)                     | - <sup>(a)</sup>             | (1.42)                       | (0.12)                      | -                           | -                            |
| Total Distributions   | (0.21)                       | (1.60)                       | (0.20)                      | (0.08)                      | (0.01)                       |
| Net Asset Value -<br>End of Period                              | \$ 8.45                      | \$ 13.37                     | \$ 15.12                    | \$ 12.91                    | \$ 11.04                     |
| Total Return ****   | (35.15)%                     | (1.09)% ***                  | 18.81%                      | 17.70%                      | 10.46% ***                   |
| Ratios/Supplemental Data  |                              |                              |                             |                             |                              |
| Net Assets - End of Period (Thousands)                          | 7,166                        | 11,732                       | 13,482                      | 7,573                       | 4,800                        |
| Ratio of Expenses to Average Net Assets                         | 1.50%                        | 1.50% **                     | 1.50%                       | 1.50%                       | 1.50% **                     |
| Ratio of Net Investment Income to Average Net Assets            | 1.83%                        | 0.91% **                     | 1.15%                       | 0.93%                       | 0.97% **                     |
| Portfolio Turnover Rate   | 30.10%                       | 3.86% ***                    | 25.49%                      | 26.46%                      | 14.94% **                    |

\* Commencement of Operations.

\*\* Annualized.

\*\*\* Not Annualized.

\*\*\*\* Total return in the above table represents the rate that the investor would have earned or lost on an investment in the Fund assuming reinvestment of dividends and distributions.

\*\*\*\*\* Per share amounts were calculated using the average shares method.

(a) Per share amount less than \$0.005.

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

# NOTES TO FINANCIAL STATEMENTS

## MUNDOVAL FUND

December 31, 2008

### 1.) ORGANIZATION

Mundoval Fund (the "Fund") is a non-diversified series of the Mundoval Funds (the "Trust"), an open-end management investment company. The Trust was organized in Ohio as a business trust on March 24, 2004 and may offer shares of beneficial interest in a number of separate series, each series representing a distinct fund with its own investment objectives and policies. The Fund commenced operations on September 3, 2004. The Fund's investment objective is long-term capital appreciation. Effective September 1, 2007, the Fund's Board of Trustees elected to change the Fund's fiscal year end to December 31.

### 2.) SIGNIFICANT ACCOUNTING POLICIES

**SECURITY VALUATION:** Equity securities are valued by using market quotations, but may be valued on the basis of prices furnished by a pricing service when the Adviser believes such prices accurately reflect the fair market value of such securities. Securities that are traded on any stock exchange or on the NASDAQ over-the-counter market are valued by the pricing service at the last quoted sale price. Lacking a last sale price, an equity security is valued by the pricing service at its last bid price. When market quotations are not readily available, when the Adviser determines that the market quotation of the price provided by the pricing service does not accurately reflect the current market value, or when restricted or illiquid securities are being valued, such securities are valued as determined in good faith by the Adviser, in conformity with guidelines adopted by and subject to review of the Board of Trustees of the Trust.

Fixed income securities generally are valued by using market quotations, but may be valued on the basis of prices furnished by a pricing service when the Adviser believes such prices accurately reflect the fair market value of such securities. A pricing service utilizes electronic data processing techniques based on yield spreads relating to securities with similar characteristics to determine prices for normal institutional-size trading units of debt securities without regard to sale or bid prices. If the Adviser decides that a price provided by the pricing service does not accurately reflect the fair market value of the securities, when prices are not readily available from a pricing service or when restricted or illiquid securities are being valued, securities are valued at fair value as determined in good faith by the Adviser, in conformity with guidelines adopted by and subject to review of the Board of Trustees. Short term investments in fixed income securities with maturities of less than 60 days when acquired, or which subsequently are within 60 days of maturity, are valued by using the amortized cost method of valuation, which the Board of Trustees has determined will represent fair value.

In accordance with the Trust's good faith pricing guidelines, the Adviser is required to consider all appropriate factors relevant to the value of securities for which it has determined other pricing sources are not available or reliable as described above. No single standard for determining fair value controls, since fair value depends upon the circumstances of each individual case. As a general principle, the current fair value of securities being valued by the Adviser would appear to be the amount which the owner might reasonably expect to receive for them upon their current sale. Methods which are in accordance with this principle may, for example, be based on (i) a multiple of earnings; (ii) a discount from market of a similar freely traded security (including a derivative security or a basket of securities traded on other markets, exchanges or among dealers); or (iii) yield to maturity with respect to debt issues, or a combination of these and other methods.

The Fund adopted Financial Accounting Standards Board (FASB) Statement on Financial Accounting Standards (SFAS) No. 157 "Fair Value Measurements" effective January 1, 2008. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value and requires additional disclosure about fair value measurements. SFAS No. 157 applies to fair value measurements already required or permitted by existing standards. In accordance with SFAS No. 157, fair value is defined as the price that would be received by the Fund upon selling an asset or paid by the Fund to transfer a liability in an orderly transaction between market participants at the measurement date. In the absence of a principal market for the asset or liability, the assumption is that the transaction occurs on the most advantageous market for the asset or liability. SFAS No. 157 established a three-tier fair value hierarchy that prioritizes the assumptions, also known as "inputs", to valuation techniques used by market participants to measure fair value. The term "inputs" refers broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value (such as a pricing model) and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability

## Notes to the Financial Statements - continued

developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The valuation techniques used to measure fair value should maximize the use of observable inputs and minimize the use of unobservable inputs. The three-tier hierarchy of inputs is summarized in three levels with the highest priority given to Level 1 and the lowest priority given to Level 3: Level 1 - quoted prices in active markets for identical securities, Level 2 - other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.) and Level 3 - significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments). The following is a summary of the inputs used as of December 31, 2008 in valuing the Fund's assets carried at fair value:

| <u>Valuation Inputs</u>                      | <u>Value of<br/>Investments<br/>in Securities</u> |
|--|---|
| Level 1- Quoted Prices                       | \$7,159,361                                       |
| Level 2- Significant Other Observable Inputs | 0   |
| Level 3- Significant Unobservable Inputs     | 0   |
| Total  | <u>\$7,159,361</u>                                |

The Fund did not hold any Level 3 assets during the year ended December 31, 2008.

In March 2008, the FASB issued the Statement of Financial Accounting Standards No.161, "Disclosures about Derivative Instruments and Hedging Activities" ("SFAS 161"). SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008. SFAS 161 requires enhanced disclosures about the Fund's derivative and hedging activities, including how such activities are accounted for and their effect on the Fund's financial position, performance and cash flows. Management is currently evaluating the impact the adoption of SFAS 161 will have on the Fund's financial statements and related disclosures.

**FEDERAL INCOME TAXES:** The Fund's policy is to continue to qualify each year as a "regulated investment company" under Subchapter M of the Internal Revenue Code and to distribute all of its taxable income to its shareholders. Therefore, no federal income tax provision is required.

As of and during the fiscal year ended December 31, 2008, the Fund did not have a liability for any unrecognized tax benefits. The Fund recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the statement of operations. During the period, the Fund did not incur any interest or penalties. The Fund is not subject to examination by U.S. federal tax authorities before 2005.

**DISTRIBUTIONS TO SHAREHOLDERS:** Distributions to shareholders, which are determined in accordance with income tax regulations, are recorded on the ex-dividend date. The treatment for financial reporting purposes of distributions made to shareholders during the year from net investment income or net realized capital gains may differ from their ultimate treatment for federal income tax purposes. These differences are caused primarily by differences in the timing of the recognition of certain components of income, expenses or realized capital gain for federal income tax purposes. Where such differences are permanent in nature, they are reclassified in the components of the net assets based on their ultimate characterization for federal income tax purposes. Any such reclassifications will have no effect on net assets, results of operations or net asset values per share of the Fund.

**USE OF 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

**OTHER:** Security transactions are recorded on the trade date. Dividend income is recorded on the ex-dividend date, and interest income is recognized on an accrual basis. Discounts and premiums on securities purchased are amortized over the lives of the respective securities. Withholding taxes on foreign dividends have been provided for in accordance with the Fund's understanding of the applicable country's tax rules and regulations.

### 3.) INVESTMENT ADVISORY AGREEMENT

The Fund has entered into an investment advisory agreement (the "Management Agreement") with A.Q. Johnson & Co., Inc. (the "Adviser"). Under the terms of the Management Agreement the Adviser manages the investment portfolio of the Fund, subject to policies

## Notes to the Financial Statements - continued

adopted by the Trust's Board of Trustees. Under the Management Agreement, the Adviser, at its own expense and without reimbursement from the Trust, furnishes office space and all necessary office facilities, equipment and executive personnel necessary for managing the assets of the Fund. The Adviser also pays the salaries and fees of all of its officers and employees that serve as officers and trustees of the Trust. The Adviser pays all operating expenses of the Fund with the exception of taxes, brokerage fees and commissions, borrowing costs (such as (a) interest and (b) dividend expenses on securities sold short), and extraordinary expenses. For its services, the Adviser receives an annual investment management fee from the Fund of 1.50% of the average daily net assets of the Fund. As a result of the above calculation, for the fiscal year ended December 31, 2008 the Adviser earned management fees totaling \$144,959, of which \$9,508 was payable to the Adviser as of December 31, 2008.

Arthur Q. Johnson is the control person of the Adviser and also serves as a trustee/officer of the Fund. This individual receives benefits from the Adviser resulting from management fees paid to the Adviser by the Fund.

### 4.) RELATED PARTY TRANSACTIONS

The Trustees who are not interested persons of the Fund were paid \$1,000 each in Trustees fees by the Adviser for the fiscal year ended December 31, 2008. Under the Management Agreement, the Adviser pays these fees.

### 5.) INVESTMENTS

For the fiscal year ended December 31, 2008, purchases and sales of investment securities other than U.S. Government obligations and short-term investments aggregated \$2,838,652 and \$3,571,375 respectively. There were no purchases or sales of U.S. Government obligations.

For federal income tax purposes, the cost of investments owned at December 31, 2008 was \$9,535,201. At December 31, 2008, the composition of unrealized appreciation (the excess of value over tax cost) and depreciation (the excess of tax cost over value) was as follows:

| <u>Appreciation</u> | <u>(Depreciation)</u> | <u>Net Appreciation (Depreciation)</u> |
|---------------------|-----------------------|--|
| \$160,639           | (\$2,536,479)         | (\$2,375,840)                          |

### 6.) CONTROL OWNERSHIP

The beneficial ownership, either directly or indirectly, of more than 25% of the voting shares of a fund creates a presumption of control of the Fund, under Section 2(a)(9) of the Investment Company Act of 1940. As of December 31, 2008, Arthur Q. Johnson held, in aggregate, 54.48% of the Fund and therefore may be deemed to control the Fund. Arthur Q. Johnson is the control person of the Adviser and also serves as a trustee/officer of the Fund.

### 7.) CAPITAL SHARES

At December 31, 2008 an unlimited number of shares of beneficial interest were authorized. 848,119 shares were issued and outstanding and paid in capital was \$9,630,145.

### 8.) DISTRIBUTIONS TO SHAREHOLDERS

There was a dividend of \$0.21336 per share from net investment income and a long-term capital gain distribution of \$0.00058 per share paid on December 29, 2008.

The tax character of distributions paid during the periods shown below were as follows:

Distributions paid from:

|                         | <u>2008</u>       | <u>9/1/07 to 12/31/07</u> | <u>9/1/06 to 8/31/07</u> |
|-------------------------|-------------------|---------------------------|--------------------------|
| Ordinary Income         | \$ 176,629        | \$ 144,218                | \$ 64,674                |
| Short-Term Capital Gain | -                 | 179,360                   | -                        |
| Long-Term Capital Gain  | 480               | 933,067                   | 92,581                   |
|                         | <u>\$ 177,109</u> | <u>\$ 1,256,645</u>       | <u>\$ 157,255</u>        |

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

|   |                      |
|---|----------------------|
| Undistributed ordinary income/(accumulated losses)        | \$ 1,481             |
| Undistributed long-term capital gain/(accumulated losses) | (89,644)             |
| Unrealized appreciation/(depreciation)                    | <u>(2,375,840)</u>   |
|   | <u>\$(2,464,003)</u> |

The difference between book basis and tax basis unrealized depreciation is attributable to the tax deferral of current year post October losses of \$77,834.

## **Notes to the Financial Statements - continued**

### **9.) CAPITAL LOSS CARRYFORWARD**

At December 31, 2008, the Fund had available for federal tax purposes an unused capital loss carryforward of \$89,644 which expires in 2016. Capital loss carryforwards are available to offset future realized capital gains. To the extent that this carryforward is used to offset future capital gains, it is probable that the amount, which is offset, will not be distributed to shareholders.

Cohen Fund Audit Services, Ltd.  
Certified Public Accountants

800 Westpoint Pkwy, Ste 1100  
Westlake, Ohio 44145  
Phone: (440) 835-8500  
Fax: (440) 835-1093  
[www.cohenfund.com](http://www.cohenfund.com)

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To The Shareholders and  
Board of Trustees of Mundoval Fund

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of Mundoval Fund as of December 31, 2008, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the three periods in the period then ended, and financial highlights for each of the five periods in the period then ended. These financial statements and financial highlights are the responsibility of Fund management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits 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 December 31, 2008 by correspondence with the Fund's 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 Mundoval Fund as of December 31, 2008, the results of its operations for the year then ended, the changes in its net assets for each of the three periods in the period then ended, and the financial highlights for each of the five periods in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

*Cohen Fund Audit Services*

COHEN FUND AUDIT SERVICES, LTD.  
Westlake, Ohio  
February 17, 2009

## TRUSTEES AND OFFICERS

### Unaudited

The Board of Trustees supervises the business activities of the Trust. The names of the Trustees and executive officers of the Trust are shown below. Each Trustee serves until the Trustee dies, resigns, retires or is removed. Officers hold office for one year and until their respective successors are chosen and qualified.

The trustees and officers of the Trust and their principal business activities during the past five years are:

#### Interested Trustees and Officers

| Name, Address <sup>(1)</sup> , and Age                    | Position with the Trust                     | Length of Time Served          | Principal Occupation(s) During Past 5 Years  | Number of Portfolios Overseen By Trustee | Other Directorships Held By Trustee |
|---|---|--------------------------------|--|--|-------------------------------------|
| Arthur Q. Johnson <sup>(2)</sup> ,<br>Year of Birth: 1961 | President, Secretary, Treasurer and Trustee | Indefinite Term,<br>Since 2004 | President of A.Q. Johnson & Co., Inc. (2002 - current), Principal of Brandes Investment Partners, L.P. (1986-2000).  | 1  | None                                |
| Natalie M. Gumina<br>Year of Birth: 1982                  | Chief Compliance Officer                    | Indefinite Term,<br>Since 2006 | Chief Operating Officer and Investment Advisory Representative of A.Q. Johnson & Co. (August 2006 - current). Financial Advisor for AXA Advisors (2005-2006). Prior to 2005 she was a student at University of California Los Angeles. | N/A                                      | None                                |

(1) The address of each trustee and officer is c/o Mundoval Funds, 7855 Ivanhoe Ave., Ste. 210, La Jolla, CA 92037.

(2) Arthur Q. Johnson is considered an "interested person" as defined in Section 2(a)(19) of the Investment Company Act of 1940 by virtue of his affiliation with the Adviser.

#### Independent Trustees

| Name, Address <sup>(3)</sup> , and Age    | Position with the Trust | Length of Time Served          | Principal Occupation(s) During Past 5 Years  | Number of Portfolios Overseen By Trustee | Other Directorships Held By Trustee |
|---|-------------------------|--------------------------------|--|--|-------------------------------------|
| William W. Eigner,<br>Year of Birth: 1959 | Trustee                 | Indefinite Term,<br>Since 2004 | Attorney of Procopio Cory Hargreaves & Savitch, LLP (1989 - current). Partner of Procopio Cory Hargreaves & Savitch, LLP (1995 - current). | 1  | None                                |
| David B. Marino,<br>Year of Birth: 1963   | Trustee                 | Indefinite Term,<br>Since 2004 | Executive Vice President and Principal of Irving Hughes (1995 - current).  | 1  | None                                |
| Greg Young,<br>Year of Birth: 1960        | Trustee                 | Indefinite Term,<br>Since 2004 | Account Executive and Director of Stone & Youngberg, LLC (1990 - current).   | 1  | None                                |

(3) The address of each Trustee is c/o Mundoval Funds, 7855 Ivanhoe Ave., Ste. 210, La Jolla, CA 92037.

The Statement of Additional Information contains additional and more detailed information about the trustees and is available without charge by calling the transfer agent at 1-800-595-2877.

**Board of Trustees**

William W. Eigner  
Arthur Q. Johnson  
David B. Marino  
Greg S. Young

**Investment Adviser**

A.Q. Johnson & Co., Inc.  
7855 Ivanhoe Ave., Ste. 210  
La Jolla, CA 92037

**Counsel**

Thompson Hine LLP  
312 Walnut Street, 14th Floor  
Cincinnati, OH 45202

**Custodian**

U.S. Bank, NA  
425 Walnut Street  
P.O. Box 1118  
Cincinnati, OH 45201

**Dividend Paying Agent,  
Shareholders' Servicing Agent,  
Transfer Agent**

Mutual Shareholder Services  
8000 Town Centre Dr., Suite 400  
Broadview Hts., OH 44147

**Fund Administrator**

Premier Fund Solutions, Inc.  
480 N. Magnolia Avenue, Suite 103  
El Cajon, CA 92020

**Independent Registered**

**Public Accounting Firm**

Cohen Fund Audit Services, Ltd.  
800 Westpoint Pkwy., Suite 1100  
Westlake, OH 44145-1594

This report is provided for the general information of the shareholders of the Mundoval Fund. This report is not intended for distribution to prospective investors in the Fund, unless preceded or accompanied by an effective prospectus.