

# Mundoval Fund

**ANNUAL REPORT**

December 31, 2007

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**Mundoval Fund  
Annual Report  
December 31, 2007**

Fellow Shareholders,

For the one year period ending December 31, 2007, the Mundoval Fund returned 7.67% versus 9.04% for the MSCI World Index. Since the vote in August, 2007 by the Board of Trustees to change the fiscal year end of the Fund from August 31st to December 31st, the Fund returned -1.09% versus 2.22% for the MSCI World Index for the four month period ended December 31, 2007. Since inception on September 3, 2004, the annualized average rate of return for the Mundoval Fund has been 13.58% versus 15.51% for MSCI World Index.

Assets under management in the Fund as of December 31, 2007 are \$11.73 million. Since our last report in August we sold positions in Cadbury Schweppes, Chinese National Offshore Oil Corporation, Tyco International, Tyco Electric and Covidien because we either believed their share prices fairly reflected their business values or we identified other businesses to be more attractive for investment purposes. Proceeds from the sales were used to purchase shares of Novartis, Time Warner, Dow Chemical, Cemex and Pfizer.

The Fund's largest allocation is to the Health Care Sector, 22.65%, (Astra Zeneca, Johnson & Johnson, Sanofi-Aventis, Pfizer, Novartis, Amgen & Glaxo Smithkline Plc). The Information Technology Sector (Intel, Dell, Microsoft, Cisco & Taiwan Semiconductor) represents more than 16% of the Fund while the Consumer Staples Sector (Nestle, Unilever, Altria Group & Procter & Gamble) comprises more than 12% of the Fund's assets. The Fund owns shares of common stock in thirty companies as of December 31, 2007.

Holdings that enhanced the investment performance of the Fund during the recent four months include: Microsoft, Procter & Gamble, Nestle, Unilever, Sanofi-Aventis, Intel & BASF. Holdings that impeded the investment performance of the Fund during the previous four months include Citigroup, Cemex, Time Warner, Astra Zeneca, ING Group and Dow Chemical.

Benjamin Graham, author of the classic textbook, Security Analysis, proposed that stocks have an investment characteristic and a speculative characteristic. The margin of safety concept, or the difference between the intrinsic value of a business per share and its stock price, helps to explain the investment characteristic. The human emotions of fear and greed, which cause stock prices to fluctuate far above and below a company's intrinsic value, describe the speculative characteristic. An investor that insulates himself from the speculative characteristics of the stock market can exploit the irrational behavior of other investors by making decisions based on independence, logic & sound judgment. Graham wrote, "You are neither right nor wrong because the crowd disagrees with you. You are right because your data and reasoning are right." The Mundoval Fund will continue to operate in a manner that is consistent with this investment philosophy.

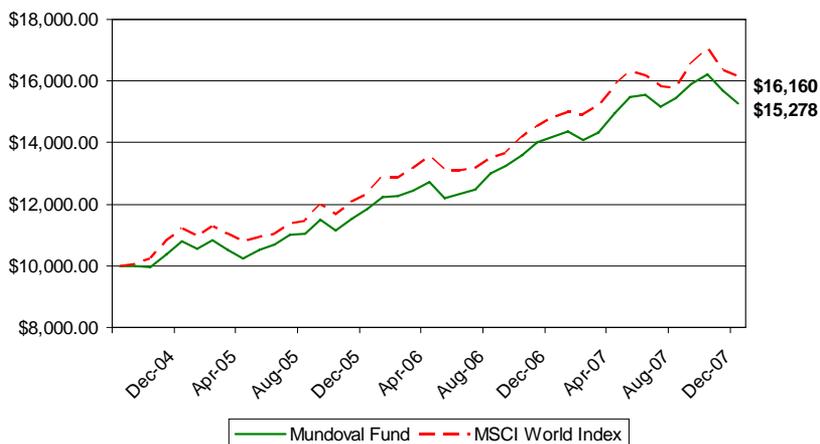
Thank you for your business and continued support.

Sincerely,

Arthur Q. Johnson, CFA  
Portfolio Manager

# Mundoval Fund

The Value of a \$10,000 Investment in the Mundoval Fund  
From September 3, 2004 to December 31, 2007  
As compared to the MSCI World Index



## PERFORMANCE INFORMATION

AVERAGE ANNUAL RATE OF RETURN (%) FOR PERIODS ENDED DECEMBER 31, 2007.

December 31, 2007 NAV \$13.37

	1 Year <sup>(A)</sup>	Since Inception <sup>(A)</sup>
<b>Mundoval Fund</b>	<b>7.67%</b>	<b>13.58%</b>
MSCI World Index <sup>(B)</sup>	9.04%	15.51%

<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.

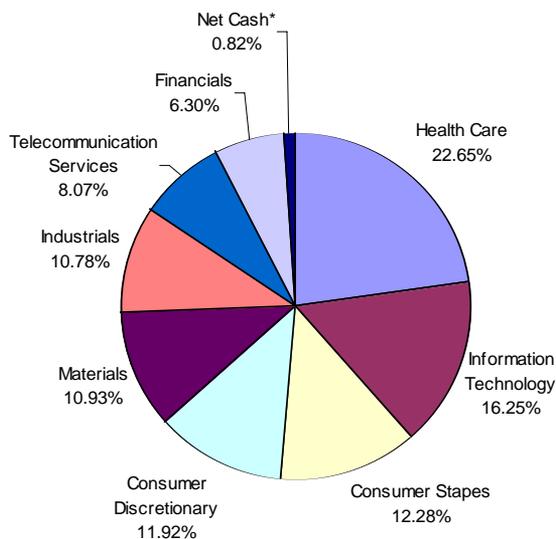
**PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS. INVESTMENT RETURN AND PRINCIPAL VALUE WILL FLUCTUATE SO THAT SHARES, WHEN REDEEMED, MAY BE WORTH MORE OR LESS THAN THEIR ORIGINAL COST. RETURNS DO NOT REFLECT THE DEDUCTION OF TAXES THAT A SHAREHOLDER WOULD PAY ON FUND DISTRIBUTIONS OR THE REDEMPTION 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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### Mundoval Fund

by Industry Sectors (as a percentage of Net Assets)



\*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 on 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 June 30, 2007 and held through December 31, 2007.

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 Account Value June 30, 2007	Ending Account Value December 31, 2007	Expenses Paid During the Period* June 30, 2007 to December 31, 2007
Actual	\$1,000.00	\$983.06	\$7.50
Hypothetical (5% annual return before expenses)	\$1,000.00	\$1,017.64	\$7.63

- \* Expenses are equal to the Fund's annualized expense ratio of 1.50% for the period of June 30, 2007 to December 31, 2007, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period ended December 31, 2007).

# Mundoval Fund

## Schedule of Investments December 31, 2007

Shares/Principal Amount	Market Value	% of Net Assets
<b>COMMON STOCKS</b>		
<b>Biological Products, (No Diagnostic Substances)</b>		
4,000 Amgen Inc. *	\$ 185,760	1.58%
<b>Books: Publishing or Publishing &amp; Printing</b>		
24,000 Pearson plc **	347,520	2.96%
<b>Cement, Hydraulic</b>		
14,000 Cemex SA de CV **	361,900	3.08%
<b>Chemicals &amp; Allied Products</b>		
4,000 BASF Aktiengesellschaft **	586,000	4.99%
<b>Computer Communications Equipment</b>		
14,000 Cisco Systems Inc. *	378,980	3.23%
<b>Electronic Computers</b>		
17,000 Dell Inc. *	416,670	3.55%
<b>Fire, Marine &amp; Casualty Insurance</b>		
6,000 American International Group Inc.	349,800	2.98%
<b>Food and Kindred Products</b>		
2,900 Nestle SA **	331,905	
11,500 Unilever plc **	430,330	
	762,235	6.50%
<b>General Industrial Machinery &amp; Equipment</b>		
7,000 Illinois Tool Works Inc.	374,780	
9,500 Ingersoll-Rand Co. Ltd.	441,465	
	816,245	6.96%
<b>Life Insurance</b>		
10,000 ING Groep NV **	389,100	3.32%
<b>Petroleum Refining</b>		
6,000 BP plc **	439,020	3.74%
<b>Pharmaceutical Preparations</b>		
9,000 AstraZeneca plc **	385,380	
7,500 GlaxoSmithKline plc **	377,925	
7,700 Johnson & Johnson	513,590	
6,500 Novartis AG **	353,015	
17,000 Pfizer Inc.	386,410	
10,000 Sanofi-Aventis **	455,300	
	2,471,620	21.07%
<b>Plastic Materials, Synth Resins &amp; Nonvulcan Elastomers</b>		
8,500 Dow Chemical Co.	335,070	2.86%
<b>Radiotelephone Communications</b>		
30,000 Tele Norte Leste Participacoes S.A. **	578,400	
10,000 Telefonos de Mexico SA de CV **	368,400	
	946,800	8.07%
<b>Rubber &amp; Plastics Footwear</b>		
6,200 Nike Inc. Cl B	398,288	3.39%
<b>Semiconductors &amp; Related Devices</b>		
15,000 Intel Corp.	399,900	
32,000 Taiwan Semiconductor Manufacturing Co. Ltd. **	318,720	
	718,620	6.13%
<b>Services - Medical Laboratories</b>		
19,500 Time Warner Inc.	321,945	2.74%
<b>Services - Prepackaged Software</b>		
11,000 Microsoft Corp.	391,600	3.34%
<b>Soap, Detergents, Cleaning Preparations, Perfumes, Cosmetics</b>		
4,700 Procter & Gamble Co.	345,074	2.94%

\*Non-Income Producing Securities.

\*\*ADR - American Depository Receipt.

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

# Mundoval Fund

		<b>Schedule of Investments</b>	
		<b>December 31, 2007</b>	
<b>Shares/Principal Amount</b>		<b>Market Value</b>	<b>% of Net Assets</b>
<b>COMMON STOCKS</b>			
<b>Surgical &amp; Medical Instruments &amp; Apparatus</b>			
5,300	3M Co.	\$ 446,896	3.82%
<b>Tobacco Products</b>			
3,000	Altria Group Inc.	226,740	1.93%
<b>Total for Common Stock (Cost - \$9,926,069)</b>		<b>\$ 11,635,883</b>	<b>99.18%</b>
<b>Cash Equivalents</b>			
72,079	First American Treasury Obligation Fund Cl Y 3.35% *** (Cost - \$72,079)	72,079	0.61%
Total Investments (Cost - \$9,998,148)		11,707,962	99.79%
Other Assets in Excess of Liabilities		24,171	0.21%
Net Assets		<b>\$ 11,732,133</b>	<b>100.00%</b>

\*\*\* Variable Rate Security; The Yield Rate shown represents the rate at December 31, 2007.

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

# Mundoval Fund

## Statement of Assets and Liabilities

December 31, 2007

Assets:	
Investment Securities at Market Value	\$ 11,707,962
(Cost - \$9,998,148)	
Dividend Receivable	39,633
Interest Receivable	<u>247</u>
Total Assets	11,747,842
Liabilities:	
Payable to Adviser	<u>15,709</u>
Total Liabilities	15,709
Net Assets	<u>\$ 11,732,133</u>
Net Assets Consist of:	
Capital Paid In	\$ 10,109,755
Accumulated Undistributed Net Investment Income	3,526
Accumulated Undistributed Realized Gain (Loss) on Investments - Net	(90,962)
Unrealized Appreciation in Value of Investments Based on Identified Cost - Net	<u>1,709,814</u>
Net Assets, for 877,447 Shares Outstanding (No without par value, unlimited shares authorized)	<u>\$ 11,732,133</u>
Net Asset Value, Offering and Redemption Price Per Share (\$11,732,133/877,447 shares)	\$ 13.37

## Statement of Operations

	9/1/2007 to 12/31/2007	9/1/2006 to 8/31/2007
Investment Income:		
Dividends	\$ 101,630	\$ 266,040
Interest	<u>2,204</u>	<u>60,081</u>
Total Investment Income	103,834	326,121
Expenses:		
Management Fees	<u>64,669</u>	<u>184,345</u>
Total Expenses	64,669	184,345
Net Investment Income	39,165	141,776
Realized and Unrealized Gain (Loss) on Investments:		
Realized Gain on Investments	410,595	759,851
Change in Unrealized Appreciation on Investments	<u>(564,613)</u>	<u>1,027,787</u>
Net Realized and Unrealized Gain on Investments	(154,018)	1,787,638
Net Increase (Decrease) in Net Assets from Operations	<u>\$ (114,853)</u>	<u>\$ 1,929,414</u>

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

# Mundoval Fund

## Statements of Changes in Net Assets

	9/1/2007 to 12/31/2007	9/1/2006 to 8/31/2007	9/1/2005 to 8/31/2006
<b>From Operations:</b>			
Net Investment Income	\$ 39,165	\$ 141,776	\$ 60,336
Net Realized Gain (Loss) on Investments	410,595	759,851	92,606
Change in Net Unrealized Appreciation	<u>(564,613)</u>	<u>1,027,787</u>	<u>921,973</u>
Increase (Decrease) in Net Assets from Operations	(114,853)	1,929,414	1,074,915
<b>From Distributions to Shareholders:</b>			
Net Investment Income	(144,218)	(64,674)	(41,609)
Net Realized Gain from Security Transactions	<u>(1,112,427)</u>	<u>(92,581)</u>	<u>-</u>
Change in Net Assets from Distributions	(1,256,645)	(157,255)	(41,609)
<b>From Capital Share Transactions:</b>			
Proceeds From Sale of Shares	340,362	6,355,148	1,778,127
Shares Issued on Reinvestment of Dividends	1,256,645	157,255	11,900
Cost of Shares Redeemed	<u>(1,975,202)</u>	<u>(2,375,569)</u>	<u>(50,605)</u>
Net Increase (Decrease) from Shareholder Activity	<u>(378,195)</u>	<u>4,136,834</u>	<u>1,739,422</u>
Net Increase (Decrease) in Net Assets	(1,749,693)	5,908,993	2,772,728
Net Assets at Beginning of Period	<u>13,481,826</u>	<u>7,572,833</u>	<u>4,800,105</u>
Net Assets at End of Period			
(Including Accumulated Undistributed Net Investment Income of \$3,526, \$108,579 and \$50,343, respectively)	<u>\$ 11,732,133</u>	<u>\$ 13,481,826</u>	<u>\$ 7,572,833</u>
<b>Share Transactions:</b>			
Issued	21,854	454,602	155,229
Reinvested	93,016	11,297	1,003
Redeemed	<u>(128,832)</u>	<u>(161,118)</u>	<u>(4,209)</u>
Net Increase (Decrease) in Shares	(13,962)	304,781	152,023
Shares Outstanding Beginning of Period	<u>891,409</u>	<u>586,628</u>	<u>434,605</u>
Shares Outstanding End of Period	<u>877,447</u>	<u>891,409</u>	<u>586,628</u>

## Financial Highlights

Selected data for a share outstanding throughout the period:

	9/1/2007 to 12/31/2007	9/1/2006 to 8/31/2007	9/1/2005 to 8/31/2006	9/3/2004* to 8/31/2005
Net Asset Value - Beginning of Period	\$ 15.12	\$ 12.91	\$ 11.04	\$ 10.00
Net Investment Income ****	0.05	0.16	0.11	0.10
Net Gain (Loss) on Securities (Realized and Unrealized)	<u>(0.20)</u>	<u>2.25</u>	<u>1.84</u>	<u>0.95</u>
Total from Investment Operations	(0.15)	2.41	1.95	1.05
Distributions (From Net Investment Income)	(0.18)	(0.08)	(0.08)	(0.01)
Distributions (From Realized Capital Gains)	<u>(1.42)</u>	<u>(0.12)</u>	<u>-</u>	<u>-</u>
Total Distributions	(1.60)	(0.20)	(0.08)	(0.01)
Net Asset Value - End of Period	<u>\$ 13.37</u>	<u>\$ 15.12</u>	<u>\$ 12.91</u>	<u>\$ 11.04</u>
Total Return ****	(1.09)% ***	18.81%	17.70%	10.46% ***
<b>Ratios/Supplemental Data</b>				
Net Assets - End of Period (Thousands)	11,732	13,482	7,573	4,800
Ratio of Expenses to Average Net Assets	1.50% **	1.50%	1.50%	1.50% **
Ratio of Net Investment Income to Average Net Assets	0.91% **	1.15%	0.93%	0.97% **
Portfolio Turnover Rate	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 an investment in the Fund assuming reinvestment of dividends and distributions.

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

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

# NOTES TO FINANCIAL STATEMENTS

## MUNDOVAL FUND

December 31, 2007

### 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 accord 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.

In September 2006, FASB issued Statement on Financial Accounting Standards (SFAS) No. 157 "Fair Value Measurements." 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. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The changes to current generally accepted accounting principles from the application of this Statement relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements. As of December 31, 2007, the Fund does not believe that the adoption of SFAS No. 157 will impact the amounts reported in the financial statements; however, additional disclosures may be required about the inputs used to develop the measurements and the effect of certain of the measurements reported on the statement of changes in net assets for a fiscal period.

**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.

## Notes to the Financial Statements - continued

Effective September 1, 2007 the Fund adopted Financial Accounting Standards Board (FASB) Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes", a clarification of FASB Statement No. 109, "Accounting for Income Taxes", FIN 48 establishes financial reporting rules regarding recognition and measurement of tax positions taken or expected to be taken on a tax return. FIN 48 was applied to all open tax years as of the effective date. The adoption of FIN 48 had no impact on the Fund's net assets or results of operations.

As of and during the period ended December 31, 2007, 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 2004.

**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. For distribution purposes, the Fund follows the U.S. Federal income tax theory of equalization, which treats a portion of the price of capital shares redeemed during the year as distributions from net investment income and realized capital gains. When this method is employed, a permanent difference between the character of net assets for book and federal income tax purposes arises, as explained above. On the Statement of Assets and Liabilities, the following adjustments were made for permanent differences attributable to equalization for the period ended December 31, 2007:

	Accumulated Undistributed
<u>Capital Paid In</u>	<u>Realized Loss</u>
\$38,268	(\$38,268)

**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 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 period September 1, 2007 through December 31, 2007 the Adviser earned management fees totaling \$64,669, of which \$15,709 was payable to the Adviser as of December 31, 2007.

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.

## Notes to the Financial Statements - continued

### 4.) APPROVAL OF INVESTMENT ADVISORY AGREEMENT (Unaudited)

On August 17, 2007, the Board of Trustees (the "Trustees" or the "Board") for the Mundoval Fund met to consider the renewal of the Management Agreement (the "Agreement"). In renewing the Agreement, the Board of Trustees considered and evaluated the following factors: (i) the investment performance of the Fund and the investment adviser; (ii) the nature, extent and quality of the services provided by the investment adviser to the Fund; (iii) the cost of the services provided and the profits realized by the adviser and its affiliates from the relationship with the Fund; (iv) the extent to which economies of scale will be realized as the fund grows; and (v) whether the fee levels reflect these economies of scale to the benefit of shareholders.

The Board met with Arthur Q. Johnson of the Adviser to discuss the terms of the Agreement. The Board reviewed the history of the Adviser, including background and investment management experience, as well as the Fund's performance for the last fiscal year, important factors relating to the Fund's performance, the Adviser's investment and research strategy, the Adviser's financial strength, and expected expenses and revenue from the Fund.

The Board gave careful consideration to factors deemed relevant to the Trust and the Fund as well as the nature, extent and quality of the services to be provided by the Adviser and the performance of the Fund since commencement of operations. The Trustees analyzed the Adviser's experience and the capabilities of the portfolio manager. The Trustees reviewed and discussed the Adviser's Form ADV, internal compliance policies and financials. The Board also compared the Fund's management fee and total annual operating expenses to those of comparable funds.

As to the performance of the Fund, the materials from the Adviser included information regarding the Fund's performance compared to a peer group of 22 funds. The Trustees noted that the Fund performed in the top range of its peers. It was noted that the Mundoval Fund was up 16.96% year-to-date through June 30, 2007, compared to 18.59% for the MSCI World Index. Additionally, the average 12 month total return was 21.45% for the peer group compared to 26.02% for the Mundoval Fund and 23.59% for the MSCI World Index. The Trustees also reviewed the performance of other accounts managed by the Adviser with a comparable mandate and noted that on a one-year basis the performance of the separate accounts were within 0.80% of the performance of the Fund.

As to the nature, extent and quality of the services provided by the Adviser, the Trustees analyzed the Adviser's experience and capabilities. The representatives of the Adviser summarized the information provided to the Board. The Trustees discussed the Adviser's financial condition, the portfolio manager's background and investment management experience. The representatives of the Adviser reviewed and discussed with the Board the Adviser's ADV and the 17j-1 certifications. Mr. Johnson walked the Board through the Adviser's Form ADV and discussed the Adviser's financial stability.

As to the cost of the services to be provided and the profits to be realized by the Adviser and its affiliates from the relationship with the Fund, it was noted that the Adviser is paying substantially all operating expenses of the Fund and that the Adviser's relationship with the Fund has resulted in slight profit of \$621 to the Adviser. Mr. Johnson also stated that in addition to advisory services, the Adviser also provides the Fund with officers, including the CCO, and office space. Turning to the level of the management fee, the Trustees were presented with a comparative analysis of advisory fees and expense ratios based on publicly available data and drawn from its peer group. Included in the comparison were funds with similar asset ranges. It was noted that while the Adviser's management fee was the highest in the peer group, the Adviser is responsible under the Agreement for paying all but a very small fraction of the Fund's expenses out of the management fee. Thus, the Trustees noted that the Fund's current expense ratio of 1.50% was less than the average expense ratio of 1.71% for the Peer Group. A.Q. Johnson also provides sub-advisory services to another fund for which it is paid 0.50%. However, the Adviser does not provide office space, a compliance officer and other services to the fund, nor does it pay all of the funds expenses out of its sub-advisory fee. Finally, the Trustees reviewed information regarding fees charged by the Adviser for separate accounts. The Board noted that A.Q. Johnson is paid 1.00% for separate accounts management, but does not provide the same comprehensive level of services to separate accounts as is provided to the Fund. Having considered the comparative data as described above, the Trustees concluded that the management fee and expense ratio were reasonable.

As for potential economies of scale, the Trustees discussed and considered information regarding whether there have been economies of scale with respect to the management of the Fund, whether the Fund has appropriately benefited from any economies of scale, and whether there is potential for realization of any further economies of scale. The Trustees noted that the Adviser represented to the Board that the Adviser would consider including break points in the management fee as the Fund grows, thus benefiting shareholders.

## Notes to the Financial Statements - continued

After reviewing all the information presented, the non-interested Trustees met in executive session. The Trustees discussed the performance of the Fund and the Adviser's compensation. Based upon the information provided, the Board concluded that the fee to be paid to the Adviser pursuant to the Agreement was reasonable, that the overall arrangement provided under the terms of the Agreement was a reasonable business arrangement, and that the renewal of the Agreement was in the best interest of the Fund's shareholders.

### 5.) 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 period September 1, 2007 through December 31, 2007. Under the Management Agreement, the Adviser pays these fees.

### 6.) INVESTMENTS

For the period September 1, 2007 through December 31, 2007, purchases and sales of investment securities other than U.S. Government obligations and short-term investments aggregated \$487,137 and \$1,920,904 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, 2007 was \$10,087,115. At December 31, 2007, 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>
\$2,151,487	(\$530,640)	\$1,620,847

### 7.) 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, 2007, Arthur Q. Johnson held, in aggregate, 51.33% 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.

### 8.) CAPITAL SHARES

At December 31, 2007 an unlimited number of shares of beneficial interest were authorized. 877,447 shares were issued and outstanding and paid in capital was \$10,109,755.

### 9.) DISTRIBUTIONS TO SHAREHOLDERS

There was a dividend of \$0.18385 per share from net investment income, a long-term capital gain distribution of \$1.18948 per share and a short-term capital gain distribution of \$0.22865 per share paid on December 28, 2007.

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

Distributions paid from:

	<u>9/1/07 to 12/31/07</u>	<u>9/1/06 to 8/31/07</u>	<u>9/1/05 to 8/31/06</u>
Ordinary Income	\$ 144,218	\$ 64,674	\$ 41,609
Short-Term Capital Gain	179,360	-0-	-0-
Long-Term Capital Gain	<u>933,067</u>	<u>92,581</u>	<u>-0-</u>
	<u>\$ 1,256,645</u>	<u>\$ 157,255</u>	<u>\$ 41,609</u>

As of December 31, 2007, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income/(accumulated losses)	\$ 1,046
Undistributed long-term capital gain/(accumulated losses)	485
Unrealized appreciation/(depreciation)	<u>1,620,847</u>
	<u>\$ 1,622,378</u>

The difference between book basis and tax basis unrealized appreciation is attributable to the tax deferral of current year post October losses of \$88,967.

Cohen Fund Audit Services, Ltd.  
Certified Public Accountants

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**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 the Mundoval Fund as of December 31, 2007, and the related statements of operations for the four months ended December 31, 2007 and for the year ended August 31, 2007 and the statements of changes in net assets for the four months ended December 31, 2007 and for the years ended August 31, 2007 and 2006, and the financial highlights for the four periods in the period ended December 31, 2007. 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, 2007 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, 2007, the results of its operations for the periods ended December 31, 2007 and August 31, 2007, and the changes in its net assets for the periods ended December 31, 2007 and August 31, 2007 and 2006 and the financial highlights for each of the four periods ended December 31, 2007, 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 21, 2008

## 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> , Year of Birth: 1961	President, Secretary, Treasurer and Trustee	Indefinite Term, 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 Year of Birth: 1982	Chief Compliance Officer	Indefinite Term, 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, Year of Birth: 1959	Trustee	Indefinite Term, 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, Year of Birth: 1963	Trustee	Indefinite Term, Since 2004	Executive Vice President and Principal of Irving Hughes (1995 - current).	1	None
Greg Young, Year of Birth: 1960	Trustee	Indefinite Term, 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 Auditors**

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.