

June 30, 2005

# Mosaic

## *Equity Trust*

Mosaic Investors Fund  
Mosaic Balanced Fund  
Mosaic Mid-Cap Fund  
Mosaic Foresight Fund



[www.mosaicfunds.com](http://www.mosaicfunds.com)

equity trust

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# Portfolio Manager Review

## Review of Period

The six-month period ended June 30, 2005 showed losses for all four funds in Equity Trust. Investors was down -3.22% for the six-month period, Mid-Cap was down -1.04%; Balanced slipped -2.10%; and Foresight -3.06%. Over the same period, the S&P 500 Index fell -0.81%. The greatest influence on this performance disparity was the sharp increase in the S&P Energy and Utilities Sectors, which had six-month returns of 23.8% and 15.2% respectively. Neither of these cyclical sectors was represented in Mosaic's portfolios, since stocks in these industries seldom meet our strict criteria for consistent predictable earnings.

## Market in Review

Although the economy remains relatively strong, the stock market got off to a rocky start in 2005. The S&P 500 index fell by -2.15% during the first quarter, and then recovered a bit in the second, to end the six months slightly negative. The downtrend in the market in the first half of 2005 was broad with only four of ten S&P sectors posting a positive return, and with most of the gains concentrated in the Energy and Utilities Sectors. Excluding these two robust sectors, the market was decidedly weaker.

In March, as we passed the five-year anniversary of the all-time peak in the stock market, the indices had still not recovered all of the losses suffered "post bubble." Despite the solid gains of the last two years, the S&P was still some -17% from its high while the Nasdaq remained close to -60% below its

peak. We are pleased all funds showed positive gains during that period.

Energy—specifically oil—was the focal point of the stock market in the first half of 2005. Price increases in oil and other commodities sparked inflation fears, which in turn fueled fears of a rise in interest rates. Higher rates almost always pressure stock prices.

The Fed's latest rhetoric has many observers closely focused on any nascent signs of increasing inflationary pressures. Over time, the prospect of rising interest rates has usually trumped growth in earnings as a market indicator. It also appears that the rate of corporate profit growth peaked, which was a drag on the market. On the other hand, interest rates and inflation remained at low absolute levels on an historical basis. Corporate balance sheets appeared rock solid (unlike the consumer's balance sheet), as companies built up meaningful cash reserves. These reserves will likely continue to be used for shareholder friendly activities such as increasing dividends and share buybacks. Ultimately, more cash could be allocated to capital expenditures and mergers and acquisitions.

Although earnings growth has decelerated from the pace of the last two years, it is still quite respectable in line with historic averages. We believe that S&P 500 earnings growth should be in mid-high single digits in 2005, matching or beating most expectations.

The sentiment for the remainder of the year is mixed. Those in the bullish camp envision favorable investment prospects, with Fed tightening in the late innings of the game and moderate, if decelerating,

## Portfolio Manager Review (continued)

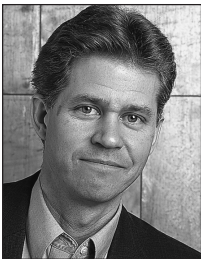
corporate earnings growth. They point towards consumer optimism, which remains solid behind appreciating real estate assets and the low cost of debt. The bearish camp chooses to focus on what they fear is a housing bubble brought about by very low interest rates, the flattening yield curve and signs that the consumer is overextended. Both camps have plenty of ammunition for their arguments as the economy is undoubtedly sending mixed signals. Domestically, growth is still strong, although moderating somewhat, but globally economies are weaker. This divergence of economic indicators and investor sentiment has resulted in the S&P 500 trading in a very narrow range since the beginning of the year.

### Outlook

In terms of the overall economy, 2005 is looking much like 2004, with perhaps modestly slower growth. In other words, we're expecting continued, moderate growth, similar to the 3.5-4% expansion we've witnessed over the past year. At the same time, some of the

sub-currents we saw in late 2004 may emerge as stronger forces in 2005. The steady demand we've seen in commodities is typically the first stage of inflationary pressure. The second stage is seen in increased demand for capacity and bottlenecks in production. The third stage is a rise in labor costs. Although we ended 2004 without a serious ramp-up in wages, the pressure appears to be building. As a result, we see an increased risk of inflation, and should job growth begin to match economic growth, the prospect of continued Fed Funds tightening is a distinct possibility. On top of these inflationary concerns, the bond market found significant support in 2004 from foreign buyers, particularly the central banks from China, Japan and other Asian and European countries. Any diminution of buying interest from these sources could have a negative impact on bond prices, pushing interest rates higher. Gently rising interest rates will have little impact on the economy and the stock market. However, a dramatic rise in rates could spell trouble for some stock prices.

## Interview with lead equity manager Jay Sekelsky



Jay  
Sekelsky

### Can you summarize the performance of the funds in Equity Trust for the first six months of 2005?

This six-month period was one of those stretches where our portfolios were out of

synch with the market, as positive returns were concentrated in a narrow group of cyclical companies. For the sectors in which we were invested, our stock picking was positive, which gives us confidence in the long-term prospects for our portfolio. This is not the first time we've endured such a stretch, but this knowledge does not make it any more pleasant. In the meantime, we are convinced that the cyclical will be true to their name, and that when the market rotates, the solid, predictable earners we hold will look more appealing to investors.

## Mosaic Investors

### How did the fund perform for the first six months of 2005?

Mosaic Investors dipped -3.22% for the period ended June 30, 2005. This return trailed the broader market as measured by the S&P 500, which was down -0.81%. It also trailed its peers, represented by the Lipper Large-Cap Core Index, which fell -1.01%.

### Have you made any significant changes to the portfolio since December 31, 2004?

We seek to buy a select group of companies that we can hold for long periods. Our last audited report (December 31, 2004) noted that our turnover rate for the fund in 2004 was 40%, well below the average for all domestic equity funds. This stability was reflected in the first six months of 2005, with no major portfolio changes in the first quarter, and three additions and two complete sales in the second quarter.

We added Check Point Software, a company we have long admired, and which we have held in the past. Our trades have typically been driven by valuation, as this leader of internet security solutions has not been immune from the volatility of the Technology Sector. When we purchased the stock, it was trading at the low end of its historical valuation range, while projected earnings and revenue growth appear to be in the area of 11-14%.

Harley-Davidson is a familiar name to most of our investors, since it is often cited as having the strongest brand equity of any company in the United States. Due to recent earnings slowdowns, which we believe are temporary, the stock was available at an unusually low valuation. Estee Lauder is another major brand name company new to the portfolio. This leader in the high growth

### FUND-AT-A-GLANCE

**Objective:** Mosaic Investors seeks long-term capital appreciation through investments in large growth companies.

**Net Assets:** \$152.6 million

**Date of Inception:** November 1, 1978

**Ticker:** MINVX

“prestige” cosmetics industry, retails over 20 brands, with the three largest accounting for the bulk of the company’s revenue (Estee Lauder, Clinique and MAC).

The only positions closed in the portfolio were insurance giant AIG and Taiwan Semiconductor. AIG has been in the news due to investigations into the company’s property and casualty insurance operations. Although we believe that AIG is diverse and strong enough to move beyond these issues, the risk of negative influence on the stock price and our reduced confidence in management led to our sell decision. We also sold the bulk of our holdings in Taiwan Semiconductor in late June, as the stock approached our assessment of full valuation.

### TOP TEN STOCK HOLDINGS AS OF JUNE 30, 2005 FOR MOSAIC INVESTORS

	% of net assets
Liberty Media Corp. ....	4.69%
Microsoft Corp. ....	4.43%
MBNA Corp. ....	4.37%
First Data Corp. ....	4.37%
Berkshire Hathaway ....	4.31%
Liz Claiborne. ....	3.80%
Morgan Stanley. ....	3.77%
Comcast Corp. ....	3.71%
Wal-Mart Stores. ....	3.65%
Viacom. ....	3.48%

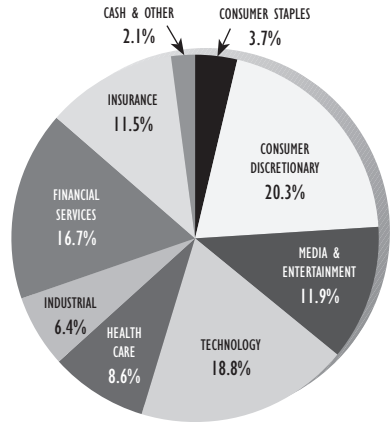
### What holdings were the strongest contributors to fund performance?

We saw particular strength in our technology holdings. Over the past year, we have gradually increased our allocation to select technology stocks, giving us an above-index weighting for the first time in many years. Our stocks soundly outperformed the overall sector, with particularly strong impact from Fiserv, the Milwaukee-based data processor, and Taiwan Semiconductors. Our health care holdings were also a positive, led by Health Management Associates, which operates hospitals, largely in non-urban areas of the south. Outside of these sectors, our strongest holding was drugstore chain, Walgreen Company, which was up some 20% over the first six months of the year.

### What holdings were the largest constraints on performance?

From a sector perspective, our lack of holdings in the hot Energy and Utilities Sectors were relative constraints. We typically do not find the sort of consistency we demand in these highly cyclical sectors. Specific to our current holdings, our financial and consumer discretionary stocks were

### INDUSTRY DIVERSIFICATION AS OF JUNE 30, 2005 FOR MOSAIC INVESTORS



the greatest drag on performance. The controversies surrounding AIG drove that stock down sharply, while weaknesses across the industry drove down many of our other financial names, most notably Willis Group, which has an international business in insurance brokerage—helping clients manage risk, primarily by matching businesses with insurance providers.

## Mosaic Balanced

### How did Mosaic Balanced perform for the six-month period?

Mosaic Balanced dipped -2.10% for the six months, with negative results from equities offsetting modest positive returns from the bond side of the portfolio. As with our Investors Fund, a good deal of our underperformance was the result of not holding stocks in the top-performing Energy and Utilities Sectors. Over the same period, the average balanced fund, as tracked by the

#### FUND-AT-A-GLANCE

**Objective:** Mosaic Balanced seeks to provide substantial current dividend income while providing opportunity for capital appreciation by investing in a combination of mid-to-large companies and government agency and investment grade corporate bonds.

**Net Assets:** \$20.4 million

**Date of Inception:** December 18, 1986

**Ticker:** BHBFX

## Portfolio Manager Review (continued)

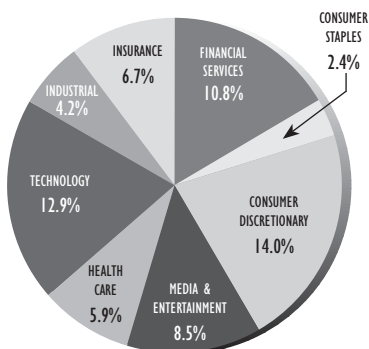
Lipper Balanced Fund Index, rose 0.50%. The Fund retains its performance advantage over its peers for five and ten years.

### Have you made any significant changes to the portfolio since December 31, 2004?

The stock holdings of Balanced mirror the holdings of Mosaic Investors, as discussed above. These holdings continue to focus on solid, well-established domestic companies that have proven their earning ability through difficult times. One of the factors in our management of Balanced is the mix of stocks and bonds, with 70% being the highest allowable percentage of stocks. We began the period holding 64.8% stocks and finished the period at virtually the same level, with 65.4% in stocks. On the bond side, we have been gradually increasing the percentage of government issued bonds, and decreasing the weighting in corporate bonds, based on our assessment of relative values. At the beginning of the period we held 10.6% of the fund in government bonds, and ended the period with 16.3% in governments.

### COMMON STOCK INDUSTRY ALLOCATION FOR MOSAIC BALANCED

(% of net assets)



### How did the stock holdings in Balanced contribute to overall performance?

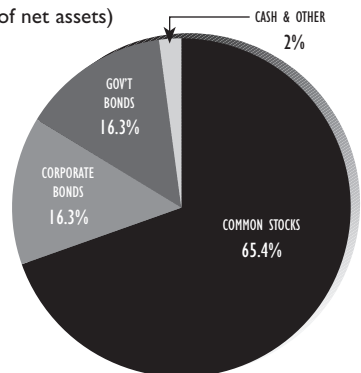
The stock holdings in Balanced were negative for the period. The holdings mirror the stocks held in Mosaic Investors, discussed at some length above.

### How did the bond holdings in Balanced contribute to overall performance?

Bond valuations fell in the first quarter of 2005 and then rebounded in the second quarter, producing a net positive result for the fund. We have kept the bond holdings in Mosaic Balanced quite conservative, which was a positive in the first quarter, but negative in the second, when interest rates dipped. Nevertheless, we feel that the most likely scenario over the next few quarters is higher rates, which will hurt bond valuations. We will maintain our defensive posture in anticipation of higher interest rates and a more attractive yield environment ahead. We believe that investors in our Balanced Fund are seeking solid returns with risk moderation, and our active management of the bond side of the fund is intended to complement these goals.

### PORTFOLIO INVESTMENT BLEND FOR MOSAIC BALANCED

(% of net assets)



**TOP FIVE STOCK AND FIXED INCOME HOLDINGS AS OF JUNE 30, 2005  
FOR MOSAIC BALANCED**

	% of net assets
<b>Top Five Stock Holdings</b>	
<b>(65.4% of net assets in stocks)</b>	
Berkshire Hathaway.....	3.54%
MBNA Corp.....	3.53%
First Data Corp.....	3.53%
Liberty Media Corp.....	3.12%
Wal-Mart Stores.....	2.96%

	% of net assets
<b>Top Five Fixed Income Holdings</b>	
<b>(32.6% of net assets in fixed income)</b>	
US Treasury Note, 4.625%, 5/15/06.....	2.97%
US Treasury Note, 4%, 3/15/10.....	2.73%
Fannie Mae, 6%, 12/15/05.....	2.48%
US Treasury Note, 5.875%, 11/15/05.....	1.98%
Fannie Mae, 3.25%, 8/15/08.....	1.93%

**Mosaic Mid-Cap**



*Rich  
Eisinger*

An interview with Rich Eisinger, co-manager of Mosaic Mid-Cap.

**How would you characterize the performance of Mosaic Mid-Cap so far in 2005?**

In both absolute and relative terms, the fund's -1.04% return for the period was a disappointment. The Fund's performance trailed our benchmark, the Russell Mid-Cap Index, which advanced 3.92% over the same period. We also trailed our peer group, as represented by the Lipper Mid-Cap Core Index, which advanced 1.88%. A concentrated investing approach will often lead to periods of outperformance and underperformance relative to benchmark indices. Over long periods of time, we are confident that our focus on high-quality businesses and preservation of capital will reward patient investors. We consider our portfolio as strong as ever, but temporarily out of favor in a market that is most enamored with

**FUND-AT-A-GLANCE**

**Objective:** Mosaic Mid-Cap seeks long-term capital appreciation through the investment in mid-sized growth companies.

**Net Assets:** \$150.7 million

**Date of Inception:** July 21, 1983

**Ticker:** GTSGX

cyclicals, primarily energy stocks, which are flourishing due to high oil prices.

**Did you make any significant changes to the portfolio since December 31, 2004?**

Our latest audited portfolio turnover ratio (12/31/04) was 38%, which translates into an average holding period of close to three years. Over the course of the first six months of 2005 we added five new holdings: Charles River Laboratories, Cintas, Check Point Software, Cabela's, and Estee Lauder. Four holdings were sold: Office Depot, Limited, Natuzzi and Kemet. The basic composition of the portfolio was maintained, with similar sector exposure and the same top four holdings.

Our new holdings, which come from different industries, do have some commonalities: leadership in their segments, some inherent competitive advantage,



**Portfolio Manager Review (continued)**

and strong management teams. Charles River Laboratories is a leading supplier to pharmaceutical and biotech research operations. Cintas designs and manufactures uniforms, which it rents and sells to its customers, and also markets to its corporate customers. The company takes advantage of cross-selling opportunities to market a broad range of products to customers, such as cleaning materials and first aid products. Check Point Software is a leader in internet and firewall security. Cabela's is a growing retailer of hunting, camping and fishing supplies, which it markets via large destination stores and a growing direct-market channel. Estee Lauder is a familiar name in the cosmetics industry, and has a growing international market through its numerous brands, including Clinique and MAC.

**What holdings were the strongest contributors to fund performance?**

In terms of sectors, we saw positive results from our Health Care and Technology Sector holdings. Among the top individual performers were Jacobs Engineering Group, Kenneth Cole, Office Depot (which was sold in March), Community Health Systems, Intuit and Fiserv Inc.

**What holdings were the largest constraints on performance?**

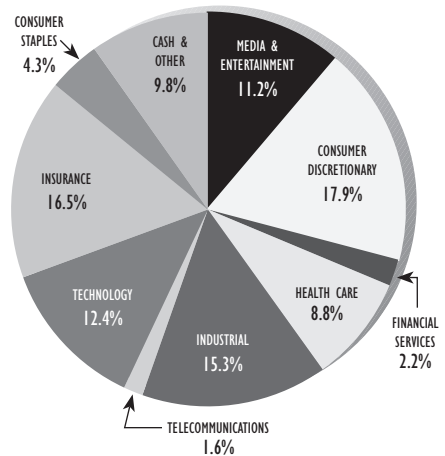
Our underweighting in the leading Energy and Utility Sectors was a hurdle for this period, as soaring energy prices gave these cyclical sectors a boost. We tend to avoid cyclical stocks, because few of them can demonstrate the sort of dependable earnings we require. Stocks that were weak over the period include CarMax, Natuzzi (sold in March) and Willis Group.

**TOP TEN STOCK HOLDINGS  
AS OF JUNE 30, 2005  
FOR MOSAIC MID-CAP**

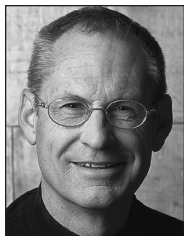
	% of net assets
White Mountains Insurance .....	4.35%
Markel Corp. ....	3.85%
Mercury General Corp. ....	3.76%
Hewitt Assoc., Inc. ....	3.73%
Intuit, Inc. ....	3.51%
Liberty Media Corp. ....	3.40%
Charles River Laboratories .....	3.36%
Tiffany & Company .....	3.25%
Jacobs Engineering Group .....	3.16%
Dover Corp. ....	3.13%

**INDUSTRY DIVERSIFICATION  
AS OF JUNE 30, 2005  
FOR MOSAIC MID-CAP**

(% of net assets)



## Mosaic Foresight



Frank Burgess

An interview with Foresight manager and Madison Investment Advisors' founder and President, Frank Burgess.

### How would you characterize the performance of Foresight for the period?

We underperformed for this six-month period, with a return of -3.06%. Our Lipper Flexible Portfolio peer group had an average return of -0.36%, while the overall stock market, as represented by the S&P 500 was down -0.81%. As with our other stock portfolios, this performance gap was largely due to our lack of exposure to the market-leading Energy and Utilities Sectors, cyclical sectors which we typically find too volatile for our discipline.

### Have you made any significant changes to the portfolio since December 31, 2004?

Over the past six months we've continued our move to what is now a fully invested stock position. Our equity positions are concentrated in large-cap companies which retain a leadership position in their industries and have shown the ability to produce predictable earnings over time. While these types of stocks were not in favor over the past six months, we believe they offer the best risk/return potential today, and will reward investors over time.

Among the new holdings in the portfolio are motorcycle manufacturer Harley-Davidson,

### FUND-AT-A-GLANCE

**Objective:** Mosaic Foresight seeks long-term capital appreciation through investments in large growth companies while pursuing capital preservation through active management of market exposure.

**Net Assets:** \$4.9 million

**Date of Inception:** December 31, 1997

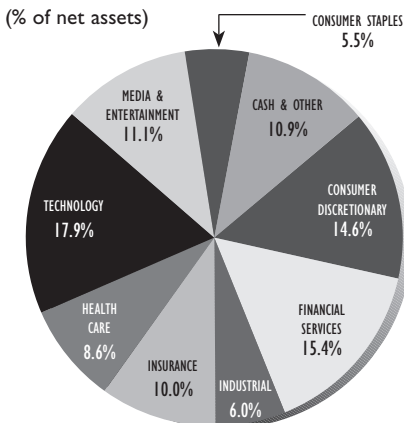
**Ticker:** GEWWX

McDonald's, Viacom, Wal-Mart, Waste Management and Wells Fargo. Sales include banks Marshall & Isley and Washington Mutual, Bristol Myers Squibb and insurer MBIA.

### TOP FIVE STOCK HOLDINGS AS OF JUNE 30, 2005 FOR MOSAIC FORESIGHT

	% of net assets
Liberty Media Corp.	4.45%
MGIC Investment Corp.	4.31%
Microsoft Corp.	4.23%
MBNA Corp.	4.17%
First Data Corp.	4.16%

### INDUSTRY DIVERSIFICATION AS OF JUNE 30, 2005 FOR MOSAIC FORESIGHT



# Investors Fund • Portfolio of Investments (unaudited)

	<u>NUMBER OF SHARES</u>	<u>VALUE</u>		<u>NUMBER OF SHARES</u>	<u>VALUE</u>
<b>COMMON STOCKS:</b>					
97.9% of net assets					
<b>CONSUMER DISCRETIONARY: 20.3%</b>					
Costco Wholesale Corp.	85,370	\$ 3,826,283			
Harley Davidson, Inc.	81,605	4,047,608			
Liz Claiborne	145,995	5,804,761			
McDonald's Corp.	174,870	4,852,642			
Mohawk Industries Inc.*	38,065	3,140,362			
Target Corp.	67,500	3,672,675			
Wal-Mart Stores	115,685	5,576,017			
<b>CONSUMER STAPLES: 3.7%</b>					
Estee Lauder Co.	62,761	2,455,838			
Walgreen Co.	69,735	3,207,113			
<b>FINANCIAL SERVICES: 16.7%</b>					
Citigroup, Inc.	106,190	4,909,164			
Freddie Mac	50,185	3,273,568			
MBNA Corp.	255,045	6,671,977			
Morgan Stanley	109,595	5,750,450			
Wells Fargo Co.	80,000	4,926,400			
<b>HEALTH CARE: 8.6%</b>					
Baxter International Health Management Associates	108,455	4,023,680			
Johnson & Johnson	166,840	4,367,871			
	73,185	4,757,025			
<b>INDUSTRIAL: 6.4%</b>					
Dover Corp.	130,610	4,751,592			
Waste Management, Inc.	174,650	4,949,581			
<b>INSURANCE: 11.5%</b>					
Berkshire Hathaway*	2,363	6,577,410			
MGIC Investment Corp.	74,780	4,877,152			
Markel Corp.*	9,690	3,284,910			
Willis Group Holding	85,230	2,788,726			
<b>MEDIA &amp; ENTERTAINMENT: 11.9%</b>					
Comcast Corp.*	189,065	\$ 5,662,497			
Liberty Media Corp.*	703,055	7,164,130			
Viacom	166,035	5,316,441			
<b>TECHNOLOGY: 18.8%</b>					
Check Point Software*	149,155	2,953,269			
Cisco Systems, Inc.*	265,000	5,064,150			
First Data Corp.	166,170	6,670,064			
Fiserv, Inc.*	91,940	3,948,823			
Intuit, Inc.*	70,230	3,168,075			
Microsoft Corp.	272,335	6,764,801			
Taiwan Semiconductor	22,010	200,741			
<b>TOTAL COMMON STOCKS</b>					
(Cost \$130,281,213)					\$149,405,796
<b>REPURCHASE AGREEMENT:</b>					
2.7% of net assets					
With Morgan Stanley and Company issued 6/30/05 at 2.73%, due 7/1/05, collateralized by \$4,187,828 in United States Treasury Notes due 2/15/27. Proceeds at maturity are \$4,085,310 (Cost \$4,085,000).					
					<u>4,085,000</u>
<b>TOTAL INVESTMENTS:</b>					
100.6% of net assets					
(Cost \$134,366,213)					\$153,490,796
<b>LIABILITIES LESS CASH AND RECEIVABLES:</b>					
(0.6% of net assets)					
					<u>(847,594)</u>
<b>NET ASSETS: 100%</b>					<u>\$152,643,202</u>
*Non-income producing					

The Notes to Financial Statements are an integral part of these statements.

# Balanced Fund • Portfolio of Investments (unaudited)

	<u>NUMBER OF SHARES</u>	<u>VALUE</u>		<u>NUMBER OF SHARES</u>	<u>VALUE</u>
<b>COMMON STOCKS:</b>			<b>TECHNOLOGY:</b> 12.9%		
65.4% of net assets			Check Point Software* 13,860 \$ 274,428		
<b>CONSUMER</b>			Cisco Systems, Inc.* 22,665 433,128		
<b>DISCRETIONARY:</b> 14.0%			First Data Corp. 17,900 718,506		
Costco Wholesale Corp.	7,235	\$ 324,273	Fiserv, Inc.* 8,075 346,821		
Harley Davidson, Inc.	6,940	344,224	Intuit, Inc.* 5,980 269,758		
Liz Claiborne	12,500	497,000	Microsoft Corp. 23,135 574,673		
McDonald's Corp.	19,115	530,441	Taiwan Semiconductor 1,850 16,872		
Mohawk Industries Inc.*	3,095	255,337	<b>TOTAL COMMON STOCKS</b>		
Target Corp.	5,400	293,814	(Cost \$11,606,657) \$13,306,699		
Wal-Mart Stores	12,500	602,500			
<b>CONSUMER</b>			<b>DEBT INSTRUMENTS:</b>		
<b>STAPLES:</b> 2.4%			32.6% of net assets		
Estee Lauder Co.	5,319	208,132	<b>CORPORATE</b>		
Walgreen Co.	5,935	272,951	<b>OBLIGATIONS:</b> 16.3%		
<b>FINANCIAL</b>			<b>CONSUMER</b>		
<b>SERVICES:</b> 10.8%			<b>GOODS:</b> 1.0%		
Citigroup, Inc.	11,815	546,207	Target Corp.,		
MBNA Corp.	27,525	720,054	5.5%, 4/1/07 200,000 \$ 205,257		
Morgan Stanley	9,250	485,348	<b>CONSUMER</b>		
Wells Fargo Co.	7,190	442,760	<b>STAPLES:</b> 0.7%		
<b>HEALTH CARE:</b> 5.9%			Kraft Foods, Inc.,		
Baxter International	9,600	356,160	4.625%, 11/1/06 150,000 151,027		
Health Management			<b>FINANCIALS:</b> 7.1%		
Associates	16,525	432,625	Countrywide Home		
Johnson & Johnson	6,485	421,525	Loan, 5.625%, 5/15/07 210,000 215,258		
<b>INDUSTRIAL:</b> 4.2%			General Electric,		
Dover Corp.	11,800	429,284	4.625%, 9/15/09 200,000 203,615		
Waste Management, Inc.	15,005	425,242	Goldman Sachs,		
<b>INSURANCE:</b> 6.7%			7.35%, 10/1/09 180,000 200,630		
Berkshire Hathaway*	259	720,927	Household Finance Co.,		
MGIC Investment Corp.	6,170	402,407	7.875%, 3/1/07 200,000 211,858		
Willis Group Holding	7,265	237,711	International Lease		
<b>MEDIA &amp;</b>			Finance, 5.625%,		
<b>ENTERTAINMENT:</b> 8.5%			6/1/07 200,000 205,121		
Comcast Corp.*	16,790	502,861	MGIC Investment Corp.,		
Liberty Media Corp.*	62,450	636,365	6%, 3/15/07 200,000 206,074		
Viacom	18,250	584,365	United Healthcare		
			Group, 5%, 8/15/14 200,000 207,320		

The Notes to Financial Statements are an integral part of these statements.

Balanced Fund • Portfolio of Investments • June 30, 2005 (concluded)

	PRINCIPAL AMOUNT	VALUE		PRINCIPAL AMOUNT	VALUE
<b>INDUSTRIAL:</b> 1.7%			<b>REPURCHASE AGREEMENT:</b>		
Daimler Chrysler, 7.2%, 9/1/09	200,000	\$ 217,900	2.7% of net assets		
Ford Motor Credit, 6.875%, 2/1/06	125,000	126,267	With Morgan Stanley and Company issued 6/30/05 at 2.73%, due 7/1/05, collateralized by \$572,046 in United States Treasury Notes due 2/15/27.		
<b>OIL:</b> 1.0%			Proceeds at maturity are \$558,042 (Cost \$558,000).	\$	<u>558,000</u>
Marathon Oil Corp., 5.375%, 6/1/07	200,000	204,065	<b>TOTAL INVESTMENTS:</b>		
<b>TECHNOLOGY:</b> 3.0%			100.7% of net assets		
Computer Sciences Co., 3.5%, 4/15/08	200,000	195,511	(Cost \$18,777,817)		\$20,539,879
Hewlett-Packard Co., 5.5%, 7/1/07	200,000	205,038	<b>LIABILITIES LESS CASH AND RECEIVABLES:</b> (0.7)% of net assets		<u>(148,468)</u>
Lexmark Int'l, 6.75%, 5/15/08	200,000	212,298	<b>NET ASSETS:</b> 100%		<u>\$20,391,411</u>
<b>TELECOMMUNI- CATIONS:</b> 1.8%					
AT & T Broadband, 8.375%, 3/15/13	200,000	244,229	*Non-income producing		
Sprint Capital Corp., 6.125%, 11/15/08	125,000	131,787			
<b>US TREASURY &amp; AGENCY OBLIGATIONS</b> 16.3%					
Fannie Mae, 6.0%, 12/15/05	500,000	505,438			
Fannie Mae, 3.25%, 8/15/08	400,000	392,846			
Freddie Mac, 3.50%, 9/15/07	370,000	367,921			
US Treasury Notes, 5.875%, 11/15/05	400,000	403,844			
US Treasury Notes, 4.625%, 5/15/06	600,000	605,813			
US Treasury Notes, 3.625%, 7/15/09	350,000	348,948			
US Treasury Notes, 4.0%, 3/15/10	550,000	556,166			
US Treasury Notes, 4.0%, 3/15/10	150,000	<u>150,949</u>			
<b>TOTAL DEBT INSTRUMENTS</b>					
(Cost \$6,613,160)		\$ 6,675,180			

The Notes to Financial Statements are an integral part of these statements.

# Mid-Cap Fund • Portfolio of Investments (unaudited)

	NUMBER OF SHARES	VALUE		NUMBER OF SHARES	VALUE
<b>COMMON STOCKS:</b>			<b>MEDIA &amp; ENTERTAINMENT: 11.2%</b>		
90.2% of net assets			Liberty Global* 85,884 \$4,008,206		
<b>CONSUMER DISCRETIONARY: 17.9%</b>			Liberty Media Corp.* 503,265 5,128,270		
Cabela's, Inc.*	220,825	\$4,716,822	Scripps, Co. 74,145 3,618,276		
CarMax, Inc.*	120,905	3,222,118	Valassis Communications, Inc.* 112,465 4,166,828		
John Wiley & Sons Inc.	74,935	2,977,168	<b>TECHNOLOGY: 12.4%</b>		
Kenneth Cole Products	120,605	3,753,228	Check Point Software* 165,195 3,270,861		
Liz Claiborne	103,775	4,126,094	Fiserv, Inc.* 105,230 4,519,628		
Mohawk Industries, Inc.*	39,680	3,273,600	Hewitt Associates, Inc.* 211,790 5,614,553		
Tiffany & Company	149,630	4,901,879	Intuit, Inc.* 117,245 5,288,922		
<b>CONSUMER STAPLES: 4.3%</b>			<b>TELECOMMUNICATIONS: 1.6%</b>		
Del Monte Foods*	406,090	4,373,589	IDT Corporation* 184,315 2,440,331		
Estee Lauder Co.	55,068	2,154,811	<b>TOTAL COMMON STOCKS</b>		
<b>FINANCIAL SERVICES: 2.2%</b>			(Cost \$121,387,763) \$135,986,635		
AG Edwards	73,715	3,328,232	<b>REPURCHASE AGREEMENT:</b>		
<b>HEALTH CARE: 8.8%</b>			11.9% of net assets		
Charles River Laboratories*	105,055	5,068,904	With Morgan Stanley and Company issued 6/30/05 at 2.73%, due 7/11/05, collateralized by \$18,433,621 in United States Treasury Notes due 2/15/27. Proceeds at maturity are \$17,982,364 (Cost \$17,981,000). 17,981,000		
Community Health Systems*	93,530	3,534,499	<b>TOTAL INVESTMENTS:</b>		
Laboratory Corp. of America*	93,970	4,689,103	102.1% of net assets (Cost \$139,368,763) \$153,967,635		
<b>INDUSTRIAL: 15.3%</b>			<b>LIABILITIES LESS CASH AND RECEIVABLES:</b> (2.1)% of net assets (3,284,116)		
Cintas	114,940	4,436,684	<b>NET ASSETS:</b> 100% \$150,683,519		
Dover Corp.	129,805	4,722,306			
Expeditors International of Washington, Inc.	89,745	4,470,198			
Jacobs Engineering Group	84,525	4,755,376			
Waste Management, Inc.	161,975	4,590,372			
<b>INSURANCE: 16.5%</b>			*Non-income producing		
Markel Corp.*	17,100	5,796,900			
Mercury General Corp.	103,905	5,664,901			
Odyssey Reinsurance Holdings	186,235	4,596,280			
White Mountains Insurance	10,398	6,560,098			
Willis Group Holding	67,775	2,217,598			

The Notes to Financial Statements are an integral part of these statements.

# Foresight Fund • Portfolio of Investments (unaudited)

	<u>NUMBER OF SHARES</u>	<u>VALUE</u>		<u>NUMBER OF SHARES</u>	<u>VALUE</u>
<b>COMMON STOCKS:</b>			<b>TECHNOLOGY: 17.9%</b>		
89.1% of net assets			Check Point Software* 4,910 \$ 97,218		
<b>CONSUMER DISCRETIONARY: 14.6%</b>			Cisco Systems, Inc.* 7,385 141,127		
Harley-Davidson, Inc.	2,475	\$ 122,760	First Data Corp. 5,045 202,506		
Liz Claiborne	4,570	181,703	Fiserv, Inc.* 2,805 120,475		
McDonald's Corp.	5,050	140,137	Intuit, Inc.* 2,140 96,535		
Mohawk Industries*	1,160	95,700	Microsoft Corp. 8,280 205,675		
Wal-Mart Stores	3,505	168,941	Taiwan Semiconductor 674 6,154		
<b>CONSUMER STAPLES: 5.5%</b>			<b>TOTAL COMMON STOCKS</b>		
Costco Wholesale Corp.	2,135	95,691	(Cost \$4,093,730) \$4,338,694		
Estee Lauder Co.	1,908	74,660	<b>REPURCHASE AGREEMENT:</b>		
Walgreen Co.	2,115	97,269	11.9% of net assets		
<b>FINANCIAL SERVICES: 15.4%</b>			With Morgan Stanley and Company issued 6/30/05 at 2.73%, due 7/1/05, collateralized by \$593,575 in United States Treasury Notes due 2/15/27. Proceeds at maturity are \$579,044 (Cost \$579,000). <u>579,000</u>		
Citigroup, Inc.	3,090	142,851	<b>TOTAL INVESTMENTS:</b>		
Freddie Mac	1,375	89,691	101% of net assets		
MBNA Corp.	7,750	202,740	(Cost \$4,672,730) \$4,917,694		
Morgan Stanley	3,330	174,725	<b>CASH AND RECEIVABLES LESS LIABILITIES:</b> (1.0%) of net assets <u>(50,154)</u>		
Wells Fargo Co.	2,260	139,171	<b>NET ASSETS:</b> 100% <u>\$4,867,540</u>		
<b>HEALTH CARE: 8.6%</b>			*Non-income producing		
Baxter International	3,580	132,818			
Health Management Associates	5,545	145,168			
Johnson & Johnson	2,200	143,000			
<b>INDUSTRIAL: 6.0%</b>					
Dover Corp.	4,120	149,886			
Waste Management, Inc.	5,085	144,109			
<b>INSURANCE: 10.0%</b>					
Berkshire Hathaway*	71	197,628			
MGIC Investment Corp.	3,215	209,682			
Willis Group Holding	2,445	80,000			
<b>MEDIA &amp; ENTERTAINMENT: 11.1%</b>					
Comcast Corp.*	5,365	160,682			
Liberty Media Corp.*	21,265	216,690			
Viacom	5,100	163,302			

The Notes to Financial Statements are an integral part of these statements.

# Statements of Assets and Liabilities (unaudited)

June 30, 2005

	<u>Investors Fund</u>	<u>Balanced Fund</u>	<u>Mid-Cap Fund</u>	<u>Foresight Fund</u>
<b>ASSETS</b>				
Investments, at value (Notes 1 and 2)				
Investment securities . . . . .	\$149,405,796	\$19,981,879	\$135,986,635	\$4,338,694
Repurchase agreements . . . . .	4,085,000	558,000	17,981,000	579,000
Total investments* . . . . .	<u>153,490,796</u>	<u>20,539,879</u>	<u>153,967,635</u>	<u>4,917,694</u>
Cash . . . . .	703	119	125	421
Receivables				
Investment securities sold . . . . .	1,255,275	5,600	487,393	21,906
Dividends and interest . . . . .	143,247	93,450	45,930	4,375
Capital shares sold . . . . .	405,649	34,676	310,025	--
Total receivables . . . . .	<u>1,804,171</u>	<u>133,726</u>	<u>843,348</u>	<u>26,281</u>
<b>Total assets</b> . . . . .	<u>\$155,295,670</u>	<u>\$20,673,724</u>	<u>\$154,811,108</u>	<u>\$4,944,396</u>
<b>LIABILITIES</b>				
Payables				
Investment securities purchased . . . . .	2,458,844	208,387	3,951,560	74,752
Dividends . . . . .	--	3,106	--	--
Capital shares redeemed . . . . .	181,621	66,985	167,980	--
Independent trustee and auditor fees . . . . .	12,003	3,835	8,049	2,104
<b>Total liabilities</b> . . . . .	<u>\$ 2,652,468</u>	<u>\$ 282,313</u>	<u>\$ 4,127,589</u>	<u>\$ 76,856</u>
<b>NET ASSETS</b> . . . . .	<u>\$152,643,202</u>	<u>\$20,391,411</u>	<u>\$150,683,519</u>	<u>\$4,867,540</u>
<b>Net assets consists of:</b>				
Paid in capital . . . . .	\$132,965,583	\$18,011,212	\$132,873,124	\$4,670,750
Undistributed net investment income				
(loss) . . . . .	185,212	--	(239,606)	7,347
Accumulated net realized gains (losses)	367,824	618,137	3,451,129	(55,521)
Net unrealized appreciation				
on investments . . . . .	19,124,583	1,762,062	14,598,872	244,964
<b>Net Assets</b> . . . . .	<u>\$152,643,202</u>	<u>\$20,391,411</u>	<u>\$150,683,519</u>	<u>\$4,867,540</u>
<b>CAPITAL SHARES OUTSTANDING</b>				
An unlimited number of capital shares, without par value, are authorized (Note 8).	7,574,188	1,072,229	12,165,005	375,193
<b>NET ASSETS VALUE PER SHARE</b> . . . . .	<u>\$ 20.15</u>	<u>\$ 19.02</u>	<u>\$ 12.39</u>	<u>\$ 12.97</u>
<b>*INVESTMENT SECURITIES, AT COST</b> . . . . .	<u>\$134,366,213</u>	<u>\$18,777,817</u>	<u>\$139,368,763</u>	<u>\$4,672,730</u>

The Notes to Financial Statements are an integral part of these statements.



# Statements of Operations (unaudited)

For the six-months ended June 30, 2005

	<u>Investors Fund</u>	<u>Balanced Fund</u>	<u>Mid-Cap Fund</u>	<u>Foresight Fund</u>
<b>INVESTMENT INCOME</b> (Note 1)				
Interest income .....	\$ 155,121	\$ 160,977	\$ 180,778	\$ 13,051
Dividend income .....	<u>774,660</u>	<u>80,663</u>	<u>373,467</u>	<u>23,850</u>
<b>Total investment income</b> .....	929,781	241,640	554,245	36,901
<b>EXPENSES</b> (Notes 3 and 5)				
Investment advisory fees .....	554,237	91,514	477,929	17,812
Other expenses:				
Service agreement fees .....	174,828	50,028	305,874	9,262
Independent trustee and auditor fees .....	<u>15,504</u>	<u>4,710</u>	<u>10,048</u>	<u>2,480</u>
Total other expenses .....	190,332	54,738	315,922	11,742
<b>Total expenses</b> .....	<u>744,569</u>	<u>146,252</u>	<u>793,851</u>	<u>29,554</u>
<b>NET INVESTMENT INCOME (LOSS)</b> .....	185,212	95,388	(239,606)	7,347
<b>REALIZED AND UNREALIZED GAIN ON INVESTMENTS</b>				
Net realized gain on investments .....	2,621,727	953,649	2,683,954	116,620
Change in net unrealized depreciation of investments .....	<u>(8,150,672)</u>	<u>(1,644,991)</u>	<u>(3,347,085)</u>	<u>(272,789)</u>
<b>NET LOSS ON INVESTMENTS</b> .....	<u>(5,528,945)</u>	<u>(691,342)</u>	<u>(663,131)</u>	<u>(156,169)</u>
<b>TOTAL DECREASE IN NET ASSETS RESULTING FROM OPERATIONS</b> .....	<u>\$(5,343,733)</u>	<u>\$(595,954)</u>	<u>\$(902,737)</u>	<u>\$(148,822)</u>

The Notes to Financial Statements are an integral part of these statements.

# Statements of Changes in Net Assets

For the period indicated

	Investors Fund		Balanced Fund	
	(unaudited) Six-Months Ended June 30, <u>2005</u>	Year Ended Dec. 31, <u>2004</u>	(unaudited) Six-Months Ended June 30, <u>2005</u>	Year Ended Dec. 31, <u>2004</u>
<b>INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS</b>				
Net investment income . . . . .	\$ 185,212	\$ 1,015,133	\$ 95,388	\$ 266,061
Net realized gain on investments . . . .	2,621,727	4,530,880	953,649	697,103
Change in net unrealized appreciation on investments . . . . .	(8,150,672)	10,689,842	(1,644,991)	1,052,618
<b>Total increase (decrease) in net assets resulting from operations . . . . .</b>	<b>(5,343,733)</b>	<b>16,235,855</b>	<b>(595,954)</b>	<b>2,015,782</b>
<b>DISTRIBUTIONS TO SHAREHOLDERS FROM NET INVESTMENT INCOME . . . .</b>	<b>--</b>	<b>(1,015,133)</b>	<b>(95,388)</b>	<b>(266,061)</b>
<b>CAPITAL SHARE TRANSACTIONS</b>				
(Note 8). . . . .	(6,133,964)	23,937,258	(5,314,939)	237,488
<b>TOTAL INCREASE (DECREASE) IN NET ASSETS . . . . .</b>	<b>(11,477,697)</b>	<b>39,157,980</b>	<b>(6,006,281)</b>	<b>1,987,209</b>
<b>NET ASSETS</b>				
Beginning of period. . . . .	<u>\$164,120,899</u>	<u>\$124,962,919</u>	<u>\$26,397,692</u>	<u>\$24,410,483</u>
End of period . . . . .	<u>\$152,643,202</u>	<u>\$164,120,899</u>	<u>\$20,391,411</u>	<u>\$26,397,692</u>

The Notes to Financial Statements are an integral part of these statements.

## Statements of Changes in Net Assets (concluded)

	Mid-Cap Fund		Foresight Fund	
	(unaudited) Six-Months Ended June 30, <u>2005</u>	Year Ended Dec. 31, <u>2004</u>	(unaudited) Six-Months Ended June 30, <u>2005</u>	Year Ended Dec. 31, <u>2004</u>
<b>INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS</b>				
Net investment income (loss)	\$ (239,606)	\$ (72,422)	\$ 7,347	\$ 25,039
Net realized gain (loss) on investments	2,683,954	6,387,720	116,620	132,302
Change in net unrealized appreciation (depreciation) on investments	<u>(3,347,085)</u>	<u>9,361,153</u>	<u>(272,789)</u>	<u>151,641</u>
<b>Total increase (decrease) in net assets resulting from operations</b>	(902,737)	15,676,451	(148,822)	308,982
<b>DISTRIBUTIONS TO SHAREHOLDERS</b>				
From net investment income	--	--	--	(25,039)
From net capital gains	<u>--</u>	<u>(5,548,123)</u>	<u>--</u>	<u>--</u>
<b>Total distributions</b>	--	(5,548,123)	--	(25,039)
<b>CAPITAL SHARE TRANSACTIONS</b> (Note 8)	<u>35,777,596</u>	<u>51,004,929</u>	<u>227,035</u>	<u>(235,775)</u>
<b>TOTAL INCREASE IN NET ASSETS</b>	34,874,859	61,133,257	78,213	48,168
<b>NET ASSETS</b>				
Beginning of period	<u>\$115,808,660</u>	<u>\$ 54,675,403</u>	<u>\$4,789,327</u>	<u>\$4,741,159</u>
End of period	<u>\$150,683,519</u>	<u>\$115,808,660</u>	<u>\$4,867,540</u>	<u>\$4,789,327</u>

The Notes to Financial Statements are an integral part of these statements.

# Financial Highlights

Selected data for a share outstanding for the periods indicated.

## INVESTORS FUND

	(unaudited)				
	Six-Months Ended June 30,	Year Ended December 31,			
	2005	2004	2003	2002	2001
Net asset value, beginning of year	\$20.82	\$18.79	\$15.42	\$18.61	\$20.06
Investment operations:					
Net investment income	0.02	0.13	0.04	0.04	0.04
Net realized and unrealized gain (loss) on investments	(0.69)	2.03	3.37	(3.19)	(0.54)
<b>Total from investment operations</b>	(0.67)	2.16	3.41	(3.15)	(0.50)
Less distributions:					
From net investment income	--	(0.13)	(0.04)	(0.04)	(0.05)
From net capital gains	--	--	--	--	(0.90)
<b>Total distributions</b>	--	(0.13)	(0.04)	(0.04)	(0.95)
Net asset value, end of year	\$20.15	\$20.82	\$18.79	\$15.42	\$18.61
Total return (%)	(3.22)	11.49	22.14	(16.94)	(2.52)
<b>Ratios and supplemental data</b>					
Net assets, end of year (in thousands)	\$152,643	\$164,121	\$124,963	\$95,219	\$30,526
Ratio of expenses to average net assets (%)	0.92 <sup>1</sup>	0.88	0.88	0.99	1.15
Ratio of net investment income to average net assets (%)	0.23 <sup>1</sup>	0.70	0.27	0.44	0.26
Portfolio turnover (%)	13	40	29	88	63

## BALANCED FUND

	(unaudited)				
	Six-Months Ended June 30,	Year Ended December 31,			
	2005	2004	2003	2002	2001
Net asset value, beginning of year	\$19.51	\$18.22	\$15.98	\$17.87	\$18.68
Investment operations:					
Net investment income	0.08	0.20	0.19	0.26	0.33
Net realized and unrealized gain (loss) on investments	(0.49)	1.29	2.24	(1.89)	(0.12)
<b>Total from investment operations</b>	(0.41)	1.49	2.43	(1.63)	0.21
Less distributions:					
From net investment income	(0.08)	(0.20)	(0.19)	(0.26)	(0.33)
From net capital gains	--	--	--	--	(0.69)
<b>Total distributions</b>	(0.08)	(0.20)	(0.19)	(0.26)	(1.02)
Net asset value, end of year	\$19.02	\$19.51	\$18.22	\$15.98	\$17.87
Total return (%)	(2.10)	8.19	15.29	(9.13)	1.17
<b>Ratios and supplemental data</b>					
Net assets, end of year (in thousands)	\$20,391	\$26,398	\$24,411	\$20,886	\$22,856
Ratio of expenses to average net assets (%)	1.19 <sup>1</sup>	1.20	1.20	1.20	1.20
Ratio of net investment income to average net assets (%)	0.78 <sup>1</sup>	1.06	1.01	1.56	1.81
Portfolio turnover (%)	13	38	43	37	60

<sup>1</sup>Annualized.

The Notes to Financial Statements are an integral part of these statements.

## Financial Highlights (concluded)

Selected data for a share outstanding for the periods indicated.

### MID-CAP FUND

	(unaudited)				
	Six-Months Ended June 30,	Year Ended December 31,			
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
<b>Net asset value beginning of year</b>	\$12.52	\$11.06	\$8.69	\$10.04	\$9.36
<b>Investment operations:</b>					
Net investment income (loss)	(0.02)	(0.01)	(0.03)	(0.03)	0.01
Net realized and unrealized gain (loss) on investments	(0.11)	2.10	2.51	(1.26)	1.40
<b>Total from investment operations</b>	(0.13)	2.09	2.48	(1.29)	1.41
Less distributions:					
From net investment income	--	--	--	--	(0.01)
From net capital gains	--	(0.63)	(0.11)	(0.06)	(0.72)
<b>Total distributions</b>	--	(0.63)	(0.11)	(0.06)	(0.73)
<b>Net asset value, end of year</b>	\$12.39	\$12.52	\$11.06	\$8.69	\$10.04
<b>Total return (%)</b>	(1.04)	18.90	28.53	(12.87)	15.32
<b>Ratios and supplemental data</b>					
<b>Net assets, end of year</b> (in thousands)	\$150,684	\$115,809	\$54,675	\$26,202	\$13,037
Ratio of expenses to average net assets (%)	1.23 <sup>1</sup>	1.24	1.25	1.24	1.25
Ratio of net investment income (loss) to average net assets (%)	(0.37) <sup>1</sup>	(0.09)	(0.44)	(0.42)	0.09
Portfolio turnover (%)	16	38	25	35	47

### FORESIGHT FUND

	(unaudited)				
	Six-Months Ended June 30,	Year Ended December 31,			
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
<b>Net asset value beginning of year</b>	\$13.38	\$12.59	\$10.79	\$12.60	\$13.41
<b>Investment operations:</b>					
Net investment income	0.02	0.07	0.01	0.02	0.15
Net realized and unrealized gain (loss) on investments	(0.43)	0.79	1.80	(1.81)	(0.54)
<b>Total from investment operations</b>	(0.41)	0.86	1.81	(1.79)	(0.39)
Less distributions from net investment income	--	(0.07)	(0.01)	(0.02)	(0.42)
<b>Net asset value, end of year</b>	\$12.97	\$13.38	\$12.59	\$10.79	\$12.60
<b>Total return (%)</b>	(3.06)	6.83	16.73	(14.17)	(2.97)
<b>Ratios and supplemental data</b>					
<b>Net assets, end of year</b> (in thousands)	\$4,868	\$4,789	\$4,741	\$3,925	\$4,310
Ratio of expenses to average net assets (%)	1.24 <sup>1</sup>	1.25	1.25	1.25	1.25
Ratio of net investment income to average net assets (%)	0.31 <sup>1</sup>	0.54	0.04	0.21	1.41
Portfolio turnover (%)	34	39	7	8	26

<sup>1</sup>Annualized.

The Notes to Financial Statements are an integral part of these statements.

# Notes to Financial Statements

## 1. Summary of Significant Accounting Policies.

Mosaic Equity Trust (the "Trust") is registered with the Securities and Exchange Commission under the Investment Company Act of 1940 as an open-end, investment management company. The Trust offers shares in four separate diversified funds which invest in differing securities: the Investors Fund, Balanced Fund, Mid-Cap Fund and Foresight Fund whose objectives and strategies are described in the Trust's prospectus.

*Securities Valuation:* Securities traded on a national securities exchange are valued at their closing sale price. Repurchase agreements and other securities having maturities of 60 days or less are valued at amortized cost, which approximates market value. Securities having longer maturities, for which quotations are readily available, are valued at the mean between their closing bid and ask prices. Securities for which current market quotations are not readily available are valued at their fair value as determined in good faith under procedures approved by the Board of Trustees.

*Investment Transactions:* Investment transactions are recorded on a trade date basis. The cost of investments sold is determined on the identified cost basis for financial statement and federal income tax purposes.

*Investment Income:* Interest income is recorded on an accrual basis. Bond premium is amortized and original issue discount and market discount are accreted over the expected life of each applicable security using the effective interest method. Dividend income is recorded on the ex-dividend date. Other income is accrued as earned.

*Distribution of Income and Gains:* Net investment income, determined as gross investment income less total expenses, is declared as a regular dividend and distributed to shareholders at year-end for the Investors, Mid-Cap and Foresight Funds. The Trust

intends to declare and pay regular dividends quarterly on the Balanced Fund. Capital gain distributions, if any, are declared and paid annually at year-end.

The tax character of distributions paid during 2004 and 2003 were as follows:

	<u>2004</u>	<u>2003</u>
<b>Investors Fund:</b>		
Distributions paid from ordinary income	\$1,015,133	\$292,144
<b>Balanced Fund:</b>		
Distributions paid from ordinary income	\$266,061	\$245,717
<b>Mid-Cap Fund:</b>		
Distributions paid from:		
Ordinary Income	--	--
Long-term capital gains	\$4,269,314	\$531,294
Short-term capital gains	\$1,278,809	--
<b>Foresight Fund:</b>		
Distributions paid from ordinary income	\$25,039	\$1,880

The Investors Fund, Balanced Fund, Mid-Cap Fund and Foresight Fund designate 100%, 97%, 55% and 100%, respectively, of dividends declared from net investment income and short-term capital gains during the fiscal year ended December 31, 2004 as qualified income under the Jobs and Growth Tax Relief Reconciliation Act of 2003.

As of June 30, 2005, the components of distributable earnings on a tax basis were as follows (unaudited):

<b>Investors Fund:</b>		
Accumulated net realized gains	\$	553,036
Net unrealized appreciation on investments		<u>19,124,583</u>
		\$19,677,619
<b>Balanced Fund:</b>		
Accumulated net realized gains	\$	618,137
Net unrealized appreciation on investments		<u>1,762,062</u>
	\$	2,380,199

## Notes to Financial Statements (continued)

### Mid-Cap Fund:

Accumulated net realized gains	\$ 3,211,523
Net unrealized appreciation on investments	14,598,872
	<u>\$17,810,395</u>

### Foresight Fund:

Accumulated net realized losses	\$ (48,174)
Net unrealized appreciation on investments	244,964
	<u>\$ 196,790</u>

Net realized gains or losses may differ for financial and tax reporting purposes as a result of loss deferrals related to wash sales and post-October transactions.

*Income Tax:* No provision is made for Federal income taxes since it is the intention of the Trust to comply with the provisions of the Internal Revenue Code available to investment companies and to make the requisite distribution to shareholders of taxable income which will be sufficient to relieve it from all or substantially all Federal income taxes. As of December 31, 2004, capital loss carryovers available to offset future capital gains for federal income tax purposes and the years they expire are as follows:

<u>Expiration Date</u>	<u>Investors Fund</u>
December 31, 2010	\$2,253,903
<u>Expiration Date</u>	<u>Balanced Fund</u>
December 31, 2010	\$276,614
December 31, 2011	58,898
<u>Expiration Date</u>	<u>Foresight Fund</u>
December 31, 2011	\$164,179

A portion of the Investors Fund's capital loss carryovers were acquired through its merger with Mosaic Focus Fund on July 1, 2002 and is subject to certain limitations.

*Use of Estimates:* The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Such estimates affect the reported amounts of assets and liabilities and reported amounts of increases and decreases in net assets from

operations during the reporting period. Actual results could differ from those estimates.

**2. Investments in Repurchase Agreements.** When the Trust purchases securities under agreements to resell, the securities are held for safekeeping by the custodian bank as collateral. Should the market value of the securities purchased under such an agreement decrease below the principal amount to be received at the termination of the agreement plus accrued interest, the counterparty is required to place an equivalent amount of additional securities in safekeeping with the Trust's custodian bank. Pursuant to an Exemptive Order issued by the Securities and Exchange Commission, the Trust, along with other registered investment companies having Advisory and Services Agreements with the same advisor, transfers uninvested cash balances into a joint trading account. The aggregate balance in this joint trading account is invested in one or more consolidated repurchase agreements whose underlying securities are U.S. Treasury or federal agency obligations. On the date of this report, the Investors Fund had approximately a 16.8% interest, the Balanced Fund approximately a 2.3% interest, the Mid-Cap Fund approximately a 74.0% interest and the Foresight Fund approximately a 2.4% interest in the consolidated repurchase agreement of \$24,299,000 collateralized by \$24,910,659 in United States Treasury Notes. Proceeds at maturity were \$24,300,843.

**3. Investment Advisory Fees and Other Transactions with Affiliates.** The investment advisor to the Trust, Madison Mosaic, LLC, a wholly owned subsidiary of Madison Investment Advisors, Inc. (collectively "the Advisor"), earns an advisory fee equal to 0.75% per annum of the average net assets of the Balanced, Mid-Cap and Foresight Funds and the first \$100 million in the Investors Fund. The advisory fee paid by the Investors Fund is reduced to 0.60% per annum on assets over \$100 million. The fees are accrued daily and are paid monthly.

## Notes to Financial Statements (continued)

**4. Investment Transactions.** Purchases and sales of securities (excluding short-term securities) for the six-months ended June 30, 2005 were as follows:

	Purchases	Sales
<b>Investors Fund:</b>		
U. S. Gov't Securities	--	--
Other	\$26,818,964	\$19,954,342
<b>Balanced Fund:</b>		
U. S. Gov't Securities	\$1,038,902	\$492,267
Other	\$1,970,074	\$6,653,302
<b>Mid-Cap Fund:</b>		
U. S. Gov't Securities	--	--
Other	\$49,899,528	\$17,965,857
<b>Foresight Fund:</b>		
U. S. Gov't Securities	--	--
Other	\$2,145,478	\$1,275,227

**5. Other Expenses.** Under a separate Services Agreement, the Advisor will provide or arrange for each fund to have all other necessary operational and support services for a fee based on a percentage of average net assets. These fees are accrued daily and paid monthly. This percentage is 0.41% for the Balanced Fund, 0.48% for the Mid-Cap Fund and 0.39% for the Foresight Fund. For the Investors Fund, this fee is 0.23% on the first \$100 million and 0.20% on all assets greater than \$100 million.

The Trust also pays the expenses of the Trust's Independent Trustees and auditors directly. For the six-months ended June 30,

2005, these fees amounted to \$15,504, \$4,710, \$10,048 and \$2,480 for the Investors, Balanced, Mid-Cap and Foresight Funds, respectively.

### 6. Fund Expenses.

*Example:* As a shareholder of one of the funds of Mosaic Equity Trust, you incur two types of costs: (1) transaction costs and (2) ongoing costs, including Investment advisory fees and Other expenses. This Example is intended to help you understand your ongoing costs (in dollars) of investing in any Mosaic Equity Trust fund and to compare these costs with the ongoing costs of investing in other mutual funds. See footnotes 3 and 5 above for an explanation of the types of costs charged by the funds offered by the Trust. This Example is based on an investment of \$1,000 invested on January 1, 2005 and held for the six months ended June 30, 2005.

#### Actual Expenses

The table below titled "Based on Actual Total Return" provides information about actual account values and actual expenses. You may use the information provided in this table, together with the amount you invested, to estimate the expenses that you paid over the period. To estimate the expenses you paid on your account, divide your ending account value by \$1,000 (for example, an \$8,500 ending account value divided by \$1,000 = 8.5), then multiply the result by the number under the heading entitled "Expenses Paid During the Period."

#### Based on Actual Total Return<sup>1</sup>

	Actual Total Return <sup>2</sup>	Beginning Account Value	Ending Account Value	Annualized Expense Ratio <sup>3</sup>	Expenses Paid During the Period <sup>3</sup>
Investors Fund	-3.22%	\$1,000.00	\$967.82	0.92%	\$4.44
Balanced Fund	-2.10%	\$1,000.00	\$978.97	1.19%	\$5.78
Mid-Cap Fund	-1.04%	\$1,000.00	\$989.62	1.23%	\$6.01
Foresight Fund	-3.06%	\$1,000.00	\$969.36	1.24%	\$5.93

<sup>1</sup> For the six months ended June 30, 2005.

<sup>2</sup> Assumes reinvestment of all dividends and capital gains distributions, if any, at net asset value.

<sup>3</sup> Expenses are equal to the Fund's annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half-year, then divided by 365.



## Notes to Financial Statements (continued)

### *Hypothetical Example for Comparison Purposes*

The table below titled “Based on Hypothetical Total Return” provides information about hypothetical account values and hypothetical expenses based on the actual expense ratio and an assumed rate of return of 5.00% per year before expenses, which is not any fund’s actual return. The hypothetical account values and expenses may not be used to estimate the

actual ending account balance or expenses you paid for the period. You may use the information provided in this table to compare the ongoing costs of investing in a fund offered by the Trust and other funds. To do so, compare the 5.00% hypothetical example relating to the applicable Mosaic fund with the 5.00% hypothetical examples that appear in the shareholder reports of the other funds.

#### Based on Hypothetical Total Return<sup>1</sup>

	Hypothetical Annualized Total Return	Beginning Account Value	Ending Account Value	Annualized Expense Ratio <sup>2</sup>	Expenses Paid During the Period <sup>2</sup>
Investors Fund	5.00%	\$1,000.00	\$1,025.05	0.92%	\$4.64
Balanced Fund	5.00%	\$1,000.00	\$1,025.05	1.19%	\$5.98
Mid-Cap Fund	5.00%	\$1,000.00	\$1,025.05	1.23%	\$6.19
Foresight Fund	5.00%	\$1,000.00	\$1,025.05	1.24%	\$6.20

<sup>1</sup>For the six months ended June 30, 2005.

<sup>2</sup>Expenses are equal to the fund’s annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half-year, then divided by 365.

### 7. Aggregate Cost and Unrealized Appreciation

(Depreciation). The aggregate cost for federal income tax purposes and the net unrealized appreciation (depreciation) are as follows as of June 30, 2005:

	(unaudited)	
	Investors Fund	Balanced Fund
Aggregate Cost	\$134,366,213	\$18,777,817
Gross unrealized appreciation	21,286,548	1,990,239
Gross unrealized depreciation	(2,161,965)	(228,177)
<b>Net unrealized appreciation</b>	<b>\$ 19,124,583</b>	<b>\$ 1,762,062</b>

(unaudited)

	Mid-Cap Fund	Foresight Fund
	Aggregate Cost	\$139,368,763
Gross unrealized appreciation	16,221,436	363,377
Gross unrealized depreciation	(1,622,564)	(118,413)
<b>Net unrealized appreciation</b>	<b>\$ 14,598,872</b>	<b>\$ 244,964</b>

**8. Capital Share Transactions.** An unlimited number of capital shares, without par value, are authorized. Transactions in capital shares were as follows:

## Notes to Financial Statements (continued)

	(unaudited) Six-Months Ended June 30, 2005	Year Ended Dec. 31, 2004
<b>Investors Fund</b>		
<b>In Dollars</b>		
Shares sold	\$19,748,890	\$41,926,322
Shares issued in reinvestment of dividends	<u>          --</u>	<u>      427,421</u>
Total shares issued	19,748,890	42,353,743
Shares redeemed	<u>(25,882,854)</u>	<u>(18,416,485)</u>
<b>Net increase (decrease)</b>	<u>\$ (6,133,964)</u>	<u>\$23,937,258</u>

<b>In Shares</b>		
Shares sold	975,067	2,163,461
Shares issued in reinvestment of dividends	<u>          --</u>	<u>      20,509</u>
Total shares issued	975,067	2,183,970
Shares redeemed	<u>(1,284,780)</u>	<u>(950,915)</u>
<b>Net increase (decrease)</b>	<u>(309,713)</u>	<u>1,233,055</u>

	(unaudited) Six-Months Ended June 30, 2005	Year Ended Dec. 31, 2004
<b>Balanced Fund</b>		
<b>In Dollars</b>		
Shares sold	\$ 1,434,437	\$ 2,351,697
Shares issued in reinvestment of dividends	<u>      88,840</u>	<u>      248,091</u>
Total shares issued	1,523,277	2,599,788
Shares redeemed	<u>(6,838,216)</u>	<u>(2,362,300)</u>
<b>Net increase (decrease)</b>	<u>\$ (5,314,939)</u>	<u>\$ 237,488</u>

	(unaudited) Six-Months Ended June 30, 2005	Year Ended Dec. 31, 2004
<b>Balanced Fund (continued)</b>		
<b>In Shares</b>		
Shares sold	75,114	126,590
Shares issued in reinvestment of dividends	<u>      4,683</u>	<u>      13,035</u>
Total shares issued	79,797	139,625
Shares redeemed	<u>(360,404)</u>	<u>(126,547)</u>
<b>Net increase (decrease)</b>	<u>(280,607)</u>	<u>13,078</u>

	(unaudited) Six-Months Ended June 30, 2005	Year Ended Dec. 31, 2004
<b>Mid-Cap Fund</b>		
<b>In Dollars</b>		
Shares sold	\$48,337,260	\$57,132,683
Shares issued in reinvestment of dividends	<u>          --</u>	<u>      5,378,113</u>
Total shares issued	48,337,260	62,510,796
Shares redeemed	<u>(12,559,664)</u>	<u>(11,505,867)</u>
<b>Net increase</b>	<u>\$35,777,596</u>	<u>\$51,004,929</u>

<b>In Shares</b>		
Shares sold	3,935,567	4,852,189
Shares issued in reinvestment of dividends	<u>          --</u>	<u>      429,562</u>
Total shares issued	3,935,567	5,281,751
Shares redeemed	<u>(1,022,973)</u>	<u>(973,718)</u>
<b>Net increase</b>	<u>2,912,594</u>	<u>4,308,033</u>

## Notes to Financial Statements (concluded)

<b>Foresight Fund</b>	(unaudited) Six-Months Ended June 30, 2005	Year Ended Dec. 31, 2004
<b>In Dollars</b>		
Shares sold	\$ 555,816	\$ 540,491
Shares issued in reinvestment of dividends	--	24,485
Total shares issued	555,816	564,976
Shares redeemed	(328,781)	(800,751)
<b>Net increase (decrease)</b>	<u>\$ 227,035</u>	<u>\$(235,775)</u>
<b>In Shares</b>		
Shares sold	42,583	41,264
Shares issued in reinvestment of dividends	--	1,829
Total shares issued	42,583	43,093
Shares redeemed	(25,457)	(61,727)
<b>Net increase (decrease)</b>	<u>17,126</u>	<u>(18,634)</u>

**Forward-Looking Statement Disclosure.** One of our most important responsibilities as mutual fund managers is to communicate with shareholders in an open and direct manner. Some of our comments in our letters to shareholders are based on current management expectations and are considered “forward-looking statements.” Actual future results, however, may prove to be different from our expectations. You can identify forward-looking statements by words such as “estimate,” “may,” “will,” “expect,” “believe,” “plan” and other similar terms. We cannot promise future returns. Our opinions are a reflection of our best judgment at the time this report is compiled, and we disclaim any obligation to update or alter forward-looking statements as a result of new information, future events, or otherwise.

**Proxy Voting Information.** The Trust adopted policies that provide guidance and set forth parameters for the voting of proxies relating to securities held in the Trust’s portfolios. Additionally, information regarding how the Trust voted proxies related to portfolio securities during the most recent fiscal year-end is available. These policies and voting information are available to you upon request and free of charge by writing to Mosaic Funds, 550 Science Drive, Madison, WI 53711 or by calling toll-free at 1-800-368-3195. The Trust’s proxy voting policies and voting information may also be obtained by visiting the Securities and Exchange Commission web site at [www.sec.gov](http://www.sec.gov). The Trust will respond to shareholder requests for copies of our policies and voting information within two business days of request by first-class mail or other means designed to ensure prompt delivery.

**N-Q Disclosure.** The Trust files its complete schedule of portfolio holdings with the U.S. Securities and Exchange Commission (the “Commission”) for the first and third quarters of each fiscal year on Form N-Q. The Trust’s Forms N-Q are available on the Commission’s website. The Trust’s Forms N-Q may be reviewed and copied at the Commission’s Public Reference Room in Washington, DC. Information about the operation of the Public Reference Room may be obtained by calling the Commission at 1-202-942-8090. Form N-Q and other information about the Trust are available on the EDGAR Database on the Commission’s Internet site at <http://www.sec.gov>. Copies of this information may also be obtained, upon payment of a duplicating fee, by electronic request at the following email address: [publicinfo@sec.gov](mailto:publicinfo@sec.gov), or by writing the Commission’s Public Reference Section, Washington, DC 20549-0102. Finally, you may call Mosaic at 800-368-3195 if you would like a copy of Form N-Q and we will mail one to you at no charge.

## The Mosaic Family of Mutual Funds

### *Mosaic Equity Trust*

Mosaic Investors Fund  
Mosaic Balanced Fund  
Mosaic Mid-Cap Fund  
Mosaic Foresight Fund

### *Mosaic Income Trust*

Mosaic Government Fund  
Mosaic Intermediate Income Fund  
Mosaic Institutional Bond Fund

### *Mosaic Tax-Free Trust*

Mosaic Arizona Tax-Free Fund  
Mosaic Missouri Tax-Free Fund  
Mosaic Virginia Tax-Free Fund  
Mosaic Tax-Free National Fund

### *Mosaic Government Money Market*

For more complete information on any Mosaic fund, including charges and expenses, request a prospectus by calling 1-800-368-3195. Read it carefully before you invest or send money. This document does not constitute an offering by the distributor in any jurisdiction in which such offering may not be lawfully made. Mosaic Funds Distributor, LLC.

#### TRANSFER AGENT

Mosaic Funds  
c/o US Bancorp Fund Services, LLC  
P.O. Box 701  
Milwaukee, WI 53201-0701

#### TELEPHONE NUMBERS

**Shareholder Service**  
Toll-free nationwide: 888-670-3600