

KEYSTONE Large Cap Growth Fund



2nd Quarter 2010

OBJECTIVES AND PHILOSOPHY

The Keystone Large Cap Growth Fund's investment objective is long-term growth of capital.

Keystone's investment philosophy is grounded in principles of long-term investing. We understand that markets as well as investment styles are cyclical, but believe that over the long-term an investor prospers by maintaining a disciplined and focused approach. We believe investment success can be achieved by purchasing high quality growth stocks when our research identifies one or more under appreciated opportunities.

PERFORMANCE

RETURNS (AS OF 6/30/10)*

| | Inception Date | 3 Month | YTD | 1 Year | 3 Year | Since Inception |
|-----------------------------------|----------------|---------|---------|--------|--------|-----------------|
| Class A | 08/07/06 | -16.63% | -13.74% | 4.25% | -8.90% | -2.02% |
| Class C NAV | 08/07/06 | -16.75% | -14.04% | 3.52% | -9.48% | -2.64% |
| w/CDSC | 08/07/06 | -17.59% | -14.90% | 2.52% | -9.48% | -2.64% |
| Class I | 11/02/09 | -16.57% | -13.64% | - | - | -6.63% |
| Russell 1000® Growth Index | | -11.75% | -7.65% | 13.62% | -6.91% | -0.48%** |

Performance data quoted represent past performance, which does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than quoted. Most recent month-end performance may be obtained by calling 877-224-7071.

Effective March 1, 2010, the Class A shares 4.25% front end sales charge was eliminated. The effect of the sales load is not reflected in the total return figures. If it was, the performance quoted would be reduced.

Performance data shown for Class C shares w/CDSC reflects the maximum deferred sales charge of 1.00% that is assessed if shares are sold within 12 months of purchase. Performance data shown at NAV does not reflect the deduction of the sales loads or fees. If reflected, the load or fee would reduce the performance quoted.

*Returns one year and longer are annualized.

**Since inception return is as of the fund's Class A inception date for the index.

GENERAL INFORMATION

| | CLASS A | CLASS C | CLASS I |
|--------------------------------|-----------|-----------|-----------|
| NAV (as of 6/30/10) | \$21.10 | \$20.57 | \$21.14 |
| Maximum Sales Charge | None | None | None |
| Maximum Deferred Sales Charge | None | 1.00% | None |
| Dividends Paid | Quarterly | Quarterly | Quarterly |
| Initial Minimum Investment | \$2,500 | \$2,500 | \$100,000 |
| Gross Expense Ratio | 1.49% | 2.24% | 1.24% |
| Net Expense Ratio [^] | 1.45% | 2.20% | 1.20% |

[^]The Investment Advisor has contractually agreed to reduce its fees of the Fund until October 31, 2010. Investment performance reflects fee waivers, in the absence of such waivers, total return would be reduced.

FUND FACTS

| | Inception Date | CUSIP | Ticker |
|---------|----------------|-----------|--------|
| CLASS A | 08/07/06 | 493522205 | KLGA |
| CLASS C | 08/07/06 | 493522304 | KLGC |
| CLASS I | 11/02/09 | 493522106 | KLGI |

FUND CHARACTERISTICS

| | |
|-----------------------------|-----------------|
| Total Net Assets | \$179.6 million |
| Number of holdings | 45 |
| Weighted Average Market Cap | \$50.8 billion |
| Median Market Cap | \$24.1 billion |
| Est. 3-5 yrs. EPS Growth | 15.41% |
| P/E (forward 4Q) | 13.84x |

TOP 10 HOLDINGS

| | |
|-----------------------------------|-------|
| Apple Computer, Inc. | 7.59% |
| Hewlett-Packard Co. | 4.86% |
| Oracle Corporation | 4.56% |
| Qualcomm, Inc. | 4.14% |
| Gilead Sciences, Inc. | 3.91% |
| Philip Morris International, Inc. | 3.22% |
| Goldman Sachs Group, Inc. | 3.05% |
| Apollo Group, Inc. | 3.04% |
| The Western Union Company | 3.00% |
| Petrohawk Energy Corp. | 2.93% |

EQUITY SECTOR WEIGHTINGS

| | |
|------------------------|--------|
| Technology Software | 19.73% |
| Technology Services | 15.76% |
| Health Care Products | 14.75% |
| Consumer Merchandising | 13.44% |
| Industrials | 12.06% |
| Energy | 8.51% |
| Consumer Staples | 6.48% |
| Financial Institutions | 5.28% |
| Materials | 3.99% |

QUARTERLY FUND COMMENTARY

The second quarter of 2010 has given equity investors quite a bumpy ride. Investors have become skittish, running away from controversy. Market leadership has narrowed due to a lack of investor conviction. We believe that investor skittishness is overdone, the market is attractively valued, and individual stock selection based on earnings and cash flow should be rewarded.

Macroeconomic and government regulation/investigation/taxation fears have driven equity valuations down to very attractive levels. Bond yields have also been driven down in the de-risking process to levels that we believe are bordering on irrational. Despite recent economic data pointing to the potential for a "Soft Patch", economic data are still in a longer term uptrend.

We have identified a group of stocks that should benefit from product cycles, emerging market economic growth, and/or commodity price inflation and trade at attractive valuations. Since operating leverage has begun to plateau, earnings estimate revisions will increasingly be dependent on sales growth. Our process is deeply focused on top line revenue growth, with a particular bias for organic revenue growth. Within the context of the macro and geopolitical environment we find ourselves in, we look for upside to the consensus revenue estimates driven by productive R&D (Research & Development) efforts in adjacent markets, product line expansions, or geographic expansions of proven products.

The effect of a weaker Euro and slowing economic activity throughout the Euro zone on the profitability of US companies is containable. Many of the companies actively hedge their currency exposure. Most have natural hedges.

In the last week of June, the Russell 1000 Growth Index ("RLG") has experienced some significant changes to the sector weightings. We took no actions as a result of these sector weight changes. In fact, these sector weight changes by the index moved the index closer to our weightings in almost every case.

As a result of these moves, we have 46 names in the portfolio and the Beta of the portfolio, relative to the Russell 1000 Growth, has increased to 1.27. The top ten names represent 38.2% of the portfolio.

We are staying the course, remaining true to our investment style and process. We are positioned for a significant valuation rebound as sentiment regarding economic activity, government legislation/regulation, and the earnings prospects for our stocks improves.

Thank you for your continuing support.

Thomas G. Kamp
Chief Investment Officer

Beta is a measure of the portfolios sensitivity to the market. Price/earnings (P/E) ratio is calculated by taking the average of the earnings per share of each stock in the Fund's portfolio divided by its per-share market value for the next four quarters. Estimated EPS Growth is the projected earnings-per-share growth rate of the companies invested in by the Fund. Estimated EPS growth rates are consensus analyst forecasts; actual EPS growth rate may differ from estimated EPS growth rate. EPS Growth is not a forecast of the fund's future performance. The Russell 1000 Growth Index is an unmanaged index that measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. The S&P 500 Index is a broad based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general. The indices are not available for investment and do not incur charges or expenses. Fund characteristics, holdings and sector weightings are subject to change and should not be considered a recommendation to buy or sell these securities.

The Quarterly Fund Commentary represents the opinion of Keystone Management and is not intended to be a forecast of future events, a guarantee of future results, nor investment advice.

While the funds are no-load, management and other expenses still apply. Please refer to the prospectus for further details.

Current and future holdings are subject to risk.

Mutual fund investing involves risk; principal loss is possible. The fund may concentrate its assets in fewer holdings which will expose it to increased individual stock volatility. The Fund may also purchase foreign securities or use derivatives, which involve additional risks. Please refer to the prospectus for details.

Must be preceded or accompanied by a prospectus.

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ASSET ALLOCATION



- Common Stock 98.8%
- Mutual Fund Investments 1.2%

PORTFOLIO MANAGEMENT

Thomas G. Kamp President and
Chief Investment Officer of the advisor

ABOUT THE ADVISOR

Keystone Mutual Fund's investment advisor is Cornerstone Capital Management, Inc. CCM has been providing investment advisory services to institutional and high net worth clients since its founding in Minneapolis in 1993.

At the heart of Cornerstone is a collection of senior investors who have left larger firms for the opportunity to work in a nimbler, more personal environment. Our goal is to achieve long-term investment success for our clients by identifying under appreciated opportunities: quality companies, with strong fundamentals and tremendous growth opportunities, that our research shows to be undervalued.

And importantly, we will earn your trust by operating at the highest levels of professionalism and integrity, by offering the highest level of personalized service—and of course by striving to consistently deliver superior investment performance.

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