



# STRATEGIC GROWTH FUND

## A SERIES OF HUSSMAN INVESTMENT TRUST

### SEMI-ANNUAL REPORT

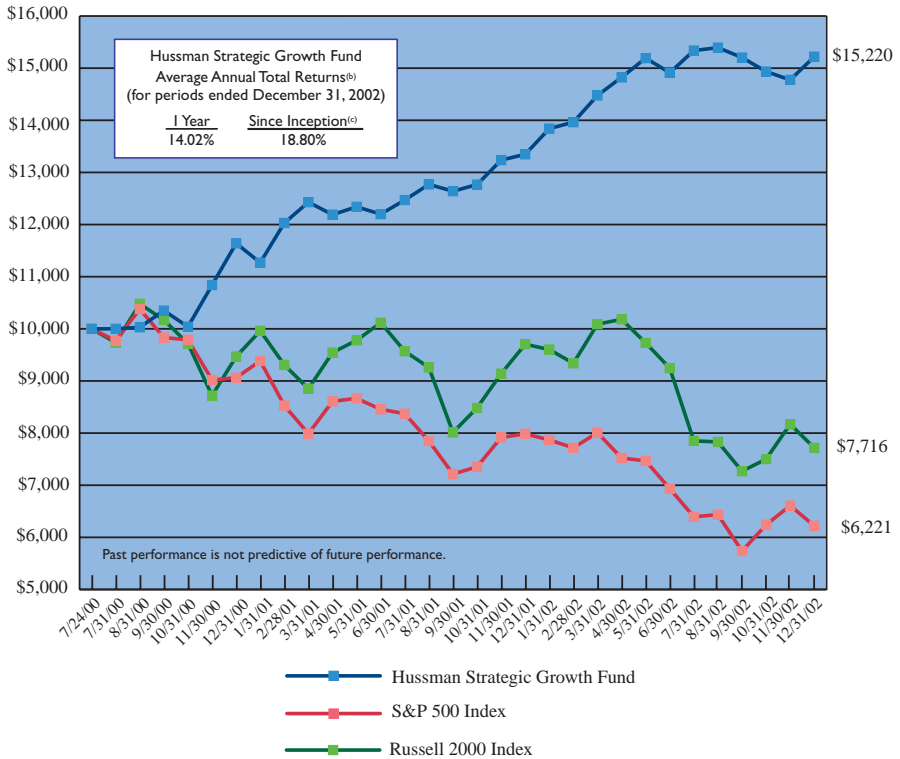
DECEMBER 31, 2002  
(UNAUDITED)





# STRATEGIC GROWTH FUND

Comparison of the Change in Value of a \$10,000 Investment in the Hussman Strategic Growth Fund versus the Russell 2000 Index and the Standard & Poor's 500 Index<sup>(a)</sup>



<sup>(a)</sup> The Russell 2000 Index contains small and medium capitalization stocks, and is generally representative of the stocks held by the Hussman Strategic Growth Fund. The S&P 500 Index is a widely followed equity benchmark and is presented for comparative purposes only. Because the Hussman Strategic Growth Fund may vary its exposure to market fluctuations, Fund returns may differ from the performance of major stock market indices.

<sup>(b)</sup> Returns do not reflect the deduction of taxes a shareholder would pay on Fund distributions or the redemption of Fund shares.

<sup>(c)</sup> Annualized. Initial public offering of shares was July 24, 2000.

### DEAR SHAREHOLDER,

The Hussman Strategic Growth Fund performed as intended during 2002, gaining value with substantially less volatility than the overall market.

**For the year, the Fund earned a total return of +14.02%, versus losses of -20.48% in the Russell 2000 Index and -22.10% in the S&P 500 Index.** The Fund also experienced substantially less volatility than the major indices, with the deepest pullback from peak-to-trough amounting to -6.56%. This compares with peak-to-trough pullbacks of -37.05% for the Russell 2000 Index, and -33.00% for the S&P 500 Index within the year.

Given the Fund's emphasis on long-term capital appreciation, a single year is a very limited period over which to measure or evaluate returns. To add a slightly longer perspective, the Fund gained +14.67% during 2001, and +16.40% during 2000 (from the inception of the Fund on July 24, 2000 through year-end). **From the inception of the Fund through December 31, 2002, the Fund gained +52.20% (+18.80% annualized). In contrast, the Russell 2000 lost -22.84% (-10.09% annualized) and the S&P 500 lost -37.79% (-17.69% annualized).**

**Importantly, the Fund has earned significantly positive average returns both in months when the market has advanced, and in months when the market has declined.** Since the Fund's inception, the Russell 2000 has experienced 13 advancing months and 17 declining months. During those advancing months (generally bear market rallies in which the Fund remained hedged), the Fund earned an average annualized return of +11.07%. During the declining months, the Fund earned an average annualized return of +25.13%.

The difference in returns between advancing and declining months can be traced to the fact that declining months in the market have generally been paced on the downside by groups such as technology and financials that the Fund held fairly lightly. Currently, the Fund's weighting in technology is somewhat closer to that of the major averages, though the Fund remains relatively light in financial stocks.

Despite these average returns, shareholders should keep in mind that the Fund does take risk. The Fund can and does experience some periods of negative returns, even when it is hedged against overall market fluctuations. Also, the Fund is likely to experience greater volatility when a more aggressive stance becomes appropriate.

# Hussman Strategic Growth Fund

## Letter to Shareholders *(continued)*

During very favorable Market Climates, the Fund will generally not hedge at all, and our exposure to market fluctuations may be substantial.

**The Fund is intended for investors who can tolerate both the risk of loss, and the risk that it may not always track the overall direction of the market.** The willingness to accept these risks is essential to our objective of long-term capital appreciation, with added emphasis on defending capital during unfavorable market conditions.

### PERFORMANCE DRIVERS

The Hussman Strategic Growth Fund is very emphatically a growth fund, not a market-neutral fund, and certainly not a bear fund. Still, in response to specific conditions of unfavorable valuation and unfavorable trend uniformity in recent years, we have placed added emphasis on the protection of capital. This defensiveness is not an inherent attribute of the Fund, but rather a response to a well-defined combination of market conditions that historically has occurred in less than 25% of market history.

During most of 2002, the Fund held a largely or fully hedged position. Typically, the Fund had over 90% of net assets invested in stocks believed to exhibit favorable valuation and market action. In order to hedge the market risk of these favored stocks, the Fund typically held an offsetting short sale of similar size, using the Russell 2000 and S&P 100 indices. The appropriateness of hedging using these indices is reflected in the relatively low volatility experienced by the Fund throughout the year.

**When the Fund is in a fully hedged position, our investment returns are driven by the difference in performance between the stocks that we hold long, and the indices that we sell short as a hedge.** The intent is not to speculate on market declines, but simply to remove the impact of market fluctuations from the portfolio.

Last year, as in 2000 and 2001, effective stock selection, relative to the market, accounts for the gain enjoyed by the Fund. **When we select stocks, our primary focus is on valuation and market action.** The goal is to purchase stocks which appear attractively priced in relation to the stream of future cash flows that they are likely to deliver to shareholders. We also pay close attention to the trading action of individual stocks, particularly price and volume behavior which suggests persistent accumulation by other market participants.

# Hussman Strategic Growth Fund

## Letter to Shareholders *(continued)*

During 2002, the Fund benefited from relatively strong performance among consumer stocks, which represented a somewhat larger weight in the Fund than in the major indices. The Fund also benefited from a somewhat smaller weight in technology shares than reflected in the major indices, particularly during the first half of the year. These differences in industry weightings were intentional, and were driven by the specific characteristics of valuation and market action in each industry. At present, the most significant weighting difference between the Fund and the overall market is in financial stocks, where the Fund continues to hold a light exposure.

In a year marked by substantial volatility, the largest individual gains and losses in the Fund during 2002 were often determined more by the amount and date of a particular investment, than by the long-term merit of the security purchased. For that reason, the securities responsible for the Fund's largest gains and losses were, with few exceptions, still held by the Fund at year-end. The largest gainers during 2002 included Lexmark, American Power Conversion, Outback Steakhouse, Pacificare Health, Best Buy, United Technologies, PPL, Chicco FAS, Marriott, and Reebok. The largest losses included Children's Place, Cigna, Wendy's, Sabre Holdings, York International, Circuit City, Ocular Sciences, NVIDIA, Kimberly Clark, and Home Depot.

### PORTFOLIO INSIGHT

The Portfolio of Investments section of this report provides a detailed view of our investment stance. **As of December 31, 2002, the Fund had net assets of \$442,858,590. The portfolio of the Fund was diversified across 115 stocks in a wide variety of industries. Typically, a large holding in the Fund represents about 2% of the portfolio, while smaller holdings typically represent between 0.5% and 1% of the portfolio. The total value of common stocks held by the Fund was \$416,695,628, representing 94.09% of net assets.**

To hedge these stock holdings against the impact of market fluctuations, the Fund held 2850 option combinations on the S&P 100 Index, and 6650 option combinations on the Russell 2000 Index. Each combination is created by purchasing one put option, and selling short one call option having the same strike price and expiration as the put. This combination behaves as an interest-bearing short sale on the index.

# Hussman Strategic Growth Fund

## Letter to Shareholders *(continued)*

For example, on December 31, 2002, the S&P 100 Index closed at 444.75. Since each option controls 100 "shares" of the index, each S&P 100 put-call combination acted as a short sale of \$44,475 worth of the S&P 100. Similarly, the Russell 2000 closed at 383.10 on that date. So each Russell 2000 put-call combination acted as a short sale of \$38,310 worth of the Russell 2000.

**In effect, the 2850 S&P 100 option combinations and the 6650 Russell 2000 option combinations were equivalent to a short sale on major market indices, having a combined value of \$381,515,250. This hedge offset about 91.6% of the value of the stocks held long by the Fund.**

The option combinations are intended to reduce the Fund's exposure to overall market fluctuations, while preserving its exposure to movements in the stock portfolio that are independent of the market. While these company-specific movements are a source of risk, they are also the primary source of the Fund's returns during unfavorable Market Climates. During 2002, this approach performed as intended.

Finally, the Fund held \$26,102,310 in cash and money market instruments. This position essentially arose from premiums received on written call options, and from new shareholder purchases of the Fund.

## CURRENT OUTLOOK

**The market enters 2003 with the largest U.S. current account deficit on record. Historically, robust economic recoveries have always begun with a surplus in current account.** A current account surplus indicates that U.S. domestic savings are not only sufficient to finance investment at home, but are so plentiful that they can be invested abroad. In such an environment, the U.S. typically has a substantial ability to finance a boom in new investment, auto sales, and housing. In the current environment, none of these areas is likely to enjoy the powerful rebound that has historically fueled rapid economic recoveries.

**Meanwhile, the S&P 500 remains priced to deliver total returns in the 3-5.5% annualized range over the coming decade.** These calculations are based on two assumptions. First, that earnings will recover all of their lost ground, and continue to grow along the peak of their long-term earnings growth channel over time. S&P 500 earnings have historically grown at just 6% annually from peak-to-peak, closely matching the long-term growth of nominal GDP. Second,

# Hussman Strategic Growth Fund

## Letter to Shareholders *(continued)*

these long-term return calculations assume that the price-earnings ratio on the S&P 500 will not decline below its historical norms even a decade from now (detailed calculations can be found in the January 1, 2003 issue of Hussman Investment Research & Insight, available on the Fund website [www.hussmanfunds.com](http://www.hussmanfunds.com)). In our view, these assumptions lean toward optimism rather than pessimism.

**Still, valuation is only an indication of very long-term investment merit. Neither economic fundamentals nor valuations are likely to prevent the market from enjoying strong and even sustained advances from time to time. Our measures of trend uniformity are intended to capture such periods of speculative merit, so the Fund may accept an exposure to market risk even when long-term investment merit is lacking.** No approach is always accurate, but we believe that it is closer to the truth to believe that investment returns depend on valuation and market action, than to believe that returns are independent of these considerations.

Unlike Wall Street investment strategists or market timers, we have no particular forecast for the market over the coming year. Our approach simply does not rely on such forecasts. Instead, we align the Fund with the prevailing Market Climate that we identify at any given time, based on specific, well-defined measures of valuation and market action. When the evidence shifts, our investment posture will shift as well. As of early 2003, this posture remained defensive.

I appreciate your investment in the Fund.

Best wishes,

John P. Hussman, Ph.D.

Weekly updates regarding market conditions and investment strategy, as well as special reports and analysis, are available at no charge at the Fund's website [www.hussmanfunds.com](http://www.hussmanfunds.com)

# Hussman Strategic Growth Fund

## Statement of Assets and Liabilities

December 31, 2002 (Unaudited)

### ASSETS

Investments in securities:	
At acquisition cost	\$ 456,645,835
At value (Note 1)	\$ 439,735,853
Investments in money market funds	25,602,310
Cash	500,000
Dividends receivable	319,405
Receivable for investment securities sold	4,649,027
Receivable for capital shares sold	2,536,842
Other assets	66,188
Total Assets	<u>473,409,625</u>

### LIABILITIES

Written call options, at value (Notes 1 and 4) (premiums received \$29,408,750)	17,743,425
Payable for investment securities purchased	12,219,581
Payable for capital shares redeemed	61,659
Accrued investment advisory fees (Note 3)	431,327
Payable to administrator (Note 3)	48,600
Other accrued expenses	46,443
Total Liabilities	<u>30,551,035</u>

**NET ASSETS** \$ 442,858,590

Net assets consist of:

Paid-in capital	\$ 462,761,939
Accumulated net investment loss	( 457,342 )
Accumulated net realized losses from security and option transactions	( 14,201,350 )
Net unrealized depreciation on investments and options	<u>( 5,244,657 )</u>

**NET ASSETS** \$ 442,858,590

Shares of beneficial interest outstanding (unlimited number of shares  
authorized, no par value) 34,979,326

Net asset value, redemption price and offering price  
price per share<sup>(a)</sup> (Note 1) \$ 12.66

<sup>(a)</sup> Redemption price varies based on length of time shares are held.

See accompanying notes to financial statements.



# Hussman Strategic Growth Fund

## Statement of Operations

For the Six Months Ended December 31, 2002 (Unaudited)

### INVESTMENT INCOME

Dividends ..... \$ 2,239,411

### EXPENSES

Investment advisory fees (Note 3) ..... 2,246,731 <sup>(a)</sup>  
Administration fees (Note 3) ..... 187,171  
Custodian and bank service fees ..... 60,422  
Professional fees ..... 45,322  
Transfer agent and shareholder services fees (Note 3) ..... 38,227  
Fund accounting fees (Note 3) ..... 34,045  
Registration and filing fees ..... 33,049  
Postage and supplies ..... 26,549  
Trustees' fees and expenses ..... 14,313  
Other expenses ..... 10,924  
Total Expenses ..... 2,696,753

**NET INVESTMENT INCOME (LOSS)** ..... ( 457,342 )

### REALIZED AND UNREALIZED GAINS (LOSSES) ON INVESTMENTS

Net realized losses from security transactions ..... ( 9,084,643 )  
Net realized gains on option contracts ..... 15,933,035  
Net change in unrealized appreciation/depreciation on investments .. ( 11,638,137 )  
Net change in unrealized appreciation/depreciation on options ... 4,560,870

**NET REALIZED AND UNREALIZED LOSSES  
ON INVESTMENTS AND OPTIONS** ..... ( 228,875 )

**NET DECREASE IN NET ASSETS FROM OPERATIONS** ..... \$ ( 686,217 )

<sup>(a)</sup> Includes previously waived/reimbursed investment advisory fees and expenses recouped by the adviser (Note 3).

See accompanying notes to financial statements.

# Hussman Strategic Growth Fund

## Statements of Changes in Net Assets

	Six Months Ended December 31, 2002 (Unaudited)	Year Ended June 30, 2002
<b>FROM OPERATIONS</b>		
Net investment income (loss) . . . . .	\$ (457,342)	\$ (518,152)
Net realized gains (losses) from: . . . . .		
Security transactions . . . . .	(9,084,643)	11,298,157
Option contracts . . . . .	15,933,035	274,316
Net change in unrealized appreciation/depreciation on:		
Investments . . . . .	(11,638,137)	(13,383,070)
Options . . . . .	4,560,870	13,281,717
Net increase (decrease) in net assets resulting from operations . . . . .	<u>(686,217)</u>	<u>10,952,968</u>
<b>DISTRIBUTIONS TO SHAREHOLDERS</b>		
From net realized gains . . . . .	<u>(29,772,121)</u>	<u>(2,903,835)</u>
<b>FROM CAPITAL SHARE TRANSACTIONS</b>		
Proceeds from shares sold . . . . .	375,376,969	154,777,165
Net asset value of shares issued in reinvestment of distributions to shareholders . . . . .	27,707,111	2,787,520
Proceeds from redemption fees collected (Note 1) . . . . .	1,117,233	108,201
Payments for shares redeemed . . . . .	<u>(104,226,498)</u>	<u>(12,608,010)</u>
Net increase in net assets from capital share transactions . . . . .	<u>299,974,815</u>	<u>145,064,876</u>
<b>TOTAL INCREASE IN NET ASSETS</b> . . . . .	269,516,477	153,114,009
<b>NET ASSETS</b>		
Beginning of period . . . . .	173,342,113	20,228,104
End of period . . . . .	<u>\$ 442,858,590</u>	<u>\$ 173,342,113</u>
<b>ACCUMULATED NET INVESTMENT LOSS</b> . . . . .	<u>\$ (457,342)</u>	<u>\$ —</u>
<b>CAPITAL SHARE ACTIVITY</b>		
Sold . . . . .	27,752,679	12,057,487
Reinvested . . . . .	2,258,118	244,091
Redeemed . . . . .	<u>(8,025,278)</u>	<u>(965,647)</u>
Net increase in shares outstanding . . . . .	21,985,519	11,335,931
Shares outstanding at beginning of period . . . . .	12,993,807	1,657,876
Shares outstanding at end of period . . . . .	<u>34,979,326</u>	<u>12,993,807</u>

See accompanying notes to financial statements.

# Hussman Strategic Growth Fund

## Financial Highlights

*Selected Per Share Data and Ratios for a Share Outstanding Throughout Each Period*

	<b>Six Months Ended December 31, 2002 (Unaudited)</b>	<b>Year Ended June 30, 2002</b>	<b>Period Ended June 30, 2001<sup>(a)</sup></b>
Net asset value at beginning of period	\$ 13.34	\$ 12.20	\$ 10.00
Income from investment operations:			
Net investment income (loss)	(0.01)	(0.04)	(0.04)
Net realized and unrealized gains on investments and options	0.22	2.52	2.23
Total from investment operations	0.21	2.48	2.19
Distributions from net realized gains	(0.93)	(1.35)	—
Proceeds from redemption fees collected (Note 1)	0.04	0.01	0.01
Net asset value at end of period	\$ 12.66	\$ 13.34	\$ 12.20
Total return	2.06% <sup>(c)</sup>	22.24%	22.00% <sup>(c)</sup>
Net assets at end of period (000's)	\$ 442,859	\$ 173,342	\$ 20,228
Ratio of net expenses to average net assets <sup>(b)</sup>	1.47% <sup>(d)</sup>	1.99%	1.99% <sup>(d)</sup>
Ratio of net investment income (loss) to average net assets	(0.25%) <sup>(d)</sup>	(0.81%)	(0.53%) <sup>(d)</sup>
Portfolio turnover rate	120% <sup>(d)</sup>	199%	55% <sup>(d)</sup>

(a) Represents the period from the commencement of operations (July 24, 2000) through June 30, 2001.

(b) Absent investment advisory fees waived by the Adviser, the ratios of expenses to average net assets would have been 2.03% and 2.36%<sup>(d)</sup> for the periods ended June 30, 2002 and 2001, respectively.

(c) Not annualized.

(d) Annualized.

See accompanying notes to financial statements.

# Hussman Strategic Growth Fund

## Portfolio of Investments

December 31, 2002 (Unaudited)

Shares	COMMON STOCKS – 94.09%	Value
<b>Aerospace and Defense – 1.22%</b>		
150,000	Goodrich Corp. ....	\$ 2,748,000
110,000	Honeywell International, Inc. ....	2,640,000
		<u>5,388,000</u>
<b>Auto Components – 3.90%</b>		
100,000	ArvinMeritor, Inc. ....	1,667,000
25,000	BorgWarner, Inc. ....	1,260,500
100,000	Dana Corp. ....	1,176,000
60,000	Dura Automotive Systems, Inc. <sup>(a)</sup> ....	602,400
75,000	Johnson Controls, Inc. ....	6,012,750
100,000	Magna International, Inc. - Class A ....	5,615,000
37,200	O'Reilly Automotive, Inc. <sup>(a)</sup> ....	940,788
		<u>17,274,438</u>
<b>Banks – 0.57%</b>		
100,000	KeyCorp ....	<u>2,514,000</u>
<b>Beverages – 1.73%</b>		
125,000	Adolph Coors Co. - Class B ....	<u>7,656,250</u>
<b>Biotechnology – 0.28%</b>		
41,900	Dionex Corp. <sup>(a)</sup> ....	<u>1,244,849</u>
<b>Building Products – 1.73%</b>		
300,000	York International Corp. ....	<u>7,671,000</u>
<b>Chemicals – 0.77%</b>		
112,400	Lubrizol Corp. (The) ....	<u>3,428,200</u>
<b>Commercial Services and Supplies – 1.28%</b>		
63,500	Consolidated Graphics, Inc. <sup>(a)</sup> ....	1,412,875
102,300	Hon Industries, Inc. ....	2,893,044
60,000	Sensient Technologies Corp. ....	1,348,200
		<u>5,654,119</u>
<b>Computers and Peripherals – 1.54%</b>		
250,000	Gateway, Inc. <sup>(a)</sup> ....	785,000
100,000	Lexmark International Group, Inc. <sup>(a)</sup> ....	6,050,000
		<u>6,835,000</u>
<b>Diversified Financials – 0.77%</b>		
125,000	T. Rowe Price Group, Inc. ....	<u>3,410,000</u>

# Hussman Strategic Growth Fund

## Portfolio of Investments *(continued)*

December 31, 2002 *(Unaudited)*

Shares	COMMON STOCKS – 94.09% (continued)	Value
<b>Diversified Telecommunication Services – 3.17%</b>		
250,000	SBC Communications, Inc. . . . .	\$ 6,777,500
450,000	Sprint Corp. - FON Group . . . . .	6,516,000
22,700	Telefonos de Mexico SA de CV - ADR . . . . .	725,946
		<u>14,019,446</u>
<b>Electrical Equipment – 1.37%</b>		
400,000	American Power Conversion Corp. <sup>(a)</sup> . . . . .	<u>6,060,000</u>
<b>Electric Utilities – 1.17%</b>		
125,000	Ameren Corp. . . . .	<u>5,196,250</u>
<b>Electronic Equipment and Instruments – 0.07%</b>		
20,400	FEI Co. <sup>(a)</sup> . . . . .	<u>311,916</u>
<b>Energy Equipment and Services – 0.47%</b>		
75,000	Constellation Energy Group, Inc. . . . .	<u>2,086,500</u>
<b>Food and Drug Retail – 1.56%</b>		
120,000	Albertson's, Inc. . . . .	2,671,200
87,400	Ruddick Corp. . . . .	1,196,506
91,800	SUPERVALU, Inc. . . . .	1,515,618
100,000	Winn-Dixie Stores, Inc. . . . .	1,528,000
		<u>6,911,324</u>
<b>Food Products – 0.79%</b>		
50,000	Dole Food Co., Inc. . . . .	1,629,000
100,000	Fresh Del Monte Produce, Inc. . . . .	1,891,000
		<u>3,520,000</u>
<b>Gas Utilities – 0.27%</b>		
50,000	Sempra Energy . . . . .	<u>1,182,500</u>
<b>Health Care Equipment and Supplies – 0.15%</b>		
50,000	Sola International, Inc. <sup>(a)</sup> . . . . .	<u>650,000</u>
<b>Health Care Providers and Services – 6.33%</b>		
60,000	Cigna Corp. . . . .	2,467,200
225,000	Oxford Health Plans, Inc. <sup>(a)</sup> . . . . .	8,201,250
300,000	PacifiCare Health Systems, Inc. <sup>(a)</sup> . . . . .	8,430,000
396,600	Quintiles Transnational Corp. <sup>(a)</sup> . . . . .	4,798,860
114,400	Renal Care Group, Inc. <sup>(a)</sup> . . . . .	3,619,616
46,900	Wackenhut Corrections Corp. <sup>(a)</sup> . . . . .	521,059
		<u>28,037,985</u>

# Hussman Strategic Growth Fund

## Portfolio of Investments *(continued)*

December 31, 2002 *(Unaudited)*

Shares	COMMON STOCKS – 94.09% (continued)	Value
<b>Hotels, Restaurants and Leisure – 6.57%</b>		
27,700	Bob Evans Farms, Inc. . . . .	\$ 646,795
150,000	Carnival Corp. . . . .	3,742,500
90,000	CBRL Group, Inc. . . . .	2,711,700
108,600	Lone Star Steakhouse and Saloon, Inc. . . . .	2,100,324
250,000	Outback Steakhouse, Inc. . . . .	8,610,000
31,900	Papa John's International, Inc. <sup>(a)</sup> . . . . .	889,372
200,000	Sabre Holdings Corp. <sup>(a)</sup> . . . . .	3,622,000
250,000	Wendy's International, Inc. . . . .	6,767,500
		29,090,191
<b>Household Durables – 6.76%</b>		
75,000	American Greetings Corp. - Class A . . . . .	1,185,000
65,900	Clayton Homes, Inc. . . . .	802,662
167,900	Furniture Brands International, Inc. <sup>(a)</sup> . . . . .	4,004,415
125,000	Helen of Troy Ltd. <sup>(a)</sup> . . . . .	1,455,000
72,800	Lancaster Colony Corp. . . . .	2,845,024
278,800	Linens 'N Things, Inc. <sup>(a)</sup> . . . . .	6,300,880
350,000	Sherwin-Williams Co. (The) . . . . .	9,887,500
16,700	Toll Brothers, Inc. <sup>(a)</sup> . . . . .	337,340
60,000	Whirlpool Corp. . . . .	3,133,200
		29,951,021
<b>Household Products – 1.73%</b>		
55,700	Blyth, Inc. . . . .	1,490,532
130,000	Kimberly-Clark Corp. . . . .	6,171,100
		7,661,632
<b>Information Technology Consulting and Services – 3.86%</b>		
250,000	Computer Sciences Corp. <sup>(a)</sup> . . . . .	8,612,500
183,600	Synopsys, Inc. <sup>(a)</sup> . . . . .	8,473,140
		17,085,640
<b>Insurance – 0.79%</b>		
200,000	UnumProvident Corp. . . . .	3,508,000
<b>Internet and Catalog Retail – 0.96%</b>		
225,000	Amazon.com, Inc. <sup>(a)</sup> . . . . .	4,250,250
<b>Leisure Equipment and Products – 2.64%</b>		
445,000	Borders Group, Inc. <sup>(a)</sup> . . . . .	7,164,500
300,000	Callaway Golf Co. . . . .	3,975,000
16,800	Fuji Photo Film Co. Ltd. - ADR . . . . .	538,776
		11,678,276

# Hussman Strategic Growth Fund

## Portfolio of Investments *(continued)*

December 31, 2002 *(Unaudited)*

Shares	COMMON STOCKS – 94.09% (continued)	Value
<b>Machinery – 0.11%</b>		
20,000	CoorsTek, Inc. <sup>(a)</sup> .....	\$ 511,000
<b>Media – 0.47%</b>		
50,000	Sony Corp. - ADR .....	2,065,500
<b>Metals and Mining – 9.01%</b>		
275,700	Agnico-Eagle Mines Ltd. ....	4,096,902
650,000	Barrick Gold Corp. ....	10,016,500
200,000	Freeport/McMoRan Copper & Gold, Inc. - Class B <sup>(a)</sup> .....	3,356,000
425,000	Newmont Mining Corp. ....	12,337,750
350,000	Placer Dome, Inc. ....	4,025,000
250,000	Precision Castparts Corp. ....	6,062,500
		<u>39,894,652</u>
<b>Multiline Retail – 1.28%</b>		
40,000	Catalina Marketing Corp. <sup>(a)</sup> .....	740,000
200,000	Dollar Tree Stores, Inc. <sup>(a)</sup> .....	4,914,000
		<u>5,654,000</u>
<b>Oil and Gas – 3.05%</b>		
11,100	MKS Instruments, Inc. <sup>(a)</sup> .....	182,373
250,000	Petroleo Brasileiro S.A. - ADR .....	3,735,000
150,000	PPL Corp. ....	5,202,000
100,000	Royal Dutch Petroleum Co. ....	4,402,000
		<u>13,521,373</u>
<b>Paper and Forest Products – 1.10%</b>		
113,100	Minerals Technologies, Inc. ....	4,880,265
<b>Personal Products – 0.49%</b>		
140,000	Ocular Sciences, Inc. <sup>(a)</sup> .....	2,172,800
<b>Pharmaceuticals – 3.15%</b>		
175,000	Merck & Co., Inc. ....	9,906,750
100,000	Mylan Laboratories, Inc. ....	3,490,000
25,000	Schering-Plough Corp. ....	555,000
		<u>13,951,750</u>
<b>Real Estate – 0.51%</b>		
91,600	Standard Pacific Corp. ....	2,267,100
<b>Semiconductor Equipment and Products – 2.39%</b>		
300,000	Intel Corp. ....	4,671,000
750,000	Taiwan Semiconductor Manufacturing Co. Ltd. - ADR <sup>(a)</sup> .....	5,287,500
53,900	Veeco Instruments, Inc. <sup>(a)</sup> .....	623,084
		<u>10,581,584</u>

# Hussman Strategic Growth Fund

## Portfolio of Investments *(continued)*

December 31, 2002 *(Unaudited)*

Shares	COMMON STOCKS – 94.09% (continued)	Value
<b>Software – 1.40%</b>		
400,000	Cadence Design Systems, Inc. <sup>(a)</sup> .....	\$ 4,716,000
306,400	Compuware Corp. <sup>(a)</sup> .....	1,470,720
		<u>6,186,720</u>
<b>Specialty Retail – 8.98%</b>		
400,000	Abercrombie & Fitch Co. - Class A <sup>(a)</sup> .....	8,184,000
200,000	Best Buy Co., Inc. <sup>(a)</sup> .....	4,830,000
200,000	Children's Place Retail Stores, Inc. (The) <sup>(a)</sup> .....	2,128,000
275,000	Circuit City Stores - Circuit City Group .....	2,040,500
100,000	Gap, Inc. ....	1,552,000
200,000	Home Depot, Inc. ....	4,792,000
300,000	Limited Brands .....	4,179,000
80,000	Loews Corp. ....	3,556,800
80,000	Men's Warehouse, Inc. (The) <sup>(a)</sup> .....	1,372,000
224,200	Zale Corp. <sup>(a)</sup> .....	7,151,980
		<u>39,786,280</u>
<b>Textiles &amp; Apparel – 8.68%</b>		
250,000	Jones Apparel Group, Inc. <sup>(a)</sup> .....	8,860,000
191,800	Liz Claiborne, Inc. ....	5,686,870
50,000	Nike, Inc. - Class B .....	2,223,500
167,600	Oakley, Inc. <sup>(a)</sup> .....	1,721,252
50,000	Polo Ralph Lauren Corp. <sup>(a)</sup> .....	1,088,000
200,000	Reebok International Ltd. <sup>(a)</sup> .....	5,880,000
140,000	Stride Rite Corp. ....	1,003,800
11,300	Talbots, Inc. ....	311,089
200,000	Tommy Hilfiger Corp. <sup>(a)</sup> .....	1,390,000
250,000	V.F. Corp. ....	9,012,500
84,600	Wolverine World Wide, Inc. ....	1,278,306
		<u>38,455,317</u>
<b>Tobacco – 0.46%</b>		
50,000	Philip Morris Cos., Inc. ....	2,026,500
<b>Trading Companies and Distributors – 0.56%</b>		
80,000	Genuine Parts Co. ....	2,464,000
	<b>Total Common Stocks</b> (Cost \$439,716,585) .....	<u>\$ 416,695,628</u>



# Hussman Strategic Growth Fund

## Portfolio of Investments *(continued)*

December 31, 2002 *(Unaudited)*

<b>Contracts</b>		<b>PUT OPTION CONTRACTS – 5.20%</b>	<b>Value</b>
2,850	Russell 2000 Index Option, 03/22/03 at \$380	.....	\$ 5,073,000
3,800	Russell 2000 Index Option, 03/22/03 at \$400	.....	10,716,000
1,075	S&P 100 Index Option, 03/22/03 at \$420	.....	1,640,450
1,775	S&P 100 Index Option, 03/22/03 at \$460	.....	5,610,775
<b>Total Put Option Contracts</b> (Cost \$16,929,250) .....			<b>\$ 23,040,225</b>
<b>Shares</b>		<b>MONEY MARKETS – 5.78%</b>	<b>Value</b>
25,602,310	First American Treasury Obligation Fund - Class S (Cost \$25,602,310) .....		\$ 25,602,310
<b>Total Investments and Money Markets at Value – 105.07%</b> (Cost \$482,248,145) .....			<b>\$ 465,338,163</b>
<b>Liabilities in Excess of Other Assets – (5.07%)</b> .....			<b>( 22,479,573 )</b>
<b>Net Assets – 100.00%</b> .....			<b>\$ 442,858,590</b>

<sup>(a)</sup> Non-income producing security.

# Hussman Strategic Growth Fund

## Schedule of Open Options Written

December 31, 2002 *(Unaudited)*

<b>Option Contracts</b>	<b>WRITTEN CALL OPTIONS</b>	<b>Value of Options</b>	<b>Premiums Received</b>
2,850	Russell 2000 Index Option, 03/22/03 at \$380 .....	\$ 5,956,500	\$ 8,827,875
3,800	Russell 2000 Index Option, 03/22/03 at \$400 .....	4,446,000	7,495,500
1,075	S&P 100 Index Option, 03/22/03 at \$420 .....	4,337,625	6,877,312
1,775	S&P 100 Index Option, 03/22/03 at \$460 .....	3,003,300	6,208,063
		<b>\$ 17,743,425</b>	<b>\$ 29,408,750</b>

See accompanying notes to financial statements.

# Hussman Strategic Growth Fund

## Notes to Financial Statements

*December 31, 2002 (Unaudited)*

### **1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

The Hussman Strategic Growth Fund (the "Fund") is a series of the Hussman Investment Trust (the "Trust"), an open-end management investment company. The Fund is registered under the Investment Company Act of 1940 (the "1940 Act"). The Fund is authorized to issue an unlimited number of shares.

As part of the Trust's organization, the Fund issued in a private placement 10,000 shares of beneficial interest to Hussman Econometrics Advisors, Inc., (the "Adviser") at \$10.00 a share on June 20, 2000. The Fund commenced operations on July 24, 2000.

The Fund's investment objective is to provide long-term capital appreciation, with added emphasis on capital preservation during unfavorable market conditions.

**Securities and Options Valuation** — The Fund values its portfolio securities at market value as of the close of regular trading on the New York Stock Exchange (NYSE) (normally, 4:00 Eastern time) on each business day the NYSE is open. Securities, other than options, listed on the NYSE or other exchanges are valued on the basis of their last sale prices on the exchanges on which they are primarily traded. However, if the last sale price on the NYSE is different than the last sale price on any other exchange, the NYSE price will be used. If there are no sales on that day, the securities are valued at the closing bid price on the NYSE or other primary exchange for that day. Securities traded in the over-the-counter market are valued on the basis of the last sale price as reported by NASDAQ. If there are no sales on that day, the securities are valued at the mean between the closing bid and asked prices as reported by NASDAQ.

Pursuant to valuation procedures approved by the Board of Trustees, options traded on a national securities exchange are valued at a price between the closing bid and ask prices determined by the Adviser to most closely reflect market value as of the time of computation of net asset value. As of December 31, 2002, all options held by the Fund have been valued in this manner. Options not traded on a national securities exchange or board of trade, but for which over-the-counter market quotations are readily available, are valued at the mean of their closing bid and ask prices.

In the event that market quotations are not readily available or are determined by the Adviser to not be reflective of fair market value due to market events or developments, securities and options are valued at fair value

# Hussman Strategic Growth Fund

## Notes to Financial Statements *(continued)*

*December 31, 2002 (Unaudited)*

as determined in accordance with procedures adopted in good faith by the Board of Trustees.

**Option Transactions** — The Fund may purchase and write put and call options on broad-based stock indices. The Fund may also purchase and write call and put options on individual securities. When the Fund writes an option, an amount equal to the net premium (the premium less the commission) received by the Fund is recorded in the liabilities section of the Fund's Statement of Assets and Liabilities and is subsequently valued. If an option expires on the stipulated expiration date or if the Fund enters into a closing purchase transaction, it will realize a gain (or a loss if the cost of a closing purchase transaction exceeds the net premium received when the option is sold) and the liability related to such option will be eliminated. If an option is exercised, the Fund may deliver the underlying security in the open market. In either event, the proceeds of the sale will be increased by the net premium originally received and the Fund will realize a gain or loss.

**Share Valuation and Redemption Fees** — The net asset value of the Fund's shares is calculated at the close of regular trading on the NYSE (normally 4:00 p.m., Eastern time) on each day that the Exchange is open for business. To calculate the net asset value, the Fund's assets are valued and totaled, liabilities are subtracted, and the balance is divided by the number of shares outstanding. The offering price and redemption price per share is equal to the net asset value per share, except that shares of the Fund are subject to a redemption fee of 1.5% if redeemed within six months of the date of purchase. For the periods ended December 31, 2002 and June 30, 2002, proceeds from redemption fees total \$1,117,233 and \$108,201, respectively.

**Investment Income** — Interest income is accrued as earned. Dividend income is recorded on the ex-dividend date.

**Distributions to Shareholders** — Dividends arising from net investment income, if any, are declared and paid annually to shareholders of the Fund. Net realized short-term capital gains, if any, may be distributed throughout the year and net realized long-term capital gains, if any, are distributed at least once a year. The amount of distributions from net investment income and net realized gains are determined in accordance with federal income tax regulations which may differ from accounting principles generally accepted in the United States. These "book/tax" differences are either temporary or permanent in nature and are primarily due to timing differences

# Hussman Strategic Growth Fund

## Notes to Financial Statements *(continued)*

December 31, 2002 *(Unaudited)*

in the recognition of capital gains or losses for option transactions and losses deferred due to wash sales.

The tax character of distributions paid during the periods ended December 31, 2002 and June 30, 2002 were as follows:

Ex-Date of Distribution	Ordinary Income	Long-Term Capital Gains	Total Distributions
November 22, 2002	\$ 13,034,235	\$16,737,886	\$ 29,772,121
October 31, 2001	\$ 2,903,835	\$ —	\$ 2,903,835

The tax character of distributable earnings at December 31, 2002 was as follows:

Accumulated Net Investment Loss	Unrealized Depreciation	Other Losses	Total Distributable Earnings
\$ (457,342)	\$ (5,412,402)	\$ (14,033,605)	\$ (19,903,349)

**Organization Expenses** — All costs incurred by the Trust in connection with the organization of the Fund and the initial public offering of shares of the Fund, principally professional fees and printing, were initially paid by the Adviser, but have been recovered by the Adviser pursuant to the Expense Limitation Agreement (See Note 3).

**Security Transactions** — Security transactions are accounted for on trade date. Cost of securities sold is determined on a specific identification basis.

**Accounting Estimates** — The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from these estimates.

**Federal income tax** — It is the Fund's policy to comply with the special provisions of the Internal Revenue Code applicable to regulated investment companies. As provided therein, in any fiscal year in which the Fund so qualifies and distributes at least 90% of its taxable net income, the Fund (but not the shareholders) will be relieved of federal income tax on the income distributed. Accordingly, no provision for income taxes has been made.

# Hussman Strategic Growth Fund

## Notes to Financial Statements *(continued)*

*December 31, 2002 (Unaudited)*

In order to avoid imposition of the excise tax applicable to regulated investment companies, it is also the Fund's intention to declare and pay as dividends in each calendar year at least 98% of its net investment income (earned during the calendar year) and 98% of its net realized capital gains (earned during the twelve months ended October 31) plus undistributed amounts from prior years.

For federal income tax purposes, the cost of portfolio investments, including written options, amounted to \$453,007,140 at December 31, 2002. The composition of unrealized appreciation (the excess of value over tax cost) and unrealized depreciation (the excess of tax cost over value) was as follows:

Gross unrealized appreciation	\$ 33,446,298
Gross unrealized depreciation	<u>( 38,858,700)</u>
Net unrealized depreciation	<u>\$ ( 5,412,402)</u>

The difference between the federal income tax cost of portfolio investments and the financial statement cost is due to certain timing differences in the recognition of capital gains or losses under income tax regulations and accounting principles generally accepted in the United States.

## **2. INVESTMENT TRANSACTIONS**

During the six months ended December 31, 2002, purchases and proceeds from sales and maturities of investment securities, other than short-term investments, amounted to \$476,964,631 and \$201,658,804, respectively.

## **3. TRANSACTIONS WITH AFFILIATES**

Certain Trustees and officers of the Trust are affiliated with the Adviser or Ultimus Fund Solutions, LLC ("Ultimus"), the Fund's administrator, transfer agent and fund accounting agent.

### **Advisory Agreement**

Under the terms of an Advisory Agreement between the Trust and the Adviser, the Fund pays a fee, which is computed and accrued daily and paid monthly, at an annual rate of 1.25% of the first \$250 million of its average daily net assets; 1.15% of the next \$250 million of such assets; 1.05% of the next \$500 million of such assets; and 0.95% of such assets in excess of \$1 billion.

# Hussman Strategic Growth Fund

## Notes to Financial Statements *(continued)*

*December 31, 2002 (Unaudited)*

Pursuant to an Expense Limitation Agreement, the Adviser contractually agreed to waive a portion of its advisory fees and if necessary, reimburse a portion of the Fund's operating expenses until at least December 31, 2002 so that the Fund's ordinary operating expenses do not exceed 2.00% per annum of average net assets (the "Cap"). Advisory fee waivers and expense reimbursements by the Adviser prior to December 31, 2002 were generally subject to repayment by the Fund for a period of three years after such fees and expenses were incurred provided that the repayments did not cause the Fund's ordinary operating expenses to exceed the Cap. Pursuant to the Expense Limitation Agreement, for the six months ended December 31, 2002, the Adviser received \$19,954 in recouped fees. As of December 31, 2002 all advisory fee waivers and expense reimbursements have been repaid to the Adviser by the Fund.

### **Administration Agreement**

Under the terms of an Administration Agreement, Ultimus supplies executive, administrative and regulatory services to the Fund, supervises the preparation of tax returns, and coordinates the preparation of reports to shareholders and reports to and filings with the Securities and Exchange Commission and state securities authorities.

For these services, Ultimus receives a monthly fee from the Fund at an annual rate of .15% on its average daily net assets up to \$50 million; .125% on the next \$50 million of such assets; .10% on the next \$150 million of such assets; .075% on the next \$250 million of such assets; and .05% on such net assets in excess of \$500 million, subject to a minimum monthly fee of \$2,000.

### **Fund Accounting Agreement**

Under the terms of a Fund Accounting Agreement between the Trust and Ultimus, Ultimus calculates the daily net asset value per share and maintains the financial books and records of the Fund. For these services, Ultimus receives from the Fund a monthly base fee of \$2,500, plus an asset based fee equal to 0.01% of its average daily net assets up to \$500 million and 0.005% of such net assets in excess of \$500 million. In addition, the Fund pays certain out-of-pocket expenses incurred by Ultimus in obtaining valuations of the Fund's portfolio securities.

### **Transfer Agent and Shareholder Services Agreement**

Under the terms of a Transfer Agent and Shareholder Services Agreement between the Trust and Ultimus, Ultimus maintains the records of each shareholder's account, answers shareholders' inquiries concerning their

# Husman Strategic Growth Fund

## Notes to Financial Statements *(continued)*

*December 31, 2002 (Unaudited)*

accounts, processes purchases and redemptions of Fund shares, acts as dividend and distribution disbursing agent, and performs other shareholder service functions. For these services, Ultimus receives from the Fund a monthly fee at an annual rate of \$17 per account, subject to a minimum of \$1,500 per month. In addition, the Fund pays certain out-of-pocket expenses incurred by Ultimus including, but not limited to, postage and supplies.

### **4. OPTION CONTRACTS WRITTEN**

Transactions in option contracts written during the six months ended December 31, 2002, were as follows:

	<b>Option Contracts</b>	<b>Option Premiums</b>
Options outstanding at beginning of period . . . . .	3,425	\$ 8,839,592
Options written . . . . .	30,425	66,563,186
Options cancelled in a closing purchase transaction . . . . .	<u>(24,350)</u>	<u>(45,994,028)</u>
Options outstanding at end of period . . . . .	<u>9,500</u>	<u>\$ 29,408,750</u>

### **5. BANK LINE OF CREDIT**

The Fund has an unsecured \$10,000,000 bank line of credit. Borrowings under this arrangement bear interest at a rate determined by the bank at the time of borrowing. During the six months ended December 31, 2002, the Fund had no outstanding borrowings under the line of credit.



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