
THE CHESAPEAKE GROWTH FUND

***Investor Shares (CHEAX)
Institutional Shares (CHESX)***

4th Quarter 2009

Dear Investor:

The Fund (Investor share class: CHEAX) closed 2009 with a net gain of 48.97%, which compares to gains of 26.46% for the S&P 500 Index, 34.47% for the Russell 2000 Growth Index, and 37.01% for the Russell 3000 Growth Index. Our gain for the year comes on the heels of a 3.87% gain in the fourth quarter. For more performance detail and important disclosure information, please refer to the following pages.

The past year was a strong one for equities. While that may not sound startling now, it helps to recall the mindset many investors had following the brutal sell-off in the Fall of 2008. At the time, many investors seemingly would have been quite content with gains of 10-15% for 2009. Having to look back on a year during which the portfolio gained more than 45% and outpaced the market and most peers is certainly welcome. But what is more satisfying is that a substantial portion of our relative outperformance was driven by our stock selection, which excites us because it means the stocks of our companies have begun to be rewarded for results that reflect the quality of their underlying businesses and growth opportunities.

At the same time, we recognize that the market is only halfway back to its October 2007 peak, and while we are pleased to have posted strong gains this past year, we look at our current portfolio with optimism about many of the opportunities we see that we do not believe are reflected yet in stock prices. The gains within the portfolio in 2009 came not only from some large, widely-known names, like Apple, Goldman Sachs, and Google, but also from several holdings that likely fall under many radar screens and may be less well followed or understood, like Tessera Technologies, Equinix, and Constant Contact. Identifying a number of these growth ideas leads to a portfolio that tends to be very different from the indices and can exhibit compelling characteristics, such as higher earnings growth than S&P 500, Russell 2000 Growth, and Russell 3000 Growth indices and a significantly stronger balance sheet at a time when financial flexibility is still critically important.

Much talk of the market's prospects has hinged on the employment outlook, with a tug of war appearing to emerge between those unconvinced jobs will recover at a reasonable pace and those convinced they will, but with both concluding that the market's direction will largely depend on the outcome. Our belief is that such a view misses a very important difference between this economic recovery and others. That difference is as follows:

We believe currently contemplated legislative policy changes will have a much broader impact on S corporations, LLCs and LPs than they will on C corporations. This difference becomes potentially even more pronounced when you consider public C-Corps. In short, public companies are predominantly C-Corps and are, therefore, not subject to the substantial increase in taxation that is contemplated at year-end. Likewise, they tend to be larger entities which already offer basic healthcare to their employees. Thus, the ground conditions for them in this recovery are similar to those they have experienced in the past. Conversely, smaller private companies, which are predominantly S-Corps, LLCs and LPs, are not only facing the same economic challenges as larger companies, but also the prospect of significant healthcare cost increases, as well as substantially lower profit margins due to significantly higher taxation. Thus, they need to overcome both the economic environment and increased costs before they can contemplate hiring to any significant degree.

Our belief that the portfolio can profit despite our continued view that job growth will be anemic is, in part, based on our premise that lack of job growth is as much a symptom for some as it is a problem for all. We believe private companies (which in aggregate account for the job growth in the U.S. and which most heavily influence employment statistics) are most likely to be weakened as a result of the contemplated policy changes. This in turn will likely manifest itself in a less-than-robust job recovery. However, that data point may be less indicative of the economic climate affecting a multitude of public companies. As a result of the jobs condition, the average rate of overall economic growth is likely to decrease, and P/E ratios may not rise as much as they normally would, but this does not mean that individual businesses will not prosper.

In essence, we believe an arbitrage opportunity has been set up due to pending policy changes that could actually benefit certain companies at the expense of their competitors. So the jobless rate's elevated state may in fact be both a reaction to pending changes and an indication of the economy's current condition.

This is one of the reasons we have recently argued that active investing should be able to outpace passive. For, those companies advantaged by competitors whose cost structure is rising when theirs is not, and who sell into markets overseas or those less influenced by the weak employment growth, may be in a better position than they may have been were conditions more similar to those typical in a recovery. At the same time, those companies subject to the aforementioned policy changes and most influenced by the jobs condition are potentially in worse shape. Thus, as we have stated in recent letters, we continue to believe that the stocks of many companies can continue to rise, despite an environment less conducive to job creation.

From the broad macroeconomic perspective conditions are improving. We believe GDP growth and job creation may be better in the first half of the year based on the inventory cycle and government hiring. And, although growth may taper as the year progresses, we think conditions are far better now than they have been. We are certainly conscious of the possibility that as government intervention dissipates so too might growth. And, at this point, we continue to believe that the overall recovery will be slower and, therefore, take longer than is typical, which should allow for gradual market improvement and suit our investment process.

While the market's overall results were heavily reliant on Technology stock returns in 2009, the portfolio posted returns in excess of 60% in three diverse sectors (Technology, Financials, and Telecommunications), with Consumer Staples, where we are significantly underweight, being the only area that slightly detracted. Financials, which were a particular headwind in the latter part of 2008, rebounded strongly, as we had anticipated, providing the portfolio's 2nd largest contribution for the year following Technology's gain. While our sector changes, which included increases to Consumer Discretionary and Health Care and decreases to Industrials and Technology, contributed to relative gains, our outperformance was driven to a greater degree by our successful stock selection, consistent with our long-term history.

The stocks that contributed most to portfolio returns during the year were Apple Computer, CB Richard Ellis, Bank of America, and Goldman Sachs. Apple consistently beat expectations throughout the year, fueled partly by consumers' tremendous appetite for the iPhone and the company's highly profitable App Store. Apple's ability to continue to raise the bar for innovative products has us excited about the pending launch of their tablet device, which has the potential to be another important catalyst in 2010. CB Richard Ellis rebounded as credit markets and the global economy stabilized and began to recover, and the company's leading position has them poised to benefit from a pickup in transaction volumes, particularly among distressed properties. Bank of America rebounded strongly during the last 3 quarters of 2009 as fears surrounding nationalization subsided and the company saw early dividends on their investments in Countrywide and Merrill Lynch. Goldman Sachs' adaptive model proved to be as sound as we believed, and the company benefited from a much smaller competitive landscape.

The positions that negatively impacted the portfolio the most in 2009 were Continental Airlines, Concord Medical, Healthspring, and Goodrich Petroleum. Aside from Concord Medical, we sold each of these positions and continue execute a rigorous approach to risk control. Continental struggled with concerns that rising crude prices would have a material impact on future profitability to the point that it made sense to us to make a change for better opportunities. Concord Medical's strong underlying fundamentals were overwhelmed by adverse investor sentiment due to its IPO execution. We look for the company to repair investor sentiment as it delivers its financial performance in the coming months. Healthspring suffered early in 2009 as healthcare reform depressed industry multiples. We consolidated this position into our stake in Humana which performed strongly in the latter part of 2009. Despite Goodrich's well-diversified drilling portfolio, the company pushed out its production ramp due to operational issues, leading us to sell the position for a stronger idea.

Macro uncertainty remains high, but the outlook has been improving and becoming more clear over time. The stabilization that we felt we were beginning to see a year ago continues to take hold in key areas, such as housing, credit markets, and employment. But, as was the case last year, a large number of investors are still sitting on the sidelines having doubts about the legitimacy of an economic recovery. While this reticence is understandable based on recent market volatility, it is important to note that many of them missed out on the solid returns of 2009.

As was the case last year and as we believe will be the case this year, those investors who capitalize on unrecognized opportunities before they become common knowledge are those who are likely to be rewarded.

Sincerely,



W. Whitfield Gardner



John L. Lewis, IV

Statements in this letter that reflect projections or expectations of future financial or economic performance of the Fund and of the market in general and statements of the Fund's plans and objectives for future operations are forward-looking statements. Actual results or events may differ materially from those projected, estimated, assumed or anticipated in any such forward-looking statements. Important factors that could result in such differences, in addition to the other factors noted with such forward-looking statements, include general economic conditions such as inflation, recession and interest rates.

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Portfolio Facts - December 31, 2009

Portfolio Construction and Risk Management

In order to isolate our stock selection capability, and mitigate volatility associated with sector rotation, we typically limit sector exposures to +/-15% to the S&P 500 Index weightings. Our bottom-up stock picking approach avoids theme-based investments, market timing and sector rotation. Individual positions are typically initiated at 1-3% of the portfolio's value and rarely exceed 5% of the total portfolio weight. It is our practice to limit the portfolio to a maximum of 50 securities.

Ten Largest Holdings (31.1%)¹

Bank of America Corp. Preferred	4.0%
Humana, Inc.	3.8%
Dreamworks Animation SKG, Inc. - A	3.1%
Goldman Sachs, Inc.	3.1%
Apple Computer, Inc.	3.1%
DIRECTV-Class A	3.0%
Google, Inc. Cl-A	2.9%
Qualcomm, Inc.	2.8%
Express Scripts	2.7%
Urban Outfitters, Inc.	2.6%

Portfolio Characteristics**

Number of Positions	49
Median Market Cap (in bil)	\$5.0
P/E Ratio – 2010 Earnings Estimates	19X

** Source: Baseline Financial Services

***Price to Earnings Ratio (P/E) is defined as a measure of the price paid for a share relative to the annual net income or profit earned by the firm per share. $PE = \text{Market Value Per Share} / \text{Earnings Per Share}$.

The Fund is subject to investment risks, including, without limitation, equity securities risk, market risk, portfolio turnover risk, short-term investment risk, investment adviser risk, overweighting in certain market sectors risk and market segment risk. As an investor in the Fund, you are subject to the risk that you may lose your money as a result of the impact of the Fund's investment risk on the Fund's net asset value per share. When you sell your investment in the Fund, the value of your investment may be more or less than your initial investment.

An investor should consider the investment objectives, risks, charges, and expenses of the Fund carefully before investing. The prospectus contains this and other information about the Fund. A copy of the prospectus is available by calling the Fund directly at (800) 430-3863 or the Fund's investment adviser at (610) 558-2800 or by visiting the website at www.chesapeakefunds.com. The prospectus should be read carefully before investing.

¹All holdings information is provided for informational purposes only and should not be deemed as a recommendation to buy the securities mentioned. The holdings information represents the largest holdings, by market value, in the Fund as of the most recent calendar quarter end. Each quarter, the Fund's investment adviser uses this same objective, non-performance based criteria to select the ten largest holdings.

We are not restricted to the practice of limiting portfolio holdings by the prospectus or statement of additional information.

Sector Weights**

SECTOR	FUND	S&P 500
Information Technology	24.3%	19.6%
Consumer Discretionary	22.0%	9.6%
Health Care	19.9%	12.6%
Financials	16.7%	14.6%
Energy	7.3%	11.5%
Materials	3.2%	3.6%
Industrials	2.4%	10.3%
Telecommunication Services	2.2%	3.2%
Utilities	1.4%	3.7%
Consumer Staples	0.0%	11.4%
Cash & Equivalents	0.7%	0.0%

**Source: FactSet

Distinguishing Features

- Bottom-up stock picking approach avoids theme-based investments, market timing, and sector rotation.
- Analysts are generalists working across multiple industries and sectors, in order to maximize our ability to uncover stock specific opportunities.
- Networked library of in-house research allows incremental information to be shared across the organization in real time.
- In-depth research process driven by direct contact with companies across the market cap spectrum provides valuable insight into investment opportunities with our research scope.

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Institutional Shares (CHESX)

Chesapeake Growth Fund Performance as of 12/31/09

	Average Annual Total Returns			
	2009	1 Year	5 Year	10 Year
Investor Shares (CHEAX)+	48.97%	48.97%	1.20%	-2.30%
Institutional Shares(CHESX)±	49.21%	49.21%	1.38%	-1.96%
S&P 500 Total Return Index *	26.46%	26.46%	0.42%	-0.95%
Russell 2000 Growth Index **	34.47%	34.47%	0.87%	-1.37%
Russell 3000 Growth Index ***	37.01%	37.01%	1.58%	-3.79%

+ Total Gross Expense Ratio as of 10/31/09 was 3.05%.

Net Expense Ratio as of 10/31/09 was 2.49%. Net Expense Ratio as of 03/31/09 was 3.00%

± Total Gross Expense Ratio as of 10/31/09 was 2.83%.

Net Expense Ratio as of 10/31/09 was 2.25%. Net Expense Ratio as of 03/31/09 was 2.75%

From March 1, 2008 through February 28, 2009 the Adviser contractually agreed to a reduction in fees and reimbursement of other expenses, so that the total annual operating expenses of the Fund were limited to 1.64% for the Investor shares and 1.39% for the Institutional shares. As of March 1, 2009, the investment adviser has contractually agreed to reduce its fees until February 28, 2010, so long as the Fund's net assets are less than \$11 million and the aggregate expenses of every character, including but not limited to investment advisory fees of the investment adviser (exclusive of (i) interest, (ii) taxes, (iii) brokerage commissions, (iv) other expenditures which are capitalized in accordance with generally accepted accounting principles, (v) other extraordinary expenses not incurred in the ordinary course of the Fund's business, and (vi) dividend expense on short sales), incurred by the Fund during the term of the agreement exceed 3.00% for the Investor shares and 2.75% for the Institutional shares. The adviser may be entitled to recoupment of any fees reduced during any of the previous three (3) years, less any reimbursements previously paid, pursuant to such agreement, provided the Fund's net assets are greater than or equal to \$11 million and overall expenses fall below 3.00% for the Investor shares and 2.75% for the Institutional shares. The Chesapeake Growth Fund's inception date was April 6, 1994. Class A Investor Shares has been renamed to Investor Shares as of 10/13/09.

The Fund has entered into brokerageservice arrangements with several brokers through commission recapture programs. These portions are then used to offset overall Fund expenses. There can be no assurance that these arrangements will continue in the future. For more information, please see the prospectus.

The performance data quoted above represents past performance, which is not a guarantee of future results. Investment return and principal value of an investment in the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance data may be lower or higher than the performance data quoted. To obtain more current performance data regarding the Fund, including performance data current to the Fund's most recent month-end, please visit www.chesapeakefunds.com.

During part of the period cited the adviser assumed certain expenses and/or waived a portion of its fee. Total return would have been lower absent such assumptions or fee waivers. These fee waivers and/or reimbursements are believed not to have had a significant effect on the Fund's performance.

*The S&P 500 is a market capitalization-weighted index that is widely used as a barometer of U.S. stock market performance. The S&P 500 Total Return Index provides investors with a price-plus-gross cash dividend return of the companies represented in the S&P 500 Index.

**The Russell 2000 Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price-to-value ratios and higher forecasted growth values.

***The Russell 3000 Growth Index measures the performance of the broad growth segment of the U.S. equity universe. It includes those Russell 3000 companies with higher price-to-book ratios and higher forecasted growth values.

It is not possible to invest directly in indexes which are unmanaged and do not incur fees and charges.

THE CHESAPEAKE GROWTH FUND*Investor Shares (CHEAX)**Institutional Shares (CHESX)*

Portfolio of Investments (unaudited)
December 31, 2009

	Percent of Assets		Percent of Assets
Consumer Discretionary - 22.0%		Industrials - 2.4%	
Dreamworks Animation SKG, Inc. - A	3.1	Hertz Global Holdings, Inc.	1.5
DIRECTV-Class A	3.0	Acacia Research	1.0
Urban Outfitters, Inc.	2.6		
Vitamin Shoppe, Inc.	2.3	Information Technology - 24.3%	
Best Buy Company, Inc.	2.0	Apple Computer, Inc.	3.1
Liberty Media Corp. - Interactive	2.0	Google, Inc. Cl-A	2.9
Activision Blizzard, Inc.	1.8	Qualcomm, Inc.	2.8
Expedia, Inc.	1.5	Equinix, Inc.	2.5
Liberty Media-Starz	1.3	Tessera Technologies, Inc.	2.0
Amazon.Com Inc.	1.2	Veeco Instruments, Inc.	1.9
K12 Inc.	1.1	MICROS Systems, Inc.	1.8
		Lam Research Corp.	1.7
Energy - 7.3%		Corning, Inc.	1.6
Petroquest Energy Inc.	2.2	Plantronics Inc.	1.4
Anadarko Petroleum Corporation	2.1	Anadigics, Inc.	1.4
Range Resources Corp.	1.5	Arris Group, Inc.	1.3
Pioneer Natural Resources Company	1.4		
		Materials - 3.2%	
Financials - 16.7%		Crown Holdings, Inc.	1.9
Bank of America Corp. Preferred Security	4.0	Lubrizol Corp.	1.3
Goldman Sachs, Inc.	3.1		
Mastercard Inc. - Class A	2.4	Telecommunication Services - 2.2%	
CB Richard Ellis Services	2.3	NII Holdings, Inc.	2.2
Tower Group, Inc.	2.2		
TD Ameritrade Holding Corporation	1.8	Utilities - 1.4%	
Seabright Insurance Holdings	1.0	AES Corporation	1.4
Health Care - 19.9%		TOTAL EQUITIES	99.3
Humana, Inc.	3.8		
Express Scripts	2.7	CASH AND EQUIVALENTS	0.7
Teva Pharmaceutical - SP ADR	2.6		
Concord Medical ADR	2.6	TOTAL PORTFOLIO	100.0
ResMed Inc.	2.2		
Human Genome Sciences, Inc.	1.7		
Genoptix, Inc.	1.7		
SIGA Technologies, Inc.	1.6		
Targacept, Inc.	0.9		

THE FUND

The Chesapeake Growth Fund
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