

# ANNUAL REPORT



**December 31, 2008**



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# STAAR INVESTMENT TRUST

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LETTER TO SHAREHOLDERS  
DECEMBER 31, 2008

Dear Shareholders,

The year 2008 was no fun for investors. Major stock indexes experienced total returns including dividends from negative 33.8% to negative 54.5%. (See Chart A) Housing prices in some parts of the country were also down over 30%. Unless you were prescient enough to put all your money into US government bonds, there were few places to make money in 2008. CDs and money markets didn't even create a real return above taxes and inflation for most people and even precious metals were down slightly. The best most investors could have hoped for was that they lost a good bit less than the markets and avoided the huge mistakes.

Overall I am pleased with the STAAR Funds' performance in 2008. Five out of our six funds beat their benchmark indexes and peer fund groups and at the end of January two of our six funds (AltCat and International) received the highest 5-star ranking by Morningstar.

Chart A: 2008 Scorecard

Index (Indexes generally do not have expenses)	Total Return
Lehman Bros US Gov't/Credit Long Bond Index	+ 8.4%
Taxable Money Markets	+ 1.9%
Short-Term Bond Funds	- 4.2%
Intermediate Term Bond Funds	- 4.7%
ML US High Yield Bond Index	-26.4%
Russell 2000 (Small Stocks Index)	-33.8%
S&P 500 (Large Stocks Index)	-37.0%
NASDAQ Composite	-40.5%
MSCI EAFE (International major economies index)	-43.4%
MSCI Emerging Markets	-54.4%
Consumer Price Index (CPI) (12 mos thru Nov)	- 0.1%
<i>Misc. sources including: Morningstar, Russell Investments, NASDAQ, Standard &amp; Poors</i>	

Moreover we aggressively communicated with shareholders via our STAAR Reports. Feedback has been positive and a number of shareholders were helped to reallocate their investments among the funds to manage risk.

Coming off one of the worst investment years in history we all hope for some better results going forward. But the beginning of 2009 has seen the stock markets continue to struggle.

In the midst of mostly negative news and a generally pessimistic and even angry United States population, I see room for optimism. Indeed, economic recovery will not happen overnight, but I see signs that the basics of our economy continue to work. And once more people see that the system continues to function, confidence will return to the markets. I expect the beginnings of a new confidence to become apparent by the end of

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# STAAR INVESTMENT TRUST

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LETTER TO SHAREHOLDERS (CONTINUED)  
DECEMBER 31, 2008

2009 or early 2010 and the stock markets are likely to anticipate a recovery before most people see it.

“Is Chicken Little finally right?” This is the fundamental question each investor should ask. If the answer is “no,” then a return to sound historical investment principles is the best way to proceed. Buy low and sell high. Save and invest on a regular basis. Don’t base your decisions on greed or fear. Our study of bear markets and subsequent bull markets over the past 50 years showed an average market gain from the bear market bottoms of over 123%. Assuming that the structure of the financial markets returns to a more normal functionality and the economy recovers as it has in the past, there is room for optimism.

There are no guarantees. Each of us must weigh his or her objectives against risk and reward parameters that are intelligently formed. This is an excellent time to review your plans and strategies with your advisors. In the meantime, please be assured that we are doing all we can to serve you with wisdom, integrity, transparency and an overriding commitment to create positive returns for our shareholders.

We are profoundly thankful for your continued confidence and support. On behalf of the trustees and staff, thank you. Let’s all look ahead with optimism and strive to bring a positive attitude to all we do. Optimism can be as catching and self-fulfilling as pessimism.

Sincerely,



J. André Weisbrod  
Trustee

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# STAAR INVESTMENT TRUST

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MANAGEMENT DISCUSSION OF PERFORMANCE  
DECEMBER 31, 2008

## ***STAAR AltCat Fund***

The combination of diversified holdings and a relatively large cash position helped keep the AltCat Fund ahead of the S&P 500 in of 2008. We incrementally built up the conservative cash positions as the stock markets continued to deteriorate. Unfortunately the severity of the economic problems was not visible until the October and November meltdown, which hurt nearly all sectors.

The best things we did in 2008 included incrementally increasing the Fund's cash, staying away from the financial sector and overweighting the portfolio I the health care industry. During the course of the year we sold portions of many of the worst performers. The worst things we did included sticking with an energy and natural resources overweighting too long and not utilizing some available hedge positions, including precious metals and short ETFs.

Positions that helped soften the downturn included Vanguard Health care Fund, Live Oak Health Sciences Fund, iShares SP Global Health, and Mutual Discovery A Fund. Disappointing performers included the Powershares Wilderhill, iShares South Korea, Eaton Vance Greater India and Franklin natural Resources funds.

The biggest change in our outlook since the June 30, 2008 Semi-annual report was the outlook on inflation. In a very short time the economic bias toward inflation changed to a deflationary bias. This particularly hurt our energy, natural resources and commodities positions. However, we expect inflation to increase significantly once the economy starts to improve. The massive deficit spending almost insures an inflationary environment within the next few years.

We are pleased to report that the STAAR Altcat Fund continues to receive a 5-star ranking from Morningstar and has out performed the S&P 500 and it's peer group category for the last ten years.

## ***STAAR General Bond Fund***

Six months ago we wrote, "Determining the direction of interest rates has been difficult. The slowing economy has put downward pressure on rates even as inflationary forces herald a need for rates to rise." By the end of the year the story had changed dramatically. Consider Chart A. US Treasury rates came down remarkably in response to the revelation of economic woes that heralded a

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# STAAR INVESTMENT TRUST

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## MANAGEMENT DISCUSSION OF PERFORMANCE (CONTINUED) DECEMBER 31, 2008

more severe recession than most expected. The bias toward inflation changed toward deflation short-term.

### Chart A: Change in US Treasury Rates

Date	1 mo	6 mo	1 yr	2 yr	3 yr	5 yr	10 yr	20 yr	30 yr
12/29/2006	4.75	5.02	5.09	5.00	4.82	4.74	4.70	4.70	4.71
06/29/2007	4.28	4.82	4.93	4.91	4.87	4.89	4.92	4.96	5.03
12/31/2007	2.76	3.36	3.49	3.34	3.05	3.07	3.45	3.70	4.04
06/30/2008	1.60	1.90	2.17	2.36	2.63	2.91	3.34	3.61	3.99
12/31/2008	0.11	0.11	0.27	0.37	0.76	1.00	1.55	1.87	2.25
2 Yr Change	-4.64	-4.91	-4.82	-4.63	-4.06	-3.74	-3.15	-2.83	-2.46
% 2 Yr Change	-98%	-98%	-95%	-93%	-84%	-79%	-67%	-60%	-52%

Source: [www.ustreas.gov](http://www.ustreas.gov)

Our approach for the last few years has been to keep average maturities short, which has kept the Fund's share price relatively stable, and this strategy worked well in 2008, though we did miss the opportunity for some gains experienced in longer government securities in the last few months of the year. We also protected the portfolio by staying away from packaged and derivative mortgage securities that saw tremendous losses.

Corporate rates have not experienced the same level of decreases and rates on so-called "junk" bonds have remained high. If the economy improves there could be a lowering of these rates and a corresponding increase in bond values. However the gains could be short lived if inflation increases significantly.

Looking forward we think the risk of higher interest rates is significant enough to keep average maturities shorter. With a 52% to 98% drop in US Treasury rates it would be foolish to lock in long-term rates now. We continue to look for opportunities to increase yield while minimizing risk.

### **STAAR International Fund**

International stock generally fared worse than the United States in 2008. It is testament to the USA's continued leadership position in the world economy that our troubles directly affect the rest of the world.

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# STAAR INVESTMENT TRUST

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MANAGEMENT DISCUSSION OF PERFORMANCE (CONTINUED)  
DECEMBER 31, 2008

Our management strategy of incremental sales and increases in cash positions during the year softened the losses and allowed the INTF to outperform the EAFE and the majority of its peer funds in 2008. Among our best holdings were the iShares Japan, Sextant International and Putnam Capital Opportunities A funds.

Developing nations were harder hit, largely due to their dependence on the USA and other larger countries to buy goods and services. Hardest hit in our portfolio were the Eaton Vance Greater India A, iShares South Korea, Templeton Developing Markets and Marsico International Opportunities funds. Over the year we sold significant portions of these holdings.

Looking forward we will remain cautious and wait for clearer direction among the global economies. We continue to believe the greatest upside potential will be found in the developing nations and we more recently took positions in the iShares Chile and BLDRS Emerging markets 50 Index funds.

We are pleased to report that the STAAR International Fund received a 5-Star ranking from Morningstar as of January 31, 2009.

## ***STAAR Larger Company Stock Fund (LCSF)***

While the LCSF was not able to avoid losses as the market tumbled, we were able to minimize losses through incrementally selling some stock assets and raising cash positions. October and November saw stocks get clobbered, setting the stage for the worst one-year decline since the early 1930's.

A weighting toward health care stocks helped along with better than average performance by the Franklin Rising Dividend, Mairs & Power Growth, heartland Select Value and Washington Mutual Investors funds. Health specific exchange traded funds (ETFs) including iShares S&P Global Health, iShares DJ health and iShares DJ US Medical Devices held value better than most sectors.

The most disappointing positions were Navellier Mid-Cap Growth, Calamos Growth, Brandywine Blue and Dodge & Cox Stock funds. As these became weaker we sold greater portions of these.

Entering 2009 we remain cautious and will be looking for opportunities as they arise. However, until we can see marked economic improvement, we will maintain a more conservative positioning.

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# STAAR INVESTMENT TRUST

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MANAGEMENT DISCUSSION OF PERFORMANCE (CONTINUED)  
DECEMBER 31, 2008

We are pleased to report that the STAAR Larger Company Fund received a 4-Star ranking from Morningstar as of January 31, 2009.

### ***STAAR Short Term Bond Fund***

For a discussion on interest rates and markets, see the STAAR General Bond Fund. Our strategy to stay with shorter-term, high quality bonds kept the fund less volatile and allowed for a positive 2008 return. We will continue to look for instruments that can increase the Fund's yield while keeping risk as low as possible.

### ***STAAR Smaller Company Stock Fund***

2008 saw small companies generally perform slightly better than large companies. The STAAR Smaller Company Stock Fund's performance was somewhat disappointing. In spite of management's incremental increase in cash during the year, the performance of a number of the underlying managed funds was below average.

Among the most disappointing holdings were the Wasatch Small Cap Value, Royce Opportunity, Aberdeen Small Cap, Royce Microcap and Keeley Small Cap Value funds. We will be evaluating these during the first quarter of 2009 to determine if the poor performance was an aberration or a reflection of management decisions that would cause us to reduce or eliminate these positions.

Our best performers included the iShares Russell 2000 Value Index, Franklin Microcap Value and Nationwide Small Company funds.

Looking forward we will be examining the portfolio with an eye to adjusting our core underlying funds. We will maintain a healthy cash position and look for opportunities in specific sectors while waiting for the overall market to change its bear market character.

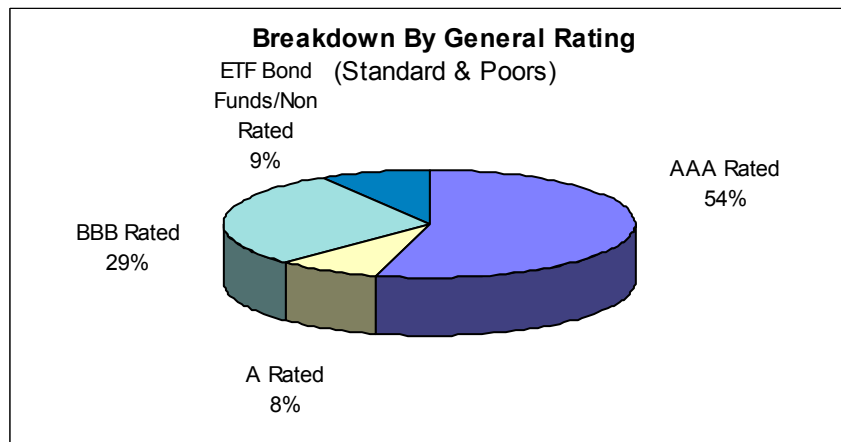
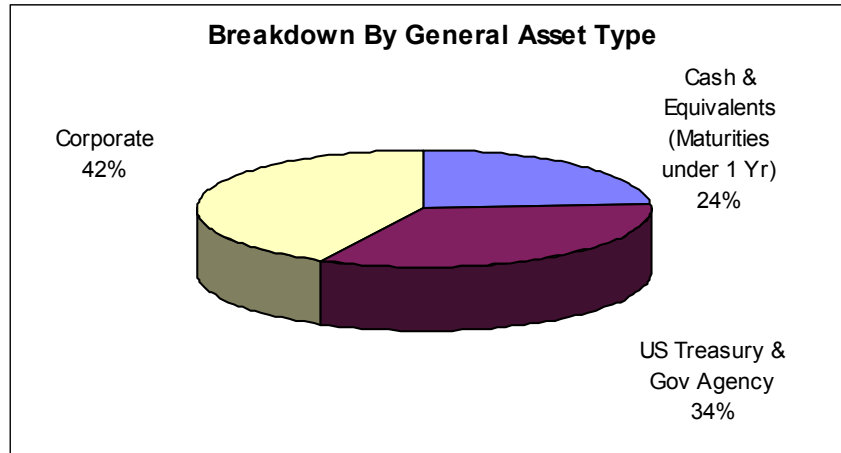
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# STAAR INVESTMENT TRUST

## STAAR GENERAL BOND FUND

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GRAPHICAL ILLUSTRATION  
DECEMBER 31, 2008 (UNAUDITED)



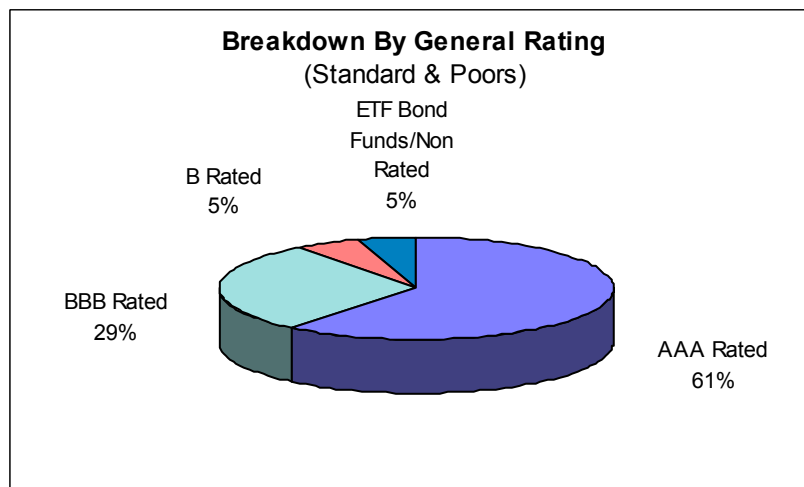
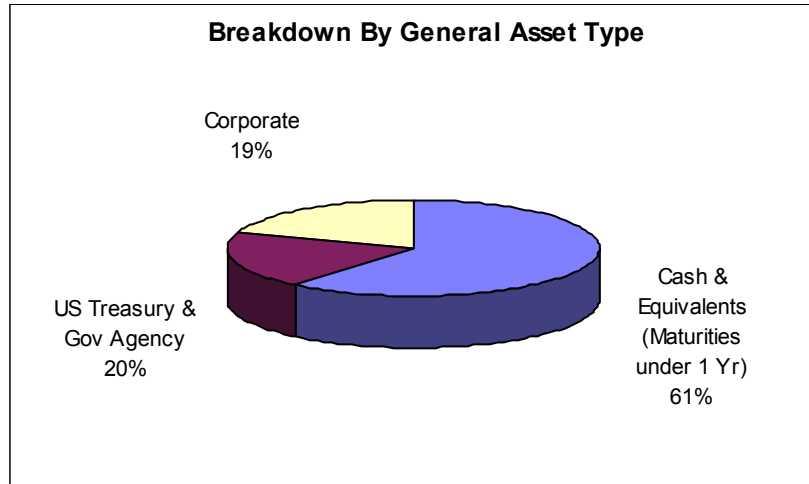
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# STAAR INVESTMENT TRUST

## STAAR SHORT-TERM BOND FUND

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GRAPHICAL ILLUSTRATION  
DECEMBER 31, 2008 (UNAUDITED)



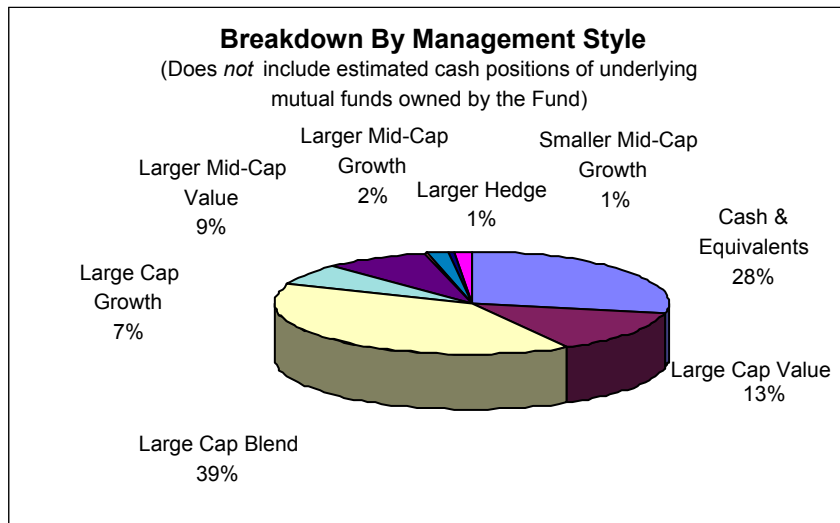
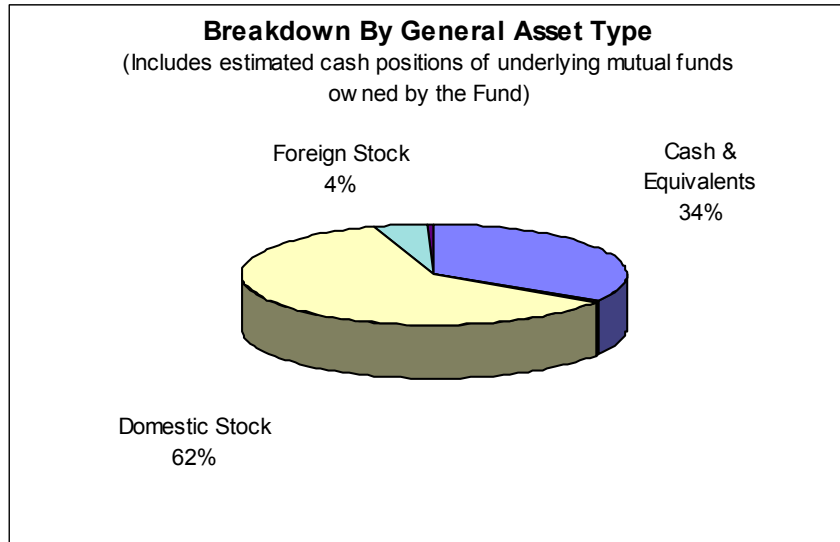
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# STAAR INVESTMENT TRUST

## STAAR LARGER COMPANY STOCK FUND

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GRAPHICAL ILLUSTRATION  
 DECEMBER 31, 2008 (UNAUDITED)



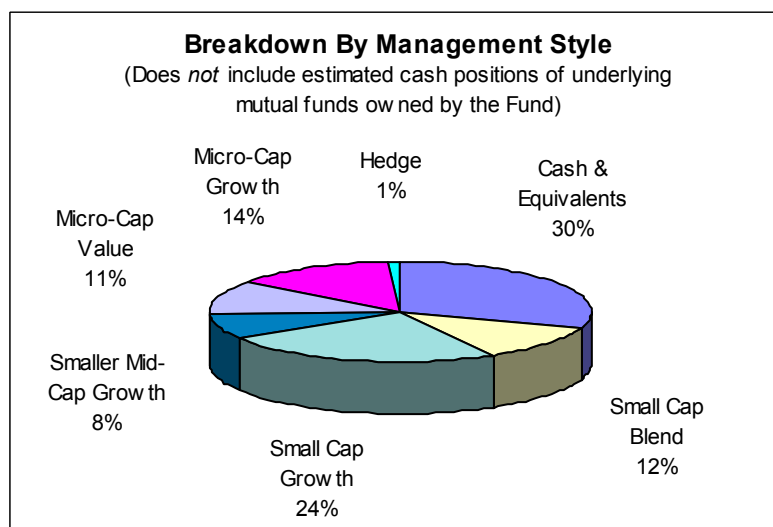
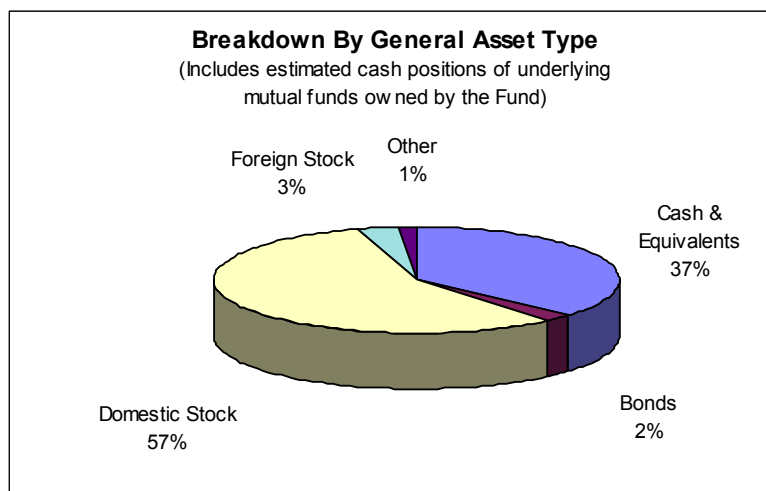
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# STAAR INVESTMENT TRUST

## STAAR SMALLER COMPANY STOCK FUND

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GRAPHICAL ILLUSTRATION  
DECEMBER 31, 2008 (UNAUDITED)



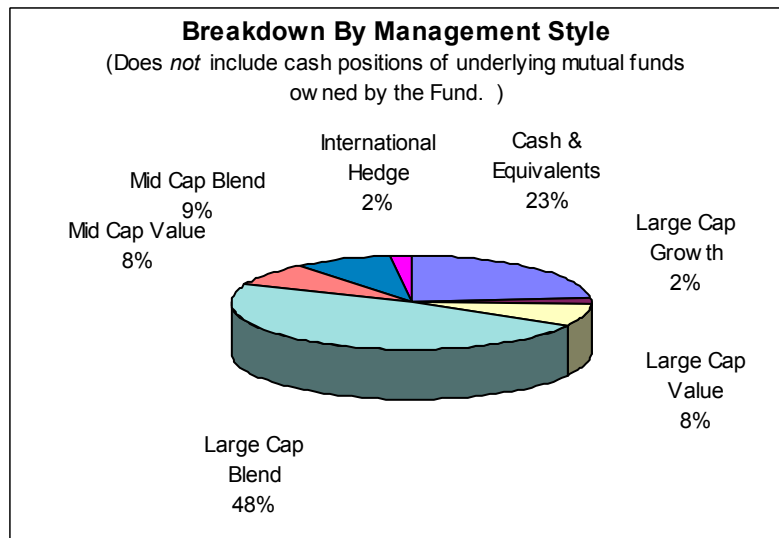
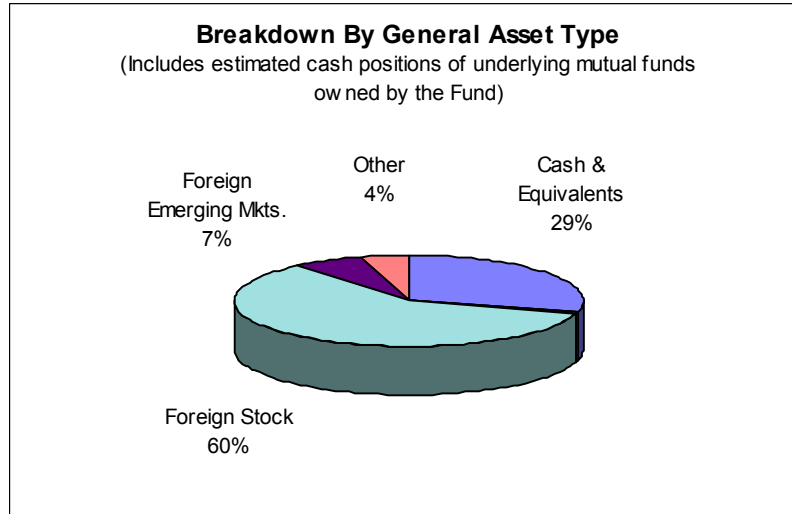
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# STAAR INVESTMENT TRUST

## STAAR INTERNATIONAL FUND

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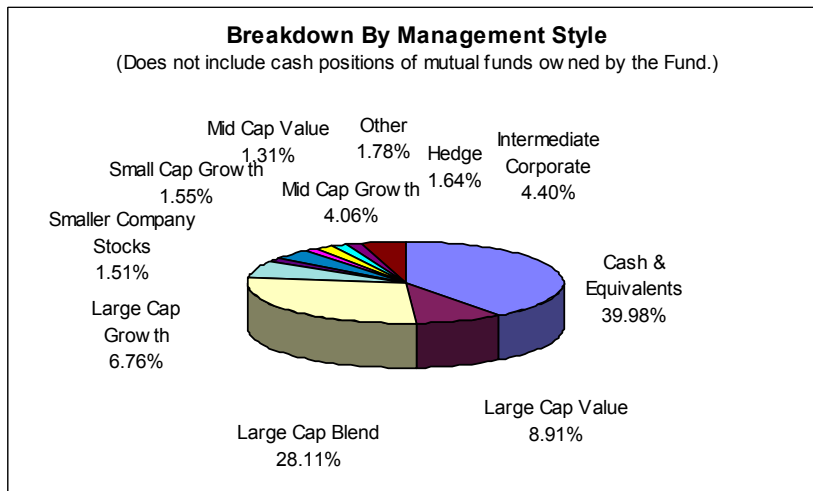
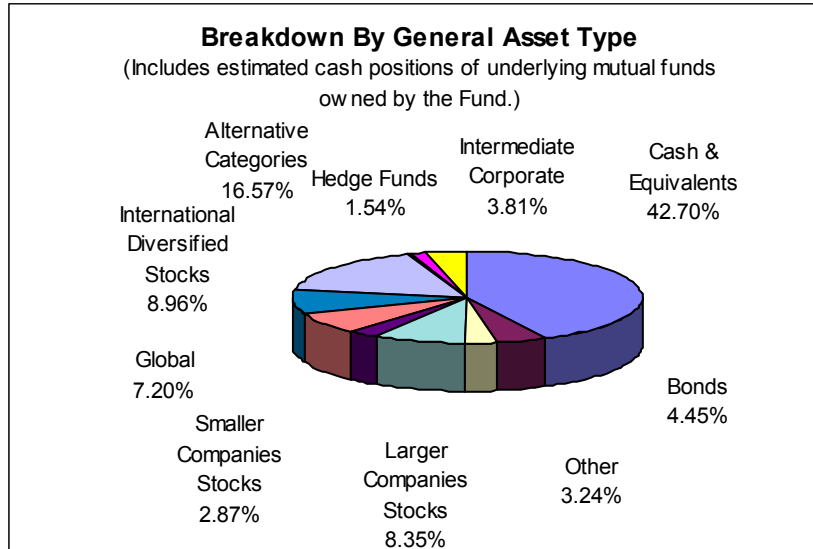
GRAPHICAL ILLUSTRATION  
DECEMBER 31, 2008 (UNAUDITED)



# STAAR INVESTMENT TRUST

## STAAR ALTERNATIVE CATEGORIES FUND

GRAPHICAL ILLUSTRATION  
DECEMBER 31, 2008 (UNAUDITED)



# STAAR INVESTMENT TRUST

## PERFORMANCE ILLUSTRATION DECEMBER 31, 2008

AltCat (Alternative Categories) Fund -- *A flexibly managed, multi-asset global fund of funds investing primarily in assets that offer opportunities for growth of capital.*

<i>For periods ending 12/31/08</i>	<b>Last Quarter</b>	<b>Year-to-Date</b>	<b>One Year</b>	<b>Three Year Avg. Annual Return<sup>1</sup></b>	<b>Five Year Avg. Annual Return<sup>1</sup></b>	<b>Ten Year Avg. Annual Return<sup>1</sup></b>	<b>Since Public Inception (5/28/97)<sup>1</sup></b>	<b>Since Private Inception (4/4/96)<sup>1</sup></b>
<b>STAAR AltCat Fund</b>	<b>-16.77%</b>	<b>-32.48%</b>	<b>-32.48%</b>	<b>-4.8%</b>	<b>+1.68%</b>	<b>+3.78%</b>	<b>+2.72%</b>	<b>+3.16%</b>
S&P 500 Index	-21.94%	-37.00%	-37.00%	-8.36%	-2.19%	-1.38%	+2.22%	+4.31%
Morningstar Large Blend Fds Avg	-22.11%	-37.79%	-37.79%	-9.03%	-2.47%	-0.84%	+1.31%	+3.08%

STAAR General Bond Fund -- *A high-grade general bond portfolio of US Gov't, Gov't Agency and Investment Grade Corp. Bonds with a flexible average maturity.*

<i>For periods ending 12/31/08</i>	<b>Last Quarter</b>	<b>Year-to-Date</b>	<b>One Year</b>	<b>Three Year Avg. Annual Return<sup>1</sup></b>	<b>Five Year Avg. Annual Return<sup>1</sup></b>	<b>Ten Year Avg. Annual Return<sup>1</sup></b>	<b>Since Pub. Incept. (5/28/97)<sup>1</sup></b>	<b>Since Private Inception (4/4/96)<sup>1</sup></b>
<b>STAAR General Bond Fund</b>	<b>+2.42%</b>	<b>-1.88%</b>	<b>-1.88%</b>	<b>+2.09%</b>	<b>+1.37%</b>	<b>+3.41%</b>	<b>+4.08%</b>	<b>+3.90%</b>
Lehman Bros Intermed Gov/Cred Index	+4.84%	+5.08%	+5.08%	+5.51%	+4.21%	+5.43%	+5.97%	+5.91%
Morningstar Intermed-Term Bd Fd Avg	-0.64%	-4.70%	-4.70%	+1.08%	+1.81%	+4.01%	+4.50%	+4.60%

# STAAR INVESTMENT TRUST

## PERFORMANCE ILLUSTRATION (CONTINUED) DECEMBER 31, 2008

International Fund -- *A fund of funds in which the underlying investments are primarily common stocks of companies in countries outside the U.S., including emerging markets. Individual stocks may be owned.*

<i>For periods ending 12/31/08</i>	Last Quarter	Year-to-Date	One Year	Three Year Avg. Annual Return <sup>1</sup>	Five Year Avg. Annual Return <sup>1</sup>	Ten Year Avg. Annual Return <sup>1</sup>	Since Public Inception (5/28/97) <sup>1</sup>	Since Private Inception (4/4/96) <sup>1</sup>
<b>STAAR International Fund</b>	-19.98%	-40.92%	-40.92%	-6.05%	+2.87%	+2.20%	+1.67%	+3.01%
EAFE Index	-19.95%	-43.38%	-43.38%	-7.35%	+1.66%	+0.80%	+1.85%	+7.64%
Morningstar Foreign Large Blend Fds	-20.89%	-43.99%	-43.99%	-7.67%	+1.21%	+0.90%	+2.44%	+2.48%

Larger Company Stock Fund -- *A fund of funds in which the underlying investments are primarily common stocks of large and larger mid-cap companies Individual stocks may be owned. Objective: Growth w/ some Income*

<i>For periods ending 12/31/08</i>	Last Quarter	Year-to-Date	One Year	Three Year Avg. Annual Return <sup>1</sup>	Five Year Avg. Annual Return <sup>1</sup>	Ten Year Avg. Annual Return <sup>1</sup>	Since Public Inception (5/28/97) <sup>1</sup>	Since Private Inception (4/4/96) <sup>1</sup>
<b>STAAR Larger Company Stock Fund</b>	-19.34%	-33.55%	-33.55%	-8.92%	-2.82%	-1.37%	+0.91%	+2.39%
S&P 500 Index	-21.94%	-37.00%	-37.00%	-8.36%	-2.19%	-1.38%	+2.22%	+4.31%
Morningstar Large Blend Funds Avg.	-22.11%	-37.79%	-37.79%	-9.03%	-2.47%	-0.84%	+1.31%	+3.08%

# STAAR INVESTMENT TRUST

PERFORMANCE ILLUSTRATION (CONTINUED)  
DECEMBER 31, 2008

*STAAR Short Term Bond Fund -- A high-grade bond portfolio of US Gov't, Gov't Agency and Investment Grade Corporate Bonds with an average maturity between 1 and 3 years.*

<i>For periods ending 12/31/08</i>	<b>Last Quarter</b>	<b>Year-to-Date</b>	<b>One Year</b>	<b>Three Year Avg. Annual Return</b>	<b>Five Year Avg. Annual Return</b>	<b>Ten Year Avg. Annual Return<sup>1</sup></b>	<b>Since Public Inception (5/28/97)<sup>1</sup></b>	<b>Since Private Inception (4/4/96)<sup>1</sup></b>
<b>STAAR Short Term Bond Fund</b>	+0.81%	+0.19%	+0.19%	+2.69%	+1.58%	+3.37%	+4.61%	+4.54%
Lehman Bros 1-3 Year Govt Index	+3.04%	+6.66%	+6.66%	+5.95%	+4.11%	+4.81%	+5.18%	+5.20%
Morningstar Short-Term Bd Fd Avg	-1.78%	-4.23%	-4.23%	+0.96%	+1.23%	+3.38%	+3.68%	+3.81%

*Smaller Company Stock Fund -- A fund of funds in which the underlying investments are primarily common stocks of small, micro-cap and smaller mid-cap companies. Individual stocks may be owned.*

<i>For periods ending 12/31/08</i>	<b>Last Quarter</b>	<b>Year-to-Date</b>	<b>One Year</b>	<b>Three Year Avg. Annual Return<sup>1</sup></b>	<b>Five Year Avg. Annual Return<sup>1</sup></b>	<b>Ten Year Avg. Annual Return<sup>1</sup></b>	<b>Since Public Inception (5/28/97)<sup>1</sup></b>	<b>Since Private Inception (4/4/96)<sup>1</sup></b>
<b>STAAR Smaller Company Stock Fund</b>	-22.68%	-34.95%	-34.95%	-10.40%	-3.14%	+2.80%	+3.81%	+4.11%
Russell 2000 Index	-26.12%	-33.79%	-33.79%	-8.29%	-0.93%	+3.02%	+3.77%	+4.53%
Morningstar Small Blend Fds Avg	-26.41%	-36.56%	-36.56%	-10.07%	-1.30%	+4.39%	+5.12%	+6.03%

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# STAAR INVESTMENT TRUST

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## PERFORMANCE ILLUSTRATION (CONTINUED) DECEMBER 31, 2008

<sup>1</sup> Performance figures are total returns, including dividends and capital gains reinvested, except as noted with \*\*. Indexes were quoted as published in various publications or sources, including the Wall St. Journal and Morningstar. Past performance is no guarantee of future results. Investment returns and principal values fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. You should read the prospectus carefully and consider investment objectives, risks and expenses carefully before investing. The General Bond Fund was formerly named the Intermediate Bond Fund. The Short Term Bond Fund was previously named the Long Term Bond Fund. The investment objectives were changed by a vote of shareholders in August of 2004. Performance shown that includes periods prior to August 2004 include performance achieved under the different investment objectives. The Trust was formed as a PA private business trust and investment operations commenced 4/4/96. Public inception was effective on 5/28/97 with no changes in investment operations, except for the General Bond Fund and the Short Term Bond Fund.

**For a current prospectus, call 1-800-332-7738 P.I.N. 3370 or visit  
[www.staarfunds.com](http://www.staarfunds.com)**

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# STAAR INVESTMENT TRUST

## STAAR GENERAL BOND FUND

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SCHEDULE OF INVESTMENTS  
DECEMBER 31, 2008

<u>Shares</u>	<u>Value</u>
<b>Short Term Corporate - 20.24%</b>	
100,000 Clorox Co., 4.20%, 1/15/2010**	\$ 98,793
100,000 General Electric, 4.25%, 9/13/10	100,353
100,000 IB-Capital One, 5.70%, 9/15/11	93,251
50,000 IB-CP&L Energy, Inc., 5.95% 3/1/09	50,067
200,000 International Paper Co., 4.00%, 4/1/10	<u>192,461</u>
	534,925
<b>Intermediate Corporate - 23.76%</b>	
50,000 E.I. Du Pont De Nemour, 5.00%, 7/15/13	50,301
100,000 IB-Alcoa, Inc., 5.375%, 1/15/13	86,462
100,000 IB-Home Depot, Inc., 5.25%, 12/16/13	93,380
200,000 IB-United Health Group, 4.75%, 2/10/14	175,822
50,000 Philip Morris International, 4.875%, 5/16/2013	50,143
100,000 IB-Merrill Lynch, 6.05%, 5/16/16	93,547
7,500 Pimco Corporate Opportunity Fund	<u>78,450</u>
	628,105
<b>Short Term US Gov't/Gov't Agency - 36.44%</b>	
200,000 Federal Home Loan Bank, 3.42%, 2/25/11	200,812
100,000 Federal Home Loan Bank Dis, 0%, 3/9/09	99,990
100,000 Federal Home Loan Bank Dis, 0%, 9/22/09	99,600
50,000 Federal National Mortgage Association, 3.80%, 2/25/11	50,828
43,000 IB-Fed National MTG ASSN, 4.375%, 6/21/10	45,069
50,000 IB-Fed HM LN BK, 5.355%, 1/5/09	50,016
100,000 IB-Fed HM LN BK, 3.30%, 3/17/11**	100,469
100,000 IB-Fed HM LN MTG CP, 4.375%, 11/9/11	107,768
25,000 IB-Fed National MTG ASSN, 3.55%, 6/17/10	25,016
50,000 IB-Fed National MTG ASSN, 4.125%, 7/21/11	50,094
11,000 Blackrock Broad Investment Grade	<u>133,650</u>
	963,312

\*\*Callable bond in the year 2009.

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

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# STAAR INVESTMENT TRUST

## STAAR GENERAL BOND FUND

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SCHEDULE OF INVESTMENTS (CONTINUED)  
DECEMBER 31, 2008

<u>Shares</u>	<u>Value</u>
<b>Intermediate US Gov't/Gov't Agency - 11.44%</b>	
300,000 IB-Fed National MTG ASSN, 4.50%, 5/28/15**	<u>302,531</u>
<b>TOTAL FOR CORPORATE/GOVERNMENT BONDS</b>	
(Cost \$2,523,156) - 91.88%	<u>2,428,873</u>
<b>SHORT TERM INVESTMENTS - 7.66%</b>	
Short-term Investment Company Prime Portfolio	
202,395 1.00% * (Cost \$202,395)	<u>202,395</u>
<b>TOTAL INVESTMENTS (Cost \$2,725,551) - 99.53%</b>	<u>2,631,268</u>
<b>OTHER ASSETS LESS LIABILITIES - 0.47%</b>	<u>12,354</u>
<b>NET ASSETS - 100.00%</b>	<u>\$2,643,622</u>

\* Variable rate security; the coupon rate shown represents the yield at December 31, 2008.

\*\*Callable bond in the year 2009.

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

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# STAAR INVESTMENT TRUST

## STAAR SHORT-TERM BOND FUND

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SCHEDULE OF INVESTMENTS  
DECEMBER 31, 2008

<u>Shares</u>	<u>Value</u>
<b>Short Term Corporate - 19.23%</b>	
300,000 Clorox Co., 4.20%, 1/15/2010**	\$ 296,378
75,000 General Electric, 4.25%, 9/13/10	75,265
50,000 IB-Capital One, 5.70%, 9/15/11	46,625
200,000 International Paper Co., 4.00%, 4/1/10	192,461
100,000 IB-Merrill Lynch, 5.77%, 7/25/11	<u>98,813</u>
	709,542
<b>Short Term US Gov't/Gov't Agency - 30.48%</b>	
100,000 Federal Home Loan Bank, 3.42%, 2/25/11	100,406
100,000 Federal Home Loan Bank Dis, 0%, 1/5/09	100,000
200,000 Federal Home Loan Bank Dis, 0%, 3/4/09	199,980
200,000 Federal National Mortgage Association, 3.80%, 2/25/11	203,313
300,000 IB-Fed Farm Credit BK, 3.10%, 2/25/11**	304,407
100,000 IB-Fed HM LN BK, 3.30%, 3/17/11**	100,469
15,000 IB-Fed HM LN BK, 3.66%, 9/30/10	15,656
15,000 IB-Fed HM LN BK, 4.10%, 11/12/09	15,445
7,000 Blackrock Broad Investment Grade	<u>85,050</u>
	1,124,726
<b>TOTAL FOR BONDS (Cost \$1,852,548) - 49.71%</b>	<u><b>1,834,268</b></u>
<b>SHORT TERM INVESTMENTS - 50.11%</b>	
1,849,122 Federated Prime Obligations Fund 1.00% * (Cost \$1,849,122)	<u>1,849,122</u>
<b>TOTAL INVESTMENTS (Cost \$3,701,670) - 99.81%</b>	<b>3,683,390</b>
<b>OTHER ASSETS LESS LIABILITIES - 0.19%</b>	<u><b>6,861</b></u>
<b>NET ASSETS - 100.00%</b>	<u><b>\$ 3,690,251</b></u>

\* Variable rate security; the coupon rate shown represents the yield at December 31, 2008.

\*\*Callable bond in the year 2009.

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

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**STAAR INVESTMENT TRUST**  
**STAAR LARGER COMPANY STOCK FUND**

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SCHEDULE OF INVESTMENTS  
DECEMBER 31, 2008

<u>Shares</u>	<u>Value</u>
<b>Alternative Categories - 0.77%</b>	
700 Pengrowth Energy Trust	\$ 5,334
200 Prudhoe Bay Royalty Trust	14,668
	<u>20,002</u>
<b>Larger Company Stocks - 69.50%</b>	
10,719 American Fundamental Investors Fund Class-F	267,641
7,738 American Washington Mutual Investors Fund Class-F	165,291
6,850 Brandywine Blue*	135,775
440 Calamos Growth Fund Class-A*	12,829
2,383 Dodge & Cox Stock Fund	177,235
12,520 Franklin Rising Dividends Fund Class-A	299,843
12,581 Heartland Select Value	227,335
200 I-Shares DJ US Healthcare Sector Index	10,738
600 I-Shares DJ US Medical Devices Index	22,968
300 I-Shares GSSI Natural Resources Index Fund	7,596
1,900 I-Shares S&P 500 Index	171,589
300 I-Shares S&P Global Energy Fund	8,778
4,735 Mairs & Power Growth	248,630
200 Medtronic, Inc.	6,284
1,202 Navellier Midcap Growth Portfolio*	19,439
2,197 Tocqueville Fund	33,992
	<u>1,815,963</u>
<b>Larger Company Hedge - 1.36%</b>	
500 Proshares Ultrashort S&P 500 Index	<u>35,470</u>
<b>TOTAL FOR SECURITIES (Cost \$2,278,694) - 71.63%</b>	<u><b>1,871,435</b></u>
<b>SHORT TERM INVESTMENTS - 28.41%</b>	
742,397 Federated Prime Obligations Fund 1.00% ** (Cost \$742,397)	<u>742,397</u>
<b>TOTAL INVESTMENTS (Cost \$3,021,091) - 100.04%</b>	<u><b>2,613,832</b></u>
<b>OTHER LIABILITIES LESS ASSETS - (0.04)%</b>	<u><b>(1,115)</b></u>
<b>NET ASSETS - 100.00%</b>	<u><u><b>\$ 2,612,717</b></u></u>

\* Non-income producing securities during the period.

\*\* Variable rate security; the coupon rate shown represents the yield at December 31, 2008.

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

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**STAAR INVESTMENT TRUST**  
**STAAR SMALLER COMPANY STOCK FUND**

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SCHEDULE OF INVESTMENTS  
DECEMBER 31, 2008

<u>Shares</u>	<u>Value</u>
<b>Smaller Company Stocks - 69.86%</b>	
400 Cal-Maine Foods, Inc.	\$ 11,480
10,117 Columbia Acorn Fund Class-Z	179,175
11,547 Franklin Microcap Value Fund	245,721
2,300 Ishares Russell 2000 Index Fund	113,252
2,000 Ishares Russell 2000 Value Index Fund	98,340
9,063 Keeley Smallcap Value Fund Class-A*	147,902
1,000 Powershares Wilderhill Clean Energy*	8,620
19,408 Royce Microcap Investment Fund	173,312
19,747 Royce Opportunity Fund	109,992
250 Rydex Inverse 2X Russell 2000	21,715
7,744 Satuit Capital Microcap Fund Class-A*	127,386
100 Terra Nitrogen Co., L.P.	9,425
15,083 The Aberdeen Small Cap Fund Class A	131,821
80,802 Wasatch Smallcap Value Fund*	<u>150,291</u>
	1,528,432
 TOTAL FOR SECURITIES (Cost \$2,315,498) - 69.86%	 <u>1,528,432</u>
 SHORT TERM INVESTMENTS - 30.19%	
660,509 Federated Prime Obligations Fund 1.00% ** (cost \$660,509)	<u>660,509</u>
 TOTAL INVESTMENTS (Cost \$2,976,007) - 100.05%	 2,188,941
 OTHER LIABILITIES LESS ASSETS - (0.05)%	 <u>(1,048)</u>
 NET ASSETS - 100.00%	 <u>\$ 2,187,893</u>

\* Non-income producing securities during the period.

\*\* Variable rate security; the coupon rate shown represents the yield at December 31, 2008.

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

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# STAAR INVESTMENT TRUST

## STAAR INTERNATIONAL FUND

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SCHEDULE OF INVESTMENTS  
DECEMBER 31, 2008

<u>Shares</u>	<u>Value</u>
<b>International - 67.42%</b>	
10,376 American Europacific Growth Fund Class-F	\$ 289,296
14,530 Credit Suisse International Focus Fund	159,243
551 Eaton Vance Greater India Fund Class-A	6,644
7,676 Harbor International Institutional Fund	307,950
1,000 I-Shares MSCI Australia Index Fund	14,010
200 I-Shares MSCI Chile Index Fund	5,964
4,500 I-Shares MSCI EAFE Index Fund	201,870
2,000 I-Shares MSCI Japan Index Fund	19,160
1,500 I-Shares MSCI Malaysia Index Fund	10,935
1,000 I-Shares MSCI Singapore Index Fund	7,050
250 I-Shares MSCI S&P Latin America Index Fund	6,368
4,281 Marsico International Opportunities Fund	37,418
10,079 Putnam International Capital Opportunities Fund Class-A	195,628
11,292 Sextant International Institutional Fund	130,872
39,962 Templeton Foreign Fund Class A	<u>177,430</u>
	1,569,838
 <b>International Hedge - 1.89%</b>	
500 Proshares Ultrashort MSCI EAFE	<u>44,085</u>
 <b>Developing Markets - 6.97%</b>	
300 Builders Emerging Markets 50 ADR Index	8,193
11,960 Templeton Developing Markets Fund Class A	<u>154,043</u>
	162,236
 TOTAL FOR SECURITIES (Cost \$1,945,965) - 76.28%	 <u>1,776,159</u>
 SHORT TERM INVESTMENTS - 23.83%	
555,004 Federated Prime Obligations Fund 1.00% * (cost \$555,004)	<u>555,004</u>
 TOTAL INVESTMENTS (Cost \$2,500,969) - 100.11%	 2,331,163
OTHER LIABILITIES LESS ASSETS - (0.11)%	<u>(2,610)</u>
NET ASSETS - 100.00%	<u>\$ 2,328,553</u>

\* Variable rate security; the coupon rate shown represents the yield at December 31, 2008.  
The accompanying notes are an integral part of these financial statements.

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**STAAR INVESTMENT TRUST**  
**STAAR ALTERNATIVE CATEGORIES FUND**

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SCHEDULE OF INVESTMENTS  
DECEMBER 31, 2008

<u>Shares</u>	<u>Value</u>
<b>Alternative Categories - 20.21%</b>	
200 DJ Wilshire REIT Exchange Traded Fund	\$ 8,106
1,000 First Trust-ISE Revere Natural Gas	11,780
5,053 Franklin Natural Resources Fund Class-A	97,986
11,231 Live Oak Health Sciences Fund*	102,650
1,300 Powershares DB Commodity Index Track Fund*	27,547
600 Powershares Cleantech Portfolio*	10,884
200 Prudhoe Bay Royalty Trust	14,668
2,149 Vanguard Energy Fund	94,837
1,102 Vanguard Health Care Fund	<u>111,824</u>
	480,282
<b>Global - 10.21%</b>	
1,170 American Smallcap World Fund Class-F*	23,990
7,996 Franklin Mutual Discovery Fund Class-A	178,305
800 Market Vectors-Nuclear Energy ETF*	15,736
600 SPDR FTSE Macquarie Global Infrastructure 100 ETF	<u>24,594</u>
	242,625
<b>International - 10.07%</b>	
118 Eaton Vance Greater India Fund Class-A	1,417
1,500 I-Shares MSCI Australia Index Fund	21,015
200 I-Shares MSCI Chile Index Fund	5,964
950 I-Shares MSCI EAFE Index Fund	42,617
900 I-Shares MSCI EAFE Value Index Fund	36,495
1,000 I-Shares MSCI Japan Index Fund	9,580
1,000 I-Shares MSCI Malaysia Index Fund	7,290
1,000 I-Shares MSCI Singapore Index Fund	7,050
200 I-Shares MSCI Spain Index Fund	7,566
250 I-Shares S&P Latin America 40 Index Fund Class-F	6,368
3,849 Ivy Pacific Opportunities Fund Class-A	33,871
3,620 Matthews Asian Growth & Income Fund	41,591
600 WisdomTree International Financial Sector Fund	6,858
500 WisdomTree International Utilities Sector Fund	<u>11,715</u>
	239,397

\* Non-income producing securities during the period.  
The accompanying notes are an integral part of these financial statements.

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# STAAR INVESTMENT TRUST

## STAAR ALTERNATIVE CATEGORIES FUND

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SCHEDULE OF INVESTMENTS (CONTINUED)  
DECEMBER 31, 2008

<u>Shares</u>	<u>Value</u>
<b>International Hedge - 0.74%</b>	
200 Proshares Ultrashort MSCI EAFE	17,634
<b>Larger Company Hedge - 0.90%</b>	
300 Proshares Ultrashort S&P 500 Index	21,282
<b>Larger Company Stocks - 10.08%</b>	
300 I-Shares DJ US Basic Materials Sector Fund	11,127
800 I-Shares DJ US Health Care Sector Index Fund	42,952
1,200 I-Shares DJ US Medical Devices Index Fund	45,936
450 I-Shares S&P 500/Barra Value Index Fund	40,640
600 I-Shares S&P US Preferred Stock Index Fund	17,526
1,054 Muhlenkamp Fund*	40,668
5,839 Neuberger Berman Focus Fund Class-Advisor	40,695
	239,544
<b>Intermediate Corporate - 4.40%</b>	
10,000 Pimco Corporate Opportunity Fund	104,600
<b>Smaller Company Stocks - 3.06%</b>	
200 ICU Medical, Inc. *	6,628
750 Ishares Russell 2000 Index Fund	36,930
200 Quality Systems, Inc.	8,724
100 Terra Nitrogen Co., L.P.	9,425
1,200 United Guardian Inc.	11,040
	72,747
<b>Developing Markets - 0.35%</b>	
300 Builders Emerging Markets 50 ADR Index	8,193
TOTAL FOR SECURITIES (Cost \$1,753,196) - 60.02%	1,426,304
<b>SHORT TERM INVESTMENTS - 39.98%</b>	
949,958 Federated Prime Obligations Fund 1.00% ** (cost \$949,958)	949,958
TOTAL INVESTMENTS (Cost \$2,703,154) - 100.00%	2,376,262
OTHER ASSETS LESS LIABILITIES - (0.00)%	(93)
NET ASSETS - 100.00%	\$ 2,376,169

\* Non-income producing securities during the period.

\*\* Variable rate security; the coupon rate shown represents the yield at December 31, 2008.

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

# STAAR INVESTMENT TRUST

## STATEMENT OF ASSETS AND LIABILITIES DECEMBER 31, 2008

Assets:	<u>GBF</u>	<u>STBF</u>	<u>LCSE</u>	<u>SCSF</u>	<u>INTF</u>	<u>ACF</u>
Investments in Securities, at Value (Cost \$2,725,551; \$3,701,670; \$3,021,091; \$2,976,007; \$2,500,969; \$2,703,154, respectively)	\$2,631,268	\$3,683,390	\$2,613,832	\$2,188,941	\$2,331,163	\$2,376,262
Receivables:						
Securities Sold	-	-	3,943	-	-	-
Prepaid Expenses	1,049	-	-	-	-	-
Dividends and Interest	<u>25,055</u>	<u>22,991</u>	<u>5,024</u>	<u>960</u>	<u>793</u>	<u>2,999</u>
Total Assets	<u>2,657,372</u>	<u>3,706,381</u>	<u>2,622,799</u>	<u>2,189,901</u>	<u>2,331,956</u>	<u>2,379,261</u>
Liabilities:						
Payables:						
Accrued Management Fees to Affiliate	253	350	753	627	675	689
Other Accrued Expenses	1,860	3,251	1,626	1,381	1,462	1,532
Payable to Custodian Bank	11,494	12,500	-	-	-	-
Dividends Payable	143	29	-	-	1,266	871
Securities Purchased	-	-	<u>7,703</u>	-	-	-
Total Liabilities	<u>13,750</u>	<u>16,130</u>	<u>10,082</u>	<u>2,008</u>	<u>3,403</u>	<u>3,092</u>
Net Assets	<u>\$2,643,622</u>	<u>\$3,690,251</u>	<u>\$2,612,717</u>	<u>\$2,187,893</u>	<u>\$2,328,553</u>	<u>\$2,376,169</u>
Net Assets Consist of:						
Paid In Capital	\$2,848,334	\$3,707,822	\$3,333,590	\$3,620,640	\$2,564,852	\$2,769,714
Accumulated Undistributed Net Investment Income (Loss) on Investments	31,382	5,474	(189,969)	(292,945)	(66,752)	(66,815)
Accumulated Undistributed Realized Gain (Loss) on Investments	(141,811)	(4,765)	(123,645)	(352,736)	259	162
Unrealized Appreciation/ (Depreciation) in Value of Investments	<u>(94,283)</u>	<u>(18,280)</u>	<u>(407,259)</u>	<u>(787,066)</u>	<u>(169,806)</u>	<u>(326,892)</u>
Net Assets (for 273,961; 400,701; 289,430; 295,390; 267,719; 243,898, shares outstanding respectively)	<u>\$2,643,622</u>	<u>\$3,690,251</u>	<u>\$2,612,717</u>	<u>\$2,187,893</u>	<u>\$2,328,553</u>	<u>\$2,376,169</u>
Net Asset Value and Offering Price Per Share	<u>\$ 9.65</u>	<u>\$ 9.21</u>	<u>\$ 9.03</u>	<u>\$ 7.41</u>	<u>\$ 8.70</u>	<u>\$ 9.74</u>

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

# STAAR INVESTMENT TRUST

## STATEMENT OF OPERATIONS For the year Ended December 31, 2008

	<u>GBF</u>	<u>STBF</u>	<u>LCSE</u>	<u>SCSF</u>	<u>INTF</u>	<u>ACF</u>
Investment Income:						
Dividends (Net of foreign taxes withheld \$0, \$0, \$0, \$0, \$5,049 and \$836, respectively)	\$ 22,964	\$ 3,087	\$ 38,041	\$ 9,786	\$ 45,485	\$ 36,225
Interest	<u>167,484</u>	<u>58,466</u>	<u>15,578</u>	<u>14,473</u>	<u>18,112</u>	<u>17,764</u>
Total Investment Income	190,448	61,553	53,619	24,259	63,597	53,989
Expenses:						
Advisory Fees (Note 3)	14,119	6,201	32,107	27,356	32,991	27,990
Distribution Fees	4,052	1,844	446	413	1,378	555
Transfer Agent and Fund Accounting Fees	10,962	5,785	9,636	8,206	9,617	8,452
Administrative Fees	4,799	2,042	4,398	3,749	4,596	3,829
Audit Fees	7,236	3,736	6,383	5,417	6,363	5,365
Legal Fees	3,879	1,891	3,450	2,931	3,492	2,873
Custody Fees	3,313	2,039	3,189	2,897	3,337	2,816
Pricing Fees	1,820	932	1,622	1,380	1,642	1,348
Insurance Fees	2,558	900	2,467	2,108	2,740	1,898
Compliance Fees	3,070	1,089	2,900	2,480	3,154	2,299
Director's Fees	1,450	931	1,315	1,116	1,235	1,153
Other	<u>227</u>	<u>787</u>	<u>1,058</u>	<u>2,402</u>	<u>2,164</u>	<u>1,360</u>
Total Expenses	<u>57,485</u>	<u>28,177</u>	<u>68,971</u>	<u>60,455</u>	<u>72,709</u>	<u>59,938</u>
Net Investment Income	<u>132,963</u>	<u>33,376</u>	<u>(15,352)</u>	<u>(36,196)</u>	<u>(9,112)</u>	<u>(5,949)</u>
Realized and Unrealized Gain (Loss) on Investments:						
Realized Gain (Loss) on Investments	(135,612)	4,398	(123,645)	(352,737)	232,392	179,668
Net Change in Unrealized Appreciation (Depreciation) on Investments	<u>(128,218)</u>	<u>(23,238)</u>	<u>(1,273,160)</u>	<u>(884,773)</u>	<u>(2,137,943)</u>	<u>(1,356,215)</u>
Net Realized and Unrealized Gain (Loss) on Investments	<u>(263,830)</u>	<u>(18,840)</u>	<u>(1,396,805)</u>	<u>(1,237,510)</u>	<u>(1,905,551)</u>	<u>(1,176,547)</u>
Net Increase (Decrease) in Net Assets Resulting from Operations	<u><u>\$(130,867)</u></u>	<u><u>\$14,536</u></u>	<u><u>\$(1,412,157)</u></u>	<u><u>\$(1,273,706)</u></u>	<u><u>\$(1,914,663)</u></u>	<u><u>\$(1,182,496)</u></u>

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

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**STAAR INVESTMENT TRUST**  
**STAAR GENERAL BOND FUND**

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STATEMENTS OF CHANGES IN NET ASSETS

	Year Ended <u>12/31/2008</u>	Year Ended <u>12/31/2007</u>
Increase in Net Assets From Operations:		
Net Investment Income	\$ 132,963	\$ 111,725
Net Realized (Loss) on Investments	(135,612)	(142)
Net Change in Unrealized Appreciation/(Depreciation) on Investments	<u>(128,218)</u>	<u>28,850</u>
Net Increase/(Decrease) in Net Assets Resulting from Operations	(130,867)	140,433
Distributions to Shareholders from:		
Net Investment Income	(118,710)	(127,201)
Realized Gains	<u>-</u>	<u>-</u>
Net Change in Net Assets from Distributions	(118,710)	(127,201)
Capital Share Transactions:		
Proceeds from Sale of Shares	1,811,916	204,710
Shares Issued on Reinvestment of Dividends	118,402	126,653
Cost of Shares Redeemed	<u>(2,035,120)</u>	<u>(1,035,503)</u>
Net Increase from Shareholder Activity	(104,802)	(704,140)
Net Assets:		
Net Increase/(Decrease) in Net Assets	(354,379)	(690,908)
Beginning of Period	<u>2,998,001</u>	<u>3,688,909</u>
End of Period (Including Accumulated Undistributed Net Investment Income of \$31,382 and \$20,128, respectively)	<u>\$ 2,643,622</u>	<u>\$ 2,998,001</u>

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

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**STAAR INVESTMENT TRUST**  
**STAAR SHORT-TERM BOND FUND**

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STATEMENTS OF CHANGES IN NET ASSETS

	Year Ended <u>12/31/2008</u>	Year Ended <u>12/31/2007</u>
Increase in Net Assets From Operations:		
Net Investment Income	\$ 33,376	\$ 45,678
Net Realized Gain (Loss) on Investments	(4,398)	64
Net Change in Unrealized Appreciation (Depreciation) on Investments	<u>(23,238)</u>	<u>13,306</u>
Net Increase in Net Assets Resulting from Operations	14,536	59,048
Distributions to Shareholders from:		
Net Investment Income	(28,225)	(47,553)
Realized Gains	-	-
Return of Capital	<u>(8,845)</u>	<u>-</u>
Net Change in Net Assets from Distributions	(37,070)	(47,553)
Capital Share Transactions:		
Proceeds from Sale of Shares	2,664,207	537,049
Shares Issued on Reinvestment of Dividends	36,983	47,164
Cost of Shares Redeemed	<u>(347,351)</u>	<u>(731,131)</u>
Net Increase from Shareholder Activity	2,353,839	(146,918)
Net Assets:		
Net Increase in Net Assets	2,331,305	(135,423)
Beginning of Period	<u>1,358,946</u>	<u>1,494,369</u>
End of Period (Including Accumulated Undistributed Net Investment Income (Loss) of \$5,474 and \$9,167, respectively)	<u>\$ 3,690,251</u>	<u>\$ 1,358,946</u>

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

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**STAAR INVESTMENT TRUST**  
**STAAR LARGER COMPANY STOCK FUND**

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STATEMENTS OF CHANGES IN NET ASSETS

	Year Ended <u>12/31/2008</u>	Year Ended <u>12/31/2007</u>
Increase in Net Assets From Operations:		
Net Investment Loss	\$ (15,352)	\$ (26,466)
Net Realized Gain (Loss) on Investments	(123,645)	322,187
Net Change in Unrealized Depreciation on Investments	<u>(1,273,160)</u>	<u>(136,717)</u>
Net Increase in Net Assets Resulting from Operations	(1,412,157)	159,004
Distributions to Shareholders from:		
Net Investment Income	-	-
Realized Gains	-	(300,952)
Net Change in Net Assets from Distributions	<u>-</u>	<u>(300,952)</u>
Capital Share Transactions:		
Proceeds from Sale of Shares	135,144	228,775
Shares Issued on Reinvestment of Dividends	-	299,838
Cost of Shares Redeemed	<u>(532,585)</u>	<u>(452,611)</u>
Net Increase from Shareholder Activity	(397,441)	76,002
Net Assets:		
Net Increase in Net Assets	(1,809,598)	(65,946)
Beginning of Period	<u>4,422,315</u>	<u>4,488,261</u>
End of Period (Including Accumulated Undistributed Net Investment Income (Loss) of \$(189,969) and \$(174,617), respectively)	<u>\$ 2,612,717</u>	<u>\$ 4,422,315</u>

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

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**STAAR INVESTMENT TRUST**  
**STAAR SMALLER COMPANY STOCK FUND**

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STATEMENTS OF CHANGES IN NET ASSETS

	Year Ended <u>12/31/2008</u>	Year Ended <u>12/31/2007</u>
Increase in Net Assets From Operations:		
Net Investment Income	\$ (36,196)	\$ (45,204)
Net Realized Gain (Loss) on Investments	(352,737)	656,237
Net Change in Unrealized Depreciation on Investments	<u>(884,773)</u>	<u>(737,496)</u>
Net Increase in Net Assets Resulting from Operations	(1,273,706)	(126,463)
Distributions to Shareholders from:		
Net Investment Income	-	(148,801)
Realized Gains	<u>-</u>	<u>(462,063)</u>
Net Change in Net Assets from Distributions	-	(610,864)
Capital Share Transactions:		
Proceeds from Sale of Shares	45,891	141,223
Shares Issued on Reinvestment of Dividends	-	608,408
Cost of Shares Redeemed	<u>(626,092)</u>	<u>(821,415)</u>
Net Increase from Shareholder Activity	(580,201)	(71,784)
Net Assets:		
Net Increase in Net Assets	(1,853,907)	(809,111)
Beginning of Period	<u>4,041,800</u>	<u>4,850,911</u>
End of Period (Including Accumulated Undistributed Net Investment Income of \$(292,945) and \$(256,748), respectively)	<u>\$ 2,187,893</u>	<u>\$ 4,041,800</u>

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

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**STAAR INVESTMENT TRUST**  
**STAAR INTERNATIONAL FUND**

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STATEMENTS OF CHANGES IN NET ASSETS

	Year Ended <u>12/31/2008</u>	Year Ended <u>12/31/2007</u>
Increase in Net Assets From Operations:		
Net Investment Loss	\$ (9,112)	\$ 28,248
Net Realized Gain on Investments	232,392	529,605
Net Change in Unrealized Appreciation (Depreciation) on Investments	<u>(2,137,943)</u>	<u>239,671</u>
Net Increase in Net Assets Resulting from Operations	(1,914,663)	797,524
Distributions to Shareholders from:		
Net Investment Income	-	(84,666)
Realized Gains	<u>(232,133)</u>	<u>(473,227)</u>
Net Change in Net Assets from Distributions	(232,133)	(557,893)
Capital Share Transactions:		
Proceeds from Sale of Shares	87,048	365,780
Shares Issued on Reinvestment of Dividends	230,867	555,623
Cost of Shares Redeemed	<u>(1,680,066)</u>	<u>(702,035)</u>
Net Increase from Shareholder Activity	(1,362,151)	219,368
Net Assets:		
Net Increase in Net Assets	(3,508,947)	458,999
Beginning of Period	<u>5,837,500</u>	<u>5,378,501</u>
End of Period (Including Accumulated Undistributed Net Investment Income (Loss) of \$(66,752) and \$(57,639), respectively)	<u>\$ 2,328,553</u>	<u>\$ 5,837,500</u>

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

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**STAAR INVESTMENT TRUST**  
**STAAR ALTERNATIVE CATEGORIES FUND**

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STATEMENTS OF CHANGES IN NET ASSETS

	Year Ended <u>12/31/2008</u>	Year Ended <u>12/31/2007</u>
Increase in Net Assets From Operations:		
Net Investment Loss	\$ (5,949)	\$ (2,888)
Net Realized Gain on Investments	179,668	226,568
Net Change in Unrealized Appreciation (Depreciation) on Investments	<u>(1,356,215)</u>	<u>229,177</u>
Net Increase in Net Assets Resulting from Operations	(1,182,496)	452,857
Distributions to Shareholders from:		
Net Investment Income	-	(40,330)
Realized Gains	<u>(179,506)</u>	<u>(182,573)</u>
Net Change in Net Assets from Distributions	(179,506)	(222,903)
Capital Share Transactions:		
Proceeds from Sale of Shares	252,140	557,395
Shares Issued on Reinvestment of Dividends	178,635	221,847
Cost of Shares Redeemed	<u>(514,339)</u>	<u>(282,489)</u>
Net Increase from Shareholder Activity	(83,564)	496,753
Net Assets:		
Net Increase in Net Assets	(1,445,566)	726,707
Beginning of Period	<u>3,821,735</u>	<u>3,095,028</u>
End of Period (Including Accumulated Undistributed Net Investment Income (Loss) of \$(66,815) and \$(60,866), respectively)	<u>\$ 2,376,169</u>	<u>\$ 3,821,735</u>

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

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# STAAR INVESTMENT TRUST

## STAAR GENERAL BOND FUND

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### FINANCIAL HIGHLIGHTS

Selected data for a share outstanding throughout the period:

	Years Ended					
	<u>12/31/ 2008</u>	<u>12/31/ 2007</u>	<u>12/31/ 2006</u>	<u>12/31/ 2005</u>	<u>12/31/ 2004</u>	<u>12/31/ 2003</u>
Net Asset Value, at Beginning of Period	<u>\$ 10.14</u>	<u>\$10.11</u>	<u>\$10.06</u>	<u>\$10.45</u>	<u>\$10.75</u>	<u>\$10.99</u>
Income From Investment Operations:						
Net Investment Income *	0.33	0.35	0.35	0.35	0.31	0.39
Net Gain (Loss) on Securities (Realized and Unrealized)	<u>(0.51)</u>	<u>0.10</u>	<u>0.01</u>	<u>(0.34)</u>	<u>(0.25)</u>	<u>0.05</u>
Total from Investment Operations	<u>(0.18)</u>	<u>0.45</u>	<u>0.36</u>	<u>0.01</u>	<u>0.06</u>	<u>0.44</u>
Distributions:						
From Net Investment Income	(0.31)	(0.42)	(0.31)	(0.40)	(0.36)	(0.49)
From Net Realized Gain	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(0.19)</u>
Total from Distributions	<u>(0.31)</u>	<u>(0.42)</u>	<u>(0.31)</u>	<u>(0.40)</u>	<u>(0.36)</u>	<u>(0.68)</u>
Net Asset Value, at End of Period	<u>\$ 9.65</u>	<u>\$10.14</u>	<u>\$10.11</u>	<u>\$10.06</u>	<u>\$10.45</u>	<u>\$10.75</u>
Total Return **	(1.74)%	4.53%	3.73%	0.11%	0.50%	4.05%
Ratios/Supplemental Data:						
Net Assets at End of Period (Thousands)	\$ 2,644	\$2,998	\$3,688	\$1,791	\$2,364	\$2,923
Ratio of Expenses to Average Net Assets	1.44%	1.56%	1.33%	1.31%	1.60%	1.34%
Ratio of Net Investment Income (Loss) to Average Net Assets	3.32%	3.48%	3.47%	3.40%	2.88%	3.56%
Portfolio Turnover	103.60%	30.22%	40.48%	17.84%	31.80%	35.97%
Such Ratios are After Effect of Expenses Waived	-	-	\$ 0.01	\$ 0.02	-	\$ 0.03

\* Per share net investment income has been determined on the basis of average shares outstanding during the period.

\*\* Total return in the above table represents the rate that the investor would have earned or lost on an investment in the Fund assuming reinvestment of dividends, and is not annualized for periods of less than one year.

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

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# STAAR INVESTMENT TRUST

## STAAR SHORT-TERM BOND FUND

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### FINANCIAL HIGHLIGHTS

Selected data for a share outstanding throughout the period:

	Years Ended					
	<u>12/31/ 2008</u>	<u>12/31/ 2007</u>	<u>12/31/ 2006</u>	<u>12/31/ 2005</u>	<u>12/31/ 2004</u>	<u>12/31/ 2003</u>
Net Asset Value, at Beginning of Period	\$ 9.38	\$ 9.30	\$ 9.21	\$ 9.40	\$ 9.85	\$11.02
Income From Investment Operations:						
Net Investment Income *	0.17	0.31	0.28	0.24	0.24	0.50
Net Gain (Loss) on Securities (Realized and Unrealized)	<u>(0.15)</u>	<u>0.10</u>	<u>0.04</u>	<u>(0.23)</u>	<u>(0.26)</u>	<u>0.15</u>
Total from Investment Operations	0.02	0.41	0.32	0.01	(0.02)	0.65
Distributions:						
From Net Investment Income	(0.19)	(0.33)	(0.23)	(0.20)	(0.31)	(0.86)
From Net Realized Gain	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(0.12)</u>	<u>(0.96)</u>
Total from Distributions	(0.19)	(0.33)	(0.23)	(0.20)	(0.43)	(1.82)
Net Asset Value, at End of Period	<u>\$ 9.21</u>	<u>\$ 9.38</u>	<u>\$ 9.30</u>	<u>\$ 9.21</u>	<u>\$ 9.40</u>	<u>\$ 9.85</u>
Total Return **	0.19%	4.41%	3.50%	0.07%	(0.14)%	5.88%
Ratios/Supplemental Data:						
Net Assets at End of Period (Thousands)	\$ 3,690	\$1,358	\$1,494	\$ 983	\$ 602	\$ 415
Ratio of Expenses to Average Net Assets	1.58%	1.41%	1.12%	1.02%	1.53%	1.20%
Ratio of Net Investment Income (Loss) to Average Net Assets	1.87%	3.33%	3.04%	2.60%	2.49%	4.57%
Portfolio Turnover	115.00%	41.49%	11.79%	48.02%	86.65%	8.53%
Such Ratios are After Effect of Expenses Waived	-	-	\$ 0.01	\$ 0.03	-	\$ 0.03

\* Per share net investment income has been determined on the basis of average shares outstanding during the period.

\*\* Total return in the above table represents the rate that the investor would have earned or lost on an investment in the Fund assuming reinvestment of dividends, and is not annualized for periods of less than one year.

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# STAAR INVESTMENT TRUST

## STAAR LARGER COMPANY STOCK FUND

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### FINANCIAL HIGHLIGHTS

Selected data for a share outstanding throughout the period:

	Years Ended					
	<u>12/31/ 2008</u>	<u>12/31/ 2007</u>	<u>12/31/ 2006</u>	<u>12/31/ 2005</u>	<u>12/31/ 2004</u>	<u>12/31/ 2003</u>
Net Asset Value, at Beginning of Period	\$ <u>13.56</u>	\$ <u>14.05</u>	\$ <u>13.14</u>	\$ <u>12.67</u>	\$ <u>11.45</u>	\$ <u>9.49</u>
Income From Investment Operations:						
Net Investment Income *	(0.05)	(0.09)	(0.08)	(0.12)	(0.11)	(0.07)
Net Gain (Loss) on Securities (Realized and Unrealized)	<u>(4.48)</u>	<u>0.59</u>	<u>1.32</u>	<u>0.59</u>	<u>1.33</u>	<u>2.03</u>
Total from Investment Operations	(4.53)	0.50	1.24	0.47	1.22	1.96
Distributions:						
From Net Investment Income	-	-	-	-	-	-
From Net Realized Gain	<u>-</u>	<u>(0.99)</u>	<u>(0.33)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total from Distributions	-	(0.99)	(0.33)	-	-	-
Net Asset Value, at End of Period	\$ <u>9.03</u>	\$ <u>13.56</u>	\$ <u>14.05</u>	\$ <u>13.14</u>	\$ <u>12.67</u>	\$ <u>11.45</u>
Total Return **	(33.41)%	3.57%	9.44%	3.69%	10.65%	20.65%
Ratios/Supplemental Data:						
Net Assets at End of Period (Thousands)	\$ 2,613	\$4,422	\$4,488	\$4,786	\$5,014	\$4,086
Ratio of Expenses to Average Net Assets	1.91%	1.90%	1.84%	1.97%	1.94%	1.68%
Ratio of Net Investment Income (Loss) to Average Net Assets	(0.42)%	(0.59)%	(0.56)%	(0.94)%	(0.92)%	(0.71)%
Portfolio Turnover	15.99%	36.83%	22.95%	14.00%	35.19%	46.31%
Such Ratios are After Effect of Expenses Waived	-	-	-	-	-	\$ 0.03

\* Per share net investment income has been determined on the basis of average shares outstanding during the period.

\*\* Total return in the above table represents the rate that the investor would have earned or lost on an investment in the Fund assuming reinvestment of dividends, and is not annualized for periods of less than one year.

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

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# STAAR INVESTMENT TRUST

## STAAR SMALLER COMPANY STOCK FUND

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### FINANCIAL HIGHLIGHTS

Selected data for a share outstanding throughout the period:

	Years Ended					
	<u>12/31/ 2008</u>	<u>12/31/ 2007</u>	<u>12/31/ 2006</u>	<u>12/31/ 2005</u>	<u>12/31/ 2004</u>	<u>12/31/ 2003</u>
Net Asset Value, at Beginning of Period	\$ 11.38	\$13.87	\$14.85	\$15.43	\$14.53	\$10.29
Income From Investment Operations:						
Net Investment Income *	(0.11)	(0.14)	(0.17)	(0.23)	(0.26)	(0.19)
Net Gain (Loss) on Securities (Realized and Unrealized)	<u>(3.86)</u>	<u>(0.33)</u>	<u>2.26</u>	<u>1.04</u>	<u>2.10</u>	<u>4.43</u>
Total from Investment Operations	(3.97)	(0.47)	2.09	0.81	1.84	4.24
Distributions:						
From Net Investment Income	-	-	-	-	-	-
From Net Realized Gain	<u>-</u>	<u>(2.02)</u>	<u>(3.07)</u>	<u>(1.39)</u>	<u>(0.94)</u>	<u>-</u>
Total from Distributions	-	(2.02)	(3.07)	(1.39)	(0.94)	-
Net Asset Value, at End of Period	<u>\$ 7.41</u>	<u>\$11.38</u>	<u>\$13.87</u>	<u>\$14.85</u>	<u>\$15.43</u>	<u>\$14.53</u>
Total Return **	(34.89)%	(3.40)%	14.22%	5.22%	12.69%	41.21%
Ratios/Supplemental Data:						
Net Assets at End of Period (Thousands)	\$ 2,188	\$4,041	\$4,850	\$5,026	\$5,551	\$4,592
Ratio of Expenses to Average Net Assets	1.96%	1.92%	1.83%	1.96%	1.94%	1.66%
Ratio of Net Investment Income (Loss) to Average Net Assets	(1.17)%	(0.98)%	(1.06)%	(1.50)%	(1.73)%	(1.61)%
Portfolio Turnover	16.27%	40.26%	37.46%	23.04%	33.58%	45.72%
Such Ratios are After Effect of Expenses Waived	-	-	-	-	-	\$ 0.03

\* Per share net investment income has been determined on the basis of average shares outstanding during the period.

\*\* Total return in the above table represents the rate that the investor would have earned or lost on an investment in the Fund assuming reinvestment of dividends, and is not annualized for periods of less than one year.

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

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# STAAR INVESTMENT TRUST

## STAAR INTERNATIONAL FUND

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### FINANCIAL HIGHLIGHTS

Selected data for a share outstanding throughout the period:

	Years Ended					
	<u>12/31/ 2008</u>	<u>12/31/ 2007</u>	<u>12/31/ 2006</u>	<u>12/31/ 2005</u>	<u>12/31/ 2004</u>	<u>12/31/ 2003</u>
Net Asset Value, at Beginning of Period	\$ 16.33	\$15.62	\$13.54	\$11.59	\$ 9.74	\$ 7.40
Income From Investment Operations:						
Net Investment Income *	(0.03)	0.09	(0.01)	(0.04)	(0.06)	0.02
Net Gain (Loss) on Securities (Realized and Unrealized)	<u>(6.64)</u>	<u>2.35</u>	<u>2.90</u>	<u>1.99</u>	<u>1.91</u>	<u>2.33</u>
Total from Investment Operations	(6.67)	2.44	2.89	1.95	1.85	2.35
Distributions:						
From Net Investment Income	-	(0.09)	-	-	-	(0.01)
From Net Realized Gain	<u>(0.96)</u>	<u>(1.64)</u>	<u>(0.81)</u>	-	-	-
Total from Distributions	(0.96)	(1.73)	(0.81)	-	-	(0.01)
Net Asset Value, at End of Period	\$ 8.70	\$16.33	\$15.62	\$13.54	\$11.59	\$ 9.74
Total Return **	(40.82)%	15.63%	21.38%	16.82%	18.96%	31.85%
Ratios/Supplemental Data:						
Net Assets at End of Period (Thousands)	\$ 2,329	\$5,837	\$5,378	\$4,750	\$4,033	\$3,032
Ratio of Expenses to Average Net Assets	1.96%	1.92%	1.86%	1.99%	1.96%	1.75%
Ratio of Net Investment Income (Loss) to Average Net Assets	(0.25)%	0.51%	(0.06)%	(0.34)%	(0.63)%	0.24%
Portfolio Turnover	21.47%	18.46%	15.66%	16.23%	16.99%	29.10%
Such Ratios are After Effect of Expenses Waived	-	-	-	-	-	\$ 0.02

\* Per share net investment income has been determined on the basis of average shares outstanding during the period.

\*\* Total return in the above table represents the rate that the investor would have earned or lost on an investment in the Fund assuming reinvestment of dividends, and is not annualized for periods of less than one year.

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

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# STAAR INVESTMENT TRUST

## STAAR ALTERNATIVE CATEGORIES FUND

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### FINANCIAL HIGHLIGHTS

Selected data for a share outstanding throughout the period:

	Years Ended					
	<u>12/31/ 2008</u>	<u>12/31/ 2007</u>	<u>12/31/ 2006</u>	<u>12/31/ 2005</u>	<u>12/31/ 2004</u>	<u>12/31/ 2003</u>
Net Asset Value, at Beginning of Period	\$ 15.58	\$14.46	\$14.28	\$13.25	\$11.77	\$ 9.17
Income From Investment Operations:						
Net Investment Income *	(0.03)	(0.01)	(0.08)	(0.13)	(0.14)	(0.10)
Net Gain (Loss) on Securities (Realized and Unrealized)	<u>(5.01)</u>	<u>2.09</u>	<u>1.75</u>	<u>1.70</u>	<u>1.62</u>	<u>2.70</u>
Total from Investment Operations	(5.04)	2.08	1.67	1.57	1.48	2.60
Distributions:						
From Net Investment Income	-	-	-	-	-	-
From Net Realized Gain	<u>(0.80)</u>	<u>(0.96)</u>	<u>(1.49)</u>	<u>(0.54)</u>	-	-
Total from Distributions	(0.80)	(0.96)	(1.49)	(0.54)	-	-
Net Asset Value, at End of Period	\$ 9.74	\$15.58	\$14.46	\$14.28	\$13.25	\$11.77
Total Return **	(32.37)%	14.45%	11.65%	11.91%	12.55%	28.35%
Ratios/Supplemental Data:						
Net Assets at End of Period (Thousands)	\$ 2,376	\$3,821	\$3,095	\$3,445	\$2,955	\$2,266
Ratio of Expenses to Average Net Assets	1.90%	1.91%	1.89%	2.01%	2.01%	1.77%
Ratio of Net Investment Income (Loss) to Average Net Assets	(0.19)%	(0.08)%	(0.55)%	(0.94)%	(1.18)%	(0.97)%
Portfolio Turnover	32.95%	19.88%	11.08%	35.48%	28.35%	33.19%
Such Ratios are After Effect of Expenses Waived	-	-	-	-	-	\$ 0.03

\* Per share net investment income has been determined on the basis of average shares outstanding during the period.

\*\* Total return in the above table represents the rate that the investor would have earned or lost on an investment in the Fund assuming reinvestment of dividends, and is not annualized for periods of less than one year.

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

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# STAAR INVESTMENT TRUST

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## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008

### **Note 1. Organization**

STAAR Investment Trust (the Trust) was organized as a Pennsylvania business trust under applicable statutes of the Commonwealth of Pennsylvania. It was formed on February 28, 1996 and became effective March 19, 1996. The name was changed to STAAR Investment Trust in September 1998. The Trust is registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (effective May 28, 1997) as a non-diversified, open-end management investment company.

The Trust consists of six separate series portfolios (funds). The funds are organized in such a manner that each fund corresponds to a standard asset allocation category, with the exception of the Alternative Categories Fund, which is a flexibly managed fund that may invest in assets not included in the other funds. The Funds are:

- STAAR General Bond Fund (GBF)
- STAAR Short Term Bond Fund (STBF)
- STAAR Larger Company Stock Fund (LCSF)
- STAAR Smaller Company Stock Fund (SCSF)
- STAAR International Fund (INTF)
- STAAR Alternative Categories Fund (ACF)

Each fund is managed separately and has its own investment objectives and strategies in keeping with the asset allocation category for which it is named. Each fund may invest in other open-end funds (mutual funds), exchange-traded funds (ETFs), closed-end funds and individual securities.

### **Note 2. Summary of Significant Accounting Policies**

The following is a summary of significant accounting policies employed by the Fund in preparing its financial statements:

*Security Valuation-* Equity securities generally are valued by using market quotations, but may be valued on the basis of prices furnished by a pricing service when the Advisor believes such prices accurately reflect the fair market value of such securities. Securities that are traded on any stock exchange or on the NASDAQ over-the-counter market are generally valued by the pricing service at the last quoted sale price. Lacking a last sale price, an equity security is generally valued by the pricing service at its last bid price. When market quotations are not readily available, when the Advisor determines that the market quotation or the price provided by the pricing service does not accurately reflect the current market value, or when restricted or illiquid securities are being valued, such securities are valued as determined in good faith by the Advisor in conformity with guidelines adopted by and subject to review of the Board of Trustees. The Board has adopted guidelines for good faith pricing, and has delegated to the Advisor the responsibility for determining fair value prices, subject to review by the Board of Trustees.

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# STAAR INVESTMENT TRUST

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2008

Fixed income securities generally are valued by using market quotations, but may be valued on the basis of prices furnished by a pricing service when the Adviser believes such prices accurately reflect the fair market value of such securities. A pricing service utilizes electronic data processing techniques based on yield spreads relating to securities with similar characteristics to determine prices for normal institutional-size trading units of debt securities without regard to sale or bid prices. If the Advisor decides that a price provided by the pricing service does not accurately reflect the fair market value of the securities, when prices are not readily available from a pricing service, or when restricted or illiquid securities are being valued, securities are valued at fair value as determined in good faith by the Advisor, in conformity with guidelines adopted by and subject to review of the Board of Trustees. Short term investments in fixed income securities with maturities of less than 60 days when acquired, or which subsequently are within 60 days of maturity, are valued by using the amortized cost method of valuation, which the Board has determined will represent fair value.

In accordance with the Trust's good faith pricing guidelines, the Advisor is required to consider all appropriate factors relevant to the value of securities for which it has determined other pricing sources are not available or reliable as described above. No single standard for determining fair value controls, since fair value depends upon the circumstances of each individual case. As a general principle, the current fair value of securities being valued by the Advisor would appear to be the amount which the owner might reasonably expect to receive for them upon their current sale. Methods which are in accord with this principle may, for example, be based on (i) a multiple of earnings; (ii) a discount from market of a similar freely traded security (including a derivative security or a basket of securities traded on other markets, exchanges or among dealers); or (iii) yield to maturity with respect to debt issues, or a combination of these and other methods.

Valuations change in response to many factors including the historical and prospective earnings of the issuer, the value of the issuer's assets, general economic conditions, interest rates, investor perceptions and market liquidity. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may materially differ from the value received upon the actual sale of those investments.

*Share Valuation-* The price (net asset value) of the shares of the Fund is normally determined as of 4:00 p.m., Eastern time on each day the Fund is open for business and on any other day on which there is sufficient trading in the Fund's securities to materially affect the net asset value. The Fund is normally open for business on every day except Saturdays, Sundays and the following holidays: New Year's Day, Martin Luther King Day, Presidents Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving and Christmas.

In September 2006, FASB issued Statement on Financial Accounting Standards (SFAS) No. 157 "Fair Value Measurements." This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value and requires

# STAAR INVESTMENT TRUST

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2008

additional disclosure about fair value measurements. SFAS No. 157 applies to fair value measurements already required or permitted by existing standards. In accordance with SFAS No. 157, fair value is defined as the price that would be received by the Fund upon selling an asset or paid by the Fund to transfer a liability in

an orderly transaction between market participants at the measurement date. In the absence of a principal market for the asset or liability, the assumption is that the transaction occurs on the most advantageous market for the asset or liability. SFAS No. 157 established a three-tier fair value hierarchy that prioritizes the assumptions, also known as "inputs", to valuation techniques used by market participants to measure fair value. The term "inputs" refers broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value (such as pricing model) and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The valuation techniques used to measure fair value should maximize the use of observable inputs and minimize the use of unobservable inputs. The three-tier hierarchy of inputs is summarized in three levels with the highest priority given to Level 1 and the lowest priority given to Level 3: Level 1 - quoted prices in active markets for identical securities, Level 2 - other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.) and Level 3 - significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments). The following is a summary of the inputs used as of December 31, 2008 in valuing the Fund's assets carried at fair value:

<b>GBF</b>	Investments	Other Financial
<u>Valuation Inputs:</u>	<u>In Securities</u>	<u>Instruments</u>
Level 1 – Quoted Prices	\$ -	\$ -
Level 2 – Significant Other Observable Inputs	-	2,631,268
Level 3 – Significant Unobservable Inputs	-	-
Total	\$ -	\$ 2,631,268

<b>STBF</b>	Investments	Other Financial
<u>Valuation Inputs:</u>	<u>In Securities</u>	<u>Instruments</u>
Level 1 – Quoted Prices	\$ -	\$ -
Level 2 – Significant Other Observable Inputs	-	3,683,390
Level 3 – Significant Unobservable Inputs	-	-
Total	\$ -	\$3,683,390

# STAAR INVESTMENT TRUST

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2008

<b>LCSF</b>	Investments	Other Financial
<u>Valuation Inputs:</u>	<u>In Securities</u>	<u>Instruments</u>
Level 1 – Quoted Prices	\$2,613,832	\$ -
Level 2 – Significant Other Observable Inputs	-	-
Level 3 – Significant Unobservable Inputs	-	-
Total	\$2,613,832	\$ -
<b>SCSF</b>	Investments	Other Financial
<u>Valuation Inputs:</u>	<u>In Securities</u>	<u>Instruments</u>
Level 1 – Quoted Prices	\$2,188,941	\$ -
Level 2 – Significant Other Observable Inputs	-	-
Level 3 – Significant Unobservable Inputs	-	-
Total	\$2,188,941	\$ -
<b>INTF</b>	Investments	Other Financial
<u>Valuation Inputs:</u>	<u>In Securities</u>	<u>Instruments</u>
Level 1 – Quoted Prices	\$2,331,163	\$ -
Level 2 – Significant Other Observable Inputs	-	-
Level 3 – Significant Unobservable Inputs	-	-
Total	\$2,331,163	\$ -
<b>ACF</b>	Investments	Other Financial
<u>Valuation Inputs:</u>	<u>In Securities</u>	<u>Instruments</u>
Level 1 – Quoted Prices	\$2,376,262	\$ -
Level 2 – Significant Other Observable Inputs	-	-
Level 3 – Significant Unobservable Inputs	-	-
Total	\$2,376,262	\$ -

*Security Transaction Timing-* Security transactions are recorded on the dates transactions are entered into (the trade dates). Dividend income and distributions to shareholders are recognized on the ex-dividend date. Interest income is recognized on an accrual basis. The Fund uses the identified cost basis in computing gain or loss on sale of investment securities. Discounts and premiums on securities purchased are amortized over the life of the respective securities. Withholding taxes on foreign dividends are provided for in accordance with the Fund's understanding of the applicable country's tax rules and rates.

*Income Taxes-* The Fund intends to continue to qualify each year as a "regulated investment company" under Subchapter M of the Internal Revenue Code of 1986, as amended. By so qualifying, the Fund will not be subject to federal income taxes to the extent that it distributes substantially all of its net investment income and any realized capital gains. It is the Fund's policy to distribute annually, prior to the end of the calendar year, dividends sufficient to satisfy excise tax requirements of the Internal Revenue

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# STAAR INVESTMENT TRUST

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2008

Service. This Internal Revenue Service requirement may cause an excess of distributions over the book year-end accumulated income.

*Distributions to Shareholders-* The Fund intends to distribute to its shareholders substantially all of its net realized capital gains and net investment income, if any, at year-end. Distributions will be recorded on ex-dividend date.

*Use of Estimates-* The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increase and decreases in net assets from operations during the reporting period. Actual results could differ from these estimates.

*Other-* Generally accepted accounting principles require that permanent financial reporting tax differences relating to shareholder distributions be reclassified to paid in capital.

### **Note 3. Investment Management Agreement and Other Transactions with Affiliates**

In 2006, the Board of Trustees approved a management agreement (the "Management Agreement") with the Advisor to furnish investment advisory and management services to the Fund. The Board extended the Management Agreement in 2007 and in 2008 for the period of April 1, 2008 to March 31, 2009. The 2008 extension provides that the Fund will pay the Advisor a monthly fee based on the Fund's average daily net assets at the annual rate of 0.35% for the STBF, 0.35% for the GBF, and 0.90% for all other portfolios.

The president of the investment Advisor is the organizer of the Trust. The Management Agreement provides for an expense reimbursement from the investment Advisor if the Trust's total expense for any series (Fund), exclusive of taxes, interest, cost of portfolio acquisitions and dispositions and extraordinary expenses, for any fiscal year, exceeded the level of expenses which such series is permitted to bear under the most restrictive expense limitation imposed on open-ended investment companies by any state in which shares of such series are then qualified. The Management Agreement also stipulates that all organizational expenses of the Trust were paid by the investment Advisor as well as certain marketing, legal, accounting, transfer agent, and custodial services for the first two years. Such costs continued to be absorbed by the investment Advisor through December 31, 2001, except for marketing and certain other costs associated with the sale and distribution of shares.

Effective January 1, 2002, the Trust began paying certain operating expenses including custodian, registration, legal and auditing fees, and printing and insurance expenses, and a portion of bookkeeping fees. Remaining bookkeeping fees continued to be absorbed by the investment advisor.

# STAAR INVESTMENT TRUST

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2008

Effective September 1, 1998, the Trust's shareholders approved a 12b-1 arrangement, which provides commission payments to broker/dealers who refer investors who become shareholders in STAAR Investment Trust. This arrangement remained in effect through August 1, 2001 when a new 12b-1 arrangement, discussed below was implemented and which includes these fees. The commission structure under this arrangement is .5% for bond funds and 1.0% for stock funds for the first 12 months from date of purchase and .15% for bond funds and .25% for stock funds thereafter. Commissions were calculated based on fair market values and were payable monthly in the first 12 months and quarterly thereafter. For the period May through December 2000, 12b-1 commission expenses were also absorbed by the investment advisor. Subsequent to December 31, 2000, the investment Advisor no longer absorbed 12b-1 fees.

Certain affiliated persons holding shares in the six portfolios purchased such shares at net asset value at respective dates of purchase. Those affiliated persons held aggregate investments in the respective funds as of December 31, 2008, as follows:

<u>Affiliates</u>	<u>Shares Owned</u>					
	<u>GBF</u>	<u>STBF</u>	<u>LCSF</u>	<u>SCSF</u>	<u>INTF</u>	<u>ACF</u>
J. Andre Weisbroad, Trustee, Interested Director, Chairman, & Family	4,581	6,277	15,067	14,631	14,684	22,296
Jeffrey A. Dewhirst, Trustee, Independent Director, Secretary, & Family	2,043	209	119	141	157	619
Richard Levkoy, Trustee, Independent Director, Chairman of Audit Committee	-	-	-	-	-	-
Thomas J. Smith, Trustee, Independent Director	-	-	-	-	-	-
Employees	-	-	-	2,516	-	-
Other Affiliated Persons	-	-	-	-	-	-
<b>Total No. Shares</b>	<b>6,625</b>	<b>6,487</b>	<b>15,186</b>	<b>17,288</b>	<b>14,841</b>	<b>22,915</b>
	<b>December 31, 2008 Value of Shares Owned</b>					
J. Andre Weisbroad, Trustee, Interested Director, Chairman, & Family	\$ 44,210	\$57,815	\$136,052	\$108,415	\$127,750	\$217,166
Jeffrey A. Dewhirst, Trustee, Independent Director, Secretary, & Family	19,717	1,926	1,073	1,047	1,365	6,029
Richard Levkoy, Trustee, Independent Director, Chairman of Audit Committee	-	-	-	-	-	-
Thomas J. Smith, Trustee, Independent Director	-	-	-	-	-	-
Employees	-	-	-	18,643	-	-
Other Affiliated Persons	-	-	-	-	-	-
<b>Total Value of Shares Owned</b>	<b>\$ 63,927</b>	<b>\$59,741</b>	<b>\$137,125</b>	<b>\$128,105</b>	<b>\$129,116</b>	<b>\$223,195</b>

# STAAR INVESTMENT TRUST

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2008

### Note 4. Capital Share Transactions

The Fund is authorized to issue an unlimited number of shares of separate series. Paid in capital at December 31, 2008 was \$2,848,334 representing 273,961 shares outstanding for the GBF, \$3,707,822 representing 400,701 shares outstanding for the STBF, \$3,333,590 representing 289,430 shares outstanding for the LCSF, \$3,620,640 representing 295,390 shares outstanding for the SCSF, \$2,564,852 representing 267,719 shares outstanding for the INTF, \$2,769,714 representing 243,898 shares outstanding for the ACF. Transactions in capital shares were as follows:

	<u>GBF</u>	<u>STBF</u>	<u>LCSF</u>	<u>SCSF</u>	<u>INTF</u>	<u>ACF</u>
Sale of Shares	178,263	289,330	13,271	4,559	5,969	19,421
Shares Issued on Reinvestment of Dividends	12,123	3,999	-	-	26,567	18,359
Shares Redeemed	(211,944)	(37,571)	(50,016)	(64,466)	(122,217)	(39,206)
Net increase (decrease)	(21,558)	255,758	(36,745)	(59,907)	(89,681)	(1,426)

### Note 5. Investment Transactions

For the year ended December 31, 2008, purchases and sales of investment securities other than U.S. Government obligations and short-term investments aggregated \$3,360,462 and \$3,248,993 for the GBF, \$1,945,576 and \$1,290,000 for the STBF, \$477,713 and \$1,164,080 for the LCSF, \$407,971 and \$1,310,625 for the SCSF, \$638,257 and \$2,195,566 for the INTF, \$814,844 and \$1,327,031 for the ACF, respectively.

### Note 6. Tax Matters

At December 31, 2008, the composition of unrealized appreciation (the excess of value over tax cost) and depreciation (the excess of tax cost over value) are as follows:

#### GBF

<u>Appreciation</u>	<u>Depreciation</u>	<u>Net Appreciation(Depreciation)</u>
\$25,223	\$(119,506)	\$(94,283)

#### STBF

<u>Appreciation</u>	<u>Depreciation</u>	<u>Net Appreciation(Depreciation)</u>
\$12,923	\$(31,203)	\$(18,280)

#### LCSF

<u>Appreciation</u>	<u>Depreciation</u>	<u>Net Appreciation(Depreciation)</u>
\$164,280	\$(571,539)	\$(407,259)

#### SCSF

<u>Appreciation</u>	<u>Depreciation</u>	<u>Net Appreciation(Depreciation)</u>
\$45,438	\$(832,504)	\$(787,066)

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# STAAR INVESTMENT TRUST

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2008

### INTF

<u>Appreciation</u>	<u>Depreciation</u>	<u>Net Appreciation(Depreciation)</u>
\$189,764	\$(359,570)	\$(169,806)

### ACF

<u>Appreciation</u>	<u>Depreciation</u>	<u>Net Appreciation(Depreciation)</u>
\$95,387	\$(422,279)	\$(326,892)

As of December 31, 2008, the components of distributable earnings on a tax basis were as follows:

	<u>Value</u>
<b>GBF</b>	
Undistributed ordinary income	\$31,382
Undistributed long-term capital loss	(141,811)
Unrealized depreciation on investments	<u>(94,283)</u>

	<u>Value</u>
<b>STBF</b>	
Undistributed ordinary income	\$5,474
Undistributed long-term capital loss	(4,765)
Unrealized depreciation on investments	<u>(18,280)</u>

	<u>Value</u>
<b>LCSF</b>	
Undistributed ordinary loss	\$(189,969)
Undistributed long-term capital loss	(123,645)
Unrealized depreciation on investments	<u>(407,259)</u>

	<u>Value</u>
<b>SCSF</b>	
Undistributed ordinary loss	\$(292,945)
Undistributed long-term capital loss	(352,736)
Unrealized depreciation on investments	<u>(787,066)</u>

	<u>Value</u>
<b>INTF</b>	
Undistributed ordinary loss	\$(66,752)
Undistributed long-term capital gain	259
Unrealized depreciation on investments	<u>(169,806)</u>

	<u>Value</u>
<b>ACF</b>	
Undistributed ordinary loss	\$(66,815)
Undistributed long-term capital gain	162
Unrealized depreciation on investments	<u>(326,892)</u>

# STAAR INVESTMENT TRUST

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2008

Permanent book and tax differences relating to shareholder distributions may result in reclassifications to paid in capital and may affect the per-share allocation between net investment income and realized and unrealized gain/loss. Undistributed net investment income and accumulated undistributed net realized gain/loss on investment transactions may include temporary book and tax differences which reverse in subsequent periods. Any taxable income or gain remaining at fiscal year end is distributed in the following year.

The tax-basis components of distributions paid in 2008 are as follows:

	<u>GBF *</u>	<u>STBF</u>	<u>INTF</u>	<u>ACF</u>
Ordinary				
Income	\$118,710	\$ 28,225	\$ -	\$ -
Long-term				
Capital				
Gains	-	-	232,133	179,506
Return of				
Capital	-	8,845	-	-
Total	<u>\$118,710</u>	<u>\$ 37,070</u>	<u>\$232,133</u>	<u>\$179,506</u>

\* Also see Note 7.

As of December 31, 2008, the following net capital loss carryforwards existed for federal income tax purposes:

Year expiring	<u>GBF</u>	<u>STBF</u>	<u>LCSF</u>	<u>SCSF</u>
2012	\$ 3,821	\$ -	\$ -	\$ -
2013	1,524	4,765	-	-
2014	711	-	-	-
2015	142	-	-	-
2016	135,613	-	123,645	352,736
	<u>\$141,811</u>	<u>\$ 4,765</u>	<u>\$123,645</u>	<u>\$352,736</u>

The above capital loss carryforwards may be used to offset capital gains realized during subsequent years and thereby relieve the Trust and its shareholders of any federal income tax liability with respect to the capital gains that are so offset. The Trust will not make distributions from capital gains while a capital loss carryforward remains.

### **Note 7. Subsequent Event**

An additional distribution to GBF shareholders of record on December 31, 2008 aggregating \$8,708 (\$0.0325 per share) was declared and paid on March 2, 2009.

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# STAAR INVESTMENT TRUST

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EXPENSE ILLUSTRATION  
DECEMBER 31, 2008 (UNAUDITED)

## **Expense Example**

As a shareholder of the STAAR Investment Trust, you incur ongoing costs which consist of management fees and other Fund expenses. This Example is intended to help you understand your ongoing costs (in dollars) of investing in the Funds and to compare these costs with the ongoing costs of investing in other mutual funds.

The Example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period, January 1, 2008 through June 30, 2008.

## **Actual Expenses**

The first line of the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

## **Hypothetical Example for Comparison Purposes**

The second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in this Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

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# STAAR INVESTMENT TRUST

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EXPENSE ILLUSTRATION (CONTINUED)  
DECEMBER 31, 2008 (UNAUDITED)

	<b>Bond</b>		
	<b>Beginning Account Value</b>	<b>Ending Account Value</b>	<b>Expenses Paid During the Period*</b>
	<u>July 1, 2008</u>	<u>December 31, 2008</u>	<u>July 1,2008 to December 31,2008</u>
Actual	\$1,000.00	\$987.94	\$7.42
Hypothetical (5% Annual Return before expenses)	\$1,000.00	\$1,017.74	\$7.53

\* Expenses are equal to the Fund's annualized expense ratio of 1.48%, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).

	<b>Short-Term</b>		
	<b>Beginning Account Value</b>	<b>Ending Account Value</b>	<b>Expenses Paid During the Period*</b>
	<u>July 1, 2008</u>	<u>December 31, 2008</u>	<u>July 1,2008 to December 31,2008</u>
Actual	\$1,000.00	\$999.96	\$7.31
Hypothetical (5% Annual Return before expenses)	\$1,000.00	\$1,017.90	\$7.38

\* Expenses are equal to the Fund's annualized expense ratio of 1.45%, multiplied by the average account value over the period, multiplied by 184/365(to reflect the one-half year period).

	<b>Larger Company</b>		
	<b>Beginning Account Value</b>	<b>Ending Account Value</b>	<b>Expenses Paid During the Period*</b>
	<u>July 1, 2008</u>	<u>December 31, 2008</u>	<u>July 1,2008 to December 31,2008</u>
Actual	\$1,000.00	\$665.93	\$8.02
Hypothetical (5% Annual Return before expenses)	\$1,000.00	\$1,015.58	\$9.70

\* Expenses are equal to the Fund's annualized expense ratio of 1.91%, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).

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# STAAR INVESTMENT TRUST

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EXPENSE ILLUSTRATION (CONTINUED)  
DECEMBER 31, 2008 (UNAUDITED)

	<b>Smaller Company</b>		
	<b>Beginning Account Value</b>	<b>Ending Account Value</b>	<b>Expenses Paid During the Period*</b>
	<u>July 1, 2008</u>	<u>December 31, 2008</u>	<u>July 1, 2008 to December 31, 2008</u>
Actual	\$1,000.00	\$715.67	\$8.74
Hypothetical (5% Annual Return before expenses)	\$1,000.00	\$1,015.02	\$10.26

\* Expenses are equal to the Fund's annualized expense ratio of 2.02%, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).

	<b>International</b>		
	<b>Beginning Account Value</b>	<b>Ending Account Value</b>	<b>Expenses Paid During the Period*</b>
	<u>July 1, 2008</u>	<u>December 31, 2008</u>	<u>July 1, 2008 to December 31, 2008</u>
Actual	\$1,000.00	\$669.85	\$8.33
Hypothetical (5% Annual Return before expenses)	\$1,000.00	\$1,015.22	\$10.06

\* Expenses are equal to the Fund's annualized expense ratio of 1.98%, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).

	<b>Alternative</b>		
	<b>Beginning Account Value</b>	<b>Ending Account Value</b>	<b>Expenses Paid During the Period*</b>
	<u>July 1, 2008</u>	<u>December 31, 2008</u>	<u>July 1, 2008 to December 31, 2008</u>
Actual	\$1,000.00	\$710.25	\$8.45
Hypothetical (5% Annual Return before expenses)	\$1,000.00	\$1,015.32	\$9.96

\* Expenses are equal to the Fund's annualized expense ratio of 1.96%, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).

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# STAAR INVESTMENT TRUST

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ADDITIONAL INFORMATION  
DECEMBER 31, 2008 (UNAUDITED)

## Statement of Additional Information

The Fund's Statement of Additional Information ("SAI") includes additional information about the trustees and is available, without charge, upon request. You may call toll-free (800) 332-7738 PIN 3370 to request a copy of the SAI or to make shareholder inquiries.

## Portfolio Holdings

The Fund files a complete schedule of investments with the SEC for the first and third quarter of each fiscal year on Form N-Q. The Fund's first and third fiscal quarters end on March 31 and September 30. The Fund's Forms N-Q are available on the SEC's website at <http://sec.gov>, or they may be reviewed and copied at the SEC's Public Reference Room in Washington, DC (call 1-800-732-0330 for information on the operation of the Public Reference Room). You may also obtain copies by calling the Fund at (800) 332-7738 PIN 3370.

## Proxy Voting Guidelines

The Fund's Advisor is responsible for exercising the voting rights associated with the securities held by the Fund. A description of the policies and procedures used by the Advisor in fulfilling this responsibility is available without charge by calling (800) 332-7738 PIN 3370. It is also included in the Fund's State of Additional Information, which is available on the Securities and Exchange Commission's website at <http://www.sec.gov>.

Information regarding how the Fund voted proxies, Form N-PX, relating to portfolio securities during the most recent 12-month period ended June 30 will be available without charge, upon request, by calling our toll free number (800) 332-7738 PIN 3370.





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**Board of Trustees**

Jeffrey A. Dewhirst  
Richard Levkoy  
Thomas Smith  
J. Andre Weisbrod

**Investment Adviser**

STAAR Financial Advisors, Inc.  
604 McKnight Park Dr.  
Pittsburgh, PA 15218

**Dividend Paying Agent,  
Shareholders' Servicing Agent,  
Transfer Agent**

Mutual Shareholder Services, LLC  
8000 Town Centre Drive, Suite 400  
Broadview Heights, OH 44147

**Custodian**

The Huntington National Bank  
7 Easton Oval, Columbus, Ohio 43219

**Independent Registered Public Accounting Firm**

Carson & Co., LLC  
201 Village Commons Dr.  
Sewickley, PA 15143

This report is provided for the general information of the shareholders of the STAAR Investment Trust. This report is not intended for distribution to prospective investors in the fund, unless preceded or accompanied by an effective prospectus.

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