

**Annual Report**

**December 31, 2010**

**Cheswold Lane International High Dividend Fund**  
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**December 31, 2010**

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This report has been prepared for shareholders and may be distributed to others only if preceded or accompanied by a current prospectus.

*Except for historical information, the matters discussed in this report may constitute forward-looking statements. These include any predictions, assessments, analyses or outlooks for individual securities, industries, market sectors and/or markets. These statements involve risks and uncertainties. In addition to the general risks described for the Fund in the current prospectus, other factors bearing on these statements include the accuracy of the Adviser's forecasts and predictions, and the appropriateness of the investment programs designed by the Adviser to implement its strategies efficiently and effectively. Any one or more of these factors, as well as other risks affecting the securities markets and investment instruments generally, could cause the actual results of the Fund to differ materially as compared to applicable benchmarks.*

Dear Fellow Shareholders,

Thank you for your continued support of the Cheswold Lane International High Dividend Fund. Total return for the Fund, net of fees for the year ended December 31, 2010 was 1.53%, compared to 7.75% for the MSCI-EAFE Index. The Fund's relative underperformance was driven by continued weakness in the European financials, which was only partially offset by strong performance in global consumer and specifically Asian-oriented companies. Net asset under management in the Fund grew for the year, ending the year at approximately \$29 million.

### ***Investment Outlook – 2011***

Cheswold Lane's outlook for 2011 from an economic perspective is positive. The noticeable improvements in US and European economic fundamentals are encouraging. However, we are concerned about emerging market economic growth slowing versus high market expectations. Inflation, especially in agriculture products, is now a serious policy issue in most emerging markets. It's common for food to represent 25-35% of the average emerging market worker's income. Many emerging market central banks have begun to raise interest rates to cool their economies. This is a risk relative to market expectations, especially for cyclical stocks. China plays a critical role in the cyclical economy, especially commodities. During the financial crisis, Chinese policy makers did a masterful job of filling in the demand void left by retracting US and European consumers with internal consumer and commercial demand.

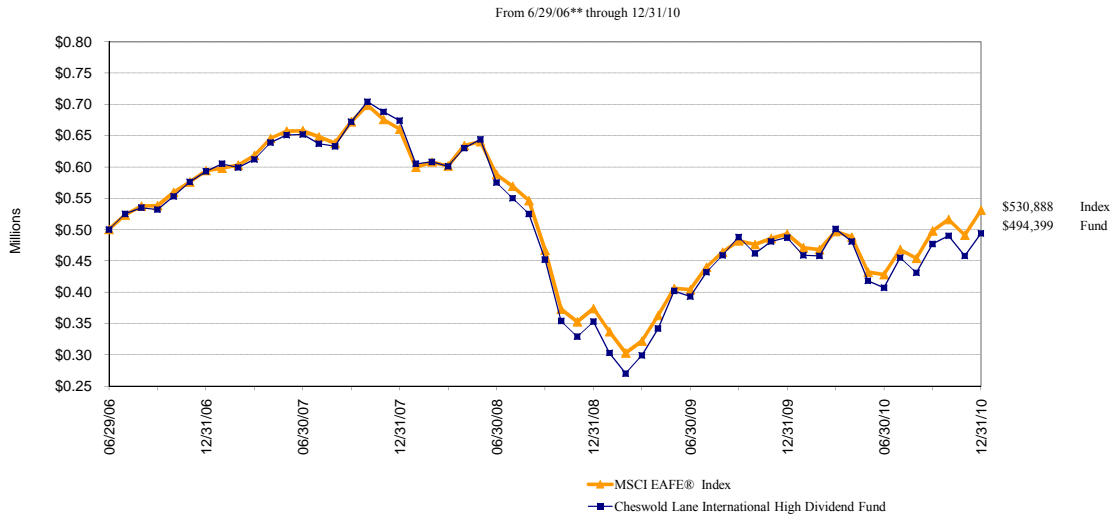
Cheswold Lane's investment opportunity set continues to be quality companies trading at attractive valuations. We prefer the valuation and risk attributes of large cap defensive stocks in the consumer discretionary and staples sectors versus utilities, telecommunication services and health care. In the 2<sup>nd</sup> half of 2010, we found a number of investment opportunities in the Australian consumer market which have been beaten down by a number of short-term issues. On the cyclical side of the market, we believe the energy sector remains attractive as global oil demand continues to recover from the global financial crisis and incremental supply is tough to generate. As we enter 2011, we remain cautiously optimistic on the markets. It is prudent to expect the path during the year to include some bumps – we don't see any major air-pockets; however, we feel that the portfolio is in a strong position to take advantage of these opportunities should they occur as the portfolio has much more balance between cyclical and non-cyclical sectors at the start of the year compared to 2010.

We encourage you to visit the Fund's website [www.cheswoldlanefunds.com](http://www.cheswoldlanefunds.com) and the advisor's website [www.cheswoldlane.com](http://www.cheswoldlane.com) for more detailed information regarding our investment strategy. As always, we welcome your comments and questions at [info@cheswoldlane.com](mailto:info@cheswoldlane.com). Thank you again for the trust you have bestowed upon us in choosing the Cheswold Lane International High Dividend Fund.

Sincerely,  
Eric Scharpf  
President of Cheswold Lane Funds

**Cheswold Lane International High Dividend Fund  
Performance Summary (Unaudited)**

Comparison of a Hypothetical \$500,000 Investment  
in the Cheswold Lane International High Dividend Fund and the MSCI EAFE® Index\*



**Total Returns**  
For the periods ended December 31, 2010

	One Year	Average Annual Since Inception **
Cheswold Lane International High Dividend Fund	1.53%	-0.25%
MSCI EAFE® Index	7.75%	1.34%

\* The MSCI EAFE® Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada. The MSCI EAFE Index consisted of the following 22 developed markets country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom. The index is unmanaged. The index reflects the reinvestment of dividends on securities in the index, but does not reflect any deduction for fees, expenses or taxes. A direct investment in an index is not possible.

\*\* Commencement of operations for the Cheswold Lane International High Dividend Fund was June 29, 2006.

*The Fund's net expense ratio of 1.15% and gross expense ratio of 1.64% are reflective of the information disclosed in the Fund's prospectus dated April 30, 2010 and may differ from the expense ratios disclosed in this report. The Adviser has contractually agreed to waive all or a portion of its management fees and/or reimburse expenses at least through April 30, 2011 in order to keep the Fund's net annual operating expenses from exceeding 1.15% of its average daily net assets. Performance data quoted represents past performance which is not predictive of future performance. The investment return and principal value of Fund shares will fluctuate and when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance information quoted. To receive current performance to the most recent month end, please call 1-800-771-4701. Please read prospectus carefully before investing.*

The line graph and table do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. The Fund's results as shown are net of fees.

See the accompanying "Investments by Industry" schedule for the percentage of the Fund's portfolio represented by the industries mentioned in this report. Portfolio holdings will change due to ongoing management of the Fund.

**Cheswold Lane International High Dividend Fund**  
**Portfolio Characteristics**  
**December 31, 2010**

**Investments by Industry (unaudited)**  
**(As a Percentage of Long-term Investments)**

Agriculture	2.2%
Apparel	1.3
Auto Manufacturers	1.5
Banks	10.1
Beverages	2.4
Chemicals	6.1
Diversified Financial Services	2.4
Electronics	1.0
Food	12.4
Food Service	3.7
Healthcare - Services	2.4
Household Products / Wares	5.4
Insurance	4.2
Iron / Steel	5.1
Mining	1.4
Miscellaneous Manufacturing	5.9
Office / Business Equipment	2.7
Oil & Gas	7.6
Oil & Gas Services	7.7
Pharmaceuticals	1.9
Real Estate	1.6
Retail	7.6
Telecommunications	3.4
Total	<u>100.0%</u>

**Cheswold Lane International High Dividend Fund**  
**Portfolio Characteristics (Continued)**  
**December 31, 2010**

**Investments by Country (unaudited)**  
**(As a Percentage of Long-term Investments)**

Australia	10.6%
Austria	2.5
France	11.8
Germany	13.3
Hong Kong	1.3
Ireland	1.2
Italy	2.1
Japan	14.6
Netherlands	5.7
Singapore	3.1
Spain	1.7
Switzerland	13.4
United Kingdom	18.7
Total	<u>100.0%</u>

**Cheswold Lane International High Dividend Fund**  
**Schedule of Investments**  
**December 31, 2010**

<u>Number of Shares</u>		<u>Value</u>
	<b>COMMON STOCKS</b>	<b>99.6%</b>
	<b>CONSUMER DISCRETIONARY</b>	<b>17.1%</b>
8,500	Casino Guichard-Perrachon S.A.	\$ 828,612
118,000	Compass Group PLC	1,068,881
80,000	David Jones Ltd.	364,934
277,000	Harvey Norman Holdings Ltd.	832,946
3,700	Honda Motor Co., Ltd.	147,119
168,000	Marks & Spencer Group PLC	966,511
7,200	Toyota Motor Corp.	286,731
106,000	Yue Yuen Industrial Holdings Ltd.	381,163
		<hr/> 4,876,897
	<b>CONSUMER STAPLES</b>	<b>19.4%</b>
16,100	British American Tobacco PLC	618,372
31,400	Coca-Cola Amatil Ltd.	348,778
7,900	Diageo PLC	145,954
29,800	Henkel A.G. & Co. KGaA	1,542,987
25,000	Nestle S.A.	1,476,345
2,100	Pernod-Ricard S.A.	197,448
39,000	Unilever NV	1,214,304
		<hr/> 5,544,188
	<b>ENERGY</b>	<b>15.2%</b>
13,800	BG Group PLC	278,840
152,000	BP PLC	1,103,268
20,500	ENI SpA	449,155
21,100	Noble Corp.	754,747
2,900	Saipem SpA	143,254
2,600	Technip S.A.	240,081
15,000	Transocean Ltd.*	1,042,650
7,700	Woodside Petroleum Ltd.	335,183
		<hr/> 4,347,178
	<b>FINANCIALS</b>	<b>16.6%</b>
47,000	AXA S.A.	781,941
54,000	Barclays PLC	220,285
17,800	BNP Paribas	1,132,466
7,600	Deutsche Bank AG	398,457
502,000	Governor & Co. of the Bank of Ireland*	251,560
43,000	HSBC Holdings PLC	440,909
41,226	ING Groep NV*	401,060
71,000	Irish Life & Permanent PLC*	102,468
6,000	ORIX Corp.	592,905
55,000	Oversea-Chinese Banking Corp. Ltd.	423,423
		<hr/> 4,745,474

See accompanying notes to financial statements.

**Cheswold Lane International High Dividend Fund**  
**Schedule of Investments (continued)**  
**December 31, 2010**

<u>Number of Shares</u>		<u>Value</u>
	<b>HEALTH CARE</b>	<b>4.3%</b>
12,000	Fresenius Medical Care AG & Co. KGaA	\$ 695,595
3,700	Roche Holding AG	546,747
		<u>1,242,342</u>
	<b>INDUSTRIALS</b>	<b>5.5%</b>
89,000	Fraser and Neave Ltd.	444,532
9,200	Siemens AG	1,143,556
		<u>1,588,088</u>
	<b>INFORMATION TECHNOLOGY</b>	<b>5.6%</b>
14,900	Canon, Inc.	775,810
11,500	HOYA Corp.	280,474
51,000	Konica Minolta Holdings, Inc.	532,353
		<u>1,588,637</u>
	<b>MATERIALS</b>	<b>12.5%</b>
1,500	Air Liquide S.A.	189,702
67,000	Air Water, Inc.	859,292
5,500	BHP Billiton Ltd.	254,549
279,000	OneSteel Ltd.	739,084
1,800	Rio Tinto Ltd.	157,353
8,200	Shin-Etsu Chemical Co., Ltd.	446,225
47,000	Sumitomo Chemical Co., Ltd.	232,512
14,750	Voestalpine AG	705,084
		<u>3,583,801</u>
	<b>TELECOMMUNICATION SERVICES</b>	<b>3.4%</b>
21,300	Telefonica S.A.	484,532
190,000	Vodafone Group PLC	491,144
		<u>975,676</u>
	<b>TOTAL COMMON STOCKS (Cost \$25,813,372)</b>	<b><u>28,492,281</u></b>
<u>Principal Amount</u>		<u>Value</u>
	<b>SHORT-TERM INVESTMENT</b>	<b>0.1%</b>
	<b>Variable Rate Demand Deposit</b>	
\$ 25,000	UMB Bank Money Market Fiduciary, 0.01% <sup>†</sup>	25,000
	<b>TOTAL SHORT-TERM INVESTMENTS (Cost \$25,000)</b>	<b><u>25,000</u></b>

See accompanying notes to financial statements.

**Cheswold Lane International High Dividend Fund**  
**Schedule of Investments (continued)**  
**December 31, 2010**

		Value
<b>TOTAL INVESTMENTS (Cost \$25,838,372)</b>	<b>99.7%</b>	<b>\$ 28,517,281</b>
Other Assets Less Liabilities	0.3%	79,549
<b>NET ASSETS</b>	<b>100.0%</b>	<b>\$ <u>28,596,830</u></b>

\* *Non-income Producing*

† *Indicates yield as of December 31, 2010*

See accompanying notes to financial statements.

**Cheswold Lane International High Dividend Fund**  
**Statement of Assets and Liabilities**  
**December 31, 2010**

**ASSETS:**

Investments at value (cost \$25,838,372)	\$ 28,517,281
Receivable for investments sold	217,577
Interest and dividends receivable	102,765
Prepaid expenses	5,120
	<hr/>
Total assets	28,842,743

**LIABILITIES:**

Foreign currency due to custodian (cost \$194,742)	196,960
Payables for:	
Investment adviser fees	12,067
Trustees' fees	2,500
Other accrued expenses	34,386
	<hr/>
Total liabilities	245,913

**TOTAL NET ASSETS**

**\$ 28,596,830**

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**NET ASSETS CONSIST OF:**

Paid-in-capital	\$ 35,595,575
Distributions in excess of net investment income	(134,666)
Accumulated net realized loss on investments and foreign currency transactions	(9,543,238)
Net unrealized appreciation on investments and foreign currency translations	2,679,159
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**TOTAL NET ASSETS**

**\$ 28,596,830**

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**SHARES OUTSTANDING, (no par value, unlimited shares of beneficial interest authorized)**

2,209,323

**NET ASSET VALUE, OFFERING AND REDEMPTION PRICE PER SHARE<sup>(a)</sup>**

**\$ 12.94**

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<sup>(a)</sup>A 2% redemption fee applies to shares sold within 90 days of purchase.

See accompanying notes to financial statements.

**Cheswold Lane International High Dividend Fund**  
**Statement of Operations**  
**December 31, 2010**

**INVESTMENT INCOME:**

Dividends (Net of \$86,772 foreign tax withholding)	\$ 695,608
Interest	69
Total investment income	<u>695,677</u>

**EXPENSES:**

Investment advisory fees	245,741
Professional fees	44,918
Administrative and fund accounting fees	42,085
Transfer agent fees and expenses	28,235
Custody fees	22,440
Trustees' fees	10,000
Insurance premiums	9,854
Reports to shareholders	7,893
Federal and state registration fees	2,740
Miscellaneous expenses	13,274
Total expenses before fee waivers	<u>427,180</u>
Fee waivers	<u>(114,600)</u>
Total expenses	<u>312,580</u>

**NET INVESTMENT INCOME**

383,097

**REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS AND FOREIGN CURRENCY**

Net realized loss on investment transactions	(1,129,153)
Net realized loss on foreign currency transactions	(27,049)
Change in unrealized appreciation/(depreciation)	
on investments	1,194,007
on foreign currency translations	(1,814)
Net realized and unrealized gain on investments and foreign currency	<u>35,991</u>

**NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS**

\$ 419,088

See accompanying notes to financial statements.

**Cheswold Lane International High Dividend Fund**  
**Statements of Changes in Net Assets**

	<b>For the Year Ended 12/31/10</b>	<b>For the Year Ended 12/31/09</b>
<b>OPERATIONS:</b>		
Net investment income	\$ 383,097	\$ 414,456
Net realized loss on investments	(1,129,153)	(4,763,154)
Net realized gain/(loss) on foreign currency transactions	(27,049)	14,566
Change in unrealized appreciation/(depreciation) on investments and foreign currency translations	1,192,193	12,085,460
Net increase in net assets resulting from operations	419,088	7,751,328
<b>DISTRIBUTIONS:</b>		
From investment income (\$0.24 per share, \$0.19 per share)	(518,179)	(404,022)
Total distributions	(518,179)	(404,022)
<b>SHARES OF BENEFICIAL INTEREST:</b>		
Proceeds from sale of shares	7,605	405,760
Proceeds from reinvestment of distributions	516,707	404,022
Redemption of shares	(356,885)	(21,914)
Net increase from shares of beneficial interest	167,427	787,868
<b>TOTAL INCREASE IN NET ASSETS</b>	<b>68,336</b>	<b>8,135,174</b>
<b>NET ASSETS:</b>		
Beginning of year	28,528,494	20,393,320
End of year*	\$ 28,596,830	\$ 28,528,494
<b>SHARES OF BENEFICIAL INTEREST IN SHARES:</b>		
Shares sold	614	34,462
Shares reinvested	43,467	38,116
Shares redeemed	(28,665)	(1,907)
Net increase	15,416	70,671

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\*Includes (Distributions in excess of) / Undistributed Net Investment income of (134,666) and 25,892, for 12/31/2010 and 12/31/2009, respectively.

See accompanying notes to financial statements.

**Cheswold Lane International High Dividend Fund**  
**Financial Highlights**

*For a Fund Share Outstanding  
Throughout Each Period*

	<b>For the Year Ended 12/31/10</b>	<b>For the Year Ended 12/31/09</b>	<b>For the Year Ended 12/31/08</b>	<b>For the Year Ended 12/31/07</b>	<b>6/29/06* to 12/31/06</b>
Net asset value, beginning of period	\$ 13.00	\$ 9.60	\$ 18.91	\$ 17.60	\$ 15.00
Income/(Loss) From Investment Operations:					
Net investment income	0.18	0.20	0.41	0.57	0.09
Net realized and unrealized gain/(loss) on investments and foreign currency transactions	0.00 <sup>3</sup>	3.39	(9.28)	1.81	2.71
Total from investment operations	<u>0.18</u>	<u>3.59</u>	<u>(8.87)</u>	<u>2.38</u>	<u>2.80</u>
Less Distributions:					
Dividends from net investment income	(0.24)	(0.19)	(0.39)	(0.64)	(0.05)
Distribution from net realized gains	—	—	(0.05)	(0.43)	(0.15)
Total distributions	<u>(0.24)</u>	<u>(0.19)</u>	<u>(0.44)</u>	<u>(1.07)</u>	<u>(0.20)</u>
Net asset value, end of period	<u>\$ 12.94</u>	<u>\$ 13.00</u>	<u>\$ 9.60</u>	<u>\$ 18.91</u>	<u>\$ 17.60</u>
Total Return	1.53%	37.84%	(47.58)%	13.57%	18.68% <sup>2</sup>
Ratios/Supplemental Data:					
Net assets, end of period (in 000s)	\$ 28,597	\$ 28,528	\$ 20,393	\$ 39,435	\$ 25,828
Ratio of expenses to average net assets:					
Net of waivers and reimbursements	1.15%	1.15%	1.15%	1.15%	1.15% <sup>1</sup>
Before waivers and reimbursements	1.56%	1.64%	1.56%	1.56%	2.16% <sup>1</sup>
Ratio of net investment income to average net assets:					
Net of waivers and reimbursements	1.40%	1.79%	2.80%	3.18%	1.07% <sup>1</sup>
Before waivers and reimbursements	0.99%	1.30%	2.39%	2.77%	0.06% <sup>1</sup>
Portfolio turnover rate	64.79%	36.90%	60.12%	38.49%	16.18% <sup>2</sup>

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\* Commencement of Operations.

<sup>1</sup> Annualized.

<sup>2</sup> Not Annualized.

<sup>3</sup> Represents less than \$0.01 per share.

See accompanying notes to financial statements.

**Cheswold Lane International High Dividend Fund**  
**Notes to Financial Statements**  
**December 31, 2010**

**Note 1. Organization**

Cheswold Lane Funds (the “Trust”) is registered under the Investment Company Act of 1940, as amended, as an open-end diversified management investment company. The Trust was organized as a Delaware statutory trust on April 12, 2006 and currently consists solely of one series of beneficial interest, the Cheswold Lane International High Dividend Fund (the “Fund”). The investment objective for the Fund is long-term growth of capital and income. The Fund commenced operations on June 29, 2006.

**Note 2. Significant Accounting Policies**

The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements. These policies are in conformity with U.S. generally accepted accounting principles (“GAAP”).

*Security Valuation* – In determining the Fund’s net asset value (“NAV”), portfolio securities primarily listed or traded on a national or foreign securities exchange, except for securities traded on the National Association of Securities Dealers’ Automated Quotation System (“NASDAQ”) and fixed income securities, are generally valued at the last sale price on that exchange, unless market prices are determined to be not readily available pursuant to the Fund’s pricing procedures. The Fund values NASDAQ traded securities using the NASDAQ Official Closing Price. The Fund generally values fixed income securities using market quotations or a matrix method provided by a pricing service. The Fund values short-term investments that will mature within 60 days at amortized cost, which approximates market value. In the event market quotations are not readily available, a “fair value” price will be determined in accordance with the Fund’s pricing procedures. Securities other than those listed above will be priced in accordance with the Fund’s registration statement and/or pricing procedures.

The Fund translates prices for its investments that are quoted in foreign currencies into U.S. dollars at current exchange rates. As a result, changes in the value of those currencies in relation to the U.S. dollar may affect the Fund’s NAV, which is calculated as of the close of regular trading on the New York Stock Exchange (“NYSE”). Because foreign markets may be open at different times than the NYSE, the value of the Fund’s shares may change on days when shareholders are not able to buy or sell them. If reported prices with respect to the Fund’s foreign investments are believed by Cheswold Lane Asset Management, LLC (the “Adviser”) to be stale or unreliable based upon certain triggering factors set forth in the pricing procedures approved by the Board, these investments will be valued at their fair value using a quantitative methodology. In addition, if, in the opinion of the Adviser, significant events materially affecting the values of the Fund’s foreign investments occur between the close of foreign markets and the close of regular trading on the NYSE, or if the values provided by the Adviser’s quantitative methodology are deemed by the Adviser not to reflect fair value, such foreign investments will be priced at fair value as determined in good faith by the Adviser. The Fund may rely on third-party pricing vendors to monitor for events that may materially affect the values of the Fund’s foreign investments during the period between the close of foreign markets and the close of regular trading on the NYSE.

**Cheswold Lane International High Dividend Fund**  
**Notes to Financial Statements (Continued)**  
**December 31, 2010**

The use of fair value pricing by the Fund may cause the NAV of its shares to differ from the NAV that would be calculated by using closing market prices. Due to the subjective nature of fair value pricing, the Fund's value for a particular security may be different from the last quoted market price.

Under Fair Value Measurements, various inputs are used in determining the value of the Fund's investments. These inputs are summarized into three broad levels as described below:

- Level 1 – quoted prices in active markets for identical securities. An active market for the security is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. A quoted price in an active market provides the most reliable evidence of fair value.
- Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.) Quoted prices for identical or similar assets in markets that are not active. Inputs that are derived principally from or corroborated by observable market data. An adjustment to any observable input that is significant to the fair value may render the measurement a Level 3 measurement.
- Level 3 – significant unobservable inputs, including the Fund's own assumptions in determining the fair value of investments. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following is a summary of the inputs used to value the Fund's investments as of December 31, 2010:

Sector	Level 1	Level 2	Level 3	Total
Consumer Discretionary	\$4,443,047	\$433,850	\$ -	\$4,876,897
Consumer Staples	2,524,856	3,019,332	-	5,544,188
Energy	3,754,769	592,409	-	4,347,178
Financials	3,754,112	991,362	-	4,745,474
Health Care	-	1,242,342	-	1,242,342
Industrials	444,532	1,143,556	-	1,588,088
Information Technology	-	1,588,637	-	1,588,637
Materials	1,340,688	2,243,113	-	3,583,801
Telecommunication Services	491,144	484,532	-	975,676
Short-Term Investments	25,000	-	-	25,000
<b>Total</b>	<b>\$16,778,148</b>	<b>\$11,739,133</b>	<b>\$ -</b>	<b>\$28,517,281</b>

In accordance with procedures established by, and under the general supervision of, the Fund's Board of Trustees, the values of certain equity securities listed or traded on foreign security exchanges may be

**Cheswold Lane International High Dividend Fund**  
**Notes to Financial Statements (Continued)**  
**December 31, 2010**

valued at their fair value using a quantitative methodology when certain triggering factors, representing a significant change in the value of U.S.-traded securities, occur. In this circumstance, such securities are categorized as Level 2. Such securities represent the only significant transfers between each of the three levels.

*Foreign Currency* – Investment securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the date of valuation. Purchases and sales of investment securities and income and expense items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions. The Fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss from investments.

Reported net realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the fair value of assets and liabilities, other than investments in securities at fiscal year end, resulting from changes in exchange rates.

*Federal Income Taxes* – The Fund's policy is to comply with the requirements of Subchapter M of the Internal Revenue Code that are applicable to regulated investment companies and to distribute substantially all investment company taxable income and net capital gain to shareholders in a manner which results in no tax cost to the Fund. Therefore, no federal income tax provision is required.

Accounting for Uncertainty in Income Taxes (the "Income Tax Statement") requires an evaluation of tax positions taken (or expected to be taken) in the course of preparing a Fund's tax returns to determine whether these positions meet a "more-likely-than-not" standard that, based on the technical merits, have a more than fifty percent likelihood of being sustained by a taxing authority upon examination. A tax position that meets the "more-likely-than-not" recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The Fund recognize interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the Statements of Operations.

The Income Tax Statement requires management of the Fund to analyze all open tax years 2007-2010, as defined by IRS statute of limitations for all major jurisdictions, including federal tax authorities and certain state tax authorities. As of and during the taxable year ended December 31, 2010, the Fund did not have a liability for any unrecognized tax benefits. The Fund has no examination in progress and are not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months.

*Securities Transactions and Investment Income* – Securities transactions are accounted for on a trade date basis. Realized gains and losses on sales of securities are calculated on the identified cost basis. Dividend income is recorded on the ex-dividend date net of foreign withholding taxes. Certain dividends from foreign securities may be recorded subsequent to the ex-dividend date as soon as the Fund is informed of such dividends. Interest income is recorded on an accrual basis.

**Cheswold Lane International High Dividend Fund**  
**Notes to Financial Statements (Continued)**  
**December 31, 2010**

*Distributions to Shareholders* – Distributions to shareholders are recorded on the ex-dividend date. The Fund declares and pays dividends of net investment income, if any, semi-annually and distributes net realized gains, if any, annually. The character of distributions made during the year from net investment income or net realized gain may differ from the characterization for federal income tax purposes due to differences in the recognition of income, expense and gain/(loss) items for financial statement and tax purposes. Where appropriate, reclassifications between net asset accounts are made for such differences that are permanent in nature.

*Redemption Fees* – Upon redemption of shares held 90 days or less, a redemption fee of 2% of the current NAV of the shares will be assessed and retained by the Fund for the benefit of the remaining shareholders. The redemption fee is accounted for as an addition to paid-in capital. There were no redemption fees paid to the Fund during the year ended December 31, 2010.

*Guarantees and Indemnifications* – In the normal course of business, the Fund enters into contracts with service providers that contain general indemnification clauses. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims against the Fund that have not yet occurred. Based on experience, the Fund expects the risk of loss to be remote.

*Use of Estimates* – The preparation of financial statements in conformity with GAAP 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 increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

*Subsequent Events* - Events and transactions have been evaluated by management for subsequent events. Management has determined that there were no material events that would require disclosure in the Fund's financial statements.

**Note 3. Related Parties**

The Fund has an investment advisory agreement with the Adviser. Under the agreement, the Fund pays the Adviser a fee computed daily and payable monthly, fixed at 0.90% of the Fund's average daily net assets.

The Adviser has contractually agreed to waive all or a portion of its management fees and/or reimburse expenses at least through April 30, 2011 in order to keep the Fund's net annual fund operating expenses (excluding any taxes, interest, brokerage commissions and other costs relating to portfolio securities transactions (including the costs, fees and expenses associated with the Fund's investments in other investment companies) and other extraordinary expenses) from exceeding 1.15% of its average daily net assets. After expense waivers, the management fee paid to the Adviser for the year ended December 31, 2010 was equal to 0.48% of the Fund's average net assets.

The Fund had \$10,000 in fees for unaffiliated Trustees during the year ended December 31, 2010. No officer or Trustee who is affiliated with the Adviser currently receives any compensation from the Fund for acting as a Trustee or officer of the Fund.

**Cheswold Lane International High Dividend Fund**  
**Notes to Financial Statements (Continued)**  
**December 31, 2010**

**Note 4. Purchases and Sales of Securities**

Purchases and sales of investment securities (excluding short-term securities) from January 1, 2010 to December 31, 2010 were \$17,279,406 and \$17,259,443, respectively.

**Note 5. Federal Income Tax Information**

At December 31, 2010, gross unrealized appreciation and depreciation of investments owned by the Fund, based on cost for federal income tax purposes were as follows:

Cost of investments	\$ 26,313,320
Unrealized appreciation	4,300,251
Unrealized depreciation	(2,096,290)
Net unrealized appreciation on investments	\$ 2,203,961

The difference between cost amounts for financial statement and federal income tax purposes is due primarily to timing differences in recognizing certain gains and losses in security transactions.

As of December 31, 2010, the components of accumulated earnings (deficit) on a tax basis were as follows:

Undistributed ordinary income	\$ 45,698
Undistributed long-term gains	-
Tax accumulated earnings	45,698
Accumulated capital and other losses	(9,248,653)
Unrealized appreciation on investments and foreign currency translations	2,204,210
Total accumulated earnings (deficit)	\$ (6,998,745)

The tax character of distributions paid during the fiscal year ended December 31, 2010 and fiscal year ended December 31, 2009 was as follows:

	<u>2010</u>	<u>2009</u>
Distributions paid from ordinary income	\$ 518,179	\$ 404,022
Distributions paid from long-term capital gains	-	-
Total Distributions	\$ 518,179	\$ 404,022

As of December 31, 2010, the Fund had a capital loss carry forward of \$8,031,618, of which \$2,383,443 expires on December 31, 2016 and \$5,245,769 expires on December 31, 2017 and \$402,406 expires on December 31, 2018.

As of December 31, 2010, the Fund had \$1,208,904 of post-October capital losses and \$8,131 of post-October currency losses, which are deferred until January 1, 2011 for tax purposes. Net capital losses incurred after October 31, and within the taxable year are deemed to arise on the first day of the Fund's next taxable year.

**Cheswold Lane International High Dividend Fund**  
**Notes to Financial Statements (Continued)**  
**December 31, 2010**

Primarily as a result of differing book/tax treatment of foreign currency transactions and certain recorded expenses, on December 31, 2010, distributions in excess of net investment income was increased by \$25,476 and accumulated net realized loss on investments and foreign currency transactions was decreased by \$25,476. These reclassifications have no effect on the net assets of the Fund.

**Note 6. Other**

Because the Fund invests in foreign stocks, it will be affected by risks not typically associated with U.S. stocks. These risks include political and economic instability and different accounting and regulatory standards, as well as reduced liquidity and transparency compared to U.S. markets. In addition, the Fund will be subject to the risk that changes in the exchange rate between two currencies will adversely affect the value (in U.S. dollar terms) of an investment. Currency exchange rates may fluctuate significantly over short periods of time, causing (along with other factors) the Fund's net asset value to fluctuate, which, in turn, may cause the value of the Fund's shares to go up or down.

The Fund may invest an unlimited percent of the portfolio in dividend paying equity securities (including common, convertible and preferred stocks) of companies located in developed markets outside of the United States. The Fund considers foreign developed markets to consist of those countries that are represented in the Morgan Stanley Capital International, Inc. EAFE<sup>®</sup> Index. As a result, the Fund may hold a concentrated amount of securities in a few countries at the discretion of the Adviser. Please see the "Portfolio Characteristics – Investments by Country" table for a percentage listing by country. Should the Adviser invest a concentrated amount of the portfolio in a few countries, the Fund will be particularly subject to the risks of investing in foreign stocks as described above.

As of December 31, 2010, the Fund had a shareholder that held 69.4% of the outstanding shares of the Fund. A significant redemption by this shareholder could affect the Fund's liquidity and the future viability of the Fund. The shareholder is a retirement plan for a commercial entity in which the plan holds Fund shares for the benefit of the entity's employees. The Fund is one of several investment options in the entity's plan and employees are permitted to transfer some or all of their account balances into or out of the Fund at any time.

**Note 7. New Accounting Pronouncements**

In January 2010, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2010-6 "Improving Disclosures about Fair Value Measurements." It clarifies existing disclosure and requires additional disclosures regarding fair value measurements. Effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years, entities will need to disclose information about purchases, sales, issuances and settlements of Level 3 securities on a gross basis, rather than as a net number as currently required. Management is currently evaluating the impact this will have on its financial statement disclosures.



## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

### To the Board of Trustees of Cheswold Lane Funds and the Shareholders of Cheswold Lane International High Dividend Fund

We have audited the accompanying statement of assets and liabilities of Cheswold Lane International High Dividend Fund (the "*Fund*"), a series of beneficial interest in Cheswold Lane Funds, including the schedule of investments, as of December 31, 2010, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the years in the two-year period then ended and the financial highlights for each of the years in the four-year period then ended and the period June 29, 2006 (commencement of operations) through December 31, 2006. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2010 by correspondence with the custodian. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Cheswold Lane International High Dividend Fund as of December 31, 2010, and the results of its operations for the year then ended, the changes in its net assets for each of the years in the two-year period then ended and the financial highlights for each of the years in the four-year period then ended and the period June 29, 2006 through December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

*BBD, LLP*

**BBD, LLP**

**Philadelphia, Pennsylvania  
February 25, 2011**

**Cheswold Lane International High Dividend Fund**  
**Expense Example**  
**For the Period Ended December 31, 2010 (Unaudited)**

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, including redemption fees on certain redemptions; and (2) ongoing costs, including management fees and other Fund expenses. This Example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund 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 from July 1, 2010 to December 31, 2010 (the "Period").

**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 you paid over the Period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 equals 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses paid during the period ended December 31, 2010" to estimate the expenses you paid on your account during the 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 the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as redemption fees. Therefore, the second line of the table is useful in comparing the ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs could have been higher.

**Expenses Paid During the Period**

	Beginning account value July 1, 2010	Ending account value December 31, 2010	Expenses paid during the period ended December 31, 2010
Actual Example	\$1,000.00	\$1,214.10	\$6.39
Hypothetical Example, assuming a 5% return before expenses	1,000.00	1,019.22	5.83

<sup>1</sup> Expenses are equal to the Fund's annualized expense ratio of 1.15% multiplied by the average account value over the period, multiplied by 184/365 (to reflect the six-month period).

**Cheswold Lane International High Dividend Fund  
Trustee and Officer Information (Unaudited)**

<i>Name, Address and Age as of 12/31/10</i>	<i>Position(s) Held with the Trust</i>	<i>Term of Office and Length of Time Served</i>	<i>Principal Occupation(s) During Past 5 Years</i>	<i>Number of Portfolios in Fund Complex Overseen by Trustee</i>	<i>Other Directorships Held by Trustee</i>
<b>Interested Trustee</b>					
<b>Eric F. Scharpf*</b> Cheswold Lane Funds 100 Front Street W. Conshohocken, PA 19428  Age: 41	Trustee, President and Chief Executive Officer	Indefinite, since 2006	Managing Partner, Cheswold Lane Asset Management, LLC (the "Adviser"), since 2006; Partner/Senior Portfolio Manager, Chartwell Investment Partners (2004-2005); Portfolio Manager/Research Analyst, Miller Anderson & Sherrerd (an asset management company) (1997-2003)	1	None
<b>Independent Trustees</b>					
<b>Dr. George E. Boudreau</b> Cheswold Lane Funds 100 Front Street W. Conshohocken, PA 19428  Age: 64	Trustee	Indefinite, since 2006	Founder and Partner, the Pennsylvania Dental Group (1974 to present)	1	None
<b>Paul Chi</b> Cheswold Lane Funds 100 Front Street W. Conshohocken, PA 19428  Age: 38	Trustee	Indefinite, since 2006	Senior Vice President/ Senior Managing Director Global Custody and Securities Processing, PFPC Trust Company (2002 to Present)	1	None
<b>Eugenie G. Logue</b> Cheswold Lane Funds 100 Front Street W. Conshohocken, PA 19428  Age: 41	Trustee	Indefinite, since 2006	Principal, Rosemont Investment Partners, LLC (a private equity firm), since 2002; Associate, SGI Capital (a private equity firm) (1999 – 2002)	1	None
<b>Stanley J. Koreyva, Jr.</b> Cheswold Lane Funds 100 Front Street W. Conshohocken, PA 19428  Age: 51	Trustee	Indefinite, since 2006	Executive Vice President and Chief Operating Officer, Amboy Bank, since 2004; Chief Financial Officer, Amboy Bank (1998-2004)	1	None

\* Mr. Scharpf is an "Interested Trustee" of Cheswold Lane Funds, as defined in the Investment Company Act of 1940, because he is the Managing Partner of the Adviser. Mr. Scharpf and Ms. Colleen Quinn Scharpf are married to each other.

The officers of the Trust not named above are:

<i>Name, Address and Age as of 12/31/10</i>	<i>Position(s) Held with the Trust</i>	<i>Length of Time Served</i>	<i>Principal Occupation(s) During Past 5 Years</i>
<b>Matthew Taylor</b> Cheswold Lane Funds 100 Front Street W. Conshohocken, PA 19428  Age: 38	Executive Vice President, Treasurer and Chief Financial Officer	Since 2006	Partner/Portfolio Manager, the Adviser, since 2006; Partner/Portfolio Manager, Chartwell Investment Partners (2004- 2006); Portfolio Manager/Research Analyst, Miller Anderson & Sherrerd (an asset management company) (2000-2003)
<b>Colleen Quinn Scharpf</b> Cheswold Lane Funds 100 Front Street W. Conshohocken, PA 19428  Age: 41	Secretary and Chief Compliance Officer	Since 2006	President, Chief Operating Officer and Chief Compliance Officer, the Adviser, since 2006; Director of Investments, Board of Pensions of the Presbyterian Church (U.S.A.) (2003-2006); Senior Member, Strategic Relationship Team, Putnam Investments (1996 – 2003)

The Statement of Additional Information contains additional information about the Fund's trustees and is available, without charge, upon request by calling 1-800-771-4701.

**Cheswold Lane International High Dividend Fund**  
**Other Information**  
**For the Period Ended December 31, 2010 (Unaudited)**

**Additional Tax Information**

For the period ended December 31, 2010, 100% of dividends paid from net investment income from the Fund is designated as qualified dividend income.

Pursuant to Section 853 of the Internal Revenue Code of 1986, as amended, the Cheswold Lane International High Dividend Fund designates \$518,498 of income derived from foreign sources and \$73,604 of foreign taxes paid for the period ended December 31, 2010.

Of the ordinary income (including short-term capital gains) distributions made by the Cheswold Lane International High Dividend Fund during the year ended December 31, 2010, the proportionate share of income derived from foreign sources attributable to one share of stock, or the amount determined to be necessary, is \$0.2347 and the proportionate share of foreign taxes attributable to one share of stock is \$0.0333.

**Proxy Voting**

A description of the Fund's proxy voting policies and procedures applicable to portfolio securities and a record of the Fund's proxy votes for the most recent 12-month period ended June 30 are available without charge, upon request, by calling 1-800-632-1320 and on the Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov). Information as of June 30 each year will generally be available by the following August 31.

**Portfolio Holdings Disclosure**

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. You may view the Fund's Form N-Q on the SEC's website at [www.sec.gov](http://www.sec.gov). The Fund's Form N-Q may also be reviewed and copied at the SEC's Public Reference Room in Washington D.C. Information about the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

**UMB Distribution Services, LLC, Distributor**

803 West Michigan Street  
Milwaukee, Wisconsin 53233