



## MH Elite Portfolio of Funds, Inc.

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Dear Fellow Shareholder:

We are pleased to present our combined 2008 annual report for MH Elite Small Cap Fund of Funds, MH Elite Fund of Funds and MH Elite Select Portfolio of Funds.

Along the highway of greed there were no guardrails as the financial and credit markets drove itself off a cliff, spiraling out of control, leaving the stock market and shocked investors to crash and burn. As Wall St. and corporate executives walked away from the crash unscathed and lining their pockets with millions, consumers, banged up and on life support, were left at the crash site waiting for emergency vehicles to bring relief. Unfortunately, the government's first aid kit didn't come with instructions to stop the bleeding. With unemployment at a 14 year high of 6.5% (and climbing) in October, consumers reduced their spending in 2008 by the largest amount in 28 years. Bear markets are fueled by fear and bull markets thrive on greed. At the present, consumers are fearful of losing their jobs, their businesses, their retirement savings and their homes. Despite the current lack of leadership, investors will eventually get themselves back on the road to recovery. With a road unpaved and riddled with pot holes, there will be no short cuts. Our financial wounds will heal, but very slowly.

Hurricane season ripped through Wall Street during September and October. With the frenzy and destruction of a Category 5 hurricane, the impact and fallout of excessive greed devastated the stock market. Volatility was unprecedented. The Dow suffered its largest five day point decline ever and its largest five day percentage drop since the September 11, 2001 terror attacks. The two largest one day point losses occurred during September and October. The stock market lost over 20% in just seven days in October. No longer were the markets merely up or down. The Dow was soaring and plunging. On October 9<sup>th</sup> the Dow plunged 679 points only to soar 936 points in a rally for the ages on October 13<sup>th</sup>, the indexes largest one day point and percentage gain since 1933. The Dow plunged again on October 15<sup>th</sup> losing 733 points. In the end, 2008 was Wall Street's worst year since 1931.

Misery loves company. Stock investors around the world are also suffering from the financial crisis and global recession. Foreign stock markets, for the first time in 5 years, have fared worse than their U.S. counterparts. While the U.S. market was down 40% in 2008, some major foreign markets had losses ranging from 54% to 78%.

For the year 2008, MH Elite Small Cap Fund of Funds was down 39.5% versus a 33.8% decline for the Russell 2000 index of small cap stocks. The Fund had ended the first half of the year ahead of the Russell 2000 index but a number of funds were hurt particular hard in the third quarter by the collapse in commodity, energy and industrial prices and the continuing slide in financials. One only has to look at the rapid rise and fall of gas prices this past year to understand the impact on returns for funds invested in commodity related sectors. Funds most impacted were Keeley Small Cap Value (-40%), Royce Micro Cap (-41%), Royce Value Plus (-41%) and Schneider Small Cap Value, which has been in a prolonged slump (-46%). The economy took its toll on Pacific Advisors Small Cap (-43%) as well with its emphasis in the business services sector. Funds with more diversified holdings held up better though they were still down between 25% and 30%, including Schroder US Opportunities, Stratton Small Cap Value and Allianz NFJ Small Cap Value.

Notable changes to the portfolio in the second half of the year were the additions of T. Rowe Price Small Cap Value, Parnassus Small Cap and Royce 100. Funds removed from the portfolio included Perritt Micro Cap Opportunities, Royce Opportunity and Bridgeway Small Cap Value.

For the year 2008, MH Elite Fund of Funds was down 40%, trailing the S&P 500 index loss of 37% and the Russell 1000 index loss of 37.6%. As with the small cap sector, large cap financials and commodity related sectors continued to be a drag on our fund performance. Funds most hurt by their exposure to financials and/or industrials were Janus Contrarian (-48%), Marsico 21<sup>st</sup> Century (-45%), Schneider Value (-55%) and Hartford Capital Appreciation (-46%). Heavily weighted in industrials and energy, Columbia Value and Restructuring and Fidelity Leveraged Co. Stock were down 47% and 54% respectively. Both funds had posted modest gains through June. Fidelity Leveraged Co. Stock had its streak of seven consecutive years of significantly outperforming the S&P 500 index broken in 2008. Fund performance is never a constant and reinforces our commitment to maintain a balanced and diversified blend of funds in each of our portfolios.

We did receive strong relative performance from Amana Growth (-30%) and Amana Income (-23%) as both funds have no exposure to financial stocks. Artisan Mid Cap Value (-27%) and Fairholme (-30%) held up better than most funds. Brandywine Blue and Rainier Mid Cap Equity were sold in the second half of the year and a new position was established in BB&T Equity Income.

For the year 2008 MH Elite Select Portfolio of Funds, with its broad diversification to various asset classes fared better than our other two funds. The Fund was down 34.7% versus the 37% decline of the S&P 500 index. International investing was not a safe haven in terms of performance, underperforming U.S. equities for the first time in five years. Average loss for international funds in the portfolio was 44% and 55% for our emerging market positions. We were strongly helped by our two largest positions, TFS Market Neutral and Permanent Portfolio which had minimum losses of 7% and 8%, respectively. Keeping a larger than normal amount of cash on hand during the year also helped as did our investment in healthcare funds T. Rowe Price Health Care (-29%) and Blackrock Health Sciences Opportunities (-19%). Heavily weighted in financials, CGM Focus and our real estate holding CGM Realty both suffered considerably. Both funds, despite losing 48% and 47% respectively, still maintain their top ranking in their respective categories over the past 3, 5 and 10 year periods.

Changes to the portfolio included replacing US Global Investors Global Resources with Vanguard Energy which had been closed to new investors and reopened in 2008. We sold Guinness Atkinson Alternative Energy to purchase Direxion Commodity Trends Strategy, a long/short play on the commodity sector. Lazard Emerging Market, a more diversified exposure to emerging markets, was purchased to replace the T. Rowe Price Africa and Middle East fund. We also liquidated our positions in Cullen International High Dividend and Wilmington Multi Manager Real Asset. Mutual Series Discovery, T. Rowe Price Media and Telecommunications and Oakmark Equity and Income 1, recently reopened to new investors, were added to the portfolio in the fourth quarter. To take advantage of depressed stock prices, we added to our existing international and emerging markets funds throughout the fourth quarter.

All three funds rallied with the market off the low on November 20<sup>th</sup>. This glimmer of hope was encouraging, that the markets can and will recover. From November 20<sup>th</sup> thru December 31<sup>st</sup>, MH Elite Small Cap Fund of Funds was up 23.7%, MH Elite Fund of Funds rebounded with a gain of 20.7% and MH Elite Select Portfolio was up 15.4%.

Down but not out. Unfortunately, in order to reap the long term rewards of investing one has to be willing to endure the pain of losses. In 24 of the 83 years from 1926 through 2008 the S&P 500 index posted negative returns. Since 1900 the market rebounded on average 47% in the 12 months following a bear market bottom and 60% over the next 2 years. There have been 12 bear market cycles in the last 60 years and investors who held on to investments during each of those instances made gains in the long run.

There are indications from investor behavior that better times are coming. Since 1988 there have been six occasions in which money being withdrawn from mutual funds exceeded the amount of money flowing into funds. In each instance the S&P 500 index rallied to double digit gains within the next twelve months. Investors who can't resist the urge to get out of the market will inevitably miss the recovery and the opportunity to recoup previous losses. In the words of Warren Buffet, "Be greedy when others are fearful and fearful when others are greedy."

We appreciate the trust all of you have placed in our management and we would like to extend a special welcome to all new shareholders.

Sincerely,

Harvey Merson  
President

Past Performance is no guarantee of future results. The Fund's average annual total return assumes reinvestment of all dividends and capital gain distributions. Investment return and principal value will fluctuate so that, when redeemed, an investor's shares may be worth more or less than their original cost

# MH Elite Portfolio of Funds, Inc.

## MH Elite Small Cap Fund of Funds Underlying Fund Diversification December 31, 2008

### Investment Category of Underlying Funds (as a % of Fund assets)

<b>Small Cap Value</b>	<b>%</b>	<b>Small Cap Blend</b>	<b>%</b>	<b>Small Cap Growth</b>	<b>%</b>
Paradigm Value	7.3	Keeley Small Cap Value I	8.6	Schroder US Opportunities Inv	10.0
Schneider Small Cap Value	6.9	Pacific Advisors Small Cap A	7.8	Loomis Sayles Small Cap Growth R	4.5
Allianz NFJ Small Cap Value I	6.2	T. Rowe Price Small Cap Value	6.8	Royce Value Plus Svc	4.5
iShares Russell 2000 Value Index	3.7	iShares Russell 2000 Index	5.6	Royce 100 Inv	4.1
		Stratton Small Cap Value	5.5		
		Parnassus Small Cap	4.5		
		Transamerica Premier Inst. Small Cap Value	3.2		
		Royce Micro Cap Inv	3.1		

### Short-Term Securities and Other Assets – 7.7%

Percentage of Fund assets allocated to each investment style based on the underlying securities held by each underlying fund

<b>Value</b>	<b>Blend</b>	<b>Growth</b>
26%	34%	40%

# MH Elite Portfolio of Funds, Inc.

## MH Elite Small Cap Fund of Funds Schedule of Investments December 31, 2008

<b>Mutual Funds (83.0%)</b>	<b>Shares</b>	<b>Value</b>
Schroder US Opportunities Inv	17,705	\$ 265,582
Keeley Small Cap Value I	14,000	229,040
Pacific Advisors Small Cap A	10,752	206,433
Paradigm Value	5,919	192,435
Schneider Small Cap Value	20,643	184,343
T Rowe Price Small Cap Value	7,625	179,194
Allianz NFJ Small Cap Value I	8,314	165,452
Stratton Small Cap Value	4,249	145,515
Loomis Sayles Small Cap Growth R	13,012	120,755
Parnassus Small Cap	9,501	119,992
Royce Value Plus Svc	15,000	119,250
Royce 100 Inv	18,727	107,491
Transamerica Premier Inst. Small Cap Value	8,777	83,909
Royce Micro Cap Inv	9,141	<u>81,626</u>
<b>Total Mutual Funds (Cost \$ 3,306,112)</b>		<b>2,201,017</b>
 <b>Exchange Traded Funds (9.3%)</b>		
iShares Russell 2000 Index	3,000	147,720
iShares Russell 2000 Value Index	2,000	<u>98,340</u>
<b>Total Exchange Traded Funds (Cost \$ 290,716)</b>		<b>246,060</b>
<b>Total Mutual Funds and Exchange Traded Funds (Cost \$ 3,596,828)</b>		<b>2,447,077</b>
 <b>Short-Term Securities (6.4%)</b>		
TD Ameritrade Money Market (Cost \$ 168,511)		<u>168,511</u>
<b>Total Investments in Securities (Cost \$ 3,765,339)</b>		<b>2,615,588</b>
<b>Other Assets (1.3%)</b>		<u>34,737</u>
<b>Net Assets (100%)</b>		<b><u>\$ 2,650,325</u></b>

The accompanying notes are integral part of these financial statements.

# MH Elite Portfolio of Funds, Inc.

## MH Elite Small Cap Fund of Funds Statement of Assets and Liabilities December 31, 2008

### Assets

Investments in securities at value (Cost \$ 3,765,339)	\$ 2,615,588
Cash	31,372
Dividend distribution receivable	<u>3,365</u>
Total Assets	<u>2,650,325</u>

### Liabilities

Total Liabilities	<u>-</u>
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### Net Assets

	<u>\$ 2,650,325</u>
Capital Stock, no par (issued and outstanding – 705,536)	\$ 4,093,203
Accumulated realized losses on investments	(293,127)
Net unrealized depreciation on investments	<u>(1,149,751)</u>
Net Assets	<u>\$ 2,650,325</u>
Net asset value per share	<u>\$ 3.76</u>

The accompanying notes are integral part of these financial statements.

# MH Elite Portfolio of Funds, Inc.

## MH Elite Small Cap Fund of Funds Statement of Operations For The Year Ended December 31, 2008

### Investment income

Dividend income from underlying funds	\$ 15,208
Dividend income from money market funds	<u>1,383</u>
Total investment income	<u>16,591</u>

### Expenses

Investment advisory fees (note 2)	37,386
Administrative service fees	<u>9,346</u>
Total expenses	<u>46,732</u>

**Net investment loss** (30,141)

### Realized and unrealized gain/(loss) on investments

Capital gain distributions from underlying funds	42,700
Net realized loss from investments	(335,828)
Net change in unrealized depreciation on investments	<u>(1,434,268)</u>
Net realized and unrealized loss on investments	<u>(1,727,396)</u>

**Net decrease in net assets resulting from operations** \$ (1,757,537)

The accompanying notes are integral part of these financial statements.

# MH Elite Portfolio of Funds, Inc.

## MH Elite Small Cap Fund of Funds Statements of Changes in Net Assets For The Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>Increase (decrease) in net assets from operations</b>		
Net investment loss	\$ (30,141)	\$ (33,138)
Capital gain distributions from underlying funds	42,700	314,292
Net realized gain (loss) from investments	(335,828)	322,106
Change in unrealized depreciation on investments	<u>(1,434,268)</u>	<u>(702,979)</u>
Net decrease in net assets resulting from operations	(1,757,537)	(99,719)
 <b>Distributions to shareholders from:</b>		
Net investment income	-	-
Realized gains	<u>-</u>	<u>(636,408)</u>
Total distributions	-	(636,408)
 <b>Capital share transactions (note 5)</b>	<u>(1,104,932)</u>	<u>(73,149)</u>
Total decrease	(2,862,469)	(809,276)
 Net assets at beginning of period	<u>5,512,794</u>	<u>6,322,070</u>
Net assets at end of period <sup>1</sup>	<u>\$ 2,650,325</u>	<u>\$ 5,512,794</u>

1. Includes \$0 and \$302 of undistributed net investment income, respectively.

The accompanying notes are integral part of these financial statements.

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# MH Elite Portfolio of Funds, Inc.

## MH Elite Fund of Funds Underlying Fund Diversification December 31, 2008

### Investment Category of Underlying Funds (as a % of Fund assets)

<b>Large Cap Value</b>	<b>%</b>	<b>Large Cap Blend</b>	<b>%</b>	<b>Large Cap Growth</b>	<b>%</b>
Amana Income	6.3	Fairholme	6.2	Amana Growth	6.0
Mainstay ICAP Select Equity I	5.6	Janus Contrarian	5.3	Primecap Odyssey Growth	5.3
Columbia Value and Restructuring Z	5.2	American Funds Fundamental Inv F2	5.0	Marsico 21st Century	5.0
Wasatch First Source Income Equity	5.1	Hartford Capital Appreciation I	4.3	Jordan Opportunity	3.9
BB&T Equity Income I	5.0				
Blackrock Equity Dividend I	4.8				
Dodge and Cox Stock	4.8				
Schneider Value	3.9				

<b>Mid Cap Value</b>	<b>%</b>	<b>Mid Cap Blend</b>	<b>%</b>	<b>Mid Cap Growth</b>	<b>%</b>
Artisan Mid Cap Value	4.8	Fidelity Leveraged Co Stk	3.3		

### Short-Term Securities and Other Assets – 10.2%

Percentage of Fund assets allocated to each investment style based on the underlying securities held by each underlying fund

<b>Value</b>	<b>Blend</b>	<b>Growth</b>
35%	36%	29%

# MH Elite Portfolio of Funds, Inc.

## MH Elite Fund of Funds Schedule of Investments December 31, 2008

<b>Mutual Funds (89.8%)</b>	<b>Shares</b>	<b>Value</b>
Amana Income	11,213	\$ 263,621
Fairholme	11,861	259,051
Amana Growth	15,589	251,143
Mainstay ICAP Select Equity I	9,852	234,569
Primecap Odyssey Growth	23,355	221,869
Janus Contrarian	23,010	221,586
Columbia Value and Restructuring Z	7,324	216,287
Wasatch First Source Income Equity	20,595	213,365
BB&T Equity Income I	20,898	211,074
American Funds Fundamental Inv F2	8,397	209,753
Marisco 21st Century	21,942	208,884
Dodge & Cox Stock	2,738	203,617
Artisan Mid Cap Value	15,527	201,234
BlackRock Equity Dividend I	15,113	200,252
Hartford Capital Appreciation I	8,447	180,334
Schneider Value	17,978	165,220
Jordon Opportunity	21,708	164,327
Fidelity Leveraged Co Stk	9,736	<u>140,583</u>
Total Mutual Funds (Cost \$ 5,712,375)		3,766,769
<b>Short-Term Securities (9.0%)</b>		
TD Ameritrade Money Market (Cost \$ 377,697)		<u>377,697</u>
Total Investments in Securities (Cost \$ 6,090,072)		4,144,466
<b>Other Assets (1.2%)</b>		<u>50,753</u>
<b>Net Assets (100%)</b>		<u>\$ 4,195,219</u>

The accompanying notes are integral part of these financial statements.

# MH Elite Portfolio of Funds, Inc.

## MH Elite Fund of Funds Statement of Assets and Liabilities December 31, 2008

### Assets

Investments in securities at value (Cost \$ 6,090,072)	\$ 4,144,466
Cash	43,197
Dividend distribution receivable	<u>7,556</u>
Total Assets	<u>4,195,219</u>

### Liabilities

Total Liabilities	<u>-</u>
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### Net Assets

	<u>\$ 4,195,219</u>
Capital Stock, no par (issued and outstanding – 1,205,339)	\$ 6,331,828
Accumulated realized losses on investments	(191,003)
Net unrealized depreciation on investments	<u>(1,945,606)</u>
Net Assets	<u>\$ 4,195,219</u>
Net asset value per share	<u>\$ 3.48</u>

The accompanying notes are integral part of these financial statements.

# MH Elite Portfolio of Funds, Inc.

## MH Elite Fund of Funds Statement of Operations For The Year Ended December 31, 2008

### Investment income

Dividend income from underlying funds	\$ 48,317
Dividend income from money market funds	<u>2,650</u>
Total investment income	<u>50,967</u>

### Expenses

Investment advisory fees (note 2)	57,707
Administrative service fees	<u>14,427</u>
Total expenses	<u>72,134</u>

**Net investment loss** (21,167)

### Realized and unrealized gain/(loss) on investments

Capital gain distributions from underlying funds	33,560
Net realized loss from investments	(224,563)
Net change in unrealized depreciation on investments	<u>(2,569,690)</u>
Net realized and unrealized loss on investments	<u>(2,760,693)</u>

**Net decrease in net assets resulting from operations** \$ (2,781,860)

The accompanying notes are integral part of these financial statements.

# MH Elite Portfolio of Funds, Inc.

## MH Elite Fund of Funds Statements of Changes in Net Assets For The Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>Increase (decrease) in net assets from operations</b>		
Net investment loss	\$ (21,167)	\$ (38,132)
Capital gain distributions from underlying funds	33,560	311,360
Net realized gain (loss) from investments	(224,563)	315,692
Change in unrealized depreciation on investments	<u>(2,569,690)</u>	<u>(196,966)</u>
Net increase (decrease) in net assets resulting from operations	(2,781,860)	391,954
 <b>Distributions to shareholders from:</b>		
Net investment income	(16,198)	(121,817)
Realized gains	<u>-</u>	<u>(450,906)</u>
Total distributions	(16,198)	(572,723)
 <b>Capital share transactions (note 5)</b>	<u>169,245</u>	<u>754,938</u>
Total increase (decrease)	(2,628,813)	574,169
 Net assets at beginning of period	<u>6,824,032</u>	<u>6,249,863</u>
Net assets at end of period <sup>1</sup>	<u>\$ 4,195,219</u>	<u>\$ 6,824,032</u>

1. Includes \$0 and \$6,580 of undistributed net investment income, respectively.

The accompanying notes are integral part of these financial statements.

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# MH Elite Portfolio of Funds, Inc.

## MH Elite Select Portfolio of Funds Underlying Fund Diversification December 31, 2008

### Investment Category of Underlying Funds (as a % of Fund assets)

<b>Long - Short</b>	<b>%</b>	<b>Latin America/ Emerging Markets</b>	<b>%</b>	<b>Precious Metals</b>	<b>%</b>
TFS Market Neutral	6.5	T. Rowe Price Latin America	3.1	USAA Precious Metals and Minerals	2.7
Diamond Hill Long-Short I	5.4	BLDRS Emerging Markets 50 ADR Index	3.0		
		Lazard Emerging Markets Equity I	2.7		
		Metzler/Payden European Emerging Markets	2.1		

<b>Natural Resources</b>	<b>%</b>	<b>Real Estate</b>	<b>%</b>	<b>Health Care</b>	<b>%</b>
Direxion Commodity Trends Strategy	2.1	CGM Realty	2.3	T. Rowe Price Health Sciences	3.3
Vanguard Energy	1.7			Blackrock Health Sciences Opportunities A	3.2

<b>World Allocation</b>	<b>%</b>	<b>Moderate Allocation</b>	<b>%</b>	<b>Conservative Allocation</b>	<b>%</b>
Ivy Asset Strategy Y	5.6	Leuthold Asset Allocation I	4.8	Permanent Portfolio	6.4
		Oakmark Equity & Income 1	3.6		

<b>Foreign Develop Markets</b>	<b>%</b>	<b>World Stock</b>	<b>%</b>	<b>Miscellaneous</b>	<b>%</b>
Allianz NFJ International Value I	3.1	Wintergreen	2.7	MFS Utilities A	2.7
Artio International Equity II I	3.0	Mutual Series Discovery Z	2.5	CGM Focus	1.8
Thomas White International	2.9			T. Rowe Price Media and Telecommunications	1.8
Harbor International I	2.8				
Blackrock International Opportunities I	2.8				
Janus Overseas	2.3				

**Short-Term Securities and Other Assets – 13.1%**

# MH Elite Portfolio of Funds, Inc.

## MH Elite Select Portfolio of Funds Schedule of Investments December 31, 2008

Mutual Funds (83.9%)	Shares	Value
TFS Market Neutral	14,001	\$ 184,390
Permanent Portfolio	5,495	179,758
Ivy Asset Strategy Y	8,720	157,826
Diamond Hill Long Short I	10,965	152,083
Leuthold Asset Allocation I	17,983	136,672
Oakmark Equity & Income 1	4,666	100,607
T. Rowe Price Health Sciences	4,765	94,343
Blackrock Health Sciences Opportunities A	4,142	90,140
T. Rowe Price Latin America	3,848	87,469
Allianz NFJ International Value I	6,241	86,505
Artio International Equity Fund II I	8,532	84,467
Thomas White International	7,088	83,359
Harbor International I	1,940	77,848
Blackrock International Opportunities I	3,308	77,605
Wintergreen	8,811	76,916
Lazard Emerging Markets Equity I	7,069	76,914
MFS Utilities A	6,527	76,241
USAA Precious Metals and Minerals	3,545	75,411
Mutual Series Discovery Z	3,109	70,087
CGM Realty	4,055	65,811
Janus Overseas	2,705	65,195
Metzler/Payden European Emerging Markets	4,761	60,325
Direxion Commodity Trends Strategy	1,819	59,349
CGM Focus	1,855	50,055
T. Rowe Price Media and Telecommunications	2,024	49,899
Vanguard Energy	1,096	<u>48,388</u>
 Total Mutual Funds (Cost \$ 3,174,906)		 2,367,663
 <b>Exchange Traded Funds (3.0%)</b>		
BLDRS Emerging Markets 50 ADR Index	3,100	<u>84,661</u>
Total Exchange Traded Funds (Cost \$ 143,740)		84,661
 Total Mutual Funds and Exchange Traded Fund (Cost \$ 3,318,646 )		 2,452,324
 <b>Short-Term Securities (8.4%)</b>		
TD Ameritrade Money Market (Cost \$ 236,064)		<u>236,064</u>
Total Investments in Securities (Cost \$ 3,554,710)		2,688,388
 <b>Other Assets (4.7%)</b>		 <u>133,434</u>
 <b>Net Assets (100%)</b>		 <u>\$ 2,821,822</u>

The accompanying notes are integral part of these financial statements.

# MH Elite Portfolio of Funds, Inc.

## MH Elite Select Portfolio of Funds Statement of Assets and Liabilities December 31, 2008

### Assets

Investments in securities at value (Cost \$ 3,554,710)	\$ 2,688,388
Cash	131,487
Dividend distribution receivable	<u>1,947</u>
Total Assets	<u>2,821,822</u>

### Liabilities

Total Liabilities	<u>-</u>
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### Net Assets

	<u>\$ 2,821,822</u>
Capital Stock, no par (issued and outstanding – 801,728)	\$ 4,119,011
Accumulated realized losses on investments	(430,867)
Net unrealized depreciation on investments	<u>(866,322)</u>
Net Assets	<u>\$ 2,821,822</u>
Net asset value per share	<u>\$ 3.52</u>

The accompanying notes are integral part of these financial statements.

# MH Elite Portfolio of Funds, Inc.

## MH Elite Select Portfolio of Funds Statement of Operations For The Year Ended December 31, 2008

### Investment income

Dividend income from underlying funds	\$ 40,422
Dividend income from money market funds	<u>6,636</u>
Total investment income	<u>47,058</u>

### Expenses

Investment advisory fees (note 2)	62,303
Administrative service fees	<u>8,900</u>
Total expenses	<u>71,203</u>

**Net investment loss** (24,145)

### Realized and unrealized gain (loss) on investments

Capital gain distributions from underlying funds	71,001
Net realized loss from investments	(348,282)
Net change in unrealized depreciation on investments	<u>(1,177,869)</u>
Net realized and unrealized loss on investments	<u>(1,455,150)</u>

**Net decrease in net assets resulting from operations** \$ (1,479,295)

The accompanying notes are integral part of these financial statements.

## MH Elite Portfolio of Funds, Inc.

### MH Elite Select Portfolio of Funds Statements of Changes in Net Assets For The Year Ended December 31, 2008 and For The Year Ended December 31, 2007

	2008	2007
<b>Increase (decrease) in net assets from operations</b>		
Net investment income (loss)	\$ (24,145)	\$ 3,013
Capital gain distributions from underlying funds	71,001	149,170
Net realized gain (loss) from investments	(348,282)	13,023
Change in unrealized appreciation (depreciation) on investments	<u>(1,177,869)</u>	<u>242,141</u>
Net increase (decrease) in net assets resulting from operations	(1,479,295)	407,347
 <b>Distributions to shareholders from:</b>		
Net investment income	(3,013)	(15,001)
Realized gains	<u>-</u>	<u>-</u>
Total distributions	(3,013)	(15,001)
 <b>Capital share transactions (note 5)</b>	<u>483,463</u>	<u>(752,194)</u>
Total decrease	(998,845)	(359,848)
 Net assets at beginning of period	<u>3,820,667</u>	<u>4,180,515</u>
Net assets at end of period <sup>1</sup>	<u>\$ 2,821,822</u>	<u>\$ 3,820,667</u>

1. Includes \$0 and \$7,734 of undistributed net investment income, respectively.

The accompanying notes are integral part of these financial statements.

# MH Elite Portfolio of Funds, Inc.

## Notes to Financial Statements December 31, 2008

### 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

MH Elite Portfolio of Funds, Inc. is an open-end diversified management investment company under the Investment Company Act of 1940 and its securities under the Securities Act of 1933. MH Elite Portfolio of Funds, Inc. was also organized as a corporation in New Jersey on October 20, 1997. MH Elite Portfolio of Funds, Inc. offers three funds to investors; MH Elite Small Cap Fund of Funds, MH Elite Fund of Funds, and MH Elite Select Portfolio of Funds (collectively, "the Funds"). The sale to its initial investor in MH Elite Small Cap Fund of Funds occurred on February 17, 1998, the sale to its initial investor in MH Elite Fund of Funds occurred on January 13, 2004, and the sale to its initial investor in MH Elite Select Portfolio of Funds occurred on April 6, 2006. The Funds act as their own custodian.

The primary objective of the Funds is long-term capital appreciation through investing in diversified and non-diversified regulated investment companies that will invest in equity securities and exchange traded funds (ETFs).

The following is a summary of the Funds' significant accounting policies:

*Underlying Fund Valuation* – Underlying funds are valued at the last reported net asset value as quoted by the respective fund with the resulting unrealized gains and losses included in income. United States Government obligations and other debt instruments having sixty days or less remaining until maturity are valued at amortized cost.

*Federal Income Taxes* – The Funds intend to qualify and continue to qualify each year as a regulated investment company and distribute all of its taxable income. In addition, by distributing in each calendar year substantially all of their net investment income, capital gain and certain other amounts, if any, the Funds will not be subject to a federal excise tax. Therefore, no federal income or excise tax provision is required.

The Fund adopted Financial Accounting Standards Board (FASB) Interpretation No. 48 - Accounting for Uncertainty in Income Taxes, on January 1 2007. FASB Interpretation No. 48 requires that the tax effects of certain tax positions be recognized. These tax provisions must meet a "more likely than not" standard that based on their technical merits, have a more than 50 percent likelihood of being sustained upon examination. At adoption, the financial statements must be adjusted to reflect only those tax positions that are more likely than not of being sustained. Management of the Fund does not believe that any adjustments were necessary to the financial statements at adoption.

*Distributions to Shareholders* – Dividends from net investment income, if any, are declared and paid annually. Capital gains, if any, are distributed to shareholders at least annually. Distributions are based on amounts calculated in accordance with applicable federal income tax regulations, which may differ from generally accepted accounting principles. These differences are due primarily to differing treatments of income and gain on various investment securities held by the Funds, timing differences and differing characterizations of distributions made by the Funds.

*Investment Income* – Dividend income is recorded on the ex-dividend date. Interest income is recorded on an accrual basis.

*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 increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

*Realized Gain and Loss* – Security transactions are recorded on a trade date basis. Realized gain and loss on investments sold are recorded on the basis of identified or average cost.

**MH Elite Portfolio of Funds, Inc.**  
**Notes to Financial Statements (Continued)**  
**December 31, 2008**

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

*Reclassifications:* In accordance with SOP-93-2 each Fund recorded a permanent book tax difference in its capital account of reclassifying net investment loss to paid-in-capital at December 31, 2008. This reclassification has no impact on the net asset value of the Funds and is designed generally to present undistributed income and net realized gains on a tax basis, which is considered to be more informative to shareholders. At December 31, 2008 the reclassification for each Fund is as follows:

Small Cap Fund - \$29,839      Fund of Funds - \$18,164      Select Portfolio of Funds - \$19,424

2. INVESTMENT ADVISORY FEES AND OTHER TRANSACTIONS WITH AFFILIATES

MH Investment Management Incorporated, (the "Adviser") furnishes the Funds with investment advice and, in general, supervises the management and investment program of the Funds. Harvey Merson and Jeff Holcombe each own 50 percent of the Adviser. Under the Investment Advisory Agreement, the Funds have agreed to pay the Investment Adviser an annual fee, payable monthly, a percentage of each of the Funds average daily net assets.

The expenses and fees that a shareholder of the Funds will incur are based on the Fund's average daily net assets and are as follows:

	MH Elite Small Cap Fund of Funds	MH Elite Fund of Funds	MH Elite Select Portfolio of Funds
Management Fees	1.00%	1.00%	1.75%
Distribution (and/or Service) (12b-1) Fees	None	None	None
Other Expenses	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>
Total Annual Fund Operating Expenses	1.25%	1.25%	2.00%

Other expenses of .25% will be paid to MH Investment Management Inc. as per the administrative services agreement. Under the agreement, MH Investment Management Inc. has agreed to pay the expenses incurred for the conduct of business by the Funds. The expenses incurred by the Funds that exceed the total annual fund operating expenses will be paid by the Adviser. The management fees and expenses of the underlying funds in which the Funds invest are not reflected in the table above. Generally, the operating expenses of the underlying funds range from 0.24% to 2.50% of average net assets.

For the period ended December 31, 2008 the management fees for each Fund were:

MH Elite Small Cap Fund of Funds	\$ 37,386
MH Elite Fund of Funds	\$ 57,707
MH Elite Select Portfolio of Funds	\$ 62,303

For the period ended December 31, 2008 other expenses for each Fund were:

MH Elite Small Cap Fund of Funds	\$ 9,346
MH Elite Fund of Funds	\$ 14,427
MH Elite Select Portfolio of Funds	\$ 8,900

**MH Elite Portfolio of Funds, Inc.**  
**Notes to Financial Statements (Continued)**  
**December 31, 2008**

3. PURCHASES AND SALES OF SECURITIES

The cost of securities purchased and the proceeds from sale of securities for the year ended December 31, 2008 aggregated for each Fund was:

	<u>Purchases</u>	<u>Sales</u>
MH Elite Small Cap Fund of Funds	\$ 1,486,327	\$ 2,570,800
MH Elite Fund of Funds	\$ 1,507,150	\$ 1,568,721
MH Elite Select Portfolio of Funds	\$ 1,525,340	\$ 1,133,027

For federal income tax purposes, the tax basis of investments is the same as for financial reporting purposes. At December 31, 2008, on a tax basis, gross unrealized appreciation and depreciation on investments for each Fund was:

	<u>Appreciation</u>	<u>Depreciation</u>
MH Elite Small Cap Fund of Funds	\$ 7,615	\$ 1,157,366
MH Elite Fund of Funds	\$ -	\$ 1,945,606
MH Elite Select Portfolio of Funds	\$ 14,713	\$ 881,035

4. INCOME TAXES

Income and long-term capital gain distributions are determined in accordance with federal income tax regulations, which may differ from accounting principles generally accepted in the United States.

As of December 31, 2008, the components of distributable earnings on a tax basis for each Fund are as follows:

	<u>MH Elite Small Cap Fund of Funds</u>	<u>MH Elite Fund of Funds</u>	<u>MH Elite Select Portfolio of Funds</u>
Undistributed ordinary income	\$ -	\$ -	\$ -
Undistributed long-term capital gain	\$ -	\$ -	\$ -
Unrealized depreciation	\$ (1,149,751)	\$ (1,945,606)	\$ (866,322)

The tax character of distributions paid by the Funds during the years ended December 31, 2008 and 2007 are as follows:

	<u>MH Elite Small Cap Fund of Funds</u>		<u>MH Elite Fund of Funds</u>		<u>MH Elite Select Portfolio of Funds</u>	
	2008	2007	2008	2007	2008	2007
Ordinary income	\$ -	\$ -	\$ 3,577	\$ 121,817	\$ -	\$ -
Long-term capital gain	\$ -	\$ 636,408	\$ 12,621	\$ 450,906	\$ -	\$ -
Dividends	\$ -	\$ -	\$ -	\$ -	\$ 3,013	\$ 15,001

**MH Elite Portfolio of Funds, Inc.**  
**Notes to Financial Statements (Continued)**  
**December 31, 2008**

5. CAPITAL SHARE TRANSACTIONS

As of December 31, 2008, 1,000,000,000 shares of no par value capital stock were authorized for all portfolios. Transactions in capital stock for each Fund are as follows:

	<b>MH Elite Small Cap Fund of Funds</b>		<b>MH Elite Small Cap Fund of Funds</b>	
	<b>For the year ended December 31, 2008</b>		<b>For the year ended December 31, 2007</b>	
	<b>Shares</b>	<b>Amount</b>	<b>Shares</b>	<b>Amount</b>
Shares Sold	103,547	\$ 485,532	76,614	\$ 583,637
Shares issued in reinvestment of distributions	-	-	99,631	622,693
	103,547	485,532	176,245	1,206,330
Shares redeemed	(284,176)	(1,590,464)	(172,589)	(1,279,479)
Net Increase/(Decrease)	(180,629)	\$ (1,104,932)	3,656	\$ (73,149)

	<b>MH Elite Fund of Funds</b>		<b>MH Elite Fund of Funds</b>	
	<b>For the year ended December 31, 2008</b>		<b>For the year ended December 31, 2007</b>	
	<b>Shares</b>	<b>Amount</b>	<b>Shares</b>	<b>Amount</b>
Shares Sold	123,775	\$ 558,095	117,073	\$ 750,928
Shares issued in reinvestment of distributions	4,562	15,877	95,367	559,804
	128,337	573,972	212,440	1,310,732
Shares redeemed	(90,500)	(404,727)	(88,097)	(555,794)
Net Increase	37,837	\$ 169,245	124,343	\$ 754,938

	<b>MH Elite Select Portfolio of Funds</b>		<b>MH Elite Select Portfolio of Funds</b>	
	<b>For the period ended December 31, 2008</b>		<b>For the period ended December 31, 2007</b>	
	<b>Shares</b>	<b>Amount</b>	<b>Shares</b>	<b>Amount</b>
Shares Sold	227,480	\$ 1,059,885	128,510	\$ 657,742
Shares issued in reinvestment of distributions	856	3,013	2,778	15,001
	228,336	1,062,898	131,288	672,743
Shares redeemed	(135,298)	(579,435)	(285,815)	(1,424,937)
Net Increase/(Decrease)	93,038	\$ 483,463	(154,527)	\$ (752,194)

**MH Elite Portfolio of Funds, Inc.**  
**Notes to Financial Statements (Continued)**  
**December 31, 2008**

6. FAIR VALUE

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("FAS 157"). FAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. FAS 157 establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and is to be applied prospectively as of the beginning of the fiscal year in which FAS 157 is initially applied.

The Fund determined the adaption of FAS 157 had no effect on its financial statements. All securities purchased by the Fund trade on national stock exchanges, are liquid and have closing prices that are readily available for use in pricing the Fund securities on a daily basis. Various inputs are used in determining the value of the Fund's investments. These inputs are summarized in the three broad levels listed below:

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.)

Level 3 – Significant unobservable inputs (including 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 Funds' net assets as of December 31, 2008:

Valuation Inputs	MH Elite Small Cap Fund of Funds	MH Elite Fund of Funds	MH Elite Select Portfolio of Funds
Level 1 – Quoted prices	\$ 2,615,588	\$ 4,144,466	\$ 2,688,388
Level 2 – Other significant observable inputs	-	-	-
Level 3 – Significant unobservable inputs	-	-	-
Total	\$ 2,615,588	\$ 4,144,466	\$ 2,688,388

The Funds adopted Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 Accounting for Uncertainty in Income Taxes on January 1, 2007. FASB Interpretation No. 48 requires the tax effects of certain tax positions to be recognized. These tax positions must meet a "more likely than not" standard that based on their technical merits have a more than fifty percent likelihood of being sustained upon examination. At adoption, the financial statements must be adjusted to reflect only those tax positions that are more likely than not of being sustained. Management of the Funds does not believe that any adjustments were necessary to the financial statements at adoption.

7. NEW ACCOUNTING PRONOUNCEMENT

In March 2008, FASB issued the Statement of Financial Accounting Standards No. 161, "Disclosures about Derivative Instruments and Hedging Activities" ("SFAS 161"). SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008. SFAS 161 requires enhanced disclosures about the Fund's derivative and hedging activities, including how such activities are accounted for and their effect on the Fund's financial position, performance and cash flows. Management is currently evaluating the impact the adoption of SFAS 161 will have on the Fund's financial statements and related disclosures.

# MH Elite Portfolio of Funds, Inc.

## MH Elite Small Cap Fund of Funds Financial Highlights For a share of capital stock outstanding throughout the period

	For the Years Ended December 31,				
	2008	2007	2006	2005	2004
<b>PER SHARE DATA:</b>					
<b>Net asset value, beginning of period</b>	\$ 6.22	\$ 7.16	\$ 7.13	\$ 7.39	\$ 7.06
<b>Income from Investment Operations:</b>					
Net Investment Loss (a) (c)	(0.04)	(0.04)	(0.07)	(0.08)	(0.08)
Net Realized and Unrealized Gain/(Loss) on Investments	(2.42)	(0.09)	1.00	0.53	1.19
<b>Total Income/(Loss) from Investment Operations</b>	<b>(2.46)</b>	<b>(0.13)</b>	<b>0.93</b>	<b>0.45</b>	<b>1.11</b>
<b>Distributions to shareholders from:</b>					
Net investment income	-	-	(0.18)	(0.10)	(0.18)
Realized gains	-	(0.81)	(0.72)	(0.61)	(0.60)
<b>Net asset value, end of period</b>	<b>\$ 3.76</b>	<b>\$ 6.22</b>	<b>\$ 7.16</b>	<b>\$ 7.13</b>	<b>\$ 7.39</b>
<b>Total Return (b)</b>	<b>-39.55%</b>	<b>-1.88%</b>	<b>13.04%</b>	<b>6.09%</b>	<b>15.72%</b>
<b>Ratios and Supplemental Data:</b>					
Net assets, end of period (in 000's)	\$ 2,650	\$ 5,513	\$ 6,322	\$ 5,549	\$ 5,185
Ratio of Expenses to Average Net Assets (c)	1.22%	1.26%	1.24%	1.24%	1.23%
Ratio of Net Investment Loss to Average Net Assets (c)	-0.79%	-0.53%	-0.91%	-1.06%	-1.16%
Portfolio turnover rate (%)	40.40%	42.48%	33.22%	29.67%	33.60%

- (a) Per share net investment loss has been determined on the average number of shares outstanding during the period.
- (b) Total return assumes reinvestment of dividends.
- (c) Net investment income and expense ratios do not reflect the Fund of Funds' proportionate share of income and expense of the underlying funds.

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

# MH Elite Portfolio of Funds, Inc.

## MH Elite Fund of Funds Financial Highlights For a share of capital stock outstanding throughout the period

	For the Years Ended December 31,				For the period January 13, 2004 to December 31, 2004 (a)
	2008	2007	2006	2005	
<b>PER SHARE DATA:</b>					
<b>Net asset value, beginning of period</b>	\$ 5.84	\$ 5.99	\$ 5.62	\$ 5.41	\$ 5.00
<b>Income from Investment Operations:</b>					
Net Investment Loss (b) (e)	(0.02)	(0.04)	(0.02)	(0.03)	(0.03)
Net Realized and Unrealized Gain/(Loss) on Investments	<u>(2.33)</u>	<u>0.42</u>	<u>0.69</u>	<u>0.40</u>	<u>0.48</u>
<b>Total Income/(Loss) from Investment Operations</b>	<u>(2.35)</u>	<u>0.38</u>	<u>0.67</u>	<u>0.37</u>	<u>0.45</u>
<b>Distributions to shareholders from:</b>					
Net investment income	(0.01)	(0.11)	(0.03)	(0.03)	-
Realized gains	<u>-</u>	<u>(0.42)</u>	<u>(0.27)</u>	<u>(0.13)</u>	<u>(0.04)</u>
<b>Net asset value, end of period</b>	\$ 3.48	\$ 5.84	\$ 5.99	\$ 5.62	\$ 5.41
<b>Total Return (c)</b>	-40.41%	6.37%	11.92%	6.84%	9.00%
<b>Ratios and Supplement Data:</b>					
Net assets, end of period (in 000's)	<u>\$ 4,195</u>	<u>\$ 6,824</u>	<u>\$ 6,250</u>	<u>\$ 5,026</u>	<u>\$ 4,208</u>
Ratio of Expenses to Average Net Assets (e)	1.24%	1.25%	1.24%	1.25%	1.32% (d)
Ratio of Net Investment Loss to Average Net Assets (e)	-0.36%	-0.58%	-0.41%	-0.75%	-0.70% (d)
Portfolio turnover rate (%)	26.85%	28.51%	31.55%	32.90%	11.50%

- (a) Commencement of operations began on January 13, 2004.  
(b) Per share net investment loss has been determined on the average number of shares outstanding during the period.  
(c) Total return assumes reinvestment of dividends.  
(d) Annualized.  
(e) Net investment income and expense ratios do not reflect the Fund of Funds' proportionate share of income and expense of the underlying funds.

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

# MH Elite Portfolio of Funds, Inc.

## MH Elite Select Portfolio of Funds Financial Highlights For a share of capital stock outstanding throughout the period

	For the Years Ending December 31,		For The Period
	2008	2007	April 6, 2006 to December 31, 2006 (a)
<b>PER SHARE DATA:</b>			
<b>Net asset value, beginning of period</b>	\$ 5.39	\$ 4.84	\$ 5.00
<b>Income from Investment Operations:</b>			
Net Investment Gain/(Loss) (b) (e)	(0.03)	0.01	0.02
Net Realized and Unrealized Gain/(Loss) on Investments	(1.83)	0.56	(0.18)
<b>Total Income/(Loss) from Investment Operations</b>	(1.86)	0.57	(0.16)
<b>Distributions to shareholders from:</b>			
Net investment income	(0.01)	(0.02)	-
Realized gains	-	-	-
<b>Net asset value, end of period</b>	\$ 3.52	\$ 5.39	\$ 4.84
<b>Total Return (c)</b>	-34.69%	11.78%	-3.20%
<b>Ratios and Supplement Data:</b>			
Net assets, end of period (in 000's)	\$ 2,822	\$ 3,821	\$ 4,181
Ratio of Expenses to Average Net Assets (e)	1.99%	1.97%	1.95% (d)
Ratio of Net Investment Income/(Loss) to Average Net Assets (e)	-0.68%	0.08%	1.09% (d)
Portfolio turnover rate (%)	35.90%	79.36%	120.49%

- (a) Commencement of operations began on April 6, 2006.
- (b) Per share net investment income/(loss) has been determined on the average number of shares outstanding during the period.
- (c) Total return assumes reinvestment of dividends.
- (d) Annualized.
- (e) Net investment income and expense ratios do not reflect the Fund of Funds' proportionate share of income and expense of the underlying funds.

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

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of  
MH Elite Portfolio of Funds, Inc.

We have audited the accompanying statement of assets and liabilities of MH Elite Small Cap Fund of Funds ("Small Cap"), MH Elite Fund of Funds ("Fund of Funds") and MH Elite Select Portfolio of Funds ("Select"), (collectively the "Funds"), (each a series of MH Elite Portfolio of Funds, Inc.) including the schedules of investments, as of December 31, 2008 and the related statements of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended for the Small Cap, the four years in the period then ended and for the period January 13, 2004 (commencement of operations) to December 31, 2004 for the Fund of Funds, and for the two years in the period then ended and the period April 6, 2006 (commencement of operations) to December 31, 2006 for the Select Fund. These financial statements and financial highlights are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements 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 audit 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, 2008, verified by examination through correspondence with brokers. 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 positions of the Funds as of December 31, 2008, the results of their operations for the year then ended, the changes in their net assets and the financial highlights for the periods indicated therein, in conformity with accounting principles generally accepted in the United States of America.

Abington, Pennsylvania  
February 25, 2009

*Saville & Company*

**MH Elite Portfolio of Funds, Inc.**  
**ADDITIONAL INFORMATION**  
**December 31, 2008**

**PROXY VOTING GUIDELINES**

MH Elite Portfolio of Funds, Inc. has adopted the policy of always voting in line with management recommendations. If, at any time, we feel the fund management of an underlying fund within one of our portfolios is not working in the best interests of our shareholders we will liquidate our position in that fund. It is not our intent to change or alter the management or policies of the underlying funds. The most effective way to voice our concerns or displeasure with the management of a fund company is to simply not invest in their fund(s). We will only invest in fund companies that we feel will help us to meet our investment objectives and, in turn, serve the needs of our shareholders.

**SCHEDULE OF INVESTMENTS (FORM N-Q)**

The SEC has adopted the requirement that all funds file a complete schedule of investments with the SEC for their first and third fiscal quarters on Form N-Q for fiscal quarters ending after July 9, 2004. **For the MH Elite Small Cap Fund of Funds, MH Elite Fund of Funds, and MH Elite Select Portfolio of Funds this would be for the fiscal quarters ending March 31 and September 30.** The Form N-Q filing must be made within 60 days of the end of the quarter. The MH Elite Small Cap Fund of Funds, MH Elite Fund of Funds, and MH Elite Select Portfolio of Funds Forms N-Q will be available on the SEC's website at <http://www.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 1-800-318-7969.

**BOARD APPROVAL OF INVESTMENT ADVISORY AGREEMENT**

On November 17, 2008, the non-interested Board of Directors of the Funds approved the continuation of the advisory agreement for an additional year with MH Investment Management Inc. Materials provided to and discussed with the Board contained information, including comparative fund information relating to performance, advisory fees and other expenses, with respect to numerous factors, including the following:

- The background, education and experience of the Advisor's personnel
- Investment strategies and decision making processes
- The nature, extent and quality of the services to be provided by the investment adviser
- Investment performance of the Funds
- Compensation to the adviser and analysis of the adviser's profitability with respect to the Funds
- Financial condition and stability of the adviser
- Possible conflicts of interest between the adviser and the Funds
- Overall fund expenses and expense ratios of the Funds

The Board considered the scope and quality of services provided by the Advisor. Services provided by the Advisor include all operations of the Funds including portfolio management, transfer and shareholder services. Only accounting, auditing and legal services are outsourced by the adviser. Based on the fees available and paid to the adviser, the Board concluded that management fees are fair and reasonable with respect to the quality of service provided and in light of other factors that the Board deemed relevant to the structure of the Funds. The Board, to factor in economies of scale as the Funds grow, will reexamine the current fee structure when the Funds' assets reach at least \$35 million. Based on their review, the Board concluded that the Advisor had the capabilities, resources and personnel necessary to manage the Funds.

The Board compared the performance of the Funds to benchmark indices over various periods of time and concluded the performance of the Funds warranted the continuation of the advisory agreement.

The Board was advised the Funds have no soft dollar arrangements with any third parties and transaction fees, when applicable in the buying and selling of underlying funds, are paid by the adviser.

**MH Elite Portfolio of Funds, Inc.**  
**ADDITIONAL INFORMATION**  
**December 31, 2008**

**EXPENSE EXAMPLE**

As a shareholder of the MH Elite Small Cap Fund of Funds, MH Elite Fund of Funds, and/or MH Elite Select Portfolio of Funds you incur two types of costs: (1) management fees and (2) other Fund operating 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, July 1, 2008 through December 31, 2008.

**ACTUAL EXPENSES**

The first three lines of the table below provide information about actual account values and actual expenses. You may use the information in these lines, 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, second, and/or third 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 fourth and fifth lines of the table below provide information about hypothetical account values and hypothetical expenses based on the Funds' actual expense ratios and an assumed rate of return of 5% per year before expenses, which are not the Funds' actual returns. 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 these Funds 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.

	Beginning Account Value July 1, 2008	Ending Account Value December 31, 2008	Expenses Paid During the Period July 1, 2008 to December 31, 2008 <sup>(a)</sup>
Actual – MH Elite Small Cap Fund of Funds	\$1,000	\$655	\$5.20 <sup>(b)</sup>
Actual – MH Elite Fund of Funds	\$1,000	\$650	\$5.18 <sup>(b)</sup>
Actual – MH Elite Select Portfolio of Funds	\$1,000	\$688	\$8.49 <sup>(c)</sup>
Hypothetical with expense ratio of 1.25% (5% return before expenses)	\$1,000	\$1,025	\$6.36
Hypothetical with expense ratio of 2.0% (5% return before expenses)	\$1,000	\$1,025	\$10.18

- (a) The management fees and expenses of the underlying funds in which the Funds invest are not reflected in the table above. Generally, the operating expenses of the underlying funds range from 0.24% to 2.50% of average net assets.
- (b) Expenses are equal to the Fund's annualized expense ratio of 1.25%, multiplied by the average account value over the period, multiplied by 184 / 366 (to reflect the one-half year period).
- (c) Expenses are equal to the Fund's annualized expense ratio of 2.00%, multiplied by the average account value over the period, multiplied by 184 / 366 (to reflect the one-half year period).

**BOARD OF DIRECTORS INFORMATION**  
**MH Elite Small Cap Fund of Funds, MH Elite Fund of Funds, and**  
**MH Elite Select Portfolio of Funds**  
**December 31, 2008**

The business and affairs of the Funds are managed under the direction of the Funds' Board of Directors. Information pertaining to the Directors of the Funds is set forth below. The Statement of Additional Information includes additional information about the Funds' Directors and is available, without charge, by calling 1-800-318-7969. Each director may be contacted by writing to the director c/o MH Elite Portfolio of Funds, Inc., 220 Russell Avenue, Rahway, NJ 07065.

All independent and interested directors serve on the Board of Directors of each Fund.

<b>Name, Address, and Age</b>	<b>Position(s) Held with Fund</b>	<b>Term of Office and Length of Time Served</b>	<b>Principal Occupation(s) During the Past Five Years</b>	<b>Number of Portfolios Overseen Within the Fund Complex</b>	<b>Other Directorships Held Outside of the Fund Complex</b>
Vincent Farinaro 565 Fallbrook Drive Venice, FL 34292 80	Independent Director	One Year, Since 7-31-1998	Retired	3	None
Howard Samms 4 Surrey Lane Lambertville, NJ 08530 63	Independent Director, Chairman of the Board	One Year, Since 7-31-1998  Since 1-1-2005	Retire from Johnson and Johnson Healthcare Systems, Director of Finance	3	None
Jerome Stern 44 Dexter Drive North Basking Ridge, NJ 07920 80	Independent Director	One Year, Since 8-6-1999	Retired	3	None
Tice Walker 52 Oak Avenue Metuchen, NJ 08840 40	Independent Director	One Year, Since 9-1-2003	Actuary	3	None
Jeff Holcombe <sup>(a)</sup> 8 Guildford Court Annandale, NJ 08801 53	Interested Director, Vice-President	One Year, Since 7-31-1998	Telcordia Technologies, Director of Software Development	3	None
Vincent Rettino <sup>(b)</sup> 235 Russell Avenue Rahway, NJ 07065 33	Interested Director	One Year, Since 10-31-2008	Teacher Union, NJ School District, MH Investment Management Research Assistant	3	None

(a) Mr. Holcombe is an "interested person" (as defined in the Investment Company Act of 1940) by virtue of his position as co-owner of the Fund's Investment Adviser.

(b) Mr. Rettino is an "interested person" (as defined in the Investment Company Act of 1940) by performing research and analysis for the Fund's Investment Adviser.

**Director Compensation**

Each director, if any, who is not an "interested director" as defined in the Investment Company Act of 1940 is paid \$500 annually for each fund he/she oversees. Additionally, the Chairman of the Board is paid \$125 annually per Fund. The Directors periodically review their fees to ensure that such fees continue to be appropriate in light of their responsibilities as well as in relation to fees paid to trustees of other mutual fund complexes. Neither the interested Director nor any officer of the Funds receives any compensation from the Funds.

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This report is submitted for the general information of the shareholders of the Funds. It is not authorized for distribution to prospective investors in the Funds unless preceded or accompanied by an effective prospectus, which includes information regarding the Funds' objectives and policies, experience of its management, marketability of shares, and other information.

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**MH Elite Portfolio of Funds, Inc.**

**220 Russell Avenue  
Rahway, New Jersey 07065  
1-800-318-7969  
www.mhelite.com**

*Mutual funds composed of a diversified group of underlying funds for long-term capital appreciation.*

**MH Elite Portfolio of Funds, Inc.**

220 Russell Avenue  
Rahway, New Jersey 07065

**Investment Adviser**

MH Investment Management, Inc.  
220 Russell Avenue  
Rahway, New Jersey 07065



**Annual Report  
to  
Shareholders  
December 31, 2008**

