

SEMI-ANNUAL REPORT

Managers Funds

June 30, 2009

Managers Special Equity Fund



Managers
INVESTMENT GROUP

Managers Special Equity Fund

Semi-Annual Report — June 30, 2009 (unaudited)

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Nothing contained herein is to be considered an offer, sale or solicitation of an offer to buy shares of any series of the Managers Family of Funds. Such offering is made only by Prospectus, which includes details as to offering price and other material information.

About Your Fund's Expenses (unaudited)

As a shareholder of a Fund, you may incur two types of costs: (1) transaction costs, which may include sales charges (loads) on purchase payments; redemption fees; and exchange fees; and (2) ongoing costs, including management fees; distribution (12b-1) 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 \$1,000 invested at the beginning of the period and held for the entire period as indicated below.

Actual Expenses

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

Hypothetical Example for Comparison Purposes

The second line of the following table provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed annual rate of return of 5% 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 by comparing 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 sales charges (loads), redemption fees, or exchange fees. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds.

Six Months Ended June 30, 2009	Expense Ratio for the Period	Beginning Account Value 01/01/2009	Ending Account Value 06/30/2009	Expenses Paid During the Period*
Managers Special Equity Fund - Managers Shares				
Based on Actual Fund Return	1.61%	\$1,000	\$1,072	\$8.27
Based on Hypothetical 5% Annual Return	1.61%	\$1,000	\$1,017	\$8.05
Managers Special Equity Fund - Institutional Shares				
Based on Actual Fund Return	1.36%	\$1,000	\$1,073	\$6.99
Based on Hypothetical 5% Annual Return	1.36%	\$1,000	\$1,018	\$6.80

* Expenses are equal to the Fund's annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half-year (181), then divided by 365.

Managers Special Equity Fund Performance

All periods ended June 30, 2009 (unaudited)

The table below shows the average annual total returns from June 30, 1999 through June 30, 2009 of the Special Equity Fund, the Russell 2000® Index and the Russell 2000® Growth Index for the same time periods.

Managers Special Equity Fund ²	Average Annual Total Returns ¹				Inception Date
	Six Months	One Year	Five Years	Ten Years	
Managers Class	7.17%	(30.48)%	(5.22)%	0.97%	6/1/1984
Institutional Class	7.30%	(30.31)%	(5.01)%	N/A	5/3/2004
Russell 2000® Growth Index	11.36%	(24.85)%	(1.32)%	(0.89)%	
Russell 2000® Index	2.64%	(25.01)%	(1.71)%	2.38%	

The performance data shown represents past performance. Past performance is not a guarantee of future results. Current performance may be lower or higher than the performance data quoted. The investment return and the principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. For performance information through the most recent month end please call (800) 835-3879 or visit our Web site at www.managersinvest.com.

In choosing a Fund, investors should carefully consider the amount they plan to invest, their investment objectives, the Fund's investment objectives, risks, charges and expenses before investing. For this and other information, please call (800) 835-3879 or visit www.managersinvest.com for a free prospectus. Read it carefully before investing or sending money. Distributed by Managers Distributors, Inc., member FINRA.

The Fund is subject to risks associated with investments in small capitalization companies, such as erratic earnings patterns, competitive conditions, limited earnings history, and a reliance on one or a limited number of products.

The Russell 2000® Index was the Fund's prior benchmark. Effective May 26, 2009, the Investment Manager changed the benchmark to the Russell 2000® Growth Index because it determined that the Russell 2000® Growth Index more accurately reflects the Fund's investments. The Russell 2000® Index is composed of the 2,000 smallest stocks in the Russell 3000® Index and is widely regarded in the industry as the premier measure of small-cap stock performance. The Russell 2000® Growth Index measures the performance of the Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values. Unlike the Fund, the Indexes are unmanaged, are not available for investment, and reflect no deduction for fees and expenses.

The Russell 2000® Index and Russell 2000® Growth Index are trademarks of Russell Investments. Russell® is a trademark of Russell Investments.

¹ Total return equals income yield plus share price change and assumes reinvestment of all dividends and capital gain distributions. Returns are net of fees and may reflect offsets of Fund expenses as described in the Prospectus. No adjustment has been made for taxes payable by shareholders on their reinvested dividends and capital gain distributions. Returns for periods greater than one year are annualized. The listed returns on the Fund are net of expenses and based on the published NAV as of June 30, 2009. All returns are in U.S. dollars(\$).

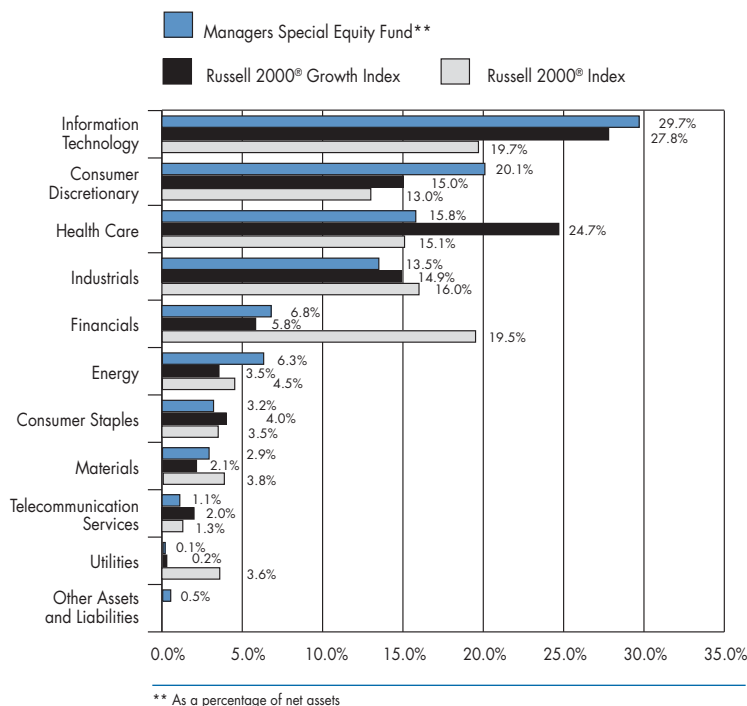
² From time to time, the Fund's advisor has waived its fees and/or absorbed Fund expenses, which has resulted in higher returns.

Not FDIC insured, nor bank guaranteed. May lose value.

Managers Special Equity Fund Fund Snapshots

June 30, 2009 (unaudited)

Portfolio Breakdown



Industry	Managers Special Equity Fund**	Russell 2000® Growth Index	Russell 2000® Index
Information Technology	29.7%	27.8%	19.7%
Consumer Discretionary	20.1%	15.0%	13.0%
Health Care	15.8%	24.7%	15.1%
Industrials	13.5%	14.9%	16.0%
Financials	6.8%	5.8%	19.5%
Energy	6.3%	3.5%	4.5%
Consumer Staples	3.2%	4.0%	3.5%
Materials	2.9%	2.1%	3.8%
Telecommunication Services	1.1%	2.0%	1.3%
Utilities	0.1%	0.2%	3.6%
Other Assets and Liabilities	0.5%	0.0%	0.0%

Top Ten Holdings

Security Name	Percentage of Net Assets
Starent Networks Corp.	1.5%
HMS Holdings Corp.*	1.5
99 Cents Only Stores	1.5
NetLogic Microsystems, Inc.	1.4
Monolithic Power Systems, Inc.	1.2
Concur Technologies, Inc.	1.2
athenahealth, Inc.	1.1
Rackspace Hosting, Inc.	1.1
Chico's FAS, Inc.	1.0
Gymboree Corp.	0.9
Top Ten as a Group	12.4%

* Top Ten Holding at December 31, 2008

Any sectors, industries, or securities discussed should not be perceived as investment recommendations. Mention of a specific security should not be considered a recommendation to buy or solicitation to sell that security. Specific securities mentioned in this report may have been sold from the Fund's portfolio of investments by the time you receive this report.

Managers Special Equity Fund

Schedule of Portfolio Investments

June 30, 2009 (unaudited)

	Shares	Value		Shares	Value			
Common Stocks - 99.5%								
Consumer Discretionary - 20.1%								
99 Cents Only Stores*	353,034	\$4,794,203	K12, Inc.*	37,079	\$799,052			
Aaron Rents, Inc.	46,394 ²	1,383,469	Lincoln Educational Services Corp.*	21,667	453,490			
Aeropostale, Inc.*	38,085	1,305,173	Lululemon Athletica, Inc.*	70,485 ²	918,420			
American Eagle Outfitters, Inc.	74,500	1,055,665	Lumber Liquidators, Inc.*	44,900 ²	707,624			
American Public Education, Inc.*	20,442	809,708	Men's Wearhouse, Inc.	30,300	581,154			
America's Car-Mart, Inc.*	41,476	850,258	Monro Muffler Brake, Inc.	40,670	1,045,626			
Ameristar Casinos, Inc.	31,900	607,057	Netflix, Inc.*	7,073 ²	292,398			
Barnes & Noble, Inc.	6,420	132,445	P.F. Chang's China Bistro, Inc.*	38,713 ²	1,241,139			
BJ's Restaurants, Inc.*	58,840	992,631	Panera Bread Co., Class A*	16,640	829,670			
Blue Nile, Inc.*	5,746 ²	247,021	Papa John's International, Inc.*	42,961	1,065,003			
Brink's Home Security Holdings, Inc.*	7,691	217,732	Penn National Gaming, Inc.*	14,200	413,362			
Buckle, Inc., The	53,262 ²	1,692,134	PetMed Express, Inc.*	66,036	992,521			
California Pizza Kitchen, Inc.*	58,546	778,076	Polaris Industries, Inc.	18,900 ²	607,068			
Capella Education Co.*	12,895	773,055	Steven Madden, Ltd.*	101,181	2,575,057			
Career Education Corp.*	9,143	227,569	Strayer Education, Inc.	3,729 ²	813,332			
Carter's, Inc.*	37,822	930,799	Tempur-Pedic International, Inc.	56,100 ²	733,227			
Cato Corporation, The, Class A	45,896	800,426	Texas Roadhouse, Inc., Class A*	210,242	2,293,740			
CEC Entertainment, Inc.*	15,756	464,487	Timberland Co.*	33,724	447,517			
Cheesecake Factory, Inc., The*	59,478	1,028,969	Tractor Supply Co.*	12,500	516,500			
Chico's FAS, Inc.*	312,789	3,043,438	True Religion Apparel, Inc.*	30,683	684,231			
Children's Place Retail Stores, Inc., The*	24,245	640,795	Tupperware Brands Corp.	46,092	1,199,314			
Chipotle Mexican Grill, Inc.*	9,700 ²	776,000	Under Armour, Inc., Class A*	10,100 ²	226,038			
Chipotle Mexican Grill, Inc., Class B*	8,130	567,393	Universal Electronics, Inc.*	28,000	564,760			
Citi Trends, Inc.*	32,618	844,154	Warnaco Group, Inc., The*	46,107	1,493,867			
Corinthian Colleges, Inc.*	55,480	939,276	Westport Innovations, Inc.*	110,160	891,194			
Cracker Barrel Old Country Store, Inc.	27,147	757,401	WMS Industries, Inc.*	37,790	1,190,763			
Ctrip.com International, Ltd.	30,400	1,407,520	Total Consumer Discretionary		63,812,114			
Dick's Sporting Goods, Inc.*	12,218	210,150	Consumer Staples - 3.2%					
DineEquity, Inc.	17,500 ²	545,825	American Italian Pasta Co.*	22,400 ²	652,736			
Domino's Pizza, Inc.*	77,074	577,284	Bare Escentuals, Inc.*	50,200	445,274			
Dress Barn, Inc., The*	54,007	772,300	Calavo Growers, Inc.	21,646	429,240			
Fossil, Inc.*	57,656	1,388,356	Casey's General Stores, Inc.	36,617	940,691			
Group 1 Automotive, Inc.	84,501	2,198,716	Diamond Foods, Inc.	1,076	30,020			
Gymboree Corp.*	84,901	3,012,288	Green Mountain Coffee Roasters, Inc.*	17,241 ²	1,019,288			
hgregg, Inc.*	33,738	511,468	Hansen Natural Corp.*	3,300	101,706			
Hibbett Sports, Inc.*	26,298	473,364	Lancaster Colony Corp.	32,244	1,420,993			
Home Inns & Hotels Management Inc., ADR*	39,188 ²	622,697	Lance, Inc.	35,777	827,522			
J. Crew Group, Inc.*	31,305	845,861	Nu Skin Enterprises, Inc., Class A	64,692	989,788			
Jos. A. Bank Clothiers, Inc.*	29,335 ²	1,010,884	Prestige Brands Holdings, Inc.*	78,500	482,775			
			TreeHouse Foods, Inc.*	87,640	2,521,403			
			Zhongpin, Inc.*	33,081	342,719			
			Total Consumer Staples		10,204,155			

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

Managers Special Equity Fund
Schedule of Portfolio Investments (continued)

	Shares	Value		Shares	Value
Energy - 6.3%			Health Care - 15.8%		
Arena Resources, Inc.*	84,490	\$2,691,006	Acorda Therapeutics, Inc.*	47,889	\$1,349,991
CARBO Ceramics, Inc.	16,995 ²	581,229	Air Methods Corp.*	11,437	312,916
Clean Energy Fuels Corp.*	107,800 ²	928,158	Alexion Pharmaceuticals, Inc.*	25,100	1,032,112
Core Laboratories, N.V.	30,310 ²	2,641,516	Align Technology, Inc.*	58,947	624,838
Dril-Quip, Inc.*	16,200	617,220	Allos Therapeutics, Inc.*	66,400	550,456
EXCO Resources, Inc.*	143,815	1,858,090	Amedisys, Inc.*	24,024	793,272
Goodrich Petroleum Corp.*	92,500	2,274,575	American Medical Systems Holdings, Inc.*	104,841	1,656,488
Gulfport Energy Corp.*	75,800	519,230	AMERIGROUP Corp.*	30,600	821,610
Matrix Service Co.*	86,900	997,612	AMN Healthcare Services, Inc.*	84,900	541,662
Oceaneering International, Inc.*	46,346	2,094,839	AmSurg Corp.*	17,000	364,480
Parker Drilling, Co.*	105,100	456,134	athenahealth, Inc.*	94,657	3,503,256
Quicksilver Resources, Inc.*	50,100 ²	465,429	Bruker BioSciences Corp.*	55,479	513,736
Rosetta Resources, Inc.*	183,143	1,602,501	CardioNet, Inc.*	17,587	287,020
Superior Energy Services, Inc.*	74,344	1,283,921	Catalyst Health Solutions, Inc.*	31,500	785,610
Willbros Group, Inc.*	44,000	550,440	Chemed Corp.	30,625	1,209,075
World Fuel Services Corp.	7,953	327,902	Conceptus, Inc.*	49,079	829,435
Total Energy		19,889,802	Crucell N.V., ADR*	27,200	654,432
Financials - 6.8%			Cyberonics, Inc.*	43,946	730,822
Amtrust Financial Services, Inc.	632	7,205	DexCom, Inc.*	145,791	902,446
BOK Financial Corp.	41,012	1,544,922	Eclipsys Corp.*	34,893	620,398
Broadpoint Gleacher Securities, Inc.*	61,900	345,402	Emergency Medical Services Corp., Class A*	6,935	255,347
Calamos Asset Management, Inc. - A	69,033	974,056	Eurand N.V.*	82,200	1,068,600
eHealth, Inc.*	35,516	627,213	Genoptix, Inc.*	27,506	879,917
E-House China Holdings, Ltd., ADR*	52,200	805,968	Gentiva Health Services, Inc.*	57,397	944,755
First Cash Financial Services, Inc.*	37,740	661,205	Haemonetics Corp.*	8,646	492,822
GFI Group, Inc.	135,765	915,056	HMS Holdings Corp.*	117,743	4,794,495
Greenhill & Co., Inc.	7,170 ²	517,746	ICON PLC*	51,975	1,121,620
Horace Mann Educators Corp.	55,900	557,323	Illumina, Inc.*	27,361 ²	1,065,437
KBW, Inc.*	29,300	842,668	Insulet Corp.*	85,700 ²	659,890
Lazard, Ltd., Class A	55,895	1,504,693	Kensey Nash Corp.*	24,320	637,427
Life Partners Holdings, Inc.	18,398	260,884	LHC Group, Inc.*	55,927	1,242,139
Pinnacle Financial Partners, Inc.*	110,184	1,467,651	Martek Biosciences Corp.*	28,800	609,120
PS Business Parks, Inc.	9,300	450,492	Masimo Corp.*	55,990	1,349,919
Signature Bank*	78,950	2,141,124	Matrixx Initiatives, Inc.*	45,334	253,417
Stifel Financial Corp.*	15,200	730,968	MedAssets, Inc.*	36,103	702,203
SVB Financial Group*	97,975 ²	2,666,879	Medicis Pharmaceutical Corp.	43,800	714,816
Texas Capital Bancshares, Inc.*	166,565	2,576,760	Medidata Solutions, Inc.*	25,900	424,242
Tower Group, Inc.	23,600	584,808	Noven Pharmaceuticals, Inc.*	115,247	1,648,032
UMB Financial Corp.	16,700	634,767	NuVasive, Inc.*	23,770 ²	1,060,142
World Acceptance Corp.*	42,107 ²	838,350	Odyssey HealthCare, Inc.*	54,400	559,232
Total Financials		21,656,140	Owens & Minor, Inc.	13,300	582,806

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

Managers Special Equity Fund
Schedule of Portfolio Investments (continued)

	Shares	Value		Shares	Value			
Health Care - 15.8% (continued)								
PAREXEL International Corp.*	69,117	\$993,902	Force Protection, Inc.*	19,603	\$173,291			
PDL BioPharma, Inc.	67,200	530,880	FTI Consulting, Inc.*	16,300	826,736			
Pharmerica Corp.*	28,045	550,523	Geo Group, Inc., The*	52,885	982,603			
Phase Forward, Inc.*	41,014	619,722	Harbin Electric, Inc.*	46,700 ²	730,388			
Savient Pharmaceuticals, Inc.*	37,900 ²	525,294	II-VI, Inc.*	19,381	429,677			
Somanetics Corp.*	60,060	991,591	Kforce, Inc.*	19,946	164,953			
Steris Corp.	17,500	456,400	Marten Transport, Ltd.*	27,800	577,128			
Sun Healthcare Group, Inc.*	69,354	585,348	Michael Baker Corp.*	15,000	635,400			
SXC Health Solutions Corp.*	81,410	2,069,442	Middleby Corp., The*	10,000	439,200			
Thoratec Corp.*	66,551	1,782,236	MYR Group, Inc.*	46,307	936,328			
United Therapeutics Corp.*	5,900 ²	491,647	Nordson Corp.	34,403	1,330,020			
Valeant Pharmaceuticals International*	29,500 ²	758,740	Old Dominion Freight Line, Inc.*	26,274	882,018			
Vanda Pharmaceuticals, Inc.*	46,596 ²	548,435	Orion Marine Group, Inc.*	139,639	2,653,141			
Total Health Care		50,054,593	Powell Industries, Inc.*	14,985	555,494			
Industrials - 13.5%								
Acuity Brands, Inc.	19,200 ²	538,560	RBC Bearings, Inc.*	13,600	278,120			
Allegiant Travel Co.*	12,983 ²	514,646	Resources Connection, Inc.*	22,700	389,759			
American Reprographics Co.*	56,100	466,752	Ritchie Bros. Auctioneers, Inc.	27,790	651,676			
American Science & Engineering, Inc.	6,900	476,928	SunPower Corp., Class B*	4,281	102,530			
American Superconductor Corp.*	48,619	1,276,249	Suntech Power Holdings Co., Ltd.*	22,100 ²	394,706			
Applied Signal Technology, Inc.	66,298	1,691,262	Tetra Technologies, Inc.*	12,336	353,426			
Badger Meter, Inc.	20,886	856,326	Triumph Group, Inc.	59,900	2,396,000			
BE Aerospace, Inc.*	172,592	2,478,421	Wabtec Corp.	32,010	1,029,762			
Beacon Roofing Supply, Inc.*	112,297	1,623,815	Watson Wyatt & Co.	10,100	379,053			
Bucyrus International, Inc.	74,080	2,115,725	Total Industrials		42,841,715			
Chart Industries, Inc.*	32,143	584,360	Information Technology - 29.7%					
Colfax Corp.*	52,634	406,334	3PAR, Inc.*	98,482	1,221,177			
Copa Holdings, S.A., Class A	12,700	518,414	ACI Worldwide, Inc.*	54,071	754,831			
Copart, Inc.*	42,960	1,489,423	Acxiom Corp.	102,223	902,629			
CRA International, Inc.*	19,900	552,424	Advent Software, Inc.*	27,242	893,265			
Cubic Corp.	23,487	840,600	Anadigics, Inc.*	167,800	703,082			
Deluxe Corp.	45,500	582,855	Arcsight, Inc.*	50,276	893,405			
DigitalGlobe, Inc.*	11,200	215,040	Ariba, Inc.*	193,880	1,907,779			
Duoyuan Global Water, Inc., ADR*	34,700 ²	842,516	Arris Group, Inc.*	68,601	834,188			
DynCorp International, Inc.*	73,268	1,230,170	Aruba Networks, Inc.*	211,990	1,852,793			
EMCOR Group, Inc.*	26,100	525,132	Asialfo Holdings, Inc.*	66,865	1,150,747			
Energy Conversion Devices, Inc.*	11,258 ²	159,301	Atheros Communications, Inc.*	39,981	769,234			
Energy Recovery, Inc.*	75,000	531,000	Bankrate, Inc.*	12,398	312,926			
EnerNOC, Inc.*	78,089	1,692,189	Benchmark Electronics, Inc.*	40,800	587,520			
EnerSys*	158,260	2,878,748	Broadridge Financial Solutions, Inc.	37,400	620,092			
Exponent, Inc.*	18,895	463,116	CACI International, Inc., Class A*	37,746	1,612,132			
			Cavium Networks, Inc.*	53,275	895,553			
			Changyou.com, ADR*	5,800	223,126			
			Ciena Corp.*	49,774 ²	515,161			

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

Managers Special Equity Fund
Schedule of Portfolio Investments (continued)

	Shares	Value		Shares	Value
Information Technology - 29.7% (continued)					
Concur Technologies, Inc.*	119,030	\$3,699,451	S1 Corp.*	188,490	\$1,300,581
Constant Contact, Inc.*	51,284 ²	1,017,475	ScanSource, Inc.*	16,918	414,829
CSG Systems International, Inc.*	89,988	1,191,441	Semtech Corp.*	21,126	336,115
CyberSource Corp.*	34,890	533,817	Silicon Laboratories, Inc.*	33,400	1,267,196
DG FastChannel, Inc.*	101,630	1,859,829	Skyworks Solutions, Inc.*	243,268	2,379,161
Digital River, Inc.*	18,500	671,920	Sohu.com, Inc.*	10,500	659,715
Diodes, Inc.*	51,700	808,588	Solera Holdings, Inc.*	87,700	2,227,580
Equinix, Inc.*	38,010	2,764,847	Starent Networks Corp.*	200,181 ²	4,886,417
F5 Networks, Inc.*	26,555	918,537	STEC, Inc.*	30,572 ²	708,965
Global Cash Access Holdings, Inc.*	115,539	919,690	SuccessFactors, Inc.*	70,200 ²	644,436
GSI Commerce, Inc.*	55,000	783,750	Sybase, Inc.*	24,900	780,366
Infinera Corp.*	15,684	143,195	Synaptics, Inc.*	48,181	1,862,196
Informatica Corp.*	89,730	1,542,459	Synchronoss Technologies, Inc.*	56,936	698,605
InterDigital, Inc.*	15,500 ²	378,820	Syntel, Inc.	30,493	958,700
IPG Photonics Corp.*	34,573	379,266	Taleo Corp.*	51,247	936,283
Itron, Inc.*	11,700	644,319	TeleTech Holdings, Inc.*	76,565	1,159,960
J2 Global Communications, Inc.*	56,227	1,268,481	Teradyne, Inc.*	92,600 ²	635,236
Knot, Inc., The*	63,083	497,094	TNS, Inc.*	46,510	872,062
Longtop Financial Technologies, Ltd. - ADR*	27,622	678,396	Tyler Technologies, Inc.*	19,888	310,651
Macrovision Solutions Corp.*	118,080	2,575,325	ValueClick, Inc.*	48,500	510,220
ManTech International Corp., Class A*	13,000	559,520	VistaPrint, Ltd.*	38,304	1,633,666
MercadoLibre, Inc.*	30,700	825,216	Vocus, Inc.*	93,201	1,841,652
Monolithic Power Systems, Inc.*	167,195	3,746,839	Websense, Inc.*	59,526	1,061,944
Multi-Fineline Electronix, Inc.*	29,800	637,720	Wright Express Corp.*	60,202	1,533,345
Net 1 UEPS Technologies, Inc.*	29,800	404,982			
Netezza Corp.*	69,699	579,896	Total Information Technology		94,215,802
NetLogic Microsystems, Inc.*	121,298	4,422,524			
NetSuite, Inc.*	56,653	669,072	Materials - 2.9%		
Neutral Tandem, Inc.*	45,635	1,347,145	Bway Holding Co.*	58,119	1,018,826
NICE Systems, Ltd.*	14,084	324,918	Chemspec International, Ltd., ADR*	71,600	601,440
NVE Corp.*	8,749	425,201	Commercial Metals Co.	88,380	1,416,731
OpenTable, Inc.*	26,800 ²	808,556	Intrepid Potash, Inc.*	37,290	1,047,103
OSI Systems, Inc.*	44,341	924,510	Koppers Holdings, Inc.	26,000	685,620
Palm, Inc.*	45,300 ²	750,621	NewMarket Corp.	21,698	1,460,926
Pegasystems, Inc.	34,823	918,631	Rock-Tenn Co.	14,980	571,637
PMC - Sierra, Inc.*	91,149	725,546	Schnitzer Steel Industries, Inc.	35,440	1,873,359
Power Integrations, Inc.	8,492	202,025	Scotts Co., The, Class A	18,200	637,910
Rackspace Hosting, Inc.*	241,407	3,345,901			
RightNow Technologies, Inc.*	77,871	918,878	Total Materials		9,313,552
Riverbed Technology, Inc.*	80,077	1,856,986	Telecommunication Services - 1.1%		
Rosetta Stone, Inc.*	10,018 ²	274,894	Cbeyond, Inc.*	26,300	377,405
			Cincinnati Bell, Inc.*	26,179	74,348
			NTELOS Holdings Corp.	42,244	778,134
			Syniverse Holdings, Inc.*	137,371	2,202,058
			Total Telecommunication Services		3,431,945

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

Managers Special Equity Fund

Schedule of Portfolio Investments (continued)

	Shares	Value
Utilities - 0.1%		
ITC Holdings Corp.	8,663 ²	\$392,954
Total Common Stocks (cost \$280,046,254)		315,812,772
Short-Term Investments - 13.9% ¹		
BNY Institutional Cash Reserves Fund, Series A, 0.06% ³	21,769,313	21,769,313
BNY Institutional Cash Reserves Fund, Series B* ^{3,4}	2,499,559	368,685
Dreyfus Cash Management Fund, Institutional Class Shares, 0.44% ⁵	22,083,238	22,083,238
Short-Term Investments (cost \$46,352,110)		44,221,236
Total Investments - 113.4% (cost \$326,398,364)		360,034,008
Other Assets, less Liabilities - (13.4)%		(42,447,955)
Net Assets - 100.0%		\$317,586,053

Based on the approximate cost of investments of \$359,881,628 for Federal income tax purposes at June 30, 2009, the aggregate gross unrealized appreciation and depreciation were \$46,456,789 and \$46,304,409, respectively, resulting in net unrealized appreciation of investments of \$152,380.

* Non-income producing security.

¹ Yield shown for an investment company represents the June 30, 2009, seven-day average yield, which refers to the sum of the previous seven days' dividends paid, expressed as an annual percentage.

² Some or all of these shares were out on loan to various brokers as of June 30, 2009, amounting to a market value of \$23,512,271, or approximately 7.4% of net assets.

³ Collateral received from brokers for securities lending was invested in this short-term investment.

⁴ On September 12, 2008, The Bank of New York Mellon ("BNYM") established a separate sleeve of the BNY Institutional Cash Reserves Fund ("ICRF") (Series B) to hold certain Lehman Brothers floating rate notes. The Fund's position in Series B is being marked to market daily.

⁵ The Fund's investment is covered under the U.S. Treasury Temporary Money Market Fund Guarantee Program up to a maximum of \$105,626,374.

Investments Definitions and Abbreviations:

ADR: ADR after the name of a holding stands for American Depositary Receipt, representing ownership of foreign securities on deposit with a domestic custodian bank. The value of the ADR security is determined or significantly influenced by trading on exchanges not located in the United States or Canada. Sponsored ADRs are initiated by the underlying foreign company.

Managers Special Equity Fund

Statement of Assets and Liabilities

June 30, 2009 (unaudited)

Assets:

Investments at value (including securities on loan valued at \$23,512,271)*	\$360,034,008
Receivable for investments sold	19,021,441
Receivable for Fund shares sold	3,489,844
Dividends, interest and other receivables	73,462
Prepaid expenses	46,770
Total assets	382,665,525

Liabilities:

Payable for Fund shares repurchased	31,806,022
Payable upon return of securities loaned	24,268,872
Payable for investments purchased	8,400,927
Accrued expenses:	
Investment advisory and management fees	260,112
Administrative fees	72,253
Other	271,286
Total liabilities	65,079,472

Net Assets

\$317,586,053

Managers Shares:

Net Assets	\$257,455,407
Shares outstanding	7,932,494
Net asset value, offering and redemption price per share	\$32.46

Institutional Class Shares:

Net Assets	\$60,130,646
Shares outstanding	1,834,059
Net asset value, offering and redemption price per share	\$32.79

Net Assets Represent:

Paid-in capital	\$662,895,393
Undistributed net investment loss	(1,850,661)
Accumulated net realized loss from investments	(377,094,323)
Net unrealized appreciation of investments	33,635,644

Net Assets

\$317,586,053

* Investments at cost \$326,398,364

Managers Special Equity Fund

Statement of Operations

For the six months ended June 30, 2009 (unaudited)

Investment Income:

Dividend income	\$718,497
Foreign withholding tax	(3,538)
Securities lending fees	131,279
Total investment income	846,238

Expenses:

Investment management fees	1,587,139
Administrative fees	440,872
Transfer agent	445,734
Custodian	90,675
Reports to shareholders	77,611
Professional fees	57,448
Registration fees	22,309
Trustees fees and expenses	8,262
Miscellaneous	16,416

Total expenses before offsets 2,746,466

Expense reductions (49,567)

Net expenses 2,696,899

Net investment loss (1,850,661)

Net Realized and Unrealized Gain (Loss):

Net realized loss on investment transactions (108,847,886)

Net unrealized appreciation of investments 127,768,916

Net realized and unrealized gain 18,921,030

Net increase in net assets resulting from operations \$17,070,369

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

Managers Special Equity Fund

Statement of Changes in Net Assets

For the six months ended June 30, 2009 (unaudited) and for the year ended December 31, 2008

Increase (Decrease) in Net Assets From Operations:	2009	2008
Net investment loss	(\$1,850,661)	(\$5,943,300)
Net realized loss on investments	(108,847,886)	(262,909,241)
Net unrealized appreciation (depreciation) of investments	127,768,916	(299,027,742)
Net increase (decrease) in net assets resulting from operations	17,070,369	(567,880,283)
Distributions to Shareholders:		
From net realized gain on investments:		
Managers Class	-	(60,482,450)
Institutional Class	-	(14,942,810)
Total distributions to shareholders	-	(75,425,260)
From Capital Share Transactions:		
Managers Class:		
Proceeds from sale of shares	24,081,425	187,952,090
Reinvestment of dividends and distributions	-	56,640,818
Cost of shares repurchased	(133,522,596)	(997,437,797)
Net decrease from Managers Class share transactions	(109,441,171)	(752,844,889)
Institutional Class:		
Proceeds from sale of shares	9,453,313	116,771,071
Reinvestment of dividends and distributions	-	12,946,151
Cost of shares repurchased	(44,041,191)	(204,449,527)
Net decrease from Institutional Class share transactions	(34,587,878)	(74,732,305)
Net decrease from capital share transactions	(144,029,049)	(827,577,194)
Total decrease in net assets	(126,958,680)	(1,470,882,737)
Net Assets:		
Beginning of period	444,544,733	1,915,427,470
End of period	\$317,586,053	\$444,544,733
End of period undistributed net investment income (loss)	(\$1,850,661)	-
Share Transactions:		
Managers Class:		
Sale of shares	823,953	3,473,798
Reinvested shares from dividends and distribution	-	1,951,786
Shares repurchased	(4,519,512)	(19,749,465)
Net decrease in shares	(3,695,559)	(14,323,881)
Institutional Class:		
Sale of shares	329,443	2,489,353
Reinvested shares from dividends and distribution	-	441,999
Shares repurchased	(1,519,979)	(3,729,675)
Net decrease in shares	(1,190,536)	(798,323)

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

Managers Special Equity Fund Financial Highlights

For a share outstanding throughout each period

Managers Class:	For the six months ended June 30, 2009 (unaudited)	For the year ended December 31,				
		2008	2007	2006	2005	2004
Net Asset Value, Beginning of Period	\$30.28	\$64.27	\$82.96	\$86.78	\$90.42	\$78.48
Income from Investment Operations:						
Net investment loss	(0.20)	(0.28) ⁵	(0.51) ⁵	(0.14) ⁵	(0.54) ⁵	(0.56)
Net realized and unrealized gain (loss) on investments	2.38	(27.93) ⁵	0.55 ⁵	9.88 ⁵	4.18 ⁵	12.50
Total from investment operations	2.18	(28.21)	0.04	9.74	3.64	11.94
Less Distributions to Shareholders from:						
Net realized gain on investments	-	(5.78)	(18.73)	(13.56)	(7.28)	-
Net Asset Value, End of Period	\$32.46	\$30.28	\$64.27	\$82.96	\$86.78	\$90.42
Total Return ¹	7.20% ^{2,6}	(43.49)%	(0.60)%	11.28%	4.00%	15.18%
Ratio of net expenses to average net assets	1.58% ³	1.48%	1.43%	1.42%	1.40%	1.40%
Ratio of net investment loss to average net assets ¹	(1.10)% ³	(0.52)%	(0.59)%	(0.15)%	(0.60)%	(0.69)%
Portfolio turnover	112% ²	138%	67%	76%	80%	68%
Net assets at end of period (000's omitted)	\$257,455	\$352,106	\$1,668,031	\$2,551,703	\$2,834,314	\$3,415,003
Ratios absent expense offsets: ⁴						
Ratio of total expenses to average net assets	1.61% ³	1.51%	1.46%	1.47%	1.45%	1.45%
Ratio of net investment loss to average net assets	(1.13)% ³	(0.55)%	(0.62)%	(0.20)%	(0.65)%	(0.74)%

Institutional Class:	For the six months ended June 30, 2009 (unaudited)	For the year ended December 31,				For the period* ended December 31, 2004
		2008	2007	2006	2005	
Net Asset Value, Beginning of Period	\$30.56	\$64.71	\$83.56	\$87.09	\$90.56	\$78.91
Income from Investment Operations:						
Net investment income (loss)	(0.16)	(0.15) ⁵	(0.32) ⁵	0.10 ⁵	(0.33) ⁵	(0.21)
Net realized and unrealized gain (loss) on investments	2.39	(28.16) ⁵	0.52 ⁵	9.93 ⁵	4.14 ⁵	11.86
Total from investment operations	2.23	(28.31)	0.20	10.03	3.81	11.65
Less Distributions to Shareholders from:						
Net realized gain on investments	-	(5.84)	(19.05)	(13.56)	(7.28)	-
Net Asset Value, End of Period	\$32.79	\$30.56	\$64.71	\$83.56	\$87.09	\$90.56
Total Return ¹	7.30% ²	(43.35)%	(0.39)%	11.56% ⁶	4.21%	14.75% ²
Ratio of net expenses to average net assets	1.33% ³	1.23%	1.20%	1.18%	1.20%	1.20% ³
Ratio of net investment income (loss) to average net assets ¹	(0.84)% ³	(0.29)%	(0.36)%	0.09%	(0.56)%	(0.49)% ³
Portfolio turnover	112% ²	138%	67%	76%	80%	68% ²
Net assets at end of period (000's omitted)	\$60,131	\$92,439	\$247,396	\$561,994	\$510,541	\$274,010
Ratios absent expense offsets: ⁴						
Ratio of total expenses to average net assets	1.36% ³	1.26%	1.23%	1.23%	1.25%	1.26% ³
Ratio of net investment income (loss) to average net assets	(0.87)% ³	(0.32)%	(0.39)%	0.04%	(0.61)%	(0.55)% ³

* Commencement of operations was May 3, 2004.

¹ Total returns and net investment income would have been lower had certain expenses not been reduced. (See Note 1(c) of Notes to Financial Statements.)

² Not Annualized.

³ Annualized.

⁴ Excludes the impact of fee waivers and expense offsets such as brokerage credits, but includes non-reimbursable expenses, if any, such as interest and taxes. (See Note 1(c) to the Notes to Financial Statements.)

⁵ Per share numbers have been calculated using average shares.

⁶ The Total Return is based on the Financial Statement Net Asset Values as shown above.

Managers Special Equity Fund

Notes to Financial Statements

June 30, 2009 (unaudited)

1. Summary of Significant Accounting Policies

The Managers Funds (the “Trust”) is an open-end management investment company organized as a Massachusetts business trust and registered under the Investment Company Act of 1940, as amended (the “1940 Act”). Currently, the Trust is comprised of a number of different funds, each having distinct investment management objectives, strategies, risks and policies. Included in this report is the Managers Special Equity Fund (“Special Equity” or the “Fund”).

The Fund offers both Managers Class shares and Institutional Class shares. The Institutional Class shares, which are designed primarily for institutional investors that meet certain administrative and servicing criteria, have a minimum investment of \$2,500,000. Managers Class shares are offered to all other investors. Each class represents interest in the same assets of the Fund and the classes are identical except for class specific expenses related to shareholder activity.

The Fund’s financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, which require 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 income and expenses during the reporting periods. Actual results could differ from those estimates and such differences could be material. The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements:

a. Valuation of Investments

Equity securities traded on a domestic or international securities exchange are valued at the last quoted sale price, or, lacking any sales, at the last quoted bid price. Over-the-counter securities are valued at the Nasdaq Official Closing Price, if one is available. Lacking any sales, over-the-counter securities are valued at the last quoted bid price. The Fund’s investments are generally valued based on market quotations provided by third party pricing services approved by the Board of Trustees of the Fund. Under certain circumstances, the value of certain Fund investments may be based on an evaluation of fair value, pursuant to procedures established by and under the general supervision of the Board of Trustees of the Fund. The Fund may use the fair value of a portfolio security to calculate its NAV when, for example, (1) market quotations are not readily available because a portfolio security is not traded in a public market or the principal market in which the security trades is closed, (2) trading in a portfolio security is suspended and has not resumed before the Fund calculates its NAV, (3) a significant event affecting the value of a portfolio security is determined to have occurred between the time of the market quotation provided for a portfolio security and the time as of which the Fund calculates its NAV, (4) a security’s price has remained unchanged over a period of time (often referred to as a “stale price”), or (5) Managers Investment Group LLC (the “Investment Manager”) determines that a market quotation is inaccurate. Portfolio investments that trade primarily on foreign markets are priced based upon the market quotation of such securities as of the close of their respective principal markets, as adjusted to reflect the Investment Manager’s determination of the

impact of events occurring subsequent to the close of such markets but prior to the time as of which the Fund calculates its NAV. In accordance with procedures approved by the Board of Trustees, the Investment Manager relies upon recommendations of a third-party fair valuation service in adjusting the prices of such foreign portfolio investments. The Fund may invest in securities that may be thinly traded. The Board of Trustees has adopted procedures to adjust prices when thinly traded securities are judged to be stale so that they reflect fair value. An investment valued on the basis of its fair value may be valued at a price higher or lower than available market quotations. An investment’s valuation may differ depending on the method used and the factors considered in determining value according to the Fund’s fair value procedures.

Fixed-income securities are valued based on valuations furnished by independent pricing services that utilize matrix systems, which reflect such factors as security prices, yields, maturities, and ratings, and are supplemented by dealer and exchange quotations. Futures contracts for which market quotations are readily available are valued at the settlement price as of the close of the futures exchange. Short-term investments having a remaining maturity of 60 days or less are valued at amortized cost, which approximates market value. Investments in other open-end regulated investment companies are valued at their end of day net asset value per share except iShares or other ETF’s, which are valued the same as equity securities. Investments in certain mortgage-backed and stripped mortgage-backed securities, preferred stocks, convertible securities, derivatives and other debt securities not traded on an organized securities market are valued on the basis of valuations provided by dealers or by a pricing service which uses information with respect to transactions in such securities and various relationships between securities and yield to maturity in determining value. Securities (including derivatives) for which market quotations are not readily available are valued at fair value, as determined in good faith, and pursuant to procedures adopted by the Board of Trustees of the Trust. The values assigned to fair value investments are based on available information and do not necessarily represent amounts that might ultimately be realized, since such amounts depend on future developments inherent in long-term investments. Further, because of the inherent uncertainty of valuation, those estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

The Fund adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, Fair Value Measurements (“FAS 157”), effective January 1, 2008. In accordance with FAS 157, fair value is defined as the price that a Fund would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. FAS 157 also establishes a framework for measuring fair value, and a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained

Managers Special Equity Fund

Notes to Financial Statements (continued)

from sources independent of the Fund. Unobservable inputs reflect the Fund's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. Each investment is assigned a level based upon the observability of the inputs which are significant to the overall valuation.

In April 2009, Statement of Financial Accounting Standards Staff Position No. 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions that are not Orderly" ("FSP FAS 157-4") was issued and is effective for interim and annual reporting periods ending after June 15, 2009. FSP FAS 157-4 provides additional guidance for estimating fair value in accordance with FAS 157 when the volume and level of activity for the asset or liability have significantly decreased. Additionally, FSP FAS 157-4 requires quantitative disclosures about fair value measurements separately for each major category of assets and liabilities.

The three-tier hierarchy of inputs is summarized below:

Level 1 – quoted prices in active markets for identical investments

Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk)

Level 3 – significant unobservable inputs (including the Funds' own assumptions in determining the fair value of investments)

The inputs or methodologies used for valuing investments are not necessarily an indication of the risk associated with investing in those investments. The following table summarizes the valuation of the Fund's investments by the above fair value hierarchy levels as of June 30, 2009:

	Level 1	Level 2	Level 3	Total
Special Equity				
Investments in Securities				
Common Stocks				
Information Technology	\$94,215,802	-	-	\$94,215,802
Consumer Discretionary	63,812,114	-	-	63,812,114
Health Care	50,054,593	-	-	50,054,593
Industrials	42,841,715	-	-	42,841,715
Financials	21,656,140	-	-	21,656,140
Energy	19,889,802	-	-	19,889,802
Consumer Staples	10,204,155	-	-	10,204,155
Materials	9,313,552	-	-	9,313,552
Telecommunication Services	3,431,945	-	-	3,431,945
Utilities	392,954	-	-	392,954
Short-Term Investments	22,083,238	\$22,137,998	-	44,221,236
Total Investments in Securities	337,896,010	22,137,998	-	360,034,008
Other Financial Instruments*	-	-	-	-
Totals	<u>\$337,896,010</u>	<u>\$22,137,998</u>	<u>-</u>	<u>\$360,034,008</u>

* Other financial instruments are derivative instruments not reflected in the Schedule of Portfolio Investments, such as futures, forwards and swap contracts, which are valued at the unrealized appreciation/depreciation of the instrument.

Managers Special Equity Fund

Notes to Financial Statements (continued)

In March 2008, Statement of Financial Accounting Standards No. 161, "Disclosures about Derivative Instruments and Hedging Activities" ("SFAS 161") was issued and is effective for fiscal years and interim periods beginning after November 15, 2008. SFAS 161 is intended to improve financial reporting for derivative instruments by requiring enhanced disclosure that enables investors to understand how and why a fund uses derivatives, how derivatives are accounted for, and how derivative instruments affect a fund's results of operations and financial position. For the six months ended June 30, 2009, the Fund did not engage in any derivative activity. Therefore, no additional disclosure is required.

b. Security Transactions

Security transactions are accounted for as of the trade date. Realized gains and losses on securities sold are determined on the basis of identified cost.

c. Investment Income and Expenses

Dividend income is recorded on the ex-dividend date except certain dividends from foreign securities where the ex-dividend date may have passed. These dividends are recorded as soon as the Trust is informed of the ex-dividend date. Dividend income on foreign securities is recorded net of any withholding tax. Interest income, which includes amortization of premium and accretion of discount on debt securities, is accrued as earned. Non-cash dividends included in dividend income, if any, are reported at the fair market value of the securities received. Other income and expenses are recorded on an accrual basis. Expenses that cannot be directly attributed to a fund are apportioned among the Funds in the Trust and in some cases other affiliated funds based upon their relative average net assets or number of shareholders. Investment income, realized and unrealized capital gains and losses, the common expenses of the Fund and certain Fund level expense reductions, if any, are allocated on a pro rata basis to each class based on the relative net assets of each class to the total net assets of the Fund. Both classes have equal voting privileges except that each class has exclusive voting rights with respect to its services and/or distribution plan.

The Fund had certain portfolio trades directed to various brokers who paid a portion of the Fund's expenses. For the six months ended June 30, 2009, under these arrangements the amount by which the Fund's expenses were reduced and the impact on the expense ratios was as follows: \$48,546 or 0.03% annualized.

The Fund has a "balance credit" arrangement with The Bank of New York Mellon ("BNYM"), the Fund's custodian, whereby the Fund is credited with an interest factor equal to 0.75% below the effective 90-day T-Bill rate for account balances left un-invested overnight. If the T-Bill rate falls below 0.75%, no credits will be earned. These credits serve to reduce custody expenses that would otherwise be charged to the Fund. For the six months ended June 30, 2009, the custodian expense was not reduced.

Overdrafts will cause a reduction of any earnings credits, computed at 2% above the effective Federal Funds rate on the day of the overdraft. For the six months ended June 30, 2009, the Fund incurred overdraft fees of \$1,926.

The Trust also has a balance credit arrangement with its Transfer Agent, PNC Global Investment Servicing (U.S.) Inc., whereby

earnings credits are used to offset banking charges and other out-of-pocket expenses. For the six months ended June 30, 2009, the transfer agent expense was reduced by \$1,021.

The Investment Manager has agreed to waive a portion of its management fee in consideration of shareholder servicing fees that it has received from JPMorgan Distribution Services, Inc., with respect to short-term cash investments the Fund has made in the JPMorgan Liquid Assets Money Market Fund – Capital Share Class. For the six months ended June 30, 2009, the management fee was not reduced.

Total returns and net investment income for the Funds would have been lower had certain expenses not been offset. Total expenses before offsets exclude the impact of expense reimbursements or fee waivers and expense offsets such as brokerage recapture credits, but include non-reimbursable expenses, if any, such as interest and taxes.

d. Dividends and Distributions

Dividends resulting from net investment income, if any, normally will be declared and paid annually. Distributions of capital gains, if any, will be made annually in December and when required for Federal excise tax purposes. Distributions are recorded on the ex-dividend date and are declared separately for each class. Income and capital gain distributions are determined in accordance with Federal income tax regulations, which may differ from generally accepted accounting principles. These differences are primarily due to differing treatments for losses deferred due to wash sales, REITs, equalization accounting for tax purposes, foreign currency, options, futures and market discount transactions. Permanent book and tax basis differences, if any, relating to shareholder distributions will result in reclassifications to paid-in capital.

e. Federal Taxes

The Fund intends to comply with the requirements under Subchapter M of the Internal Revenue Code of 1986, as amended, to distribute substantially all of its taxable income and gains to its shareholders and to meet certain diversification and income requirements with respect to investment companies. Therefore, no provision for Federal income or excise tax is included in the accompanying financial statements.

Additionally, based on the Fund's understanding of the tax rules and rates related to income, gains and transactions for the foreign jurisdictions in which it invests, the Fund will provide for foreign taxes, and where appropriate, deferred foreign taxes.

Management has analyzed the Fund's tax positions taken on federal income tax returns for all open tax years (tax years ended December 31, 2005-2008), and has concluded that no provision for federal income tax is required in the Fund's financial statements. The Fund is not aware of any tax position for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next twelve months.

f. Capital Loss Carryovers

As of December 31, 2008, the Fund had accumulated net realized capital loss carryover from securities transactions for Federal income tax purposes of \$145,119,718 expiring December 31, 2016.

Managers Special Equity Fund

Notes to Financial Statements (continued)

g. Capital Stock

The Trust's Declaration of Trust authorizes for each series the issuance of an unlimited number of shares of beneficial interest, without par value, for each fund. The Fund records sales and repurchases of its capital stock on the trade date. Dividends and distributions to shareholders are recorded on the ex-dividend date.

At June 30, 2009, certain unaffiliated shareholders, specifically omnibus accounts, individually held greater than 10% of the outstanding shares of the Fund as follows: Managers Class shares – two collectively own 44%; Institutional Class shares – three collectively own 90%. Transactions by these shareholders may have a material impact on the Fund or the class.

2. Agreements and Transactions with Affiliates

The Trust has entered into an Investment Management Agreement under which the Investment Manager, an independently managed subsidiary of Affiliated Managers Group, Inc. ("AMG"), serves as investment manager to the Fund and is responsible for the Fund's overall administration. The Investment Manager selects subadvisors for the Fund (subject to Trustee approval) and monitors each subadvisor's investment programs and results. The Fund's investment portfolio is managed by portfolio managers who serve pursuant to a Subadvisory Agreement with the Investment Manager.

Investment management fees are paid directly by the Fund to the Investment Manager based on average daily net assets. The annual investment management fee rate, as a percentage of average daily net assets, is 0.90%.

The Trust has entered into an Administration and Shareholder Servicing Agreement under which the Investment Manager serves as the Fund's administrator (the "Administrator") and is responsible for all aspects of managing the Fund's operations, including administration and shareholder services to the Fund, its shareholders, and certain institutions, such as bank trust departments, broker-dealers and registered investment advisers, that advise or act as an intermediary with the Fund's shareholders. The Fund pays a fee to the Administrator at the rate of 0.25% per annum of the Fund's average daily net assets for this service.

The aggregate annual retainer paid to each Independent Trustee is \$65,000, plus \$4,000 or \$2,500 for each regular or special meeting attended, respectively. The Trustees' fees and expenses are allocated amongst all of the Funds for which the Investment Manager serves as the advisor (the "Managers Funds") based on the relative net assets of such Funds. The Independent Chairman of the Trusts receives an additional payment of \$15,000 per year. The Chairman of the Audit Committee receives an additional payment of \$5,000 per year. The "Trustees fees and expenses" shown in the financial statements represents the Fund's allocated portion of the total fees and expenses paid by the Fund and other affiliated funds in the Managers Funds.

The Fund is distributed by Managers Distributors, Inc. (the "Distributor" or "MDI"), a wholly-owned subsidiary of the Investment Manager. MDI serves as the principal underwriter for the Fund. MDI is a registered broker-dealer and member of the Financial Industry Regulatory Authority, Inc. ("FINRA"). Shares of the Fund will be

continuously offered and will be sold by brokers, dealers or other financial intermediaries who have executed selling agreements with the Distributor. MDI bears all the expenses of providing services pursuant to the Underwriting Agreement, including the payment of the expenses relating to the distribution of Prospectuses for sales purposes and any advertising or sales literature. Certain Trustees and Officers of the Fund are Officers and/or Directors of the Investment Manager, AMG and/or the Distributor.

3. Purchases and Sales of Securities

Purchases and sales of securities, excluding short-term securities, for the six months ended June 30, 2009, were \$393,302,057 and \$532,594,500, respectively. There were no purchases or sales of U.S. Government securities.

4. Portfolio Securities Loaned

The Fund may participate in a securities lending program offered by BNYM, providing for the lending of securities to qualified brokers. Securities lending fees include earnings of such temporary cash investments, plus or minus any rebate to a borrower. These earnings (after any rebate) are then divided between BNYM, as a fee for its services under the program, and the Fund, according to agreed-upon rates. Collateral on all securities loaned is accepted in cash and/or government securities and is maintained at a minimum level of 102% (105% in the case of certain foreign securities) of the market value, plus interest, if applicable, of investments on loan. It is the Funds policy to obtain additional collateral from or return excess collateral to the borrower by the end of the next business day, following the valuation date of the securities loaned. Therefore, the value of the collateral held may be temporarily less than the value of the securities on loan. Lending securities entails a risk of loss to the Fund if and to the extent that the market value of the securities loaned were to increase and the borrower did not increase the collateral accordingly, and the borrower fails to return the securities. The Fund bears the risk of any deficiency in the amount of the collateral available for return to the borrower due to any loss on the collateral invested. Collateral received in the form of cash is invested temporarily in the BNY Institutional Cash Reserves Fund (the "ICRF"), or other short-term investments as defined in the Securities Lending Agreement with BNYM.

In September of 2008, BNYM advised the Investment Manager that the ICRF had exposure to certain defaulted debt obligations, and that BNYM had established a separate sleeve of the ICRF to hold these securities. The net impact of this position is not material to the Fund. The Fund's position in the separate sleeve of the ICRF Fund is included in the Schedule of Portfolio Investments and the unrealized loss on such investment is included in Net Unrealized Depreciation on the Statement of Assets and Liabilities and the Statement of Operations.

5. Commitments and Contingencies

In the normal course of business, the Fund may enter into contracts and agreements that contain a variety of representations and warranties, which provide general indemnifications. The maximum exposure to the Fund under these arrangements is unknown, as this would involve future claims that may be made against the Fund that have not yet occurred. However, based on experience, the Fund expects the risk of loss to be remote.

On June 4-5, 2009, the Board of Trustees, including a majority of the Trustees who are not “interested persons” of the Trust (the “Independent Trustees”), approved the Investment Management Agreement with the Investment Manager for the Managers Special Equity Fund (the “Fund”) and the Subadvisory Agreement for each Subadvisor of the Fund, with the exception of Ranger Investment Management, L.P. and Federated MDTA LLC (for purposes of this section, each a “Subadvisor” and “Subadvisory Agreement” and collectively the “Subadvisors” and “Subadvisory Agreements”). The Independent Trustees were separately represented by independent counsel in connection with their consideration of the approval of these agreements. In considering the Investment Management and Subadvisory Agreements, the Trustees reviewed a variety of materials relating to the Fund, the Investment Manager and each Subadvisor, including comparative performance, fee and expense information for an appropriate peer group of similar mutual funds (the “Peer Group”), performance information for the relevant benchmark index (the “Fund Benchmark”) and, with respect to each Subadvisor, comparative performance information for an appropriate peer group of managed accounts, and, as to all other matters, other information provided to them on a periodic basis throughout the year, as well as information provided in connection with the meetings of June 4-5, 2009, regarding the nature, extent and quality of services provided by the Investment Manager and the Subadvisors under their respective agreements. Prior to voting, the Independent Trustees: (a) reviewed the foregoing information with their independent legal counsel and with management; (b) received materials from their independent legal counsel discussing the legal standards applicable to their consideration of the Investment Management Agreement and the Subadvisory Agreements; and (c) met with their independent legal counsel in private sessions at which no representatives of management were present.

Nature, extent and quality of services.

In considering the nature, extent and quality of the services provided by the Investment Manager, the Trustees reviewed information relating to the Investment Manager’s operations and personnel. Among other things, the Investment Manager provided financial information, biographical information on its supervisory and professional staff and descriptions of its organizational and management structure. The Trustees also took into account information provided periodically throughout the previous year by the Investment Manager relating to the performance of its duties with respect to the Fund and the Trustees’ familiarity with the Investment Manager’s management through Board meetings, discussions and reports. In the course of their deliberations regarding the Investment Management Agreement, the Trustees evaluated, among other things: (a) the extent and quality of the Investment Manager’s oversight of the operation and management of the Fund; (b) the quality of the search, selection and monitoring services performed by the Investment Manager in overseeing the portfolio management responsibilities of the Subadvisors; (c) the Investment Manager’s ability to supervise the Fund’s other service providers; and (d) the Investment Manager’s compliance programs. The Trustees also took into account the financial condition of the Investment Manager with respect to its ability to provide the services required under the Investment Management Agreement.

The Trustees also reviewed information relating to each Subadvisor’s operations and personnel and the investment philosophy, strategies and techniques (for each Subadvisor, its “Investment Strategy”) used in managing the portion of the Fund for which the Subadvisor has portfolio management responsibility. Among other things, the Trustees reviewed biographical information on portfolio management and other professional staff, information regarding each Subadvisor’s organizational and management structure and each Subadvisor’s brokerage policies and practices. The Trustees considered specific information provided regarding the experience of the individual or individuals at each Subadvisor with portfolio management responsibility for the portion of the Fund managed by the Subadvisor, including the information set forth in the Fund’s prospectus and statement of additional information. The Trustees also noted information provided by the Investment Manager regarding the manner in which each Subadvisor’s Investment Strategy complements those utilized by the Fund’s other Subadvisors. In the course of their deliberations, the Trustees evaluated, among other things: (a) the services rendered by each Subadvisor in the past; (b) the qualifications and experience of the Subadvisor’s personnel; and (c) the Subadvisor’s compliance programs. The Trustees also took into account the financial condition of each Subadvisor with respect to its ability to provide the services required under its Subadvisory Agreement.

Performance.

Among other information relating to the Fund’s performance, the Trustees noted that the Fund’s performance for Managers Class shares for the 1-year, 3-year, 5-year and 10-year periods ended March 31, 2009 was below the median performance of the Peer Group and below the performance of the Fund Benchmark, the Russell 2000® Index, for each period. The Trustees took into account management’s discussion of the Fund’s growth bias for the past several years and relative performance during relevant time periods, including the Fund’s strong performance in the first quarter of 2009. The Trustees also noted that the Investment Manager implemented the termination of certain Subadvisors and the hiring of others in 2007 and 2008 to address both performance challenges and transition of the Fund from a growth to a value-oriented investment style. The Trustees concluded that management had taken appropriate steps to address the Fund’s performance.

As noted above, the Board considered the Fund’s performance during relevant time periods as compared to the Fund’s Peer Group and considered each Subadvisor’s performance as compared to an appropriate peer group of managed accounts and noted that the Board reviews on a quarterly basis detailed information about the Fund’s performance results, portfolio composition and Investment Strategies, including with respect to the portion of the Fund managed by each Subadvisor. The Board noted the Investment Manager’s expertise and resources in monitoring the performance, investment style and risk-adjusted performance of each Subadvisor. The Board also noted each Subadvisor’s performance record with respect to the Fund. The Board was mindful of the Investment Manager’s attention to monitoring each Subadvisor’s performance with respect to the Fund and its discussions with management regarding the factors that contributed to the performance of the Fund.

Advisory Fees and Profitability.

In considering the reasonableness of the advisory fee charged by the Investment Manager for managing the Fund, the Trustees noted that the Investment Manager, and not the Fund, is responsible for paying the fees charged by the Fund's Subadvisors and, therefore, that the fees paid to the Investment Manager cover the cost of providing portfolio management services as well as the cost of providing search, selection and monitoring services in operating a "manager-of-managers" complex of mutual funds. The Trustees concluded that, in light of the additional high quality supervisory services provided by the Investment Manager and the fact that the subadvisory fees are paid out of the advisory fee, the advisory fee payable by the Fund to the Investment Manager can reasonably be expected to exceed the median advisory fee for the Peer Group, which consists of many funds that do not operate with a manager-of-managers structure. The Trustees noted that the Fund's advisory fee and total expenses (net of applicable expense waivers/reimbursements) as of March 31, 2009 were both higher than the average for the Fund's Peer Group. The Trustees concluded that, in light of the nature, extent and quality of the services provided by the Investment Manager and the Subadvisors and the considerations noted above with respect to the Subadvisors and the Investment Manager, the Fund's advisory fees are reasonable.

In considering the reasonableness of the advisory fee payable to the Investment Manager, the Trustees also reviewed information provided by the Investment Manager setting forth all revenues and other benefits, both direct and indirect, received by the Investment Manager and its affiliates attributable to managing the Fund and all the mutual funds in the Managers Family of Funds, the cost of providing such services and the resulting profitability to the Investment Manager and its affiliates from these relationships. The Trustees noted that the subadvisory fees are paid by the Investment Manager out of its advisory fee. The Trustees also noted the current asset levels of the Fund, including the effect on assets attributable to the economic and market conditions over the past year, and considered the impact on profitability of the current asset levels and any future growth of assets of the Fund. The Board took into account management's discussion of the advisory fee structure. In this regard, the Trustees noted that the Fund currently has four Subadvisors, each managing a portion of the Fund's portfolio. Based on the foregoing, the Trustees concluded that the profitability to the Investment Manager is reasonable and that the Investment Manager is not realizing material benefits from economies of scale that would warrant adjustments to the advisory fee at this time. With respect to economies of scale, the Trustees also noted that as the Fund's assets increase over time, the Fund may realize other economies of scale to the extent that the increase in assets is proportionally greater than the increase in certain other expenses.

Subadvisory Fees and Profitability.

In considering the reasonableness of the fee payable by the Investment Manager to each Subadvisor, the Trustees relied on the ability of the Investment Manager to negotiate the terms of each Subadvisory Agreement at arm's length as part of the manager-of-managers structure, noting that the Investment Manager is not affiliated with these Subadvisors. In addition, the Trustees noted that the subadvisory fees are paid by the Investment Manager out of its advisory fee. Accordingly, the cost of services to be provided by each Subadvisor and the profitability to each Subadvisor of its relationship with the Fund were not material factors in the Trustees' deliberations. For similar reasons, and based on the current size of the portion of the Fund managed by each Subadvisor, the Trustees concluded that the effect of any economies of scale being realized by the Subadvisors was not a material factor in the Trustees' deliberations at this time.

* * * * *

After consideration of the foregoing, the Trustees also reached the following conclusions regarding the Investment Management Agreement and the Subadvisory Agreements with each of the Subadvisors, in addition to those conclusions discussed above: (a) the Investment Manager and each Subadvisor have demonstrated that they possess the capability and resources to perform the duties required of them under the Investment Management Agreement and the applicable Subadvisory Agreement; (b) each Subadvisor's Investment Strategy is appropriate for pursuing the Fund's investment objectives; (c) each Subadvisor is reasonably likely to execute its Investment Strategy consistently over time; and (d) the Investment Manager and each Subadvisor maintain appropriate compliance programs.

Based on all of the above-mentioned factors and their related conclusions, with no single factor or conclusion being determinative and with each Trustee not necessarily attributing the same weight to each factor, the Trustees concluded that approval of the Investment Management Agreement and each Subadvisory Agreement would be in the best interests of the Fund and its shareholders. Accordingly, on June 4-5, 2009, the Trustees, including a majority of the Independent Trustees, voted to approve the Investment Management Agreement and the Subadvisory Agreement for each of the Fund Subadvisors, with the exception of Ranger Investment Management, L.P. and Federated MDTA LLC (which contracts had previously been approved at meetings held on September 11-12, 2008).

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Investment Manager and Administrator

Managers Investment Group LLC
333 W. Wacker Drive
Suite 1200
Chicago, IL 60606
(800) 835-3879

Distributor

Managers Investment Group LLC
333 W. Wacker Drive
Suite 1200
Chicago, IL 60606
(800) 835-3879

Custodian

The Bank of New York Mellon
2 Hanson Place
Brooklyn, New York 11217

Legal Counsel

Ropes & Gray LLP
One International Place
Boston, Massachusetts 02110-2624

Transfer Agent

PNC Global Investment Servicing (U.S.) Inc.
Attn: Managers
P.O. Box 9769
Providence, Rhode Island 02940
(800) 548-4539

Trustees

Jack W. Aber
William E. Chapman, II
Nathaniel Dalton
Edward J. Kaier
Steven J. Paggioli
Eric Rakowski
Thomas R. Schneeweis
John H. Streur

For Managers Choice Only

Managers
c/o PNC Global Investment Servicing (U.S.) Inc.
P.O. Box 61204
King of Prussia, Pennsylvania 19406-0851
(800) 358-7668

MANAGERS AND MANAGERS AMG FUNDS

EQUITY FUNDS

EMERGING MARKETS EQUITY

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Schroder Investment Management North
America Inc.

ESSEX GROWTH

ESSEX LARGE CAP GROWTH

ESSEX SMALL/MICRO CAP GROWTH

Essex Investment Management Co., LLC

FQ TAX-MANAGED U.S. EQUITY

FQ U.S. EQUITY

First Quadrant, L.P.

GW&K SMALL CAP EQUITY

Gannett Welsh & Kotler, LLC

INSTITUTIONAL MICRO-CAP

MICRO-CAP

Lord, Abnett & Co. LLC

WEDGE Capital Management L.L.P.

OFI Institutional Asset Management, Inc.

Next Century Growth Investors LLC

INTERNATIONAL EQUITY

AllianceBernstein L.P.

Lazard Asset Management, LLC

Martin Currie Inc.

CHICAGO EQUITY PARTNERS

MID-CAP

Chicago Equity Partners, LLC

REAL ESTATE SECURITIES

Urdrag Securities Management, Inc.

RENAISSANCE LARGE CAP GROWTH

Renaissance Group LLC

SKYLINE SPECIAL EQUITIES

PORTFOLIO

Skyline Asset Management, L.P.

SMALL CAP

TIMESQUARE MID CAP GROWTH

TIMESQUARE SMALL CAP GROWTH

TimesSquare Capital Management, LLC

SPECIAL EQUITY

Ranger Investment Management, L.P.

Lord, Abnett & Co. LLC

Smith Asset Management Group, L.P.

Federated MDTA LLC

SYSTEMATIC VALUE

SYSTEMATIC MID CAP VALUE

Systematic Financial Management, L.P.

BALANCED FUNDS

CHICAGO EQUITY PARTNERS BALANCED

Chicago Equity Partners, LLC

GLOBAL

AllianceBernstein L.P.

First Quadrant, L.P.

Wellington Management Company, LLP

ALTERNATIVE FUNDS

FQ GLOBAL ALTERNATIVES

First Quadrant, L.P.

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BOND (MANAGERS)

FIXED INCOME

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BOND (MANAGERS FREMONT)

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Miller Tabak Asset Management LLC

GW&K MUNICIPAL BOND

GW&K MUNICIPAL ENHANCED YIELD

Gannett Welsh & Kotler, LLC

HIGH YIELD

J.P. Morgan Investment Management LLC

INTERMEDIATE DURATION GOVERNMENT

SHORT DURATION GOVERNMENT

Smith Breeden Associates, Inc.

MONEY MARKET

JPMorgan Investment Advisors Inc.

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A description of the policies and procedures each Fund uses to vote its proxies is available: (i) without charge, upon request, by calling 800.835.3879, or (ii) on the Securities and Exchange Commission's (SEC) Web site at www.sec.gov. For information regarding each Fund's proxy voting record for the 12-month period ended June 30, call 800.835.3879 or visit the SEC Web site at www.sec.gov.

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. The Fund's Forms N-Q are available on the SEC's website at www.sec.gov. A Fund's Forms N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. To review a complete list of the Fund's portfolio holdings, or to view the most recent quarterly holdings report, semiannual report, or annual report, please visit www.managersinvest.com.

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