



# Premier Castlefield UK Alpha Fund

INTERIM SHORT REPORT OF THE AUTHORISED CORPORATE DIRECTOR:  
FOR THE PERIOD FROM 1 MARCH 2008 TO 31 AUGUST 2008

## NET ASSET VALUES (In pence per share)

### General Income

31 August 2008	283.66
28 February 2008	312.17
NAV % change	-9.13

### General Accumulation

31 August 2008	285.86
28 February 2008	312.96
NAV % change	-8.65

### Institutional Income

31 August 2008	286.05
28 February 2008	314.80
NAV % change	-9.13

### Institutional Accumulation

31 August 2008	288.68
28 February 2008	315.46
NAV % change	-8.48

Any income available will be removed from the Net Asset Value per Share price and used for the Fund's year-end distribution/accumulation. As a result, no parallel should be made with the quoted high/low prices for the period.

Past performance is no guarantee to future performance and the value of the investment can go down as well as up.

## SHARE PRICE RANGE (In pence per share)

General Income	High	Low
2007 <sup>1</sup>	343.42	298.50
2008 <sup>4</sup>	333.93	256.25

General Accumulation	High	Low
2007 <sup>1</sup>	344.55	299.56
2008 <sup>4</sup>	334.77	256.95

Institutional Income	High	Low
2007 <sup>2</sup>	335.60	300.43
2008 <sup>4</sup>	337.02	258.88

Institutional Accumulation	High	Low
2007 <sup>3</sup>	344.81	301.42
2008 <sup>4</sup>	337.74	259.44

<sup>1</sup> From 4 June 2007 to 31 December 2007

<sup>2</sup> From 28 June 2007 to 31 December 2007

<sup>3</sup> From 13 June 2007 to 31 December 2007

<sup>4</sup> To 31 August 2008

## Interim Dividend Distributions (In pence per share)

### General Income

XD DATE	Paid on	Distribution
31 August 2008	27 November 2008	1.1710

### General Accumulation

XD DATE	Paid on	Distribution
31 August 2008	27 November 2008	1.3683

### Institutional Income

XD DATE	Paid on	Distribution
31 August 2008	27 November 2008	1.9177

## Institutional Accumulation

XD DATE	Paid on	Distribution
31 August 2008	27 November 2008	2.0002

### XD DATES

28 February (final)  
31 August (interim)

### DISTRIBUTION DATES

27 May (final)  
27 November (interim)

## TOTAL EXPENSE RATIO (Estimated)

General Shares	
28 February 2008	2.77%

Institutional Shares	
28 February 2008	2.27%

The total expense ratios (TERs) show the annual operating expenses of the Fund, including the annual management charge and other expenses. It does not include transaction charges. Funds highlight the TER to help you compare the annual operating expenses of different schemes. The TER for income and accumulation shares is the same.

## INVESTMENT PHILOSOPHY AND PROCESS

The remit of the Premier Castlefield UK Alpha Fund is to achieve a total return in excess of the benchmark FTSE All-Share index. The Fund aims to meet this objective by maintaining a concentrated portfolio of "conviction" holdings. It is not benchmark constrained and can invest across the entire market capitalisation range.

The emphasis of the Fund is on stock selection rather than being thematically driven. Substantial effort is directed to in-house research and on identifying the value drivers for a business. Where we make investments, it is generally in companies that are already profitable but where we feel the market is substantially undervaluing the company's prospects. The reasons for this can range from undervaluing the assets held by a company, by undervaluing the future profit growth that a company can generate or where there are integration/restructuring issues to be worked through by a company. In each of these cases, other investors either tend to place too high a risk premium on such companies or do not attribute sufficient value to future earnings growth. We aim to exploit these opportunities to deliver enhanced returns to investors.

## PERFORMANCE

Over the reporting period, the Fund has achieved a total return fall of 6.8% against a total return of the benchmark FTSE All Share Index which fell by 2.3%.

The period was a volatile one with the Fund outperforming the Index through the first three months as investors became more confident about the global economic outlook. During the second half of the period, sliding commodity prices and further concerns surrounding the US financial system led to falling indices with the Fund underperforming in this environment.

## MARKET REVIEW

In another volatile period for investors, a number of themes played out over the course of the six months under review. At the start of the period, commodity prices were continuing the strong upwards trajectory that they had been following for the previous few years. Apparent strong demand in emerging markets for raw materials led some commentators to talk about the possibility that these developing regions were decoupling from the developed economies of the West and Japan. At the same time, further write-downs at investment banks led to weakness

in the financial sector with Credit Suisse and Deutsche Bank posting their first quarterly losses in 5 years. Action by the Monetary Policy Committee (MPC) to alleviate some of the problems in the financial sector led it to ease monetary policy from 5.25% to 5% in April. However, the bank was increasingly constrained by high inflation figures which resulted in the investment community concluding that the bank would be unable to ease rates again until at least the autumn. The rally in markets prompted by the easing petered out during the course of May. By June, further declines in house prices and increases in commodity prices combined to squeeze the disposable income of consumers. A period of damaging stagflation, that is, a stagnant or slowing economy, combined with high inflation appeared increasingly likely and the main indices recorded double-digit falls during the month.

July saw these dire predictions for the global economy finally impact upon expectations for growth and commodity prices began to ease. The price of crude, which peaked during the month at \$146 a barrel, fell to \$124 a barrel by the end of July. At the same time an increasing number of rumours began to circulate about the financial strength of a number of US institutions. By the end of August, the price of crude had almost come full-circle, falling to \$114 a barrel, within touching distance of the level at which it started the period. Also, the US government sponsored mortgage entities, Fannie Mae and Freddie Mac, had been compelled to release statements attempting to bolster confidence in their ongoing viability.

## PORTFOLIO ACTIVITY

During the period, a number of new holdings were introduced which we feel will be able to outperform in the current economic climate. The oil services group Petrofac was added to the portfolio in mid-March. The group is involved in the engineering construction, consulting and procurement sectors for the global oil and gas majors as well as the national oil companies of the OPEC nations. It should be a beneficiary of continued high levels of capital investment by the oil majors as well as building up a portfolio of its own oil reserves through partnering contracts on established oil fields.

This addition to the portfolio was funded through the sale of the remainder of the holding in SABMiller. The stock had outperformed given its relative defensive merits, however, rising grain and energy prices as well as stiffening competition as a result of Merging and Acquisition (M&A) activity amongst its peers had not been reflected in the share price and the remainder of the holding was sold.

An underweight position in Royal Bank of Scotland (RBS) was added to and the rights entitlement taken up which now leaves the portfolio overweight in this bank, although still underweight the banking sector. As the group has been quicker than many of its peers to address its capital position, the bank has had a relatively successful rights issue whilst others still need to raise further capital or have had to issue shares at steeper discounts. Although the financial sector still faces headwinds both in the UK and US, where RBS also has operations, the group should outperform peers as it is in position of greater flexibility to grow its business as conditions improve.

Most recently, a new holding in IG Group was added to the portfolio. The group is a spread betting and contracts-for-difference (CFD) provider operating in a number of global markets. The group has been successful at signing up customers in new jurisdictions by tailoring its offering to local markets. The group should benefit from current market volatility which tends to stimulate customer activity whilst it is itself not exposed to the underlying direction of the market. A strong balance sheet with net cash should also enable it to weather the current climate while investor sentiment remains negative towards those



## INVESTMENT OBJECTIVE & POLICY

THE INVESTMENT OBJECTIVE OF THE PREMIER CASTLEFIELD UK ALPHA FUND IS TO INVEST PRIMARILY FOR LONG-TERM CAPITAL GROWTH FROM A PORTFOLIO OF INVESTMENTS. THE CURRENT POLICY IS TO ACTIVELY INVEST IN THOSE COMPANIES, PRIMARILY WITHIN THE UK, WHERE THE MANAGER BELIEVES THERE ARE ABOVE AVERAGE OPPORTUNITIES FOR GROWTH.

TOP TEN HOLDINGS AS AT 31/08/2008	% OF NAV	TOP TEN HOLDINGS AS AT 28/02/2008	% OF NAV
Vodafone	5.06%	BG Group	4.98%
BP	4.97%	BP	4.54%
BHP Billiton	4.86%	Rio Tinto	4.16%
BG Group	4.78%	BHP Billiton	4.01%
Rio Tinto	4.36%	Charter	3.56%
Charter	3.97%	Man Group	3.44%
The Royal Bank of Scotland	3.42%	Meggitt	3.22%
Intermediate Capital	3.11%	Scottish and Southern Energy	3.20%
Man Group	3.00%	Intermediate Capital	3.15%
Meggitt	2.97%	Vodafone	3.00%

INVESTMENT PROFILE AS AT 31/08/2008		INVESTMENT PROFILE AS AT 28/02/2008	
Industrials	25.53%	Industrials	25.29%
Financials	18.96%	Financials	19.54%
Oil and Gas	17.22%	Oil and Gas	14.07%
Basic Materials	11.89%	Consumer Services	13.65%
Consumer Services	11.75%	Basic Materials	11.13%
Net other assets	14.65%	Net other assets	16.32%

companies perceived to be at risk from the need to refinance their borrowings.

### OUTLOOK

With further news flow emerging almost daily about the future of US financial institutions, further market volatility appears inevitable in the short term. However, these developments are likely to be a net positive for investor sentiment as a number of areas of uncertainty are gradually removed. Post the end of this reporting period, Fannie Mae and Freddie Mac have undergone a de-facto nationalisation following the intervention of the US government to explicitly guarantee their mortgage bonds. The more recent collapse of Lehman Brothers is likely to be a more complex affair as market participants and regulators work to unwind the broker's exposures. This may well result in considerable asset price volatility as large volumes of illiquid instruments are disposed of, and the impact this has on other financial groups remains to be seen. Looking further ahead, if commodity prices remain at lower levels it should be a net positive for global demand growth and a return to a focus on fundamentals should benefit the Fund.

Source: Castlefield Investment Partners LLP, September 2008.

Fund performance figures are sourced to Financial Express Analytics, taken on a total return, bid to bid, UK Sterling basis. Other performance figures are sourced to Castlefield Investment Partners LLP.

### FUND SPECIFIC RISK FACTORS

As the Fund invests primarily in the UK, there is a market risk that the Fund might suffer through holding market positions concentrated in the UK in the face of price movements. The value of these investments may decline over a given period because of economic changes or other events that impact large portions of the market.

### GENERAL RISK FACTORS

You should remember that past performance is not a guide to the future. The price of shares and the income from them may go down as well as up and you may get back less than you originally invested. Exchange rates will also cause the underlying investments to fall or rise. Tax concessions are not guaranteed and may change at any time; their value will

depend on your individual circumstances.

### RISK WARNINGS FOR PRIVATE CUSTOMERS

If you have any doubt as to the suitability of this Fund, you should contact your financial adviser. Details of the basis or amount of any taxes, charges and expenses are contained in the Simplified Prospectus which can be obtained from the ACD.

Castlefield Investments, its directors, officers, employees and their associates may have a holding in the Fund as well as in the securities referred to herein. Reference to any particular stock does not constitute a recommendation to buy or sell the stock.

### OTHER INFORMATION

The information in this report is designed to enable shareholders to make an informed judgement on the activities of the Fund during the period it covers and the result of those activities at the end of the period. For more information about the activities and performance of the Fund during the period and previous periods, please contact the ACD. For your protection when dealing, your call may be recorded and monitored.

### NOTABLE CHANGES

On 31 May 2007, Shareholders approved the move of the assets from the Premier UK Opportunities Fund to a new Fund called the Premier Castlefield UK Alpha Fund.

During the prior year under review and as agreed by the ACD and Depositary, the company's year end changed from 31 December to 28 February. As a result, the interim accounting date has changed from 30 June to 31 August.

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### AUTHORISED CORPORATE DIRECTOR OF THE COMPANY (ACD)

Premier Portfolio Managers Limited

**Registered Office**  
 Eastgate Court,  
 High Street,  
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 Surrey, GU1 3DE  
 (Authorised and regulated by the Financial Services Authority)

### DEPOSITARY OF THE COMPANY

The Royal Bank of Scotland plc,  
 The Broadstone,  
 50 South Gyle Crescent,  
 Edinburgh, EH12 9UZ

### ADMINISTRATOR AND REGISTRAR

Northern Trust International Fund Administration Services (UK) Limited

**Address**  
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 50 Bank Street,  
 Canary Wharf,  
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### AUDITORS

Grant Thornton UK LLP \*,  
 30 Finsbury Square,  
 London, EC2P 2YU

\*RSM Robson Rhodes LLP ("Robson Rhodes") merged its audit practice with that of Grant Thornton UK LLP ("Grant Thornton") with effect from 2 July 2007, with the successor firm being Grant Thornton. Robson Rhodes resigned as auditors on 31 July 2007 creating a casual vacancy, which the ACD filled by appointing Grant Thornton.

### INVESTMENT ADVISER

Castlefield Investments  
 (A registered trademark and the property of Castlefield Investment Partners LLP)

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 (Authorised and regulated by the Financial Services Authority)

### REPORT AND ACCOUNTS

Copies of the Interim Long-Form Report and Financial Statements of this Fund are available free of charge on request.

Please contact the ACD on 01483 306 090 or visit [www.thecastlefieldfunds.co.uk](http://www.thecastlefieldfunds.co.uk).