



# Premier Castlefield Monthly Equity Income 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)

<b>General Income</b>	
31 August 2008	74.95
28 February 2008	88.27
NAV % change	-15.09%

<b>Institutional Income</b>	
31 August 2008	75.03
28 February 2008	86.81
NAV % change	-13.56%

<b>Charity Income</b>	
31 August 2008	74.26
28 February 2008	87.17
NAV % change	-14.81%

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)

<b>General Income</b>	<b>High</b>	<b>Low</b>
2006 <sup>1</sup>	114.56	112.04
2007	120.31	95.99
2008 <sup>2</sup>	99.41	70.33

<b>Institutional Income</b>	<b>High</b>	<b>Low</b>
2006 <sup>3</sup>	115.03	105.91
2007	120.58	96.37
2008 <sup>2</sup>	99.87	70.70

<b>Charity Income</b>	<b>High</b>	<b>Low</b>
2006 <sup>4</sup>	114.56	93.14
2007	118.74	94.96
2008 <sup>2</sup>	98.43	69.60

<sup>1</sup> From 13 December 2006 to 31 December 2006

<sup>2</sup> To 31 August 2008

<sup>3</sup> From 6 October 2006 to 31 December 2006

<sup>4</sup> From 2 May 2006 to 31 December 2006

## INTERIM DIVIDEND DISTRIBUTIONS (In pence per share)

<b>General Income</b>		
XD date	Paid on	Distribution
31 March 2008	27 April 2008	0.2633
30 April 2008	27 May 2008	0.2633
31 May 2008	27 June 2008	0.2633
30 June 2008	27 July 2008	0.2633
31 July 2008	27 August 2008	0.2633
31 August 2008	27 September 2008	1.2633
31 August 2008	27 November 2008	1.0000

<b>Institutional Income</b>		
XD date	Paid on	Distribution
31 March 2008	27 April 2008	0.2633
30 April 2008	27 May 2008	0.2633
31 May 2008	27 June 2008	0.2633
30 June 2008	27 July 2008	0.2633
31 July 2008	27 August 2008	0.2633
31 August 2008	27 September 2008	1.2633
31 August 2008	27 November 2008	1.0000

<b>Charity Income</b>		
XD date	Paid on	Distribution
31 March 2008	27 April 2008	0.2633
30 April 2008	27 May 2008	0.2633
31 May 2008	27 June 2008	0.2633
30 June 2008	27 July 2008	0.2633
31 July 2008	27 August 2008	0.2633
31 August 2008	27 September 2008	1.2633
31 August 2008	27 November 2008	1.0000

The Fund operates a smoothing policy, whereby a controlled rate is paid monthly until the year end final distribution, where the income remaining is distributed. If income permits then the Fund may distribute an additional amount at the interim date.

## XD DATES

28 February (final)  
31 August (Interim)  
Last day of each month (Income accounting dates)

## DISTRIBUTION DATES

27 May (final)  
27 of each month (Income accounting dates)

## TOTAL EXPENSE RATIO

**General Shares**  
28 February 2008 2.98%

**Institutional Shares**  
28 February 2008 2.48%

**Charity Shares**  
28 February 2008 2.23%

The total expense ratios (TERs) show the annual operating expenses of the sub-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 investment process of the Premier Castlefield Monthly Equity Income Fund incorporates a four-stage approach, encompassing both quantitative and qualitative analysis. The first step involves running stocks through a stock screening model in order to identify companies that meet specific criteria. We aim to identify high yielding stocks with good dividend cover and healthy free cash flow that can also demonstrate consistency of earnings growth. Stocks that do not meet the criteria do not move to the next stage. Stocks are then split into one of three groups – core income stocks, income growth stocks or high income stocks. Whilst the stock selection methodology is consistent for each group, we employ a weighted ratio approach, where the importance of each particular ratio varies dependant on the category. Once the stocks have been put into the appropriate group, we carry out a disciplined fundamental analysis of each company in order to grade the stocks into one of seven categories. Each category has a specific risk profile and the process should result in the greatest exposure to the least risky stocks. The final stage involves modelling the portfolio to assess the total returns going forward. This involves modelling the exposure to the three groups outlined in stage two. The purpose of this is to attain the highest income achievable with the strongest dividend growth possible.

## PERFORMANCE

The current economic backdrop has not been particularly helpful for high yielding equities. Moreover, the strong relative performance from lower yielding sectors, such as the mining sector, has made it difficult for higher yielding funds to keep pace with the overall market.

In the period under review, the Fund produced a fall of 8.7% compared to a total return fall of 4.9% from the IMA UK Equity Income Sector and a fall of 2.3% for the FTSE All Share Index.

## MARKET REVIEW

The ongoing crisis in credit markets and increased concerns about recession provided a difficult backdrop for equities during the period under review. Markets were weak from the outset as investors reacted to soft economic data from both sides of the Atlantic. In the US, news that mortgage delinquencies had hit a record high in

the fourth quarter, and a larger than expected fall in non-farm payrolls, exasperated fears of a recession. Rising commodity prices, a weakening dollar and the crisis at Bear Sterns sent equities sharply lower. On 17 March, the FTSE 100 Index hit a low of 5414, then its lowest level since November 2005.

From here, markets began to recover as investors reacted positively to the Federal Reserve's unexpected 75 basis point cut in interest rates. Positive results from a number of banks helped boost sentiment further and shares continued upwards for the remainder of the month.

Positive corporate news continued in April as a number of companies reported better than expected results. Sentiment improved further when the Bank of England announced plans to inject £50bn into the interbank funding market in order to ease liquidity. This, combined with hopes that the crisis in the banking sector was nearing an end, resulted in the benchmark indices enjoying their largest gains since April 2003.

May started well as investors responded to better than expected first quarter results from HSBC. Oil and mining stocks advanced on the back of rumours of renewed corporate activity and expectations of strong future demand for raw materials. Markets continued to push ahead until the 19 May when the FTSE 100 Index reached a four month high of 6376, the highest point reached during the period under review.

Share prices moved swiftly into reverse as investors became concerned about the growing upside risk to inflation and the future direction of interest rates. Financial stocks led the market down when it emerged that Moody's had awarded incorrect triple-A ratings to billions of dollars worth of complex European debt products. Bank stocks came under further pressure as concerns grew that the recent cash calls in the sector might fail to attract sufficient support.

Markets continued down in June. Falling oil prices impacted the heavyweight oil sector while rising unemployment in the USA raised concerns about the possibility of recession and contributed to investor's woes. Minutes from the Monetary Policy Committee (MPC) did little to ease concerns when it emerged that the Committee had discussed the possibility of raising interest rates. This, in conjunction with poor corporate results, kept downward pressure on markets for the remainder of the month.

Sentiment continued to deteriorate in August as headline inflation recorded a sharp increase and TPG pulled its offer to inject £179m into Bradford & Bingley. Growing concerns about the financial health of US mortgage agencies, Fannie Mae and Freddie Mac, help push the FTSE 100 Index down to a low of 5071 on 16 August. This was 25% below the high point reached in October 2007 and the lowest point reached during the period under review. Markets managed to recover some lost ground in the final trading days of August and finished the period slightly above the lows.

## PORTFOLIO ACTIVITY

During the period under review, British Land, the real estate company, was added to the Fund. The company has 99% occupancy levels with long average lease lengths. In addition the group is well financed with an average loan maturity of 12.6 years fixed at 5.28%. Following a long period of sector underperformance, the stock offered a yield approaching 4%.

BP, the integrated oil company, was also added to the Fund. The company is currently benefiting from a strong oil price and a pickup in volume growth. In addition, BP recently increased its dividend by 31% as management reduced the ongoing share buyback programme in favour of dividend payments. As a result, the shares have one of the highest yields in the sector.

Bradford & Bingley was sold following continued



## INVESTMENT OBJECTIVE & POLICY

THE INVESTMENT OBJECTIVE OF THE PREMIER CASTLEFIELD MONTHLY EQUITY INCOME FUND IS PREDOMINATELY TO GENERATE A RELATIVELY HIGH LEVEL OF INCOME, TOGETHER WITH INCOME GROWTH AND SOME CAPITAL GROWTH OVER THE LONG-TERM. THIS IS TO BE ACHIEVED BY INVESTING PRINCIPALLY IN A PORTFOLIO OF UK EQUITIES, ALTHOUGH MONEY MARKET INSTRUMENTS, COLLECTIVE INVESTMENT SCHEMES, DEPOSITS, WARRANTS, DERIVATIVES (FOR HEDGING PURPOSES) AND OTHER PERMITTED INVESTMENTS AND TRANSACTIONS MAY ALSO BE INVESTED IN.

TOP TEN HOLDINGS AS AT 31/08/2008	% OF NAV	TOP TEN HOLDINGS AS AT 28/02/2008	% OF NAV
Vodafone	7.70%	Vodafone	7.59%
National Grid	6.65%	National Grid	5.97%
Scottish & Southern Energy	6.27%	United Utilities	5.64%
United Utilities	5.86%	BT	5.61%
Royal Dutch Shell	5.04%	Scottish & Southern Energy	5.52%
BT	4.87%	Lloyds TSB	5.19%
Severn Trent	4.83%	Severn Trent	4.41%
Northumbrian Water	4.66%	Royal Dutch Shell	4.14%
HSBC	4.31%	Northumbrian Water	4.05%
Lloyds TSB	3.89%	The Royal Bank of Scotland	3.42%

INVESTMENT PROFILE AS AT 31/08/2008		INVESTMENT PROFILE AS AT 28/02/2008	
Financials	29.41%	Financials	33.52%
Utilities	28.27%	Utilities	25.59%
Telecommunications	12.57%	Telecommunications	13.20%
Industrials	11.56%	Industrials	11.79%
Oil & Gas	6.69%	Oil & Gas	4.14%
Net Other assets	11.50%	Net Other assets	11.76%

deterioration in the group's core "buy to let" market. In addition, the impact of the credit crunch combined with recent credit downgrades will increase the company's funding costs. Both of these factors will result in further margin compression and put increased pressure on an already weak balance sheet.

DSG International was sold following the announcement of a 50% cut in the final dividend. The outlook for the group is uncertain as a result of continued deterioration in consumer confidence and increased competition. Although management has been proactive in implementing a restructuring programme in response to current market conditions, the benefits are not expected to impact the bottom line until 2010.

### OUTLOOK

The long term outlook for UK equities remains positive and a number of sectors currently look cheap against historic valuations. However, in the short term, equities are likely to remain volatile until some stability emerges in global credit markets.

Source: Castlefield Investment Partners LLP, September 2008.

Fund performance figures are sourced to Premier Portfolio Managers Limited, including net income, 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.

There is no guarantee that a constant level of income will be maintained throughout the year since the ACD will attempt to smooth the monthly distributions paid during the year. This will be achieved by carrying over the income received in a month which has above average income expectations in order to supplement the income received in another month which has a lower level of income.

The value of shares, and any income from them, can go down as well as up and you might get back less than you invested.

The Fund deducts all charges from capital which may result in the income paid by the Fund being higher than would otherwise be the case and the growth in the capital sum may be constrained.

### 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 judgment 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

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

With effect from 1 September 2007, the ACD charge has been changed from a fixed cost of £20,000 per annum, per sub-fund to a variable cost of 0.1%, with a minimum of £20,000 per annum, per sub-fund.

### AUTHORISED CORPORATE

#### DIRECTOR OF THE COMPANY (ACD)

Premier Portfolio Managers Limited

#### Registered Office

Eastgate Court,  
High Street,  
Guildford,  
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

PO Box 55736,  
50 Bank Street,  
Canary Wharf,  
London, E14 1BT

### 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.

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