



# Premier Castlefield Monthly Equity Income Fund

INTERIM SHORT REPORT OF THE AUTHORISED CORPORATE DIRECTOR:  
FOR THE PERIOD FROM 1 MARCH 2009 TO 31 AUGUST 2009

## NET ASSET VALUES (In pence per share)

<b>General Income</b>		
31 August 2009		66.47
28 February 2009		53.83
NAV % change	+23.48%	

<b>Institutional Income</b>		
31 August 2009		65.28
28 February 2009		53.05
NAV % change	+23.05%	

<b>Charity Income</b>		
31 August 2009		65.90
28 February 2009		53.55
NAV % change	+23.07%	

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	99.41	56.78
2009 <sup>2</sup>	68.36	49.39

<b>Institutional Income</b>		
	<b>High</b>	<b>Low</b>
2006 <sup>3</sup>	115.03	105.91
2007	120.58	96.37
2008	99.87	59.65
2009 <sup>2</sup>	71.64	48.53

<b>Charity Income</b>		
	<b>High</b>	<b>Low</b>
2006 <sup>4</sup>	114.56	93.14
2007	118.74	94.96
2008	98.43	56.30
2009 <sup>2</sup>	67.82	49.14

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

<sup>2</sup> To 31 August 2009

<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>		
<b>XD DATE</b>	<b>Paid on</b>	<b>Distribution</b>
31 March 2009	27 April 2009	0.2633
30 April 2009	27 May 2009	0.2633
31 May 2009	27 June 2009	0.2633
30 June 2009	27 July 2009	0.2633
31 July 2009	27 August 2009	0.2633
31 August 2009	27 September 2009	0.2633

<b>Institutional Income</b>		
<b>XD DATE</b>	<b>Paid on</b>	<b>Distribution</b>
31 March 2009	27 April 2009	0.2633
30 April 2009	27 May 2009	0.2633
31 May 2009	27 June 2009	0.2633
30 June 2009	27 July 2009	0.2633
31 July 2009	27 August 2009	0.2633
31 August 2009	27 September 2009	0.2633

<b>Charity Income</b>		
<b>XD DATE</b>	<b>Paid on</b>	<b>Distribution</b>
31 March 2009	27 April 2009	0.2633
30 April 2009	27 May 2009	0.2633
31 May 2009	27 June 2009	0.2633
30 June 2009	27 July 2009	0.2633
31 July 2009	27 August 2009	0.2633
31 August 2009	27 September 2009	0.2633

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

<b>28 February 2009</b>	
<b>General Shares</b>	3.80%
<b>Institutional Shares</b>	3.30%
<b>Charity Shares</b>	3.05%

The total expense ratios (TERs) show the annual operating expenses of the Fund, including the annual management charge and other expenses. They do not include transaction charges. Funds highlight the TER to help you compare the annual operating expenses of different schemes.

## PORTFOLIO TURNOVER RATE

**28 February 2009** 66.40%

The PTR is a ratio that reflects the volume of trading within the Fund over the course of a 12 month period. The PTR is calculated by taking the sum of all transactions in securities less the sum of all transactions in the Fund's shares and is expressed as a percentage of the Fund's average net asset value.

## 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

Over the reporting period, the Fund produced a total return of 31.24% compared to a total return of 28.86% from the IMA UK Equity Income sector.

## MARKET REVIEW

The period under review started badly with investors reacting negatively to poor economic data and a further interest rate cut. This, combined with disappointing corporate news on both sides of the Atlantic, helped to push the FTSE All Share Index down to an intra-day low, below the all time high reached on 20 June 2007.

From here markets advanced following news that the Bank of England was planning to stimulate the economy by increasing the quantity of money in circulation. Further action from policymakers around the world helped sentiment and the UK market continued up until 7 May. For the balance of the month, equity markets traded in a tight range as investors waited for tangible evidence that the worst of the recession was over.

The three month rally faltered in June with rumours that Gordon Brown was about to resign following Labour's poor performance in the local and European elections. Markets continued down as investors became increasingly concerned about the strength and durability of any recovery. Fresh concerns about metals demand from China added to the woes, while a surprise fall in US consumer confidence exasperated the situation and helped maintain pressure on equities for the remainder of the month.

Markets continued down in July. An unexpected fall in manufacturing output in May, in combination with downward revisions to the March and April figures, resulted in the National Institute for Social and Economic Research abandoning its claim that the recession had troughed in March. This, combined with analysts concerns about the second quarter reporting season, weighed heavily on sentiment as investors once again feared that the recession may be longer and deeper than initially anticipated.

Equities continued to lose ground until the 13th July when the FTSE All Share Index hit an intra-day low. From here markets rallied as better than expected corporate results and news that UK house prices rose in June (the first time in nearly 18 months) boosted confidence.

The rally gained momentum in August as strong economic data contributed to optimism and bargain hunters looked to increase exposure to economically sensitive areas of the market. As a result, the FTSE All Share Index gained 7.1% over the month and ended the period 43.6% above the lows reached in March.

## PORTFOLIO ACTIVITY

During the period under review, Unilever, the international food and personal care group, was added to the Fund. Unilever is currently benefitting from strong organic growth from developing economies which account for around 50% of group revenues. Moreover, medium term growth should be boosted by a plethora of new product roll outs while margins are expected to benefit from better than expected cost controls.

Imperial Tobacco Group, the world's fourth largest cigarette manufacturer, was also added to the Fund. In addition to offering defensive earnings, shareholders should benefit from the current cost cutting programme and the consolidation of recent acquisitions.

Exposure to the retailers was increased with the purchase of Halfords, the retailer of auto, leisure and cycling products. The company is currently enjoying strong growth in its car maintenance division as a result of the economic downturn. Elsewhere the leisure division is benefiting from structural growth in the cycling market. Long term growth will be driven by new space and overseas expansion.

Other new additions to the Fund included Severn Trent, Dairy Crest, Experian, Brown(n), Cable & Wireless and Electrocomponents.

A number of stocks were sold due to dividend payments failing to meet the Fund's income criteria. This included GKN, Tomkins, Premier Foods and Kazakhmys.

## OUTLOOK

At the time of writing (in the first half of September 2009), the FTSE All Share Index has gained over 45% from the lows reached in March 2009. Going forward, there is uncertainty over the extent of the recovery and whether progress can continue once the various fiscal and



## 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 31/08/2009	% OF NAV	TOP TEN HOLDINGS AS AT 28/02/2009	% OF NAV
BP	6.40%	Vodafone	8.86%
Vodafone	5.72%	National Grid	7.48%
HSBC	5.47%	Centrica	6.11%
British American Tobacco	4.68%	Royal Dutch Shell	5.23%
Scottish & Southern Energy	4.59%	Jardine Lloyd Thompson	4.68%
United Utilities	4.40%	British American Tobacco	4.09%
Royal Dutch Shell	3.47%	BRIT Insurance	3.63%
Severn Trent	3.23%	Kazakhmys	3.53%
United Business Media	3.09%	HSBC	3.26%
Jardine Lloyd Thompson	3.04%	AstraZeneca	3.12%

  

INVESTMENT PROFILE AS AT 31/08/2009		INVESTMENT PROFILE AS AT 28/02/2009	
Financials	28.00%	Financials	27.28%
Utilities	19.20%	Utilities	14.51%
Consumer Goods	12.17%	Telecommunications	9.59%
Oil & Gas	9.87%	Consumer Goods	9.13%
Consumer Services	8.56%	Industrials	6.93%
Net other assets	22.20%	Net other assets	32.56%

monetary stimuli are removed. Although the equity market remains cheap on most valuation measures, it is likely that the short term direction will continue to be influenced by the macroeconomic backdrop.

Source: Castlefield Investment Partners LLP, September 2009. Performance figures are taken from Financial Express Analytics and are quoted on a bid to bid, total return, UK sterling basis.

### 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.

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

Premier Portfolio Managers Limited

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### 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 0845 230 9033 or visit  
www.thecastlefieldfunds.co.uk

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