

# Premier Castlefield UK Equity Fund

ANNUAL SHORT REPORT OF THE AUTHORISED CORPORATE DIRECTOR:  
FOR THE PERIOD FROM 1 MARCH 2007 TO 28 FEBRUARY 2008

## NET ASSET VALUES (in pence per share)

<b>General Income</b>	
28 February 2007	233.34
28 February 2008	219.45
NAV % change	-5.95%

<b>General Accumulation</b>	
28 February 2007	246.06
28 February 2008	236.81
NAV % change	-3.75%

<b>Institutional Income</b>	
28 February 2007	235.75
28 February 2008	222.39
NAV % change	-5.66%

<b>Institutional Accumulation</b>	
28 February 2007	248.16
28 February 2008	240.03
NAV % change	-3.27%

<b>Charity Income</b>	
28 February 2007	229.02
28 February 2008	216.14
NAV % change	-5.62%

<b>Charity Accumulation</b>	
28 February 2007	229.32
28 February 2008	222.17
NAV % change	-3.11%

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>
2005 <sup>1</sup>	204.41	173.55
2006	232.79	199.66
2007	251.24	219.03
2008 <sup>2</sup>	234.00	199.24

<b>General Accumulation</b>	<b>High</b>	<b>Low</b>
2004	173.55	154.25
2005	208.81	173.38
2006	244.90	206.43
2007	265.50	233.10
2008 <sup>2</sup>	252.00	214.56

<b>Institutional Income</b>	<b>High</b>	<b>Low</b>
2006 <sup>3</sup>	235.80	199.75
2007	254.17	221.79
2008 <sup>2</sup>	237.10	201.94

<b>Institutional Accumulation</b>	<b>High</b>	<b>Low</b>
2006 <sup>4</sup>	246.79	206.68
2007	268.16	235.63
2008 <sup>2</sup>	255.23	217.37

<b>Charity Income</b>	<b>High</b>	<b>Low</b>
2004	169.08	151.26
2005	198.86	168.35
2006	228.99	194.34
2007	246.95	215.39
2008 <sup>2</sup>	230.44	196.27

<b>Charity Accumulation</b>	<b>High</b>	<b>Low</b>
2007 <sup>5</sup>	247.91	217.87
2008 <sup>2</sup>	236.10	201.10

<sup>1</sup> From 1 February 2005 to 31 December 2005.

<sup>2</sup> To 28 February 2008.

<sup>3</sup> From 1 June 2006 to 31 December 2006.

<sup>4</sup> From 25 April 2006 to 31 December 2006.

<sup>5</sup> From 26 February 2007 to 31 December 2007.

## DIVIDEND DISTRIBUTIONS (in pence per share)

<b>General Income</b>		
XD date	Paid on	Distribution
31 May 2007	27 August 07	2.1421
31 August 2007	27 November 07	1.6781
30 November 2007	27 February 2008	1.0612
28 February 2008	27 May 2008	0.4631

<b>General Accumulation</b>		
XD date	Paid on	Distribution
31 May 2007	27 August 07	2.2564
31 August 2007	27 November 07	1.7999
30 November 2007	27 February 2008	1.1707
28 February 2008	27 May 2008	0.4906

<b>Institutional Income</b>		
XD date	Paid on	Distribution
31 May 2007	27 August 07	2.2897
31 August 2007	27 November 07	1.9031
30 November 2007	27 February 2008	1.2200
28 February 2008	27 May 2008	0.5990

<b>Institutional Accumulation</b>		
XD date	Paid on	Distribution
31 May 2007	27 August 07	2.4401
31 August 2007	27 November 07	1.9038
30 November 2007	27 February 2008	1.4244
28 February 2008	27 May 2008	0.6472

<b>Charity Income</b>		
XD date	Paid on	Distribution
31 May 2007	27 August 07	2.2976
31 August 2007	27 November 07	1.7868
30 November 2007	27 February 2008	1.2177
28 February 2008	27 May 2008	0.6926

<b>Charity Accumulation</b>		
XD date	Paid on	Distribution
31 May 2007	27 August 07	2.3114
31 August 2007	27 November 07	1.8383
30 November 2007	27 February 2008	1.2512
28 February 2008	27 May 2008	0.7133

## TOTAL EXPENSE RATIO

<b>General Shares</b>	
28 February 2008	1.55%
28 February 2007	1.56%

<b>Institutional Shares</b>	
28 February 2008	1.05%
28 February 2007	1.17%

<b>Charity Shares</b>	
28 February 2008	0.95%
28 February 2007	1.08%

The total expense ratio's (TER's) show the annual operating expenses of the sub-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. The TER for income and accumulation shares is the same.

## INVESTMENT PHILOSOPHY AND PROCESS

Over a number of years, we have developed a disciplined approach to investment in the Premier Castlefield UK Equity Fund, representing a blend of top-down and bottom-up elements, with a tilt towards the latter. This allows for the construction of an actively managed and risk controlled portfolio. We are neither value nor growth investors, but rather retain a flexibility to react to fundamental changes in market conditions, as global and sector specific influences impinge upon the domestic investment picture. Our style could best be described as pragmatic, seeking value but also prepared to recognise and pay for growth at a sensible price. We dislike unnecessary risk and take steps to manage this aspect carefully within the Portfolio. In essence, our investment style is based around selecting stocks with which we and our shareholders can feel comfortable. We seek investments whose value is not fully recognised by the market in general and source situations where we see positive internal or external change that should lead to an upwards re-rating of the company within the market. For this reason, we continually strive to thoroughly understand each company, via fundamental analysis and research. We believe that our style should consistently add value and lead to steady out performance. Therefore, we view the Premier Castlefield UK Equity Fund as being well suited to those investors seeking a core domestic equity fund within a long term Portfolio.

## PERFORMANCE

Over the period, the Premier Castlefield UK Equity fund returned -3.7% against the IMA UK All Companies return of -3.6%.

## PORTFOLIO ACTIVITY

In the six months since our interim report, there has been a reasonable level of activity within the portfolio, with many trades resulting from recognition of the deteriorating economic backdrop. With storm clouds gathering around the commercial property sector, the announcement that British Land was struggling to find buyers at an acceptable price for its share of a flag ship shopping centre was sufficient to trigger an exit from this situation. Shortly afterwards, we elected to sell down the Fund positions within Persimmon and Redrow, taking the view that challenging conditions within house building were not going to disappear quickly. The generally difficult background continued to influence our strategy throughout the period and we became more inclined to dispose of companies with prospects that might be more exposed, thus avoiding more serious losses from both Premier Foods and Yell Group. During November, we sold the entire remaining position within ICI where a cash bid from Akzo Nobel had already been agreed. Happily, this crystallised some very useful gains for the Fund.

Not surprisingly, the challenging background also influenced our reinvestment choices and for most of the period we placed greater than usual emphasis on the robustness and visibility of future earnings, this having an influence on our new investments within the aero engine group, Rolls Royce, and the global consumer products company, Reckitt Benckiser. The former, despite being exposed to the highly cyclical civil aerospace market, has good stability thanks to a strong order book and a surprisingly high degree of recurring earnings from maintenance, repairs and parts contracts created when airlines purchase their engines. Reckitt has, to our mind, more obvious defensive qualities, manufacturing and marketing a large, high quality portfolio of household and healthcare products across the globe. On occasion, we have also taken a view on more cyclical situations where we believe value still existed, adding to Ashtead the equipment rental group and to Intermediate Capital, the specialist mezzanine finance provider.

## OUTLOOK

A read through our summaries of the six months since our interim reports readily shows the significant volatility created by the sub-prime crisis and uncertainty around the wider global economy. Central banks have carried out various interventions



## INVESTMENT OBJECTIVE & POLICY

THE INVESTMENT OBJECTIVE OF THE PREMIER CASTLEFIELD UK EQUITY FUND IS TO GENERATE A COMBINATION OF CURRENT INCOME AND LONG-TERM CAPITAL GROWTH BY INVESTING PRINCIPALLY IN A PORTFOLIO OF UK EQUITIES AND/OR COLLECTIVE INVESTMENT SCHEMES, ALTHOUGH MONEY MARKET INSTRUMENTS, DEPOSITS, WARRANTS, DERIVATIVES (FOR HEDGING PURPOSES) AND OTHER PERMITTED INVESTMENTS AND TRANSACTIONS MAY BE INVESTED IN. THE AIM IS TO ACHIEVE A TOTAL RETURN IN EXCESS OF THAT GENERATED BY THE FTSE ALL-SHARE INDEX.

TOP TEN HOLDINGS AS AT 28/02/2008	% OF NAV	TOP TEN HOLDINGS AS AT 28/02/2007	% OF NAV
BP	6.04%	BP	5.17%
Royal Dutch Shell 'B'	5.96%	HSBC	4.60%
HSBC	4.61%	Royal Dutch Shell 'B'	4.09%
Vodafone	4.14%	GlaxoSmithKline	3.41%
BG	3.92%	The Royal Bank of Scotland	3.39%
Rio Tinto	3.69%	Premier Foods	2.73%
John Wood	3.10%	iShares FTSE 100	2.53%
iShares FTSE 100	3.06%	BG	2.46%
BHP Billiton	3.04%	Forth Ports	2.38%
Standard Chartered	3.03%	Vodafone	2.36%

### INVESTMENT PROFILE AS AT 28/02/2008

Financials	20.79%
Oil & Gas	19.02%
Industrials	15.69%
Basic Materials	9.38%
Consumer Goods	6.92%
Net Other assets	28.20%

### INVESTMENT PROFILE AS AT 28/02/2007

Financials	29.26%
Oil & Gas	13.85%
Industrials	13.56%
Consumer Services	8.03%
Consumer Goods	7.26%
Net Other assets	29.76%

and interest rates have been cut repeatedly, but, at the time of writing, the outlook remains clouded and investors remain extremely nervous. However, we do remain largely invested in equities, taking encouragement from companies who are often producing figures above expectations. We see plenty of medium-term value across a number of areas, but recognise that, in the short-term this is not protecting individual stocks. We do anticipate an improvement in markets, this reflecting an eventual stabilisation in the troubled background, but there exists a greater than usual uncertainty as to when that recovery might be seen.

Source: Castlefield Investment Partners LLP, March 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

### Capital Risk

Half of the charges and expenses of the Fund are treated as capital charges and as such will constrain the capital growth of the Fund.

### Market Risk

The Fund value may fluctuate from day to day. Due to market conditions, the value of your investment may decline in value.

### Exchange or Currency Risk

Investment made by the Fund may not be traded in Sterling and movements in exchange rates may cause the value of investments to fluctuate.

### Liquidity Risk

The Fund may hold a relatively concentrated portfolio of assets. This means that the price of a share may be more volatile than in a fund with a more diversified portfolio of assets. It may not therefore be suitable for all individuals and you should consult your financial adviser if you have any doubts

## 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.

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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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(Authorised and regulated by the Financial Services  
Authority)

## DEPOSITARY OF THE COMPANY

The Royal Bank of Scotland plc,  
The Broadstone,  
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Edinburgh, EH12 9UZ

## ADMINISTRATOR AND REGISTRAR

Northern Trust International Fund Administration  
Services (UK) Limited

### Address

PO Box 55736,  
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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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Authority)

## REPORT AND ACCOUNTS

Copies of the Annual 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.premierassetmanagement.co.uk