



# Premier Castlefield UK Equity 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	204.81	
28 February 2008	219.45	
NAV % change	-6.67%	
<b>General Accumulation</b>		
31 August 2008	225.59	
28 February 2008	236.81	
NAV % change	-4.73%	
<b>Institutional Income</b>		
31 August 2008	207.90	
28 February 2008	222.39	
NAV % change	-6.51%	
<b>Institutional Accumulation</b>		
31 August 2008	229.24	
28 February 2008	240.03	
NAV % change	-4.49%	
<b>Charity Income</b>		
31 August 2008	202.13	
28 February 2008	216.14	
NAV % change	-6.48%	
<b>Charity Accumulation</b>		
31 August 2008	212.70	
28 February 2008	222.17	
NAV % change	-4.26%	

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	184.74	
<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	201.64	
<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	187.47	
<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	204.77	
<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	182.26	
<b>Charity Accumulation</b>			
	<b>High</b>	<b>Low</b>	
2007 <sup>5</sup>	247.91	217.87	
2008 <sup>2</sup>	236.10	189.55	

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

<sup>2</sup> To 31 August 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 2008	27 August 2008	2.4349
31 August 2008	27 November 2008	1.7605

<b>General Accumulation</b>		
XD date	Paid on	Distribution
31 May 2008	27 August 2008	2.6659
31 August 2008	27 November 2008	1.9945

<b>Institutional Income</b>		
XD date	Paid on	Distribution
31 May 2008	27 August 2008	2.5875
31 August 2008	27 November 2008	1.9222

<b>Institutional Accumulation</b>		
XD date	Paid on	Distribution
31 May 2008	27 August 2008	2.8565
31 August 2008	27 November 2008	2.1679

<b>Charity Income</b>		
XD date	Paid on	Distribution
31 May 2008	27 August 2008	2.6209
31 August 2008	27 November 2008	1.9773

<b>Charity Accumulation</b>		
XD date	Paid on	Distribution
31 May 2008	27 August 2008	2.8658
31 August 2008	27 November 2008	2.2288

## TOTAL EXPENSE RATIO

<b>General Shares</b>		
28 February 2008	1.55%	
<b>Institutional Shares</b>		
28 February 2008	1.05%	
<b>Charity Shares</b>		
28 February 2008	0.95%	

The total expense ratios (TERs) 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

During the reporting period, the Fund has achieved a total return fall of 2.8% against a total return of the benchmark FTSE All Share Index fall of 2.3%.

The period was a volatile one for indices, but the Fund performed generally in line with the FTSE All Share benchmark throughout the six months.

## MARKET REVIEW

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 the base rate from 5.25% to 5% in April. From here, 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 gloomy 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

There was a healthy level of activity over the six months, with the overall theme of trades taking the portfolio stance in a more defensive direction. To this end, we sold down Northgate, the van hire company with exposure to the troubled Spanish construction sector. Rising oil prices and fragile consumer sentiment made us increasingly concerned over prospects for civil aviation and we therefore heavily reduced Meggitt and exited Rolls-Royce,



## 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 31/08/2008	% OF NAV	TOP TEN HOLDINGS AS AT 28/02/2008	% OF NAV
Royal Dutch Shell 'B'	6.46%	BP	6.04%
BP	6.45%	Royal Dutch Shell 'B'	5.96%
HSBC	6.41%	HSBC	4.61%
Vodafone	4.85%	Vodafone	4.14%
BG	3.96%	BG	3.92%
The Royal Bank of Scotland	3.87%	Rio Tinto	3.69%
Rio Tinto	3.51%	John Wood	3.10%
BHP Billiton	3.32%	iShares FTSE 100	3.06%
Standard Chartered	2.73%	BHP Billiton	3.04%
Scottish & Southern Energy	2.66%	Standard Chartered	3.03%

### INVESTMENT PROFILE AS AT 31/08/2008

Financials	21.88%
Oil & Gas	19.32%
Industrials	11.43%
Basic Materials	10.45%
Telecommunications	7.35%
Net other assets	29.57%

### 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%

both with exposure to this sector. Although we did increase exposure to HSBC and to Royal Bank of Scotland, we sold down Barclays and also, at the end of August, Lloyds TSB. We viewed the food retailer Tesco as having rather less defensive characteristics in the current environment as we suspect many customers will be starting to shop with Aldi, Netto and their like. Margin pressures seem likely to be a feature whilst, the non food retail interests will be suffering in a difficult high street.

## OUTLOOK

With further clarity now being reached on the future of the US financial institutions Fannie Mae and Freddie Mac (post the end of this reporting period) following the intervention of the US government to explicitly guarantee their mortgage bonds, a significant source of uncertainty has been removed from the global financial system. This positive has been superseded by further negative news in the shape of the bankruptcy protection move of US investment bank, Lehman. What this does underline is that volatility will remain a feature until we see some signs of a recovery in moribund economies such as the UK or US. Self evidently, investors will also hope for an end to negative events within the financial sector, but that prospect remains highly uncertain at the time of writing.

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

### 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 Depository, 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)

## DEPOSITORY 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)

### Registered Office

215-219 Chester Road,  
Manchester, M15 4JE

### Operating Address

1 Portland Street,  
Manchester, M1 3BE  
Telephone: 0161 233 4890  
email: queries@castlefield.com  
website: www.castlefield.com  
(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.

0411085306