PHOENIX
Fund Services

PFS TWENTYFOUR INVESTMENT FUNDS

Annual Report
31 March 2011
(Audited)

Contents

Page

Directory

Authorised Corporate Director & Registrar
Phoenix Fund Services (UK) Limited
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Directors of the Authorised Corporate Director
R. Elliott (appointed 11 April 2011)
S. A. King
S. D. Mathieson
J. Rice (appointed 22 February 2011)

Investment Adviser
TwentyFour Asset Management LLP
24 Cornhill, London, EC3V 3ND
(Authorised and regulated by the Financial Services Authority)

Depositary
BNY Mellon Trust & Depositary (UK) Limited
The Bank of New York Mellon Centre, 160 Queen Victoria Street, London EC4V 4LA
(Authorised and regulated by the Financial Services Authority)

Auditor
PricewaterhouseCoopers LLP
Statutory Auditors
7 More London Riverside, London, SE1 2RT

Statement of the Authorised Corporate Director's Responsibilities

The Authorised Corporate Director ("ACD") is responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. The Financial Services Authority's Collective Investment Schemes Sourcebook ("the COLL Sourcebook") requires the ACD to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the net revenue and of the net gains/losses on the property of the Company for that year. In preparing the financial statements the ACD is required to:

- comply with the prospectus and applicable accounting standards, subject to any material departures which are required to be disclosed and explained in the Financial Statements;
- select suitable accounting policies, as described in the attached financial statements, and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures, which are required to be disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The ACD is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable it to ensure that the financial statements comply with the COLL Sourcebook. The ACD is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the ACD is aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the ACD has taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Certification of Accounts by the Authorised Corporate Director

In accordance with the requirements of the OEIC Regulations and COLL, we hereby certify this Report on behalf of the ACD, Phoenix Fund Services (UK) Limited.

R Elliot
S D Mathieson

Directors
Phoenix Fund Services (UK) Limited
25 July 2011

Statement of the Depositary's Responsibilities

The Depositary is responsible for the safekeeping of all of the property of the Company (other than tangible moveable property) which is entrusted to it.

It is the duty of the Depositary to take reasonable care to ensure that the Company is managed in accordance with the COLL Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) (the 'OEIC Regulations') and the Company's Instrument of Incorporation, and prospectus in relation to the pricing of, and dealings in, shares in the Company; the application of income of the Company; and the investment and borrowing powers of the Company.

Report of the Depositary for the year ended 31/03/11

Having carried out such procedures as we considered necessary to discharge our responsibilities as depositary of the company, in our opinion, during the period under review, we confirm that, except in respect of the matter referred to below, in all other material respects the Company has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's income, in accordance with the rules in the COLL Sourcebook and, where applicable, the OEIC Regulations, the Instrument of Incorporation and prospectus of the Company. With regard to the exception referred to above, as Depositary, we have instructed the ACD to improve their monitoring of investment and borrowing powers and restrictions applicable to the fund.

BNY Mellon Trust & Depositary (UK) Limited
25 July 2011

Independent Auditors' Report to the Members of PFS TwentyFour Investment Funds ICVC

We have audited the financial statements of PFS TwentyFour Investment Funds ICVC (the "Company") for the year ended 31 March 2011 which comprise the aggregated statement of total return, the aggregated statement of change in net assets attributable to shareholders, the aggregated balance sheet and related notes and for each of the Company's sub-funds, the statement of total return, the statement of change in net assets attributable to shareholders, the balance sheet, the related notes and the distribution tables. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice 'Financial Statements of Authorised Funds' issued by the Investment Management Association (the "Statement of Recommended Practice for Authorised Funds").

Respective responsibilities of director and auditors

As explained more fully in the Authorised Corporate Director's Responsibilities Statement the Authorised Corporate Director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook as required by paragraph 67(2) of the Open-Ended Investment Companies Regulations 2001 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authorised Corporate Director; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Authorised Corporate Director's Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent Auditors' Report to the Members of PFS TwentyFour Investment Funds ICVC

continued

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Company and each of the sub-funds at 31 March 2011 and of the net revenue and the net gains/(losses) of the scheme property of the Company and each of the sub-funds for the year then ended; and
- have been properly prepared in accordance with the Statement of Recommended Practice for Authorised Funds, the Collective Investment Schemes sourcebook and the Instrument of Incorporation.

Opinion on other matters prescribed by the Collective Investment Schemes sourcebook

In our opinion:

- we have obtained all the information and explanations we consider necessary for the purposes of the audit; and
- the information given in the Authorised Corporate Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Collective Investment Schemes sourcebook requires us to report to you if, in our opinion:

- proper accounting records for the Company have not been kept; or
- the financial statements are not in agreement with the accounting records and returns.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
25 July 2011

Statement of Total Return
for the year ended 31 March 2011

		01.04.10 – 31.03.11		17.08.09 – 31.03.10	
	Note	**£**	**£**	**£**	**£**
Income					
Net capital (losses)/gains	2		(354,332)		1,984,602
Revenue	3	5,297,452		1,908,830	
Expenses	4	(1,444,888)		(466,961)	
Finance costs: Interest	6	(1,000)		(3,616)	
Net revenue before taxation		3,851,564		1,438,253	
Taxation	5	(1,290)		–	
Net revenue after taxation			3,850,274		1,438,253
Total return before distributions			**3,495,942**		**3,422,855**
Finance costs: Distributions	6		(3,894,919)		(1,438,033)
Change in net assets attributable to shareholders from investment activities			**(£398,977)**		**£1,984,822**

Statement of Change in Net Assets Attributable to Shareholders
for the year ended 31 March 2011

	01.04.10 – 31.03.11		17.08.09 – 31.03.10	
	£	**£**	**£**	**£**
Opening net assets attributable to shareholders		**102,861,725**		**–**
Amounts receivable on issue of shares	79,022,559		105,185,750	
Less: Amounts payable on cancellation of shares	(38,455,350)		(5,155,576)	
		40,567,209		100,030,174
Change in net assets attributable to shareholders from investment activities (see Statement of Total Return above)		(398,977)		1,984,822
Retained distribution on Accumulation shares		1,956,546		846,729
Closing net assets attributable to shareholders		**£144,986,503**		**£102,861,725**

Balance Sheet

as at 31 March 2011

	Note	31.03.11 £	31.03.11 £	31.03.10 £	31.03.10 £
ASSETS					
Investment assets			148,310,813		97,367,768
Debtors	7	640,028		917,714	
Bank balances		1,129,000		7,996,637	
Total other assets			1,769,028		8,914,351
Total assets			**150,079,841**		**106,282,119**
LIABILITIES					
Investment liabilities			(2,189,078)		(513,930)
Creditors	8	(1,443,519)		(1,696,324)	
Distribution payable on Income shares		(833,099)		(1,210,140)	
Bank overdrafts		(627,642)		–	
Total other liabilities			(2,904,260)		(2,906,464)
Total liabilities			(5,093,338)		(3,420,394)
Net assets attributable to shareholders			**£144,986,503**		**£102,861,725**

Notes to the Aggregated Financial Statements

for the year ended 31 March 2011

1. Accounting Policies

(a) Basis of accounting

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments and in accordance with the Statement of Recommended Practice ("SORP") for Financial Statements of Authorised Funds issued by the Investment Management Association ("IMA") in October 2010. ("The IMA SORP 2010")

Previously the financial statements were prepared in accordance with the SORP for financial statements issued by the IMA in November 2008. The effect of the IMA SORP 2010 has been to adopt presentational changes to the Comparative Tables whereby the Portfolio Turnover Rate ("PTR") is no longer disclosed.

(b) Basis of aggregation

The aggregate financial statements represent the sum of the individual Sub-Funds within the umbrella company.

(c) Recognition of revenue

Revenue is included in the Statement of Total Return on the following basis:

Dividends on quoted equities and preference shares are recognised when the securities are quoted ex-dividend.

Interest on bank and other cash deposits is recognisd on an accruals basis.

In the case of debt securities any difference between acquisition cost and maturity value is recognised as revenue over the life of the security using the effective yield basis of calculating amortisation.

All revenue includes withholding taxes but excludes irrecoverable tax credits.

(d) Treatment of expenses

From 16 March 2011 for the Monument Bond Fund and from launch of the Dynamic Bond Fund, the Investment Adviser's fee is deducted from revenue and capital in equal proportions. In accordance with the SORP, the full charge is included within expenses but the amount borne by capital is disregarded for the purpose of determining the amount available for distribution. All other expenses are charged against revenue on an accruals basis except for costs relating to the purchase and sale of investments and stamp duty reserve tax which are charged against capital.

Notes to the Aggregated Financial Statements
continued

(e) Taxation

Corporation tax is provided at 20% on revenue, after deduction of expenses.

Where overseas tax has been deducted from overseas dividend revenue that tax can, in some instances, be set off against the corporation tax payable, by way of double tax relief.

Deferred tax is provided using the liability method on all timing differences arising on the treatment of certain items for taxation and accounting purposes, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are recognised only when, on the basis of available evidence, it is more likely than not that there will be taxable profits in the future against which the deferred tax asset can be offset.

Stamp duty reserve tax suffered on surrender of shares is deducted from capital.

(f) Distribution policy

The net revenue after taxation, as disclosed in the financial statements, after adjustment for items of a capital nature, is distributable to shareholders as interest distributions. Any revenue deficit is funded from capital.

Interim distributions may be made at the Investment Adviser's discretion and the balance of revenue is distributed in accordance with the regulations.

Distributions not claimed within a six year period will be forfeited and added back to the capital property of the Sub-Fund

(g) Basis of valuation of investments

Listed investments are valued at market value at close of business on the last business day of the accounting year excluding any accrued interest in the case of fixed interest securities.

Market value is defined by the SORP as fair value, which generally is the bid value of each security.

(h) Exchange rates

Transactions in foreign currencies are recorded in sterling at the rate ruling at the date of the transactions. Assets and liabilities expressed in foreign currencies at the end of the accounting period are translated into sterling at the closing exchange rates ruling on that date.

(i) Dilution levy

The ACD may require a dilution levy on the sale and redemption of shares if, in its opinion, the existing Shareholders might otherwise be adversely affected. In particular, the dilution levy may be charged in the following circumstances: where the scheme property is in continual decline; on a Sub-Fund experiencing large levels of net sales relative to its size; on 'large deals'; in any case where the ACD is of the opinion that the interests of remaining Shareholders require the imposition of a dilution levy.

Notes to the Aggregated Financial Statements

continued

2. Net capital (losses)/gains

	01.04.10 – 31.03.11 £	17.08.09 – 31.03.10 £
Non-derivative securities	(4,170,580)	4,173,868
Currency gains/(losses)	2,027,398	(1,318,433)
Forward currency exchange contracts gains/(losses)	1,795,201	(870,833)
Transaction charges	(6,351)	–
Net capital (losses)/gains	**(£354,332)**	**£1,984,602**

3. Revenue

	01.04.10 – 31.03.11 £	17.08.09 – 31.03.10 £
Overseas dividends	8,598	–
Interest on debt securities	5,288,245	1,908,830
Bank interest	609	–
Total revenue	**£5,297,452**	**£1,908,830**

Notes to the Aggregated Financial Statements
continued

4. Expenses

	01.04.10 – 31.03.11 £	17.08.09 – 31.03.10 £
Payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
ACD's fee	160,074	53,992
Registration fees	50,751	28,544
	210,825	82,536
Payable to the Investment Adviser, associates of the Investment Adviser and agents of either of them:		
Investment Adviser's fee	1,059,461	262,279
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fee (including VAT)	60,395	15,594
Safe custody and other bank charges	28,779	2,158
	89,174	17,752
Other expenses:		
Audit fees (including VAT)	23,340	10,575
FSA fee	1,967	3,245
Special pricing service	27,874	–
Legal fees	15,219	90,574
Printing costs	4,011	–
Set up costs	13,017	–
	85,428	104,394
Total expenses	**£1,444,888**	**£466,961**

Notes to the Aggregated Financial Statements
continued

5. Taxation

	01.04.10 – 31.03.11 £	17.08.09 – 31.03.10 £
(a) Analysis of charge in the year/period		
Overseas tax	1,290	–
Current tax charge (note b)	1,290	–
Deferred tax (note c)	–	–
Total tax charge	**£1,290**	**–**
(b) Factors affecting current tax charge for the year/period		
Net revenue before taxation	3,851,564	1,438,253
Corporation tax at 20%	770,313	287,651
Effects of:		
Interest distributions	(770,313)	(287,651)
Overseas tax	1,290	–
Current tax charge (note 5a)	**1,290**	**–**
(c) Deferred tax		
Provision at the start of the year/period	–	–
Deferred tax in the profit and loss account (note 5a)	–	–
Provision at end of the year/period	**–**	**–**

Notes to the Aggregated Financial Statements
continued

6. Finance costs

	01.04.10 – 31.03.11 £	17.08.09 – 31.03.10 £
Distributions		
The distributions take account of revenue received on the creation of shares and revenue deducted on cancellation of shares and comprise:		
1st Interim		
Income shares	–	–
Accumulation shares	–	–
2nd Interim		
Income shares	916,714	–
Accumulation shares	994,211	–
3rd Interim		
Income shares	18,928	–
Accumulation shares	44,163	–
Final		
Income shares	833,099	1,210,140
Accumulation shares	918,172	846,729
Income tax deducted at source	598,141	256,746
	4,323,428	2,313,615
Revenue deducted on cancellation of shares	238,299	62,892
Revenue received on creation of shares	(666,808)	(938,474)
Finance costs: Distributions	3,894,919	1,438,033
Finance costs: Interest	1,000	3,616
Total finance costs	**£3,895,919**	**£1,441,649**
Reconciliation of net revenue after taxation to net distributions:		
Net revenue after taxation per statement of total return	3,850,274	1,438,253
Expenses charged to capital	44,639	–
Net movement in revenue account	6	(220)
Finance costs: Distributions	**£3,894,919**	**£1,438,033**

Notes to the Aggregated Financial Statements
continued

7. Debtors

	31.03.11 £	31.03.10 £
Amounts receivable for creation of shares	293,598	824,891
Interest on debt securities	346,430	92,823
Total debtors	**£640,028**	**£917,714**

8. Creditors

	31.03.11 £	31.03.10 £
Amounts payable for cancellation of shares	230,345	12,357
Purchases awaiting settlement	180,799	1,323,767
Accrued expenses:		
Payable to the Authorised Corporate Director (ACD), associates of the ACD, and agents of either of them:		
ACD's fee	13,917	10,088
Registration fees	13,048	12,188
	26,965	22,276
Payable to the Investment Adviser, associates of the Investment Adviser, and agents of either of them:		
Investment Adviser's fee	96,342	63,909
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	5,515	3,437
Safe custody and other bank charges	2,267	2,158
	7,782	5,595
Other expenses:		
Audit fees (including VAT)	23,340	10,575
FSA fee	10,041	1,099
Set up costs	13,017	–
	46,398	11,674
Taxation payable:		
Income tax	854,888	256,746
Total creditors	**£1,443,519**	**£1,696,324**

Notes to the Aggregated Financial Statements
continued

9. Related Party Transactions

The ACD is deemed to be a related party under the definition of Financial Reporting Standard 8, which requires the disclosure of details of material transactions between the Company and any related party. Details of any related party transactions occurring during the year, including commissions paid and any balances due at the year end are disclosed in the Aggregated Balance Sheet, the Aggregated Statement of Change in Net Assets Attributable to Shareholders and Notes 4, 7 and 8 to the aggregated financial statements. All issues and cancellations of shares were transacted with the ACD.

Management fees payable to TwentyFour Asset Management LLP (the Investment Advisers) are disclosed in note 4 and amounts due at the period end are shown in note 8.

Depositary and other fees payable to BNY Mellon Trust & Depositary (UK) Limited are disclosed in note 4 and amounts due at the period end are shown in note 8.

10. Contingent Liabilities and Commitments

Details of contingent liabilities or outstanding commitments are set out in the notes to the accounts for the relevant Sub-Fund.

11. Derivatives and other Financial Instruments

In pursuing their investment objectives, the Sub-Funds may hold a number of financial instruments. These financial instruments comprise securities and other investments, cash balances, debtors and creditors that arise directly from the Sub-Funds' operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and payable for redemptions and debtors for accrued revenue.

The Sub-Funds may also enter into a range of derivative transactions whose purpose is efficient portfolio management, and in the case of Dynamic Bond Fund, for investment purposes. In addition a Sub-Fund will only execute derivative contracts where both the derivative instrument and the counterparty have been approved by the ACD.

The main risks arising from financial instruments and the ACD's policies for managing these risks are stated below. These policies have been applied throughout the period under review.

Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Sub-Funds might suffer through holding market positions in the face of price movements. This means the value of an investor's holding may go down as well as up and an investor may not recover the amount invested. Investors should consider the degree of exposure of the Sub-Funds in the context of all their investments.

The Sub-Funds' investment portfolios are exposed to market price fluctuations, which are monitored by the ACD as per the policies as set out in the Prospectus. The investment guidelines and investment and borrowing powers set out in the Instrument of Incorporation, the Prospectus and in the Financial Services Authority's Collective Investment Schemes Sourcebook describe the nature of the market risk to which the Sub-Funds will be exposed.

Notes to the Aggregated Financial Statements
continued

11. Derivatives and other Financial Instruments (continued)

Currency risk

Although the Sub-Funds' capital and revenue are denominated in sterling, a substantial proportion of the Sub-Funds' investments have currency exposure and, as a result, the revenue and capital value of the Sub-Funds are affected by currency movements.

Foreign currency risk is the risk that the value of the Sub-Funds' investments will fluctuate as a result of changes in foreign currency exchange rates. For those Sub-Funds where a proportion of the net assets of the Sub-Fund is denominated in currencies other than sterling, the balance sheet can be affected by movements in exchange rates. The Investment Adviser monitors the foreign currency exposure of the Sub-Funds and manages exposure to currency movements by using forward exchange contracts or by hedging the sterling value of investments that are priced in other currencies.

Details of the foreign currency risk profile per Sub-Fund is set out in the notes to the accounts of the relevant Sub-Fund.

Interest rate risk

Interest rate risk is the risk that the value of the Sub-Funds' investments will fluctuate as a result of changes in interest rates. The Sub-Funds invest in floating rate securities. The revenue of these Sub-Funds may be affected by changes in interest rates relevant to particular securities or as a result of the ACD being unable to secure similar returns on the expiry of contracts or sale of securities. The value of debt securities may be affected by interest rate movements or the expectation of such movements in the future.

Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates.

Details of the interest rate risk profile per Sub-Fund is set out in the notes to the accounts of the relevant Sub-Fund.

Credit risk

Credit risk arises from two main sources. Firstly, the possibility that the issuer of a security will be unable to pay interest and principal in a timely manner. Secondly, for asset backed investments there is the possibility of default of the issuer and default in the underlying assets meaning that a Sub-Fund may not receive back the full principal originally invested. Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit credit risk. The Sub-Funds mainly deal, however, on a "delivery versus payment" basis which reduces credit risk.

Notes to the Aggregated Financial Statements
continued

11. Derivatives and other Financial Instruments (continued)

Liquidity risk

There are no net borrowings or unlisted securities and so little exposure to liquidity risk.

Liquidity risk is the risk that a Sub-Fund cannot raise sufficient cash to meet its liabilities when due. One of the key factors influencing this will be the ability to sell investments at, or close to, the fair value without a significant loss being realised. Recent market issues following the credit crunch resulted in a significant reduction in liquidity of the bond markets and FRN markets in particular.

Under normal circumstances, a Sub-Fund will remain close to fully invested. However, where circumstances require: either because a view of illiquid securities markets or high levels of redemptions in the Sub-Fund, the Sub-Fund may hold cash and/or more liquid assets. Temporary higher liquidity levels may also arise during the carrying out of a change in asset allocation policy, or following a large issue of shares.

The Investment Adviser manages the Sub-Funds' cash to ensure they can meet their liabilities. The Investment Adviser receives daily reports of subscriptions and redemptions enabling the Investment Adviser to raise cash from the Sub-Funds' portfolio in order to meet redemption requests. In addition the Investment Adviser monitors market liquidity of all securities, seeking to ensure the Sub-Funds maintain sufficient liquidity to meet known and potential redemption activity. Sub-Fund cash balances are monitored daily by the Investment Adviser. All of the Sub-Funds' financial liabilities are payable on demand or in less than one year.

Counterparty risk

The risk that the counterparty will not deliver the investments for a purchase or the cash for a sale after the Sub-Fund has fulfilled its responsibilities which could result in the Sub-Fund suffering a loss. The Investment Manager minimises the risk by conducting trades through only the most reputable counterparties selected from leading investment banks and agency brokers, and approved by the Investment Adviser's Compliance Officer. The Sub-Funds mainly deal, however, on a "delivery versus payment" basis which reduces counterparty risk.

Notes to the Aggregated Financial Statements
continued

11. Derivatives and other Financial Instruments (continued)

Derivatives

The Company may utilise Financial Derivative Instruments for risk management purposes in order to (i) protect against possible changes in the market value of the Sub-Fund's investment portfolio resulting from fluctuations in the securities markets and changes in interest rates; (ii) protect the Sub-Fund's unrealised gains in the value of the Sub-Fund's investment portfolio; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in the Sub-Fund's portfolio; (v) hedge the interest rate or currency exchange rate on any of the Sub-Fund's liabilities or assets; (vi) protect against any increase in the price of any securities the Company anticipates purchasing at a later date; or (vii) for any other reason that the Investment Adviser deems appropriate.

The success of the Company's hedging strategy will depend, in part, upon the Investment Adviser's ability correctly to assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the portfolio investments being hedged.

Sub-Funds may enter into derivative contracts for Efficient Portfolio Management (EPM) purposes, and in the case of Dynamic Bond Fund, for investment purposes.

The purposes of EPM must be to achieve reduction of risk, the reduction of cost, or the generation of additional income or capital with an acceptably low level of risk and the use of these instruments must not cause the Sub-Fund to stray from its investment objectives.

Any EPM transaction must be economically appropriate and the exposure fully covered. The ACD monitors the use of derivatives to ensure EPM rules are satisfied.

In the opinion of the ACD there is no sophisticated derivative use within the Sub-Funds and accordingly a sensitivity analysis is not presented in the individual Sub-Fund financial statements.

Fair value of financial assets and liabilities

There is no material difference between the carrying values and the fair values of the financial instruments disclosed in the balance sheet.

12. Portfolio Transaction Costs

Details of portfolio transaction costs are set out in the notes to the accounts for the relevant Sub-Fund.

Investment Objective

The Sub-Fund aims to provide an attractive level of income along with an opportunity for capital growth, by investing in a broad range of bonds and fixed income assets.

Investment Policy

The investment policy of the Sub-Fund is to adopt a highly flexible approach that enables the Investment Adviser to take advantage of prevailing market conditions as they change over time. The Sub-Fund may invest in, or otherwise obtain exposure to, debt instruments from the whole range of fixed income assets including high yield bonds, investment grade bonds, government bonds, asset-backed securities and other bonds (such as, for example, emerging market sovereign bonds or bank capital perpetual bonds) as determined by the Investment Adviser's view on risk and reward over time.

The Sub-Fund will also use derivatives, such as interest rate and credit derivatives, to either optimise exposures or reduce them in conjunction with the Investment Adviser's market viewpoint, thereby giving the Sub-Fund the opportunity to perform in both rising and declining rate environments throughout the economic cycle. The Sub-Fund may also employ synthetic short positions both for hedging purposes and to take advantage of deterioration either in the market generally or with respect to specific issuers. The Sub-Fund may also hedge some or all of its exposure in the foreign exchange markets.

The Dynamic Bond Fund will not invest in any Collective Investment Schemes.

Investment Adviser's Report

for the period ending 31 March 2011

Market Review

Geopolitical problems, economic stress and environmental disasters created a volatile, and at times, challenging backdrop to the credit markets throughout the year ending 31 March 2011. The Greek fiscal problems first began to really impact market volatility in May 2010 and this continued to gather pace throughout the year. The isolated problem of Greece was relatively short-lived and the market has endured considerable periods of stress as both Ireland and Portugal joined Greece in having to receive EU/IMF emergency loans, to stave off risk of debt moratorium. This has created a highly cautious environment with investors growing ever more wary of the contagion effects associated by a potential restructuring by one or more of the peripheral EU members. The scale of the problem became apparent in November with the Irish politicians calling for all bank debt holders (including senior bond holders) to bear some of the burden faced by their tax payers. This was subsequently watered down and senior bonds remain sacrosanct, but the problems of how this debt burden is going to be solved remains the biggest quandary facing the market. The market ebbs and flows on virtually every word and piece of rhetoric that the Eurocrats release on this matter and hence volatility seems likely to remain an irritant of the market place for some time to come.

Away from the EU peripheral sovereign issue the market was faced by serious unrest and regime change across parts of North Africa and the Middle East, resulting in spikes in the price of crude oil and disturbances to shipping through the Suez canal. If this wasn't enough the huge earthquake off the coast of Northern Japan in March, and the resulting tsunami and nuclear disaster created yet more uncertainty and market panic. Any one of these events alone would be serious for the market but to have all these occurring in one six month period, when the established economies are just emerging from a major recession, it is testament to the market's resilience that we have not seen a serious sell-off across all sectors.

In the UK, the coalition's austerity measures began to be implemented in the later part of the period and are just beginning to be felt across the country, with the expected voices of concern from unions, public sector workers and politicians in the opposition. The IMF and rating agencies have been encouraged by the plans and it seems they remain patient with allowing the inflation to continue to run considerably above the BOE's target rate of 2%. Comments from the MPC members seem to suggest that base rates will be kept on hold as the risks of a downturn outweigh the concerns of inflation. This surprised the market, which had priced in the first rate rise as early as Q1-2011, and hence contrary to many market participants one of the biggest contributors to market performance was actually duration, despite base rates at an all time low throughout the period.

In the financial sector (over 40% of total corporate bond market notional) the dominant factor has been the release of capital adequacy guidelines by the Basel Committee on Banking Supervision. Although the guidelines have yet to be ratified by all national regulators, the message is clear in that all financial institutions will be required to hold considerably more capital, reducing leverage and reducing the burden on sovereigns and taxpayers in the event of bank defaults. Existing subordinated bonds will have their capital weightings reduced during a grandfathering period starting in 2013. The reaction from the market has been guarded to date as uncertainty surrounds a number of technical issues such as regulatory call language for some bank capital bonds (particularly if they were trading above par). These uncertainties and the potential impact of a peripheral sovereign restructuring event has created a high degree of volatility in the sector; however whilst we appreciate considerable hurdles for the market ahead (particularly the Eurozone sovereign problems) investors are being rewarded, with high yields offered by the bank capital sector looking favourable compared to most other areas of fixed-income.

Investment Adviser's Report

continued

Market Review (continued)

The high yield bond sector was the key out-performer for most of the period as investor demand heavily out-weighed supply throughout 2010 and early 2011. However, this imbalance was met by considerable new issuance in 2011 as corporates took advantage of low rates and relatively tight spreads. As a result the tightening momentum noticeably eased and as we finished the period spreads were showing signs of reversing.

Performance Review

The Sub-Fund 's aim is to produce an attractive level of income, with an opportunity for capital growth. It is a total return oriented fund and not benchmark-driven. With interest rates at an all time low since the inception of the Sub-Fund the portfolio managers have focused on managing the risk of a rising interest rate period, hence have kept duration low (i.e. sensitivity to interest rates). Whilst we appreciate that the BOE are concerned with the economy slipping back into negative growth the longer term risk must be for rates to rise and hence we remain convinced our position on duration is the prudent approach; the portfolio management team believe credit risk represents a far more reliable source of alpha.

Low interest rates, corporate deleveraging and low default rates have maintained a stable backdrop for credit but outright yields have been driven in to "fair value" levels in some sectors and are less compelling than they were in the previous reporting period. The portfolio team recognized this and took a slightly more conservative stance as a result, reducing our holding of high yield bonds from almost 40% to just above 30% over the period.

The Sub-Fund performed well compared to its peer group in the Strategic Bond Sector, with the NAV increasing around 0.53% per month on average, to close the year at 105.55 (Class I (ACC) Gross). By maintaining a significant allocation (20%) in asset-backed securities (ABS), which generally exhibit lower price volatility compared to other fixed income sectors, the Sub-Fund exhibited a very low volatility of 3.65 (annualized) over the period.

Investment Outlook

The fundamental factors still look reasonably supportive for credit as we approach the second half of 2011 but with spreads having enjoyed a bullish run for some considerable time we see the momentum beginning to wane. Interest rates in the UK are expected to remain on hold until Q4-11 at the earliest, but then we would expect to see a steady upward trend, which will impact the duration element of longer dated bonds. However, the key factors for the market going forward will be the EU policy towards the peripheral sovereign debt crisis and whether or not they can avoid the need for any restructuring or moratorium on the underlying bonds. If a restructuring is avoided then the expectations are the market will breathe a large sigh of relief and the credit market, particularly the banking sector, will enjoy a strong period of tightening momentum. The other key factor will be the regulatory changes currently underway with the Basel 3 recommendations expected to be written into EU law in 2012. Whilst we believe the regulatory changes will generally be positive for bond holders there will be some twists and turns as the regulations are adopted and fine-tuned by the individual country regulators; a high level of investor due diligence will be required.

Overall the markets are facing considerable challenges and greater political interference which is always difficult to quantify. However, we believe that our current low duration target, our reasonably high allocation to collateralised bonds (ABS), and our highly selective process in allocations to single name credits will continue to result in an attractive yield and positive real return.

Portfolio Statement
as at 31 March 2011

Holding	Security	Value (Note 1g) £	% of Total Net Assets 31.03.11
	Euro Asset Backed Securities 10.70%		
€300,000	Arran Residential Mortgage Series 2006-1X CC	229,063	2.76
€2,300,000	Dovedale Finance Series 2006-1 C2	420,552	5.06
€200,000	Leek Finance Series 17X MC	161,219	1.94
€100,000	Leek Finance Series 17X CC	77,739	0.94
		888,573	10.70
	European Corporate Debt Securities 42.70%		
CHF 250,000	Aguila 3 SA 7.875% 31/01/2018	175,876	2.12
€100,000	Ardagh Packaging Finance 7.375% 15/10/2014	90,665	1.09
€150,000	Banco Espirito 5.625% 05/06/2014	117,589	1.42
€100,000	Bank of Ireland 4% 05/07/2013	78,394	0.94
€150,000	Bank of Ireland 4.625% 08/04/2013	109,836	1.32
€200,000	Cedc Fin Corp 8.875% 01/12/2016	161,484	1.94
€100,000	Conti-Gummi Fin 7.5% 15/09/2017	93,088	1.12
€150,000	Deutsche Cap Trust IV 5.33% Variable Perpetual	124,061	1.49
€200,000	Fiat Industrial Fin EUR 6.25% 03/09/2018	177,051	2.13
€200,000	Hapag-Lloyd 9% 15/10/2015	187,297	2.25
€150,000	Heidelberg Cement 7.5% 03/04/2020	141,764	1.71
€200,000	Hellenic Republic 3.7% 20/07/2015	116,114	1.40
€200,000	HSBC Capital Funding LP 5.3687 Variable Perpetual	174,997	2.11
€100,000	Kabel BW Erste Beteiligu 7.5% 15/06/2019	90,578	1.09
€200,000	Labco SAS 8.5% 15/01/2018	182,629	2.20
€200,000	NYKREDIT 4.901% Variable Perpetual	168,971	2.03
€200,000	Polish Television Holdings 11% 15/05/2017	189,276	2.28
€250,000	RBS NV EX-ABN NV FRN 08/06/2015	195,556	2.35
€100,000	Rhodia SA 7% 15/05/2018	92,025	1.11
€200,000	Skandinaviska Enskilda 9.25% Variable Perpetual	190,150	2.29
€250,000	UBS AG Jersey 7.152% Variable Perpetual	226,360	2.72
€150,000	UnityMedia Hessen 8.125% 01/12/2017	140,473	1.69
€150,000	Wind Acquisition Fin 7.375% 15/02/2018	138,886	1.67
€200,000	Ziggo Bond Co 8 % 15/05/2014	185,414	2.23
		3,548,534	42.70

Portfolio Statement
continued

Holding	Security	Value (Note 1g) £	% of Total Net Assets 31.03.11
	Sterling Asset Backed Securities 7.89%		
£240,000	Brunel Residential Secs Series 2007-1X D4B	126,554	1.52
£80,000	First Flexible Plc Series 5 B	65,355	0.79
£150,000	Money Partners Securities Series 1X M2A	122,325	1.47
£150,000	Money Partners Securities Series 2X M1A	94,167	1.13
£300,000	Paragon Mortgages Series 10X C1A	226,938	2.73
£100,000	RMAC Series 2004-NS3X M2	20,923	0.25
		656,262	7.89
	Sterling Corporate Debt Securities 24.60%		
£300,000	Aviva 6.125% Variable Perpetual	253,380	3.05
£150,000	AXA SA 7.125% 15/12/2020	160,187	1.93
£200,000	Barclays Bank 14% Variable Perpetual	261,520	3.15
£200,000	BNP Paribas 5.945 Variable Perpetual	180,188	2.17
£250,000	Danske Bank A/S 5.6838% Variable Perpetual	224,818	2.71
£200,000	Friends Provident Group 6.292% Variable Perpetual	172,025	2.07
£100,000	ITV 6.125% 05/01/2017	105,537	1.27
£300,000	LBG Capital No.1 11.04% 19/03/2020	330,750	3.98
£200,000	Nationwide Building Society 7.971% Variable Perpetual	201,018	2.42
£150,000	Towergate Fin 8.5% 15/02/2018	153,750	1.85
		2,043,173	24.60
	Sterling Government Debt Securities 1.21%		
£100,000	Treasury 3.75% 07/09/2020	100,532	1.21
	United States Dollar Asset Backed Securities 1.64%		
$600,000	Kildare Securities 2007-1A A2	136,010	1.64
	United States Dollar Corporate Debt Securities 9.53%		
$300,000	CSG Guernsey I 7.875% Variable 24/02/2041	193,012	2.32
$100,000	FMG Resources Aug 2006 7% 01/11/2015	64,911	0.78
$250,000	Nordea Bank AB 8.375% Variable Perpetual	170,412	2.05
$300,000	Rabobank Nederland 8.375% Var 31/12/2049	199,549	2.40
$250,000	Sable Intl Finance 7.75% 15/02/2017	164,319	1.98
		792,203	9.53

Portfolio Statement

continued

Holding	Security	Value (Note 1g) £	% of Total Net Assets 31.03.11
	Derivatives - Forward Currency Contracts		
	Sold CHF268,922, Bought £180,343 (02.08.11)	(2,944)	(0.04)
	Sold €93,000, Bought £78,394 (05.07.11)	(3,720)	(0.04)
	Sold €105,649, Bought £92,214 (09.03.12)	(886)	(0.01)
	Sold €134,437, Bought £114,303 (08.04.11)	(4,461)	(0.05)
	Sold €137,858, Bought £119,413 (20.07.11)	(2,297)	(0.03)
	Sold €141,488, Bought £120,106 (06.06.11)	(4,785)	(0.06)
	Sold €157,672, Bought £140,159 (19.09.11)	1,016	0.01
	Sold €165,047, Bought £145,639 (03.10.11)	4	0.00
	Sold €201,202, Bought £177,104 (22.09.11)	(449)	(0.01)
	Sold €207,600, Bought £180,296 (26.03.12)	(2,619)	(0.03)
	Sold €213,075, Bought £182,441 (15.07.11)	(5,681)	(0.07)
	Sold €215,396, Bought £185,727 (08.06.11)	(4,485)	(0.05)
	Sold €257,694, Bought £214,219 (12.04.11)	(13,435)	(0.16)
	Sold €277,255, Bought £241,628 (13.06.11)	(3,204)	(0.04)
	Sold €323,931, Bought £281,533 (15.04.11)	(4,628)	(0.06)
	Sold €385,306, Bought £325,089 (01.06.11)	(15,178)	(0.18)
	Sold €446,303, Bought £387,005 (15.09.11)	(6,861)	(0.08)
	Sold €691,633, Bought £592,386 (16.05.11)	(18,440)	(0.22)
	Sold €774,146, Bought £673,485 (21.06.11)	(10,099)	(0.12)
	Sold $106,061, Bought £70,799 (03.05.11)	4,753	0.06
	Sold $209,141, Bought £129,588 (10.06.11)	(725)	(0.01)
	Sold $277,241, Bought £173,847 (15.08.11)	907	0.01
	Sold $282,969, Bought £174,637 (26.09.11)	(2,026)	(0.02)
	Sold $312,632, Bought £196,083 (26.07.11)	1,138	0.01
	Sold $318,478, Bought £197,228 (24.08.11)	(1,595)	(0.02)
		(100,700)	(1.21)
	Investment assets	**8,064,587**	**97.06**
	Net other assets	**244,101**	**2.94**
	Net assets	**8,308,688**	**100.00**
	Analysis of bonds by credit rating		
	AAA credit rated bonds	236,542	2.85
	AA credit rated bonds	627,697	7.55
	A credit rated bonds	1,834,996	22.09
	BBB credit rated bonds	1,816,248	21.86
	BB credit rated bonds	2,412,514	29.04
	B credit rated bonds	1,237,290	14.88
		8,165,287	98.27

Significant Portfolio Changes

for the period ended 31 March 2011.

Major purchases since 23 April 2010	Cost £
Treasury 4.5% 07/03/2019	811,658
Dovedale Finance Series 2006-1 C2	684,228
LBG Capital No.1 11.04% 19/03/2020	606,134
UK Treasury 4.75% 07/03/2020	578,035
Treasury 5% 7/03/2025	555,504
Other purchases	13,600,543
Total purchases for the period (note 12)	**£16,836,102**

Major sales since 23 April 2010	Proceeds £
Treasury 4.5% 07/03/2019	813,566
UK Treasury 4.75% 07/03/2020	572,377
Treasury 5% 7/03/2025	550,680
UK Treasury 4% 07/09/2016	432,060
Holmes Master Issuer Series 2006-1X 3C2	413,373
Other sales	6,056,529
Total sales for the period (note 12)	**£8,838,585**

Comparative Tables

Net Asset Values

31.03.11	Accumulation shares			Income shares		
	Net Asset Value (£)	No. of shares in issue	Net Asset Value (pounds per share)	Net Asset Value (£)	No. of shares in issue	Net Asset Value (pounds per share)
Class A Gross	184,079	17,528	10.50	165,192	16,296	10.14
Class A Net	987,845	94,649	10.44	757,552	74,730	10.14
Class I Gross	2,389,722	22,669	105.42	419,349	4,125	101.66
Class I Net	2,302,450	21,977	104.77	1,102,499	10,846	101.65

Price History

The table below shows the highest buying and lowest selling prices on a calendar year basis in pence per share since launch.

Past performance is not necessarily a guide to the future performance.

	Accumulation shares		Income shares	
2010*	Highest	Lowest	Highest	Lowest
Class A Gross	10.37	9.99	10.27	9.99
Class A Net	10.34	9.99	10.27	9.99
Class I Gross	103.90	99.87	102.85	99.87
Class I Net	103.68	99.87	102.82	99.87
2011^				
Class A Gross	10.52	10.22	10.30	10.00
Class A Net	10.46	10.17	10.28	10.00
Class I Gross	105.67	102.52	103.33	100.26
Class I Net	105.06	102.12	103.14	100.25

* from 23 April 2010
^ to 31 March 2011

Distribution Record

	Accumulation shares	Income shares
2010*	Net revenue per share (pounds)	Net revenue per share (pounds)
Class A Gross	9.5360	9.5360
Class A Net	7.5850	7.5850
Class I Gross	104.1850	104.1850
Class I Net	84.2590	84.2590
2011^		
Class A Gross	26.8512	26.4284
Class A Net	22.2402	21.9572
Class I Gross	270.6100	266.1103
Class I Net	225.6302	222.5467

* from 23 April 2010
^ to 31 March 2011

Comparative Tables

continued

Total Expense Ratio

The Total Expense Ratio is annualised based on the expenses incurred during the period.

Share Class	Expense Type	31 March 2011
Class A Gross	Investment Adviser's charge Other expenses^	1.46 1.03
	Total expense ratio	**2.49**
Class A Net	Investment Adviser's charge Other expenses^	1.51 1.03
	Total expense ratio	**2.54**
Class I Gross	Investment Adviser's charge Other expenses^	1.05 0.78
	Total expense ratio	**1.83**
Class I Net	Investment Adviser's charge Other expenses^	0.86 0.90
	Total expense ratio	**1.76**

^ Included in other expenses are initial set-up costs of the Sub-Fund equating to the following percentages:
Class A Gross Accumulation and Income shares 0.34%, Class A Net Accumulation and Income shares 0.34%
Class I Gross Accumulation and Income shares 0.25%, Class I Net Accumulation and Income shares 0.28%.

Risk Warning

An investment in an investment company with variable capital should be regarded as a medium to long term investment. Investors should be aware that the price of shares and the revenue from them can fall as well as rise and investors may not receive back the full amount invested. Past performance is not a guide to future performance. Investments denominated in currencies other than the base currency are subject to fluctuation in exchange rates, which can be favourable or unfavourable.

As a Sub-Fund is not a legal entity, if the assets of one Sub-Fund are insufficient to meet the liabilities attributable to it, the ACD may re-allocate such liabilities between the Sub-Funds then in existence in a manner which is fair to shareholders generally. This re-allocation will normally be performed on the basis of the respective net asset values of the Sub-Funds.

Statement of Total Return

for the period 23 April 2010 to 31 March 2011

	Note	23.04.10 – 31.03.11 £	£
Income			
Net capital gains	2		32,843
Revenue	3	235,126	
Expenses	4	(79,025)	
Finance costs: Interest	6	(8)	
Net revenue before taxation		156,093	
Taxation	5	(1,290)	
Net revenue after taxation			154,803
Total return before distributions			**187,646**
Finance costs: Distributions	6		(175,695)
Change in net assets attributable to shareholders from investment activities			**£11,951**

Statement of Change in Net Assets Attributable to Shareholders

for the period 23 April 2010 to 31 March 2011

	23.04.10 – 31.03.11 £	£
Opening net assets attributable to shareholders		**–**
Amounts receivable on issue of shares	8,870,637	
Less: Amounts payable on cancellation of shares	(704,340)	
		8,166,297
Change in net assets attributable to shareholders from investment activities (see Statement of Total Return above)		11,951
Retained distribution on Accumulation shares		130,440
Closing net assets attributable to shareholders		**£8,308,688**

Balance Sheet

as at 31 March 2011

	Note	31.03.11 £	£
ASSETS			
Investment assets			8,173,105
Debtors	7	259,857	
Bank balances		361,854	
Total other assets			621,711
Total assets			**£8,794,816**
LIABILITIES			
Investment liabilities			(108,518)
Creditors	8	(347,100)	
Distribution payable on Income shares		(30,510)	
Total other liabilities			(377,610)
Total liabilities			**(486,128)**
Net assets attributable to shareholders			**£8,308,688**

Notes to the Financial Statements

for the period 23 April 2010 to 31 March 2011

1. Accounting Policies

The Sub-Fund's financial statements have been prepared on the same basis as the Aggregated Financial Statements.

2. Net Capital Gains

	23.04.10 – 31.03.11 £
Non-derivative securities	121,187
Currency losses	(22,359)
Forward foreign exchange contracts losses	(63,869)
Transaction charges	(2,116)
Net Capital Gains	**£32,843**

3. Revenue

	23.04.10 – 31.03.11 £
Overseas dividends	8,598
Interest on debt securities	226,480
Bank interest	48
Total revenue	**£235,126**

Notes to the Financial Statements

continued

4. Expenses

	23.04.10 – 31.03.11 £
Payable to the Investment Adviser, associates of the Investment Adviser and agents of either of them:	
Investment Adviser's fee	41,730
Payable to the Depositary, associates of the Depositary and agents of either of them:	
Depositary's fee (including VAT)	9,323
Safe custody and other bank charges	2,088
	11,411
Other expenses:	
Audit fees (including VAT)	12,000
FSA fee	867
Set up costs	13,017
	25,884
Total expenses	**£79,025**

Notes to the Financial Statements
continued

5. Taxation

	23.04.10 – 31.03.11 £
a) Analysis of charge in the period:	
Overseas tax	1,290
Current tax charge (note 5b)	£1,290
Deferred tax (note 5c)	–
Total tax charge	**£1,290**
b) Factors affecting taxation charge for the period	
Net revenue before taxation	156,093
Corporation tax at 20%	31,219
Effects of:	
Interest distributions	(31,219)
Overseas tax	1,290
Current tax charge (note 5a)	**1,290**
c) Deferred tax	
Provision at the start of the period	–
Deferred tax in the profit and loss account (note 5a)	–
Provision at the end of the period	**–**

Notes to the Financial Statements
continued

6. Finance Costs

	23.04.10 – 31.03.11 £
Distributions	
The distributions take account of revenue received on the creation of shares and revenue deducted on cancellation of shares and comprise:	
1st Interim	
Income shares	–
Accumulation shares	–
2nd Interim	
Income shares	13,411
Accumulation shares	11,877
3rd Interim	
Income shares	18,928
Accumulation shares	44,163
Final	
Income shares	30,510
Accumulation shares	74,400
Income tax deducted at source	15,906
	209,195
Revenue deducted on cancellation of shares	5,572
Revenue received on creation of shares	(39,072)
Finance costs: Distributions	175,695
Finance costs: Interest	8
Total finance costs	**£175,703**
Reconciliation of net revenue after taxation to net distributions:	
Net revenue after taxation per statement of total return	154,803
Expenses charged to capital	20,893
Net movement in revenue account	(1)
Finance costs: Distributions	**£175,695**

Notes to the Financial Statements
continued

7. Debtors

	31.03.11 £
Amounts receivable for creation of shares	89,447
Interest on debt securities	170,410
Total debtors	**£259,857**

8. Creditors

	31.03.11 £
Purchases awaiting settlement	180,799
Amounts payable for cancellation of shares	115,896
Accrued expenses:	
Payable to the Investment Adviser, associates of the Investment Adviser and agents of either of them:	
Investment Adviser's fee	7,370
Payable to the Depositary, associates of the Depositary and agents of either of them:	
Depositary fees	977
Safe custody and other bank charges	267
	1,244
Other expenses:	
Audit fees (including VAT)	12,000
FSA fee	867
Set up costs	13,017
	25,884
Taxation payable:	
Income tax	15,907
Total creditors	**£347,100**

Notes to the Financial Statements
continued

9. Related Party Transactions

The ACD is deemed to be a related party under the definition of Financial Reporting Standard 8, which requires the disclosure of details of material transactions between the Sub-Fund and any related party. Details of any related party transactions occurring during the year, including commissions paid and any balances due at the year end are disclosed in the Balance Sheet, the Statement of Change in Net Assets Attributable to Shareholders and Notes 4, 7 and 8 to the financial statements. All issues and cancellations were transacted with the ACD.

10. Contingent Liabilities and Commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date.

11. Derivatives and other Financial Instruments

The main risks arising from financial instruments and the ACD's policies for managing these risks are disclosed in note 11 of the Notes to the Aggregated Financial Statements on page 15.

Numerical disclosures relating to the Sub-Fund are as follows:

Currency risk
The table below shows the currency risk profile at the balance sheet date:

31.03.11

Currency	Monetary exposures £	Non-monetary exposures £	Total £
Euro	(4,428,366)	4,261,231	(167,135)
Sterling	5,684,272	2,799,967	8,484,239
Swiss franc	(180,982)	175,876	(5,106)
US dollar	(931,523)	928,213	(3,310)
	£143,401	**£8,165,287**	**£8,308,688**

Notes to the Financial Statements
continued

11. Derivatives and other Financial Instruments (continued)

Interest rate risk

The tables below detail the interest rate risk profile at the balance sheet date.

31.03.11 Currency	Floating rate financial assets £	Fixed rate financial assets £	Financial assets not carrying interest £	Total £
Euro	1,090,855	3,177,102	97,052	4,365,009
Sterling	1,010,967	2,143,705	5,526,379	8,681,051
Swiss franc	–	175,876	2,305	178,181
US dollar	136,433	792,203	7,785	936,421
	£2,238,255	**£6,288,886**	**£5,633,521**	**£14,160,662**

31.03.11 Currency	Floating rate financial liabilities £	Financial liabilities not carrying interest £	Total £
Euro	–	4,532,144	4,532,144
Sterling	–	196,812	196,812
Swiss franc	–	183,287	183,287
US dollar	–	939,731	939,731
	–	**£5,851,974**	**£5,851,974**

Floating rate interest-bearing assets at the balance sheet date consist of bank balances, on which interest is calculated at a variable rate by reference to sterling bank deposit rates or the international equivalent;and floating rate notes, on which interest is calculated at a variable rate by reference to the London Interbank Offered Rate (LIBOR) or the Euro Interbank Offered Rate (EURIBOR).

	Weighted average gross interest rate of fixed interest-bearing assets 31.03.11 %	Weighted average period for which interest rates are fixed* 31.03.11 years
Euro	7.23	14.97
Sterling	6.56	36.39
Swiss franc	7.88	6.84
US dollar	8.01	2.62

* Assuming the earliest maturity date for those assets with variable maturity dates.

Notes to the Financial Statements
continued

12. Portfolio Transaction Costs

	23.04.10 – 31.03.11 £
Analysis of purchases	
Purchases before transaction costs	16,835,853
Transaction costs:	
Commissions	249
Total purchase cost	**£16,836,102**
Analysis of sales	
Sales before transaction costs	8,838,585
Transaction costs:	
Commissions	–
Net sales proceeds	**£8,838,585**

Distribution Tables

for the period 23 April 2010 to 31 March 2011

Interim

Distribution paid 30 November 2010

Class	Shares	Gross	Income Tax	Net	Equalisation	Distribution
A Accumulation Gross	Group 1 Group 2	9.5360 3.2827	– –	9.5360 3.2827	– 6.2533	9.5360 9.5360
A Accumulation Net	Group 1 Group 2	9.4813 4.3721	1.8963 0.8744	7.5850 3.4977	– 4.0873	7.5850 7.5850
I Accumulation Gross	Group 1 Group 2	104.1850 –	– –	104.1850 –	– 104.1850	104.1850 104.1850
I Accumulation Net	Group 1 Group 2	105.3238 15.9266	21.0648 3.1853	84.2590 12.7413	– 71.5177	84.2590 84.2590
A Income Gross	Group 1 Group 2	9.5360 –	– –	9.5360 –	– 9.5360	9.5360 9.5360
A Income Net	Group 1 Group 2	9.4813 8.3166	1.8963 1.6633	7.5850 6.6533	– 0.9317	7.5850 7.5850
I Income Gross	Group 1 Group 2	104.1850 15.1865	– –	104.1850 15.1865	– 88.9985	104.1850 104.1850
I Income Net	Group 1 Group 2	105.3238 103.1539	21.0648 20.6308	84.2590 82.5231	– 1.7359	84.2590 84.2590

Group 1 - Shares purchased prior to 23 April 2010
Group 2 - Shares purchased on or after 23 April 2010 to 30 September 2010

Distribution Tables

continued

Interim

Distribution paid 28 February 2011

Class	Shares	Gross	Income Tax	Net	Equalisation	Distribution
A Accumulation Gross	Group 1	12.2180	–	12.2180	–	12.2180
	Group 2	10.1163	–	10.1163	2.1017	12.2180
A Accumulation Net	Group 1	11.8948	2.3790	9.5158	–	9.5158
	Group 2	6.6491	1.3298	5.3193	4.1965	9.5158
I Accumulation Gross	Group 1	124.6629	–	124.6629	–	124.6629
	Group 2	119.2029	–	119.2029	5.4600	124.6629
I Accumulation Net	Group 1	130.1370	26.0274	104.1096	–	104.1096
	Group 2	96.2296	19.2459	76.9837	27.1259	104.1096
A Income Gross	Group 1	12.1040	–	12.1040	–	12.1040
	Group 2	12.1040	–	12.1040	0.0000	12.1040
A Income Net	Group 1	11.8063	2.3613	9.4450	–	9.4450
	Group 2	8.5926	1.7185	6.8741	2.5709	9.4450
I Income Gross	Group 1	123.3940	–	123.3940	–	123.3940
	Group 2	80.4460	–	80.4460	42.9480	123.3940
I Income Net	Group 1	129.0638	25.8128	103.2510	–	103.2510
	Group 2	129.0638	25.8128	103.2510	0.0000	103.2510

Group 1 - Shares purchased prior to 1 October 2010
Group 2 - Shares purchased on or after 1 October 2010 to 31 December 2010

Distribution Tables

continued

Final

Distribution payable 31 May 2011

Class	Shares	Gross	Income Tax	Net	Equalisation	Distribution
A Accumulation Gross	Group 1 Group 2	14.6332 14.6332	– –	14.6332 14.6332	– –	14.6332 14.6332
A Accumulation Net	Group 1 Group 2	15.9055 5.0111	3.1811 1.0022	12.7244 4.0089	– 8.7155	12.7244 12.7244
I Accumulation Gross	Group 1 Group 2	145.9471 145.9471	– –	145.9471 145.9471	– –	145.9471 145.9471
I Accumulation Net	Group 1 Group 2	151.9008 46.5528	30.3802 9.3106	121.5206 37.2422	– 84.2784	121.5206 121.5206
A Income Gross	Group 1 Group 2	14.3244 5.2626	– –	14.3244 5.2626	– 9.0618	14.3244 14.3244
A Income Net	Group 1 Group 2	15.6403 5.2814	3.1281 1.0563	12.5122 4.2251	– 8.2871	12.5122 12.5122
I Income Gross	Group 1 Group 2	142.7163 0.6368	– –	142.7163 0.6368	– 142.0795	142.7163 142.7163
I Income Net	Group 1 Group 2	149.1196 113.9029	29.8239 22.7806	119.2957 91.1223	– 28.1734	119.2957 119.2957

Group 1 - Shares purchased prior to 1 January 2011
Group 2 - Shares purchased on or after 1 January 2011 to 31 March 2011

Equalisation

Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It represents the accrued revenue included in the purchase price of the shares. After averaging it is returned with the distribution as a capital repayment.

Investment Objective

for the year 01 April 2010 to 31 March 2011

The Sub-Fund aims to provide an attractive level of income relative to prevailing interest rates whilst maintaining a strong focus on capital preservation.

Investment Policy

The investment policy is to invest in a diversified portfolio of European and Australian residential mortgage-backed securities ("RMBS") rated at least AA- (or equivalent) at the time of investment by one or more of Standard & Poor's, Moody's Investor Services and Fitch although it is expected that the majority of the RMBS will be rated AAA (or equivalent) at the time of investment. From time to time it is possible that a significant portion of the portfolio may be invested in securities from a particular geographical region. A portion of the portfolio may be held in cash or cash equivalents, such as treasury bills and government bonds, in order to further enhance the Sub-Funds liquidity. The Sub-Fund will aim to minimise currency risk by materially hedging the Sub-Funds exposure in the foreign exchange markets and the Sub-Fund will have the ability to use derivatives in order to mitigate other risks.

The Investment Adviser has overall responsibility for investment policy and authority to select service providers pursuant to the Investment Management Agreement entered into with the ACD.

Securities may be traded over-the-counter, although any RMBS that the Sub-Fund will invest in will be listed on Eligible Markets and will be cleared through a major clearing system such as Euroclear or Clearstream.

The Monument Bond Fund will not invest in any Collective Investment Schemes.

Investment Adviser's Report

for the year to 31 March 2011

Market Review

The macroeconomic scenario over the year to 31 March 2011 has not been supportive to the wider fixed income markets. The continuation of the peripheral European sovereign debt concerns has cast a shadow over the market, with Ireland and Portugal joining Greece in receiving EU/IMF emergency loans. These bailouts have not removed the spectre of a potential restructuring by a peripheral sovereign, worsened when some Irish politicians unsuccessfully called for all bondholders, including senior bondholders, to "burden-share" on the bailout of their financial sector.

Alongside this continuing crisis we have seen significant popular demonstrations and uprisings across parts of North Africa and the Middle East, resulting in regime changes in a number of countries, leading to volatility in oil prices and associated financial markets. Also the Japanese earthquake/nuclear disaster created additional volatility for a time.

Closer to home, while the implementation of the coalition's austerity plans have been well received by the IMF and the rating agencies, inflation continues to run well above the target rate of 2%, and at the same time the prevailing data releases do not offer much sign of a sustained and strong recovery at the moment. This limits the options for the MPC members as regards the currently extraordinarily low rate environment, and to date the market continues to push back its expectations for rate rises.

Against this backdrop the RMBS markets have continued to perform and show their resilience to contagion from external shocks. The new issue market has allowed banks to access an alternative source of funding, with AAA-rated tranches publicly placed in deals for a variety of issuers including new entrants to the market such as Yorkshire Building Society and Skipton Building Society. Alongside this there has been a continued compression of spreads with corresponding price performance for the lower rated tranches of pre-credit crunch deals.

Fundamentally the mortgage pools backing the market continue to perform well in general. This is despite the still constrained mortgage market reducing borrowers' ability to refinance, and the housing market's stagnation making selling in a stressed scenario more difficult.

Performance Review

The Sub-Fund's aim is to produce an attractive level of income relative to prevailing interest rates whilst maintaining a strong focus on capital preservation. The Sub-Fund is benchmarked to 3 month sterling LIBOR, meaning that in a rising rate environment the yield on the Sub-Fund will exhibit a positive trend as all the bonds held pay a yield based on prevailing interest rates (refixing every 3 months at least). LIBOR had increased from 0.65% to 0.82% by the period end, illustrating the market's expectations for an upward trending yield curve and rate rises.

Performance over the period in question has been led by a limited number of factors, due to the narrow remit of the Sub-Fund to invest in European and Australian AAA and AA rated RMBS only. This is an asset class that in general has exhibited a consistent degree of price performance over the year as more investors seek to access the asset class, attracted by its floating rate nature and its highly robust credit profile. We have rebalanced the portfolio over the period to take a higher allocation to AA-rated securities, and with a greater exposure to Buy to Let and Non Conforming mortgage pools. These moves have meant that the market-wide rally has been better reflected in the Sub-Fund's share prices. The RMBS market has not exhibited a significant degree of correlation with the peripheral sovereign problems, with the exception of the deals backed by collateral from those jurisdictions. As such we have seen a small amount of negative price performance from the 3 deals we held from Ireland and Portugal, although we did reduce holdings prior to the Irish bailout.

Investment Adviser's Report
continued

Performance Review (continued)
Two significant deal-specific drivers of performance were LEEK and RMS 16. LEEK is a UK non-conforming deal backed by mortgages from Co-op Bank. In March Co-op announced that they would not be calling these deals on the due date as the market had been expecting. This led to a sharp repricing of the outstanding bonds lower, far beyond that required, as market participants sought to understand the implications, although following a simultaneously announced restructuring they have recovered part of that drop, and with expected upgrades for the junior tranches there could be further price performance in the next few months. RMS 16 in contrast was a deal purchased as we thought there was a good chance the market was mispricing the deal, undervaluing the size of the reserve fund and the likelihood the deal would get called. When Investec announced the deal would be called in June the bonds rallied strongly to par. While this might seem to highlight call probability as a key driver of the market these scenarios are rare, but it emphasizes that the work done on maturity assumptions can be extremely valuable.

Investment Outlook
While fundamental factors look set to be supportive going forward, the macro economy and peripheral sovereign issues look set to continue as we approach summer. Rates are expected to remain on hold until at least the fourth quarter of this year, but then we would expect to see a steady upward trend, which will negatively impact holders of duration sensitive bonds, but which will have a significant positive impact on this Sub-Fund.

We expect to see a continued and enlarged functioning of the European ABS market in all its forms, although principally RMBS. With this we expect to see more issuance from the established sponsors, new issuers and expanded deals that include non-AAA tranches. This return to full operation will increase the likelihood of calls being exercised, although we expect that retaining a conservative approach to maturity expectations is wise.

Mortgage finance availability continues to be constrained, and the housing market remains stagnant, however the performance of the mortgages backing most RMBS deals in our universe continues to improve or at least exhibit very stable qualities. The key downside risk to this will be unemployment and rate rises, although with the latter we think there will be significant offset to this as banks come under pressure to reduce their margins on consumer finance products. Offsetting any potential underperformance on mortgage lending is the continued strength of the structures that the Sub-Fund is investing in, with most continuing to build loss-absorbing features that enable the securities to withstand default rates and loss severities far in excess of anything that the portfolio management team believe to be credible as a worst case scenario.

We expect the Sub-Fund to continue to offer a good yield that will be supplemented by rate rises, with the potential for a degree of capital growth all the while displaying a lack of volatility that may well continue in the wider markets.

Portfolio Statement
as at 31 March 2011

Holding	Security	Value (Note 1g) £	% of Total Net Assets 31.03.11
	Euro Asset Backed Securities 41.47% (2010: 49.52%)		
€7,000,000	Arran Residential Mortgages 2010-1X MB	6,228,564	4.56
€1,500,000	Brunel Residential Mortgage Securities 2007-1X A4A	1,017,682	0.74
€3,448,000	Brunel Residential Mortgage Securities 2007-1X B4A	2,050,549	1.50
€500,000	Challenger Millenium Trust Series 2007-1E AB	394,493	0.29
€5,500,000	First Flexible Series 6 A2	651,095	0.48
€3,000,000	Granite Master Issuer Series 2006-2 B3	2,186,175	1.60
€6,000,000	Interstar Millennium Trust Series 2004-1E B	1,375,295	1.00
€6,000,000	Leek Finance Series 17X MC	4,836,572	3.54
€2,500,000	Lusitano Mortgages Series 1 A	672,724	0.49
€2,500,000	Lusitano Mortgages Series 1 C	1,214,664	0.89
€4,500,000	Lusitano Mortgages Series 2 A	1,257,199	0.92
€2,000,000	Lusitano Mortgages Series 2 B	1,194,081	0.87
€17,000,000	Money Partners Securities Series 1X A2B	747,152	0.55
€7,880,000	Mound Financing Series 5X 3A1	6,843,840	5.01
€1,750,000	Mound Financing Series 5X 3B1	1,514,488	1.11
€7,100,000	Paragon Mortgages Series 10X A2B	5,172,858	3.78
€500,000	Paragon Mortgages Series 10X B1B	339,665	0.25
€3,400,000	Paragon Mortgages Series 8 A2B	1,582,549	1.16
€4,150,000	Paragon Mortgages Series 9X AB	1,244,762	0.91
€1,000,000	Paragon Mortgages Series 9X BB	655,094	0.48
€5,720,000	Permanent Financing Series 9X 4B	5,005,764	3.66
€3,150,000	Preferred Residential Securities Series 8X A1C	222,099	0.16
€6,500,000	Rams Mortgage Securities Series 2003-1E B	5,131,552	3.75
€3,260,000	Residential Mortgage Securities Series 16X A2C	172,909	0.13
€4,700,000	Residential Mortgage Securities Series 17X M1C	682,658	0.50
€6,500,000	RMAC Series 2005-NS2X A2C	842,985	0.62
€1,100,000	RMAC Series 2005-NS2X M1C	379,763	0.28
€3,500,000	Saecure BV Series 4 C	3,064,213	2.24
		56,681,444	41.47

Portfolio Statement
continued

Holding	Security	Value (Note 1g) £	% of Total Net Assets 31.03.11
	Sterling Asset Backed Securities 49.38% (2010: 23.80%)		
£1,210,000	Arkle Master Issuer Series 2006-1X 5A2	1,194,584	0.87
£7,000,000	Arran Residential Series 2007-3X BA	6,790,671	4.97
£4,290,000	Auburn Securities Series 3 A2	786,607	0.58
£6,000,000	Auburn Securities Series 3 M	5,205,000	3.81
£4,450,000	Auburn Securities Series 4 A2	1,600,273	1.17
£800,000	Auburn Securities Series 4 B	613,735	0.45
£2,000,000	Auburn Securities Series 4 C	1,535,743	1.12
£750,000	Auburn Securities Series 5 B	533,640	0.39
£5,000,000	Challenger Millenium Trust Series 2007-1E A2B	2,880,228	2.11
£3,000,000	Darrowby Series 2011-1 A2	3,000,000	2.20
£20,000,000	First Flexible Series 4 A	1,892,453	1.39
£2,000,000	First Flexible Series 4 M	1,573,614	1.15
£3,600,000	First Flexible Series 5 M	3,064,476	2.24
£5,620,000	First Flexible Series 6 A1	768,144	0.56
£1,000,000	First Flexible Series 7 B	657,769	0.48
£653,000	Fosse Master Issuer Series 2007-1X A4	643,929	0.47
£850,000	Gracechurch Mortgage Finance Series 2006-1 A7	830,258	0.61
£4,000,000	Granite Master Issuer Series 2005-2 B3	3,299,500	2.41
£2,500,000	Granite Master Issuer Series 2006-1X A8	1,236,268	0.91
£1,200,000	Granite Master Issuer Series 2007-2 3B3	989,850	0.72
£1,000,000	Granite Mortgages Series 2003-2 3A	492,431	0.36
£11,200,000	Lanark Master Series 2007-1X 4A1	10,880,522	7.96
£500,000	Leek Finance Series 17X A2A	208,247	0.15
£1,250,000	Money Partners Securities Series 1X M2A	1,019,375	0.75
£3,400,000	Money Partners Securities Series 2X A2A	878,621	0.64
£1,000,000	Mound Financing Series 5X 3A2	982,888	0.72
£1,070,000	Paragon Mortgages Series 7X A1B	369,676	0.27
£6,750,000	Paragon Mortgages Series 9X AA	2,313,259	1.69
£3,000,000	Permanent Financing Series 6 5A2	2,980,822	2.18
£1,500,000	Permanent Financing Series 9X 5A	1,468,588	1.08
£3,500,000	Residential Mortgage Securities Series 16X A2A	209,401	0.15
£6,000,000	Residential Mortgage Securities Series 19X A2A	649,563	0.48
£5,500,000	Residential Mortgage Securities Series 25 A1	5,442,250	3.98
£2,370,000	RMAC Series 2004-NS3X M2	495,877	0.36
		67,488,262	49.38

Portfolio Statement
continued

Holding	Security	Value (Note 1g) £	% of Total Net Assets 31.03.11
	United States Dollar Asset Backed Securities 11.67% (2010: 20.98%)		
$10,500,000	Arran Residential Mortgage Series 2006-2A BB	5,862,043	4.29
$1,000,000	Brunel Residential Mortgage Securities 2007-1A A4C	477,378	0.35
$365,000	Crusade Global Trust Series 2006-2 A1	79,243	0.06
$3,000,000	Granite Master Issuer Series 2006-1A B2	1,551,217	1.13
$2,500,000	Granite Master Issuer Series 2007-2 2B1	1,283,732	0.94
$2,935,000	Interstar Millenium Trust Series 2005-1G A	380,540	0.28
$11,652,000	Kildare Securities 2007-1A A2	2,641,305	1.93
$1,580,000	Medallion Trust Series 2003-1G A	98,318	0.07
$3,200,000	Money Partners Securities Series 2X A2C	507,152	0.37
$6,000,000	Paragon Mortgages Series 7A A1A	1,289,020	0.94
$28,000,000	Residential Mortgage Securities 16A A2B	1,026,107	0.75
$1,700,000	Residential Mortgage Securities 16X A2B	62,299	0.05
$4,500,000	Residential Mortgage Securities 16X M1B	328,969	0.24
$4,000,000	RMAC Series 2005-NS2X A2B	367,271	0.27
		15,954,594	11.67

Portfolio Statement

continued

Holding	Security	Value (Note 1g) £	% of Total Net Assets 31.03.11
	Derivatives - Forward Currency Contracts -1.51% (2010: -0.12%)		
	Sold $156,211, Bought £96,933 (21.06.11)	(418)	0.00
	Sold $2,078,330, Bought £1,293,162 (18.04.11)	(828)	0.00
	Sold $2,502,459, Bought £1,551,567 (20.04.11)	(6,525)	0.00
	Sold $2,747,169, Bought £1,697,805 (13.06.11)	(14,000)	(0.01)
	Sold $3,026,908, Bought £1,892,571 (16.05.11)	7,283	0.01
	Sold $4,061,780, Bought £2,516,939 (10.06.11)	(13,899)	(0.01)
	Sold $616,731, Bought £379,786 (08.06.11)	(4,478)	0.00
	Sold $777,757, Bought £490,337 (13.04.11)	6,125	0.00
	Sold $9,651,091, Bought £5,989,419 (20.06.11)	(25,022)	(0.02)
	Sold €1,274,452, Bought £1,071,729 (13.04.11)	(54,146)	(0.04)
	Sold €1,587,872, Bought £1,362,899 (13.06.11)	(39,280)	(0.03)
	Sold €1,760,544, Bought £1,471,244 (15.04.11)	(84,019)	(0.06)
	Sold €11,011,414, Bought £9,277,551 (09.05.11)	(447,622)	(0.33)
	Sold €11,867,896, Bought £9,979,861 (16.05.11)	(501,442)	(0.37)
	Sold €2,486,568, Bought £2,158,398 (20.04.11)	(38,108)	(0.03)
	Sold €3,480,317, Bought £2,941,564 (25.05.11)	(132,017)	(0.10)
	Sold €428,248, Bought £363,535 (07.04.11)	(14,784)	(0.01)
	Sold €5,676,522, Bought £4,880,503 (10.06.11)	(132,259)	(0.10)
	Sold €5,939,867, Bought £5,154,438 (21.06.11)	(90,565)	(0.07)
	Sold €7,566,628, Bought £6,462,445 (11.04.11)	(222,209)	(0.16)
	Sold €732,637, Bought £628,544 (01.06.11)	(18,453)	(0.01)
	Sold €771,966, Bought £653,759 (13.05.11)	(28,023)	(0.02)
	Sold €8,699,648, Bought £7,490,266 (15.06.11)	(191,922)	(0.14)
	Sold €835,694, Bought £717,419 (14.06.11)	(20,541)	(0.01)
		(2,067,152)	(1.51)
	Investment assets	**138,057,148**	**101.01**
	Net other liabilities	**(1,379,333)**	**(1.01)**
	Net assets	**136,677,815**	**100.00**
	Analysis of bonds by credit rating		
	AAA credit rated bonds	77,636,690	56.82
	AA credit rated bonds	62,487,610	45.70
		140,124,300	102.32

Significant Portfolio Changes

for the year ended 31 March 2011.

Major purchases since 1 April 2010	**Cost**
	£
Lanark Master Series 2007-1X 4A1	9,551,200
Arran Residential Series 2007-3X BA	6,775,100
Holmes Master Issuer 2007-2X 2B2	6,317,008
Arran Residential Mortgages 2006-2A BB	6,223,885
Arran Residential Mortgages 2010-1X MB	6,103,928
Other purchases	107,136,756
Total purchases for the year (note 12)	**£142,107,877**

Major sales since 1 April 2010	**Proceeds**
	£
Holmes Master Issuer 2007-2X 2B2	10,716,203
Arran Residential Mortgage Series 2006-1X CC	5,977,003
Holmes Master Issuer Series 2007-1 3A3	5,965,200
UK Treasury Bill 0% 14/02/2011	4,993,700
Lanark Master Issuer Series 2007-1X 3A1	4,840,232
Other sales	57,109,938
Total sales for the year (note 12)	**£89,602,276**

Comparative Tables

Net Asset Values

	Accumulation shares			Income shares		
31.03.10	Net Asset Value (£)	No. of shares in issue	Net Asset Value (pounds per share)	Net Asset Value (£)	No. of shares in issue	Net Asset Value (pounds per share)
Class A Gross	1,779,321	172,349	10.32	2,590,550	248,137	10.44
Class A Net	4,142,801	396,820	10.44	2,752,130	263,614	10.44
Class I Gross	285,445	2,715	105.14	6,365,039	60,539	105.14
Class I Net	36,533,578	347,476	105.14	48,385,019	460,196	105.14
31.03.11						
Class A Gross	1,728,158	159,692	10.82	5,129,973	495,857	10.35
Class A Net	3,624,034	336,607	10.77	4,328,743	418,411	10.35
Class I Gross	23,226,983	213,188	108.95	7,009,092	67,590	103.70
Class I Net	40,921,425	377,852	108.30	50,709,407	489,001	103.70

Price History

The table below shows the highest buying and lowest selling prices on a calendar year basis in pence per share since launch.

Past performance is not necessarily a guide to the future performance.

	Accumulation shares		Income shares	
2009	Highest	Lowest	Highest	Lowest
Class A Gross*	10.39	10.00	10.39	10.00
Class A Net**	10.39	9.97	10.39	9.97
Class I Gross*	103.84	100.00	103.84	100.00
Class I Net**	103.84	99.71	103.84	99.71
2010				
Class A Gross	10.76	10.39	10.66	10.34
Class A Net	10.74	10.39	10.66	10.31
Class I Gross	108.33	103.76	106.82	103.68
Class I Net	107.76	103.76	106.82	103.38
2011* **				
Class A Gross	10.86	10.76	10.50	10.40
Class A Net	10.80	10.70	10.49	10.40
Class I Gross	109.46	108.30	105.57	104.45
Class I Net	108.73	107.71	105.34	104.36

* 1 December 2009 to 31 December 2009
** 13 August 2009 to 31 December 2009
*** As at 31 March 2011

Comparative Tables
continued

Distribution Record

2010	Accumulation shares Net revenue per share (pounds)	Income shares Net revenue per share (pounds)
Class A Gross	38.8135	38.5160
Class A Net	30.7807	30.5760
Class I Gross	419.3063	415.7910
Class I Net	339.5091	336.9700
2011*		
Class A Gross	12.4480	12.0388
Class A Net	11.8981	11.5610
Class I Gross	142.6488	137.5756
Class I Net	126.9634	123.0125

*As at 31 March 2011

Total Expense Ratio
The Total Expense Ratio is annualised based on the expenses incurred during the year.

Share Class	Expense Type	31 March 2011 %	31 March 2010 %
Class A Gross	Investment Adviser's charge	1.05	1.07
	Other expenses	0.26	0.74
	Total expense ratio	**1.31**	**1.81**
Class A Net	Investment Adviser's charge	1.05	1.07
	Other expenses	0.26	0.74
	Total expense ratio	**1.31**	**1.81**
Class I Gross	Investment Adviser's charge	0.75	0.75
	Other expenses	0.26	0.58
	Total expense ratio	**1.01**	**1.33**
Class I Net	Investment Adviser's charge	0.75	0.75
	Other expenses	0.26	0.58
	Total expense ratio	**1.01**	**1.33**

Comparative Tables

continued

Risk Warning

An investment in an investment company with variable capital should be regarded as a medium to long term investment. Investors should be aware that the price of shares and the revenue from them can fall as well as rise and investors may not receive back the full amount invested. Past performance is not a guide to future performance. Investments denominated in currencies other than the base currency are subject to fluctuation in exchange rates, which can be favourable or unfavourable.

As a Sub-Fund is not a legal entity, if the assets of one Sub-Fund are insufficient to meet the liabilities attributable to it, the ACD may re-allocate such liabilities between the Sub-Funds then in existence in a manner which is fair to shareholders generally. This re-allocation will normally be performed on the basis of the respective net asset values of the Sub-Funds.

Statement of Total Return

for the year ended 31 March 2011

	Note	01.04.10 - 31.03.11 £	£	17.08.09 - 31.03.10 £	£
Income					
Net capital (losses)/gains	2		(387,175)		1,984,602
Revenue	3	5,062,326		1,908,830	
Expenses	4	(1,365,863)		(466,961)	
Finance costs: Interest	6	(992)		(3,616)	
Net revenue before taxation		3,695,471		1,438,253	
Taxation	5	–		–	
Net revenue after taxation			3,695,471		1,438,253
Total return before distributions			**3,308,296**		**3,422,855**
Finance costs: Distributions	6		(3,719,224)		(1,438,033)
Change in net assets attributable to shareholders from investment activities			**(£410,928)**		**£1,984,822**

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 31 March 2011

	01.04.10 - 31.03.11 £	£	17.08.09 - 31.03.10 £	£
Opening net assets attributable to shareholders		**102,861,725**		**–**
Amounts receivable on issue of shares	70,151,922		105,185,750	
Less: Amounts payable on cancellation of shares	(37,751,010)		(5,155,576)	
		32,400,912		100,030,174
Change in net assets attributable to shareholders from investment activities (see Statement of Total Return above)		(410,928)		1,984,822
Retained distribution on Accumulation shares		1,826,106		846,729
Closing net assets attributable to shareholders		**£136,677,815**		**£102,861,725**

Balance Sheet
as at 31 March 2011

	Note	31.03.11 £	31.03.11 £	31.03.10 £	31.03.10 £
ASSETS					
Investment assets			140,137,708		97,367,768
Debtors	7	380,171		917,714	
Bank balances		767,146		7,996,637	
Total other assets			1,147,317		8,914,351
Total assets			**£141,285,025**		**£106,282,119**
LIABILITIES					
Investment liabilities			(2,080,560)		(513,930)
Creditors	8	(1,096,419)		(1,696,324)	
Distribution payable on Income shares		(802,589)		(1,210,140)	
Bank overdrafts		(627,642)		–	
Total other liabilities			(2,526,650)		(2,906,464)
Total liabilities			(4,607,210)		(3,420,394)
Net assets attributable to shareholders			**£136,677,815**		**£102,861,725**

Notes to the Financial Statements
as at 31 March 2011

1. Accounting Policies

The Sub-Fund's financial statements have been prepared on the same basis as the Aggregated Financial Statements.

2. Net capital (losses) / gains

	01.04.10 - 31.03.11 £	17.08.09 - 31.03.10 £
Non-derivative securities	(4,291,767)	4,173,868
Currency gains / (losses)	2,049,757	(1,318,433)
Forward foreign exchange contracts gains / (losses)	1,859,070	(870,833)
Transaction charges	(4,235)	–
Net capital (losses) / gains	**£(387,175)**	**£1,984,602**

3. Revenue

	01.04.10 - 31.03.11 £	17.08.09 - 31.03.10 £
Interest on debt securities	5,061,765	1,908,830
Bank interest	561	–
Total revenue	**£5,062,326**	**£1,908,830**

Notes to the Financial Statements
continued

4. **Expenses**	**01.04.10 - 31.03.11 £**	**17.08.09 - 31.03.10 £**
Payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
ACD's fee	160,074	53,992
Registration fees	50,751	28,544
	210,825	82,536
Payable to the Investment Adviser, associates of the Investment Adviser and agents of either of them:		
Investment Adviser's fee	1,017,731	262,279
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fee (including VAT)	51,072	15,594
Safe custody and other bank charges	26,691	2,158
	77,763	17,752
Other expenses:		
Audit fees (including VAT)	11,340	10,575
FSA fee	1,100	3,245
Special pricing service	27,874	–
Legal fees	15,219	90,574
Printing costs	4,011	–
	59,544	104,394
Total expenses	**£1,365,863**	**£466,961**

Notes to the Financial Statements
continued

5. Taxation

	01.04.10 - 31.03.11 £	17.08.09 - 31.03.10 £
(a) Analysis of charge in the year:		
Corporation tax	–	–
Current tax charge (note 5b)	–	–
Deferred tax (note 5c)	–	–
Totel tax charge	**–**	**–**
(b) Factors affecting taxation charge for the year		
Net revenue before taxation	3,695,471	1,438,253
Corporation tax at 20%	739,094	287,651
Effects of:		
Interest distributions	(739,094)	(287,651)
Current tax charge (note 5a)	**–**	**–**
(c) Provision for deferred taxation		
Provision at the start of the year	–	–
Deferred tax in the profit and loss account (note 5a)	–	–
Provision at end of the period	**–**	**–**

There was no liability to deferred tax at the balance sheet date.

Notes to the Financial Statements
continued

6. Finance costs

	01.04.10 - 31.03.11 £	17.08.09 - 31.03.10 £
Distributions		

The distributions take account of revenue received on the creation of shares and revenue deducted on cancellation of shares and comprise:

	01.04.10 - 31.03.11 £	17.08.09 - 31.03.10 £
Interim		
Income shares	903,303	–
Accumulation shares	982,334	–
Final		
Income shares	802,589	1,210,140
Accumulation shares	843,772	846,729
Income tax deducted at source	582,235	256,746
	4,114,232	2,313,615
Revenue deducted on cancellation of shares	232,727	62,892
Revenue received on issue of shares	(627,736)	(938,474)
Finance costs: Distributions	3,719,224	1,438,033
Finance costs: Interest	992	3,616
Total finance costs	**£3,720,216**	**£1,441,649**

Reconciliation of net revenue after taxation to net distributions

	01.04.10 - 31.03.11 £	17.08.09 - 31.03.10 £
Net revenue after taxation per statement of total return	3,695,471	1,438,253
Expenses charged to capital	23,746	–
Net movement in revenue account	7	(220)
Finance costs: Distributions	**£3,719,224**	**£1,438,033**

7. Debtors

	31.03.11 £	31.03.10 £
Amounts receivable on creation of shares	204,151	824,891
Interest on debt securities	176,020	92,823
Total debtors	**£380,171**	**£917,714**

Notes to the Financial Statements
continued

8. Creditors

	31.03.11 £	31.03.10 £
Purchases awaiting settlement	–	1,323,767
Amounts payable for cancellation of shares	114,449	12,357
Accrued expenses:		
Payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
ACD's fee	13,917	10,088
Registration fees	13,048	12,188
	26,965	22,276
Payable to the Investment Adviser, associates of the Investment Adviser and agents of either of them:		
Investment Adviser's fee	88,972	63,909
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fees	4,538	3,437
Safe custody and other bank charges	2,000	2,158
	6,538	5,595
Other expenses:		
Listing fee	9,174	1,099
Audit fees (including VAT)	11,340	10,575
	20,514	11,674
Taxation payable:		
Income tax	838,981	256,746
Total creditors	**£1,096,419**	**£1,696,324**

Notes to the Financial Statements
continued

9. Related Party Transactions

The ACD is deemed to be a related party under the definition of Financial Reporting Standard 8, which requires the disclosure of details of material transactions between the Sub-Fund and any related party. Details of any related party transactions occurring during the year, including commissions paid and any balances due at the year end are disclosed in the Balance Sheet, the Statement of Change in Net Assets Attributable to Shareholders and Notes 4, 7 and 8 to the financial statements. All issues and cancellations were transacted with the ACD.

10. Contingent Liabilities and Commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date.

11. Derivatives and other Financial Instruments

The main risks arising from financial instruments and the ACD's policies for managing these risks are disclosed in note 11 of the Notes to the Aggregated Financial Statements on page 15.

Numerical disclosures relating to the Sub-Fund are as follows:

Currency risk
The table below shows the currency risk profile at the balance sheet date:

31.03.11

Currency	Monetary exposures £	Non-monetary exposures £	Total £
Euro	(56,259,773)	56,681,444	421,671
Sterling	68,326,280	67,488,262	135,814,542
US dollar	(15,512,992)	15,954,594	441,602
	(£3,446,485)	**£140,124,300**	**£136,677,815**

31.03.10

Euro	(50,244,247)	50,931,379	687,132
Sterling	77,338,455	24,479,209	101,817,664
US dollar	(21,223,075)	21,580,004	356,929
	£5,871,133	**£96,990,592**	**£102,861,725**

Notes to the Financial Statements
continued

11. Derivatives and other Financial Instruments (continued)

Interest rate risk

The tables below detail the interest rate risk profile at the balance sheet date.

31.03.11

Currency	Floating rate financial assets £	Fixed rate financial assets £	Financial assets not carrying interest £	Total £
Euro	56,990,938	–	95,153	57,086,091
Pounds sterling	67,503,763	–	70,801,446	138,305,209
United States dollar	16,396,745	–	5,136	16,401,881
	£140,891,446	**–**	**£70,901,735**	**£211,793,181**

Currency	Floating rate financial liabilities £	Financial liabilities not carrying interest £	Total £
Euro	34,874	56,629,546	56,664,420
Pounds sterling	592,768	1,897,899	2,490,667
United States dollar	–	15,960,279	15,960,279
	£627,642	**£74,487,724**	**£75,115,366**

Notes to the Financial Statements
continued

11. Derivatives and other Financial Instruments (continued)

31.03.10

Currency	Floating rate financial assets £	Fixed rate financial assets £	Financial assets not carrying interest £	Total £
Euro	50,931,379	–	746,131	51,677,510
Pounds sterling	24,479,210	–	80,310,796	104,790,006
United States dollar	21,580,004	–	6,537	21,586,541
	£96,990,593	**–**	**£81,063,464**	**£178,054,057**

Currency	Floating rate financial liabilities £	Financial liabilities not carrying interest £	Total £
Euro	–	51,113,649	51,113,649
Pounds sterling	–	2,818,014	2,818,014
United States dollar	–	21,260,669	21,260,669
	–	**£75,192,332**	**£75,192,332**

Floating rate interest-bearing assets at the balance sheet date consist of bank balances, on which interest is calculated at a variable rate by reference to sterling bank deposit rates or the international equivalent;and floating rate notes, on which interest is calculated at a variable rate by reference to the London Interbank Offered Rate (LIBOR) or the Euro Interbank Offered Rate (EURIBOR).

Notes to the Financial Statements
continued

12. Portfolio Transaction Costs

	01.04.10 - 31.03.11 £	17.08.09 - 31.03.10 £
Analysis of purchases		
Purchases before transaction costs	142,107,877	109,509,897
Transaction costs:		
Commissions	–	–
Total purchase cost	**£142,107,877**	**£109,509,897**
Analysis of sales		
Sales before transaction costs	97,741,864	18,318,737
Transaction costs:		
Commissions	–	–
Net sales proceeds	**£97,741,864**	**£18,318,737**

Distribution Tables

as at 31 March 2011

Interim

Distribution paid 30 November 2010

Shares	Gross	Income Tax	Net	Equalisation	Distribution
A Accumulation Gross					
Group 1	16.3635	–	16.3635	–	16.3635
Group 2	7.5839	–	7.5839	8.7796	16.3635
A Accumulation Net					
Group 1	14.0746	2.8149	11.2597	–	11.2597
Group 2	3.1770	0.6354	2.5416	8.7181	11.2597
I Accumulation Gross					
Group 1	181.5213	–	181.5213	–	181.5213
Group 2	176.4785	–	176.4785	5.0428	181.5213
I Accumulation Net					
Group 1	163.8939	32.7788	131.1151	–	131.1151
Group 2	83.0364	16.6073	66.4291	64.6860	131.1151
A Income Gross					
Group 1	16.0660	–	16.0660	–	16.0660
Group 2	7.4460	–	7.4460	8.6200	16.0660
A Income Net					
Group 1	13.8188	2.7638	11.0550	–	11.0550
Group 2	6.9286	1.3857	5.5429	5.5121	11.0550
I Income Gross					
Group 1	178.0060	–	178.0060	–	178.0060
Group 2	173.0609	–	173.0609	4.9451	178.0060
I Income Net					
Group 1	160.7200	32.1440	128.5760	–	128.5760
Group 2	81.4284	16.2857	65.1427	63.4333	128.5760

Group 1 - Shares purchased prior to 01 April 2010
Group 2 - Shares purchased on or after 01 April 2010 to 30 September 2010

Distribution Tables

continued

Final

Distribution payable 31 May 2011

Shares	Gross	Income Tax	Net	Equalisation	Distribution	2010 Distribution
A Accumulation Gross						
Group 1	12.4480	–	12.4480	–	12.4480	22.4500
Group 2	7.3957	–	7.3957	5.0523	12.4480	22.4500
A Accumulation Net						
Group 1	14.8726	2.9745	11.8981	–	11.8981	19.5210
Group 2	6.7494	1.3499	5.3995	6.4986	11.8981	19.5210
I Accumulation Gross						
Group 1	142.6488	–	142.6488	–	142.6488	237.7850
Group 2	114.0304	–	114.0304	28.6184	142.6488	237.7850
I Accumulation Net						
Group 1	158.7043	31.7409	126.9634	–	126.9634	208.3940
Group 2	93.8419	18.7684	75.0735	51.8899	126.9634	208.3940
A Income Gross						
Group 1	12.0388	–	12.0388	–	12.0388	22.4500
Group 2	6.4828	–	6.4828	5.5560	12.0388	22.4500
A Income Net						
Group 1	14.4513	2.8903	11.5610	–	11.5610	19.5210
Group 2	9.3739	1.8748	7.4991	4.0619	11.5610	19.5210
I Income Gross						
Group 1	137.5756	–	137.5756	–	137.5756	237.7850
Group 2	118.3725	–	118.3725	19.2031	137.5756	237.7850
I Income Net						
Group 1	153.7656	30.7531	123.0125	–	123.0125	208.3940
Group 2	102.2399	20.4480	81.7919	41.2206	123.0125	208.3940

Group 1 - Shares purchased prior to 1 October 2011
Group 2 - Shares purchased on or after 1 October 2011 to 31 March 2011

Equalisation

Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It represents the accrued revenue included in the purchase price of the shares. After averaging it is returned with the distribution as a capital repayment.

General Information

Authorised Status
PFS TwentyFour Investment Funds ICVC (the "Company") is incorporated in England and Wales as an ICVC under registration number IC000765. The Shareholders are not liable for the debts of the Company.

The Company is authorised by the FSA as a UCITS Scheme under the COLL Sourcebook and is an umbrella company for the purposes of the OEIC Regulations with each Fund being a UCITS Scheme. The effective date of the authorisation order made by the FSA was 23 July 2009.

Head Office
Springfield Lodge, Colchester Road, Chelmsford, Essex, CM2 5PW

Address for Service
The Head Office is the address in the United Kingdom for service on the Company of notices or other documents required or authorised to be served on it.

Base Currency
The base currency of the Company is Pounds Sterling.

Share Capital
The minimum share capital of the Company is £1 and the maximum is £100,000,000,000.

Structure of the Company
PFS TwentyFour Investment Funds ICVC is structured as an umbrella company. Provision exists for an unlimited number of Sub-Funds, and at the date of this Report, the Funds launched within the OEIC are shown below:

PFS TwentyFour Investment Funds - Dynamic Bond Fund
PFS TwentyFour Investment Funds - Monument Bond Fund

Classes of Shares
The Company can issue different classes of shares in respect of any Sub-Fund.

Holders of Income shares are entitled to be paid the revenue attributable to such shares in respect of each accounting period.

Valuation Point
The scheme property of the Company and each Sub-Fund will normally be valued at 6.00pm on each dealing day for the purpose of calculating the price at which shares in the Company may be issued, sold, repurchased or redeemed.

During the accounting period the valuation point changed from 4.30pm to 6.00pm.

The ACD reserves the right to revalue the Company or any Sub-Fund at any time if it considers it desirable to do so, with the Depositary's approval.

General Information
continues

Buying and Selling of Shares
The ACD will accept orders for the purchase and sale of shares on normal business days between 8:30am and 4:30pm. Instructions to buy or sell shares may either be in writing to:

PO Box 10534, Chelmsford, Essex, CM1 9NT
Or by telephone to:
0845 026 4286

A contract note will be issued by close of business on the next business day after the dealing date to confirm the transaction.

Pricing Basis
There is a single price for buying, selling and switching shares in a Sub-Fund which represents the net asset value of the Sub-Fund concerned. The share price is calculated on a forward pricing basis, that is at the next Valuation Point after the purchase or redemption is deemed to be accepted by the ACD.

The prices of shares are published daily on the Investment Management Association website at www.fundlistings.com and on the Financial Times website at www.ft.com. Neither the ACD nor the Company can be held responsible for any errors in the publication of the prices. The shares in the Company will be issued and redeemed on a forward pricing basis which means that the price will not necessarily be the same as the published price.

Other Information
The Instrument of Incorporation, Prospectus, Simplified Prospectus and the most recent interim and annual reports may be inspected free of charge at the office of the ACD which is also the Head Office of the Company and copies may be obtained upon application. Shareholders who have any complaints about the operation of the Company should contact the ACD or the Depositary in the first instance. In the event that a shareholder finds the response unsatisfactory they may make their complaint direct to the Financial Ombudsman Service at South Quay Plaza, 183 Marsh Wall, London E14 9SR.

Risk Warning
An investment in an open-ended investment company should be regarded as a medium to long term investment. Investors should be aware that the price of shares and the income from them can fall as well as rise and investors may not receive back the full amount invested. Past performance is not a guide to future performance. Investments denominated in currencies other than the base currency are subject to fluctuation in exchange rates, which can be favourable or unfavourable. As a Sub-Fund is not a legal entity, if the assets of one Sub-Fund are insufficient to meet the liabilities attributable to it, the ACD may re-allocate such liabilities between the Sub-Funds then in existence in a manner which is fair to shareholders generally. This re-allocation will normally be performed on the basis of the respective net asset values of the Sub-Funds.

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