PHOENIX
Fund Services

PFS TWENTYFOUR INVESTMENT FUNDS - DYNAMIC BOND

Annual Short Report
31 March 2011

Directory

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Directors of the Authorised Corporate Director
R. Elliott (appointed 11 April 2011)
S. A. King
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J. Rice (appointed 22 February 2011)

Investment Adviser
TwentyFour Asset Management LLP
24 Cornhill, London, EC3V 3ND
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Depositary
BNY Mellon Trust & Depositary (UK) Limited
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Auditor
PricewaterhouseCoopers LLP
Statutory Auditors
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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 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.

Fund Facts

Accounting and Distribution Dates

	Accounting	Distribution
Final	31 March	31 May
Interim	30 June	31 August
Interim	30 September	30 November
Interim	31 December	28 February

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

^ to 31 March 2011

Fund Facts

continued

Distribution Record

2010*	Accumulation shares Net revenue per share (pounds)	Income shares 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

^ to 31 March 2011

Total Expense Ratio

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

Share Class	Expense Type	31 March 211
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%.

Fund Facts

continued

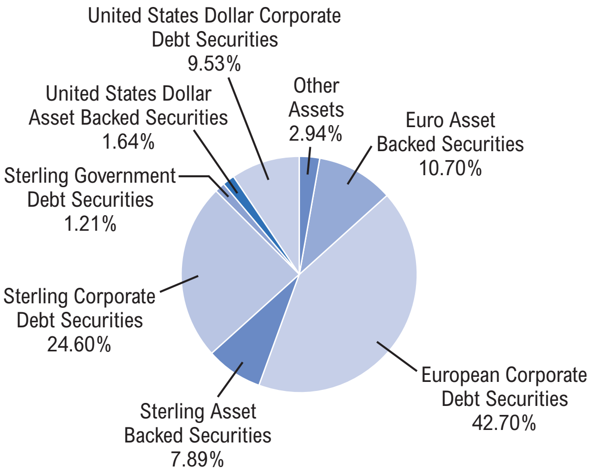
Risk Warning

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 Fund is not a legal entity, if the assets of one Fund are insufficient to meet the liabilities attributable to it, the ACD may re-allocate such liabilities between the 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 Funds.

Fund Facts
continued

Spread of Investment at 31 March 2011



Not shown on the graph are liability positions of:
Derivatives - Forward Currency Contracts (1.21%)

Major Holdings
The top ten holdings at the end of the period are shown below.

Holding	% of Fund as at 31.03.11
Dovedale Finance Series 2006-1 C2	5.06
LBG Capital No.1 11.04% 19/03/2020	3.98
Barclays Bank 14% Variable Perpetual	3.15
Aviva 6.125% Variable Perpetual	3.05
Arran Residential Mortgage Series 2006-1X CC	2.76
Paragon Mortgages Series 10X C1A	2.73
UBS AG Jersey 7.152% Variable Perpetual	2.72
Danske Bank A/S 5.6838% Variable Perpetual	2.71
Nationwide Building Society 7.971% Variable Perpetual	2.42
Rabobank Nederland 8.375% Var 31/12/2049	2.40

General Information

Buying and Selling Shares

The dealing office of the Manager is open from 8.30 a.m. until 4.30 p.m. on each Dealing Day to receive requests for the purchase or redemption of shares. Shares can be bought either by sending a completed application form to the Manager at PO Box 10534, Chelmsford, Essex CM1 9NT, or by telephoning the Manager on 0845 026 4286 Fax 0845 280 0963.

Requests to redeem shares may be in writing to the Manager at PO Box 10534, Chelmsford, Essex CM1 9NT, or by telephone on 0845 026 4286 Fax 0845 280 0963. Shares will be issued or redeemed at a price calculated by reference to the next Valuation Point following receipt of the application.

A contract note giving details of the number and price of shares bought or redeemed will be issued no later than the end of the business day following the later of receipt of the application to buy shares and the Valuation Point by reference to which the price is determined.

Report and Accounts

This document is a short report of the PFS TwentyFour Investment Funds - Dynamic Bond for the period ended 31 March 2011. The full Report and Accounts for the Fund is available free of charge upon written request to Phoenix Fund Services (UK) Limited, PO Box 10534, Chelmsford, Essex, CM1 9NT.

Other Information

The information in this report is designed to enable you to make an informed judgement on the activities of the Fund during the period it covers and the results of those activities at the end of the period.