



Investment Objective and Policy

The investment objective of the Fund is to provide capital growth and income.

The Fund's portfolio will consist primarily of a diversified range of open and closed ended funds, although significant exposure to other investments such as fixed interest securities are expected to be included in the portfolio from time to time. The portfolio will be actively managed, with the Investment Manager seeking to take advantage of inefficiencies in the pricing of closed ended funds and significant movements in financial markets.

Through its investments the portfolio will be exposed to a range of asset classes, underlying currencies geographic special and holding funds managed by a variety of fund management groups and style of investment manager.

The Company permits the use of derivatives for investment purposes by the Fund, however, this policy is not currently applied and may not be applied without giving the required 60 day notice to Shareholders. If derivatives are used for the purpose of meeting the investment objective of the Fund it is not intended that the use of derivatives would significantly raise the risk profile but this cannot be guaranteed and the risk profile may increase as a result of a change in the investment policy for derivatives.

Investment Manager's Report

for the year ended 31 October 2011

Performance Review and Income Distribution

The year to 31 October 2011 was a tumultuous time for the global economy and financial markets, and it proved to be a challenging period for managing The Vanbrugh Fund. Worries about the future of the Eurozone and fears of a renewed recession caused markets to experience incredible levels of volatility, with huge falls and rises in reaction to short term news. The Vanbrugh Fund experienced fairly steady, if modest gains from the start of the period under review through to mid-July, only for these to be eroded such that for the year to 31 October 2011 as a whole the Fund's performance was virtually flat (a positive total return of 0.1%). While this performance was similar to that of the IMA Cautious Managed Sector Average (up 0.9%) it was less than the FTSE APCIMS Income Index (which is a composite measure of the performance of shares, UK gilts, UK property and cash) which generated a total return of 4.3%. The main explanation for why The Vanbrugh Fund failed to keep pace with the FTSE APCIMS Income Index over the period, was the Fund's comparative lack of exposure to strongly performing government bonds – a subject to which we shall return later in this report. For investors who have held the Fund for some time, it is worth noting that The Vanbrugh Fund is the second best performing of 129 funds in its peer group (the IMA Cautious Managed Sector) since its launch on 18th February 2009, having delivered a total return of 55.5% compared with returns of 28.7% and 36.9% for the IMA Cautious Managed Sector Average and the FTSE APCIMS Income Index respectively. While past returns are interesting, what is more important is that we are focussed on achieving good returns in the future for all investors in the Fund, whether they have been investors since launch, or have only invested in recent weeks.

For the year to 31 October 2011 the Fund's Class A Income shares generated income of 2.1737 pence, going ex-dividend by 0.8197 pence per share on 3 May 2011 and by 1.3540 pence per share on 1 November 2011. As managers, we are focussed on maximising the Fund's total return. As a result the level of income will vary. The combination of an extended period of exceptionally low interest rates and the sharp rise in the Fund's price since it was launched has had the effect of reducing the Fund's percentage running yield. Moreover, half of the Fund's costs are

taken against income. We are however optimistic that the Fund will continue to be able to generate a worthwhile, if modest, yield, and a yield that is attractive compared with the miserable level of income available on traditional low risk investments such as cash, term deposits and short dated government bonds.

Market Review

In managing The Vanbrugh Fund we endeavour to balance an objective of delivering an attractive level of total returns over the long term with the adoption of a comparatively cautious investment approach. However, it is an unpalatable truth that we are in an environment in which the risks of investing have risen. This fact is an inevitable consequence of cash and bond yields being so low, and well beneath the rate of inflation. The authorities are trying to encourage savers and investors to spend, or at least switch from the safety of cash and government bonds into investments such as equities and corporate bonds which help finance economic activity. By holding cash rates at close to zero, and putting downward pressure on government bond yields via quantitative easing, the authorities are effectively favouring debtors over savers and investors. The authorities' policies have raised the risks of investing to achieve a positive return after the impact of inflation. This headwind for investment is likely to prevail for some time, given the challenges facing the world economy. Nevertheless, these dynamics will change in time, and even while they persist they do not necessarily preclude the generation of positive returns. Indeed the recent turbulent months in financial markets have thrown up opportunities to buy some very attractively valued investments which should deliver decent returns over the long term.

The chief challenge over the past year has been to know what strategy to adopt in the light of the unfolding crisis in the Eurozone. It was a year in which the problems that had been papered over during the two year economic recovery since the worst of Credit Crisis in 2008/09, returned to haunt the authorities and investors. Although most emerging market economies continued to grow strongly through the period, the momentum in developed economies faded steadily. Doubts also surfaced that even some of the world's strongest economies, such as China, were set to slow, leading to fears that the global economy could slide back into a recession. The main impediment to growth in developed economies has been the burden of debt, with a need accepted by most observers to strike a delicate balance between

Investment Manager's Report

for the year ended 31 October 2011

reducing leverage without triggering a self-feeding downward spiral in demand if all sectors of the economy seek to simultaneously prioritise saving over spending. With few exceptions, this has been a problem that has affected most of the western world, but has been most acute in the weaker economies of the Eurozone given the crippling level of debts in countries such as Greece and Portugal, combined with an inability to call on the safety valve present in the UK and US of a weak exchange rate.

It is hard to remember a period when investment success has relied so heavily on the ability to predict the actions of politicians and central bankers. We are always cautious about investing in any asset that is valued expensively compared with its past, and incline instead towards assets that have a "margin of safety" of low valuations and reflect conservative expectations that are hopefully more likely to be beaten than disappointed. However, this approach has been confounded in recent months by events. We have witnessed with dismay cack-handed attempts on both sides of the Atlantic to deal with economic challenges, which have at times turned what was always going to be a challenging time, into an unnecessarily difficult period. With the number of people on the planet having over doubled in the past 50 years, it is short-sighted to get too gloomy about the growth potential of the world economy when large, highly populated countries continue to develop at a rapid rate. However, the structural and political failures in much of the developed world are causing myopia in the investment community whereby many investors would prefer to own the IOUs (i.e. government bonds) of over-indebted developed countries at record low yields rather than the modestly valued shares and bonds of global companies with excellent long term prospects.

Policy Review and Investment Outlook

Against the volatile backdrop described above we sought to combine a strategic policy of emphasising good quality and attractive value, with a tactical approach taking advantage of large movements up and down in markets to take profits on strength or buy on weakness. The success of our strategic policy will only become clear over time, but we do believe The Vanbrugh Fund's large exposure to high quality equities and corporate bonds will perform strongly as a tough environment should eventually result in more discrimination in markets whereas latterly it has been masked by high levels of correlation with many asset prices shooting up and down together. However, The Vanbrugh Fund's portfolio is an exciting blend of assets giving exposure to what we believe are among the most attractively valued and/or highest growth areas in the world. Our tactical approach did meet with a good degree of success in the period, and in the main we were able to time well major purchases and sales, notably with some investment trusts such as Golden Prospect, Aberforth Smaller Companies and Henderson Diversified Income where we bought shares at significant discounts and sold them later once the net asset values had risen and the discounts narrowed. However, not all of our investment timing proved successful. For example having held a specialist volatility fund as a hedge in the first half of the period, we sold the holding at a substantial loss just a couple of months in advance of the sharp fall in markets because the cost of holding the fund had become so expensive and its size in the portfolio had fallen to a very low level.

Fund Facts

Accounting and distribution dates

	Accounting	Distribution
Final	31 October	31 December
Interim	30 April	30 June

We continue to hold investment trusts within The Vanbrugh Fund's portfolio, opportunistically using them when their shares are judged to be more attractive than equivalent exposure accessed via open ended funds or in cases when they provide access to illiquid assets that are more appropriately accessed via a closed ended structure (for example private equity and equities listed in frontier markets). Closed ended funds have mainly acted as a drag on performance, with the weakest performing holdings being in this segment of the portfolio, notably the venture capital specialist 3i Group, and Impax Environmental Markets. However, the damage done to the portfolio was mitigated by reducing the proportion of the portfolio invested in closed ended funds in advance of the worst of the falls in markets. Indeed, as at 31 October 2011, 16.85% of the portfolio was invested in closed ended funds, a level that was materially lower than the 30.78% level a year earlier. We have recently been adding to some existing positions in closed ended funds at what we believe are unsustainably large discounts, with top-up purchases including 3i Group and Impax Environmental Markets. We will also consider carefully introducing further positions in closed ended funds as and when suitable opportunities arise, as we expect them to continue to play an important role in the management of The Vanbrugh Fund.

Conclusion

Although, painful memories of the 2008 to 2009 bear market have left investors in corporate bonds and equities highly fearful in the current turmoil in markets, the general state of companies' finances are now much sounder. As a result we believe it is possible to be realistically cautious about the economic challenges ahead, while guardedly optimistic about the prospective returns achievable from many corporate bonds and equities. The gravity of the risks facing the world economy makes it hard to be confident, and means that the current environment is such that it is wise to adopt a strategy of holding at least some investments able to withstand a harsher outcome for the world economy than we hope will be seen in practice. Nevertheless, towards the end of the period under review we were opportunistically adding to some of the areas hit hardest in the market turmoil, such as equities in Asia ex Japan markets and corporate debt offering attractive yields. We are however conscious that highly volatile conditions for the world economy and its financial markets are likely to be a continuing challenge for some time to come.

More information about The Vanbrugh Fund can be found on the website www.hawksmoorim.co.uk with information on the website including monthly factsheets which will give you more details of the investments in the portfolio and how they have changed over the period covered by this report. If you would like to receive these factsheets on a regular basis and are not already doing so, send an email to richard.scott@hawksmoorim.co.uk or daniel.lockyer@hawksmoorim.co.uk and we will be pleased to add your email address to the distribution list.

We thank you for your support and interest in the Fund.

Richard Scott and Daniel Lockyer
Hawksmoor Investment Management Limited
13 January 2012

Source for performance statistics is Financial Express Analytics. Please note all references to performance and The Vanbrugh Fund share prices refer to the retail income share class (Class A).

Fund performance

Share Class	Net asset value as at 31.10.11 (pence per unit)	Net asset value as at 31.10.10 (pence per unit)	Net asset value % change
Class A Income	148.52	151.16	(1.75)

The performance of the Fund is based on the net asset value per Class A Income Share.

Fund Facts

continued

Net asset values

Share Class	Year as at 31 October	Income Shares			Accumulation Shares ^{^^}		
		Net asset value (£)	Number of shares in issue	Net asset value (pence per share)	Net asset value (£)	Number of shares in issue	Net asset value (pence per share)
Class A	2009	5,731,188	4,285,166	133.75	–	–	–
	2010	17,011,471	11,253,768	151.16	–	–	–
	2011	28,648,607	19,288,889	148.52	252,833	267,219	94.62
Class B	2011	N/A	N/A	N/A	1,290,195	1,360,156	94.86

Price history & distribution record

The table below shows the highest and lowest prices on a calendar year basis in pence per share since launch. Past performance is not necessarily a guide to the future performance.

Share Class	Year	Income Shares			Accumulation Shares ^{^^}		
		Highest (pence)	Lowest (pence)	Net distribution (pence per share)	Highest (pence)	Lowest (pence)	Net distribution (pence per share)
Class A	2009 [^]	138.55	97.79	1.3860	–	–	–
	2010	157.38	137.92	2.0800	–	–	–
	2011 ^{^^^}	160.45	144.55	2.1737	100.00	91.51	0.2633
Class B	2011 ^{^^^}	N/A	N/A	N/A	100.00	91.51	0.5041

[^] From launch 18 February 2009

^{^^} From launch date 1 August 2011 to 31 October 2011

^{^^^} As at 31 October 2011

Total expense ratios

The Fund invests in collective investment schemes, the expenses incurred by these schemes in relation to the Fund (synthetic TER) are disclosed in the below table as other expenses together with the direct expenses of the Fund.

31 October 2011	Expense type	%	31 October 2010	Expense type	%
Class A Income	Investment Manager's charge	1.50	Class A Income	Investment Manager's charge	1.50
	Other expenses	1.07		Other expenses	1.29
	Total expense ratio	2.57		Total expense ratio	2.79
Class A Accumulation [^]	Investment Manager's charge	1.50	Class A Accumulation	Investment Manager's charge	N/A
	Other expenses	1.09		Other expenses	N/A
	Total expense ratio	2.59		Total expense ratio	N/A
Class B Accumulation [^]	Investment Manager's charge	1.00	Class B Accumulation	Investment Manager's charge	N/A
	Other expenses	1.09		Other expenses	N/A
	Total expense ratio	2.09		Total expense ratio	N/A

[^] The total expense ratio is annualised based on the fees incurred during the accounting period.

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 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. Investors denominated in currencies other than the base currency are subject to fluctuation in exchange rates, which can be favourable or unfavourable.

Sector spread of investments at 31 October 2011

Sector	% of Fund as at 31.10.11	% of Fund as at 31.10.10
Fixed interest	30.77	27.03
Global Equity	23.03	26.42
Absolute Return	10.19	15.77
United Kingdom Equity	7.88	7.42
Japanese Equity	4.65	4.08
Private Equity	4.43	3.66
Multi Asset	3.59	3.26
European Equity	3.22	2.67
Far East Equity	2.92	2.04
Emerging Markets Equity	2.81	2.18
United Kingdom Property	1.73	1.98
Net other assets	4.78	3.49

Fund Facts

continued

Major holdings

The top ten holdings at the end of each year are shown below

Holding	% of Fund as at 31.10.11	Holding	% of Fund as at 31.10.10
Cazenove Strategic Bond - X Income	7.23	AXA Fixed Interest - US Short Duration High Yield Fund - Income Net	8.48
M&G UK Inflation Linked Corporate Bond - I Income	6.87	Veritas GlobalVeritas Funds Global Equity Income Fund - GBP A	6.49
Jupiter Strategic Bond - Income	5.79	Invesco Perpetual Global Equity Income Fund - Income	5.57
Invesco Perpetual UK Strategic Income	5.23	PFS TwentyFour - Monument Bond Fund - I Income	4.60
Veritas Funds Global Equity Income Fund - GBP A	4.63	Legal & General Dynamic Bond I - Income	3.90
Old Mutual Global Strategic Bond - B Income	4.47	Old Mutual Global Strategic Bond Fund - B Income	3.78
CF Eclectica Absolute Macro Fund - C Accumulation	4.35	Artemis Strategic Assets Fund - I Accumulation	3.66
Invesco Perpetual Global Equity Income Fund - Income	4.26	Thames River Real Estate Securities Fund - B Income	3.28
Artemis Global Income Fund - I Income	4.24	Cazenove Strategic Bond Fund - X Income	3.01
Artemis Strategic Assets Fund - I Accumulation	3.59	CF Eclectica Absolute Macro Fund - C Accumulation	2.95

General Information

Authorised Status

PFS Hawksmoor Open Ended Investment Company (the "Company") is incorporated in England and Wales as an ICVC under registration number IC000729. 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 Regulations with each Fund being a UCITS Retail Scheme. The effective date of the authorisation order made by the FSA was 17 February 2009.

Buying and selling units

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 10380, Chelmsford, Essex CM1 9JX or by telephone on 0845 026 4283.

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

Report and accounts

This document is a short report of PFS Hawksmoor Open Ended Investment Company for the period ended 31 October 2011. The full Report and Accounts for the Fund is available upon written request to Phoenix Fund Services (UK) Ltd, PO Box 10380, Chelmsford, Essex CM21 9JX.

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.

Risk Profile

The Fund has little exposure to credit or cash flow risk. There are no borrowings or unlisted securities of a material nature and so there is little exposure to liquidity risk. The main risks it faces from its financial instruments are market price foreign currency and interest rate risk. The ACD reviews the policies for managing these risks in order to follow and achieve the Investment Objectives.

Directory

Authorised Corporate Director & Registrar

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Fax: 01245 398951
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Customer Service Centre

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Directors of the ACD

R.W. Elliott (appointed 11 April 2011)
S.A. King
S.D. Mathieson (retired 31 October 2011)
A. C. Reed (appointed 1 November 2011)
J.M. Rice (appointed 22 February 2011)

Investment Adviser

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