

**totalclarity**funds  
  
*fairer fund management*

# TOTAL CLARITY DEFENSIVE PORTFOLIO

Annual Short Report  
31 May 2011



TOTAL CLARITY DEFENSIVE PORTFOLIO

## Directory

### Investment Adviser

TCF Fund Managers LLP  
1st Floor, 7 Bligh's Walk, Sevenoaks, Kent, TN13 1DB  
Website: [www.TCFInvestment.com](http://www.TCFInvestment.com)  
(Authorised and regulated by the Financial Services Authority)

### Authorised Corporate Director & Registrar

Phoenix Fund Services (UK) Limited  
Springfield Lodge, Colchester Road, Chelmsford, Essex CM2 5PW  
Telephone: 01245 398950  
Fax: 01245 398951  
Website: [www.phoenixfundservices.com](http://www.phoenixfundservices.com)  
(Authorised and regulated by the Financial Services Authority)

### Customer Service Centre

PO Box 10809, Chelmsford, Essex, CM1 9QJ  
Telephone: 0845 305 4213  
Fax: 0845 280 0109  
E-mail: [totalclarity@phoenixfundservices.com](mailto:totalclarity@phoenixfundservices.com)  
(Authorised and regulated by the Financial Services Authority)

### Directors of the Authorised Corporate Director

R. Elliott (appointed 11 April 2011)  
S. A. King  
S. D. Mathieson  
J. Rice (appointed 22 February 2011)

### 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

Shipleys LLP  
Chartered Accountants & Statutory Auditors  
10 Orange Street, Haymarket, London, WC2H 7DQ

## TOTAL CLARITY DEFENSIVE PORTFOLIO

### Investment Objective

The Fund will aim to achieve modest capital growth over the medium term with low expected volatility. This will be achieved via a predominant underlying exposure to fixed income gained by investing in a range of index tracking funds and other instruments.

### Investment Policy

The Fund's portfolio will gain exposure to the underlying assets via a diversified range of passive open ended funds, exchange traded funds and real-estate investment trusts although significant exposure to other investments such as fixed interest securities are expected to be included in the portfolio from time to time.

The underlying asset mix of the Fund is mainly fixed interest, between 60 and 80%. It has some exposure to UK and global shares, property and other investments. It has very little exposure to small companies and emerging markets equities.

The Fund is able to invest in transferable securities, bonds, collective investment schemes, warrants, money market instruments, cash, deposits and derivative instruments.

The allocation of the Fund's assets between eligible asset classes will be managed by the Investment Adviser and will be adjusted to reflect what, in the Investment Adviser's view, is the optimal asset allocation at each point in time and to achieve the investment objective of the Fund. It is the ACD's intention that derivatives and forward transactions will only be used for Efficient Portfolio Management.

Through its investments, the portfolio will be exposed to a diversified range of asset classes, underlying currencies, geographic spread and may hold funds managed by a variety of fund management groups.

**The Company permits the use of derivatives for investment purposes (in addition for Efficient Portfolio Management) 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.**

### 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 objective as summarised above.

## TOTAL CLARITY DEFENSIVE PORTFOLIO

### Investment Adviser's Report

for the period 20 October 2010 to 31 May 2011

#### Fund Performance

This report covers the period from the first pricing point of the Total Clarity Defensive Portfolio on 22 October 2010 until 31 May 2011. During this period the Fund delivered a return of 1.86%.

The Total Clarity Defensive Portfolio is invested in a mix of equities, fixed income and alternative assets. The strategic weightings for the Fund are.

Asset class	Weighting
Equities	20
Alternatives	9
Fixed income	71

Over the period sterling appreciated against the major currencies, which had the effect of reducing returns from overseas asset classes.

Exchange rate	22 October 2010	31 May 2011
Euro	1.13	1.14
US Dollar	1.57	1.65
Yen	127.58	133.72

#### Asset Class

The strongest performing asset classes over the period were alternatives: property, private equity and commodities. Equity markets also performed well, with the exception of Japan. Fixed income assets delivered mixed returns. The strongest fixed income category was index linked gilts. Overseas bonds delivered negative returns, partly due to currency. European government bonds were adversely affected by the Greek crisis.

Asset Class	Return in £	Return in local currency
Property Shares	16.7	16.7
Private Equity	14.1	16.1
Commodities	12.2	17.2
US Equities	10.5	15.4
UK Equities	7.0	7.0
Asian Equities	5.0	9.6
European Equities	4.8	9.5
Emerging Market Equities	2.3	6.8
UK Corporate Bonds	1.1	1.1
UK Gilts	0.6	0.6
Japanese Equities	-1.5	2.8
European Corporate Bonds	-2.4	-0.7
US Corporate Bonds	-2.6	1.7
European Government Bonds	-4.2	-2.6
US Government Bonds	-4.2	0.0

## Investment Adviser's Report

continued

### Market Review

The period since the launch of the Fund has been eventful with sharp moves in markets. These have been driven by changing expectations of economic growth and inflation.

The economic backdrop is a world where the developed economies, with the exception of Germany, have been struggling while emerging markets have continued to grow strongly. Interest rates in the major economies are close to zero.

There are, however, inflationary pressures driven by rises in commodity prices. These are particularly acute in the UK, where the combination of high retail price inflation and weak growth is a difficult one for the authorities to deal with.

Towards the end of 2010, equity markets and commodities performed strongly, while bond markets fell sharply on concerns about inflation. In 2011, part of this move was reversed as expectations of global economic growth reduced.

A possible factor to have contributed to this was a change in stance by Central Banks away from economic stimulus.

The ECB raised interest rates in April 2011, while the Federal Reserve and Bank of England have signalled that rates might rise later this year.

The Japanese Tsunami also had an adverse effect on Japanese and Asian growth.

An additional concern of policy makers has been budget deficits. In the UK, the coalition government has begun a programme of spending cuts. In the US, President Obama announced budget cuts for 2012.

A further issue to concern markets has been the Greek debt crisis, which apart from the impact on Greek bonds has negatively affected the price of European Government bonds and banks' shares.

### Transactions

Following the fall in the Japanese equity market after the Tsunami in March 2011, the Fund increased its weighting in Japanese equities. This was funded by a reduction in UK Equities.

## TOTAL CLARITY DEFENSIVE PORTFOLIO

### Fund Facts

#### Accounting & distribution dates

	Accounting	Distribution
Interim	30 November	31 January
Final	31 May	31 July

#### Net asset values

As at 31 May	Net asset value (£)	No. of shares in issue	Net asset value (pence per share)
<b>Class A Accumulation</b> 2011	381,598	371,967	102.59

#### 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.

Year	Highest (pence)	Lowest (pence)
<b>Class A Accumulation</b> 2010 <sup>^</sup>	100.48	97.39
2011 <sup>^^</sup>	101.86	97.79

<sup>^</sup>Launched 20 October 2010

<sup>^^</sup>To 31 May 2011

#### Distribution record

Year	Net revenue per share (pence)
<b>Class A Accumulation</b> 2010 <sup>^</sup>	0.0000
2011 <sup>^^</sup>	0.1354

<sup>^</sup>Launched 20 October 2010

<sup>^^</sup>To 31 May 2011

## TOTAL CLARITY DEFENSIVE PORTFOLIO

### Fund Facts

continued

#### Total expense ratio (TER)

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 together with the direct expenses of the Fund.

Expense type	31 May 2011 % <sup>^</sup>
<b>Class A Accumulation<sup>^^</sup></b>	
Investment Adviser's charge	0.00
Other expenses	0.61
Synthetic TER	0.19
<b>Total expense ratio</b>	<b>0.80</b>

<sup>^</sup>The total expense ratio is annualised based on the fees incurred during the accounting period.

<sup>^^</sup> At the discretion of the Investment Adviser, where the total expenses of the Fund, including the synthetic TER exceed 0.80% of the Net Asset Value (NAV) of the Fund, the Investment Adviser rebates the total of said expenses to 0.80% of the NAV. The Investment Adviser is entitled to a fee of 0.40% per annum of the NAV of the Fund, inclusive of the aforementioned 0.80%, currently this is not being exercised.

#### Risk warning

Please remember that past performance should not be seen as a guide to future performance and that the value of an investment in an open-ended investment company with variable capital and the income from it can fall as well as rise and may be affected by exchange rate variations.

## TOTAL CLARITY DEFENSIVE PORTFOLIO

### Fund Facts

continued

#### Sector classification of investments

All sectors in percentage order

<b>Sector</b>	<b>% of Fund as at 31.05.11</b>
Corporate bonds	50.65
UK equities	10.09
Government bonds	10.04
US equities	6.72
Commodities	2.67
Property	6.46
European equities	4.18
Emerging markets	0.94
Net other assets	8.25
Net assets	<u>100.00</u>

#### Major holdings

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

<b>Security</b>	<b>% of Fund as at 31.05.11</b>
DB X-Trackers iBoxx UK Gilt Inflation-Linked TR Index ETF	14.21
iShares FTSE Gilts UK 0-5 ETF	10.57
Vanguard UK Government Bond Index Fund - Acc	10.04
HSBC American Index Fund - Acc	6.72
BlackRock CIF Corporate Bond Tracker Fund	6.71
iShares FTSE EPRA/NAREIT UK Property Fund	6.46
iShares £ Corporate Bond ETF	5.37
HSBC European Index Fund - Acc	4.18
iShares Markit iBoxx Euro Corporate Bond ETF	3.79
DB X-Trackers FTSE All Share ETF	3.54

## General Information

### Buying and selling of shares

The dealing office of the ACD is open from 8.30 am to 4.30pm on each dealing day to receive requested for the purchase or redemption of shares. Shares can be bought either by sending a completed application form to the ACD at PO Box 10809, Chelmsford, Essex, CM1 9QJ, or by telephoning the ACD on 0845 305 4213 or Fax on 0845 280 0109.

Requests to redeem shares may be made in writing to the ACD at PO Box 10809, Chelmsford, Essex CM1 9QJ, or by telephone on 0845 308 4213, or Fax on 0845 280 0109. 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 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 the Total Clarity Defensive Portfolio Fund for the period ended 31 May 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 10809, Chelmsford, Essex, CM1 9QJ.

### 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.



Phoenix Fund Services (UK) Ltd.

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