

PFS WHI AMERICA CAPITAL FUND

Final Short Report
31 March 2011

Directory

Authorised Corporate Director & Registrar

Phoenix Fund Services (UK) Limited
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Directors of the ACD

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

Investment Advisers

WH Ireland Limited
11 St. James Square, Manchester, M2 6WH
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Fund Managers

Richard de Lisle

Depositary

BNY Mellon Trust & Depositary (UK) Limited
The Bank of New York Mellon Centre, 160 Queen Victoria Street, London EC4V 4LA
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Auditor

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

Manager's Report

for the period from 11 August 2010 to 31 March 2011

Investment Objectives and Policy

The Sub-Fund seeks to achieve capital appreciation by investing in US smaller companies. Typically, 85% of the portfolio is in US companies of market capitalisation less than \$500 million and the rest is in larger US companies. The portfolio will consist of equity securities quoted on the US stock markets.

Manager's Review

The Sub-Fund performed well in the eight months from inception rising 34.20% against a rise of 20.35% for the S&P500. We measure performance against the S&P500 as this is the principal US index, covering 96% of the market by capitalisation, and because we are only in small caps, to do better. If a long-term trend which favoured large caps arrived, such as deflation in the 1980s and 1990s, we would move to this sector as the Fund Manager did during these two decades. For purposes of comparison, the Russell 2000, the best known small cap index, rose 30.67% in the period, so we got a tail wind from our preferred asset class of small caps.

We start from a top-down overview which shows a weak and weakening dollar, continued low interest rates, and an ever greater plutocracy with continued social polarization. While these themes concur with small stock outperformance, they also prejudice us towards leveraged cyclical and financially strong consumer stocks. This is because these are ideal conditions for cyclical, so leverage does better and consumers are acclimatising to the reality that one in four homes is with negative equity so strong consumer companies are enhancing market share as industries consolidate. However our portfolio itself is also based on a bottom up approach, as is typical of any small cap fund, and we try and shoehorn our choices into our thematic top-down propositions.

The principal long-term theme we seek to align with is the trend in demographics but we follow this to a deeper level than the usual Wall Street preoccupation with the lives of the baby boomers. We have consequently had successes in coffee, benefitting from the decline in alcohol sales; in avocados, from the trend to healthy eating; in a children's toy shop chain, based in a breeding zone; crematoriums, from the trends towards cost cutting and secularization; and vet supplies, based on, finally, the baby boomers.

Nevertheless, the shoehorn is light, and no matter how strong the theme, if the company does not pass the value metrics, we tend not to care. So, for instance, neither pet foods nor pet shops pass our test no matter how much isolation, alienation and loneliness drive people towards their animals. We have been passing through a time, coming off a market low, when growth trumps value, and so, with an eye on this periodic theme, we also have a number of growth stocks which we expect to reduce as this bull market matures and the long-term outperformance of value reasserts itself. Our strongest value indicator is the sales per share ratio which has the best correlation with stock market performance, although we are also aware that blind adhesion can lead to a portfolio full of distributors. Other metrics we use are also based on their observed performance and include the usual suspects of book value, return on equity, dividend yield, price/earnings ratio and cashflow roughly in that order.

Our outlook is for continued opportunities in the US where it is easy to find good ideas, profit growth is strong, and the market is still lower than it was eleven years ago, a statistic that remains unique in our lifetime.

Fund Facts

Accounting and Distribution Dates

	Accounting	Distribution
Interim	30 September	30 November
Final	31 March	31 May

Net Asset Values

Share Class	Accumulation shares		
	Net asset value	No. of shares in issue	Net asset value
Class B 2011 [^]	£4,360,644	3,328,647	131.00p
Class B US\$ 2011 [^]	\$9,014,477	6,724,108	134.06¢

[^] As at 31 March 2011

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.

Share Class	Accumulation shares	
	Highest	Lowest
Class B 2010 [^]	120.99p	97.18p
2011 ^{^^}	129.85p	116.70p
Class B US\$ 2010 [^]	118.92¢	92.78¢
2011 ^{^^}	133.41¢	118.79¢

[^] Launched 11 August 2010

^{^^} To 31 March 2011

Distribution Record

Share Class	Accumulation shares	
	Net revenue per share	
Class B 2011 [^]	0.0000p	
Class B US\$ 2011 [^]	0.0000¢	

[^] To 31 March 2011

Total Expense Ratio [^]

Share Class	Expense Type	31 March 2011 %
Class B	Investment Manager's charge	1.00
	Other expenses ^{^^}	0.86
	Total expense ratio	1.86
Class B US\$	Investment Manager's charge	1.00
	Other expenses ^{^^}	0.86
	Total expense ratio	1.86

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

^{^^} Other expenses includes 0.14% of initial set up costs of the Sub-Fund.

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Fund Facts

continued

Major Holdings

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

Holding	% of Fund as at 31.03.11
MWI Veterinary Supply	6.47
Green Mountain Coffee Roasters	6.05
TriMas	5.17
Westwood Holdings	4.99
Marine Products	4.94
Village Super Market Class 'A'	3.26
Handy & Harman	3.17
NN	2.61
Smurfit-Stone Container	2.41
Craft Brewers Alliance	2.33



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