



PHOENIX
Fund Services

PFS Brompton UK Recovery Unit Trust

Interim report 31 December 2011 (unaudited)

Contents

Page

Directory	1
Investment objective and policy	2
Investment adviser's report	2
Portfolio statement	5
Comparative tables	9
Statement of total return	10
Statement of change in net assets attributable to unitholders	10
Balance sheet	11
Manager's statement	11
General information	12

Directory

Authorised unit trust manager and registrar

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Directors of the manager

A.C. Reed (appointed 1 November 2011)
J.M. Rice
R.W. Elliott
S.A. King
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Investment manager

Brompton Asset Management LLP
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(Authorised and regulated by the Financial Services Authority)

Trustee

National Westminster Bank Plc
Trustee & Depository Services
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(Authorised and regulated by the Financial Services Authority)

Auditor

KPMG Audit Plc
Chartered Accountants & Registered Auditors
15 Canada Square, Canary Wharf, London E14 5GL

Investment objective and policy

for the period from 1 July 2011 to 31 December 2011

The investment objective of the PFS Brompton UK Recovery Unit Trust (the fund) is to achieve capital growth.

The fund will invest principally in the securities of UK companies quoted on the London Stock Exchange that are experiencing difficult trading or that have growth prospects that are not duly recognised by the market. In addition to ordinary shares the fund may also invest in fixed interest securities, preference shares, debt securities convertible to ordinary stock, money market instruments, deposits and any other permitted asset type deemed appropriate to meet the investment objective. The fund may also invest outside the UK.

Investment manager's report

for the period from 1 July 2011 to 31 December 2011

Performance

The six months to 31 December 2011 was a disappointing period for the PFS Brompton UK Recovery Unit Trust, which fell 16.75% while the FTSE All-Share Total Return Index fell 6.24%. The return on cash was 0.36% as measured by the London Interbank Offered Rate. At the period end, the gain from the fund's July 2002 inception was 80.26% compared with the FTSE All-Share's 95.01% return while cash returned 38.05%. The principal reason for the fund's underperformance over the second half of 2011 was its small and mid-cap bias. During the six months, the FTSE 250 and FTSE Small Cap Total Return Indices fell 14.11% and 14.90% respectively.

Manager's review

The eurozone crisis was one of the two main drivers of stockmarkets over the period under review. Despite the creation of a temporary European Financial Stability Facility (EFSF) in May, investors grew increasingly concerned about the health of the southern members of the eurozone, particularly Greece and Portugal. A second rescue package was agreed for Greece yet this did not prevent contagion, with investors selling bonds issued by other weaker eurozone countries. The European Central Bank (ECB) responded by buying Spanish and Italian bonds but confidence was short-lived and shares fell again in late September. The other significant negative influence on markets was the bout of political brinkmanship in the US Congress over the country's fiscal position at a time when economic growth showed signs of faltering.

There was, however, a partial recovery in the final quarter of 2011 as measures were introduced to restore global economic confidence. The first came in late September in the US, where the Federal Reserve launched 'Operation Twist', which involved switching from short-dated into longer-dated bonds with the aim of reducing long-term interest rates. In early October, the Bank of England injected a further £75 billion into the UK economy through quantitative easing while the ECB began making emergency loans to eurozone banks. Over subsequent weeks, eurozone leaders built on a Franco-German accord to provide further emergency finance to Greece, to reschedule Greek debt and to order the eurozone's banks to raise fresh capital. Finally, in early December, eurozone members agreed what they claimed was a comprehensive agreement to tackle the region's public finances. This involved new tax and budget rules, the early creation of permanent European Stability Mechanism to replace the EFSF and extra European Union funding for the International Monetary Fund to help stricken eurozone members.

Investment manager's report

continued

The ECB, having raised its policy interest rate by a quarter point to 1.5% in July, reversed the cut in November in response to the deteriorating economic conditions and cut a further quarter point in December. While some peripheral eurozone countries were contracting in the second half of 2011, economic conditions in other parts of the world surprised investors by their strength, notably in Japan, which recovered strongly from its tsunami earlier in the year, and in the US. UK growth, meanwhile, recovered partially after muted conditions earlier in the year. Such trends were reflected in the currency markets, where the euro fell 10.46% against the dollar and 7.50% against sterling.

The market decline was concentrated in two sectors. Basic materials retreated 22.62%, suffering from declining commodity prices, which fell 19.96% as measured by Thomson Reuters' industrial commodities index as investors grew increasingly nervous about economic growth prospects in 2012. Financials fell 21.17% amid fears of the contagion effect on British banks of the travails of their eurozone counterparts. Industrials and consumer services were also relatively weak, down 6.85% and 6.34% respectively. Traditionally defensive areas, however, generated positive returns over the period, with healthcare stocks advancing 7.31% and telecommunications 6.53% ahead.

Portfolio review

Among the fund's larger stocks, resilience was provided by the holdings in healthcare, telecommunications and energy. GlaxoSmithKline and Royal Dutch Shell both advanced 13.04% while Vodafone returned 12.62%. Food retailing also showed its defensive qualities, with Wm Morrison Supermarkets and Booker up 10.79% and 9.86% respectively. The weakest large cap and mid cap stocks included Cable & Wireless Worldwide and Dixons Retail, down 62.86% and 41.65% respectively after profit warnings. Financial sector troubles, meanwhile, affected two of the fund's bank holdings, Royal Bank of Scotland and Lloyds Banking, down 47.53% and 47.13% respectively.

Among the smaller stocks, IndigoVision returned 20.25% after reporting a recovery in sales and a bid approach that may involve the company being taken private while Henderson Private Equity Investment Trust returned 16.42% after announcing a tender offer to shareholders as part of its phased asset realisation process. The weaker smaller stocks included Kofax, down 46.73%, and Oxford BioMedica, down 44.44%.

During the period, the fund took new positions in Quercus Publishing, one of the UK's fastest growing independent book publishers, and in Metrodome, a film and television rights ownership and distribution business. In addition, the fund added to a number of existing holdings. The largest additions were in BAE Systems, British Sky Broadcasting and IndigoVision.

Outlook

Global economic growth was recovering in late 2011 and this trend is likely to be maintained in early 2012 for various reasons. First, the inflation-adjusted money supply in the Group of Seven (G7) main industrial nations and in the big emerging market economies, typically a precursor of economic growth, was growing robustly at the year end. Secondly, forward-looking business confidence indicators such as new order intentions were reviving after the deterioration earlier in 2011. Thirdly, consumer goods demand growth in the G7 economies was supporting industrial activity. Lastly, the ECB was engaged in a significant injection of liquidity into the eurozone banking system.

Investment manager's report

continued

There were, however, troubling regional differences within the overall activity levels, with the strength of US business confidence and its money supply trends contrasting with weakness in the eurozone. Within the eurozone, money supply trends at the start of the year were signalling that the region as a whole would grow weakly in early 2012 rather than contract. There were, however, big differences between monetary conditions in the core eurozone countries of northern Europe and the peripheral countries in the south.

In response to the deepening eurozone debt crisis over the summer and autumn of 2011, investors' risk aversion rose to levels equal to those seen in early 2009 and during the depth of dotcom bust in early 2003. There was, however, a partial recovery in risk appetite towards the year end but optimism in early 2012 will depend on the degree to which economic confidence returns to the eurozone to balance a likely easing of momentum in the US. In such circumstances, relative performance among stocks and sectors is likely to diverge significantly, emphasising the role of careful security selection in generating returns.

Portfolio statement

as at 31 December 2011

Holding	Security	Market value £	% of total net assets 2011
	Oil & gas 2.52% (2.00%)		
3,477	Royal Dutch Shell 'B' Shares	85,308	2.12
87,768	Serica Energy*	16,018	0.40
		<hr/>	
		101,326	2.52
	Mining 2.06% (2.44%)		
2,653	Rio Tinto	82,906	2.06
	Construction & materials 0.51% (0.75%)		
115,000	Michelmersh Brick Holdings	20,700	0.51
	Aerospace & defence 1.79% (1.36%)		
25,351	BAE Systems	72,124	1.79
	General industrial 5.28% (5.68%)		
16,819	Cookson	85,609	2.13
37,106	DS Smith	73,470	1.82
5,846	Smiths	53,403	1.33
		<hr/>	
		212,482	5.28
	Electronic & electrical equipment 4.46% (5.60%)		
18,970	Halma	62,677	1.56
6,164	Reinshaw	61,393	1.52
40,000	TT Electronics	53,800	1.34
300,000	Turbo Power Systems	1,650	0.04
		<hr/>	
		179,520	4.46
	Industrial engineering 4.35% (4.83%)		
7,346	IMI	55,536	1.38
17,900	Melrose	60,842	1.51
28,181	Northbridge Industrial Services	58,616	1.46
		<hr/>	
		174,994	4.35

Portfolio statement

continued

Holding	Security	Market value £	% of total net assets 2011
	Support services 9.31% (10.46%)		
30,640	Brammer	72,923	1.81
31,506	Electrocomponents	59,294	1.47
174,500	Hogg Robinson	98,593	2.45
289,900	Johnson Service	74,649	1.86
94,374	Rentokil Initial	59,078	1.47
1,000,000	Supercart*	10,000	0.25
		<hr/>	
		374,537	9.31
	Beverages 0.66% (0.56%)		
1,044	Dr. Pepper Snapple	26,522	0.66
	Distributors 1.75% (2.09%)		
24,100	Inchape	70,324	1.75
	Food producers & processors 2.04% (1.59%)		
3,803	Unilever	82,221	2.04
	Household goods & home construction 4.35% (3.93%)		
15,657	Bovis Homes	68,640	1.71
22,719	Colefax*	49,073	1.22
51,792	Redrow	58,680	1.46
		<hr/>	
		176,393	4.38
	Healthcare equipment and services 1.88% (1.69%)		
488,640	LiDCO*	75,739	1.88
	Pharmaceuticals & biotechnology 2.86% (2.40%)		
6,921	GlaxoSmithKline	101,808	2.53
390,255	Oxford BioMedica	13,386	0.33
		<hr/>	
		115,194	2.86
	Food & drug retailers 7.27% (5.79%)		
203,031	Booker	150,243	3.73
25,593	Wm Morrison Supermarkets	83,459	2.07
19,511	J Sainsbury	58,923	1.47
		<hr/>	
		292,625	7.27

Portfolio statement

continued

Holding	Security	Market value £	% of total net assets 2011
General retailers 5.71% (5.89%)			
22,000	N Brown	51,238	1.27
515,620	Dixons Retail	50,325	1.25
19,083	H & T*	60,493	1.50
27,072	Kingfisher	67,842	1.69
		229,898	5.71
Media 6.41% (5.31%)			
11,009	British Sky Broadcasting	80,641	2.00
446,780	Dods*	22,339	0.56
250,000	Metrodome	2,500	0.06
5,730	Pearson	69,276	1.72
20,000	Quercus Publishing	20,600	0.51
9,255	WPP	62,518	1.56
		257,874	6.41
Fixed line communications 3.66% (3.99%)			
42,179	BT	80,520	2.00
122,791	Cable & Wireless Communications	46,636	1.16
123,291	Cable & Wireless Worldwide	20,035	0.50
		147,191	3.66
Mobile telecommunications 1.87% (1.44%)			
42,047	Vodafone	75,222	1.87
Electricity 0.03% (0.04%)			
816	Ocean Power Technologies	1,386	0.03
Banks 3.45% (4.56%)			
10,933	HSBC	53,686	1.33
172,749	Lloyds Banking	44,630	1.11
201,000	Royal Bank of Scotland	40,502	1.01
		138,818	3.45
Nonlife insurance 1.23% (1.30%)			
47,156	RSA Insurance	49,608	1.23
Life insurance 3.63% (3.21%)			
70,665	Legal & General	72,644	1.81
35,743	Standard Life	73,451	1.82
		146,095	3.63

Portfolio statement

continued

Holding	Security	Market value £	% of total net assets 2011
Real estate investment & services 6.80% (6.75%)			
12,133	British Land	55,994	1.39
49,279	Capital & Counties Properties	90,969	2.26
20,613	Capital Shopping Centres	64,374	1.60
57,500	London & Stamford Property	62,100	1.55
		<hr/>	
		273,437	6.80
Financial services 3.30% (3.40%)			
92,000	F&C Asset Management	59,892	1.49
12,888	International Personal Finance	21,910	0.54
5,444	Provident Financial	51,010	1.27
		<hr/>	
		132,812	3.30
Equity investment instruments 1.94% (1.78%)			
14,923	Henderson Private Equity Investment Trust	47,007	1.17
414,283	Spark Ventures	31,072	0.77
		<hr/>	
		78,079	1.94
Software & computer services 7.06% (7.19%)			
25,967	IndigoVision	81,796	2.03
21,591	Invensys	45,449	1.13
13,800	Kofax	32,292	0.80
58,432	Logica	36,053	0.90
30,165	Sage	88,293	2.20
		<hr/>	
		283,883	7.06
Technology hardware & equipment 1.77% (1.90%)			
60,886	Spirent Communications	71,358	1.77
		<hr/>	
	Investment assets 97.98% (97.93%)	3,943,268	97.98
	Net other assets 2.02% (2.07%)	81,297	2.02
	Net assets	4,024,565	100.00

All investments are ordinary shares or stock units on a regulated securities market unless otherwise stated. The percentages in brackets show the equivalent % holdings as at 30.06.11

* Quoted on the Alternative Investment Market

Comparative tables

Net asset value

Year as at 30 June	Accumulation units		
	Net asset value (£)	No. of units in issue	Net asset value (pence per unit)
2009	1,898,666	1,404,966	135.14
2010	2,690,437	1,542,653	174.40
2011	4,787,298	2,232,869	214.40
2011*	4,024,565	2,244,944	179.27

*At 31 December 2011

Price history & distribution record

The table below shows the highest and lowest prices on a calendar year basis in pence per unit for five full calendar years. Past performance is not necessarily a guide to the future performance.

Year	Accumulation units		
	Highest (pence)	Lowest (pence)	Net distribution (pence per unit)
2007	236.38	186.58	1.4256
2008	191.33	112.88	2.7296
2009	182.72	105.41	2.6565
2010	208.71	172.30	0.5536
2011	221.45	171.09	0.3708

Allocations of income are made in respect of any income available in the annual accounting period.

Total expense ratios

Expense type	31 December 2011* %	30 June 2011 %
Manager's fee	1.50	1.50
Other expenses	1.07	1.16
Total expense ratio	2.57	2.66

* The total expense ratio is annualised based on the fees incurred during the accounting period.

Risk warning

Unit trusts should be regarded as longer-term investments and investors should be aware that the value of units and the income from them can go down as well as up.

Statement of total return

for the half year ended 31 December 2011

	31.12.11		31.12.10	
	£	£	£	£
Income				
Net capital (losses)/gains		(788,625)		665,846
Revenue	58,511		47,027	
Expenses	(55,551)		(46,715)	
Finance costs: Interest	—		—	
Net revenue before taxation	2,960		312	
Taxation	(65)		—	
Net revenue after taxation		2,895		312
Total return before distributions		(785,730)		666,158
Finance costs: distributions		—		—
Change in net assets attributable to unitholders from investment activities		£(785,730)		£666,158

Statement of change in net assets attributable to unitholders

for the half year ended 31 December 2011

	31.12.11		31.12.10	
	£	£	£	£
Opening net assets attributable to unitholders		4,787,298		2,690,437
Amounts received on issue of units	22,997		1,225,983	
Less: Amounts payable on cancellation of units	—		—	
		22,997		1,225,983
Change in net assets attributable to unitholders from investment activities (see Statement of Total Return above)		(785,730)		666,158
Closing net assets attributable to unitholders		£4,024,565		£4,582,578

The opening net assets attributable to unitholders for the current period do not equal the closing net assets attributable to unitholders for the comparative period as they are not consecutive periods.

Balance sheet

as at 31 December 2011

	31.12.11		30.06.11	
	£	£	£	£
ASSETS				
Investment assets		3,943,268		4,688,510
Debtors	14,716		27,630	
Bank balances	80,885		91,341	
Total other assets		95,601		118,970
Total assets		£4,038,869		£4,807,480
LIABILITIES				
Creditors	(13,001)		(16,870)	
Bank overdrafts	(1,303)		(3,312)	
Total other liabilities		(14,304)		(20,182)
Net assets attributable to unitholders		£4,024,565		£4,787,298

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

The interim financial statements have been prepared on the same basis as the audited financial statements for the year ended 30 June 2011.

The financial statements have been prepared on the going concern basis.

Manager's statement

This report has been prepared in accordance with the requirements of the Financial Services Authority's Collective Investment Schemes Sourcebook and the SORP issued by the IMA.

A.C. Reed**R.W. Elliot**

Directors

Phoenix Fund Services (UK) Ltd

10 February 2012

General information

Authorised status

The PFS Brompton UK Recovery Unit Trust (the fund) is an authorised unit trust scheme and UCITS scheme operating under Chapter 5 of COLL. The fund qualifies for certification under the UCITS directive but does not currently have a UCITS certificate. The fund was established on 5 September 2006 and authorised by the FSA on 6 September 2006.

The base currency of the fund is sterling. All units issued are denominated in pence sterling.

Unitholders are not liable for the debts of the fund. Unitholders are not liable to make any further payment after they have paid the price on the purchase of units.

Valuation of the fund

The price of a unit is calculated by reference to the net asset value of the fund. The net asset value is currently calculated at 12 noon on each dealing day.

Valuation will be made every dealing day at 12 noon. The manager may determine that any dealing day so defined shall not be a dealing day.

Such a determination would generally only be made in respect of a particular day if that day were a holiday on a stock exchange that was the principal market for a significant proportion of the fund's portfolio of securities (namely, its assets other than cash, deposits and short-term paper) or was a holiday elsewhere that impeded the calculation of the fair market value of the portfolio. The manager may carry out additional valuations if they consider it desirable to do so or value the fund's property at a time other than 12 noon where there are circumstances in which the manager and the trustee believe this would be in the interests of unitholders. An additional valuation may be made if the manager believe that the value of the property has varied by 2% or more from that calculated at the previous valuation.

Units

The fund has one type of unit, Class A accumulation units, available for purchase.

Buying and selling units

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 units.

Units may be bought directly from the manager or through your professional adviser or other intermediary. An intermediary who deals on your behalf in the fund may be entitled to receive commission from the manager.

Units can be bought either by sending a completed application form to the manager at PO Box 10603, Chelmsford, Essex CM1 9PE, or, under certain circumstances, by telephoning the manager on 0845 026 4288 Fax 0845 280 2416. The manager reserves the right to refuse telephone applications. Application forms may be obtained from the manager.

General information

continued

Buying and selling units (continued)

The manager has the right to reject, on reasonable grounds, any application for the units in whole or part, and in this event the manager will return any money sent, or the balance of such monies, at the risk of the applicant.

Units will be issued 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 units bought will be issued no later than the end of the business day following the later of receipt of the application to buy units and the valuation point by reference to which the price is determined, together with, where appropriate, a notice of the applicant's right to cancel.

Certificates will not be issued in respect of units. Ownership of units will be evidenced by an entry on the register of unitholders.

The minimum initial investment in Class A in the fund is £250,000 and the minimum subsequent investment is £75,000.

Every unitholder has the right to require that the fund redeem his units on any dealing day unless the value of units that a unitholder wishes to redeem will mean that the unitholder will hold units with a value less than the required minimum holding, in which case the unitholder may be required to redeem his entire holding.

Requests to redeem units may be in writing to the manager at PO Box 10603, Chelmsford, Essex CM1 9PE, or by telephone on 0845 026 4288 Fax 0845 280 2416.

The units will be redeemed at a price calculated by reference to the next valuation point following receipt of the instruction to redeem.

A contract note giving details of the number and price of units redeemed will be sent to the redeeming unitholder (or the first-named unitholder in the case of a joint unitholder) no later than the end of the business day following the later of the request to redeem units and the valuation point by reference to which the price is determined.

Unitholders may redeem part of their holding. The manager, however, reserves the right to refuse a redemption request if the value of the units to be redeemed is less than £75,000.

All profits and/or losses that the manager makes when acting as principal in connection with the sale and repurchase of units will be retained by the manager.

The manager is under no obligation to account to the trustee or to the unitholder (or any of them) for any profits made by the manager on the issue of units in a fund or on the re-issue or cancellation of units previously redeemed by the manager.

General information

continued

Dealing charges

The price per unit at which units are brought or redeemed is the net asset value per unit. Any initial charge or redemption charge is payable in addition to the price. A Stamp Duty Reserve Tax provision may also be levied in addition to the price on the purchase or redemption of units.

The manager may impose a charge on the purchase of units. The current initial charge for Class A units of the fund is 10%. The initial charge is percentage of the gross subscription amount from a potential unitholder.

No redemption charge is currently imposed.

Prices

The most recent prices of units are currently available on request by calling 020 7045 0600 on any dealing day or by emailing info@bromptonam.com.

Other information

The trust deed, the most recent version of the prospectus, the most recent long and short annual and half-yearly reports of the fund may be inspected free of charge during normal business hours on any business day at the offices of the manager and the trustee. Unitholders may obtain copies of the above documents from the manager and the trustee.

Complaints concerning the operation or marketing of the fund may be referred to the Compliance Officer at Phoenix Fund Services (UK) Ltd, Springfield Lodge, Colchester Road, Chelmsford, Essex CM2 5PW or if you subsequently wish to take your complaint further, direct to the Financial Ombudsman Services at South Quay Plaza, 183 Marsh Wall, London E14 9SR.

Unit trusts should be regard as longer-term investments and investors should be aware that the value of their units and the income from, them can go down as well as up.

Distributions and reports.

An annual and interim report and accounts will be prepared in respect of the fund each year. The annual long reports will be made available and published up to four months after the annual accounting date of the fund and the interim long reports will be made available and published up to two months following the interim accounting date of the fund. The short reports will be sent to unitholders up to four months after the annual accounting date of the fund and up to two months following the interim accounting date of the fund.

Allocations of income are made in respect of any income available for allocation in the annual accounting period.

