PHOENIX Fund Services

PFS TwentyFour Investment Funds - Dynamic Bond Fund

Interim Short Report 30 September 2011

Investment Objective and Policy

Investment Objective

The Fund aims to provide an attractive level of revenue 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 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 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 Fund will also use derivatives, such as interest rate and credit derivatives, to either optimize exposures or reduce them in conjunction with the Investment Adviser's market viewpoint, thereby giving the Fund the opportunity to perform in both rising and declining rate environments throughout the economic cycle. The 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 Fund may also hedge some or all of its exposure in the foreign exchange markets.

The Dynamic Bond Fund will not invest in any Collective Investment Schemes.

Investment Adviser's Report

for the period 1 April 2011 to 30 September 2011

Market Review

The six month period to 30 September 2011 was one of the most challenging ever seen in fixed income credit markets. Volatility increased during the second half of the period in question, with the VIX index spiking at 48.00 in early August (a level not seen since March 2009), and market liquidity deteriorated to levels not experienced since the aftermath of Lehman's default in the fourth quarter of 2008.

The initial factor behind the decline in market sentiment was the uncertainty surrounding the Greek sovereign debt burden and how this was going to be resolved. Differences on the extent of the required 'haircuts' on Greek sovereign bonds, and whether or not these haircuts should be voluntary or involuntary when incurred by private bond holders, continued to be aired in the public domain by politicians and bureaucrats, leading to a heightened level of uncertainty. This was complicated by Greece apparently struggling to adhere to the strict austerity measures that were contingent on the emergency loans agreed by the IMF/EU/ECB (Troika). This impasse led to market participants questioning the validity of peripheral countries continuing in the Eurozone and the subsequent ramifications of a partial break-up. As a consequence there was a rapid reduction in market liquidity with spreads widening across all risk assets, particularly the peripheral sovereigns and the financial sector.

In addition to the growing concerns on the Eurozone's stability, market attention was drawn to the general weakness of global GDP with Europe and the US seemingly flirting with recession or stagnant growth at best.

Continued debate by market participants surrounding the treatment of subordinated bank paper was an additional irritant to an already cautious market and weakened sentiment as the summer progressed.

Performance Review

The 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. Since its inception the portfolio managers have recognised the risk of rising interest rates; this and artificially low yields in the Gilt market have led us to continue to position the Fund with very low duration (i.e. sensitivity to interest rates).

Due to extreme market uncertainty driven by the sporadic nature of European politics, Government bond yields were driven down to historic low levels with 5yr Gilts approaching 1.2%, despite inflation remaining doggedly above 5%. Despite the UK announcing a projected 2011 budget deficit of 8.6%, this 'flight to quality' continued unabated throughout the period. Even with these irrational levels it was the duration trade that provided the only strategy to produce positive returns in the fixed income sector for the period. Our strategy of staying low duration obviously led to a disappointing fund performance.

Whilst we appreciate that further weakness in the economy could result in additional QE (which could add support to low Gilt yields), the portfolio management team still firmly believes that credit risk represents a far more reliable source of alpha and hence the strategy remains unchanged.

As a result of the high volatility and poor liquidity over the summer period, the Fund's performance was disappointing, with the NAV per share declining by 8.75% over the six months to 30 September (Class I(Acc) Gross).

Investment Adviser's Report

continued

Investment Outlook

The end game in the Euro crisis is rapidly approaching. Both Greece and Italy have sworn-in apolitical (technocrat) leaders, the region's banks have been instructed to increase Core Tier 1 capital to a minimum of 9% by June 2012 and the enhancement of the EFSF has been agreed in principle (although we await the finalised details). Until there is a credible and detailed plan for resolving the EU/Eurozone crisis, we expect there to be considerable headwinds facing the market. Having said that, with Germany openly talking about closer fiscal union ahead of the next EU summit in Brussels (due 10 December) we think it would be unwise to change strategy. At current levels in risk markets, investors will be rewarded for holding positions. As mentioned above, we believe both interest rates and corporate default rates will remain low, which are both supportive for corporate credit.

As we have pointed out in previous reports, the banking and sovereign sectors are inextricably linked. In this regard we expect banks to remain under pressure from regulators as they seek to ensure they maintain additional and higher quality capital. This uncertainty should be focused on equities as it will primarily affect retained earnings, but contagion is also likely to be felt by debt markets. We do however firmly believe that the systemic moves seen in financials have resulted in highly compelling investment opportunities in some highly robust names; we are therefore staying invested and prepared to accept the volatility to receive the medium term returns.

To mitigate some of the near-term headwinds we have employed a macro FX hedge of long-USD vs short-EUR, given our macro view of the relative strength of the US economy versus the inherent problems of the austerity measures imposed across the majority of the Eurozone.

Risk Profile

The Fund has little exposure to 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, credit and interest rate risk. The ACD reviews the policies for managing these risks in order to follow and achieve the Investment Objective as stated previously.

Risk Warning

An investment in an investment company with variable capital (ICVC) 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.

The Dynamic Bond Fund is a Sub-Fund of the PFS TwentyFour Investment Funds. As a Sub-Fund is not a legal entity, if the assets of one Sub-Fund are insufficient to meet the liabilities attributable to it, the ACD may re-allocate such liabilities between the Sub-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 Sub-Funds.

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

Fund performance

Share class	Net asset value as at 30.09.11 (£ per share)	Net asset value as at 31.03.11 (£ per share)	Net asset value % change
A accumulation gross	9.57	10.50	(8.86)
A accumulation net	9.45	10.44	(9.48)
I accumulation gross	96.33	105.42	(8.62)
I accumulation net	95.11	104.77	(9.22)
A income gross	8.96	10.14	(11.64)
A income net	8.96	10.14	(11.64)
I income gross	89.92	101.66	(11.55)
I income net	89.90	101.65	(11.56)

Net asset values

As at 30 September 2011	Net asset value (£'000)	Number of shares in issue	Net asset value (£ per share)
A accumulation gross	183	19,142	9.57
A accumulation net	966	102,156	9.45
I accumulation gross	2,524	26,206	96.33
I accumulation net	5,534	58,190	95.11
A income gross	170	18,962	8.96
A income net	1,079	120,473	8.96
I income gross	459	5,108	89.92
I income net	4,606	51,239	89.90

As at 31 March 2011	Net asset value (£'000)	Number of shares in issue	Net asset value (£ per share)
A accumulation gross	184	17,528	10.50
A accumulation net	988	94,649	10.44
I accumulation gross	2,390	22,669	105.42
I accumulation net	2,302	21,977	104.77
A income gross	165	16,296	10.14
A income net	758	74,730	10.14
I income gross	419	4,125	101.66
I income net	1,103	10,846	101.65

Fund Facts
continued

Price history
The tables below show the highest buying and lowest selling prices per share on a calendar year basis in pounds per share.
Past performance is not necessarily a guide to the future performance.

2011^	Highest (£)	Lowest (£)
A accumulation gross	10.68	9.57
A accumulation net	10.58	9.45
I accumulation gross	107.35	96.32
I accumulation net	106.43	95.11
A income gross	10.32	9.10
A income net	10.30	9.07
I income gross	103.54	91.41
I income net	103.35	91.08

^ To 30 September 2011

2010^^	Highest (£)	Lowest (£)
A accumulation gross	10.37	9.99
A accumulation net	10.34	9.99
I accumulation gross	103.90	99.87
I accumulation net	103.68	99.87
A income gross	10.27	9.99
A income net	10.27	9.99
I income gross	102.85	99.87
I income net	102.82	99.87

^^ Launched 23 April 2010

Distribution record
The tables below show the total revenue distributions per share on a calendar year basis in pence per share.

Share class	Total distribution for the period to 30.09.11 (pence)
A accumulation gross	57.8066
A accumulation net	46.8997
I accumulation gross	596.7925
I accumulation net	486.1711
A income gross	56.1062
A income net	45.7922
I income gross	578.2711
I income net	473.8840

Share class^	Total distribution for the year to 31.12.10 (pence)
A accumulation gross	9.5360
A accumulation net	7.5850
I accumulation gross	104.1850
I accumulation net	84.2590
A income gross	9.5360
A income net	7.5850
I income gross	104.1850
I income net	84.2590

^ Launched 23 April 2010

Total expense ratio (TER)
The current and comparative TER is annualised based on the expenses incurred during the period.

30 September 2011	Expense type	%
Class A gross	Investment Adviser's charge^	1.50
	Other expenses	0.25
	Total expense ratio	1.75
Class A net	Investment Adviser's charge^	1.50
	Other expenses	0.25
	Total expense ratio	1.75
Class I gross	Investment Adviser's charge^	1.00
	Other expenses	0.25
	Total expense ratio	1.25
Class I net	Investment Adviser's charge^	1.00
	Other expenses	0.25
	Total expense ratio	1.25

^ With effect from 1 October 2011 the annual Investment Adviser's charge for class A shares is reduced from 1.50% to 1.25% and class I shares from 1.00% to 0.75%

31 March 2011	Expense type	%
Class A gross	Investment Adviser's charge	1.46
	Other expenses^^	1.03
	Total expense ratio	2.49
Class A net	Investment Adviser's charge	1.51
	Other expenses^^	1.03
	Total expense ratio	2.54
Class I gross	Investment Adviser's charge	1.05
	Other expenses^^	0.78
	Total expense ratio	1.83
Class I net	Investment Adviser's charge	0.86
	Other expenses^^	0.90
	Total expense ratio	1.76

^^ Included in other expenses are initial set-up costs of the 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

Sector classification of investments
All sectors in percentage order are shown below

Sector	% of Fund as at 30.09.11	% of Fund as at 31.03.11
Sterling Denominated Corporate Debt Securities	37.27	24.60
Euro Denominated Corporate Debt Securities	26.88	42.70
Sterling Denominated Asset Backed Securities	10.60	7.89
United States Dollar Denominated Corporate Debt Securities	7.60	9.53
Euro Denominated Asset Backed Securities	2.76	10.70
Sterling Government Debt Securities	2.18	1.21
United States Dollar Denominated Asset Backed Securities	1.69	1.64
Credit Default Swaps	0.58	0.00
Forward Currency Contracts	0.33	(1.21)
Net other assets	10.11	2.94
Net assets	100.00	100.00

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

Holding	% of Fund as at 30.09.11
Barclays Bank 14% Variable Perpetual	3.09
CSG Guernsey I 7.875% Variable 24/02/2041	3.02
Society of Lloyds 7.421% Variable Perpetual	2.70
New World Resources BV 7.875% 01/05/2018	2.47
Scottish Widows 5.125% Variable Perpetual	2.47
Paragon Mortgages Series 10X Class C1A	2.40
Bupa Finance 6.125% Variable Perpetual	2.35
Aguila 3 SA 7.875% 31/01/2018	2.27
Jaguar Land Rover 8.125% 15/05/2018	2.24
Granite Master Issuer Series 2007-1 Class 3M2	2.19

Holding	% of Fund as at 31.03.11
Dovedale Finance Series 2006-1 Class 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 Class CC	2.76
Paragon Mortgages Series 10X Class 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 ACD will accept orders for the purchase or redemption of shares on normal business days between 8:30am and 4:30pm. Instructions to buy or redeem shares may either be in writing to:

PO Box 10534, Chelmsford, Essex, CM1 9NT, or by telephoning the ACD 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 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 Dynamic Bond Fund for the six month period ended 30 September 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 9PT.

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

Directory

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

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