



## Investment Objective and Policy

### Investment Objective

The Fund aims to provide an attractive level of revenue relative to prevailing interest rates whilst maintaining a strong focus on capital preservation.

Important Note: The Fund does not offer a capital guarantee or principal protection mechanism. Efforts to preserve the Fund's capital will be focused on the selection of underlying securities where the Investment Adviser has a high degree of confidence as to the issuer's ability to repay the principal due.

### Investment Policy

The investment policy is to invest in a diversified portfolio of European and Australian residential mortgage-backed securities ("RMBS") rated at least AA- (or equivalent) at the time of investment by one or more of Standard & Poor's, Moody's Investor Services and Fitch although it is expected that the majority of the RMBS will be rated AAA (or equivalent) at the time of investment. From time to time it is possible that a

significant portion of the portfolio may be invested in securities from a particular geographical region. A portion of the portfolio may be held in cash or cash equivalents, such as treasury bills and government bonds, in order to further enhance the Fund's liquidity. The Fund will aim to minimise currency risk by materially hedging the Funds exposure in the foreign exchange markets and the Fund will have the ability to use derivatives in order to mitigate other risks.

The Investment Adviser has overall responsibility for investment policy and authority to select service providers pursuant to the Investment Management Agreement entered into with the ACD.

Securities may be traded over-the-counter, although any RMBS that the Fund will invest in will be listed on Eligible Markets and will be cleared through a major clearing system such as Euroclear or Clearstream.

The Monument 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

Credit markets exhibited a high degree of volatility during the six months to 30 September 2011. The confidence which was enjoyed in the early part of the year deteriorated sharply through the summer as sovereigns came under pressure. The first sign of the trouble unsurprisingly came from Greece, with a technical issue around the IMF potentially not being able to release the next loan tranche to Greece. This was followed by the escalating stand-off in the US between the two political parties over the required extension to the US debt ceiling and the associated requirement for far-reaching austerity plans. Ultimately the austerity component was disappointing and led to the S&P downgrade of the US rating in August, which drove the risk-off trade even further, heightening the market sell-off and driving volatility higher. This was exacerbated by the continuing concerns in Europe over the peripheral sovereigns, and whether a disorderly Greek default, which would trigger payouts under credit default swaps and spread contagion further, could be avoided. The market soon began to reflect concerns that Italy would not be able to agree a viable austerity package and pushed their financing costs higher still, with the size of their sovereign debt refinancing requirement dwarfing that of Greece.

In addition to the ongoing concerns over the levels of Eurozone peripheral sovereign indebtedness, the global growth scenario continued to disappoint with the threat of a second recession increasing in many participants' minds.

### Performance Review

The Fund's aim is to produce an attractive level of income relative to prevailing interest rates, with an opportunity for capital growth. It is a total return oriented fund and not benchmark-driven. While the prospect of a rise in base rates has now receded to 2013, the Fund still sees little upside in interest rate duration, and with its LIBOR-indexed coupons continuing to climb as Gilt yields shrink there is no reason to change positioning.

The fundamental performance of European and Australian RMBS has been impressive over the period, as the mortgage pools in which the Fund has invested continue to show stable performance, and there are no assets that are showing a material degree of deterioration in terms of payment performance or loss levels. The structures continue to provide the deals with more than sufficient protection, insulating them well in even the most aggressively adverse scenarios that we can model.

Despite this the sector has imported significant amounts of volatility from the wider fixed income market, as bid/offer spreads have widened and prices have been driven down by the events in the US and Europe. This has pushed the Fund's NAV per share down by 4.35% (Class I (Acc) Gross) over the period. Monthly volatility from inception to 30 September was 3.1%. The underlying yield on the Fund's portfolio has increased over the period and on 30 September stood at 4.81% p.a. (before the deduction of fees and fund expenses) on a forward-looking basis.

## Investment Adviser's Report

continued

### Investment Outlook

Short-term performance is going to be heavily correlated with the denouement of the Eurozone sovereign crisis. However progress has been made recently with the introduction of technocratic cabinets in both Italy and Greece that have the sole short-term aim of steadying the ship by providing a clear and credible plan for their economies. While we wait for this, it is difficult to see any part of the fixed income market trading on its relative fundamental merits.

Despite this volatility, we still don't see a situation in which house prices or unemployment levels will get to the point where the coupons or principal on the Fund's investments come under the slightest threat. Instead, while the market price of the securities might import correlation upon threat of a disorderly Greek default, the underlying strength of the Fund's investments gives us confidence that the higher yields available at the current market pricing provide a significant opportunity for investors willing to take a medium-term view.

### 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 Monument 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 September	30 November

### 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	10.34	10.82	(4.44)
A accumulation net	10.25	10.77	(4.83)
I accumulation gross	104.29	108.95	(4.28)
I accumulation net	103.37	108.30	(4.55)
A income gross	9.72	10.35	(6.09)
A income net	9.72	10.35	(6.09)
I income gross	97.60	103.70	(5.88)
I income net	97.60	103.70	(5.88)

### 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	739	71,485	10.34
A accumulation net	3,467	338,214	10.25
I accumulation gross	17,898	171,614	104.29
I accumulation net	14,665	141,875	103.37
A income gross	4,549	467,848	9.72
A income net	3,732	383,836	9.72
I income gross	6,029	61,772	97.60
I income net	23,544	241,219	97.60

As at 31 March 2011	Net asset value (£'000)	Number of shares in issue	Net asset value (£ per share)
A accumulation gross	1,728	159,692	10.82
A accumulation net	3,624	336,607	10.77
I accumulation gross	23,227	213,188	108.95
I accumulation net	40,921	377,852	108.30
A income gross	5,130	495,857	10.35
A income net	4,329	418,411	10.35
I income gross	7,009	67,590	103.70
I income net	50,709	489,001	103.70

## 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 <sup>^</sup>	Highest (£)	Lowest (£)
A accumulation gross	10.93	10.34
A accumulation net	10.84	10.25
I accumulation gross	110.19	104.32
I accumulation net	109.26	103.39
A income gross	10.50	9.89
A income net	10.49	9.85
I income gross	105.57	99.29
I income net	105.34	99.00

2010	Highest (£)	Lowest (£)
A accumulation gross	10.76	10.39
A accumulation net	10.74	10.39
I accumulation gross	108.33	103.76
I accumulation net	107.76	103.76
A income gross	10.66	10.34
A income net	10.66	10.31
I income gross	106.82	103.68
I income net	106.82	103.38

<sup>^</sup> To 30 September 2011

### 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	29.2824
A accumulation net	25.2695
I accumulation gross	320.4712
I accumulation net	269.8060
A income gross	28.1325
A income net	24.4099
I income gross	306.8283
I income net	259.7875

Share class <sup>^</sup>	Total distribution for the year to 31.12.10 (pence)
A accumulation gross	38.8135
A accumulation net	30.7807
I accumulation gross	419.3063
I accumulation net	339.5091
A income gross	38.5160
A income net	30.5760
I income gross	415.7910
I income net	336.9700

### Total expense ratio (TER)

The current TER is annualised based on the expenses incurred during the period.

30 September 2011	Expense type	%
Class A gross	Investment Adviser's charge	1.05
	Other expenses	0.28
	Total expense ratio	1.33
Class A net	Investment Adviser's charge	1.05
	Other expenses	0.28
	Total expense ratio	1.33
Class I gross	Investment Adviser's charge	0.75
	Other expenses	0.28
	Total expense ratio	1.03
Class I net	Investment Adviser's charge	0.75
	Other expenses	0.28
	Total expense ratio	1.03

31 March 2011	Expense type	%
Class A gross	Investment Adviser's charge	1.05
	Other expenses	0.26
	Total expense ratio	1.31
Class A net	Investment Adviser's charge	1.05
	Other expenses	0.26
	Total expense ratio	1.31
Class I gross	Investment Adviser's charge	0.75
	Other expenses	0.26
	Total expense ratio	1.01
Class I net	Investment Adviser's charge	0.75
	Other expenses	0.26
	Total expense ratio	1.01

## 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 Asset Backed Securities	61.33	49.38
Euro Denominated Asset Backed Securities	33.45	41.47
United States Dollar Denominated Asset Backed Securities	6.87	11.67
Forward Currency Contracts	0.32	(1.51)
Net other liabilities	(1.97)	(1.01)
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	Holding	% of Fund as at 31.03.11
Lanark Master Series 2007-1X 4A1	6.77	Lanark Master Series 2007-1X 4A1	7.96
Leek Finance Series 17X MC	6.12	Mound Financing Series 5X 3A1	5.01
Auburn Securities Series 3 M	6.09	Arran Residential Series 2007-3X BA	4.97
Fosse Master Issuer Series 2011-1X A6	6.00	Arran Residential Mortgages 2010-1X MB	4.56
Residential Mortgage Securities Series 25 A1	5.71	Arran Residential Mortgage Series 2006-2A BB	4.29
Rams Mortgage Securities Series 2003-1E B	4.64	Residential Mortgage Securities Series 25 A1	3.98
Arran Residential Mortgages 2010-1X MB	3.86	Auburn Securities Series 3 M	3.81
First Flexible Series 5 M	3.63	Paragon Mortgages Series 10X A2B	3.78
Challenger Millenium Trust Series 2007-1E A2B	3.48	Rams Mortgage Securities Series 2003-1E B	3.75
Paragon Mortgages Series 10X A2B	3.40	Permanent Financing Series 9X 4B	3.66

## 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 Monument 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.

## Directory

### Authorised Corporate Director & Registrar

Phoenix Fund Services (UK) Limited  
Springfield Lodge, Colchester Road, Chelmsford, Essex CM2 5PW  
Telephone: 01245 398950  
Fax: 01245 398951  
(Authorised and regulated by the Financial Services Authority)

### Customer Service Centre

PO Box 10534, Chelmsford, Essex,  
Telephone: 0845 026 4286  
Fax: 0845 280 0963  
E-mail: [twentyfour@phoenixfundservices.com](mailto:twentyfour@phoenixfundservices.com)  
(Authorised and regulated by the Financial Services Authority)

### 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)

### Investment Adviser

TwentyFour Asset Management LLP  
24 Cornhill, London EC3V 3ND  
(Authorised and regulated by the Financial Services Authority)

### 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

PricewaterhouseCoopers LLP  
Statutory Auditors  
7 More London Riverside, London SE1 2RT

