



Investment Objective and Policy

The Fund will aim to achieve a combination of capital growth and revenue by investing primarily in Exchange Traded Funds (ETFs) and similar securities. The exposure to risk assets like equities versus defensive assets like bonds will be adjusted according to the market conditions and diversified by taking a global approach.

The Fund will combine a range of asset classes, predominantly those regarded as lower risk, with the aim of offering a defensive and cautious investment approach.

The Fund will invest primarily in a mixture of index-tracking instruments, including index-tracking Exchange Traded Funds (ETFs) and other collective investment schemes which capture the performance of fixed income, equities and other asset classes. The Investment Manager has developed a dynamic asset allocation process which enables investment across a broad range of asset classes and sub-classes in the EU and worldwide. Cash and equivalent investments (such as cash ETFs, short-dated government bonds and government bond ETFs) will be used from time to time to protect the value of the Fund, especially in times of market uncertainty. The Fund may invest in overseas securities and currency exposure may be

hedged from time to time. The Fund may also invest at the Investment Manager's discretion in other transferable securities, money market instruments, depositary receipts, derivative instruments and forward transactions.

The Fund may invest in derivatives for the purposes of hedging with the aim of reducing the risk profile of the Fund in accordance with the principles of Efficient Portfolio Management. Derivatives can expose the Scheme Property to a higher degree of risk.

Although the Company permits the use of derivatives for investment purposes by the Fund, 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 this can affect the risk profile of the Fund.

Investment Manager's Report

for the period 1 April 2011 to 30 September 2011

The six months to the end of September was characterised by alternate periods of bullish enthusiasm when investors celebrated the fact that growth was continuing and there was no immediate crisis, and periods of bearish pessimism, when more market participants agonised over the Euro crisis, the slowing Asian economies and the haunting presence of stagflation.

Despite the backdrop of large deficits and high levels of bond issuance expected in coming years, bond yields in US, UK and Germany fell further in response to a flight to quality. In the Eurozone, there was a wave of sovereign downgrades and bank liquidity dried up as banks feared lending to each other.

The emerging market economies continued to grow much more rapidly than the west. Their programmes to curb price inflation through higher interest rates and banking restrictions continued. Commodity prices started to fall in response to stories of weakening worldwide demand, and fears of another recession. Towards the end of the period, investor fear was at very high levels and equity market volatility rose to more than double the levels seen earlier in the year.

The majority of the Fund is invested in defensive assets. The largest allocation is to corporate bonds which offer higher yields than government bonds. Government bonds in the UK and US

continue to offer very low yields and these cannot be sustained indefinitely. During the period, we reduced the corporate bond holdings and increased the cash and very short maturity sterling positions. The equity exposure was almost halved and European equity exposure removed by switching MSCI World ETF into an Asia Pacific Dividend ETF.

Against this background, over the 6 months the Fund produced a return of -1.4%.

The uncertainty over the Euro and the Eurozone remains a crushing weight on sentiment and looking ahead, it is hard to see how markets will stabilise properly until a workable medium term solution is found. Share valuations generally look cheap, and these will rally when money comes back into risk assets. We still remain worried about slowing growth in the west, and deep rooted nature of the Euro area problems which still have the capacity to produce further nasty surprises. We still prefer Asian equities and these will benefit from signs that China, Brazil and the other leaders are going to shift from reining in their economies to curb inflation, to more expansionary policies. We continue to look for assets that can provide a positive return and offer an inflation hedge as countries increasingly turn to extraordinary monetary means to try to keep activity going.

Investment Manager's Report

continued

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 stated previously.

Risk Warning

An investment in an investment company with variable capital 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 PFS PanDEFENSIVE Fund is a Sub-Fund of the PFS PanDYNAMIC Fund, 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 (pence per share)	Net asset value as at 31.03.11 (pence per share)	Net asset value % change
Class A accumulation	92.60	94.19	(1.69)
Class B accumulation	91.79	93.03	(1.33)
Class C income	99.33	–	–

Net asset values

As at 30 September 2011	Net asset value (£'000)	Number of shares in issue	Net asset value (pence per share)
Class A accumulation	1,533	1,655,510	92.60
Class B accumulation	3,599	3,920,995	91.79
Class C income [^]	89	89,596	99.33

[^] Launched 26 September 2011

As at 31 March 2011	Net asset value (£'000)	Number of shares in issue	Net asset value (pence per share)
Class A accumulation	686	728,306	94.19
Class B accumulation	2,818	3,029,273	93.03
Class C income	n/a	n/a	n/a

Price history

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

2011 [^]	Highest (pence)	Lowest (pence)
Class A accumulation	96.08	92.78
Class B accumulation	94.74	91.88
Class C income ^{^^}	100.00	99.83

[^] To 30 September 2011

^{^^} Launch date: Class C income 26 September 2011

2010	Highest (pence)	Lowest (pence)
Class A accumulation ^{^^^}	100.20	95.32
Class B accumulation ^{^^^}	98.92	93.89
Class C income	n/a	n/a

^{^^^} Launch dates: Class A accumulation 7 October 2010, Class B accumulation 7 September 2010.

Fund Facts

continued

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
Class A accumulation	0.8823
Class B accumulation	1.3336
Class C income [^]	0.0554

[^] Launch date: Class C income 26 September 2011

Share class	Total distribution for the year to 31.12.10 ^{^^}
Class A accumulation ^{^^}	–
Class B accumulation ^{^^}	–
Class C income	n/a

^{^^} Launch dates: Class A accumulation 7 October 2010, Class B accumulation 7 September 2010

Total expense ratio (TER)

The Fund invests in Exchange Traded Funds and other investment schemes, the expenses incurred by these schemes in relation to the Fund (synthetic TER) are disclosed in the below tables together with the direct expenses of the Fund.

Where the total of direct expenses, excluding the Investment Manager's charge exceed 0.20% of the net asset value (NAV) of the Fund, the Investment Manager rebates the total of said expenses to 0.20% of the NAV. The Investment Manager will review the percentage rebate on expenses each year.

30 September 2011	Expense type	%
Class A accumulation	Investment Manager's charge	0.90
	Other expenses	0.20
	Synthetic TER	0.28
	Total expense ratio	1.38
Class B accumulation	Investment Manager's charge	0.40
	Other expenses	0.20
	Synthetic TER	0.28
	Total expense ratio	0.88
Class C income	Investment Manager's charge	0.40
	Other expenses	0.20
	Synthetic TER	0.28
	Total expense ratio	0.88

31 March 2011	Expense type	%
Class A accumulation	Investment Manager's charge	1.12
	Other expenses	0.20
	Synthetic TER	0.24
	Total expense ratio	1.56
Class B accumulation	Investment Manager's charge	0.44
	Other expenses	0.20
	Synthetic TER	0.24
	Total expense ratio	0.88
Class C income	Investment Manager's charge	n/a
	Other expenses	n/a
	Synthetic TER	n/a
	Total expense ratio	n/a

[^] The TER is annualised based on the fees incurred during the accounting period.

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
Corporate Bonds	50.58	58.06
Global Bonds	9.69	19.29
Asian Equities	5.79	0.00
UK Equities	4.08	9.52
Net other assets	29.86	13.13
Net assets	100.00	100.00

Fund Facts

continued

Major holdings

All 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
AXA Sterling Credit Short Duration Bond Fund - INC	17.39	AXA Sterling Credit Short Duration Bond Fund - INC	18.61
PIMCO Sterling Short Maturity Source EFT	14.08	iShares Markit iBoxx £ Corporate Bond Fund 1-5 years	18.61
iShares iBoxx £ Corporate Bond ex-Financials ETF	11.51	Vanguard UK Investment Grade Bond Index	12.33
iShares Barclays Capital Global Inflation Linked Bond	9.69	iShares Barclays Capital Global Inflation Linked Bond	9.87
Vanguard UK Investment Grade Bond Index	7.60	iShares FTSE UK Dividend Plus Fund	9.52
iShares DJ Asia Pacific Select Dividend 30	5.79	iShares MSCI World Monthly £ Hedged Fund	9.42
iShares FTSE UK Dividend Plus Fund	4.08	iShares iBoxx £ Corporate Bond ex-Financials ETF	4.37
		iShares Markit iBoxx £ Corporate Bond ETF	4.14

General Information

Buying and selling shares

The dealing office of the Manager is open from 8.30a.m. until 4.30p.m. on each dealing day to receive requests for the purchase or redemption of shares. Shares can be bought either by sending a completed application form to the Manager at PO Box 10728, Chelmsford, Essex CM1 9PT, or by telephoning the Manager on 0845 308 1456 Fax 0845 280 1815.

Requests to redeem shares may be in writing to the Manager at PO Box 10728, Chelmsford, Essex CM1 9PT, or by telephone on 0845 308 1456 Fax 0845 280 1815. 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 no later than the end of the business day following receipt of the application to buy or redeem shares and the valuation point by reference to which the price is determined.

Report and accounts

This document is a short report of the PFS PanDEFENSIVE 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 10728, 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 10728, Chelmsford, Essex, CM1 9PT
Telephone: 0845 308 1456
Fax: 0845 280 1815
E-mail: Evercore@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 Manager

Evercore Pan Asset Capital Management Limited
27 Queen Anne's Gate, London SW1H 9BU
(Authorised and regulated by the Financial Services Authority)

Depository

BNY Mellon Trust & Depository (UK) Limited
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160 Queen Victoria Street,
London EC4V 4LA
(Authorised and regulated by the Financial Services Authority)

Auditor

KPMG Audit Plc
Chartered Accountants & Registered Auditors
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