PHOENIX
Fund Services

PFS SOMERSET EMERGING MARKETS DIVIDEND GROWTH FUND

Interim short report 31 March 2011
(unaudited)

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Investment Objective & Policy

For the half year from 01 October 2010 to 31 March 2011

The Sub-Fund seeks to achieve capital appreciation and income growth by mainly investing in an actively managed portfolio of dividend-paying emerging market securities.

The portfolio will consist principally of quoted equity securities, issued by companies established or operating in emerging market countries, principally in Asia, Eastern Europe, the Middle East, Africa and Latin America.

The Sub-Fund may also invest at the Manager's discretion in other transferable securities, money market instruments, cash and near cash, depositary receipts, derivative instruments and forward transactions, deposits and shares in other collective investment schemes. Use may also be made of stocklending, borrowing, cash holdings, hedging and other investment techniques permitted under applicable FSA Rules.

Managers' Review

Interim Report for the Somerset Emerging Markets Dividend Growth Fund OEIC

The Fund performed poorly in the six months to the end of March 2011 in capital terms. The Fund's price at NAV was almost unchanged over the period whereas the market was up over 7% in sterling terms. Whilst we feel we 'understand' the discrepancy the performance was disappointing. We will adapt our tactics where ever we can, though the larger part of the dividend growth strategy remains intact.

The critical period for the Fund was December and January, in which the index outstripped the Fund by over 6%. This relative performance was equally as strong in the strongly positive month of December as the strongly negative month of January. The overwhelming reason for the divergence in performance of the Fund versus the index was the lack of energy and commodity exposure in the Fund. The Fund has a 0% weighting in energy and one position of 2.5% in a cement producer (materials); the index has 15% exposure to energy and a 16% weighting to materials. Meanwhile in the period from November to January only two sectors in our universe were actually in positive territory: energy and basic materials. All other sectors were in negative territory. It is not to say that we could not have done better than we did through better stock selection within the sectors we were exposed too but the environment was not favourable overall to a selection of stocks biased towards stable and growing dividends and internally financed growth. Speculatively or otherwise, the price of Brent Crude surged over 19% in both Dollar and Sterling terms, almost all of this *before* the revolts in the Middle East. Such an increase in such a short space of time clearly has been negative for many of the consumer and related stocks that we have in the portfolio.

Managers' Review

continued

The Fund has had moderate success, even in the period in question, in repositioning itself. Over the period only one stock that was sold contributed negatively to the performance. In this case, we decided that Akbank, though still a well managed bank, gave the Fund too much exposure to the Turkish financial system, which in our view has seen a deterioration in forthcoming data. On the other hand Cyfrowy Polsat, the polish satellite T.V. operator sold because of an impending and expensive acquisition, was sold for a profit. Indeed even some of the stocks that were sold for fundamental reasons such as China Pharmaceuticals, which issued a profits warning in the second half of 2010 contributed slightly positively to the performance for this period. The major addition to the Fund was Top Glove, a Malaysian producer and marketer of disposable medical use latex gloves. It is an extremely well managed business which has grown market share from nothing to 25% globally in the last 2 decades. Though it has struggled with rubber prices recently, the company is in a very strong position overall. The stock has contributed slightly positively to the Fund so far and we hope for more to come.

The outlook for the next year is mixed. For the moment, we continue to be in the rising interest rate phase of the market cycle in emerging markets, which should continue to be broadly positive for them. However, as time passes, key prices like oil continue to rise and the market cycle matures, we draw closer to the point at which interest rates must be cut to avoid recessions in emerging markets. We are clearly closer to that point, but we are also clearly not there yet, given loan growth rates of greater than 20% in countries like Brazil and Turkey and growth rates still above 10% in China. The rising price of oil sets up the conditions for its own demise, and the rising price of assets likewise. Interestingly and possibly more negatively for this particular cycle, this event has the potential of coinciding with a period of rising interest rates in developed markets (if policy makers here can bear to do anything about rising inflation). Is an inflection point for emerging markets likely to occur in the next 6 months rather than in 2012? Given the continued fragility of the global economy, it is important that we are prepared for this outcome whether or not it occurs.

Lead Manager, Edward Lam

Fund Facts

Accounting and distribution dates

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

Net Asset Values

Year	Income Shares			Accumulation Shares		
	Net Asset Value (£)	No. of shares in issue	Net Asset Value (pence per share)	Net Asset Value (£)	No. of shares in issue	Net Asset Value (pence per share)
2010	6,060,656	5,694,541	106.43	2,150,123	2,005,707	107.20
2011*	15,700,180	14,826,850	105.89	2,795,159	2,613,737	106.94

* 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/unit for five full calendar years/ since launch.

Past performance is not necessarily a guide to the future performance.

Year	Income Shares		Accumulation Shares	
	Highest	Lowest	Highest	Lowest
2010	111.34	93.68	112.45	93.68
2011*	111.70	97.96	112.81	98.93

* As at 31 March 2011

Distribution Record

Year	Income Shares Net revenue per share (pence)	Accumulation Shares Net revenue per share (pence)
2010	0.7710	0.7710
2011*	0.9420	0.9548

* As at 31 March 2011

Fund Facts (continued)

Total Expense Ratio

Expense Type	31 March 2011* %	30 September 2010 %
Investment Manager's charge Other expenses	1.00 0.60	1.00 0.60
Total expense ratio	1.60	1.60

Prices and yields as at 1 April 2011 (first XD dealing date)

	Income Shares		Accumulation Shares	
	Price pence per share	Yield %	Price pence per share	Yield %
Class 'A'	106.73	1.62	108.60	1.62

Fund Facts (continued)

Sector spread of investments

As at 31.03.11

Telecommunication Services	18.55%
Electricity	8.56%
Electronic & Electrical Equipment	8.18%
General Retailes	7.25%
Investment Companies	7.10%
Beverages	6.78%
Information Technology Hardware	5.74%
Banks	4.82%
Engineering & Machinery	3.33%
Construction & Building Material	2.96%
Software & Computer Services	2.91%
Transport	2.91%
Speciality & Other Finance	2.84%
Water	2.73%
Personal Care & Other Household Products	2.72%
Life Insurance	2.43%
Food Producers & Processors	2.28%
Tobacco	1.76%
Net Other Assets	6.14%

As at 30.09.10

Consumer Staples	19.44%
Telecoms	19.23%
IT	19.13%
Utilities	12.89%
Consumer Discretionaries	10.52%
Financials	9.93%
Materials	2.21%
Industrials	1.43%
Healthcare	0.64%
Net other assets	4.58%

Major Holdings

The top ten holdings for the period are shown below.

Holding	% of Fund as at 31.03.11
AAC Acoustic Technologies	3.33
AES Tiete	3.02
Anadolu Efes	3.36
Bank Pekao	2.26
China Mobile	2.36
Cielo	2.84
Companhia Energetica de Minas Geraus Pref	2.86
Compania Cervecerais Unidas	3.42
Enersis	2.68
Ford Otomotiv Sanayi	2.91

Holding	% of Fund as at 30.09.10
Maroc Telecom	3.70
Enersis ADR	3.60
Inversiones Aguas Metropolitanas	3.51
Cielo	3.49
Shoprite Holdings	3.49
Natura Cosmeticos	3.47
Compania Cervecerais Unidas	3.37
The Foschini Group	3.35
AES Tiete Preference	2.90
Tiger Brands	2.83

General information

Authorised Status

PFS Somerset Capital Management Investment Funds ICVC (the "Company") is incorporated in England and Wales as an ICVC under registration number IC000713. The Shareholders are not liable for the debts of the Company.

The Company is authorised by the FSA as a UCITS Scheme under the COLL Sourcebook and is an umbrella company for the purposes of the OEIC Regulations with each Fund being a UCITS Scheme. The effective date of the authorisation order made by the FSA was 17 October 2008.

Buying and selling units

The ACD will accept orders for the purchase and sale of shares on normal business days between 8.30am and 4.30pm. Instructions to buy or sell shares may either be in writing to: PO Box 10282, Chelmsford, Essex CM1 or by telephone on 0845 026 4282.

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 PFS Somerset Emerging Markets Dividend Growth Fund for the period ended 31 March 2011. The full Report and Accounts for the Fund is available upon written request to Phoenix Fund Services (UK) Ltd, PO Box 10282, Chelmsford, Essex CM21 9LJ.

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.

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 Objectives as summarised on page 2.