

## Investment Objective and Policy

The Fund will aim to achieve modest capital growth over the medium term with low expected volatility. This will be achieved via a predominant underlying exposure to fixed income gained by investing in a range of index tracking funds and other instruments.

The Fund's portfolio will gain exposure to the underlying assets via a diversified range of passive open-ended funds, exchange traded funds and real-estate investment trusts although significant exposure to other investments such as fixed interest securities are expected to be included in the portfolio from time to time.

The underlying asset mix of the Fund is mainly fixed interest, between 60 and 80%. It has some exposure to UK and global shares, property and other investments. It has very little exposure to small companies and emerging markets equities.

The Fund is able to invest in transferable securities, bonds, collective investment schemes, warrants, money market instruments, cash, deposits and derivative instruments.

The allocation of the Fund's assets between eligible asset classes will be managed by the Investment Adviser and will be adjusted to reflect what, in the Investment Adviser's view, is the optimal asset allocation at each point in time and to achieve the investment objective of the Fund. It is the ACD's intention that derivatives and forward transactions will only be used for Efficient Portfolio Management.

Through its investments, the portfolio will be exposed to a diversified range of asset classes, underlying currencies, geographic spread and may hold funds managed by a variety of fund management groups.

The Company permits the use of derivatives for investment purposes (in addition for Efficient Portfolio Management) by the Fund. However, 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 it is not intended that the use of derivatives would significantly raise the risk profile but this cannot be guaranteed and the risk profile may increase as a result of a change in the investment policy for derivatives.

## Investment Advisers' Report

for the period 1 June 2011 to 30 November 2011

The Total Clarity Defensive Fund returned -0.08% over the 6 months to 30th November.

During this period the crisis in the Euro-zone dominated news and was the cause of market moves as developments progressed. Problems in the periphery spread and Italy and Spain now face a looming funding crunch as the yields on their government bonds have risen to 7%, which makes new issuance prohibitively expensive.

Without coordinated action by the Euro-zone, and Germany in particular, both countries are at risk of default, which would trigger losses among European banks.

In spite of the gravity of the situation, there has been no resolution in sight. In particular, Germany has been adamant that the European Central Bank will not be used to lend directly to European countries and will not agree to the issuance of bonds backed by the entire Euro zone.

These two routes are seen by most observers as the only way in which the crisis can be solved.

Another stumbling block has been Germany's desire for the EU to have central control over members' budgets. It remains to be seen whether Germany is implacable in its position or is engaged in high-stakes brinkmanship.

As well as the funding problems in the Euro zone, the economic outlook has also worsened, especially in the Euro-zone and UK. Indicators of consumer and business confidence point to a sharp slow down and possible recession in 2012.

Accordingly, equity markets and other risk assets suffered a major sell-off. Those fixed income markets that are perceived as safe havens have performed well, with yields on US treasuries, German bonds and UK gilts touching historic lows.

In the UK, the Office of Budget Responsibility issued a report that set out a much worse outlook for the UK's economic growth and budget deficit.

The economic picture in the US is more encouraging with some signs of economic recovery.

## Investment Advisers' Report

continued

The Total Clarity funds have since launch been positioned to have slight overweight positions in equities relative to their strategic benchmarks. We believe that in spite of the poor economic outlook, equity valuations offer much better value than those of fixed income assets. Dividend yield on equities compare very favourably with those on government bonds.

### 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, credit and interest rate risk. The Investment Adviser 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.

### Top five purchases in the period

HSBC FTSE All-Share Index Fund - Acc  
iShares FTSE EPRA/NAREIT UK Property Fund ETF  
HSBC European Index Fund - Acc  
iShares FTSE UK Gilt All Stocks ETF  
iShares Barclays Capital £ Index-Linked Gilts ETF

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 Total Clarity Defensive Portfolio is a Sub-Fund of Total Clarity Company, 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.

### Top five sales in the period

DB X-Trackers II iBoxx UK Gilt Inflation-Linked TR Index ETF  
iShares FTSE Gilts UK 0-5 ETF

## Fund Facts

### Accounting and distribution dates

	Accounting	Distribution
Final	31 May	31 July
Interim	30 November	31 January

### Net asset values

As at 30 November 2011	Net asset value (£)	Number of shares in issue	Net asset value (pence per share)
Class A accumulation	406,036	396,108	102.51

### Price history

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

2011 <sup>^</sup>	Highest (pence)	Lowest (pence)
Class A accumulation	103.17	97.79

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

### Fund performance

Share class	Net asset value as at 30.11.11 (pence per share)	Net asset value as at 31.05.11 (pence per share)	Net asset value % change
Class A accumulation	102.51	102.59	(0.08)

As at 31 May 2011	Net asset value (£)	Number of shares in issue	Net asset value (pence per share)
Class A accumulation	381,598	371,967	102.59

2010 <sup>^</sup>	Highest (pence)	Lowest (pence)
Class A accumulation	100.48	97.39

<sup>^</sup> Launched 20 October 2010

## Fund Facts

continued

### Distribution record

The tables below show the current and prior years total revenue distributions per unit on an accounting year basis in pence per share.

Share class	Total distribution for the accounting period to 30.11.11 (pence)
Class A accumulation	0.9136

Share class	Total distribution for the accounting year to 31.05.11 (pence) <sup>^</sup>
Class A accumulation	0.1354

<sup>^</sup> Launched 20 October 2010

### Total expense ratio (TER)

The Fund invests in collective investment schemes, the expenses incurred by these investments in relation to the Fund (synthetic TER) are disclosed in the below table together with the direct expenses of the Fund.

30 November 2011 <sup>^</sup>	Expense type	%
<b>Class A accumulation<sup>^^</sup></b>	Investment Adviser's charge	0.00
	Other expenses	0.59
	Synthetic TER	0.21
	<b>Total expense ratio</b>	<b>0.80</b>

31 May 2011 <sup>^</sup>	Expense type	%
<b>Class A accumulation<sup>^^</sup></b>	Investment Adviser's charge	0.00
	Other expenses	0.61
	Synthetic TER	0.19
	<b>Total expense ratio</b>	<b>0.80</b>

<sup>^</sup> The current and comparative TER is annualised based on the expenses incurred during the periods.

<sup>^^</sup> At the discretion of the Investment Adviser, where the total expenses of the Fund, including the synthetic TER exceed 0.80% of the Net Asset Value (NAV) of the Fund, the Investment Adviser rebates the total of said expenses to 0.80% of the NAV. The Investment Adviser is entitled to a fee of 0.40% per annum of the NAV of the Fund, inclusive of the aforementioned 0.80%, currently this is not being exercised.

### Sector classification of investments

All sectors in percentage order are shown below

Sector	% of Fund as at 30.11.11	% of Fund as at 31.05.11
UK government bonds	20.68	20.61
Index linked	15.27	14.93
UK equities	14.53	13.78
UK corporate bonds	11.33	12.08
Real estate	6.16	6.46
European equities	4.19	4.18
US government bonds	3.94	3.05
European corporate bonds	3.45	3.79
US equities	3.20	3.03
European government bonds	2.96	3.17
US corporate bonds	2.96	3.06
Commodities	2.71	2.67
Emerging market equities	1.23	0.94
Net other (liabilities)/assets	7.39	8.25
Total net assets	100.00	100.00

## Fund Facts

continued

### Major holdings

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

Holding	% of Fund as at 30.11.11	Holding	% of Fund as at 31.05.11
DB X-Trackers II iBoxx UK Gilt Inflation-Linked TR Index ETF	13.79	DB X-Trackers iBoxx UK Gilt Inflation-Linked TR Index ETF	14.21
Vanguard UK Government Bond Index Fund - ACC	10.59	iShares FTSE Gilts UK 0-5 ETF	10.57
iShares FTSE Gilts UK 0-5 ETF	9.11	Vanguard UK Government Bond Index Fund - ACC	10.04
HSBC FTSE All-Share Index Fund - ACC	8.37	HSBC American Index Fund - ACC	6.72
BlackRock CIF Corporate Bond Tracker Fund - D ACC	6.40	BlackRock CIF Corporate Bond Tracker Fund - D ACC	6.71
iShares FTSE EPRA/NAREIT UK Property Fund ETF	6.16	iShares FTSE EPRA/NAREIT UK Property Fund ETF	6.46
iShares Markit iBoxx £ Corporate Bond ETF	4.93	iShares Markit iBoxx £ Corporate Bond ETF	5.37
HSBC European Index Fund - ACC	4.19	HSBC European Index Fund - ACC	4.18
iShares Barclays Capital \$ Treasury Bond 7-10 ETF	3.94	iShares Markit iBoxx Euro Corporate Bond ETF	3.79
iShares Markit iBoxx Euro Corporate Bond ETF	3.45	DB X-Trackers FTSE All Share ETF	3.54

## 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 10809, Chelmsford, Essex CM1 9QJ, or by telephoning the ACD on 0845 305 4213, Fax 0845 280 0109.

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 Total Clarity Defensive Portfolio for the six month period ended 30 November 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 10809, Chelmsford, Essex CM1 9QJ.

### 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

### Investment Adviser

TCF Fund Managers LLP  
1st Floor, 7 Bligh's Walk, Sevenoaks, Kent TN13 1DB  
Website: [www.TCFInvestment.com](http://www.TCFInvestment.com)  
(Authorised and regulated by the Financial Services Authority)

### Authorised Corporate Director (ACD) & Registrar

Phoenix Fund Services (UK) Ltd  
Springfield Lodge, Colchester Road, Chelmsford, Essex CM2 5PW  
Telephone: 01245 398950  
Fax: 01245 398951  
Website: [www.phoenixfundservices.com](http://www.phoenixfundservices.com)  
(Authorised and regulated by the Financial Services Authority)

### Customer Service Centre

PO Box 10809, Chelmsford, Essex CM1 9QJ  
Telephone: 0845 305 4213  
Fax: 0845 280 0109  
E-mail: [totalclarity@phoenixfundservices.com](mailto:totalclarity@phoenixfundservices.com)  
(Authorised and regulated by the Financial Services Authority)

### Directors of the ACD

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

### Depository

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

### Auditor

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

