

# SOMERSET CAPITAL MANAGEMENT LLP



## PFS Somerset Capital Management Investment Funds ICVC

Simplified Prospectus

Issued 4 April 2011

The Financial Services Authority (FSA) is the UK's independent financial services regulator. It requires us, Phoenix Fund Services (UK) Limited, to give you this important information to help you decide whether this investment is right for you.

**You should read this document carefully so that you understand what you are buying, and keep it safe for future reference.**



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## Contact us

### Our head office

Springfield Lodge  
Colchester Road  
Chelmsford  
Essex CM2 5PW

**Please use the details below to buy and sell shares, dealing and administrative queries, literature requests and to contact us if you have a complaint.**

Phoenix Fund Services (UK) Limited  
PO Box 10282  
Chelmsford  
Essex CM1 9LJ

Telephone: 0845 0264282 (between 8.30am and 4.30pm, Monday to Friday)  
Fax: 0845 2991178  
Email: somersetcm@phoenixfundservices.com  
Website: www.phoenixadmin.co.uk

We may record telephone conversations to offer you additional security, resolve complaints and improve our service standards. Conversations may also be monitored for staff training purposes.

## About this document

This document, the Simplified Prospectus, provides investors with details of PFS Somerset Capital Management Investment Funds ICVC (the 'Company') which is an open ended investment company and its sub-funds (the 'Funds'). You should read it in conjunction with the relevant Fund Information Summary in Appendix 1 where you will find specific information on the Funds.

**Please make sure you are comfortable with the contents of this document before deciding to invest.**

For more information, such as the Full Prospectus and the annual and interim reports please contact your financial adviser or use our contact details on the previous page.

Whilst we have tried to avoid using technical language it has not always been possible. The Glossary in Appendix 2 should help to explain some of the words or phrases you may not be immediately familiar with.

This document is issued as at 4 April 2011 and is updated at least annually. The documentation and all further communications with you will be in English. Any contract or relationship you enter into with us will be governed by the laws of England and Wales, and subject to the exclusive jurisdiction of the English courts. This document, application form and Full Prospectus, together form the terms of the contract for your investment.

The risk to your investment and its performance can change over time. Up-to-date information can be obtained on the internet at the Somerset Capital Management LLP website, [www.somersetcm.com](http://www.somersetcm.com), or by calling the helpline on 0845 0264282. Please note that you should not interpret this document as financial advice. Under FSA rules you will be categorised as a "retail client". This means that you will have the maximum amount of protection available under the respective rules.

## Company details

The Company is an authorised collective investment scheme as defined in the Financial Services and Markets Act 2000 and is authorised by the FSA. It is an Open-Ended Investment Company ('OEIC') established as a 'UCITS Scheme' being compliant with the FSA rules and was incorporated in England and Wales (IC000713) on 17 October 2008. The Company has been certified as complying with the conditions necessary to enjoy the rights conferred by the UCITS Directive and may apply to the regulatory authorities in member states of the European Union to be marketed to the public in those states.

The base currency of the Company is pounds sterling.

The following Funds are available within the Company:

- PFS Somerset Global Emerging Markets Fund
- PFS Somerset Emerging Markets Dividend Growth Fund
- PFS Somerset Emerging Markets Small Cap Fund

## Its aims

### What are the aims of the Company?

- To provide a way of linking your money to investment markets.
- To provide a way of spreading your investments and the risk.
- To offer professional fund management at an appropriate cost.

### What are the aims of the Funds?

The aims of the Funds are provided in the Fund Information Summary in Appendix 1.

We suggest you speak to your financial adviser to determine if these Funds are suitable for you.

## Your commitment

### What is the profile of a typical investor?

The Funds may be suitable for institutional or private investors who see collective investment schemes as a convenient way of participating in investment markets. You must be willing to accept some risk to your capital; therefore, they may be suitable for you if you are able to set aside your capital for at least 5 years. If you are uncertain whether these Funds are suitable for you, please contact your financial adviser.

## US investors

These Funds are not generally available for investment from within the USA and this document is not intended for use by US residents. Further information can be found within the Additional Information section later in this document.

## Risks

Any investment in stock market funds involves risk. Some of these risks are general, which means that they apply to all funds. Others are specific, which means that they apply to individual funds.

Before you decide to invest, it is important to understand the Funds' aims, detailed in the Fund Information Summary in Appendix 1, and the risks involved. Details of all of the risks can also be found in the Full Prospectus.

### What are the general risks associated with the Funds?

- The value of funds and the income from them is not guaranteed and may fall as well as rise. You may get back less than you originally invested. What you get back may depend on investment performance, which is not guaranteed. Past performance is no guarantee of future performance.
- The effect of an initial and redemption charge. If you sell your investment after a short period you may not get back what you originally invested, even if the price of your investment has not fallen.
- The risk of an investment will vary depending on the fund you choose. Funds aiming for relatively high performance can incur greater risk than those adopting a more standard investment approach.
- The entire market of a particular asset class or geographical sector may fall, having a more pronounced effect on funds heavily invested in that asset class or region.
- Inflation will reduce what you could buy in the future.

### What are the specific risks associated with these Funds?

Below are the specific risks which may apply to a fund. Please refer to Appendix 1 - Fund Information Summary to find which Fund a particular risk applies to.

#### (A) Overseas investments

If a fund is invested in overseas markets or holds currencies other than Sterling, then currency exchange rate movements may cause the value of your investment to fall as well as rise.

**(B) Charges to capital**

The annual management charge may be charged to the capital of the Fund. This may restrict capital growth and result in capital erosion.

**(C) Emerging markets**

Emerging markets may experience greater share price and currency value fluctuations when compared to more developed markets. You may therefore see significant increases and decreases in the value of your investment. Emerging markets tend to be riskier than more developed markets because they may not always have the equivalent:

- level of government supervision and regulation of stock exchanges;
- reliability of trading and settlement systems;
- financial reporting standards;
- level of economic and political stability;
- level of liquidity.

**(D) Smaller and medium-sized companies**

Investment in smaller and medium-sized companies can be higher risk than investment in well established blue chip companies. Funds investing significantly in smaller and medium-sized companies can be subject to greater share price fluctuations due to their more limited marketability.

**(E) Warrants**

The Funds may invest in warrants up to a maximum of 100%. A warrant is an investment instrument that allows the Fund the right to apply for an underlying investment at a fixed price over a given period. The price of the warrant is directly linked to the price of the underlying security, and as such a small movement in the price of the underlying security can result in a larger movement, favourable or unfavourable in the price of the warrant. Therefore the larger a fund's holding in warrants, the higher the risk of share price movements.

**(F) Depositary receipts**

Depositary receipts are financial instruments that represent shares in companies trading outside the markets in which the depositary receipts are traded. Whilst the depositary receipts are traded on recognised exchanges, there may be other risks associated with such instruments to consider - for example the shares underlying the instruments may be subject to political, inflationary, exchange rate or custody risks.

**(G) Derivatives**

Derivatives may be used by the fund for the purposes of Efficient Portfolio Management (EPM). EPM restricts the use of derivatives to the reduction of risk, the reduction of cost and the generation of additional capital or income within acceptable risk levels.

The Company permits the use of derivatives for investment purposes by a 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.

**(H) Credit and fixed interest securities**

Credit and fixed interest securities are the debts of governments or companies, generally in the form of bonds. These securities are particularly affected by trends in interest rates and inflation. If interest rates go up, the value of the security may fall, and vice versa. Inflation will reduce the real value of the security. However, any changes in value are generally likely to be less than those of investments in shares.

The value of these securities will fall if the issuer is unable to repay their debt or have had their credit rating reduced. Generally, the higher the rate of interest, the higher the perceived credit risk of the issuer. Further detailed information regarding the credit quality and duration of the bonds invested into by the Fund can be obtained from the ACD upon request.

**(I) Concentration**

The Funds may hold a limited number of investments. Should one or more of those investments fall in value, it may have a greater effect on a Fund's value than if a larger number of investments were held.

**(J) Specific persons risk**

The Investment Managers have complete discretion over the investment decisions within the Funds. The performance of the Funds is therefore directly linked to the ability of the Investment Managers. Shareholders should be aware that, whilst no change in the Investment Managers is anticipated, a change, for whatever reason, may adversely affect the performance of the Funds.

## Investment information

### How have the Funds performed historically?

We show the past performance of the Funds in the Fund Information Summary section. If a Fund has only recently launched performance information for a full calendar year is not yet available. However, please contact us on 0845 0264282 if you have any performance queries.

### How much tax will I pay?

The rates of, and any relief from, tax depends on your own personal circumstances and are likely to vary over time. The information provided below is based on our current understanding of HM Revenue & Customs (HMRC) practice. It summarises the position if you are UK resident but you should note that there may be other taxes applicable to the investment. You can find further information within the Full Prospectus. We recommend that you take professional advice based on your individual circumstances, particularly if you are subject to tax in a jurisdiction other than the UK.

#### Capital Gains Tax (CGT)

If your total net taxable gains from all investments do not exceed the annual (CGT) exemption (£10,100 for the 2010/2011 tax year) you will not pay any CGT. Any realised gains over this exemption will be taxed at a single CGT rate of 18% (28% if you are a higher rate or additional rate tax payer). Please visit HMRC's website at [www.hmrc.gov.uk](http://www.hmrc.gov.uk) to check the latest rates and exemptions limits.

#### Income tax

Distributions, whether they are paid out or accumulated, are treated as income for tax purposes.

Distributions of income, whether they are paid out or reinvested, will have an associated tax credit or have suffered income tax which means that if you are a starting or basic rate taxpayer, you will have no further income tax liability. The tax treatment for starting, basic rate, higher rate and additional rate tax payers is outlined below for the two types of income distribution payments a fund may pay.

#### Interest distributions

These have income tax deducted at 20%. If you do not pay tax, or are a starting rate taxpayer, you can reclaim all or part of this tax. If you are a basic rate taxpayer, you will not pay any further tax. Higher rate and additional rate\* taxpayers have a further tax liability. In line with current legislation, we will report all interest distributions to HMRC. Interest distributions for corporate investors will be receivable gross provided a valid declaration and indemnity has been made. For those investors in accumulation Shares who have made a valid declaration and indemnity, the net distribution (including equalisation) will be accumulated into the share price of the existing Shares, and an amount equivalent to the income tax will be used to buy additional accumulation Shares. Alternatively, income tax is deducted at the basic rate, currently 20%. An investor within the charge to UK corporation tax should include the gross interest in their corporation tax return.

### Dividend distributions

Dividend distributions to individual investors carry a tax credit at a rate of 10%. If you are a basic or starting rate taxpayer, you will not have any further tax liability. Higher rate taxpayers will be liable to income tax on their grossed up dividend income at the rate of 32.5% but may offset the 10% tax credit against this. If you are an additional rate payer you will be liable to income tax on the grossed up dividend income at the rate of 42.5%, but can offset 10% tax credit against this. Higher rate taxpayers will therefore be liable to pay income tax equivalent to a rate of 25% of their net receipt. (36.1% if you are an additional rate tax payer). It is not possible for investors to reclaim any amount in respect of the tax credit.

### How much tax will the Funds pay?

The Funds are treated as open-ended investment companies for tax purposes.

Funds may receive dividends from UK equity investments. These are not subject to UK Corporation Tax in the Fund. Funds are liable to UK Corporation Tax at the current rate of 20% on its other types of income after deducting management expenses, charges and the gross amount of any interest distributions. The Funds are exempt from UK Corporation Tax on profits from the sale of investments.

### What are the charges?

#### Initial charge

The initial charge (expressed as a percentage of your investment) is deducted from your investment before we buy shares in a fund and will vary according to the share class. Please refer to the relevant Fund Information Supplement in Appendix 1 for details of the initial charge.

#### Annual Management Charge (AMC)

The AMC is an annual charge that is taken out of a Fund. The AMC will vary according to the share class. Please refer to the Fund Information Summary in Appendix 1 for details of the AMC.

We will not increase our charges without giving at least 60 days' notice to investors.

#### Redemption charge

The Full Prospectus contains a provision entitling the ACD to deduct a charge on redemption of shares out of the proceeds of redemption. Details of the current level of redemption charge can be found in the relevant Fund Information Supplement in Appendix 1.

#### Performance Fee

In addition to the AMC, we may take a performance fee for the PFS Somerset Emerging Markets Small Cap Fund. The performance fee is 5% of the rise in value of the share class in the performance period. Please refer to the Full Prospectus for details.

### Dilution levy and Stamp Duty Reserve Tax (SDRT)

A dilution levy is a possible charge we can make to protect on-going investors if you make large investments or encashments. SDRT is a transaction tax of 0.5% which is normally paid for by Funds which invest in UK shares. Further information can be found within the Glossary and the Full Prospectus.

### Other charges

The Funds pay expenses that are taken into account when calculating the price of shares. These expenses include depositary and custody fees, fees for registration, regulation, audit and SDRT. The Total Expense Ratio (TER) is the sum of the annual management charge and these other current expenses. The TER can help you compare the annual operating expenses of different funds.

We normally recover these fees from the Funds' income. The charges and expenses for the Funds are summarised in the Fund Information Summary in Appendix 1.

### Dealing costs and Portfolio Turnover Rate ('PTR')

The PTR represents the percentage of a fund's portfolio that is bought and sold over a 12 month period. If the PTR is high, the dealing costs incurred may have a higher impact on your investment. At the same time, active management may mean that changing investments increases the performance of a fund sufficiently to outweigh these costs. The PTR of the Funds is detailed in the relevant Fund Information Supplement in Appendix 1.

### Dealing commission

Dealing commission is generally paid to brokers for buying and selling underlying equity investments in a portfolio. In certain circumstances, this commission also pays for research analysis. Dealing commission is not charged on dealing transactions in collective investment schemes.

For more details on dealing commission please see the Full Prospectus.

### Cost of advice

Your financial adviser will give you details about the cost. The amount will depend on the size of your investment. It will normally be paid for out of the charges unless you have a different arrangement with your financial adviser.

### How do I invest?

The minimum investment and holding levels for the PFS Somerset Global Emerging Markets Fund and the PFS Somerset Emerging Markets Dividend Growth Fund may be found in Column A. For the PFS Somerset Emerging Markets Small Cap Fund these levels are set out in Column B.

	Column A	Column B
Minimum lump sum investment	£2,000	£1,000,000
Additional lump sum investment	£1,000	£1,000,000
Minimum partial redemption	£500	£500
Minimum balance	£1,000	£1,000,000

### By post

Simply complete the relevant application form. Then either:

- Post it to the address on the form, or
- Send it to your financial adviser.

You must send your application with the payment and identity information that we may require.

### By telephone

It is possible to make additional investments by telephone. Please call 0845 0264282 between 8.30am and 4.30pm on any dealing day.

### By fax

It is possible to buy and sell shares in the Funds by fax. The fax number is 0845 2991178.

### Payment

You can invest a lump sum by sending a personal cheque made payable to **Phoenix Fund Services (UK) Limited** with your completed application form. Please check the minimum investment limits for the Funds in the table above.

We will use your investment to buy shares in the Funds. Where applicable, we will deduct an initial charge (expressed as a percentage of your investment) from the money you invest. We will buy shares on a forward pricing basis, which means that for all applications received money will be invested using the share prices calculated at the next valuation point, which is 12 noon on each business day.

### Confirmation of your investment

When you make an investment, you will receive a contract note, which gives details of the amount you have invested and the number of shares bought. This will be sent to you on the business day following investment.

It's very important to keep this contract note safely, because we do not issue share certificates. Evidence of ownership is on the shareholder register.

## Changing my mind

After you make your initial investment and have been given independent financial advice, we will send you information about 'Your right to cancel'. After you receive this, you will have 14 days to change your mind and send the completed cancellation form to us. We will then return your investment to you, however, if the value of your investment has fallen by the time we receive your cancellation form, you may not get back the full amount you invested.

If you have not received information or advice on a face-to-face basis before applying for our investments you do not have a statutory right to cancel.

## Can I switch between funds?

You can switch your money to another of our Funds in our OEIC range as your investment requirements change.

When we receive your instructions we will sell your shares in the appropriate Fund and buy shares in your chosen alternative Fund.

A switch of investment from one fund to another will be regarded as potentially liable to tax by HM Revenue & Customs, and could give rise to a Capital Gains Tax liability if your annual allowance has already been used.

The minimum value of shares which may be switched in each class of each Fund is detailed in the Fund Information Supplement in Appendix 1, or lesser amounts at our discretion.

There is currently a charge of 1.0% for switching shares.

## How do I sell?

You can sell all or part of your investment at any time. The minimum amount for partial withdrawals is £500. After you have made the withdrawal, the remaining value must be at least £1,000 in the Fund. Your financial adviser will be pleased to provide you with details of the options open to you. If you wish to sell your investments, please write to us with your sale instructions using the contact details on page 2.

Where a partial withdrawal would take the value below the minimum required balance, a full withdrawal will be done and your investment will be closed. For the PFS Somerset Emerging Markets Small Cap Fund the minimum amount for partial withdrawals is £500, but the remaining value must be at least £1,000,000.

## Does my investment pay an income?

This depends on whether the shares you purchase are income or accumulation:

### Income shares

The income will be paid into your nominated bank or building society account on the Funds' income payment date. If your account ceases to accept payments and you do not nominate another account we will convert your income shares to accumulation shares in the relevant fund. The payment dates are shown in relevant Fund Information Supplement in Appendix 1.

### Accumulation shares

We reinvest all the net income to maximise growth potential, increasing the value of shares held.

Please see the Fund Information Summary in Appendix 1 which shows when income is paid or reinvested.

## How can I find out how my investment is doing?

You can obtain the latest share prices of our Funds by:

- Visiting the Investment Management Association's website at [www.investmentuk.org](http://www.investmentuk.org).
- Calling us on 0845 0264282 for details of the current prices, estimated yields and valuations.

Please note that these prices are historical and are not the prices at which you would be able to deal. The assets of the Funds are valued at 12 noon each dealing day.

Every six months you will receive:

- A statement showing a valuation of your investment as at 31 March (interim) and 30 September (annual) each year, together with a list of transactions during the six month period. Statements are issued within 25 business days of the statement valuation date.
- A copy of the annual and half-yearly OEIC Short Report, for each Fund in which you hold shares. This will provide up-to-date details of investments and a commentary from the Fund manager about the Fund you hold. These will be sent to you by 31 May (interim) and 30 November (annual).
- You will be sent tax vouchers detailing income allocations for each distribution made during the tax year.

## What happens to my investment on death?

- If your investment is held in joint names, it will continue to be held by the surviving holder(s).
- Your personal representatives may ask us for information about the value of your investment, which we will provide.
- When your personal representatives have proved that they are legally entitled to the money invested, they may instruct us to cash in your investment or transfer it to another name.
- Until the shares are sold, they will be affected by daily price movements as normal.
- The value of your investment is treated as part of your estate, so your personal representatives may need to declare it for inheritance tax purposes.

## Additional Information

### **Authorised Corporate Director (ACD)**

Phoenix Fund Services (UK) Limited  
Springfield Lodge  
Colchester Road  
Chelmsford  
Essex CM2 5PW

### **Investment Manager**

Somerset Capital Management LLP  
33 Davies Street  
London W1K 4LR

### **Depositary**

The Royal Bank of Scotland plc  
36 St Andrew Square  
Edinburgh EH2 2YB

### **Auditor**

Shipleys LLP  
10 Orange Street  
Haymarket  
London WC2H 7DQ

### **Financial Services Authority (FSA) contact details**

*The ACD is authorised and regulated by the FSA.*

The Financial Services Authority  
25 The North Colonnade  
Canary Wharf  
London E14 5HS  
UK: 0845 6061234 (local call rates)  
Overseas: +44 20 7066 1000  
Email: [consumer.queries@fsa.gov.uk](mailto:consumer.queries@fsa.gov.uk)  
Website: [www.fsa.gov.uk](http://www.fsa.gov.uk)

### **Complaints**

If you would like to raise an issue with us please contact our Head of Registration Services at:

Phoenix Fund Services (UK) Limited  
PO Box 10282  
Chelmsford  
Essex CM1 9LJ

You can request from us details of our complaints procedures. If we are unable to resolve the issue to your satisfaction, you will, in most circumstances, have the right to complain directly to the Financial Ombudsman Service at the following address:

Financial Ombudsman Service  
South Quay Plaza  
183 Marsh Wall  
London E14 9SR  
Telephone: 0845 0234567  
Email: [complaint.info@financial-ombudsman.org.uk](mailto:complaint.info@financial-ombudsman.org.uk)  
Website: [www.financial-ombudsman.org.uk](http://www.financial-ombudsman.org.uk)

Making a complaint will not prejudice your right to take legal proceedings.

### **Compensation arrangements**

We and our bankers are covered by the Financial Services Compensation Scheme. You may be entitled to compensation from the scheme if we cannot meet our obligations. This depends on the type of business and the circumstances of the claim. Most types of investment business are covered for 100% of the first £50,000. This is the maximum compensation. Further information about compensation arrangements is available from the Financial Services Compensation Scheme at the following address:

Financial Services Compensation Scheme  
7th Floor  
Lloyds Chambers  
Portsoken Street  
London E1 8BN  
UK: 0800 678110  
Overseas: +44 20 7741 4100  
Email: [enquiries@fscs.org.uk](mailto:enquiries@fscs.org.uk)

### **Conflicts of interest**

The ACD and the Investment Managers may, from time to time, act as investment managers or advisers to other funds which follow similar investment objectives to those of these Funds. It is therefore possible that potential conflicts of interest could arise. We have policies in place to ensure we act in the best interests of the Funds as far as possible.

### **Disability Discrimination Act**

If you require a copy of this brochure in large text format, Braille or on audiotape, please telephone us on 0845 0264282.

### **European Savings Directive**

This only applies to investors who are not resident in the UK for tax purposes, or if you move to another approved country after you have invested.

The regulations that implement the European Savings Directive require us to obtain additional customer information. If you invest in a fund with a fixed interest or cash content of more than 15% we are required to obtain either your tax identification number and tax country code, or your date and place of birth, and report these to HMRC.

### **Are there any UK anti-money laundering requirements?**

To comply with UK Anti-Money Laundering Regulations, we may require you to supply evidence of identity and address. We may validate these details against any database (public or other) to which we may have access. We will retain a record if such an enquiry is made.

If you do not want your details validated against a database, please tick the 'opt-out' box on the application form.

### **How does the Data Protection Act impact on investors?**

We will use, analyse and assess information held about you when providing services to you. we will exchange similar information with the Investment Managers, in order that they can send you periodic information. If you do not wish to receive this information, please tick the 'opt-out' box on the application form.

### **US investors**

These Funds have not been and will not be registered in the US according to the US Investment Company Act of 1940 and the shares will not be registered in the US in accordance to the US Securities Act of 1933. Shares of the Funds will not be publicly offered, sold or distributed within the US or to US persons except where there is an exemption from registration available and applicable.

In particular the information in this document is not for distribution within the USA and does not constitute an offer to US residents or US organisations.

### **Prospectus/Report & Accounts**

You can request free copies of the Full Prospectus and annual/half yearly OEIC Report & Accounts by contacting us using the contact details at the beginning of this document. You can also visit our website, [www.phoenixadmin.co.uk](http://www.phoenixadmin.co.uk), for this information.

## Appendix 1 - Fund Information Summary

This section contains important information on the Funds offered within the PFS Somerset Capital Management Investment Funds. You should read this, in conjunction with the other parts of this Document, and understand it prior to making an investment. You should retain it for future reference. For the Fund's full objective and policy please see the Full Prospectus.

Please cross-reference this section to the main part of the Simplified Prospectus and the Glossary in Appendix 2 for full explanations of the terms used below.

### PFS Somerset Global Emerging Markets Fund

#### Investment objective & policy

The Fund seeks to achieve capital appreciation by mainly investing in an actively managed portfolio of 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 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.

**The Company permits the use of derivatives for investment purposes 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.**

#### Fund risk profile

The PFS Somerset Global Emerging Markets Fund is a very adventurous risk fund. You are willing to accept a very high level of risk on your investment in order to seek very high growth potential in the long term. You are willing to accept sharp day-to-day fluctuations in the value of your investments and you accept the risk of losing some or all of your capital.

Typically, you would consider investing in specialist equity markets or sectors, which are expected to be particularly volatile. There will be exposure to currency risk via significant investment in overseas markets. You could get back less than you invest.

### Fund specific risk warnings

- A - Overseas investments
- C - Emerging markets
- D - Smaller and medium-sized companies
- E - Warrants
- F - Depositary receipts
- G - Derivatives
- H - Credit and fixed interest securities
- I - Concentration
- J - Specific persons risk

Please see page 5 for details of these risks.

### Charges and expenses

Share Class	Initial charge %	AMC %	Other charges %	TER%*	Charge on Redemption% **	PTR %*
A class Accumulation	5.0	1.5	0.34	2.50	0.0	130.21

\* Figures are as at 30 September 2010

\*\* A redemption charge of 1.0% based on the value of the shares sold may be levied on the redemption of any class of shares of the Fund. The charge will only apply if the investor does not allow at least 30 days notice of their intention to redeem. However, the ACD may, at its sole discretion, in any particular case or generally, waive such charge.

### Effect of charges and expenses

The following table illustrates the effect of charges and expenses on an investment. These figures are not guaranteed. The table shows the effect of charges and expenses on a £2,000 lump sum investment in A class accumulation shares and assumes a growth rate of 6% per annum before charges.

At the end of year	Investment to date	Effect of deductions	What you might get back (assuming a growth rate of 6%* per annum)
1	£2,000	£158	£1,960
3	£2,000	£289	£2,090
5	£2,000	£444	£2,230
10	£2,000	£959	£2,620

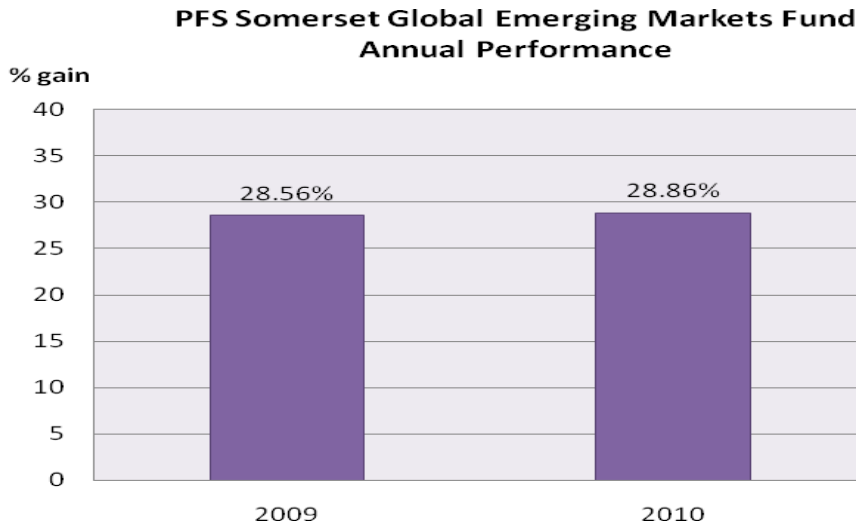
The last line in the table shows that over 10 years the effect of the total charges and expenses could amount to £959. Putting it another way, this would have the same effect as bringing down investment growth from 6.0% a year to 2.80% a year.

**Accounting information**

Annual Accounting Dates	Interim Accounting Dates	Payment Dates	Dividend or Interest Distribution	Charges from Income or Capital?
30 September	31 March	31 May & 30 November	Dividend	Income

**Performance information**

**Please note that past performance is not a guide to future performance.** The following graph displays annual performance for the A class accumulation shares (which is the gains or losses made by the Fund for each complete calendar year). Also provided is the cumulative performance (gains or losses over the entire period) to 31st December 2010, for as many complete calendar years that are available.



**Cumulative performance: over the same time period, the total return was 65.66%.**

## PFS Somerset Emerging Markets Dividend Growth Fund

### Investment objective & policy

The 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 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.

**The Company permits the use of derivatives for investment purposes 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.**

### Fund risk profile

The PFS Somerset Emerging Markets Dividend Growth Fund is a very adventurous risk fund. You are willing to accept a very high level of risk on your investment in order to seek very high growth potential in the long term. You are willing to accept sharp day-to-day fluctuations in the value of your investments and you accept the risk of losing some or all of your capital.

Typically, you would consider investing in specialist equity markets or sectors, which are expected to be particularly volatile. There will be exposure to currency risk via significant investment in overseas markets. You could get back less than you invest.

### Fund specific risk warnings

- A - Overseas investments
- B – Charges to capital
- C - Emerging markets
- D - Smaller and medium-sized companies
- E - Warrants
- F - Depositary receipts
- G - Derivatives
- H - Credit and fixed interest securities
- I - Concentration
- J - Specific persons risk

Please see page 5 for details of these risks.

## Charges and expenses

Share Class	Initial charge %	AMC %	Other charges %	TER%*	Charge on Redemption% **	PTR %*
A class Income or Accumulation	5.0	1.0	0.75	1.60	0.0	59.11

\*Figures are as at 30 September 2010.

\*\* A redemption charge of 1.0% based on the value of the shares sold will be levied on the redemption of any class of shares of the Fund. The charge will only apply if the investor does not allow at least 30 days notice of their intention to redeem. However, the ACD may, at its sole discretion, in any particular case or generally, waive such charge.

## Effect of charges and expenses

The following table illustrates the effect of charges and expenses on an investment. These figures are not guaranteed. The table shows the effect of charges and expenses on a £2,000 lump sum investment in A class accumulation shares and assumes a growth rate of 6% per annum before charges.

At the end of year	Investment to date	Effect of deductions	What you might get back (assuming a growth rate of 6%* per annum)
1	£2,000	£140	£1,980
3	£2,000	£232	£2,150
5	£2,000	£341	£2,330
10	£2,000	£711	£2,870

The last line in the table shows that over 10 years the effect of the total charges and expenses could amount to £711. Putting it another way, this would have the same effect as bringing down investment growth from 6.0% a year to 3.68% a year.

## Accounting information

Annual Accounting Dates	Interim Accounting Dates	Payment Dates	Dividend or Interest Distribution	Charges from Income or Capital?
30 September	31 March	31 May & 30 November	Dividend	Income

## Performance information

As this Fund was launched in March 2010, performance figures for a complete calendar year are not yet available.

## PFS Somerset Emerging Markets Small Cap Fund

### Investment objective & policy

The Fund seeks capital appreciation by investing in an actively managed portfolio composed 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 and whose market capitalisation does not exceed US\$ 2.5 billion at the time of the investment. The Fund may also invest in other investment funds in order to gain exposure to specific markets or the expertise of specific managers. The Fund generally seeks to maintain a diversified portfolio in order to reduce its dependence on specific companies or industry sectors.

The Fund may invest in cash and near cash, and in shares in other collective investment schemes subject to the limits set out in Appendix 2 of the prospectus, however, investment by the Fund in other Schemes will be limited to a maximum of 10% of the scheme property of the Fund.

**The Company permits the use of derivatives for investment purposes 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.**

### Fund risk profile

The PFS Somerset Emerging Markets Small Cap Fund is a very adventurous risk fund. You are willing to accept a very high level of risk on your investment in order to seek very high growth potential in the long term. You are willing to accept sharp day-to-day fluctuations in the value of your investments and you accept the risk of losing some or all of your capital.

Typically, you would consider investing in specialist equity markets or sectors, which are expected to be particularly volatile. There will be exposure to currency risk via significant investment in overseas markets. You could get back less than you invest.

### Fund specific risk warnings

- A - Overseas investments
- B – Charges to capital
- C - Emerging markets
- D - Smaller and medium-sized companies
- E - Warrants
- F - Depositary receipts
- G - Derivatives
- H - Credit and fixed interest securities
- I - Concentration
- J - Specific persons risk

Please see page 5 for details of these risks.

## Charges and expenses

Share Class	Initial charge %	AMC %	Other charges %	TER%*	Charge on Redemption% **	PTR %***
B class Accumulation	5.0	1.25	0.75	1.60	0.0	N/A

\*TER is an estimate as at February 2011.

\*\* A redemption charge of 5.0% based on the value of the shares sold will be levied on the redemption of any class of shares of the Fund. The charge will only apply if the investor does not allow at least 30 days notice of their intention to redeem. However, the ACD may, at its sole discretion, in any particular case or generally, waive such charge.

\*\*\* As the Fund only launched in October 2010, a PTR figure is not available.

## Effect of charges and expenses

The following table illustrates the effect of charges and expenses on an investment. These figures are not guaranteed. The table shows the effect of charges and expenses on a £1,000,000 lump sum investment in B class accumulation shares and assumes a growth rate of 6% per annum before charges.

At the end of year	Investment to date	Effect of deductions	What you might get back (assuming a growth rate of 6%* per annum)
1	£1,000,000	£ 69,980	£ 990,020
3	£1,000,000	£115,827	£1,075,190
5	£1,000,000	£170,541	£1,167,680
10	£1,000,000	£355,598	£1,435,250

The last line in the table shows that over 10 years the effect of the total charges and expenses could amount to £355,598. Putting it another way, this would have the same effect as bringing down investment growth from 6.0% a year to 3.68% a year.

## Accounting information

Annual Accounting Dates	Interim Accounting Dates	Payment Dates	Dividend or Interest Distribution	Charges from Income or Capital?
30 September	31 March	31 May & 30 November	Dividend	Income

## Performance information

As this Fund was launched in October 2010, performance figures for a complete calendar year are not yet available.

## Appendix 2 – Glossary

### **Accumulation dates**

Income from the Funds is accumulated on these dates.

### **ADRs**

An American Depositary Receipt (or ADR) represents ownership in the shares of a non US company yet trades on US financial markets. They enable investors to buy shares in foreign companies without the hazards or inconveniences of cross-border transactions. ADRs are typically priced in US dollars and can be traded like the shares of US based companies.

### **Authorised Corporate Director (ACD)**

A corporate body and an authorised person given powers and duties under FSA regulations to operate an OEIC.

### **Cancellation Form**

Applicants who have received advice may have the right to cancel their application any time during the 14 days after the date on which they receive a Cancellation Form from the ACD.

### **Collective investment schemes**

A generic term encompassing authorised unit trusts, common investment funds, OEICs and investment trusts.

### **Derivatives**

A general name for investments such as futures and options whose value depends on another financial asset, for example the price of a bond, currency or share. Derivatives can be used by fund managers to control particular aspects of a portfolio's risk, or as an investment in their own right.

### **Dilution levy**

The dilution levy is a method to ensure fair treatment between investors joining, leaving or remaining in a Fund. Because the costs of buying and selling the underlying investments of a Fund are generally different, but the price of buying and selling shares in a Fund are the same, the price of shares may be adjusted to protect the value of the Fund from being reduced through the associated costs of large scale movements in or out of the Fund (typically in excess of £15,000, although there may be exceptions). You can find further details in the Full Prospectus.

### **Exchange Traded Funds**

An Exchange Traded Fund (or ETF) is an investment vehicle traded on stock exchanges, much like stocks. An ETF holds assets such as stocks or bonds and trades at around the same price as the value of its underlying assets. Most ETFs track an index and are attractive as investments because of their low costs, tax efficiency, and ease of trade.

**Hedging**

A transaction involving derivatives, with the aim of offsetting a particular financial risk, for example exchange rate risk.

**Money-market instruments**

Short-term debt instruments, usually running for a year or less. Examples of these include Treasury bills. These are issued by the Treasury, and represent a promise to repay a set sum of money on a specified date in the future.

**OEIC**

An OEIC is a type of investment product that offers indirect investment in stock markets. Your money is pooled with that of other investors who choose to invest in the same fund. Funds will use this money to buy investments, such as stocks and shares, as selected by the Investment Adviser for the fund. The value of your shares in the fund is directly related to the underlying value of these investments. Because the investments are spread across a range of assets, the risk may be lower than investing in a single asset such as a company's shares.

**Securities**

An investment instrument such as shares or bonds, issued by a corporation, government or other organisations which offers evidence of debt or equity.

**Stamp Duty Reserve Tax (SDRT)**

HM Treasury requires up to 0.5% SDRT to be applied on transactions in shares in a fund rather than it being charged to the individual investor. SDRT is only payable on funds that invest in UK shares.

It is the current policy to meet the cost of SDRT directly from the Fund's assets, however, there may be exceptions to this, and the policy could change in the future. Further information can be found in the Full Prospectus.

**Transferable securities**

These are securities which can be freely traded.

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