

# The Pennine Fund

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Annual (audited) Report & Financial Statements  
For the period from 1 March 2010 to 28 February 2011



Pennine

## Management and Administration

Registered Office and Directors .....	2
Company Information .....	2
Statement of Authorised Corporate Director's ("ACD") and Depositary's Responsibilities .....	2
Report of the ACD to the Shareholders .....	3
Directors' Statement .....	3
Report of the Depositary to the Shareholders .....	3
Independent Auditor's Report to the Shareholders .....	4

## The Pennine Fund Aggregated Financial Statements

Statement of Total Return, Statement of Change in Net Assets Attributable to Shareholders & Balance Sheet .....	5
Notes to the Aggregated Financial Statements .....	6-8

## Pennine Dynamic Fund

Comparative Tables .....	9
Total Expense Ratio .....	9
Investment Objective and Policy .....	9
Investment Review .....	9-10
Portfolio of Investments .....	11
Statement of Total Return, Statement of Change in Net Assets Attributable to Shareholders & Balance Sheet .....	12
Notes to the Financial Statements .....	13-15

## Pennine Pathfinder Fund

Comparative Tables .....	16
Total Expense Ratio .....	16
Investment Objective and Policy .....	16
Investment Review .....	16-17
Portfolio of Investments .....	18-19
Statement of Total Return, Statement of Change in Net Assets Attributable to Shareholders & Balance Sheet .....	20
Notes to the Financial Statements .....	21-23

## MANAGEMENT AND ADMINISTRATION

The Authorised Corporate Director ("ACD") and registered office of The Pennine Fund ("the Company"):

### PREMIER PORTFOLIO MANAGERS LIMITED

Eastgate Court, High Street,  
Guildford, Surrey, GU1 3DE

Premier Portfolio Managers Limited is authorised and regulated by the Financial Services Authority ("FSA") and is a member of the Investment Management Association ("IMA"). Premier Portfolio Managers Limited and Premier Fund Managers Limited are both members of the Premier Asset Management Marketing Group.

**DIRECTORS OF THE ACD:** Mike O'Shea (Chairman)  
Neil Macpherson (Finance Director)  
Simon Weldon (Managing Director, Sales and Marketing)  
Mark Friend (Managing Director, Operations)  
Mike Hammond (IFA Sales Director)

**INVESTMENT ADVISER:** Premier Fund Managers Limited is the Investment Adviser to the Pennine Dynamic Fund and the Pennine Pathfinder Fund.

Premier Fund Managers Limited has appointed North Investment Partners Limited as sub-Investment Adviser to the Pennine Dynamic Fund and the Pennine Pathfinder Fund.

**DEPOSITARY:** The Royal Bank of Scotland plc  
Trustee & Depositary Services  
The Broadstone,  
50 South Gyle Crescent,  
Edinburgh, EH12 9UZ

**AUDITOR:** Grant Thornton UK LLP  
30 Finsbury Square,  
London, EC2P 2YU

**ADMINISTRATOR & REGISTRAR:** Northern Trust Global Fund Services Limited  
PO Box 55736,  
50 Bank Street,  
Canary Wharf,  
London, E14 1BT

### COMPANY INFORMATION

The Pennine Fund is an Investment Company with Variable Capital under regulation 12 of the Open-Ended Investment Company Regulations and incorporated in England and Wales under registered number IC000580 and authorised by the FSA with effect from 4th September 2007. Shareholders are not liable for the debts of the Company. At the year end the Company contained 2 sub-funds, the Pennine Dynamic Fund and the Pennine Pathfinder Fund.

The Company is a non-UCITS retail scheme which complies with the FSA's Collective Investment Schemes sourcebook and is structured as an umbrella company so that different sub-funds may be established from time to time by the ACD with the approval of the FSA and the agreement of the Depositary.

### STATEMENT OF ACD AND DEPOSITARY'S RESPONSIBILITIES IN RELATION TO THE ACCOUNTS OF THE SCHEME

The Open-Ended Investment Companies Regulations 2001 and the FSA's Collective Investment Schemes sourcebook ("the Regulations") require the ACD to prepare accounts for each annual accounting period which give a true and fair view of the financial position of the scheme as at the end of the year and of the net revenue and the net capital gains or losses on the property of the scheme for the year then ended. In preparing the accounts, the ACD is required to:

- select suitable accounting policies and then apply them consistently.
- make judgements and estimates that are reasonable and prudent.
- comply with the disclosure requirements of the Statement of Recommended Practice 'Financial Statements of Authorised Funds', issued by the IMA in October 2010 and the Instrument of Incorporation.
- follow UK generally accepted accounting principles and applicable accounting standards.
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the scheme will continue in operation.
- keep proper accounting records which enable it to demonstrate that the accounts as prepared comply with the above requirements.

The ACD is responsible for the management of the Company in accordance with its Instrument of Incorporation, the Prospectus and the Regulations.

The Depositary is responsible for safeguarding the property of the scheme and must take reasonable care to ensure that the scheme is managed by the ACD in compliance with the Regulations and the provisions of the Instrument of Incorporation and Prospectus.

The ACD and Depositary are responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## MANAGEMENT AND ADMINISTRATION

### REPORT OF THE ACD TO THE SHAREHOLDERS OF THE COMPANY

The ACD, as sole director, presents its report and the audited financial statements of the Company for the year from 1st March 2010 to 28th February 2011.

The Company is a non-UCITS retail scheme which complies with the FSA's Collective Investment Schemes sourcebook. The shareholders are not liable for the debts of the Company.

The Investment Objectives and Policies of each sub-fund of the Company are covered in the section for each sub-fund. The sub-funds of an umbrella company should be invested as if they were a single company. The names and addresses of the ACD, the Depositary and the Auditor are detailed on page 2.

In the future there may be other sub-funds of the Company. As a sub-fund is not a legal entity, if the assets attributable to any sub-fund were insufficient to meet the liabilities attributable to it, the shortfall might have to be met out of the assets attributable to one or more other sub-funds of the Company.

### DIRECTORS' STATEMENT

In accordance with the Regulations, we hereby certify the report on behalf of the directors of Premier Portfolio Managers Limited.



Neil Macpherson

Finance Director (of the ACD)

24th June 2011

Mark Friend

Managing Director, Operations (of the ACD)

### REPORT OF THE DEPOSITARY TO THE SHAREHOLDERS FOR THE YEAR FROM 1ST MARCH 2010 TO 28TH FEBRUARY 2011 FOR THE PENNINE DYNAMIC FUND AND THE PENNINE PATHFINDER FUND AS SUB-FUNDS OF THE PENNINE FUND ('THE COMPANY')

The Depositary is responsible for the safekeeping of all the property of the Company (other than tangible moveable property) which is entrusted to it. It is the duty of the Depositary to take reasonable care to ensure that the Company is managed in accordance with the FSA's Collective Investment Schemes sourcebook, the Open-Ended Investment Companies Regulations 2001 and the Instrument of Incorporation in relation to the pricing of, and dealings in, shares in the Company, the application of the income of the Company, and the investment and borrowing powers and restrictions applicable to the Company.

Having carried out such procedures as we considered necessary to discharge our responsibilities as Depositary, it is our opinion that:

- the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and
- the application of the Company's income have, in all material respects, been carried out in accordance with the provisions of:
- the Regulations and
- the Open-Ended Investment Companies Regulations 2001 and
- the Instrument of Incorporation of the Company

and that, in all material respects, the investment and borrowing powers and restrictions applicable to the Company, in accordance with the provision of the Regulations and Instrument of Incorporation, have been observed.

The Royal Bank of Scotland plc

Trustee & Depositary Services

24th June 2011

# MANAGEMENT AND ADMINISTRATION

## REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF THE PENNINE FUND

We have audited the financial statements of the Pennine Fund for the year ended 28th February 2011. These financial statements consist of the aggregated financial statements of the Company, which comprise the statement of total return, the statement of change in net assets attributable to shareholders, the balance sheet, and notes 1 to 15, and for each of the Company's sub-funds, the statement of total return, statement of change in net assets attributable to shareholders, balance sheet, distribution tables and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including the Statement of Recommended Practice 'Financial Statements of Authorised Funds' issued by the Investment Management Association in October 2010.

This report is made solely to the Company's shareholders, as a body, in accordance with regulation 67(2) of the Open-Ended Investment Companies Regulations 2001, and with Rule 4.5.12 of the Collective Investment Schemes sourcebook. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the Authorised Corporate Director and the auditor

As explained more fully in the Statement of the ACD and Depository's responsibilities in relation to the accounts of the scheme set out on page 2, the Authorised Corporate Director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards requires us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authorised Corporate Director; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the net revenue and net capital gains on the scheme property of the Company and each of the sub-funds for the year ended 28th February 2011, and the financial position of the Company and each of the sub-funds as at 28th February 2011, and
- have been properly prepared in accordance with the Statement of Recommended Practice 'Financial Statements of Authorised Funds' issued by the Investment Management Association in October 2010, the Collective Investment Schemes sourcebook, and the Instrument of Incorporation.

### Opinion on other matters prescribed by the Collective Investment Schemes sourcebook

In our opinion:

- we have been given all the information and explanations, which, to the best of our knowledge and belief, are necessary for the purposes of our audit, and
- the information given in the Authorised Corporate Director's Report (which comprises management and administration, investment objectives and policies, investment reviews and the portfolio of investments) is consistent with the financial statements.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Collective Investment Schemes sourcebook requires us to report to you if in our opinion:

- proper accounting records for the Company or a Sub-fund have not been kept, or
- the financial statements are not in agreement with the accounting records.

Grant Thornton UK LLP  
Registered Auditor  
Chartered Accountants  
London, England  
24th June 2011

# THE PENNINE FUND AGGREGATED FINANCIAL STATEMENTS

## STATEMENT OF TOTAL RETURN

For the year ended 28th February 2011

	Notes	28/02/11		28/02/10	
		£'000	£'000	£'000	£'000
<b>Income</b>					
Net capital gains	2		2,522		4,242
Revenue	3	421		358	
<b>Expenses</b>					
Expenses	4	(528)		(377)	
Finance costs: Interest	6	-		-	
Net expense before taxation		(107)		(19)	
Taxation	5	-		(9)	
Net expense after taxation			(107)		(28)
Total return before distributions			2,415		4,214
Finance costs: Distributions	6		-		(3)
<b>Change in net assets attributable to shareholders from investment activities</b>			<u>2,415</u>		<u>4,211</u>

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

For the year ended 28th February 2011

	Note	28/02/11		28/02/10	
		£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>			25,121		15,002
Amounts receivable on issue of shares		7,590		7,692	
Amounts payable on cancellation of shares		(7,075)		(1,788)	
			515		5,904
Dilution levy			18		3
Stamp duty reserve tax			(9)		(7)
Change in net assets attributable to shareholders from investment activities			2,415		4,211
Retained distributions on accumulation shares	6		-		8
<b>Closing net assets attributable to shareholders</b>			<u>28,060</u>		<u>25,121</u>

## BALANCE SHEET

As at 28th February 2011

	Notes	28/02/11	28/02/10
		£'000	£'000
<b>ASSETS</b>			
<b>Investment assets</b>		<u>27,531</u>	<u>23,266</u>
Debtors	7	95	822
Cash and bank balances	8	743	2,001
<b>Total other assets</b>		<u>838</u>	<u>2,823</u>
<b>Total assets</b>		<u>28,369</u>	<u>26,089</u>
<b>LIABILITIES</b>			
Creditors	10	(191)	(929)
Bank overdrafts	9	(118)	(39)
<b>Total liabilities</b>		<u>(309)</u>	<u>(968)</u>
<b>Net assets attributable to shareholders</b>		<u>28,060</u>	<u>25,121</u>

The notes on pages 6 to 8 are an integral part of these financial statements.

On behalf of Premier Portfolio Managers Limited.



Neil Macpherson

Mark Friend

Finance Director (of the ACD)

Managing Director, Operations (of the ACD)

24th June 2011

# THE PENNINE FUND AGGREGATED FINANCIAL STATEMENTS

## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments and in accordance with the Statement of Recommended Practice 'Financial Statements of Authorised Funds', issued by the IMA in October 2010, the FSA's Collective Investment Schemes sourcebook and the Instrument of Incorporation.

During the year, the sub-fund has adopted the IMA SORP 2010. Previously the financial statements were prepared in accordance with the IMA SORP 2008. There has been no impact on the financial statements or the disclosure for the year.

#### Revenue Recognition

Revenue from collective investment schemes, and quoted equity and non-equity shares is recognised net of attributable tax credits when the security is quoted ex-dividend.

Overseas revenue received after the deduction of withholding tax is shown gross of taxation, with the taxation consequences shown within the taxation charge.

Accumulation of revenue relating to accumulation units or shares held in collective investment schemes is recognised as revenue and included in the amount available for distribution. Equalisation received from distributions or accumulations on units or shares in collective investment schemes is treated as capital and deducted from the cost of the investment.

The gains and losses arising on investments in structured plans are allocated between revenue and capital according to the nature of the structured plan. This is depending on the extent to which the return is capital or revenue based.

Bank interest, interest on debt securities, underwriting commission and other revenue are recognised on an accruals basis.

Management fee rebates are accounted for on an accruals basis and are subsequently attributed to the Fund's revenue or capital consistent with the fee structure of the underlying Fund.

#### Expenses

For accounting purposes, all expenses (other than SDRT and those relating to the purchase and sale of investments) are charged against revenue for the year on an accruals basis.

#### Distributions

Amounts distributable are calculated after excluding expenses borne by capital as agreed by the ACD and Depositary.

The ACD and Depositary have agreed that 100% of the sub-fund's expenses are borne by revenue.

#### Valuations

All investments are valued at their fair value at noon on 28th February 2011, being the last business day of the financial year. The fair value of equity and non-equity shares is bid price, excluding any accrued interest.

The fair value of dual priced collective investment schemes managed by the ACD is their cancellation price and the fair value of dual priced collective investment schemes which are managed by other management groups is their bid price. The fair value of all single priced collective investment schemes is their single price, taking account of any agreed redemption charges.

Structured plans are valued at the latest price from the product provider.

#### Foreign Currencies

Assets and liabilities in currencies other than sterling are translated into sterling at the exchange rates prevailing at noon on the last working day of the accounting period. Transactions in foreign currencies are translated at the exchange rate prevailing at the transaction date.

#### Taxation

Corporation tax has been provided for at a rate of 20%. Deferred tax is provided in respect of timing differences that have originated but not been reversed at the balance sheet date. Deferred tax assets are recognised only to the extent that they are more likely than not to be recoverable.

#### Dilution Levy

In certain circumstances the ACD may charge a dilution levy, in accordance with the FSA Regulations, on all subscriptions and redemptions of shares, which is paid into the sub-funds and included in the Statement of Change in Net Assets Attributable to Shareholders. The levy is intended to cover certain dealing charges not included in the mid market value of the sub-fund used in calculating the share price, which could have a diluting effect on the performance of the sub-fund.

#### Stamp Duty Reserve Tax (SDRT)

SDRT will be charged to the sub-fund. It is the ACD's view that this will not be material.

### 2. NET CAPITAL GAINS

	28/02/11 £'000	28/02/10 £'000
Non-derivative securities	2,516	4,235
Currency (losses)/gains	(8)	4
Capital management fee rebates	15	5
Transaction charges	(1)	(2)
<b>Net capital gains</b>	<b>2,522</b>	<b>4,242</b>

### 3. REVENUE

	28/02/11 £'000	28/02/10 £'000
Bank interest	3	-
Franked UK dividends	8	1
Unfranked UK dividends	28	2
Overseas dividends	99	21
Franked distributions	196	33
Unfranked distributions	70	292
Management fee rebates	17	9
	<b>421</b>	<b>358</b>

### 4. EXPENSES

	28/02/11 £'000	28/02/10 £'000
<b>Payable to the ACD, associates of the ACD and agents of either of them:</b>		
ACD's periodic charge	430	291
	<b>430</b>	<b>291</b>
<b>Payable to the Depositary, associates of the Depositary and agents of either of them:</b>		
Depositary's fees	26	20
Safe custody fees	1	-
	<b>27</b>	<b>20</b>
<b>Other expenses:</b>		
Auditor's remuneration	14	14
Registration fees	40	35
Printing fees	4	2
Price publication fees	3	4
PRS fees	10	11
	<b>71</b>	<b>66</b>
<b>Total expenses</b>	<b>528</b>	<b>377</b>

Irrecoverable VAT is included in the above expenses where relevant.

# THE PENNINE FUND AGGREGATED FINANCIAL STATEMENTS

## 5. TAXATION

(a) The tax charge comprises:

	28/02/11 £'000	28/02/10 £'000
<b>Current tax:</b>		
Irrecoverable income tax	-	9
<b>Total taxation</b>	<u>-</u>	<u>9</u>

(b) Factors affecting the tax charge for the year:

The tax charge for the year is higher than the special 20% rate of corporation tax applicable to Open-Ended Investment Companies (OEICs). The differences are explained below:

	28/02/11 £'000	28/02/10 £'000
Net expense before taxation	(107)	(19)
	<u>(107)</u>	<u>(19)</u>

Return on ordinary activities multiplied by the special rate of corporation tax of 20% (2010: 20%)

	(21)	(4)
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### Effects of:

Franked UK dividends and distributions not subject to taxation	(57)	(7)
Irrecoverable income tax	-	9
Expenses not utilised in period	80	21
Tax effect on overseas dividends non-taxable	(5)	(3)
Tax effect on offshore dividends non-taxable	3	(7)
<b>Current tax charge (note 5 (a))</b>	<u>-</u>	<u>9</u>

Authorised OEICs are exempt from tax on capital gains made within the sub-funds.

Factors that may affect the future tax charge:

The company has not recognised a deferred tax asset of £78,637 (2010: £19,016) arising as a result of having unutilised management expenses.

## 6. FINANCE COSTS

The distributions take into account revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	28/02/11 £'000	28/02/10 £'000
Interim distribution	-	2
Interim accumulation	-	8
Final distribution	-	-
Final accumulation	-	-
	<u>-</u>	<u>10</u>

Add: Revenue deducted on cancellation of shares

- 2

Deduct: Revenue received on issue of shares

- (9)

### Net distributions for the year

- 3

Interest

- -

### Total finance costs

- 3

The difference between the net revenue after taxation and the amounts distributed comprises:

Net revenue after taxation	(107)	(28)
Deficit transferred to capital	107	31
<b>Finance costs: Distributions</b>	<u>-</u>	<u>3</u>

## 7. DEBTORS

	28/02/11 £'000	28/02/10 £'000
Accrued revenue	39	20
Amounts receivable for issue of shares	12	70
Prepaid expenses	3	2
Recoverable income tax	14	34
Management fee rebates	27	10
Sales awaiting settlement	-	686
	<u>95</u>	<u>822</u>

## 8. CASH AND BANK BALANCES

	28/02/11 £'000	28/02/10 £'000
Sterling	743	2,001
<b>Cash and bank balances</b>	<u>743</u>	<u>2,001</u>

## 9. BANK OVERDRAFTS

	28/02/11 £'000	28/02/10 £'000
Euro	118	31
Sterling	-	8
	<u>118</u>	<u>39</u>

# THE PENNINE FUND AGGREGATED FINANCIAL STATEMENTS

## 10. CREDITORS

	28/02/11 £'000	28/02/10 £'000
Accrued expenses	60	54
Amounts payable for cancellation of shares	110	8
Purchases awaiting settlement	21	867
	<b>191</b>	<b>929</b>

## 11. RELATED PARTIES

The required disclosures are set out in the notes to the financial statements of each of the sub-funds.

## 12. CONTINGENT LIABILITIES AND COMMITMENTS

There were no contingent liabilities or outstanding commitments at the balance sheet date (2010: £nil).

## 13. FINANCIAL INSTRUMENTS

The required disclosures are set out in the notes to the financial statements of each of the sub-funds.

## 14. SHARE CLASSES

The required disclosures are set out in the notes to the financial statements of each of the sub-funds.

## 15. PORTFOLIO TRANSACTION COSTS

	28/02/11 £'000	28/02/10 £'000
Analysis of total purchase costs:		
Purchases in year before transaction costs	13,527	17,996
Commissions	1	2
Taxes	-	-
<b>Total purchase costs</b>	<b>1</b>	<b>2</b>
<b>Gross purchases total</b>	<b>13,528</b>	<b>17,998</b>
Analysis of total sale costs:		
Gross sales before transaction costs	11,780	13,724
Commissions	(1)	(4)
Taxes	-	-
<b>Total sale costs</b>	<b>(1)</b>	<b>(4)</b>
<b>Total sales net of transaction costs</b>	<b>11,779</b>	<b>13,720</b>

# PENNINE DYNAMIC FUND

## COMPARATIVE TABLES

### Performance Record

Calendar Year	High (p)	Low (p)
<b>Accumulation Shares</b>		
2007 <sup>1</sup>	102.01	96.33
2008	101.18	72.56
2009	91.81	70.90
2010	102.19	88.82
2011 <sup>2</sup>	102.83	99.95

### Accumulation Record

Calendar Year	Net Income per Share (p)
<b>Accumulation Shares</b>	
2007 <sup>1</sup>	-
2008	-
2009	-
2010	-
2011 <sup>2</sup>	-

### Net Asset Value (NAV)

As at	Shares in Issue	NAV per Share (p) <sup>3</sup>
<b>Accumulation Shares</b>		
28/02/2009	5,420,570	72.63
28/02/2010	7,787,906	91.55
28/02/2011	6,510,332	100.28
<b>Total NAV</b>		<b>NAV of Sub-Fund (£)</b>
28/02/2009		3,936,793
28/02/2010		7,129,876
28/02/2011		6,528,664

<sup>1</sup> From 5th October 2007 to 31st December 2007.

<sup>2</sup> To 28th February 2011.

<sup>3</sup> The net asset value per share is calculated on a bid basis and excludes any distribution payable.

## TOTAL EXPENSE RATIO (TER)

	28/02/11	28/02/10
	2.67%	2.55%

The TER shows the annual operating expenses of the sub-fund including the annual management charge and other expenses. It does not include transaction charges. Funds highlight the TER to help you compare the annual operating expenses of different schemes. The TER for income and accumulation shares is the same.

## INVESTMENT OBJECTIVE AND POLICY

The investment objective of the Pennine Dynamic Fund is to provide long-term capital growth from a portfolio of global investments.

The investment policy is to invest predominantly in units in collective investment schemes. The long-term capital growth objective may lead to the sub-fund maintaining a weighting of equity based collective investment schemes. The sub-fund may also invest in equities, fixed interest securities, money market instruments, deposits and warrants, and may invest indirectly in immovable property typically through units in collective investment schemes and/or shares in property companies.

The sub-fund may invest in unregulated collective investment schemes such as hedge funds (where investment in such funds would be consistent with the investment objective and policy of the Fund).

Subject to the above, the sub-fund may invest in any asset class and adopt any investment technique or strategy permitted under FSA rules and as detailed in the full prospectus. The sub-fund may invest in derivatives and forward transactions for investment purposes as well as for the purposes of efficient portfolio management (including hedging).

## INVESTMENT REVIEW

### PERFORMANCE

The Pennine Dynamic Portfolio rose 9.4% during the period under review.

### MARKET REVIEW

Global equities rose as further evidence of a sustainable global economic recovery came through. However, it has not been a smooth ride. President Obama's proposal for tighter banking regulations, coupled with the Greek sovereign debt crisis, led to a sell off early in the period.

The investigation of Goldman Sachs, over allegations of fraud in connection with US sub-prime property, shocked markets. In addition, Greece came under further pressure to agree austerity measures to reduce their growing deficit in exchange for assistance from other EU members and the International Monetary Fund (IMF).

At the end of August, comments by Ben Bernanke, the US Federal Reserve Chairman, led investors to believe that a further round of Quantitative Easing was on the cards. As a result, markets rallied to the end of the year, briefly punctuated by Ireland's banking crisis and the subsequent bailout.

From the beginning of 2011 to date, Western economies have recovered at a faster rate than anticipated. However, the question remains whether this is self sustaining or propped up by Quantitative Easing. For Asia and the Emerging Markets the spectre of inflation has turned attention away from strong GDP (Gross Domestic Product) growth and onto the threat of tightening monetary policy. On top of this, rising tensions in the Middle East have led to further concerns over the global economic recovery as Brent Crude oil neared US\$120 a barrel.

### PORTFOLIO ACTIVITY

The Fund's performance was achieved in a year where investors continued to experience considerable volatility across all markets. However, the willingness of the US to continue with further Quantitative Easing and signs that the recovery was broadening out proved encouraging for the markets in general.

Over the period our approach has been to maintain an even spread between risk assets and defensive assets - investors still have concerns regarding the sustainability of the economic recovery and the continued high levels of sovereign debt in the West.

At the start of the period we switched our oil and gold into equity exposure through the Investec Global Energy and BlackRock Gold & General funds. This was due to valuations of commodity equities lagging the price move in the underlying commodities.

## PENNINE DYNAMIC FUND

In June, we began to sell Cazenove ARF UK Dynamic after the Investment Manager departure and switched the proceeds into listed fund of hedge funds, Bluecrest AllBlue, in order to provide greater diversification. This multi strategy Fund is managed internally and has created an impressive track record which we believe is sustainable.

We have bought into JPMorgan Consumer Trends, a global Fund managed by Peter Kirkman, which looks to profit from the changing appetite of the consumer in both the West and the Emerging Markets.

We also increased our exposure to the Martin Currie Japan Alpha Fund as the Japanese economy looked set to be a significant beneficiary of the recovering global economy, which coupled with low valuations makes this holding an attractive addition.

### OUTLOOK

The US is leading the recovery in the West and there are signs that the recovery is starting to broaden out, although questions remain over its sustainability.

Developing economies are returning to the above trend growth but loose monetary policy in the West is proving to be a headache for these countries as they continue to attach to a weakening dollar. Equity markets remain wary of tightening monetary policy in these regions.

Inflation in the UK continues to be a concern. The credibility of the Bank of England is being questioned and their nerve tested. Whilst we may see an initial interest rate rise, it is unlikely we will see soaring rates whilst wage inflation remains non-existent.

Substantial sovereign debt funding in the Eurozone remains a challenge. However, with austerity programmes in full swing, there should be less fund raising this year, although hopes of a more concrete resolution, agreed by all Eurozone Finance Ministers, does not appear to be forthcoming.

For now we believe that global economic recovery is continuing which will support equity markets. The main caveat is the price of oil. Recent unrest in the Middle East and North Africa has caused Brent crude to spike to over US\$110 a barrel, if this rise continues, this could hamper the recovery.

Source: North Investment Partners, March 2011. Performance data taken from Financial Express Analytics, quoted on a total return, bid to bid, UK sterling basis. Past performance is not a guide to future returns.

The top ten purchases and sales during the period were as follows:

Purchases	Costs £'000	Sales	Proceeds £'000
Martin Currie Japan Alpha 'H'	395	First State Asia Pacific Leaders 'B'	380
iShares FTSE 250	344	iShares FTSE 100	263
JO Hambro UK Equity Income 'I'	342	Schroder Income Maximiser 'A'	230
Schroder International Select		Goldman Sachs Emerging	
Asian Total Return	330	Markets 25/06/12	217
BlackRock Gold & General 'A'	245	BlackRock Gold & General 'A'	217
JPMorgan Global Consumer Trends	240	Gold Bullion 0% Undated Notes	204
Investec Enhanced Natural Resources	187	Martin Currie Japan Alpha 'B'	202
Salar Convertible Absolute Return 'B'	172	Gartmore UK Absolute Return 'I'	156
BlueCrest Allblue	150	Chirin Asia Absolute Alpha 'I'	155
Investec Global Energy 'A'	138	Absolute Insight UK Equity	
		Market Neutral B2P	142
<b>Total purchases during the year were</b>	<b>3,547</b>	<b>Total sales during the year were</b>	<b>4,638</b>

# PENNINE DYNAMIC FUND

## PORTFOLIO OF INVESTMENTS

As at 28th February 2011

Holding	Investment	Market Value £'000	Total Value of Sub-Fund %	Holding	Investment	Market Value £'000	Total Value of Sub-Fund %
<b>COLLECTIVE INVESTMENT SCHEMES 71.95% (57.23%)</b>				<b>EXCHANGE TRADED FUNDS 13.57% (17.45%)</b>			
<b>China 1.91% (3.35%)</b>				<b>Global 3.74% (3.81%)</b>			
767	First State China Growth 'I'	44	0.67	9,200	iShares MSCI Emerging Markets	244	3.74
20,692	First State China Pacific 'B'	81	1.24			244	3.74
		125	1.91				
<b>Europe 7.17% (7.45%)</b>				<b>Japan 0.0% (0.59%)</b>			
1,303	JPMorgan Income Opportunity	140	2.14				
74,266	Neptune European Opportunities 'B'	260	3.98				
149,857	Premier Pan European Property Share Fund	68	1.05				
		468	7.17				
<b>Far East 8.77% (10.86%)</b>				<b>North America 1.26% (1.78%)</b>			
942	Atlantis China Fortune	4	0.06	10,100	iShares S&P 500	82	1.26
74,588	First State Asia Pacific Leaders 'B'	264	4.04			82	1.26
33,033	First State Indian Subcontinent 'A'	63	0.96				
1,414	Schroder International Select Asian Total Return	242	3.71				
		573	8.77				
<b>Global 9.39% (8.72%)</b>				<b>United Kingdom 8.57% (11.27%)</b>			
68,491	Allianz RCM BRIC Stars 'C'	126	1.93	43,800	iShares FTSE 100	262	4.01
8,444	BlackRock Gold & General 'A'	133	2.04	26,100	iShares FTSE 250	298	4.56
67,959	Investec Global Energy 'A'	189	2.89			560	8.57
251,337	Legal & General Dynamic Bond 'I'	165	2.53				
		613	9.39				
<b>Japan 6.22% (2.82%)</b>				<b>HEDGE FUNDS 1.52% (1.75%)</b>			
348,922	Martin Currie Japan Alpha 'H'	406	6.22				
		406	6.22				
<b>North America 2.79% (1.61%)</b>				<b>Global 1.52% (1.75%)</b>			
76,340	AXA Framlington American Growth	182	2.79	78,200	BlackRock Hedge Selector UK Emerging Companies	99	1.52
		182	2.79			99	1.52
<b>United Kingdom 35.70% (22.42%)</b>				<b>INVESTMENT TRUSTS 5.91% (8.49%)</b>			
194,636	Artemis Income 'I'	335	5.13				
155,185	Artemis Strategic Assets 'I'	103	1.58				
37,675	AXA Framlington UK Select Opportunities	452	6.92				
110,000	F&C UK Property Fund	107	1.64				
24,344	FRM Credit Alpha	19	0.29				
264,012	Investec Enhanced Natural Resources	357	5.47				
252,399	JO Hambro UK Equity Income 'I'	350	5.36				
231,207	JPMorgan Global Consumer Trends	256	3.92				
451,710	Legal & General Growth Trust 'I'	249	3.81				
999	Salar Convertible Absolute Return 'B'	103	1.58				
		2,331	35.70				
<b>EQUITY 1.96% (1.04%)</b>				<b>Asia 2.76% (1.60%)</b>			
<b>United Kingdom 1.96% (1.04%)</b>				56,000	Invesco Asia Trust	83	1.27
55,700	Better Capital Ltd	65	1.00	10,600	Invesco Asia Trust (Sub Rights)	3	0.05
60,500	John Laing Infrastructure	63	0.96	44,300	Schroder Asia Pacific	93	1.42
		128	1.96	5,200	Schroder Asia Pacific Subscription	1	0.02
						180	2.76
				<b>Global 2.66% (5.98%)</b>			
				57,700	BlueCrest Allblue	98	1.50
				87,400	PSource Structured Debt	31	0.47
				12,940	Quorum Oil and Gas	45	0.69
						174	2.66
				<b>Property 0.49% (0.91%)</b>			
				43,700	Enhanced Property Recovery	32	0.49
						32	0.49
				<b>STRUCTURED PLANS 1.09% (6.63%)</b>			
				<b>United Kingdom 1.09% (6.63%)</b>			
				4,700,000	Goldman Sachs GBP 10 Year Swap Rate Certificates due 12/06/2012	5	0.08
				80,000	Goldman Sachs GBP 10 Year Swap Rate Certificates due 20/11/2014	66	1.01
						71	1.09
				<b>Total Value of Investments</b>			
						6,268	96.00
				<b>Net Other Assets</b>			
						261	4.00
				<b>Total Net Assets</b>			
						6,529	100.00

Figures in brackets represent sector distribution at 28th February 2010.

# PENNINE DYNAMIC FUND

## STATEMENT OF TOTAL RETURN

For the year ended 28th February 2011

	Notes	28/02/11		28/02/10	
		£'000	£'000	£'000	£'000
<b>Income</b>					
Net capital gains	2		760		1,200
Revenue	3	119		106	
<b>Expenses</b>					
Expenses	4	(149)		(115)	
Finance costs: Interest	6	-		-	
Net expense before taxation		(30)		(9)	
Taxation	5	-		(2)	
Net expense after taxation			(30)		(11)
Total return before distributions			730		1,189
Finance costs: Distributions	6		-		3
<b>Change in net assets attributable to shareholders from investment activities</b>			<u>730</u>		<u>1,192</u>

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

For the year ended 28th February 2011

	28/02/11		28/02/10	
	£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>		7,130		3,937
<b>Amounts receivable on issue of shares</b>				
	1,409		2,423	
<b>Amounts payable on cancellation of shares</b>				
	(2,749)		(423)	
		(1,340)		2,000
Dilution levy		10		2
Stamp duty reserve tax		(1)		(1)
Change in net assets attributable to shareholders from investment activities		730		1,192
<b>Closing net assets attributable to shareholders</b>		<u>6,529</u>		<u>7,130</u>

## BALANCE SHEET

As at 28th February 2011

	Notes	28/02/11	28/02/10
		£'000	£'000
<b>ASSETS</b>			
<b>Investment assets</b>		<u>6,268</u>	<u>6,602</u>
<b>Debtors</b>			
	7	29	410
Cash and bank balances	8	<u>287</u>	<u>432</u>
<b>Total other assets</b>		<u>316</u>	<u>842</u>
<b>Total assets</b>		<u>6,584</u>	<u>7,444</u>
<b>LIABILITIES</b>			
Creditors	10	(25)	(306)
Bank overdrafts	9	<u>(30)</u>	<u>(8)</u>
<b>Total liabilities</b>		<u>(55)</u>	<u>(314)</u>
<b>Net assets attributable to shareholders</b>		<u>6,529</u>	<u>7,130</u>

The notes on pages 13 to 15 are an integral part of these financial statements.

On behalf of Premier Portfolio Managers Limited.



Neil Macpherson

Mark Friend

Finance Director (of the ACD)

Managing Director, Operations (of the ACD)

24th June 2011

# PENNINE DYNAMIC FUND

## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

The accounting policies are set out in the aggregated notes to the financial statements on pages 6 to 8.

During the year, the sub-fund has adopted the IMA SORP 2010. Previously the financial statements were prepared in accordance with the IMA SORP 2008. There has been no impact on the financial statements or the disclosure for the year.

### 2. NET CAPITAL GAINS

	28/02/11 £'000	28/02/10 £'000
Non-derivative securities	757	1,201
Currency losses	(2)	-
Capital management fee rebates	5	-
Transaction charges	-	(1)
<b>Net capital gains</b>	<b>760</b>	<b>1,200</b>

### 3. REVENUE

	28/02/11 £'000	28/02/10 £'000
Bank interest	1	-
Franked UK dividends	3	1
Unfranked UK dividends	5	-
Overseas dividends	31	5
Franked distributions	51	8
Unfranked distributions	21	89
Management fee rebates	7	3
	<b>119</b>	<b>106</b>

### 4. EXPENSES

	28/02/11 £'000	28/02/10 £'000
<b>Payable to the ACD, associates of the ACD and agents of either of them:</b>		
ACD's periodic charge	110	79
	<b>110</b>	<b>79</b>
<b>Payable to the Depositary, associates of the Depositary and agents of either of them:</b>		
Depositary's fees	9	8
	<b>9</b>	<b>8</b>
<b>Other expenses:</b>		
Auditor's remuneration	7	7
Registration fees	15	12
Printing fees	2	1
Price publication fees	1	2
PRS fees	5	6
	<b>30</b>	<b>28</b>
<b>Total expenses</b>	<b>149</b>	<b>115</b>

Irrecoverable VAT is included in the above expenses where relevant.

### 5. TAXATION

(a) The tax charge comprises:

	28/02/11 £'000	28/02/10 £'000
<b>Current tax:</b>		
Irrecoverable income tax	-	2
<b>Total taxation</b>	<b>-</b>	<b>2</b>

(b) Factors affecting the tax charge for the year:

The tax charge for the year is higher than the special 20% rate of corporation tax applicable to Open-Ended Investment Companies (OEICs). The differences are explained below:

	28/02/11 £'000	28/02/10 £'000
Net expense before taxation	(30)	(9)
	<b>(30)</b>	<b>(9)</b>
Return on ordinary activities multiplied by the special rate of corporation tax of 20% (2010: 20%)	(6)	(2)

**Effects of:**

Franked UK dividends and distributions not subject to taxation	(17)	(2)
Irrecoverable income tax	-	2
Expenses not utilised in period	24	8
Tax effect on overseas dividends non-taxable	(1)	(1)
Tax effect on offshore dividends non-taxable	-	(3)

**Current tax charge (note 5 (a))**

(c) <b>Deferred tax</b>		
Provision at the start of the year	-	-
Deferred tax charge in the year	-	-
<b>Provision at the end of the year</b>	<b>-</b>	<b>-</b>

Authorised OEICs are exempt from tax on capital gains made within the sub-funds.

Factors that may affect the future tax charge:

The sub-fund has not recognised a deferred tax asset of £23,088 (2010: £6,156) arising as a result of having unutilised management expenses.

# PENNINE DYNAMIC FUND

## 6. FINANCE COSTS

The distributions take into account revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	28/02/11 £'000	28/02/10 £'000
Interim accumulation	-	-
Final accumulation	-	-
	-	-
Add: Revenue deducted on cancellation of shares	-	-
Deduct: Revenue received on issue of shares	-	(3)
<b>Net distributions for the year</b>	-	<b>(3)</b>
Interest	-	-
<b>Total finance costs</b>	-	<b>(3)</b>
The difference between the net revenue after taxation and the amounts distributed comprises:		
Net expense after taxation	(30)	(11)
Income deficit taken to capital	30	8
<b>Finance costs: Distributions</b>	-	<b>(3)</b>

## 7. DEBTORS

	28/02/11 £'000	28/02/10 £'000
Accrued revenue	10	7
Amounts receivable for issue of shares	5	35
Prepaid expenses	1	1
Recoverable income tax	4	10
Management fee rebates	9	2
Sales awaiting settlement	-	355
	29	410

## 8. CASH AND BANK BALANCES

	28/02/11 £'000	28/02/10 £'000
Sterling	287	432
<b>Cash and bank balances</b>	<b>287</b>	<b>432</b>

## 9. BANK OVERDRAFTS

	28/02/11 £'000	28/02/10 £'000
Sterling	30	8
	30	8

## 10. CREDITORS

	28/02/11 £'000	28/02/10 £'000
Accrued expenses	20	20
Purchases awaiting settlement	5	286
	25	306

## 11. RELATED PARTIES

### Authorised Corporate Director ("ACD")

The ACD of the sub-fund is Premier Portfolio Managers Limited. Amounts paid to Premier Portfolio Managers Limited in respect of the ACD's periodic charge are disclosed in note 4. Amounts due at the year end are included within accrued expenses on the balance sheet where applicable.

## 12. CONTINGENT LIABILITIES AND COMMITMENTS

There were no contingent liabilities or outstanding commitments at the balance sheet date (2010: £nil).

## 13. FINANCIAL INSTRUMENTS

In pursuing the sub-fund's investment objective, the main risks arising from the sub-fund's financial instruments are market price, currency, interest rate, liquidity and counterparty risk.

### Market Price Risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the sub-fund might suffer through holding market positions in the face of price movements. The investment adviser and sub-investment adviser consider the asset allocation of the portfolio in order to minimise the risk associated with particular countries or industry sectors whilst continuing to follow the sub-fund's investment objective.

The sub-fund holds positions in structured plans. The purpose of the plans is to provide a certain level of capital protection albeit with a limited potential return, dependent on the movement of underlying market indices. The use of structured plans is intended to reduce the volatility of the overall portfolio although in extreme market conditions this may not be the case. The portfolio statement on page 11, shows that 1.09% (2010: 6.63%) of the sub-fund's portfolio consists of investments in structured plans.

The investment adviser and sub-investment adviser do not use derivative instruments to hedge the investment portfolio against risks.

### Currency Risk

The currency profile of the sub-fund's financial instruments at the balance sheet date (including short term debtors and creditors) was:

#### Currency exposure as at 28th February 2011

Currency	Portfolio of Investments £'000	Net other Assets £'000	Total £'000	Total Exposure %
US dollar	93	-	93	1.42
Sterling	6,175	261	6,436	98.58
<b>Total</b>	<b>6,268</b>	<b>261</b>	<b>6,529</b>	<b>100.00</b>

#### Currency exposure as at 28th February 2010

Currency	Portfolio of Investments £'000	Net other Assets £'000	Total £'000	Total Exposure %
US dollar	465	-	465	6.52
Sterling	6,137	528	6,665	93.48
<b>Total</b>	<b>6,602</b>	<b>528</b>	<b>7,130</b>	<b>100.00</b>

### Interest Rate Risk

The sub-fund does not have any direct interest rate risk as the majority of financial assets are in collective investment schemes, which do not pay interest. However, some of the underlying collective investment scheme investments may be directly or indirectly exposed to interest rate risk. At the year end 2.53% (2010: 3.37%) of the Portfolio of Investments was held in bond funds.

# PENNINE DYNAMIC FUND

The only interest-bearing financial assets of the sub-fund are bank balances, on which interest is calculated at a variable rate by reference to sterling bank deposit rates or the international equivalent.

## Liquidity Risk

The sub-fund's assets comprise mainly readily realisable securities, which can be readily sold. The main liability of the sub-fund is the redemption of any shares that investors wish to sell. All the financial liabilities of the sub-fund fall due within one year.

## Counterparty Risk

The sub-fund will be exposed to counterparty risk on parties with whom it trades and will bear the risk of settlement default. The sub-fund minimises concentrations of credit risk by undertaking transactions with a number of counterparties on recognised and reputable exchanges. The sub-fund only buys and sells investments through brokers which have been approved by the investment adviser and sub-investment adviser as an acceptable counterparty and from recognised product providers.

The sub-fund is exposed to counterparty risk with the issuers of structured plans.

## Fair Value of Financial Assets and Financial Liabilities

There is no material difference between the carrying values and the fair values of the financial assets and liabilities of the sub-fund disclosed in the balance sheet where applicable.

## Derivatives and Forward Transactions

The sub-fund does not hold any derivatives or forward transactions.

## 14. SHARE CLASSES

The sub-fund currently has one type of share, Accumulation shares. The AMC is as follows:

Accumulation Shares: 1.50%

The net asset value, the net asset value per share and the number of shares in issue are given in the comparative tables on page 9.

## 15. PORTFOLIO TRANSACTION COSTS

	28/02/11 £'000	28/02/10 £'000
Analysis of total purchase costs:		
Purchases in year before transaction costs	3,547	5,569
Commissions	-	-
Taxes	-	-
<b>Total purchase costs</b>	<b>-</b>	<b>-</b>
<b>Gross purchases total</b>	<b>3,547</b>	<b>5,569</b>
Analysis of total sale costs:		
Gross sales before transaction costs	4,638	4,041
Commissions	-	(1)
Taxes	-	-
<b>Total sale costs</b>	<b>-</b>	<b>(1)</b>
<b>Total sales net of transaction costs</b>	<b>4,638</b>	<b>4,040</b>

## DISTRIBUTION TABLE

For the period from 1st March 2010 to 28th February 2011

### Interim and Final dividend distribution in pence per share

Expenses exceeded revenue during the period, as a result no distributions were paid. (2010: Same).

# PENNINE PATHFINDER FUND

## COMPARATIVE TABLES

### Performance Record

Calendar Year	High (p)	Low (p)
---------------	----------	---------

#### Income Shares

2007 <sup>1</sup>	101.22	98.41
2008	102.34	80.59
2009	100.64	78.83
2010	110.09	97.94
2011 <sup>2</sup>	110.84	108.56

#### Accumulation Shares

2007 <sup>1</sup>	101.22	98.42
2008	102.32	81.02
2009	101.32	79.46
2010	110.83	98.60
2011 <sup>2</sup>	111.58	109.29

### Income/Accumulation Record

Calendar Year	Net Income per Share (p)
---------------	--------------------------

#### Income Shares

2007 <sup>1</sup>	-
2008	0.5658
2009	0.1008
2010	-
2011 <sup>2</sup>	-

#### Accumulation Shares

2007 <sup>1</sup>	-
2008	0.5658
2009	0.1028
2010	-
2011 <sup>2</sup>	-

### Net Asset Value (NAV)

As at	Shares in Issue	NAV per Share (p) <sup>3</sup>
-------	-----------------	--------------------------------

#### Income Shares

28/02/2009	2,814,964	80.72
28/02/2010	3,118,736	100.57
28/02/2011	3,154,043	108.80

#### Accumulation Shares

28/02/2009	10,821,221	81.26
28/02/2010	14,670,360	101.25
28/02/2011	16,524,262	109.53

#### Total NAV

	NAV of Sub-Fund (£)
28/02/2009	11,065,417
28/02/2010	17,990,725
28/02/2011	21,531,209

<sup>1</sup> From 5th October 2007 to 31st December 2007.

<sup>2</sup> To 28th February 2011.

<sup>3</sup> The net asset value per share is calculated on a bid basis and excludes any distribution payable.

## TOTAL EXPENSE RATIO (TER)

	28/02/11	28/02/10
--	----------	----------

	2.45%	2.35%
--	-------	-------

The TER shows the annual operating expenses of the sub-fund including the annual management charge and other expenses. It does not include transaction charges. Funds highlight the TER to help you compare the annual operating expenses of different schemes.

## INVESTMENT OBJECTIVE AND POLICY

The investment objective of the Pennine Pathfinder Fund is to provide medium to long term growth from a portfolio of global investments.

The investment policy of the sub-fund is to invest mainly in units in collective investment schemes. The sub-fund may also invest in equities, fixed interest securities, money market instruments, deposits and warrants, and may invest indirectly in immovable property, typically through units in collective investment schemes and/or shares in property companies.

The sub-fund may invest in unregulated collective investment schemes such as hedge funds (where investment in such funds would be consistent with the investment objective and policy of the Fund).

Subject to the above, the sub-fund may invest in any asset class and adopt any investment technique or strategy permitted under FSA rules and as detailed in the full prospectus. The sub-fund may invest in derivatives and forward transactions for investment purposes as well as for the purposes of efficient portfolio management (including hedging).

## INVESTMENT REVIEW

### PERFORMANCE

The Pennine Pathfinder Portfolio rose by 8.1% during the period under review.

### MARKET REVIEW

Global equities rose as further evidence of a sustainable global economic recovery came through. However, it has not been a smooth ride. President Obama's proposal for tighter banking regulations, coupled with the Greek sovereign debt crisis, led to a sell off early in the period.

The investigation of Goldman Sachs, over allegations of fraud in connection with US sub-prime property, shocked markets. In addition, Greece came under further pressure to agree austerity measures to reduce their growing deficit in exchange for assistance from other EU members and the International Monetary Fund (IMF).

At the end of August, comments by Ben Bernanke, the US Federal Reserve Chairman, led investors to believe that a further round of Quantitative Easing was on the cards. As a result, markets rallied to the end of the year, briefly punctuated by Ireland's banking crisis and the subsequent bailout.

From the beginning of 2011 to date, Western economies have recovered at a faster rate than anticipated. However, the question remains whether this is self sustaining or propped up by Quantitative Easing. For Asia and the Emerging Markets the spectre of inflation has turned attention away from strong GDP (Gross Domestic Product) growth and onto the threat of tightening monetary policy. On top of this, rising tensions in the Middle East have led to further concerns over the global economic recovery as Brent Crude oil neared US\$120 a barrel.

### PORTFOLIO ACTIVITY

The Fund's performance was achieved in a year where investors continued to experience considerable volatility across all markets. However, the willingness of the US to continue with further Quantitative Easing and signs that the recovery was broadening out proved encouraging for the markets in general.

Over the period our approach has been to maintain an even spread between risk assets and defensive assets - investors still have concerns regarding the sustainability of the economic recovery and the continued high levels of sovereign debt in the West.

## PENNINE PATHFINDER FUND

At the start of the period we switched our oil and gold into equity exposure through the Investec Global Energy and BlackRock Gold & General funds. This was due to valuations of commodity equities lagging the price move in the underlying commodities.

In June we began to sell Cazenove ARF UK Dynamic after the Investment Manager departure and switched the proceeds into the listed fund of hedge funds, Bluecrest AllBlue, in order to provide greater diversification. This multi strategy Fund is managed internally and has created an impressive track record which we believe is sustainable.

We also bought into JPMorgan Consumer Trends, a global Fund, managed by Peter Kirkman, which looks to profit from the changing appetite of the consumer in both the West and the Emerging Markets.

Towards the end of the period we invested in John Laing Infrastructure, a new investment trust focused on substantial publicly financed infrastructure projects such as schools and hospitals. The Trust provides exposure to stable and dependable long term government contracts and is targeting a yield of 6% in its first year. Most of the contracts are also tied too.

### OUTLOOK

The US is leading the recovery in the West and there are signs that the recovery is starting to broaden out although questions remain over its sustainability.

Developing economies are returning to the above trend growth but loose monetary policy in the West is proving to be a headache for these countries as they continue to attach to a weakening dollar. Equity markets remain wary of tightening monetary policy in these regions.

Inflation in the UK continues to be a concern. The credibility of the Bank of England is being questioned and their nerve tested. Whilst we may see an initial interest rate rise, it is unlikely we will see soaring rates whilst wage inflation remains non-existent.

Substantial sovereign debt funding in the Eurozone remains a challenge. However, with austerity programmes in full swing, there should be less fund raising this year, although hopes of a more concrete resolution, agreed by all Eurozone Finance Ministers, does not appear to be forthcoming.

For now, we believe that global economic recovery is continuing which will support equity markets. The main caveat is the price of oil. Recent unrest in the Middle East and North Africa has caused Brent crude to spike to over US\$110 a barrel, if this rise continues, this could hamper the recovery.

Source: North Investment Partners, March 2011. Performance data taken from Financial Express Analytics, quoted on a total return, bid to bid, UK sterling basis. Past performance is not a guide to future returns.

The top ten purchases and sales during the period were as follows:

Purchases	Costs	Sales	Proceeds
	£'000		£'000
iShares FTSE 100	1,110	Absolute Insight UK Equity	
Thames River Credit Select	803	Market Neutral B2P	991
JO Hambro UK Equity Income 'I'	798	First State Asia Pacific Leaders 'B'	857
JPMorgan Income Opportunity	781	iShares S&P 500	550
Martin Currie Japan Alpha 'H'	779	Gold Bullion 0% Undated Notes	543
JPMorgan Global Consumer Trends	713	Gartmore UK Absolute Return 'I'	519
Schroder International Select		Schroder Income Maximiser 'A'	400
Asian	676	Chirin Asia Absolute Alpha 'I'	382
AXA Framlington UK		Martin Currie Japan Alpha B	379
Select Opportunities	600	ETFS Oil Securities	363
Salar Convertible Absolute		Goldman Sachs Dividend Linked	
Return 'B'	570	Equity Income Portfolio	329
Absolute Insight UK Equity			
Market Neutral B2P	479		
<b>Total purchases during the year were</b>	<b>9,981</b>	<b>Total sales during the year were</b>	<b>7,141</b>

# PENNINE PATHFINDER FUND

## PORTFOLIO OF INVESTMENTS

As at 28th February 2011

Holding	Investment	Market Value £'000	Total Value of Sub-Fund %	Holding	Investment	Market Value £'000	Total Value of Sub-Fund %
<b>COLLECTIVE INVESTMENT SCHEMES 65.38% (56.66%)</b>				<b>EXCHANGE TRADED FUNDS 10.31% (11.57%)</b>			
<b>China 3.04% (3.63%)</b>				<b>Asia 0.00% (1.89%)</b>			
166,670	First State China Pacific 'B'	654	3.04	14,222	iShares MSCI Emerging Markets	378	1.76
		<b>654</b>	<b>3.04</b>			<b>378</b>	<b>1.76</b>
<b>Europe 8.90% (6.93%)</b>				<b>North America 0.34% (3.50%)</b>			
7,614	JPMorgan Income Opportunity	820	3.81	9,000	iShares S&P 500	73	0.34
100,896	Neptune European Opportunities 'B'	354	1.64			<b>73</b>	<b>0.34</b>
1,636,113	Premier Pan European Property Share Fund	742	3.45				
		<b>1,916</b>	<b>8.90</b>	<b>United Kingdom 8.21% (6.18%)</b>			
<b>Far East 6.19% (9.75%)</b>				206,918	iShares FTSE 100	1,236	5.74
3,447	Atlantis China Fortune	14	0.07	46,520	iShares FTSE 250	531	2.47
193,752	First State Asia Pacific Leaders 'B'	685	3.18			<b>1,767</b>	<b>8.21</b>
3,697	Schroder International Select Asian	634	2.94	<b>HEDGE FUNDS 5.54% (4.63%)</b>			
		<b>1,333</b>	<b>6.19</b>	<b>Global 5.54% (4.63%)</b>			
<b>Global 11.94% (9.06%)</b>				296,000	BlackRock Hedge Selector UK Emerging Companies	376	1.75
208,700	Allianz RCM BRIC Stars 'C'	383	1.78	78,204	Thames River Credit Select	815	3.79
57,720	BlackRock Gold & General 'A'	909	4.22			<b>1,191</b>	<b>5.54</b>
323,027	Investec Global Energy 'A'	897	4.17	<b>INVESTMENT TRUSTS 8.22% (7.14%)</b>			
581,015	Legal & General Dynamic Bond Trust Class I	382	1.77	<b>Asia 0.85% (0.87%)</b>			
		<b>2,571</b>	<b>11.94</b>	79,000	Invesco Asia Trust	117	0.54
<b>Japan 3.98% (2.10%)</b>				15,800	Invesco Asia Trust (Sub Rights)	5	0.02
736,912	Martin Currie Japan Alpha 'H'	857	3.98	30,000	Schroder Asia Pacific	63	0.29
		<b>857</b>	<b>3.98</b>	6,000	Schroder Asia Pacific Subscription	1	-
<b>North America 1.76% (1.76%)</b>						<b>186</b>	<b>0.85</b>
158,231	AXA Framlington American Growth	378	1.76	<b>Global 6.16% (5.06%)</b>			
		<b>378</b>	<b>1.76</b>	40,800	BlackRock World Mining	319	1.48
<b>United Kingdom 29.57% (23.43%)</b>				368,697	BlueCrest Allblue	625	2.90
639,729	Artemis Income 'I'	1,100	5.11	167,806	Cazenove Absolute Equity	195	0.92
1,064,185	Artemis Strategic Assets 'I'	706	3.28	37,928	CQS RIG Finance	9	0.04
60,000	AXA Framlington UK Select Opportunities	720	3.34	173,533	PSource Structured Debt	63	0.29
410,000	F&C UK Property Fund	397	1.84	33,167	Quorum Oil and Gas	115	0.53
78,098	FRM Credit Alpha	61	0.28			<b>1,326</b>	<b>6.16</b>
329,222	Investec Enhanced Natural Resources	445	2.07	<b>Property 1.21% (1.21%)</b>			
594,677	JO Hambro UK Equity Income 'I'	825	3.83	181,304	Enhanced Property Recovery	131	0.61
691,194	JPMorgan Global Consumer Trends	764	3.55	75,000	MedicX	54	0.25
640,583	Legal & General Growth Trust 'I'	353	1.64	104,000	Terra Catalyst*	75	0.35
141,032	M&G Optimal Income 'I'	173	0.80			<b>260</b>	<b>1.21</b>
5,583	Salar Convertible Absolute Return 'B'	575	2.67	<b>STRUCTURED PLANS 5.28% (8.70%)</b>			
553,296	Schroders Income Maximiser 'A'	250	1.16	<b>United Kingdom 5.28% (8.70%)</b>			
		<b>6,369</b>	<b>29.57</b>	12,600,000	Goldman Sachs GBP 10 Year Swap Rate Certificates due 12/06/2012	13	0.06
<b>EQUITY 4.03% (3.92%)</b>				699,000	Goldman Sachs GBP 10 Year Swap Rate Certificates due 20/11/2014	581	2.70
<b>United Kingdom 4.03% (3.92%)</b>				512,000	Goldman Sachs Emerging Markets 25/06/2012	543	2.52
190,000	Better Capital Ltd	223	1.04	69	Goldman Sachs Sterling Liquid Reserves	-	-
151,391	HSBC Infrastructure	176	0.82			<b>1,137</b>	<b>5.28</b>
452,000	John Laing Infrastructure	468	2.17				
		<b>867</b>	<b>4.03</b>				

# PENNINE PATHFINDER FUND

## PORTFOLIO OF INVESTMENTS

As at 28th February 2011

Holding	Investment	Market Value £'000	Total Value of Sub-Fund %
	<b>Total Value of Investments</b>	<b>21,263</b>	<b>98.76</b>
	<b>Net Other Assets</b>	<b>268</b>	<b>1.24</b>
	<b>Total Net Assets</b>	<b>21,531</b>	<b>100.00</b>

\*Securities held on the Alternative Investment Market (AIM).

Figures in brackets represent sector distribution at 28th February 2010.

# PENNINE PATHFINDER FUND

## STATEMENT OF TOTAL RETURN

For the year ended 28th February 2011

	Notes	28/02/11		28/02/10	
		£'000	£'000	£'000	£'000
<b>Income</b>					
Net capital gains	2		1,762		3,042
Revenue	3	302		252	
<b>Expenses</b>					
Expenses	4	(379)		(262)	
Finance costs: Interest	6	-		-	
Net expense before taxation		(77)		(10)	
Taxation	5	-		(7)	
Net expense after taxation			(77)		(17)
Total return before distributions			1,685		3,025
Finance costs: Distributions	6		-		(6)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>1,685</b>		<b>3,019</b>

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

For the year ended 28th February 2011

	Note	28/02/11		28/02/10	
		£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>			17,991		11,065
Amounts receivable on issue of shares		6,181		5,269	
Amounts payable on cancellation of shares		(4,326)		(1,365)	
			1,855		3,904
Dilution levy			8		1
Stamp duty reserve tax			(8)		(6)
Change in net assets attributable to shareholders from investment activities			1,685		3,019
Retained distributions on accumulation shares	6		-		8
<b>Closing net assets attributable to shareholders</b>			<b>21,531</b>		<b>17,991</b>

## BALANCE SHEET

As at 28th February 2011

	Notes	28/02/11	28/02/10
		£'000	£'000
<b>ASSETS</b>			
Investment assets		<u>21,263</u>	<u>16,664</u>
Debtors	7	66	412
Cash and bank balances	8	<u>456</u>	<u>1,569</u>
<b>Total other assets</b>		<u>522</u>	<u>1,981</u>
<b>Total assets</b>		<u>21,785</u>	<u>18,645</u>
<b>LIABILITIES</b>			
Creditors	10	(166)	(623)
Bank overdrafts	9	(88)	(31)
Distribution payable on income shares	6	-	-
<b>Total liabilities</b>		<u>(254)</u>	<u>(654)</u>
<b>Net assets attributable to shareholders</b>		<u>21,531</u>	<u>17,991</u>

The notes on pages 21 to 23 are an integral part of these financial statements.

On behalf of Premier Portfolio Managers Limited.



Neil Macpherson  
Finance Director (of the ACD)

Mark Friend  
Managing Director, Operations (of the ACD)

24th June 2011

# PENNINE PATHFINDER FUND

## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

The accounting policies are set out in the aggregated notes to the financial statements on pages 6 to 8.

During the year, the sub-fund has adopted the IMA SORP 2010. Previously the financial statements were prepared in accordance with the IMA SORP 2008. There has been no impact on the financial statements or the disclosure for the year.

### 2. NET CAPITAL GAINS

	28/02/11 £'000	28/02/10 £'000
Non-derivative securities	1,759	3,034
Currency (losses)/gains	(6)	4
Capital management fee rebates	10	5
Transaction charges	(1)	(1)
<b>Net capital gains</b>	<b>1,762</b>	<b>3,042</b>

### 3. REVENUE

	28/02/11 £'000	28/02/10 £'000
Bank interest	2	-
Franked UK dividends	5	2
Unfranked UK dividends	23	-
Overseas dividends	68	16
Franked distributions	145	25
Unfranked distributions	49	203
Management fee rebates	10	6
	<b>302</b>	<b>252</b>

### 4. EXPENSES

	28/02/11 £'000	28/02/10 £'000
<b>Payable to the ACD, associates of the ACD and agents of either of them:</b>		
ACD's periodic charge	320	212
	<b>320</b>	<b>212</b>
<b>Payable to the Depositary, associates of the Depositary and agents of either of them:</b>		
Depositary's fees	17	12
Safe custody fees	1	-
	<b>18</b>	<b>12</b>
<b>Other expenses:</b>		
Auditor's remuneration	7	7
Registration fees	25	23
Printing fees	2	1
Price publication fees	2	2
PRS fees	5	5
	<b>41</b>	<b>38</b>
<b>Total expenses</b>	<b>379</b>	<b>262</b>

Irrecoverable VAT is included in the above expenses where relevant.

### 5. TAXATION

(a) The tax charge comprises:

	28/02/11 £'000	28/02/10 £'000
<b>Current tax:</b>		
Irrecoverable income tax	-	7
<b>Total taxation</b>	<b>-</b>	<b>7</b>

(b) Factors affecting the tax charge for the year:

The tax charge for the year is higher than the special 20% rate of corporation tax applicable to Open-Ended Investment Companies (OEICs). The differences are explained below:

	28/02/11 £'000	28/02/10 £'000
Net expense before taxation	(77)	(10)
	<b>(77)</b>	<b>(10)</b>

Return on ordinary activities multiplied by the special rate of corporation tax of 20% (2010: 20%)

(15)	(2)
------	-----

**Effects of:**

Franked UK dividends and distributions not subject to taxation	(40)	(5)
Irrecoverable income tax	-	7
Expenses not utilised in period	56	13
Tax effect on overseas dividends non-taxable	(4)	(2)
Tax effect on offshore dividends non-taxable	3	(4)

<b>Current tax charge (note 5 (a))</b>	<b>-</b>	<b>7</b>
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(c) Deferred tax

Provision at the start of the year	-	-
Deferred tax charge in the year	-	-
<b>Provision at the end of the year</b>	<b>-</b>	<b>-</b>

Authorised OEICs are exempt from tax on capital gains made within the sub-funds.

Factors that may affect the future tax charge:

The sub-fund has not recognised a deferred tax asset of £55,549 (2010: £12,860) arising as a result of having unutilised management expenses.

# PENNINE PATHFINDER FUND

## 6. FINANCE COSTS

The distributions take into account revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	28/02/11 £'000	28/02/10 £'000
Interim distribution	-	2
Interim accumulation	-	8
	-	10
Add: Revenue deducted on cancellation of shares	-	2
Deduct: Revenue received on issue of shares	-	(6)
<b>Net distributions for the year</b>	-	<b>6</b>
Interest	-	-
<b>Total finance costs</b>	-	<b>6</b>
The difference between the net revenue after taxation and the amounts distributed comprises:		
Net revenue after taxation	(77)	(17)
Deficit transferred to capital	77	23
<b>Finance costs: Distributions</b>	-	<b>6</b>

## 7. DEBTORS

	28/02/11 £'000	28/02/10 £'000
Accrued revenue	29	13
Amounts receivable for issue of shares	7	35
Prepaid expenses	2	1
Recoverable income tax	10	24
Management fee rebates	18	8
Sales awaiting settlement	-	331
	<b>66</b>	<b>412</b>

## 8. CASH AND BANK BALANCES

	28/02/11 £'000	28/02/10 £'000
Sterling	456	1,569
<b>Cash and bank balances</b>	<b>456</b>	<b>1,569</b>

## 9. BANK OVERDRAFTS

	28/02/11 £'000	28/02/10 £'000
Euro	-	31
Sterling	88	-
	<b>88</b>	<b>31</b>

## 10. CREDITORS

	28/02/11 £'000	28/02/10 £'000
Accrued expenses	40	34
Amounts payable for cancellation of shares	110	8
Purchases awaiting settlement	16	581
	<b>166</b>	<b>623</b>

## 11. RELATED PARTIES

### Authorised Corporate Director ("ACD")

The ACD of the sub-fund is Premier Portfolio Managers Limited. Amounts paid to Premier Portfolio Managers Limited in respect of the ACD's periodic charge are disclosed in note 4. Amounts due at the year end are included within accrued expenses on the balance sheet where applicable.

## 12. CONTINGENT LIABILITIES AND COMMITMENTS

There were no contingent liabilities or outstanding commitments at the balance sheet date (2010: £nil).

## 13. FINANCIAL INSTRUMENTS

In pursuing the sub-fund's investment objective, the main risks arising from the sub-fund's financial instruments are market price, currency, interest rate, liquidity and counterparty risk.

### Market Price Risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the sub-fund might suffer through holding market positions in the face of price movements. The investment adviser and sub-investment adviser consider the asset allocation of the portfolio in order to minimise the risk associated with particular countries or industry sectors whilst continuing to follow the sub-fund's investment objective.

The sub-fund holds positions in structured plans. The purpose of the plans is to provide a certain level of capital protection albeit with a limited potential return, dependent on the movement of underlying market indices. The use of structured plans is intended to reduce the volatility of the overall portfolio although in extreme market conditions this may not be the case. The portfolio statement on page 18, shows that 5.28% (2010: 8.70%) of the sub-fund's portfolio consists of investments in interest swap rate certificates.

The investment adviser and sub-investment adviser do not use derivative instruments to hedge the investment portfolio against risks.

### Currency Risk

The currency profile of the sub-fund's financial instruments at the balance sheet date (including short term debtors and creditors) was:

### Currency exposure as at 28th February 2011

Currency	Portfolio of Investments £'000	Net other Assets £'000	Total £'000	Total Exposure %
US dollar	130	-	130	0.60
Sterling	21,133	268	21,401	99.40
<b>Total</b>	<b>21,263</b>	<b>268</b>	<b>21,531</b>	<b>100.00</b>

# PENNINE PATHFINDER FUND

## Currency exposure as at 28th February 2010

Currency	Portfolio of Investments £'000	Net other Assets £'000	Total £'000	Total Exposure %
US dollar	1,186	-	1,186	6.59
Sterling	15,478	1,327	16,805	93.41
<b>Total</b>	<b>16,664</b>	<b>1,327</b>	<b>17,991</b>	<b>100.00</b>

### Interest Rate Risk

The sub-fund does not have any direct interest rate risk as the majority of financial assets are in collective investment schemes, which do not pay interest. However, some of the underlying collective investment scheme investments may be directly or indirectly exposed to interest rate risk. At the year end 6.36% (2010: 5.55%) of the Portfolio of Investments was held in bond funds.

The only interest-bearing financial assets of the sub-fund are bank balances, on which interest is calculated at a variable rate by reference to sterling bank deposit rates or the international equivalent.

### Liquidity Risk

The sub-fund's assets comprise mainly readily realisable securities, which can be readily sold. The main liability of the sub-fund is the redemption of any shares that investors wish to sell. All the financial liabilities of the sub-fund fall due within one year.

### Counterparty Risk

The sub-fund will be exposed to counterparty risk on parties with whom it trades and will bear the risk of settlement default. The sub-fund minimises concentrations of credit risk by undertaking transactions with a number of counterparties on recognised and reputable exchanges. The sub-fund only buys and sells investments through brokers which have been approved by the investment adviser and sub-investment adviser as an acceptable counterparty and from recognised product providers.

The sub-fund is exposed to counterparty risk with the issuers of structured plans.

### Fair Value of Financial Assets and Financial Liabilities

There is no material difference between the carrying values and the fair values of the financial assets and liabilities of the sub-fund disclosed in the balance sheet where applicable.

### Derivatives and Forward Transactions

The sub-fund does not hold any derivatives or forward transactions that could materially impact the value of the sub-fund.

## 14. SHARE CLASSES

The sub-fund currently has two types of shares, Income and Accumulation. The AMC on each share class is as follows:

Income Shares: 1.50%

Accumulation Shares: 1.50%

The net asset value, the net asset value per share and the number of shares in issue are given in the comparative tables on page 16.

## 15. PORTFOLIO TRANSACTION COSTS

	28/02/11 £'000	28/02/10 £'000
Analysis of total purchase costs:		
Purchases in year before transaction costs	9,980	12,427
Commissions	1	2
Taxes	-	-
<b>Total purchase costs</b>	<b>1</b>	<b>2</b>
<b>Gross purchases total</b>	<b>9,981</b>	<b>12,429</b>
Analysis of total sale costs:		
Gross sales before transaction costs	7,142	9,683
Commissions	(1)	(3)
Taxes	-	-
<b>Total sale costs</b>	<b>(1)</b>	<b>(3)</b>
<b>Total sales net of transaction costs</b>	<b>7,141</b>	<b>9,680</b>

## DISTRIBUTION TABLE

For the period from 1st May 2010 to 31st August 2010

### Interim dividend distribution in pence per share

#### Income Shares

	Net Income	Equalisation	Distribution Paid	
			31/10/10	31/10/09
Group 1	-	-	-	0.0607
Group 2	-	-	-	0.0607

#### Accumulation Shares

	Net Income	Equalisation	Distribution Paid	
			31/10/10	31/10/09
Group 1	-	-	-	0.0612
Group 2	-	-	-	0.0612

For the period from 1st September 2010 to 28th February 2011

### Final dividend distribution in pence per share

Expenses exceeded revenue during the period, as a result no distributions were paid.

# The Pennine Fund

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## Administration Queries

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## This document is issued by:

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You should remember that past performance is not a guide to the future. The price of shares and the income from them may go down as well as up and you may get back less than you invested. Exchange rates will also cause the value of underlying investments to fall or rise. Tax concessions are not guaranteed and may be changed at any time; their value will depend on your individual circumstances. For your protection when dealing, your call may be recorded and monitored. Details of the nature of the investments, the commitment required and fund specific risk warnings are described in the Simplified Prospectus document which is available on request. Large print documents are available on request from the above Guildford address.



# Pennine