

# The Pennine Dynamic Fund - a sub-fund of the Pennine Fund

## Annual Short Report for the period from 1 March 2010 to 28 February 2011

The information in this report is designed to enable investors to make an informed judgement on the activities of the Fund during the year. Copies of the Long-Form Report & Accounts are available free of charge by calling Premier on 01483 306 090, or can be downloaded from the Pennine Fund website at [www.thepenninefund.co.uk](http://www.thepenninefund.co.uk)

### 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 Fund invests predominantly in units in collective investment schemes. The long-term capital growth objective may lead to the Fund maintaining a weighting of equity based collective investment schemes. The 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.

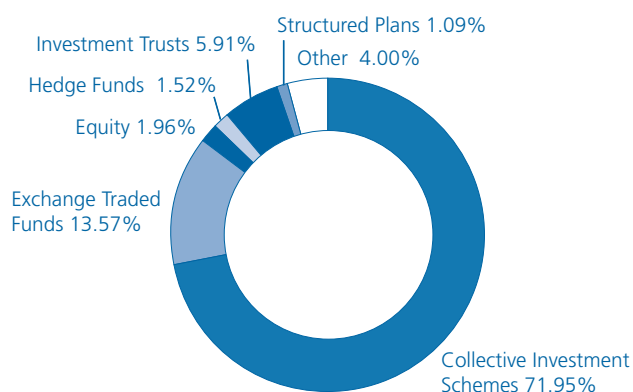
The Fund may invest in unregulated collective investment schemes such as hedge funds (where investment in such funds would be consistent with the investment objective and policy of the Fund). Subject to the above, the Fund may invest in any asset class and adopt any investment technique or strategy permitted under FSA rules and as detailed in the full prospectus. The Fund may invest in derivatives and forward transactions for investment purposes as well as for the purposes of efficient portfolio management (including hedging).

### Total Expense Ratio (TER)

28/02/2011  
2.67%

The TER shows the annual operating expenses of the 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 to different schemes.

### Asset Allocation as at 28/02/2011



### Top Ten Holdings as at 28/02/2011

AXA Framlington UK Select Opportunities	6.92%
Martin Currie Japan Alpha 'H'	6.22%
Investec Enhanced Natural Resources	5.47%
JOHambro UK Equity Income 'I'	5.36%
Artemis Income 'I'	5.13%
iShares FTSE 250	4.56%
First State Asia Pacific Leaders 'B'	4.04%
iShares FTSE 100	4.01%
Neptune European Opportunities 'B'	3.98%
JPMorgan Global Consumer Trends	3.92%

### Investment Risks

There is a market risk. This is the risk that the value of investments and any income from them, can fall as well as rise. Neither capital nor income is guaranteed.

This Fund may invest in derivatives for investment purposes. Although this may mean that the value of the Fund could be subject to volatility from time to time, investing in derivatives is not expected to alter the risk profile of the Fund.

The Fund may have significant holdings in collective investment vehicles and these collective investment vehicles may also be subject to the other risks listed on this page.

Since this Fund has been launched recently, or is small in size, there is a risk that the charges and expenses allocated to the Fund may be higher than expected if the fund does not grow as much as planned. This would have an effect on the Fund's performance.

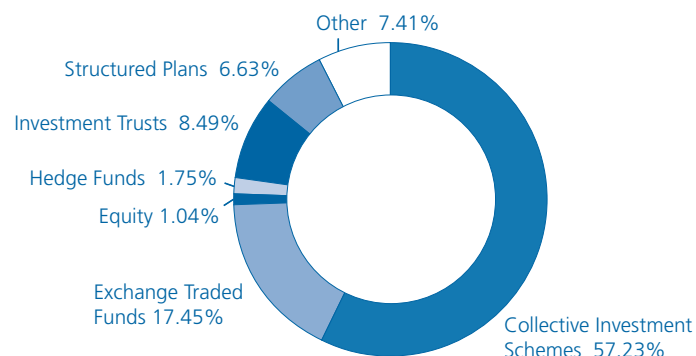
### Fund Facts

Launch date:	5 October 2007
Ex-dividend dates:	28 February and 31 August
Income dates:	30 June and 31 October

### Net Asset Values

As at	Share Class	Net Asset Value Per Share (p)
28/02/2009	Accumulation	72.63
28/02/2010	Accumulation	91.55
28/02/2011	Accumulation	100.28

### Asset Allocation as at 28/02/2010



### Top Ten Holdings as at 28/02/2010

First State Asia Pacific Leaders 'B'	7.42%
iShares FTSE 100	5.68%
Artemis Income 'I'	4.39%
iShares MSCI Emerging Markets	3.81%
Neptune European Opportunities 'B'	3.62%
Legal & General Dynamic Bond 'I'	3.37%
AXA Framlington UK Select Opportunities	3.34%
Schroder Income Maximiser 'A'	3.10%
JPMorgan Income Opportunity	2.99%
Goldman Sachs Emerging Markets 25/06/12	2.97%

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### Investment Review

#### Performance

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

#### 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.

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 full Investment Review is available in the Long-form Report & Accounts, which is available on request, or from the Pennine Fund website at [www.thepenninefund.co.uk](http://www.thepenninefund.co.uk)

### Dividend Distribution (in pence per share)

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

### Performance Record

Year	Share Class	Highest Price (p)	Lowest Price (p)
2007 <sup>1</sup>	Accumulation	102.01	96.33
2008	Accumulation	101.18	72.56
2009	Accumulation	91.81	70.90
2010	Accumulation	102.19	88.82
2011 <sup>2</sup>	Accumulation	102.83	99.95

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

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

Past performance is not an indication of future returns.

### Other Information

Authorised Corporate Director (ACD) & Registered Office: **Premier Portfolio Managers Limited,**  
Eastgate Court, High Street,  
Guildford, Surrey GU1 3DE

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

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

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

Issued by Premier Portfolio Managers Limited, Eastgate Court, High Street, Guildford, Surrey GU1 3DE.  
Tel: 01483 306090 Fax: 01483 300 845 Email: [clientservices@premierfunds.co.uk](mailto:clientservices@premierfunds.co.uk) [www.premierassetmanagement.co.uk](http://www.premierassetmanagement.co.uk)



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You should remember that past performance is not a guide to future returns and 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. Investment in these funds should be viewed as a long term investment. Exchange rates will also cause the value of underlying investments to fall as well as rise. Tax concessions are not guaranteed and may be changed at any time, their value will depend on your individual circumstances. Reference to any particular stock does not constitute a recommendation to buy or sell the stock. 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. Monthly cash withdrawals may lead to erosion of the capital value of your investment should you take a higher cash withdrawal than the growth or income generated. 0506117093