

Interim Short Report - 1 May 2013 to 31 October 2013

Premier Income Fund

Fund Facts

Launch date:	7 July 1976
Ex-dividend dates:	30 April, 31 October
Income dates:	30 June, 31 December
IMA sector:	IMA UK Equity Income

Investment Objective and Policy

To achieve a reasonable and rising income combined with long-term capital growth. The Fund will achieve this by investing primarily in UK listed companies, but it may also invest in similar companies overseas or in companies quoted on the Alternative Investment Market.

Investment Risks

The Fund holds equities concentrated by location in the UK. Equities, as an asset class, tend to experience higher volatility than many other asset types such as bonds or money market instruments. Funds concentrated in one geographic location are more vulnerable to market sentiment in that specific location and can carry a higher risk than funds holding more diversified assets.

Risk and Reward Indicator (RRI)



The Fund is ranked as six because it has experienced relatively high rises and falls in value over the past five years. Please note that even the lowest category does not mean a risk-free investment.

Ongoing Charges Figures (OCF)

	31.10.2013	30.04.2013
Class A Income Shares	1.63%	1.63%
Class B Income Shares	1.13%	1.13%
Class C Income Shares	0.88%	0.88%

The ongoing charges figure is based on the last six months' expenses for the period ending 31 October 2013 and may vary from year to year. It excludes the costs of buying or selling assets for the Fund (unless these assets are shares of another fund).

Performance Record (in pence per share)

Share Class	A Income		B Income		C Income	
Price	High	Low	High	Low	High	Low
2008	642.76	386.22	654.75	395.34	664.00	401.75
2009	510.90	396.36	525.15	406.33	534.84	413.28
2010	546.91	467.62	565.48	482.04	577.92	491.98
2011	574.34	486.47	595.19	504.35	609.17	516.33
2012	558.30	479.69	582.07	499.39	597.55	512.31
2013 ¹	680.98	557.81	714.05	582.40	735.22	598.78

¹ To 31 October 2013.

Net Asset Values (in pence per share)

Share Class	A Income	B Income	C Income
30.04.2012	512.65	533.47	547.16
30.04.2013	606.75	634.63	652.59
31.10.2013	664.85	697.55	718.32

Dividend Distribution (in pence per share)

Ex-Date	Paid	A Income	B Income	C Income
31.10.2013	27.12.2013	11.2500	11.4000	11.6500

Review & Outlook

During the reporting period the Fund has risen by 11.4% against a rise in the average UK Equity Income sector of 10.2% and a rise in the FTSE All Share Index of 7.7%.

We have seen continued strong performance for the Fund both in absolute and relative terms as well as providing a level of dividend income well above average for the Equity Income sector.

The recovering UK economy has meant that the Fund has been looking to move towards more cyclical companies, which will benefit from an increase in activity. However, it has been difficult to find many such companies on reasonable valuations although the media and life assurance sectors have provided opportunities.

In the media sector, our long standing positions of Reed Elsevier, Informa and Daily Mail and General Trust 'A' were augmented with new purchases of British Sky Broadcasting and Trinity Mirror. Both these new additions were trading on lowly valuations but looked like they had potential for recovery. The perceived threat to British Sky Broadcasting from competition in sport from BT had worried investors and pushed the shares down to attractive levels.

In the life assurance sector, the performance of our investments has continued to be strong for a variety of reasons. Legal & General (strong dividend growth), Resolution (attractive dividend yield), Standard Life (well positioned for growth), Aviva (management change) all performed well and we have recently bought Phoenix, which offers an interesting opportunity going forward if they can finalise their merger terms with Swiss Re.

The UK banks continue to work through their problems and although we don't own the domestic UK names as they offer little or no income, we recently bought into HSBC which looks attractively valued at current levels and offers a high dividend yield.

We continue to avoid the mining sector as we remain unconvinced about the outlook for China, which as a major consumer of the world's

metal supply, has a significant effect on global metal prices and mining shares. We also sold our retailers such as Kingfisher and N Brown during the period as the economic recovery is not reaching the pockets of consumers yet and the prospects for wage growth look muted.

We also sold our holding of Centrica. The price of energy has become a heated political issue, and given that we are only 18 months away from the next general election, political risk will start to enter the minds of investors next year and this may impact the Utilities sectors in particular.

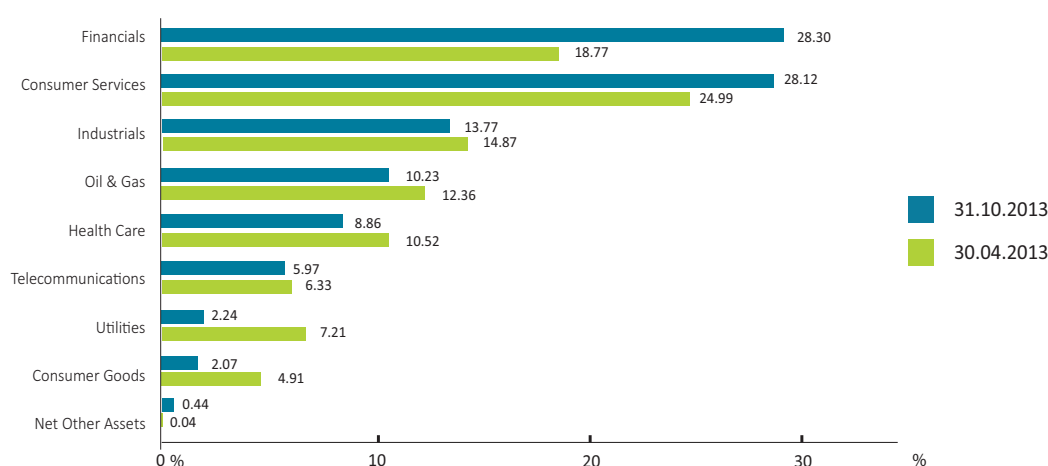
We remain optimistic about the outlook. The UK economy looks in better shape than for some time and this should feed through to increased profits and dividends for UK companies.

Whilst many areas of the stockmarket look expensive, there are still many sectors and stocks which look attractive. We continue to look for companies to invest in which are cash generative, reliable, with good prospects for profits and dividend appreciation and we continue to find such companies. Our contrarian stance means that we tend to buy companies when they are out of favour, on low valuations and high dividend yields, usually when other investors are disinterested.

The UK Equity Income sector continues to look particularly well placed given the shortage of yield in other asset classes, so we are confident in the ability of the Fund to produce attractive capital growth and income over the medium term.

Source: Premier Fund Managers Limited, November 2013. Performance data taken from FE Analytics, quoted on a total return, bid to bid, UK sterling basis. Past performance is not a guide to future returns.

Asset Allocation



Top Ten Holdings as at 31.10.2013

Royal Dutch Shell 'B'	5.89%
GlaxoSmithKline	5.48%
HSBC	5.03%
Tesco	4.18%
BAE Systems	3.97%
BT Group	3.89%
Resolution	3.80%
Informa	3.54%
Shire	3.38%
Daily Mail & General Trust	3.36%

Top Ten Holdings as at 30.04.2013

GlaxoSmithKline	7.08%
BP	5.46%
Royal Dutch Shell 'B'	5.14%
BT Group	4.42%
Centrica	4.27%
Tesco	4.18%
Daily Mail & General Trust	4.08%
William Hill	4.00%
G4S	3.61%
Dairy Crest Group	3.46%

What Does It Mean?

If you come across the odd word or phrase within your report that you are unfamiliar with, here is a glossary to help explain a few key terms.

Accumulation Shares

Any income made by the Fund will be reinvested to grow the value of your investment.

Alternative Assets

Types of non-traditional investments, which could include hedge funds and commodities for example and which are designed to help diversify a portfolio as they tend not to move in the same direction as the stock market.

Autocall

An autocall structured product has the potential to mature before the end of the product's life, if certain predetermined market conditions are reached. The investor will usually receive a pre-defined return.

Bonds

Issued by companies or governments and similar to a loan in nature, usually paying a fixed or variable interest rate.

Corporate Bonds

Issued by companies and similar to a loan in nature, usually paying a fixed rate of interest.

Credit Rating

A score awarded by an independent rating agency to indicate the financial strength of the issuer of a corporate bond, and the potential for a default on interest and principal payments. Bonds issued and backed by developed market governments are generally considered superior to bonds rated 'AAA'. The top credit rating is 'AAA'. The lowest rating to be considered 'investment grade' is 'BBB'. Below 'BBB', bonds are termed 'sub investment grade' or 'high yield'.

Credit Spreads

Can be used to describe the difference in yield between securities, due to different credit quality.

Duration

A measure of the price sensitivity of a fixed income investment / fund to a change in interest rates.

Equities

Another name for shares in a company.

Fixed Income Assets

Investments that pay out a set level of income, such as bonds or gilts.

FTSE® 100 INDEX

A share index of the 100 largest companies, by market capitalisation, listed on the UK stock exchange and could include, for example, familiar household names such as BP, Marks & Spencer and Vodafone.

Funds

A general term used to describe collective investment schemes, such as unit trusts, open-ended investment companies and closed-ended investment companies.

GDP

Gross Domestic Product (GDP) refers to the market value of all officially recognised final goods and services produced within a country in a given period.

Gilts

A bond issued by the UK government.

Hedging

A way of offsetting the potential losses that may be incurred by an investment.

Income Shares

Any income made by the Fund will be paid out to you.

Inflation Hedge

A way in which to protect capital against the effects of inflation.

Investment Grade Bond

A bond that is assigned a rating in the top four categories by commercial credit rating companies. S&P classifies investment-grade bonds as BBB or higher, and Moody's classifies investment grade bonds as BAA or higher.

Investment Trust

A company set up to buy and sell shares in other companies and is run by a Board of Directors.

LIBOR

The average interest rate estimated by leading banks in London that they would be charged if borrowing from other banks.

Market Capitalisation (market cap)

The total value of the shares of a company.

Net Asset Value (NAV)

Used to value shares of a company, calculated by taking the total assets and deducting the total liabilities.

OEIC

An 'Open Ended Investment Company' - this is similar to a unit trust. Investors pool their money together to invest in a range of different assets such as bonds, equities, property, cash etc. Each OEIC will have an investment objective, stated in a prospectus document, which could be to produce long term growth or generate a regular income.

OCF

The Ongoing Charges Figure (OCF) is designed to give you an accurate measure of what it costs to invest in a fund and helps you compare this cost between different funds. It includes the annual management charge (used to pay the investment manager, fund accountant and fund administrator for example) and other operating costs, such as fees paid to the Trustee, Auditor, Custodian and Regulator.

Options

A financial contract that enables the holder to purchase or sell a certain number of shares at a future date and at a known price.

Quantitative Easing

A government policy used to increase the money supply within an economy, by flooding the financial system with money.

RRI

The Risk and Reward Indicator (RRI) demonstrates where a fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indicator of the future risk profile of the Fund.

Structured Products/Investments

A group of financial instruments which frequently combine the potential upside of market performance with limited downside. They may also provide a fixed return in exchange for accepting a degree of risk or may generate gains from market falls. They can also be used within a Fund to help manage the impact of large stockmarket fluctuations.

Synthetic Zeros

A form of structured product which also has a pre defined return profile and a set maturity date whilst being exposed to a degree of credit and equity market risk. Synthetic zeros are usually linked to major, well known indices, such as the FTSE 100, but with much less risk than investing directly in the index itself.

Top Down Asset Allocation

An investment approach that looks to review the economic landscape prior to delving down into sector and company specifics.

Transferable Securities

A general term used to describe a broad range of investments such as bonds and company shares for example.

Volatility

Refers to the frequency and severity with which the price of an investment goes up and down.

Weighted Average Maturity (WAM)

The average time until maturity of all the underlying holdings of a fund.

Yield

The amount of income paid or expected to be paid from each share held. The yield is calculated and quoted as a percentage.

Zero Dividend Preference Shares

Shares that do not receive an income but instead pay out a return at the end of the investment's fixed life.

Please visit our website to see our glossary in full.

Available online
premierfunds.co.uk

Important Information

The full Investment Review is available in the Long-form Report & Accounts, which is available on request, or from the Premier website at www.premierfunds.co.uk.

Authorised Corporate Director	Premier Portfolio Managers Limited, (ACD) & Registered Office: Eastgate Court, High Street, Guildford, Surrey, GU1 3DE
Auditor:	KPMG Audit Plc, 15 Canada Square, Canary Wharf, London, E14 5GL
Depository:	National Westminster Bank plc, Trustee and Depository Services, Younger Building, 3 Redheughs Avenue, Edinburgh, EH12 9RH
Administrator & Registrar:	Northern Trust Global Services Limited, 50 Bank Street, Canary Wharf, London, E14 1BT
Administration Queries:	Premier Portfolio Managers Limited, PO Box 3733, Royal Wootton Bassett, Swindon, SN4 4BG Tel 0845 6056363 Email clientservices@premierfunds.co.uk Web: www.premierfunds.co.uk

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Premier, Eastgate Court, High Street, Guildford, Surrey GU1 3DE. Tel: 01483 306090. For your protection, calls may be monitored and recorded for training and quality assurance purposes.