



## Investment Objective and Policy

### Investment Objective

The Fund aims to provide an attractive level of income along with an opportunity for capital growth, by investing in a broad range of bonds and fixed income assets.

### Investment Policy

The Fund will adopt a highly flexible investment approach to take advantage of prevailing market conditions with the ability to change the emphasis of its investment focus within the fixed income universe over time. At the outset the key focus of the Fund's investment objective will be to ensure that the majority of bonds in the Fund's portfolio have an expected maturity date within a range of 3 to 5 years as this is currently deemed optimal. The key focus may however change over time, for example by shifting towards a portfolio with longer or shorter maturities or by concentrating more in one particular part of the fixed income universe.

The Fund may obtain exposure to debt instruments from the whole range of fixed income assets including high yield bonds, investment grade bonds, government bonds, asset-backed securities and other bonds (such as, for example, emerging market sovereign bonds or bank capital perpetual bonds).

The Fund will also use derivatives, such as interest rate and credit

derivatives, to either optimize exposures or reduce them in conjunction with the Investment Adviser's market viewpoint, thereby giving the Fund the opportunity to perform in both rising and declining rate environments throughout the economic cycle. The Fund may also employ synthetic short positions both for hedging purposes and to take advantage of deterioration either in the market generally or with respect to specific issuers. The Fund may also hedge some or all of its exposure in the foreign exchange markets.

The choice of bonds will typically be guided by the yield, although the potential for capital growth may also be a material factor.

The minimum recommended holding term is medium to long term.

The Investment Adviser has overall responsibility for investment policy and authority to select service providers pursuant to the Investment Management Agreement entered into with the ACD.

Securities may be traded over-the-counter, although any securities that the Fund will invest in will be listed on Eligible Markets and will be cleared through a major clearing system such as Euroclear or Clearstream.

The Focus Bond Fund will not invest in any Collective Investment Schemes.

## Investment Adviser's Report

for the period ended 30 September 2013

### Market Review

The six month period to 30 September 2013 was starkly contrasting with the first half, leading to some degree of stress and profit taking, followed by a relatively benign period with improving fundamentals and upbeat investor sentiment. This was helped by continued European Central Bank (ECB) stimulus, which in turn supported credit spread tightening.

The period started off with the Italian political impasse being swept aside with Silvio Berlusconi being marginalised, paving the way for Enrico Letta to run a relatively stable coalition. There was a brief period of profit taking in May following the Q&A session at Bernanke's testimony at the Congressional Panel when the market interpreted the comments as an imminent step down in the pace of Federal Reserve purchases (i.e. the start of tapering), which saw a marked steepening of the yield curve and some degree of credit widening. Mario Draghi once again reiterated his earlier commitment that the ECB would do whatever it needed to protect the European Union and the EU Commission announced it would extend the period for Eurozone members to reduce deficits to a 3% limit. However, the summer blues were reignited when the Chinese policy-makers announced they would make a determined effort to rein in soaring credit expansion; which acted as a catalyst to trigger a significant bout of profit taking across the emerging market sector.

The prospects of tapering, war in Syria and impending US debt ceiling talks took its toll on liquidity over the summer months, although a speech by the new Bank of England Governor, Mark Carney, gave the market support with much welcomed transparent comments on forward guidance for UK rates policy.

Slowly but surely over the summer period, the economic fundamentals began to restore some calm to markets with evidence to suggest that the US recovery was showing steady momentum and even Greece and Portugal received welcome endorsements from the EU/ECB on their respective

efforts to return to economic stability. A stronger than expected non-farm payroll number (+195k) was announced in July and an upbeat US ISM Manufacturing number (50.5) gave the market a real lift, which was given further support from decent UK PMI data and some evidence that the Eurozone may have passed the worst.

Not surprisingly, the combination of a slowly improving economic backdrop with continued ECB stimulus, corporate new issuance was significant as soon as the peak holiday season finished. Whether this volume of new paper creates a period of market indigestion and stifles the upbeat mode ahead of the year end remains to be seen, but overall the period offered the ideal backdrop for credit investors.

### Performance Review

The Fund's aim is to produce an attractive level of income, with an opportunity for capital growth. It is a total return oriented fund and not benchmark-driven. Given the increasing expectations for higher rates in the US and UK the Fund is constructed to operate with strict maturity guidelines resulting in a relatively low duration (interest rate and credit) compared to most of its peers in fixed income.

The Fund continues to be positioned in high conviction assets that outperform in the event of an improvement in market sentiment. Selective investments in the new type of banking Additional Tier 1 Capital and the increase in real money involvement in European High Yield have lent support to the Fund over the period. The Portfolio Manager's (PMs) continue to see value added being derived from credit spread, with duration being more of a headwind going forward. As such, the Fund should perform relatively well as the core sensitivity of the portfolio is positioned at the medium to short end of the curve; as a side effect there is an increase in reinvestment risk but given the current environment this is preferable to the duration risks exhibited by traditional corporate bond and government bond funds.

Despite low liquidity and the sell-off in May and June the PMs focus on high conviction assets and low duration helped generate a positive return during the period, with the NAV per share increasing by 3.75% over the six months to 30 September 2013 (Class A Gross Income), inclusive of coupons.



## Investment Adviser's Report

continued

### Investment Outlook

The backdrop of continued ECB intervention and relatively stable economic fundamentals should be supportive for further credit spread tightening. However, the threat of rising rates in the US and UK will have a dampening effect on fixed income yields. As such, asset selection is going to be ever more critical moving forward into this period of transition of higher rates.

The regulatory changes that continue to evolve in the banking sector, including the commencement of the ECB Asset Quality Review (AQR) and EBA stress tests, in the run up to the ECB being confirmed as the supervisor for the largest banks in the Eurozone, is likely to add some uncertainty in the near term for the sector at least until the results come through at the end of 2013. This should offer some investment opportunity for selective purchases. In addition, the introduction of Solvency II (finally) is expected to result in a number of tenders and exchange offers in the insurance sector, which the PMs hope to take advantage of.

## Fund Facts

### Accounting & distribution dates

	Accounting	Distribution
Final	31 March	31 May
Interim	30 September	30 November

### Fund performance

Share class	Net asset value as at 30.09.13 (£ per share)	Net asset value as at 31.03.13 (£ per share)	Net asset value % change
A Net Income	1.0053	1.000 <sup>^</sup>	0.53
A Gross Income	1.0541	1.0495	0.44

<sup>^</sup> Launch price at 29 July 2013

### Net asset values

As at 30 September 2013	Net asset value (£)	Number of shares in issue	Net asset value (£ per share)
A Net Income <sup>^</sup>	8,988	8,941	1.0053
A Gross Income	74,046,156	70,248,516	1.0541

<sup>^</sup> Launched on 29 July 2013

As at 31 March 2013	Net asset value (£)	Number of shares in issue	Net asset value (£ per share)
A Gross Income	64,359,938	61,325,044	1.0495

### Price history & distribution record

The table below shows the highest and lowest prices on a calendar year basis in pounds per share. Past performance is not necessarily a guide to the future performance.

2013 <sup>^^</sup>	Highest (£)	Lowest (£)	Net distribution (pence per share)
A Net Income <sup>^</sup>	1.0156	1.0000	0.9368
A Gross Income	1.0924	1.0477	7.6157

<sup>^</sup> Launched on 29 July 2013

<sup>^^</sup> As at 30 September 2013

2012	Highest (£)	Lowest (£)	Net distribution (pence per share)
A Gross Income	1.0686	0.9720	4.1041



## Fund Facts

continued

### Ongoing charges

Expense type	30 September 2013 <sup>^</sup> (%)
<b>Class A Net</b>	
Investment Adviser's charge	0.55
Other expenses	0.31
<b>Ongoing charge</b>	<b>0.86</b>
<b>Class A Gross</b>	
Investment Adviser's charge	0.55
Other expenses	0.26
<b>Ongoing charge</b>	<b>0.81</b>

<sup>^</sup> The ongoing charge is annualised based on fees incurred during the accounting period.

### Synthetic risk & reward indicator

The risk and reward indicator table demonstrates where the 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 indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the Risk and Reward Indicator.

Typically lower rewards, lower risk				Typically higher rewards, higher risk			
←				→			
1	2	3	4		5	6	7

The Fund is ranked at 4 because funds of this type have experienced average rises and falls in value in the past. Please note that even the lowest risk class can lose you money and that extreme market circumstances can mean you suffer severe losses in all cases.

### Risk warning

An investment in an Investment Company with Variable Capital should be regarded as a medium to long term investment. Investors should be aware that the price of shares and the revenue from them can fall as well as rise and investors may not receive back the full amount invested. Past performance is not a guide to future performance. Investments denominated in currencies other than the base currency are subject to fluctuation in exchange rates, which can be favourable or unfavourable.

### Sector classification of investments

All sectors in percentage order are shown below

Sector	% of Fund as at 30.09.13	Sector	% of Fund as at 31.03.13
Euro denominated corporate debt securities	38.19	Euro denominated corporate debt securities	41.22
Sterling denominated corporate debt securities	31.90	Sterling denominated corporate debt securities	23.95
Euro denominated asset backed securities	13.95	Euro denominated asset backed securities	14.84
United States dollar denominated corporate debt securities	9.36	United States dollar denominated corporate debt securities	8.26
Euro denominated government debt securities	2.61	Euro denominated government debt securities	5.51
Forward currency contracts	1.30	United States dollar denominated asset backed securities	1.54
Net other assets	2.69	Forward currency contracts	(1.69)
		Net other assets	6.37

### Major holdings

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

Holding	% of Fund as at 30.09.13	Holding	% of Fund as at 31.03.13
Generali Finance 6.214% Variable Perpetual	3.44	Unicredit 6.375% Variable 16/10/2018	3.36
Unicredit 6.375% Variable 16/10/2018	3.06	Axa 6.6666% Variable Perpetual	3.23
Abengoa 8.5% 31/03/2016	2.97	Dolphin Master Issuer Series 2010-3 E	3.21
ING Groep 8% Variable Perpetual	2.94	Styrolution Group GMBH 7.625% 15/05/2016	2.97
Scottish Widows 5.125% Variable Perpetual	2.91	Prosecure Funding 4.668% 30/06/2016	2.88
Axa 6.6666% Variable Perpetual	2.90	Faurecia 9.375% 15/12/2016	2.81
Styrolution Group GMBH 7.625% 15/05/2016	2.80	Numericable Finance 12.375% 15/02/2019	2.75
British Airways 8.75% 23/08/2016	2.75	ING Groep 8% Variable Perpetual	2.69
Dolphin Master Issuer Series 2010-3 E	2.69	British Airways 8.75% 23/08/2016	2.63
Obrigacoes Do Tesouro 4.2% 15/10/2016	2.61	Towergate Finance 8.5% 15/02/2018	2.63



## General Information

### Authorised Status and Structure of the Company

PFS TwentyFour Investment Funds (the 'Company') is structured as an Investment Company with Variable Capital ('ICVC'), and qualifies as an Undertaking for Collective Investment in Transferable Securities ('UCITS') Scheme. The company does not intend to have an interest in immovable or tangible movable property.

The Company is authorised and regulated in the UK by the Financial Conduct Authority ('FCA') as a UCITS Scheme and 'Umbrella company' under the COLL Sourcebook. The Company was incorporated in England and Wales on 23 July 2009 under registration number IC000765. The Shareholders are not liable for the debts of the Company.

### Buying and selling shares

The ACD will accept orders for the purchase and sale of shares on normal business days between 8.30am and 4.30pm. Instructions to buy or sell shares may either be in writing to:

PO Box 10534, Chelmsford, Essex CM1 9NT  
Or by telephone to:  
0845 026 4283

A contract note will be issued by close of business on the next business day after the dealing date to confirm the transaction.

### Report and accounts

This document is a short report of PFS TwentyFour Investment Funds - Focus Bond Fund for the period ended 30 September 2013. The full Report and Accounts for the Fund is available upon written request to Phoenix Fund Services (UK) Ltd, PO Box 10534, Chelmsford, Essex CM1 9NT

### Other information

The information in this report is designed to enable you to make an informed judgement on the activities of the Fund during the period it covers and the results of those activities at the end of the period.

### Risk profile

The main risks the Fund faces from its financial instruments are market price, credit, foreign currency and interest rate risk. The ACD reviews the policies for managing these risks in order to follow and achieve the Investment Objectives.

## Directory

### Authorised Corporate Director & Registrar

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

### Customer Service Centre

PO Box 10534, Chelmsford, Essex CM1 9NT  
Telephone: 0845 026 4283  
Fax: 0845 290 0963  
E-mail: [twentyfour@phoenixfundservices.com](mailto:twentyfour@phoenixfundservices.com)  
(Authorised and regulated by the Financial Conduct Authority)

### Directors of the ACD

R.W. Leedham  
D.W. Munting  
A.C. Reed  
J.M. Rice (retired 30 April 2013)  
D.C. Tibble (appointed 1 May 2013)

### Investment Adviser

TwentyFour Asset Management LLP  
24 Cornhill, London EC3V 3ND  
(Authorised and regulated by the Financial Conduct Authority)

### Depository

National Westminster Bank plc  
Trustee & Depository Services  
1st Floor, Younger Building,  
3 Redheughs Avenue  
Edinburgh EH12 9RH  
(Authorised and regulated by the Financial Conduct Authority)

### Auditor

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
7 More London Riverside, London SE1 2RT



**PHOENIX**  
Fund Services