PHOENIX
Fund Services

PFS Hawksmoor Open Ended Investment Company - The Vanbrugh Fund

Annual Report 31 October 2011 (Audited)

Contents

Page

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
(Authorised and regulated by the Financial Services Authority)

Customer Service Centre

PO Box 10380, Chelmsford, Essex, CM1 9JX
Telephone: 0845 026 4283
Fax: 0845 280 2425
E-mail: Hawksmoor@phoenixfundservices.com
(Authorised and regulated by the Financial Services Authority)

Directors of the ACD

R.W. Elliott (appointed 11 April 2011)
S.A. King
S.D. Mathieson (retired 31 October 2011)
A.C. Reed (appointed 1 November 2011)
J.M. Rice (appointed 22 February 2011)

Investment Advisers

Hawksmoor Investment Management Limited
3 Barnfield Crescent
Exeter
EX1 1QT
(Authorised and regulated by the Financial Services Authority)

Fund Managers

Richard Scott
Daniel Lockyer

Depositary

BNY Mellon Trust and Depositary (UK) Limited
The Bank of New York Mellon Centre
160 Queen Victoria Street
London EC4V 4LA
(Authorised and regulated by the Financial Services Authority)

Auditor

KPMG Audit Plc
Chartered Accountants & Registered Auditors
15 Canada Square,
London, E14 5GL

Managers' Report

For the year ended 31 October 2011

Investment Objective

The investment objective of the Fund is to provide capital growth and income.

Investment Policy

The Fund's portfolio will consist primarily of a diversified range of open and closed ended funds, although significant exposure to other investments such as fixed interest securities are expected to be included in the portfolio from time to time. The portfolio will be actively managed, with the Investment Manager seeking to take advantage of inefficiencies in the pricing of closed ended funds and significant movements in financial markets.

Through its investments the portfolio will be exposed to a range of asset classes, underlying currencies geographic special and holding funds managed by a variety of fund management groups and style of investment manager.

The Company permits the use of derivatives for investment purposes by the Fund, however, this policy is not currently applied and may not be applied without giving the required 60 day notice to Shareholders. If derivatives are used for the purpose of meeting the investment objective of the Fund it is not intended that the use of derivatives would significantly raise the risk profile but this cannot be guaranteed and the risk profile may increase as a result of a change in the investment policy for derivatives.

Performance Review and Income Distribution

The year to 31 October 2011 was a tumultuous time for the global economy and financial markets, and it proved to be a challenging period for managing The Vanbrugh Fund. Worries about the future of the Eurozone and fears of a renewed recession caused markets to experience incredible levels of volatility, with huge falls and rises in reaction to short term news. The Vanbrugh Fund experienced fairly steady, if modest gains from the start of the period under review through to mid-July, only for these to be eroded such that for the year to 31 October 2011 as a whole the Fund's performance was virtually flat (a positive total return of 0.1%). While this performance was similar to that of the IMA Cautious Managed Sector Average (up 0.9%) it was less than the FTSE APCIMS Income Index (which is a composite measure of the performance of shares, UK gilts, UK property and cash) which generated a total return of 4.3%. The main explanation for why The Vanbrugh Fund failed to keep pace with the FTSE APCIMS Income Index over the period, was the Fund's comparative lack of exposure to strongly performing government bonds – a subject to which we shall return later in this report. For investors who have held the Fund for some time, it is worth noting that The Vanbrugh Fund is the second best performing of 129 funds in its peer group (the IMA Cautious Managed Sector) since its launch on 18th February 2009, having delivered a total return of 55.5% compared with returns of 28.7% and 36.9% for the IMA Cautious Managed Sector Average and the FTSE APCIMS Income Index respectively. While past returns are interesting, what is more important is that we are focussed on achieving good returns in the future for all investors in the Fund, whether they have been investors since launch, or have only invested in recent weeks.

For the year to 31 October 2011 the Fund's Class A Income shares generated income of 2.1737 pence, going ex-dividend by 0.8197 pence per share on 3 May 2011 and by 1.3540 pence per share on 1 November 2011. As managers, we are focussed on maximising the Fund's total return. As a result the level of income will vary. The combination of an extended period of exceptionally low interest rates and the sharp rise in the Fund's price since it was launched has had the effect of reducing the Fund's percentage running yield. Moreover, half of the Fund's costs are taken against income. We are however optimistic that the Fund will continue to be able to generate a worthwhile, if modest, yield, and a yield that is attractive compared with the miserable level of income available on traditional low risk investments such as cash, term deposits and short dated government bonds.

Managers' Report
continued

Market Review
In managing The Vanbrugh Fund we endeavour to balance an objective of delivering an attractive level of total returns over the long term with the adoption of a comparatively cautious investment approach. However, it is an unpalatable truth that we are in an environment in which the risks of investing have risen. This fact is an inevitable consequence of cash and bond yields being so low, and well beneath the rate of inflation. The authorities are trying to encourage savers and investors to spend, or at least switch from the safety of cash and government bonds into investments such as equities and corporate bonds which help finance economic activity. By holding cash rates at close to zero, and putting downward pressure on government bond yields via quantitative easing, the authorities are effectively favouring debtors over savers and investors. The authorities' policies have raised the risks of investing to achieve a positive return after the impact of inflation. This headwind for investment is likely to prevail for some time, given the challenges facing the world economy. Nevertheless, these dynamics will change in time, and even while they persist they do not necessarily preclude the generation of positive returns. Indeed the recent turbulent months in financial markets have thrown up opportunities to buy some very attractively valued investments which should deliver decent returns over the long term.

The chief challenge over the past year has been to know what strategy to adopt in the light of the unfolding crisis in the Eurozone. It was a year in which the problems that had been papered over during the two year economic recovery since the worst of Credit Crisis in 2008/09, returned to haunt the authorities and investors. Although most emerging market economies continued to grow strongly through the period, the momentum in developed economies faded steadily. Doubts also surfaced that even some of the world's strongest economies, such as China, were set to slow, leading to fears that the global economy could slide back into a recession. The main impediment to growth in developed economies has been the burden of debt, with a need accepted by most observers to strike a delicate balance between reducing leverage without triggering a self-feeding downward spiral in demand if all sectors of the economy seek to simultaneously prioritise saving over spending. With few exceptions, this has been a problem that has affected most of the western world, but has been most acute in the weaker economies of the Eurozone given the crippling level of debts in countries such as Greece and Portugal, combined with an inability to call on the safety valve present in the UK and US of a weak exchange rate.

It is hard to remember a period when investment success has relied so heavily on the ability to predict the actions of politicians and central bankers. We are always cautious about investing in any asset that is valued expensively compared with its past, and incline instead towards assets that have a "margin of safety" of low valuations and reflect conservative expectations that are hopefully more likely to be beaten than disappointed. However, this approach has been confounded in recent months by events. We have witnessed with dismay cack-handed attempts on both sides of the Atlantic to deal with economic challenges, which have at times turned what was always going to be a challenging time, into an unnecessarily difficult period. With the number of people on the planet having over doubled in the past 50 years, it is short-sighted to get too gloomy about the growth potential of the world economy when large, highly populated countries continue to develop at a rapid rate. However, the structural and political failures in much of the developed world are causing myopia in the investment community whereby many investors would prefer to own the IOUs (i.e. government bonds) of over-indebted developed countries at record low yields rather than the modestly valued shares and bonds of global companies with excellent long term prospects.

Managers' Report
continued

Policy Review and Investment Outlook
Against the volatile backdrop described above we sought to combine a strategic policy of emphasising good quality and attractive value, with a tactical approach taking advantage of large movements up and down in markets to take profits on strength or buy on weakness. The success of our strategic policy will only become clear over time, but we do believe The Vanbrugh Fund's large exposure to high quality equities and corporate bonds will perform strongly as a tough environment should eventually result in more discrimination in markets whereas latterly it has been masked by high levels of correlation with many asset prices shooting up and down together. However, The Vanbrugh Fund's portfolio is an exciting blend of assets giving exposure to what we believe are among the most attractively valued and/or highest growth areas in the world. Our tactical approach did meet with a good degree of success in the period, and in the main we were able to time well major purchases and sales, notably with some investment trusts such as Golden Prospect, Aberforth Smaller Companies and Henderson Diversified Income where we bought shares at significant discounts and sold them later once the net asset values had risen and the discounts narrowed. However, not all of our investment timing proved successful. For example having held a specialist volatility fund as a hedge in the first half of the period, we sold the holding at a substantial loss just a couple of months in advance of the sharp fall in markets because the cost of holding the fund had become so expensive and its size in the portfolio had fallen to a very low level.

We continue to hold investment trusts within The Vanbrugh Fund's portfolio, opportunistically using them when their shares are judged to be more attractive than equivalent exposure accessed via open ended funds or in cases when they provide access to illiquid assets that are more appropriately accessed via a closed ended structure (for example private equity and equities listed in frontier markets). Closed ended funds have mainly acted as a drag on performance, with the weakest performing holdings being in this segment of the portfolio, notably the venture capital specialist 3i Group, and Impax Environmental Markets. However, the damage done to the portfolio was mitigated by reducing the proportion of the portfolio invested in closed ended funds in advance of the worst of the falls in markets. Indeed, as at 31 October 2011, 16.85% of the portfolio was invested in closed ended funds, a level that was materially lower than the 30.78% level a year earlier. We have recently been adding to some existing positions in closed ended funds at what we believe are unsustainably large discounts, with top-up purchases including 3i Group and Impax Environmental Markets. We will also consider carefully introducing further positions in closed ended funds as and when suitable opportunities arise, as we expect them to continue to play an important role in the management of The Vanbrugh Fund.

Managers' Report
continued

Conclusion
Although, painful memories of the 2008 to 2009 bear market have left investors in corporate bonds and equities highly fearful in the current turmoil in markets, the general state of companies' finances are now much sounder. As a result we believe it is possible to be realistically cautious about the economic challenges ahead, while guardedly optimistic about the prospective returns achievable from many corporate bonds and equities. The gravity of the risks facing the world economy makes it hard to be confident, and means that the current environment is such that it is wise to adopt a strategy of holding at least some investments able to withstand a harsher outcome for the world economy than we hope will be seen in practice. Nevertheless, towards the end of the period under review we were opportunistically adding to some of the areas hit hardest in the market turmoil, such as equities in Asia ex Japan markets and corporate debt offering attractive yields. We are however conscious that highly volatile conditions for the world economy and its financial markets are likely to be a continuing challenge for some time to come.

More information about The Vanbrugh Fund can be found on the website www.hawksmoorim.co.uk with information on the website including monthly factsheets which will give you more details of the investments in the portfolio and how they have changed over the period covered by this report. If you would like to receive these factsheets on a regular basis and are not already doing so, send an email to richard.scott@hawksmoorim.co.uk or daniel.lockyer@hawksmoorim.co.uk and we will be pleased to add your email address to the distribution list.

We thank you for your support and interest in the Fund.

Richard Scott and Daniel Lockyer
Hawksmoor Investment Management Limited 17 January 2012

Source for performance statistics is Financial Express Analytics. Please note all references to performance and The Vanbrugh Fund share prices refer to the retail income share class (Class A).

Portfolio Statement

as at 31 October 2011

Holding	Security	Market Value £	% of total net assets 2011
	Absolute Return (15.77%)		
507,330	Absolute Return Trust	552,990	1.83
92,670	Absolute Return Trust - Redemption Shares	120,869	0.40
1,300,000	CF Electica Absolute Macro Fund - C Accumulation *	1,312,740	4.35
35,000	Schroder ISF Emerging Markets Debt Absolute Return - GBP C Hedged *	860,300	2.85
25,000	Thames River Global Emerging Markets Absolute Return - GBP B Accumulation *	231,000	0.76
		3,077,899	10.19
	Emerging Market Equity (1.98%)		
850,000	Advanced Frontier Market Fund - Income	357,000	1.18
650,000	Blackrock Frontiers Investment Trust	492,375	1.63
		849,375	2.81
	European Equity (2.04%)		
120,000	European Assets Trust	692,400	2.29
250,000	Henderson Euro Special Situations - I Income *	279,250	0.93
		971,650	3.22
	Far East Equity (2.67%)		
9,000	Prusik Asian Equity Income Fund *	881,405	2.92
	Fixed Interest (26.42%)		
2,250,000	Cazenove Strategic Bond - X Income *	2,183,175	7.23
3,000,000	Jupiter Strategic Bond - Income *	1,748,700	5.79
2,000,000	M&G UK Inflation Linked Corporate Bond - I Income*	2,076,200	6.87
1,000,000	NB Global Floating Rate Income Fund	975,000	3.23
1,250,000	Old Mutual Global Strategic Bond - B Income *	1,349,625	4.47
10,000	PFS TwentyFour - Monument Bond Fund - I Income *	958,701	3.18
		9,291,401	30.77
	Japanese Equity (4.08%)		
450,000	GLG Japan Core Alpha - P Income *	577,350	1.91
1,850,000	Jupiter Japan Income - H Income *	827,875	2.74
		1,405,225	4.65

Portfolio Statement
continued

Holding	Security	Market Value £	% of total net assets 2011
	Global Equity (27.03%)		
2,500,000	Artemis Global Income Fund - I Income *	1,280,000	4.24
150,000	Ecofin Water & Power Opportunities	171,750	0.57
875,000	Impax Environmental Markets	805,875	2.67
900,000	Invesco Perpetual Global Equity Income Fund - Income *	1,288,170	4.26
525,000	Investec Global Gold Fund - I Accumulation*	1,022,333	3.39
450,000	New City Energy	216,000	0.72
250,000	New Star Investment Trust	176,250	0.58
300,000	Polar Capital Global Insurance Fund - GBP I Income*	594,030	1.97
10,000	Veritas Funds Global Equity Income Fund - GBP A*	1,397,300	4.63
		6,951,708	23.03
	Multi Asset (3.66%)		
1,700,000	Artemis Strategic Assets Fund - I Accumulation*	1,083,750	3.59
	Private Equity (3.26%)		
295,000	3i Group	606,225	2.01
300,000	Aberdeen Private Equity Fund	159,000	0.52
3,225,000	F&C Private Equity Trust - Restricted Voting shares	174,150	0.58
275,000	Private Equity Investor	398,750	1.32
		1,338,125	4.43
	United Kingdom Equity (7.42%)		
700,000	Ignis Cartesian Enhanced Alpha - GBP I Income*	800,800	2.65
450,000	Invesco Perpetual UK Strategic Income*	1,576,800	5.23
		2,377,600	7.88
	United Kingdom Property (2.18%)		
700,000	TR Property Investment Trust - Sigma Shares	521,150	1.73
	Investment assets (96.51%)	**28,749,288**	**95.22**
	Net other assets (3.49%)	**1,442,347**	**4.78**
	Net assets	**30,191,635**	**100.00**

All investments are ordinary shares unless otherwise stated.
The percentages in brackets show the equivalent % holdings as at 31 October 2010.
* Collective Investment Scheme permitted under COLL, not listed on any exchange.

Comparative Tables

Net asset value per share

Year as at 31 October	Income Shares			Accumulation Shares		
	Net asset value (£)	No. of shares in issue	Net asset value (pence per share)	Net asset value (£)	No. of shares in issue	Net asset value (pence per share)
Class A						
2009	5,731,188	4,285,166	133.75	–	–	–
2010	17,011,471	11,253,768	151.16	–	–	–
2011	28,648,607	19,288,889	148.52	252,833	267,219	94.62
Class B						
2011	N/A	N/A	N/A	1,290,195	1,360,156	94.86

Price history & distribution record

The table below shows the highest and lowest prices on a calendar year basis in pence per share for full calendar years since launch.

Past performance is not necessarily a guide to the future performance.

Year	Income Shares			Accumulation Shares**		
	Highest (pence)	Lowest (pence)	Net distribution (pence per share)	Highest (pence)	Lowest (pence)	Net distribution (pence per share)
Class A						
2009*	138.55	97.79	1.3860	–	–	–
2010	157.38	137.92	2.0800	–	–	–
2011^	160.45	144.55	2.1737	100.00	91.51	0.2633
Class B						
2011^	–	–	–	100.00	91.55	0.5041

* From launch 18 February 2009
** From launch date 1 August 2011 to 31 October 2011
^ As at 31 October 2011

Comparative Tables
continued

Total expense ratios

The Fund invests in collective investment schemes, the expenses incurred by these schemes in relation to the Fund (synthetic TER) are disclosed in the below table as other expenses together with the direct expenses of the Fund.

Expense type	31 October 2011 %	31 October 2010 %
Class A Income		
Investment Manager's charge	1.50	1.50
Other expenses	1.07	1.29
Total expense ratio	**2.57**	**2.79**
Class A Accumulation^		
Investment Manager's charge	1.50	N/A
Other expenses	1.09	N/A
Total expense ratio	**2.59**	**N/A**
Class B Accumulation^		
Investment Manager's charge	1.00	N/A
Other expenses	1.09	N/A
Total expense ratio	**2.09**	**N/A**

^ The total expense ratio is annualised based on the fees incurred during the accounting period.

Risk Warning

An investment in an Open Ended Investment Company 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.

Statement of the Authorised Corporate Director's Responsibilities

The ACD is responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. The Financial Services Authority's Collective Investment Schemes Sourcebook ("the COLL Sourcebook") requires the ACD to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the net revenue/expenses and of the net gains/losses on the property of the Company for that year. In preparing the financial statements the ACD is required to:

- select suitable accounting policies, as described in the attached financial statements, and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures, which are required to be disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The ACD is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable it to ensure that the financial statements comply with the COLL Sourcebook. The ACD is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the ACD is aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the ACD has taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Certification of Accounts by the Authorised Corporate Director

In accordance with the requirements of the OEIC Regulations and COLL, we hereby certify the Report on behalf of the ACD, Phoenix Fund Services (UK) Limited.

A. C. Reed
R. W. Elliot

Directors
Phoenix Fund Services (UK) Ltd
17 January 2012

Statement of the Depositary's Responsibilities in Respect of the Fund

The depositary is responsible for the safekeeping of all of the property of the Company (other than tangible movable 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 COLL Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) (the 'OEIC Regulations'), the Company's instrument of incorporation and prospectus in relation to the pricing of, and dealings in, shares in the Company, the application of income of the Company, and the investment and borrowing powers and restrictions applicable to the Company.

Report of the Depositary to the Shareholders of the Company for the Year Ended 31 October 2011

Having carried out such procedures as we considered necessary to discharge our responsibilities as depositary of the Company, in our opinion, during the year under review, we confirm that, except in respect of the matter referred to below, in all other material respects the Company has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's income, in accordance with the rules in the COLL Sourcebook and, where applicable, the OEIC Regulations, the Instrument of Incorporation and prospectus of the Company. In respect of the matter referred to above, as depositary, we have instructed the ACD to improve their monitoring of investment and borrowing powers and restrictions applicable to the Sub-Funds.

BNY Mellon Trust & Depositary (UK) Ltd
17 January 2012

Independent Auditors' Report to the Shareholders of PFS Hawksmoor Open Ended Investment Company - The Vanbrugh Fund

We have audited the financial statements of the Company for the year ended 31 October 2011 set out on pages 6 to 28. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's shareholders, as a body, in accordance with Rule 4.5.12 of the Collective Investment Schemes sourcebook ('the COLL Rules') issued by the Financial Services Authority under the Open-Ended Investment Companies Regulations 2001. 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 Authorised Corporate Director ('the ACD') Phoenix Fund Services (UK) Limited and the auditor

As explained more fully in the Statement of ACD's Responsibilities set out on page 10, the ACD 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 require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the financial position of the Company as at 31 October 2011 and of its net revenue and net capital losses/net capital gains on the property of the Company for the year then ended; and

- have been prepared in accordance with the requirements of the Instrument of Incorporation, Statement of Recommended Practice relating to Authorised Funds and the COLL Rules.

Opinion on other matters prescribed by the COLL Rules

In our opinion the information given in the Authorised Corporate Directors' Report is consistent with the financial statements.

We have received all of the information and explanations which we consider necessary for the purposes of the audit.

Independent Auditors' Report to the Shareholders of PFS Hawksmoor Open Ended Investment Company - The Vanbrugh Fund
continued

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where under the COLL Rules we are required to report to you if, in our opinion:

- proper accounting records for the Company have not been kept; or
- the financial statements are not in agreement with the accounting records.

Ravi Lamba

for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

17 January 2012

Statement of Total Return

for the year ended 31 October 2011

	Note	31.10.11 £	31.10.11 £	31.10.10 £	31.10.10 £
Income					
Net capital (losses)/gains	2		(726,870)		1,451,637
Revenue	3	677,102		307,979	
Expenses	4	(500,888)		(251,436)	
Finance costs: interest	6	(349)		(110)	
Net revenue before taxation		175,865		56,433	
Taxation	5	–		(1)	
Net revenue after taxation			175,865		56,432
Total return before distributions			**(551,005)**		**1,508,069**
Finance costs: distributions	6		(384,149)		(180,343)
Change in net assets attributable to shareholders from investment activities			**£(935,154)**		**£1,327,726**

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 31 October 2011

	31.10.11 £	31.10.11 £	31.10.10 £	31.10.10 £
Opening net assets attributable to shareholders		**17,011,471**		**5,731,188**
Amounts received on issue of shares	18,668,095		12,390,612	
Less: Amounts paid on cancellation of shares	(4,560,337)		(2,438,055)	
		14,107,758		9,952,557
Change in net assets attributable to shareholders from investment activities (see Statement of Total Return above)		(935,154)		1,327,726
Retained distribution on accumulation shares		7,560		–
Closing net assets attributable to shareholders		**£30,191,635**		**£17,011,471**

Balance Sheet
as at 31 October 2011

	Note	31.10.11 £	31.10.11 £	31.10.10 £	31.10.10 £
ASSETS					
Investment assets			**28,749,288**		**16,418,149**
Debtors	7	2,057,030		442,346	
Bank balances		1,627,709		361,207	
Total other assets			**3,684,739**		**803,553**
Total assets			**£32,434,027**		**£17,221,702**
LIABILITIES					
Creditors	8	(1,981,220)		(88,690)	
Distribution payable on income shares		(261,172)		(121,541)	
Total other liabilities			**(2,242,392)**		**(210,231)**
Net assets attributable to shareholders			**£30,191,635**		**£17,011,471**

Notes to the Financial Statements
for the year ended 31 October 2011

1. Accounting Policies

(a) Basis of accounting

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments and in accordance with the Statement of Recommended Practice ("SORP") for Financial Statements of Authorised Funds issued by the Investment Management Association in October 2010.

(b) Recognition of revenue

Revenue is included in the Statement of Total Return on the following basis:

Dividends on quoted equities and preference shares are recognised when the securities are quoted ex-dividend.

Distributions from collective investment schemes are recognised when the schemes are quoted ex-distribution. Equalisation returned with the distribution is deducted from the cost of the investment and does not form part of the distributable revenue.

Interest on debt securities and bank and short-term deposits is recognised on an earned basis.

All revenue includes witholding taxes but excludes irrecoverable tax credits.

(c) Treatment of stock and special dividends

The ordinary element of stocks received in lieu of cash dividends is credited to capital in the first instance followed by a transfer to revenue of the cash equivalent being offered and this forms part of the distributable revenue.

Special dividends are reviewed on a case by case basis in determining whether the dividend is to be treated as revenue or capital. Amounts recognised as revenue will form part of the distributable revenue. The tax accounting treatment follows the treatment of the principal amount.

(d) Treatment of expenses

All expenses, including those relating to the purchase and sale of investments and stamp duty reserve tax, are charged equally between revenue and capital for the year on an accruals basis.

(e) Allocation of revenue and expenses to multiple share classes and Funds

Any revenue or expense not directly attributable to a particular share class or Fund will normally be allocated pro-rata to the net assets of the relevant share classes and Funds.

(f) Taxation

Corporation tax is provided at 20% on revenue, after deduction of expenses.

Deferred tax is provided using the liability method on all timing differences arising on the treatment of certain items for taxation and accounting purposes, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are recognised only when, on the basis of available evidence, it is more likely than not that there will be taxable profits in the future against which the deferred tax asset can be offset.

Stamp duty reserve tax suffered on surrender of shares is deducted from capital.

Notes to the Financial Statements
continued

(g) Distribution policy

The net revenue after taxation, as disclosed in the financial statements, after adjustment for items of a capital nature, is distributable to shareholders as dividend distributions. Any revenue deficit is deducted from capital.

Interim distributions may be made at the Investment Manager's discretion and the balance of revenue is distributed in accordance with the regulations.

All expenses, except for those relating to the purchase and sale of investments and stamp duty reserve tax, are charged equally between revenue and capital, for the purpose of enhancing revenue entitlement. This may constrain the capital growth of the fund.

Distributions not claimed within a six year period will be forfeited and added back to the capital of the Fund.

(h) Basis of valuation of investments

Listed investments are valued at closing bid prices on the last business day of the accounting year excluding any accrued interest in the case of fixed interest securities.

Collective investment schemes are valued at quoted bid price for dual priced funds and at quoted price for single priced funds, on the last business day of the accounting period.

Unlisted or suspended investments are valued by the Investment Manager taking into account, where appropriate, latest dealing prices, valuations from reliable sources, financial performance and other relevant factors.

(i) Exchange rates

Transactions in foreign currencies are recorded in sterling at the rate ruling at the date of the transactions. Assets and liabilities expressed in foreign currencies at the end of the accounting period are translated into sterling at the closing exchange rates ruling on that date.

(j) Dilution levy

The ACD may require a dilution levy on the sale and redemption of shares if, in its opinion, the existing shareholders (for redemptions) might otherwise be adversely affected. In particular, the dilution levy may be charged in the following circumstances: where the scheme property is in continual decline; on a Fund experiencing large levels of net sales relative to its size; on 'large deals'; in any case where the ACD is of the opinion that the interests of remaining shareholders require the imposition of a dilution levy.

Notes to the Financial Statements

continued

2 Net Capital (Losses)/Gains	31.10.11 £	31.10.10 £
Non-derivative securities	(707,587)	1,423,043
Currency (losses) / gains	(13,868)	40,465
Transaction charges	(5,415)	(11,871)
Net capital (losses)/gains	**£(726,870)**	**£1,451,637**

3 Revenue	31.10.11 £	31.10.10 £
UK dividends: Ordinary	198,323	105,140
Special	41,275	1,352
Unfranked	–	96,650
Distribution from Regulated Collection Investment Schemes:		
Franked Investment Income	150,326	–
Unfranked Investment Income	286,089	104,410
Bank interest	24	12
Sundry	–	8
Trail commission receivable	1,065	407
Total revenue	**£677,102**	**£307,979**

Notes to the Financial Statements

continued

4 Expenses	31.10.11 £	31.10.10 £
Payable to the Authorised Corporate Director (ACD), associates of the ACD, and agents of either of them:		
ACD's fee	62,396	34,924
Registration fees	(603)	11,704
	61,793	46,628
Payable to the Investment Manager, associates of the Investment Manager and agents of either of them:		
Investment Manager's fee	400,075	179,988
Payable to the Depositary, associates of the Depositary, and agents of either of them:		
Depositary's fees (including VAT)	12,646	6,084
Safe custody and other bank charges	5,988	3,054
	18,634	9,138
Other expenses:		
Audit fee (including VAT)	8,095	6,118
FSA fee	(2,837)	3,000
Legal fees	8,710	2,938
Printing costs	6,418	3,626
	20,386	15,682
Total expenses	**£500,888**	**£251,436**

Notes to the Financial Statements

continued

5 Taxation	31.10.11 £	31.10.10 £
(a) Analysis of charge in the year		
Current tax charge (note 5b)	–	1
Current tax charge (note 5b)	**£–**	**£1**

(b) Factors affecting taxation charge for the year	£	£
Net revenue before taxation	175,865	56,433
Corporation tax at 20%	35,173	11,287
Effects of:		
UK dividends	(69,730)	(21,028)
Dividends treated as capital	(8,255)	(270)
Movement in income accruals	–	(3,930)
Surplus management expenses	43,025	14,023
Non-taxable capital revenue	(213)	(81)
Current tax charge (note 5a)	**£–**	**£1**

(c) Deferred Tax

At the period end there is a potential deferred tax asset of £65,519 (2010: £22,494) in relation to surplus management expenses. It is unlikely that the fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recongnised in this period.

Notes to the Financial Statements

continued

6 Finance Costs

Distributions

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

		31.10.11 £	31.10.10 £
Distributions			
Income Shares			
A Income	Interim	146,435	80,930
A Income	Final	261,172	121,541
Accumulation Shares			
A Accumulation	Final	703	–
B Accumulation	Final	6,857	–
		415,167	202,471
Revenue deducted on cancellation of shares		15,292	4,381
Revenue received on issue of shares		(46,310)	(26,509)
Finance costs: Distributions		384,149	180,343
Finance costs: Interest		349	110
Total finance costs		**£384,498**	**£180,453**
Reconciliation of net revenue after taxation to net distributions:			
Net revenue after taxation per statement of total return		175,865	56,432
Expenses offset against capital		250,558	125,720
Special dividends not distributed		(41,275)	(1,352)
Trail commission received to capital		(1,065)	(407)
Undistributed income brought forward		78	28
Undistributed income carried forward		(12)	(78)
Finance costs: Distributions		**£384,149**	**£180,343**

Notes to the Financial Statements

continued

7 Debtors	31.10.11 £	31.10.10 £
Amounts receivable on creations	249,618	352,856
Sales awaiting settlement	1,652,330	–
Bank interest receivable	–	10
Dividends receivable	92,608	66,009
Income tax recoverable	55,098	23,471
Prepaid expenses:		–
Safe custody charge	569	–
FSA fee	116	–
Legal fees	6,691	–
Total debtors	**£2,057,030**	**£442,346**

Notes to the Financial Statements

continued

8 **Creditors**	**31.10.11** **£**	**31.10.10** **£**
Purchases awaiting settlement	1,901,237	–
Amounts payable on cancellations	22,452	42,563
Accrued expenses:		
Amounts payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
ACD's fee	5,111	3,386
Registration fees	1,685	7,289
	6,796	10,675
Amounts payable to the Investment Manager, associates of the Investment Manager and agents of either of them:		
Investment Manager's fee	38,499	23,080
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fee	1,173	558
Transaction charges payable	–	1,170
Safe custody and other bank charges	1,147	643
	2,320	2,371
Other expenses:		
Audit fee	8,100	6,000
FSA fee	–	3,000
Printing and costs	1,816	1,001
	9,916	10,001
Total creditors	**£1,981,220**	**£88,690**

Notes to the Financial Statements

continued

9. Related Party Transactions

Authorised Corporate Director and other fees payable to Phoenix Fund Services (UK) Limited (the ACD) are disclosed in note 4 and amounts due at the period end are shown in note 8.

Management fees payable to Hawksmoor Investment Management Limited (the Managers) are disclosed in note 4 and amounts due at the period end are shown in note 8.

Depositary and other fees payable to BNY Mellon Trust & Depositary (UK) Ltd are disclosed in note 4 and amounts due at the period end are shown in note 8.

10. Contingent liabilities

There were no contingent liabilities or outstanding commitments at the balance sheet date (31 October 2010 - none).

11. Derivatives and other Financial Instruments

In pursuing the investment objective, the fund holds a number of financial instruments. These financial instruments comprise securities and other investments, cash balances, debtors and creditors that arise directly from the funds' operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and payable for redemptions and debtors for accrued revenue.

The main risks arising from financial instruments and the ACD's policies for managing these risks are stated below. These policies have been consistent for both years to which these financial statements relate.

Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the fund might suffer through holding market positions in the face of price movements. This means the value of an investor's holding may go down as well as up and an investor may not recover the amount invested.

The Funds investment portfolio is exposed to market price fluctuations, which are monitored by the ACD as set out in the Prospectus. The investment guidelines and investment and borrowing powers set out in the Instrument of Incorporation, the Prospectus and in the Financial Services Authorities Collective Investment Schemes Sourcebook describe the nature of the market risk to which the Fund will be exposed.

Notes to the Financial Statements

continued

11. Derivatives and other Financial Instruments (continued)

Liquidity risk

There is little exposure to credit or cash flow risk. There are no net borrowings or unlisted securities and so little exposure to liquidity risk.

Under normal circumstances, a Fund will remain close to fully invested. However, where circumstances require either because a view of illiquid securities markets or high levels of redemptions in the Fund, the Fund may hold cash and/or move liquid assets. Temporary higher liquidity levels may also arise during the carrying out of a change in asset allocation policy, or following a large issue of shares.

Counterparty risk

The risk that the counterparty will not deliver the investments for a purchase or the cash for a sale after the Fund has fulfilled it's responsibilities which could result in the Fund suffering a loss. The Investment Manager minimises the risk by conducting trades through only the most reputable counterparties.

Interest rate risk

Interest rate risk is the risk that the value of investments will fluctuate as a result of changes in interest rates. The Fund invests in schemes that invest in fixed interest and floating rate securities. The revenue of these Funds may be affected by changes in interest rates relevant to particular securities or as a result of the ACD being unable to secure similar returns on the expiry of contracts or sale of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movements in the future.

Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates.

The interest bearing financial assets of the fund consist of bank balances, on which interest is calculated at a variable rate by reference to sterling bank deposit rates or the international equivalent; fixed rate financial assets; and the Fund's holdings in bond portfolios which are principally exposed to fixed and variable rate financial assets.

Notes to the Financial Statements

continued

11. Derivatives and other Financial Instruments (continued)

The table below details the interest rate risk profile at the balance sheet date.

	31.10.11 £	31.10.10 £
Floating rate assets:		
Pounds sterling	1,627,709	361,207
Assets on which interest distributions are paid:		
Pounds sterling	9,522,401	5,052,691
Assets on which interest is not paid:*		
Pounds sterling	21,283,917	11,470,051
United States dollar	–	337,753
	32,434,027	17,221,702
Liabilities on which interest is not paid:		
Pounds sterling	(2,242,392)	(210,231)
Net assets	**£30,191,635**	**£17,011,471**

*Equity shares which receive dividend revenue, and debtors.

Fair values

There is no material difference between the carrying values and fair values of the financial instruments disclosed in the balance sheet.

Currency risk

Foreign currency risk is the risk that the value of the Funds' investments will fluctuate as a result of changes in foreign currency exchange rates.

Given that the fund invests in other collective investment schemes, there is currency risk in respect of the financial instruments held by these entities.

The table below details the direct foreign currency risk profile of the Fund at the balance sheet date.

	31.10.11 £	31.10.10 £
Currency		
Pounds sterling	30,188,654	16,673,718
Euro	2,981	–
United States dollars	–	337,753
Net assets	**£30,191,635**	**£17,011,471**

Notes to the Financial Statements

continued

12. Portfolio Transaction Costs

	31.10.11 £	31.10.10 £
Analysis of purchases		
Purchases before transaction costs	28,032,203	19,313,453
Transaction costs:		
Commissions	14,270	15,793
Stamp Duty and other charges	25,437	11,603
	39,707	27,396
Total purchase cost	**£28,071,910**	**£19,340,849**
Analysis of sales		
Sales before transaction costs	15,078,695	9,816,453
Transaction costs:		
Commissions	(14,420)	(9,823)
Other charges	(39)	(40)
	(14,459)	(9,863)
Net sales proceeds	**£15,064,236**	**£9,806,590**

Distribution Tables

for the year ended 31 October 2011

Final Distribution in pence per share

Final payable 31 December 2011

Class	Shares	Net Distributions	Equalisation	Distribution Payable 31.12.2011	Distribution Paid 31.12.2010
A Income	Group 1 Group 2	1.3540 0.9086	– 0.4454	1.3540 1.3540	1.0000 1.0000
A Accumulation	Group 1 Group 2	– 0.0641	– 0.1992	– 0.2633	N/A N/A
B Accumulation	Group 1 Group 2	– 0.4532	– 0.0509	– 0.5041	N/A N/A

Group 1 - Shares purchased prior to 1 May 2011
Group 2 - Shares purchased on or after 1 May 2011 and on or before 31 October 2011

Interim Distribution in pence per share

Interim paid June 2011

Class	Shares	Net Distributions	Equalisation	Distribution Paid 30.06.2011	Distribution Paid 30.06.2010
A Income	Group 1 Group 2	0.8197 0.3015	– 0.5182	0.8197 0.8197	1.0800 1.0800

Group 1 - Shares purchased prior to 1 November 2010
Group 2 - Shares purchased on or after 1 November 2010 and before 30 April 2011

Equalisation

Equalisation applies only to Shares purchased during the distribution period (Group 2 Shares). It represents accrued revenue included in the purchase price of the Shares. After averaging, it is returned with the distribtion as a capital repayment. It is not liable to income tax but must be deducted from the cost of the Shares for capital gains tax purposes.

General Information

Authorised Status

Hawksmoor Investment Management (the “Company”) is incorporated in England and Wales as an ICVC under registration number IC000729. The Shareholders are not liable for the debts of the Company.

The Company is authorised by the FSA as a UCITS Scheme under the COLL Sourcebook and is an umbrella company for the purposes of the Regulations with each Fund being a UCITS Retail Scheme. The effective date of the authorisation order made by the FSA was 17 February 2009.

Head Office: Springfield Lodge, Colchester Road, Chelmsford, Essex CM2 5PW

Address for Service: The Head Office is the address in the United Kingdom for service on the Company of notices or other documents required or authorised to be served on it.

Base Currency: The base currency of the Company is Pounds Sterling.

Share Capital: The minimum share capital of the Company is £1 and the maximum is £100,000,000,000.

Structure of the Company

Hawksmoor Investment Management is structured as an umbrella company. Provision exists for an unlimited number of Sub-Funds, and at the date of this Report one Sub-Fund, PFS Hawksmoor Open Ended Investment Company - The Vanbrugh Fund, is authorised.

Classes of Shares

The Company can issue different classes of shares in respect of any Sub-Fund.

Holders of Income shares are entitled to be paid the income attributable to such shares in respect of each annual accounting period.

Valuation Point

The Scheme Property of the Company and each Fund will normally be valued at 10am on each Dealing Day for the purpose of calculating the price at which Shares in the Company may be issued, sold, repurchased or redeemed.

The ACD reserves the right to revalue the Company or any Fund at any time if it considers it desirable to do so, with the Depositary’s approval.

General Information
continued

Buying and Selling of 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 10380, Chelmsford, Essex, CM1 9JX
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.

Pricing Basis

There is a single price for buying, selling and switching shares in a Fund which represents the Net Asset Value of the Fund concerned. The Share price is calculated on a forward pricing basis, that is at the next Valuation Point after the purchase or redemption is deemed to be accepted by the ACD.

The prices of Shares are published daily on the Investment Management Association website at www.investmentuk.org and in the Financial Times website at www.ft.com. Neither, the ACD nor the Company can be held responsible for any errors in the publication of the prices. The Shares in the Company will be issued and redeemed on a forward pricing basis which means that the price will not necessarily be the same as the published price.

Other Information

The Instrument of Incorporation, Prospectus, Simplified Prospectus and the most recent interim and annual reports may be inspected at the office of the ACD which is also the Head Office of the Company and copies may be obtained upon application. Shareholders who have any complaints about the operation of the Company should contact the ACD or the Depositary in the first instance. In the event that a shareholder finds the response unsatisfactory they may make their complaint direct to the Financial Ombudsman Service at South Quay Plaza, 183 Marsh Wall, London E14 9SR.

Risk Warning

An investment in an open-ended investment company should be regarded as a medium to long term investment. Investors should be aware that the price of shares and the income 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. As a Sub-Fund is not a legal entity, if the assets of one Sub-Fund are insufficient to meet the liabilities attributable to it, the ACD may re-allocate such liabilities between the Sub-Funds then in existence in a manner which is fair to shareholders generally. This re-allocation will normally be performed on the basis of the respective net asset values of the Sub-Funds.

Phoenix Fund Services (UK) Ltd.
Registered in England No 6252939. Authorised and regulated by the Financial Services Authority.