



Investment Objective and Policy

The objective of the Company is to provide a progressive income stream and achieve long-term capital growth by investing primarily in a portfolio of fully listed and AIM traded UK equities.

The Company will invest primarily in UK companies which aim to provide a high initial dividend; progressive dividend payments, and long-term capital appreciation.

The asset classes in which the Company is permitted to invest includes transferable securities, money market instruments, cash and near cash and deposits as permitted for UCITS schemes under COLL and in accordance with the Company's investment powers as summarised in the prospectus.

Investment Adviser's Report

for the period ended 30 June 2014

Over the six month period the fund was up 1.71% on a total return basis compared to an average of 1.35% for the IMA UK Equity Income sector.

(Source: Lipper NAV to NAV, A Income shares.)

Throughout the last period the domestic macro background has continued to improve as economic growth forecasts have continually been revised upwards. The issue for the equity market has been a disconnect between these increasingly bullish macro trends and the rather more pedestrian corporate earnings story. The busy March reporting season was 'in line' at best and it is only just recently that earnings upgrades have started to outnumber downgrades. Whilst the strength of sterling has proved to be a headwind, the reality is that there has been little tangible evidence of the pick up in earnings growth that is needed to take equities to new highs. We believe that the current 'top down' momentum will translate into 'bottom up' earnings growth but not until the last quarter of the year, and this is based on a recent pick up in confidence by the Directors of the companies that we invest in. Investors can see for themselves the increase in corporate activity that is testament to this new found corporate confidence. Within our portfolio Tarsus, Cineworld, Cobham, Interserve and Acal have all raised money to make acquisitions, Mucklow (A&J) raised funds for development projects and Braemar Shipping Services announced an agreed merger with ACM Shipping.

One factor that has historically put a short term ceiling on small and mid cap share prices as the economy recovers is equity issuance and we have seen this manifest itself recently in a rather tired IPO market. Whilst there have been a number of high profile 'growth' casualties, the good news is at the 'dull but worthy' cash positive end of the market there have been a number of attractive new income opportunities that we have added to the portfolio. These are FDM, DX, River & Mercantile, Clipper Logistics and Shoe Zone. In addition we have added to a broad range of existing holdings and have recently increased our exposure to the house building sector by buying a holding in Berkeley Group and to equity markets via a purchase of Jupiter Fund Management. We have raised funds by selling out of Greggs, Randall & Quilter, Restaurant Group, Brammer, Castings, Firstgroup, Lookers and BBA Aviation in their entirety. Once again the highlight of the last six months has been the better than expected growth in corporate dividends and we have taken the opportunity in what we perceive to be a largely directionless market to improve the underlying equity yield on our portfolio.

Fund Facts

Accounting and distribution dates

	Accounting	Distribution pay date
First Interim	–	31 May
Second Interim	30 June	31 August
Third Interim	–	30 November
Final	31 December	28 February

Fund performance

	Net asset value as at 30.06.14 (pence per share)	Net asset value as at 31.12.13 (pence per share)	Net asset value % change
A Accumulation	151.29	148.61	1.80
B Accumulation	163.12	159.67	2.16
A Income	99.37	99.32	0.05
B Income	103.38	102.89	0.48

Net asset values

Year as at 31 December	Income shares			Accumulation shares		
	Net asset value (£)	Number of shares in issue	Net asset value (pence per share)	Net asset value (£)	Number of shares in issue	Net asset value (pence per share)
A						
2011	3,209,790	5,305,044	60.50	408,640	503,287	81.19
2012	5,341,653	7,233,398	73.85	1,537,429	1,462,602	105.12
2013	30,735,897	30,946,552	99.32	17,769,122	11,957,184	148.61
2014 [^]	25,225,267	25,385,161	99.37	14,128,076	9,338,658	151.29
B						
2011	27,991,649	45,210,364	61.91	1,365,449	1,584,149	86.19
2012	43,426,225	57,140,192	76.00	2,853,051	2,542,558	112.21
2013	152,032,401	147,755,450	102.89	24,556,825	15,380,114	159.67
2014 [^]	230,635,910	223,093,136	103.38	64,705,239	39,666,614	163.12

[^] As at 30 June 2014

Price history & distribution record

The table below shows the highest buying and lowest selling prices and the net distribution per share on a calendar year basis in pence per share for five full calendar years. 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)
A						
2009	56.88	37.02	3.9300	65.59	41.84	4.4397
2010	71.67	54.18	3.6932	87.90	64.20	4.3399
2011	73.03	60.47	3.9656	92.63	78.58	4.9271
2012	76.02	61.14	4.4404	105.76	82.03	5.9152
2013	101.67	75.32	4.4000	149.17	107.20	6.2477
2014 [^]	103.66	99.17	3.7172	155.48	148.42	5.5153
B						
2009	57.40	37.31	4.0933	68.21	42.94	4.5345
2010	72.78	54.73	3.7173	92.64	67.21	4.5215
2011	74.34	61.80	4.0031	98.08	83.32	5.1433
2012	78.29	62.56	4.4905	112.89	87.08	6.2029
2013	105.40	77.48	4.5118	160.24	114.40	6.6385
2014 [^]	107.50	102.80	3.8711	167.57	160.37	5.9511

[^] To 30 June 2014

Fund Facts

continued

Ongoing charge

Expense type	30 June 2014 ^A %
A	
Investment Adviser's charge	1.50
Other expenses	0.25
Transaction charges	0.00
Ongoing charge	1.75
B	
Investment Adviser's charge	0.75
Other expenses	0.25
Transaction charges	0.00
Ongoing charge	1.00

^A The ongoing charge is annualised based on the fees incurred during the accounting period.

Risk warning

An investment in an Investment Company with 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.

Sector spread of investments

All sectors in percentage order are shown below

Sector	% of Fund as at 30.06.14	Sector	% of Fund as at 31.12.13
Industrials	28.77	Industrials	29.67
Financials	25.99	Financials	25.67
Consumer Services	24.16	Consumer Services	22.94
Consumer Goods	5.76	Technology	4.93
Technology	5.49	Consumer Goods	4.76
Telecommunications	2.16	Telecommunications	2.51
Utilities	1.65	Utilities	1.92
Oil & Gas	1.47	Oil & Gas	1.33
Net other assets	4.55	Net other assets	6.27

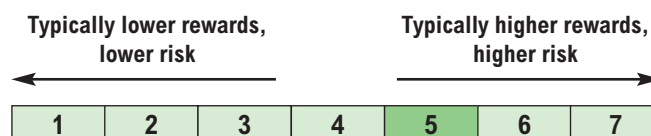
Major holdings

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

Holding	% of Fund as at 30.06.14	Holding	% of Fund as at 31.12.13
Phoenix	1.65	Premier Farnell	1.82
WH Smith	1.61	Galliford Try	1.79
Ashmore	1.60	Phoenix	1.69
Connect	1.53	Smith News	1.68
Kier	1.50	Dairy Crest	1.60
Soco International	1.47	Domino Printing Sciences	1.56
Go-Ahead	1.46	Go-Ahead	1.54
Berkeley	1.44	WH Smith	1.52
Marston's	1.40	Informa	1.50
Majestic Wine	1.40	Fidessa	1.47

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.



The Fund is ranked at 5 because Funds of this type have experienced medium to high 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.

General Information

Authorised status

PFS Chelverton UK Equity Income Fund (the "Company") is structured as an Investment Company with Variable Capital ("ICVC"), under regulation 12 (Authorisation) of the OEIC Regulations (Open-Ended Investment Companies Regulations 2001 (SI 2001/1228)).

The Company does not intend to have an interest in immovable property.

The Company is authorised and regulated in the UK by the Financial Conduct Authority ("FCA") as a UCITS Retail Scheme under the COLL Sourcebook.

The Company was incorporated in England and Wales on 04 April 2006 under registration number IC000431. The Shareholders are not liable for the debts of the Company.

The base currency of the fund is sterling. All units issued are denominated in pence sterling.

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 units may either be in writing to: PO Box 11007, Chelmsford, Essex CM1 9RR or by telephone on 0845 305 4217.

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 Chelverton UK Equity Income Fund for the period ended 30 June 2014. The full Report and Accounts for the Fund is available upon written request to Phoenix Fund Services (UK) Ltd, PO Box 11007, Chelmsford, Essex CM1 9RR

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 Fund has little exposure to credit or cash flow risk. There are no borrowings or unlisted securities of a material nature and so there is little exposure to liquidity risk. The main risks it faces from its financial instruments are market price 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 (ACD) & Registrar

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

Customer service centre

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Telephone: 0845 305 4217
Fax: 0845 280 0188
E-mail: Chelverton@phoenixfundservices.com
(Authorised and regulated by the Financial Conduct Authority)

Directors of the ACD

P.J. Foley-Brickley (appointed 8 January 2014)
D. Jones (appointed 1 April 2014)
R.W. Leedham
D.W. Munting
A.C. Reed (retired 31 March 2014)
D.C. Tibble

Investment adviser

Chelverton Asset Management Limited
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(Authorised and regulated by the Financial Conduct Authority)

Fund Managers

David Horner
David Taylor

Depository

National Westminster Bank Plc
Trustee & Depository Services
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Auditor

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Chartered Accountants & Registered Auditors
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