



PHOENIX
Fund Services

PFS Chelverton UK Equity Fund

Annual Report 31 December 2014 (Audited)

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Authorised Corporate Director (ACD) & 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 Conduct Authority)

Customer Service Centre

PO Box 11007, Chelmsford, Essex CM1 9RR
Telephone: 0845 305 4217
Fax: 0845 280 0188
E-mail: chelverton@phoenixfundservices.com
(Authorised and regulated by the Financial Conduct Authority)

Directors of the Authorised Corporate Director

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
12b George Street, Bath BA1 2EH
(Authorised and regulated by the Financial Conduct Authority)

Fund Managers

James Baker
David Horner
David Taylor

Depositary

National Westminster Bank Plc
Trustee & Depositary Services
135 Bishopsgate, London EC2M 3UR
(Authorised and regulated by the Financial Conduct Authority)

Auditor

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

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 Practices.

The Financial Conduct 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 the Annual Report by the Authorised Corporate Director

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

R.W. Leedham

D.W. Munting

Directors

Phoenix Fund Services (UK) Ltd

26 February 2015

Statement of the Depositary's Responsibilities and Report of the Depositary to the shareholders of PFS Chelverton UK Equity Fund ('the Company')

for the year ended 31 December 2014

The Depositary is responsible for the safekeeping of all custodial assets of the Company which is entrusted to it, for verifying ownership and maintaining a record of all other assets of the Company, and for the collection of revenue that arises from those assets.

It is the duty of the Depositary to take reasonable care to ensure that the Company is managed in accordance with the Financial Conduct Authority's ('FCA') Collective Investment Schemes Sourcebook ('COLL'), the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) ('OEIC Regulations') the Company's Instrument of Incorporation and Prospectus, and from 22nd July 2014, where applicable, the FCA's Investment Funds Sourcebook ('FUND'), in relation to the pricing of, and dealings in, shares in the Company; the application of revenue of the Company; and the investment and borrowing powers of the Company.

Having carried out such procedures as we considered necessary to discharge our responsibilities as Depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the Authorised Corporate Director:

(i) 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 revenue in accordance with COLL, the OEIC Regulations, the Instrument of Incorporation and Prospectus of the Company and, where applicable, FUND.

(ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

National Westminster Bank Plc
Trustee and Depositary Services
26 February 2015

Independent Auditor's Report to the Shareholders of PFS Chelverton UK Equity Fund ('the Company')

We have audited the financial statements of the Company for the year ended 31 December 2014 which comprise the Statement of Total Return, the Statement of Change in Net Assets Attributable to Shareholders, the Balance Sheet together with the related notes and the distribution table. 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) Ltd and the auditor

As explained more fully in the Statement of ACD's Responsibilities set out on page 2, 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 December 2014 and of its net revenue and 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 Auditor's Report to the Shareholders of PFS Chelverton UK Equity Fund ('the Company')

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, Canary Wharf, London E14 5GL

26 February 2015

Investment Objective and Policy

The objective of the Sub-fund 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 Sub-fund 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 Sub-fund 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 Sub-fund's investment powers as summarised in the Prospectus.

Investment Adviser's Report

for the year ended 31 December 2014

In the last year the Sub-fund produced a total return of 0.33% (on a total return basis) compared to an average of 2.81% for the IMA UK Equity Income sector as a whole. (Source: Lipper Valuation NAV to NAV A accumulation shares).

The major disappointment for us last year was that in a year of strong domestic GDP growth UK small caps underperformed. There have been a number of excuses for this including a worsening geopolitical environment and a worsening technical situation caused by negative investor fund flows and increased cash calls, and there is a degree of truth in both of these. We believe however that the real reason for the underperformance is that the strong upwards momentum in the domestic economy at the macro level did not translate into corporate earnings growth. Bottom up growth expectations got ahead of themselves, small and midcap earnings then constantly disappointed through the course of the year and we ended the year with downgrades outnumbering upgrades.

At the start of last year expectations were for a double digit percentage increase in UK small cap earnings which did not materialise despite the fact that the economy as a whole was so buoyant. On a positive note dividend growth remained strong and we took the opportunity to increase the yield on our underlying portfolio from just under 4% to over 4.5% in response to the earnings misses. In essence we were increasing the yield to heighten the defensive characteristics in the Sub-fund whilst retaining a fully invested portfolio. Importantly this now gives us substantial scope to deliver good capital returns by running our winners in a more 'risk on' market if sentiment improves whilst also delivering a good dividend.

At the stock level we had a mixture of winners and losers with 4Imprint, Micro Focus and Marshalls, amongst others, performing well in the second half of the year and Brown (N), Menzies (John) and Foxtons for example performing poorly after profit warnings. As ever in a cautious market the price reaction to bad news was more extreme than the reaction to good news. We added one further IPO to our portfolio, Epwin, which makes six for the year and it is pleasing to see that the new issue market continues to offer opportunities to income investors. Towards the year end we backed a number of our existing holdings, RPC, Connect, Chesnara and UBM in fund raisings to make acquisitions and we see this as a continuing feature for the coming year. In a market with no sustained sector or style leadership we sold one building company, Keller and bought another, Berkeley, sold a financial, Investec and bought Jupiter Fund Management and switched Tritax Big Box, a property company into Mucklow (A&J). We therefore retained a relatively balanced portfolio within the parameters of our investment process.

Investment Adviser's Report

continued

Outlook

At the moment the 'UK small cap plc' that we see appears to be in good health, generating cash with strong balance sheets. This has been the case for some time now and has led to a growing number of investors looking to invest in stocks in our universe for their income characteristics which is a pleasing recognition of their underlying quality. As we look forward UK small cap valuations now look relatively attractive and with some commentators expecting negative earnings growth for the sector as a whole we believe that aggregate earnings expectations can finally be beaten. With approximately sixty percent gearing to a robust domestic economy set to benefit from a falling oil price, rising real incomes and a pickup in corporate capital expenditure any positive change in investor sentiment will be good news for our portfolio.

We would caution however that the timing of any small cap bounce may be second half weighted due to the impending General Election. The reality is that whatever form the new government takes there should be little change for the stocks that we invest in. In the period leading up to the election however as uncertainty is heightened we expect increased market volatility and a period of relative underperformance for sectors such as housing where history suggests a dramatic fall in transactions ahead of voting followed by a strong bounce back afterwards.

Portfolio Statement

as at 31 December 2014

Holding	Security	Market value £	% of total net assets 2014
	OIL & GAS 1.24% (1.33%)		
	Oil & Gas Producers 1.24% (1.33%)		
1,425,000	Soco International	4,275,000	1.24
	INDUSTRIALS 30.36% (29.67%)		
	Construction & Materials 8.57% (7.06%)		
626,000	Alumasc	738,680	0.21
1,450,000	Balfour Beatty	3,065,300	0.89
4,150,000	Epwin	3,984,000	1.15
525,000	Galliford Try	6,751,500	1.95
340,000	Kier	5,059,200	1.46
6,800,000	Low & Bonar	3,366,000	0.98
1,950,000	Marshalls	4,485,000	1.30
350,167	Morgan Sindall	2,171,035	0.63
		29,620,715	8.57
	Aerospace & Defence 1.28% (1.10%)		
1,361,020	Cobham	4,408,344	1.28
	General Industrials 1.66% (0.92%)		
400,000	RPC	1,988,000	0.57
133,333	RPC rights issue	233,333	0.07
1,100,000	Smith (DS)	3,528,800	1.02
		5,750,133	1.66
	Electronic & Electrical Equipment 1.70% (2.49%)		
688,619	Domino Printing Sciences	4,534,556	1.31
1,334,448	TT Electronics	1,344,456	0.39
		5,879,012	1.70
	Industrial Engineering 1.17% (1.36%)		
700,000	Hill & Smith	4,060,000	1.17
	Industrial Transportation 3.25% (2.49%)		
880,409	Braemar Shipping Services	3,563,455	1.03
2,450,000	Clipper Logistics	4,042,500	1.17
4,137,276	DX	3,620,117	1.05
		11,226,072	3.25

Portfolio Statement

continued

Holding	Security	Market value £	% of total net assets 2014
Support Services 12.73% (14.25%)			
1,688,302	Acal	3,967,510	1.15
150,000	Atkins (WS)	2,046,000	0.59
3,619,748	Connect	5,574,412	1.61
2,000,000	Electrocomponents	4,296,000	1.24
1,645,000	Harvey Nash	1,159,725	0.34
800,000	Interserve	4,452,000	1.29
676,500	Menzies (John)	2,404,958	0.70
2,500,000	Premier Farnell	4,395,000	1.27
1,213,893	RPS	2,538,250	0.73
418,500	RWS	3,586,545	1.04
2,208,593	St. Ives	4,074,854	1.18
1,142,515	Sthree	3,316,150	0.96
351,000	VP	2,176,200	0.63
		<hr/>	
		43,987,604	12.73
<hr/>			
CONSUMER GOODS 6.00% (4.76%)			
Food Producers 2.64% (2.45%)			
1,202,075	Dairy Crest	5,979,121	1.73
819,181	Hilton Food	3,153,847	0.91
		<hr/>	
		9,132,968	2.64
<hr/>			
Household Goods & Home Construction 2.52% (1.07%)			
200,000	Berkeley	4,960,000	1.44
850,000	Headlam	3,740,000	1.08
		<hr/>	
		8,700,000	2.52
<hr/>			
Leisure Goods 0.84% (1.24%)			
575,000	Games Workshop	2,903,750	0.84
		<hr/>	

Portfolio Statement

continued

Holding	Security	Market value £	% of total net assets 2014
CONSUMER SERVICES 24.92% (22.94%)			
Food & Drug Retailers 0.00% (0.86%)			
General Retailers 7.86% (3.69%)			
1,355,000	Brown (N)	5,176,100	1.50
5,750,000	Debenhams	4,326,875	1.25
1,171,000	Majestic Wine	4,739,623	1.37
1,785,000	Moss Bros	1,570,800	0.46
2,018,750	Shoe Zone	4,219,188	1.22
528,000	WH Smith	7,122,720	2.06
		<hr/>	
		27,155,306	7.86
		<hr/>	
Media 8.37% (8.83%)			
467,500	4Imprint	3,744,675	1.08
1,928,500	Bloomsbury Publishing	3,090,421	0.89
5,000,000	Centaur Media	3,175,000	0.92
925,000	Informa	4,353,050	1.26
700,000	Mecom	987,000	0.29
1,500,000	Tarsus	3,307,500	0.96
805,000	UBM	3,880,100	1.12
1,800,000	UTV Media	3,150,000	0.91
1,500,000	Wilmington	3,255,000	0.94
		<hr/>	
		28,942,746	8.37
		<hr/>	
Travel & Leisure 8.69% (9.56%)			
1,400,000	Cineworld	5,811,400	1.68
200,000	Go-Ahead	4,918,000	1.42
455,500	Greene King	3,375,255	0.98
953,500	GVC	4,548,195	1.32
2,750,000	Ladbrokes	3,038,750	0.88
3,250,000	Marston's	4,637,750	1.34
1,500,000	National Express	3,714,000	1.07
		<hr/>	
		30,043,350	8.69
		<hr/>	

Portfolio Statement

continued

Holding	Security	Market value £	% of total net assets 2014
TELECOMMUNICATIONS 2.05% (2.51%)			
Fixed Line Telecommunications 2.05% (2.51%)			
4,322,614	Kcom	3,836,320	1.11
1,070,000	TalkTalk Telecom	3,241,030	0.94
		<hr/>	
		7,077,350	2.05
UTILITIES 1.76% (1.92%)			
Gas, Water & Multiutilities 1.76% (1.92%)			
104,500	Dee Valley	1,243,550	0.36
525,000	Pennon	4,824,750	1.40
		<hr/>	
		6,068,300	1.76
FINANCIALS 24.04% (25.67%)			
Non-Life Insurance 6.68% (8.02%)			
900,000	Amlin	4,286,700	1.24
1,564,214	Beazley	4,504,936	1.30
325,000	eSure	663,650	0.19
457,044	Hiscox	3,274,720	0.95
450,000	Lancashire	2,520,000	0.73
725,000	Novae	4,299,250	1.25
768,000	Personal	3,532,800	1.02
		<hr/>	
		23,082,056	6.68
Life Insurance 3.61% (3.71%)			
1,250,000	Chesnara	4,184,375	1.21
1,800,000	Hansard Global	1,548,000	0.45
815,000	Phoenix	6,740,050	1.95
		<hr/>	
		12,472,425	3.61
Real Estate Investment & Services 0.80% (0.00%)			
1,750,000	Foxtons	2,782,500	0.80
Real Estate Investment Trusts 3.14% (3.60%)			
3,364,065	Hansteen	3,619,734	1.05
665,000	Mucklow (A&J)	2,960,913	0.86
1,150,000	Segro	4,258,450	1.23
		<hr/>	
		10,839,097	3.14

Portfolio Statement

continued

Holding	Security	Market value £	% of total net assets 2014
Financial Services 9.25% (10.34%)			
1,650,000	Ashmore	4,615,050	1.34
1,425,694	Brewin Dolphin	4,224,331	1.22
10,960,800	Charlemagne Capital	1,260,492	0.36
270,000	Close Brothers	4,033,800	1.17
1,150,000	Intermediate Capital	5,288,850	1.53
1,000,000	Jupiter Fund Management	3,639,000	1.05
1,000,000	Numis	2,322,500	0.67
575,000	Polar Capital	2,346,000	0.68
1,912,568	River & Mercantile	4,245,901	1.23
		31,975,924	9.25
Equity Investment Instruments 0.56% (0.00%)			
3,250,000	GLI Finance	1,933,750	0.56
TECHNOLOGY 5.43% (4.93%)			
Software & Computer Services 5.43% (4.93%)			
488,479	Computacenter	2,857,602	0.83
1,107,829	FDM	3,858,014	1.12
204,458	Fidessa	4,882,457	1.41
464,003	Micro Focus	4,988,032	1.44
1,487,500	RM	2,190,344	0.63
		18,776,449	5.43
	Investment assets	331,092,851	95.80
	Net other assets	14,497,843	4.20
	Net assets	345,590,694	100.00

All investments are ordinary shares or stock units on a regulated securities market unless otherwise stated. The percentages in brackets show the equivalent % holdings as at 31.12.13

Comparative Tables

Change in net assets per share

	A Income			A Accumulation		
	2014 p	2013 p	2012 p	2014 p	2013 p	2012 p
Opening net asset value per share	99.32	73.85	60.50	148.61	105.12	81.19
Return before operating charges [^]	1.93	31.75	18.81	2.87	45.83	25.68
Operating Charges	-1.71	-1.62	-1.28	-2.60	-2.34	-1.75
Return after operating charges [^]	0.22	30.13	17.53	0.27	43.49	23.93
Distributions on income shares	-4.70	-4.66	-4.18	n/a	n/a	n/a
Closing net asset value per share	94.84	99.32	73.85	148.88	148.61	105.12
Retained distributions on accumulation shares	n/a	n/a	n/a	7.15	6.76	5.73
[^] After direct transaction costs of	-0.38	-0.76	-0.34	-0.57	-1.10	-0.47
Performance						
Return after charges	0.22%	40.80%	28.98%	0.18%	41.37%	29.47%
Other Information						
Closing net asset value	19,298,656	30,735,897	5,341,653	10,072,267	17,769,122	1,537,429
Closing number of shares	20,348,720	30,946,552	7,233,398	6,765,451	11,957,184	1,462,602
Operating Charges [†]	1.73%	1.81%	1.88%	1.73%	1.81%	1.88%
Direct transaction costs	-0.38%	-0.85%	-0.50%	-0.38%	-0.85%	-0.50%

† The operating charge includes Investment Managers charge of 1.50%

Price history

Calendar year	A Income		A Accumulation	
	Highest p	Lowest p	Highest p	Lowest p
2010	71.67	54.18	87.90	64.20
2011	73.03	60.47	92.63	78.58
2012	76.02	61.14	105.76	82.03
2013	101.67	75.32	149.17	107.20
2014	103.66	89.50	155.48	137.74

Comparative Tables

continued

Change in net assets per share (continued)

	B Income			B Accumulation		
	2014 p	2013 p	2012 p	2014 p	2013 p	2012 p
Opening net asset value per share	102.89	76.00	61.91	159.67	112.21	86.19
Return before operating charges [^]	1.98	32.68	19.17	3.04	48.92	27.14
Operating Charges	-1.01	-0.98	-0.79	-1.59	-1.46	-1.12
Return after operating charges [^]	0.97	31.70	18.38	1.45	47.46	26.02
Distributions on income shares	-4.89	-4.81	-4.29	n/a	n/a	n/a
Closing net asset value per share	98.97	102.89	76.00	161.12	159.67	112.21
Retained distributions on accumulation shares	n/a	n/a	n/a	7.71	7.24	6.11
[^] After direct transaction costs of	-0.39	-0.78	-0.35	-0.61	-1.17	-0.50
Performance						
Return after charges	0.94%	41.71%	29.69%	0.91%	42.30%	30.19%
Other Information						
Closing net asset value	242,225,313	152,032,401	43,426,225	73,994,458	24,556,825	2,853,051
Closing number of shares	244,738,898	147,755,450	57,140,192	45,925,033	15,380,114	2,542,558
Operating Charges [†]	0.98%	1.06%	1.13%	0.98%	1.06%	1.13%
Direct transaction costs	-0.38%	-0.85%	-0.50%	-0.38%	-0.85%	-0.50%

† The operating charge includes Investment Managers charge of 0.75%

Price history

Calendar year	B Income		B Accumulation	
	Highest p	Lowest p	Highest p	Lowest p
2010	72.78	54.73	92.64	67.21
2011	74.34	61.80	98.08	83.32
2012	78.29	62.56	112.89	87.08
2013	105.40	77.48	160.24	114.40
2014	107.50	93.35	167.57	148.83

Direct transaction costs include fees, commissions, transfer taxes and duties in the purchasing and selling of investments, which are offset (where applicable) against any dilution levies charged within the year. The figures used within the table have been calculated against the average Net Asset Value for the year.

Operating charges include indirect costs incurred in the maintenance and running of the Sub-fund, as disclosed (but not limited to) the expenses within the Statement of Total Return. The figures used within the table have been calculated against the average Net Asset Value for the year.

Comparative Tables

continued

Risk and reward profile

The risk and reward indicator table demonstrates where the Sub-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 Sub-fund. The shaded area in the table below shows the Sub-fund's ranking on the risk and reward indicator.



The Sub-fund is ranked 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. The indicator does not take into account the following risks of investing in this Fund:

- Smaller company shares can be more difficult to buy and sell as they may trade infrequently, in small volumes and their share price may fluctuate more than that of a larger company.
- The level of targeted income is not guaranteed and may not be achieved.
- For further risk information please see the prospectus.

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 Total Return

for the year ended 31 December 2014

	Note	31.12.14		31.12.13	
		£	£	£	£
Income					
Net capital (losses)/gains	2		(11,658,281)		32,153,722
Revenue	3	14,939,485		5,699,738	
Expenses	4	(3,394,193)		(1,404,756)	
Finance costs: interest	6	—		—	
Net revenue before taxation		11,545,292		4,294,982	
Taxation	5	—		(7,200)	
Net revenue after taxation			11,545,292		4,287,782
Total return before distributions			(112,989)		36,441,504
Finance costs: distributions	6		(14,868,834)		(5,692,406)
Change in net assets attributable to Shareholders from investment activities			(14,981,823)		30,749,098

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 31 December 2014

		31.12.14		31.12.13	
		£	£	£	£
Opening net assets attributable to Shareholders			225,094,245		53,158,358
Amounts receivable on issue of shares	218,182,537			161,417,578	
Less: Amounts payable on cancellation of shares		(86,345,253)		(21,487,290)	
			131,837,284		139,930,288
Dilution levy			—		39,011
Stamp duty reserve tax			(108,370)		(76,401)
Change in net assets attributable to Shareholders from investment activities (see Statement of Total Return above)			(14,981,823)		30,749,098
Retained distribution on accumulation shares			3,749,301		1,293,891
Unclaimed distributions			57		—
Closing net assets attributable to Shareholders			345,590,694		225,094,245

The notes on pages 18 to 28 form an integral part of these financial statements.

Balance Sheet

as at 31 December 2014

	Note	31.12.14		31.12.13	
		£	£	£	£
ASSETS					
Investment assets		331,092,851		210,983,910	
Debtors	7	2,302,786		4,025,376	
Cash and bank balances	9	<u>18,391,822</u>		<u>16,713,136</u>	
Total other assets		20,694,608		20,738,512	
Total assets		351,787,459		231,722,422	
LIABILITIES					
Investment liabilities		-		-	
Creditors	8	(703,967)		(2,885,356)	
Distribution payable on income shares		<u>(5,492,798)</u>		<u>(3,742,821)</u>	
Total other liabilities		(6,196,765)		(6,628,177)	
Total liabilities		(6,196,765)		(6,628,177)	
Net assets attributable to Shareholders		345,590,694		225,094,245	

The notes on pages 18 to 28 form an integral part of these financial statements.

Notes to the Financial Statements

for the year ended 31 December 2014

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 Association in May 2014.

The financial statements have been prepared on the going concern basis.

(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.

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

All revenue includes withholding 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, except for those relating to the purchase and sale of investments and stamp duty reserve tax, are charged against revenue for the year on an accruals basis.

(e) Allocation of revenue and expenses to multiple share classes and Sub-funds

Any revenue or expense not directly attributable to a particular Sub-fund will normally be allocated pro-rata to the net assets of the relevant share classes and Sub-funds on the day that the revenue or expense is recognised.

With the exception of the Investment Adviser's fee which is directly attributable to individual share classes, all revenue and expenses are apportioned to the Sub-fund's share classes pro-rata to the value of the net assets of the relevant share class on the day that the revenue or expense is recognised.

Notes to the Financial Statements

continued

(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.

(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 funded from capital.

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

For the purpose of enhancing revenue entitlement, all expenses (including those relating to the purchase and sale of investments and stamp duty reserve tax) are transferred to capital for the year on an accruals basis. This in turn may constrain the capital growth of the Sub-fund.

Distributions not claimed within a six year period will be forfeited and added back to the capital of the Sub-fund

(h) Basis of valuation of investments

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

Unlisted or suspended investments are valued by the Investment Adviser 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 Authorised Corporate Director 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 Sub-fund experiencing large levels of net sales relative to its size; on 'large deals'; in any case where the Authorised Corporate Director 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	31.12.14	31.12.13
	£	£
Non-derivative securities	(11,654,831)	32,156,167
Transaction charges	(3,450)	(2,445)
Net capital (losses)/gains	(11,658,281)	32,153,722
3. Revenue	31.12.14	31.12.13
	£	£
UK dividends: Ordinary	11,865,110	4,881,431
Overseas dividends	2,720,749	818,307
Property income dividends	353,626	–
Total revenue	14,939,485	5,699,738

Notes to the Financial Statements

continued

4. Expenses	31.12.14 £	31.12.13 £
Payable to the Authorised Corporate Director (ACD), associates of the ACD, and agents of either of them:		
ACD's fee	186,587	263,173
Registration fees	373,648	13,197
	560,235	276,370
Payable to the Investment Adviser, associates of the Investment Adviser and agents of either of them:		
Investment Adviser's fee	2,652,753	1,042,539
Payable to the Depositary, associates of the Depositary, and agents of either of them:		
Depositary's fee (including VAT)	137,517	65,591
Safe custody and other bank charges	8,166	2,864
	145,683	68,455
Other expenses:		
Audit fee (including VAT)	6,060	6,060
Audit fee (including VAT): taxation services	1,596	1,596
FCA fee	414	394
Listing fees	–	108
Legal fees	15,355	3,528
Printing costs	12,097	5,706
	35,522	17,392
Total expenses	3,394,193	1,404,756

Notes to the Financial Statements

continued

5. Taxation	31.12.14	31.12.13
	£	£
(a) Analysis of charge in the year		
Overseas tax	–	7,200
Current tax charge (note 5b)	–	7,200
<hr/>		
(b) Factors affecting taxation charge for the year		
Net revenue before taxation	11,545,292	4,294,982
Corporation tax at 20%	2,309,058	858,996
Effects of:		
UK dividends	(2,373,022)	(976,286)
Movement in surplus management expenses	608,114	280,951
Overseas tax expensed	–	7,200
Non-taxable overseas earnings	(544,150)	(163,661)
Current tax charge (note 5a)	–	7,200

(c) Deferred tax

At the year end there is a potential deferred tax asset of £1,126,120 (2013: £518,006) in relation to surplus management expenses. It is unlikely that the Sub-fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised in the year.

Notes to the Financial Statements

continued

6. Finance Costs

Distributions

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

		31.12.14	31.12.13
		£	£
First interim distribution	31.03.2014	1,895,628	561,017
Second interim distribution	30.06.2014	3,407,313	1,044,332
Third interim distribution	30.09.2014	3,526,771	1,618,907
Final distribution	31.12.2014	7,218,160	4,583,923
		16,047,872	7,808,179
Revenue deducted on cancellation of shares		982,358	314,725
Revenue received on issue of shares		(2,161,396)	(2,430,498)
Finance costs: distributions		14,868,834	5,692,406
Finance costs: interest		–	–
Total finance costs		14,868,834	5,692,406

Reconciliation of net revenue after taxation to net distributions:

Net revenue after taxation per Statement of Total Return		11,545,292	4,287,782
Expenses transferred to capital		3,394,193	1,404,757
Relief on expenses transferred to capital		(70,725)	–
Undistributed revenue brought forward		174	41
Undistributed revenue carried forward		(100)	(174)
Finance costs: distributions		14,868,834	5,692,406

7. Debtors

		31.12.14	31.12.13
		£	£
Amounts receivable on issues		1,018,185	3,390,985
Accrued income:			
Dividends receivable		1,275,351	634,391
UK income tax recoverable		9,250	–
Total debtors		2,302,786	4,025,376

Notes to the Financial Statements

continued

8. Creditors	31.12.14	31.12.13
	£	£
Amounts payable on cancellations	434,850	1,389,773
Purchases awaiting settlement	–	1,302,673
Accrued expenses:		
Amounts payable to the Investment Adviser, associates of the Investment Adviser and agents of either of them:		
Investment Adviser's fee	240,186	169,422
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fee (including VAT)	13,411	11,021
Safe custody and other bank charges	4,060	917
	17,471	11,938
Other expenses:		
Audit fee (including VAT)	6,060	6,060
Audit fee (including VAT): taxation services	3,192	3,096
Printing costs	1,868	2,000
Listing fee	–	394
Transaction fee	340	–
	11,460	11,550
Total creditors	703,967	2,885,356
9. Cash and Bank Balances	31.12.14	31.12.13
	£	£
Cash and bank balances	18,391,822	16,713,136
Cash and bank balances	18,391,822	16,713,136

Notes to the Financial Statements

continued

10. 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 year end are shown in note 8.

Fees payable to Chelverton Asset Management Limited (the Investment Adviser) are disclosed in note 4 and amounts due at the year end are shown in note 8.

Depositary and other fees payable to National Westminster Bank Plc are disclosed in note 4 and amounts due at the year end are shown in note 8.

11. Contingent Liabilities and Outstanding Commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2013: none).

12. Risk Management Policies and Disclosures

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

In doing so, the ACD accepts market price risk in relation to the investment portfolio.

The risks arising from financial instruments and the ACD's policies for the monitoring and managing of these risks are stated below in accordance with the Risk Management Policy of the ACD.

These policies have been applied throughout the year under review.

Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Sub-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. Investors should consider the degree of exposure of the Sub-fund in the context of all their investments.

The Sub-fund's investment portfolio is exposed to market price fluctuations, which are monitored by the ACD as per the policies 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 Conduct Authority's Collective Investment Schemes Sourcebook describe the nature of the market risk to which the Sub-fund will be exposed.

Currency risk

The majority of the Sub-fund's assets comprise of investments and cash denominated in sterling. As a result, the income and capital value of the Sub-fund are not affected by currency movements.

Notes to the Financial Statements

continued

12. Risk Management Policies and Disclosures (continued)

Interest rate risk

Interest rate risk, being the risk that the value of investments will fluctuate as a result of interest rate changes. The majority of the Sub-fund's assets comprise equity shares which neither pay interest nor have a maturity date.

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

Credit risk

Credit risk arises from the possibility that the issuer of a security will be unable to pay interest and principal in a timely manner. Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit credit risk.

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

Liquidity risk

Liquidity risk is the risk that a Sub-fund cannot raise sufficient cash to meet its liabilities when due. One of the key factors influencing this will be the ability to sell investments at, or close to, the fair value without a significant loss being realised.

Under normal circumstances, a Sub-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 Sub-fund, the Sub-fund may hold cash and/or more 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.

There is little exposure to liquidity risk.

Counterparty risk

The risk that the counterparty will not deliver the investments for a purchase or the cash for a sale after the Sub-fund has fulfilled its responsibilities which could result in the Sub-fund suffering a loss. The Investment Adviser minimises the risk by conducting trades through only the most reputable counter parties.

Fair value of financial assets and liabilities

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

Notes to the Financial Statements

continued

13. Portfolio Transaction Costs

31.12.14

Analysis of purchases	Net purchase cost £	Commissions paid		Taxes	
		£	%	£	%
Equities	171,065,138	434,785	0.26%	624,156	0.37%
Other	3,490,220				
Total purchases after commissions and tax	174,555,358				

Analysis of sales	Net proceeds sales £	Commissions paid		Taxes	
		£	%	£	%
Equities	42,791,584	118,450	0.28%	52	0.00%
Total sales after commissions and tax	42,791,584				

Commission as a % of net assets 0.18%

Taxes as a % of net assets 0.20%

31.12.13

Analysis of purchases	Net purchase cost £	Commissions paid		Taxes	
		£	%	£	%
Equities	140,231,086	410,737	0.29%	581,962	0.42%
Other	465,375				
Total purchases after commissions and tax	140,696,461				

Analysis of sales	Net proceeds sales £	Commissions paid		Taxes	
		£	%	£	%
Equities	11,061,793	30,343	0.27%	22	0.00%
Total sales after commissions and tax	11,061,793				

Commission as a % of net assets 0.37%

Taxes as a % of net assets 0.50%

Notes to the Financial Statements

continued

14. Fair Value Disclosure

Valuation technique	31.12.2014		31.12.2013	
	Assets	Liabilities	Assets	Liabilities
	£	£	£	£
Quoted prices for identical instruments in active markets [^]	331,092,851	–	210,983,910	–
Prices of recent transactions for identical instruments ^{^^}	–	–	–	–
Valuation techniques using observable market data ^{^^^}	–	–	–	–
Valuation techniques using non-observable data ^{^^^^}	–	–	–	–
	331,092,851	–	210,983,910	–

[^] Fair value based on a quoted price for an identical instrument in an active market and generally will include quoted equities, some highly liquid bonds and exchange traded derivatives

^{^^} Fair value based on the price of a recent transaction for an identical instrument and will generally include holdings in other schemes.

^{^^^} Fair value based on a valuation technique using observable market data and will generally include evaluated pricing techniques using inputs such as quoted prices for similar instruments, interest rates, yield curves and credit spreads.

^{^^^^} Fair value based on a valuation technique that relies significantly on non-observable market data and will generally include unquoted equities and other values not primarily derived from observable market data.

Distribution Tables

for the year ended 31 December 2014

Income Share Distributions

Share class	Distribution	Shares	Net Revenue p	Equalisation p	Distribution payable 2014 p	Distribution paid 2013 p
A	First interim	Group 1	0.7000	–	0.7000	0.6900
		Group 2	0.4260	0.2740	0.7000	0.6900
	Second interim	Group 1	1.0500	–	1.0500	1.0000
		Group 2	0.0449	1.0051	1.0500	1.0000
Third interim	Group 1	1.0500	–	1.0500	1.0000	
	Group 2	–	1.0500	1.0500	1.0000	
Final	Group 1	1.8985	–	1.8985	1.9672	
	Group 2	0.6222	1.2763	1.8985	1.9672	
B	First interim	Group 1	0.7000	–	0.7000	0.6900
		Group 2	0.2640	0.4360	0.7000	0.6900
	Second interim	Group 1	1.0500	–	1.0500	1.0000
		Group 2	–	1.0500	1.0500	1.0000
Third interim	Group 1	1.0500	–	1.0500	1.0000	
	Group 2	–	1.0500	1.0500	1.0000	
Final	Group 1	2.0865	–	2.0865	2.1211	
	Group 2	0.5231	1.5634	2.0865	2.1211	

Distribution Tables

continued

Accumulation Share Distributions

Share class	Distribution	Shares	Net Revenue	Equalisation	Amount reinvested 2014	Amount reinvested 2013
			p	p	p	p
A	First interim	Group 1	1.0473	–	1.0473	0.9820
		Group 2	0.6893	0.3580	1.0473	0.9820
	Second interim	Group 1	1.5818	–	1.5818	1.4350
		Group 2	0.4274	1.1544	1.5818	1.4350
Third interim	Group 1	1.5985	–	1.5985	1.4518	
	Group 2	–	1.5985	1.5985	1.4518	
Final	Group 1	2.9217	–	2.9217	2.8862	
	Group 2	1.0781	1.8436	2.9217	2.8862	
B	First interim	Group 1	1.0861	–	1.0861	1.0186
		Group 2	0.4974	0.5887	1.0861	1.0186
	Second interim	Group 1	1.6401	–	1.6401	1.4881
		Group 2	–	1.6401	1.6401	1.4881
	Third interim	Group 1	1.6567	–	1.6567	1.5050
		Group 2	–	1.6567	1.6567	1.5050
	Final	Group 1	3.3265	–	3.3265	3.2249
		Group 2	1.0367	2.2898	3.3265	3.2249

Further information

First interim period: 01.01.14 - 31.03.14

Second interim period: 01.04.14 - 30.06.14

Third interim period: 01.07.14 - 30.09.14

Final period: 01.10.14 - 31.12.14

Group 1: Shares purchased prior to a distribution period

Group 2: Shares purchased during a distribution period

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 distribution 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.

Investment Objective and Policy

The objective of the Sub-fund is to achieve long-term capital growth by investing primarily in a portfolio of fully listed and AIM traded UK small and medium sized market capitalised companies equities.

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

Investment Adviser's Report

for the period ended 31 December 2014

The Sub-fund returned +4.5% from launch on 20th October 2014 to the period end, during a period of market volatility. After a sell-off in early autumn the market rallied strongly as the Sub-fund was making its' initial investments, but then fell away again in mid-December before rallying into the period end. The portfolio we have assembled is biased to growth sectors like Technology, Healthcare and Media, together with a significant representation in high margin Industrials and cash generative Financials. We have very modest exposure to Oils having bought into Amerisur Resources and Soco International, two low cost producers (which should be able to cope with a low oil price longer than most) with exploration upside.

As one might expect these oil stocks were amongst our worst performers over the period. Additionally Iomart (IT Services) was punished for reporting a slowdown in its growth rate, as was Foxtons on the back of a slowing London property market. We feel both of these companies are fundamentally sound cash generative businesses and topped up our holdings in the sell-off. On the positive side there were no common themes, but Tyman performed very strongly on the back of the improving US economy and Clipper Logistics benefitted from its e-fulfilment division's exposure to the growth in online retailing. Other outperformers included Paragon, Solid State and Plus500. We also enjoyed our first takeover with Advanced Computer Software succumbing to a bid from Private Equity at a 23% premium to our purchase price.

Looking forward into 2015 there are a number of uncertainties, such as the outcome of the UK election, political turmoil elsewhere in Europe and the impact of the lower oil price which means we are probably set for a period of volatility. Notwithstanding this backdrop we believe equity valuations are quite attractive and that investing in highly cash generative stocks either in a cyclical or preferably a structural growth phase will stand us in good stead.

Investment Approach

The Fund Managers are looking for companies that can both grow faster than the market and are highly cash generative enabling them to fund their own growth. Typically these companies will have some form of sustainable competitive advantage, such as a unique product, or a dominant position in a particular market, leading to high margins and the ability to generate surplus cash.

Investment Adviser's Report

continued

Stocks and Themes in the Portfolio

The Managers are always looking to be on the right side of structural change in the economy. So whilst keen to get some consumer exposure, given the backdrop of rising incomes and low inflation, they are wary of investing in traditional bricks and mortar retailers, where products are easily available over the internet. To achieve this, the Sub-fund has invested in 'picks and shovel' businesses, which facilitate the growth of online retail. To this end the Sub-fund holds Clipper Logistics (£170m market cap, floated in 2014), which has a growing focus on e-fulfilment logistics, handling product returns and e-commerce logistics for retailers like ASOS.com and John Lewis. The Sub-fund also owns dotDigital (£85m market cap, AIM Listed), developer of easy to use email marketing software for mid-sized online retailers. Both companies have strong growth prospects and excellent revenue visibility, with Clipper enjoying 3-5 year contracts with its clients and dotDigital enjoying 1-3 year minimum usage contracts.

Portfolio Statement

as at 31 December 2014

Holding	Security	Market value £	% of total net assets 2014
	OIL & GAS 3.09%		
	Oil & Gas Producers 3.09%		
50,000	Amerisur Resources	21,625	1.00
15,000	Soco International	45,000	2.09
		<hr/>	
		66,625	3.09
	BASIC MATERIALS 3.38%		
	Chemicals 3.38%		
12,500	Alent	40,125	1.86
12,500	Elementis	32,663	1.52
		<hr/>	
		72,788	3.38
	INDUSTRIALS 31.09%		
	Construction & Materials 4.98%		
15,000	Polypipe	37,200	1.72
12,661	Tyman	39,597	1.84
22,500	Volution	30,656	1.42
		<hr/>	
		107,453	4.98
	Aerospace & Defence 3.84%		
12,500	Senior	37,850	1.76
2,500	Ultra Electronics	44,950	2.08
		<hr/>	
		82,800	3.84
	Electronic & Electrical Equipment 4.19%		
17,500	E2V Technologies	29,575	1.37
4,000	Solid State	32,800	1.52
2,000	XP Power	27,960	1.30
		<hr/>	
		90,335	4.19
	Industrial Engineering 6.57%		
10,000	AB Dynamics	15,000	0.70
3,000	IMI	37,800	1.75
12,500	Melrose Industries	33,338	1.55
20,000	Porvair	55,400	2.57
		<hr/>	
		141,538	6.57

Portfolio Statement

continued

Holding	Security	Market value £	% of total net assets 2014
	Industrial Transportation 4.07%		
2,250	Clarkson	42,300	1.96
27,500	Clipper Logistics	45,375	2.11
		<hr/>	
		87,675	4.07
	Support Services 7.44%		
17,500	Renew	49,875	2.31
5,000	RWS	42,850	1.99
3,500	Staffline	28,875	1.34
25,000	Xchanging	38,875	1.80
		<hr/>	
		160,475	7.44
	CONSUMER GOODS 1.66%		
	Leisure Goods 1.66%		
25,000	Focusrite	35,750	1.66
		<hr/>	
	HEALTH CARE 7.75%		
	Health Care Equipment & Services 1.30%		
35,000	Tristel	28,000	1.30
		<hr/>	
	Pharmaceuticals & Biotechnology 6.45%		
6,000	Bioentix	42,600	1.98
4,500	Clinigen	23,378	1.08
40,000	Quantum Pharmaceutical	39,600	1.84
10,000	Skyepharma	33,500	1.55
		<hr/>	
		139,078	6.45
	CONSUMER SERVICES 10.60%		
	General Retailers 3.73%		
7,500	Halfords	35,085	1.63
40,000	Topps Tiles	45,400	2.10
		<hr/>	
		80,485	3.73
	Media 6.87%		
3,750	4Imprint	30,038	1.39
18,000	Tarsus	39,690	1.84
9,000	UBM	43,380	2.01
20,000	UTV Media	35,000	1.63
		<hr/>	
		148,108	6.87

Portfolio Statement

continued

Holding	Security	Market value £	% of total net assets 2014
	FINANCIALS 12.23%		
	Non-Life Insurance 2.13%		
10,000	Personal	46,000	2.13
	Real Estate Investment & Services 1.40%		
19,000	Foxtons	30,210	1.40
	Real Estate Investment Trusts 1.75%		
35,000	Hansteen	37,660	1.75
	Financial Services 6.95%		
23,250	Mortgage Advice Bureau	40,455	1.88
10,000	Paragon	41,620	1.93
6,000	Plus500	35,670	1.65
14,500	River & Mercantile	32,190	1.49
		149,935	6.95
	TECHNOLOGY 22.24%		
	Software & Computer Services 21.23%		
5,000	Accesso Technology	29,500	1.37
150,000	Accumuli	40,875	1.90
25,000	Advanced Computer Software	34,625	1.61
35,000	Brady	27,300	1.27
10,000	Craneware	47,200	2.19
100,000	dotDigital	29,000	1.34
10,000	Escher	23,000	1.07
120,000	Innovation	35,700	1.65
10,000	InternetQ	25,500	1.18
22,500	Iomart	38,250	1.77
25,000	Kalibrate Technologies	26,000	1.21
42,500	Proactis	34,850	1.62
12,500	Servelec	37,125	1.72
5,000	SQS Software Quality Systems	28,750	1.33
		457,675	21.23

Portfolio Statement

continued

Holding	Security	Market value £	% of total net assets 2014
	Technology Hardware & Equipment 1.01%		
16,500	Quixant	21,780	1.01
	Investment assets	1,984,370	92.04
	Net other assets	171,524	7.96
	Net assets	2,155,894	100.00

All investments are ordinary shares or stock units on a regulated securities market unless otherwise stated. There are no comparatives as this is the first accounting period of the Sub-fund.

Comparative Tables

Change in net assets per share

	B Income		B Accumulation	
	31.12.2014 p		31.12.2014 p	
Opening net asset value per share	100.00†		100.00†	
Return before operating charges [^]	5.51		5.51	
Operating Charges	-1.02		-1.02	
Return after operating charges [^]	4.49		4.49	
Distributions on income shares	0.00		n/a	
Closing net asset value per share	104.49		104.49	
Retained distributions on accumulation shares	n/a		0.00	
[^] After direct transaction costs of	-0.57		-0.57	
Performance				
Return after charges	4.49%		4.49%	
Other Information				
Closing net asset value	972,185		1,183,708	
Closing number of shares	940,023		1,144,575	
Operating Charges ^{††}	1.00%		1.00%	
Direct transaction costs	-0.55%		-0.55%	

† Launch price at 20 October 2014

†† The Investment Manager currently rebates the Sub-fund's operating charges in order for them to not exceed 1.00% of the average net asset value of the Sub-fund. The Investment Manager currently waives the Management fee of 0.75%. The Sub-fund launched Class B Income and Class B Accumulation shares on 20 October 2014 and as such there are no prior year comparatives.

Price history

Calendar year	B Income		B Accumulation	
	Highest p	Lowest p	Highest p	Lowest p
2014†	104.49	99.49	104.49	99.49

† From launch date 20 October 2014

Direct transaction costs include fees, commissions, transfer taxes and duties in the purchasing and selling of investments, which are offset (where applicable) against any dilution levies charged within the accounting period. The figures used within the table have been calculated against the average Net Asset Value for the accounting period.

Operating charges include indirect costs incurred in the maintenance and running of the Fund, as disclosed (but not limited to) the expenses within the Statement of Total Return. The figures used within the table have been calculated against the average Net Asset Value for the accounting period.

Comparative Tables

continued

Risk and reward profile

The risk and reward indicator table demonstrates where the Sub-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 Sub-fund. The shaded area in the table below shows the Sub-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 Sub-fund is ranked 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. The indicator does not take into account the following risks of investing in this Sub-fund:

- Smaller company shares can be more difficult to buy and sell as they may trade infrequently, in small volumes and their share price may fluctuate more than that of a larger company.
- The level of targeted income is not guaranteed and may not be achieved.
- For further risk information please see the prospectus.

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 Total Return

for the period ended 31 December 2014

		20.10.14 to 31.12.14	
	Note	£	£
Income			
Net capital gains	2		75,422
Revenue	3	4,885	
Expenses	4	(18,850)	
Finance costs: interest	6	—	
Net expense before taxation		(13,965)	
Taxation	5	—	
Net expense after taxation			(13,965)
Total return before distributions			61,457
Finance costs: distributions	6		—
Change in net assets attributable to Shareholders from investment activities			61,457

Statement of Change in Net Assets Attributable to Shareholders

for the period ended 31 December 2014

		20.10.14 to 31.12.14	
		£	£
Opening net assets attributable to Shareholders			—
Amounts receivable on issue of shares		2,143,267	
Less: Amounts payable on cancellation of shares		(48,830)	
			2,094,437
Change in net assets attributable to Shareholders from investment activities (see Statement of Total Return above)			61,457
Closing net assets attributable to Shareholders			2,155,894

The notes on pages 41 to 51 form an integral part of these financial statements.

Balance Sheet

as at 31 December 2014

	Note	31.12.14	
		£	£
ASSETS			
Investment assets			1,984,370
Debtors	7	8,472	
Cash and bank balances	9	184,789	
Total other assets			193,261
Total assets			2,177,631
LIABILITIES			
Investment liabilities			-
Creditors	8	(11,025)	
Bank overdrafts	9	(10,712)	
Total other liabilities			(21,737)
Total liabilities			(21,737)
Net assets attributable to Shareholders			2,155,894

The notes on pages 41 to 51 form an integral part of these financial statements.

Notes to the Financial Statements

for the year ended 31 December 2014

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 Association in May 2014.

The financial statements have been prepared on the going concern basis.

(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.

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

All revenue includes withholding 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, except for those relating to the purchase and sale of investments and stamp duty reserve tax, are charged against revenue for the year on an accruals basis.

(e) Allocation of revenue and expenses to multiple share classes and Sub-funds

Any revenue or expense not directly attributable to a particular Sub-fund will normally be allocated pro-rata to the net assets of the relevant share classes and Sub-funds on the day that the revenue or expense is recognised.

With the exception of the Investment Adviser's fee which is directly attributable to individual share classes, all revenue and expenses are apportioned to the Sub-fund's share classes pro-rata to the value of the net assets of the relevant share class on the day that the revenue or expense is recognised.

Notes to the Financial Statements

continued

(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.

(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 funded from capital.

The policy of the Sub-fund is to make distributions annually on 28/29 February.

Distributions not claimed within a six year period will be forfeited and added back to the capital of the Sub-fund

(h) Basis of valuation of investments

Listed investments are valued at close of business bid prices on the last business day of the accounting period excluding any accrued interest in the case of fixed and floating rate interest securities.

Unlisted or suspended investments are valued by the Investment Adviser 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 Authorised Corporate Director 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 Sub-fund experiencing large levels of net sales relative to its size; on 'large deals'; in any case where the Authorised Corporate Director 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 Gains	20.10.14 to 31.12.14 £
Non-derivative securities	75,422
Net capital gains	75,422
<hr/>	
3. Revenue	20.10.14 to 31.12.14 £
UK dividends: Ordinary	3,923
Overseas dividends	712
Property income dividends	250
Total revenue	4,885
<hr/>	

Notes to the Financial Statements

continued

4. Expenses

20.10.14 to
31.12.14
£

Payable to the Authorised Corporate Director (ACD), associates of the ACD, and agents of either of them:

ACD's fee	7,781
Registration fees	3,209
	<hr/>
	10,990
	<hr/>

Payable to the Depositary, associates of the Depositary, and agents of either of them:

Depositary's fee (including VAT)	2,367
Safe custody and other bank charges	1,480
	<hr/>
	3,847
	<hr/>

Other expenses:

Audit fee (including VAT)	6,060
Audit fee (including VAT): taxation services	1,500
Legal fees	1,350
Printing costs	900
	<hr/>
	9,810
	<hr/>

Total Expense Ratio (TER) rebates accrued against expenses	<hr/>	(5,797)
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Total expenses	<hr/>	18,850
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Notes to the Financial Statements

continued

5. Taxation

20.10.14 to
31.12.14
£

(a) Analysis of charge in the period

Current tax charge (note 5b)	–
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(b) Factors affecting taxation charge for the period

Net expense before taxation	(13,965)
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Corporation tax at 20%	(2,793)
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Effects of:

UK dividends	(785)
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Movement in surplus management expenses	3,720
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Non-taxable overseas earnings	(142)
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Current tax charge (note 5a)	–
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(c) Deferred tax

At the period end there is a potential deferred tax asset of £18,600 in relation to surplus management expenses. It is unlikely that the Sub-fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised in the period.

Notes to the Financial Statements

continued

6. Finance Costs

Distributions

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

	20.10.14 to 31.12.14 £
Final distribution	–
Revenue deducted on cancellation of shares	–
Revenue received on issue of shares	–
Finance costs: distributions	–
Finance costs: interest	–
Total finance costs	–

Reconciliation of net expense after taxation to net distributions:

Net expense after taxation per Statement of Total Return	(13,965)
Revenue deficit to be transferred from capital	13,965
Finance costs: distributions	–

7. Debtors

	31.12.14 £
Amounts receivable on issues	700
Accrued income:	
Dividends receivable	1,925
Income tax recoverable	50
TER rebates	5,797
Total debtors	8,472

Notes to the Financial Statements

continued

8. Creditors	31.12.14
	£
Accrued expenses:	
Amounts payable to the Depository, associates of the Depository and agents of either of them:	
Depository's fee (including VAT)	1,085
Safe custody and other bank charges	1,480
	<hr/> 2,565
Other expenses:	
Audit fee (including VAT)	6,060
Audit fee (including VAT): taxation services	1,500
Printing costs	900
	<hr/> 8,460
Total creditors	11,025
	<hr/>
9. Cash and Bank Balances	31.12.14
	£
Cash and bank balances	184,789
Overdraft positions	(10,712)
Cash and bank balances	174,077
	<hr/>

Notes to the Financial Statements

continued

10. 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.

Fees payable to Chelverton Asset Management Limited (the Investment Adviser) are disclosed in note 4 and amounts due at the period end are shown in note 8.

Depositary and other fees payable to National Westminster Bank Plc are disclosed in note 4 and amounts due at the period end are shown in note 8.

11. Contingent Liabilities and Outstanding Commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date.

12. Risk Management Policies and Disclosures

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

In doing so, the ACD accepts market price risk in relation to the investment portfolio.

The risks arising from financial instruments and the ACD's policies for the monitoring and managing of these risks are stated below in accordance with the Risk Management Policy of the ACD.

These policies have been applied throughout the period under review.

Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Sub-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. Investors should consider the degree of exposure of the Sub-fund in the context of all their investments.

The Sub-fund's investment portfolio is exposed to market price fluctuations, which are monitored by the ACD as per the policies 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 Conduct Authority's Collective Investment Schemes Sourcebook describe the nature of the market risk to which the Sub-fund will be exposed.

Currency risk

The majority of the Sub-fund's assets comprise of investments and cash denominated in sterling. As a result, the income and capital value of the Sub-fund are not affected by currency movements.

Notes to the Financial Statements

continued

12. Risk Management Policies and Disclosures (continued)

Interest rate risk

Interest rate risk, being the risk that the value of investments will fluctuate as a result of interest rate changes. The majority of the Sub-fund's assets comprise equity shares which neither pay interest nor have a maturity date.

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

Credit risk

Credit risk arises from the possibility that the issuer of a security will be unable to pay interest and principal in a timely manner. Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit credit risk.

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

Liquidity risk

Liquidity risk is the risk that a Sub-fund cannot raise sufficient cash to meet its liabilities when due. One of the key factors influencing this will be the ability to sell investments at, or close to, the fair value without a significant loss being realised.

Under normal circumstances, a Sub-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 Sub-fund, the Sub-fund may hold cash and/or more 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.

There is little exposure to liquidity risk.

Counterparty risk

The risk that the counterparty will not deliver the investments for a purchase or the cash for a sale after the Sub-fund has fulfilled its responsibilities which could result in the Sub-fund suffering a loss. The Investment Adviser minimises the risk by conducting trades through only the most reputable counter parties.

Fair value of financial assets and liabilities

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

Notes to the Financial Statements

continued

13. Portfolio Transaction Costs

31.12.14

Analysis of purchases	Net purchase cost	Commissions paid		Taxes	
	£	£	%	£	%
Equities	2,071,482	4,681	0.23%	5,206	0.25%
Other	11,480				
Total purchases after commissions and tax	2,082,962				

Analysis of sales	Net sales proceeds	Commissions paid		Taxes	
	£	£	%	£	%
Equities	174,014	436	0.25%	7	0.00%
Total sales after commissions and tax	174,014				
Commission as a % of net assets	0.27%				
Taxes as a % of net assets	0.28%				

Notes to the Financial Statements

continued

14. Fair Value Disclosure

Valuation technique	31.12.14	
	Assets	Liabilities
	£	£
Quoted prices for identical instruments in active markets [^]	1,984,370	–
Prices of recent transactions for identical instruments ^{^^}	–	–
Valuation techniques using observable market data ^{^^^}	–	–
Valuation techniques using non-observable data ^{^^^^}	–	–
	1,984,370	–

[^] Fair value based on a quoted price for an identical instrument in an active market and generally will include quoted equities, some highly liquid bonds and exchange traded derivatives

^{^^} Fair value based on the price of a recent transaction for an identical instrument and will generally include holdings in other schemes.

^{^^^} Fair value based on a valuation technique using observable market data and will generally include evaluated pricing techniques using inputs such as quoted prices for similar instruments, interest rates, yield curves and credit spreads.

^{^^^^} Fair value based on a valuation technique that relies significantly on non-observable market data and will generally include unquoted equities and other values not primarily derived from observable market data.

General Information

Authorised status and structure of the Company

PFS Chelverton UK Equity 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 Company currently has 2 Sub-funds, which are detailed below:

PFS Chelverton UK Equity Income Fund

PFS Chelverton UK Equity Growth Fund

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. Shares in the Company have no par value. The share capital of the Company at all times equals the sum of the net asset value of the Sub-fund.

Classes of Shares

The Instrument of Incorporation allows each Sub-fund to issue different classes of shares in respect of any Sub-fund.

The Company may issue both Income and Accumulation shares.

Holders of Income shares are entitled to be paid the revenue attributable to such shares in respect of each annual accounting period in the currency of the relevant share class.

Holders of Accumulation shares are not entitled to be paid the revenue attributable to such shares, but that revenue is retained and accumulated for the benefit of Shareholders and is reflected in the price of shares.

General Information

continued

Valuation Point

The scheme property of the Company and each Sub-fund will normally be valued at 12:00 on each dealing day for the purpose of calculating the price at which shares in the Company may be issued, sold, repurchased or redeemed.

For the purpose of the pricing of shares, a business day is defined as a day on which the dealing office of the ACD is open for the buying and selling of shares. The ACD may at any time during a business day carry out an additional valuation of the property of the Sub-fund if the ACD considers it desirable to do so, with the Depositary's approval.

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 11007, Chelmsford, Essex CM1 9RR

Or by telephone to:

0845 305 4217

The ACD has the right to establish facilities for recording telephone calls made or received on this telephone line.

A contract note giving details of the shares purchased will be issued no later than the next business day after the business day on which an application to purchase shares is received and instrumented by the ACD. Certificates will not be issued in respect of shares. Ownership of shares will be evidenced by an entry on the register of shareholders.

Pricing Basis

There is a single price for buying, selling and switching shares in a Sub-fund which represents the Net Asset Value of the Sub-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.fundlistings.com and in the Financial Times 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, Key Investor Information Document 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, of which copies may be obtained free of charge upon application. They are also available from the website of the ACD, the details given in the directory of this report.

Shareholders who have complaints about the operation of the Company should in the first instance contact the ACD, or, following that, may make their complaint direct to the Financial Ombudsman Service, South Quay Plaza, 183 Marsh Wall, London E14 9SR.

General Information

continued

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.

