

Premier High Income Bond Fund

Premier Funds OEIC



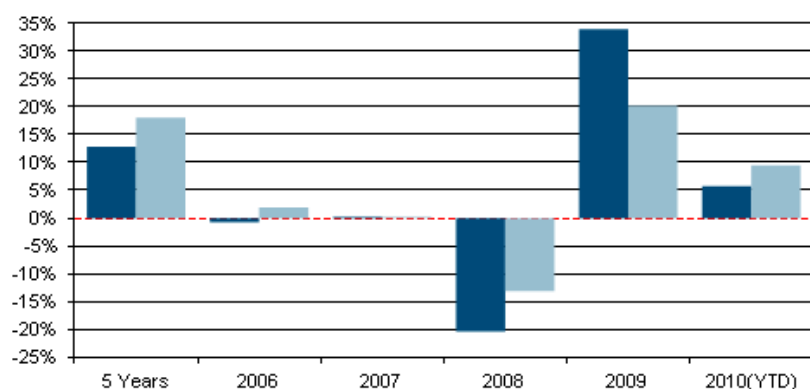
Fund Strategy

- Aims to deliver superior returns on a risk adjusted basis.
- Employs a "top down" asset allocation process. We evaluate relative value of asset types; corporate and sovereign bonds, income funds, equity derivatives and structured products aiming to optimise returns whilst maintaining a prudent approach to risk. This is complimented by a "bottom up" approach to research into individual names held within the portfolio. We only hold companies and securities where we are comfortable with associated non-systematic risk.
- At all times at least 50% of the portfolio will be invested in investment grade or equivalent bonds. Currency exposure will be predominately sterling and where appropriate foreign currency exposure may be hedged back into sterling.

Fund Objectives

The Premier High Income Bond Fund aims to maximise income, with capital appreciation being of secondary importance.

Performance Record



■ Premier High Income Bond TR
■ IMA Sterling Strategic Bond TR

© Financial Express Holdings 2010

Discrete Annual Performance (%)

Share Type	2010(YTD)	2009	2008	2007	2006
Income	5.8	33.9	-20.4	0.2	-0.7

Discrete Annual Performance to Quarter End 30 September 2010 (%)

Share Type	30/09/2010	30/09/2009	30/09/2008	30/09/2007	30/09/2006
Income	9.5	19.1	-13.8	0.7	-0.3

Cumulative Performance to 30 September 2010 (%)

Share Type	3 Months	6 Months	1 Year	3 Years	5 Years
Income	3.9	0.3	9.5	12.4	12.9
Official Sector	5.3	4.7	11.8	15.5	18.1

Performance quoted on a total return, bid to bid, UK sterling basis. Past performance is not a guide to the future. The price of units and shares and the income from them may go down as well as up and you may get back less than you invested.

Source: Financial Express. 21/10/2010

Key Fund Facts |

Launch Date:	01 March 1999
Fund Size:	£18.1m
Sector:	IMA Sterling Strategic Bond
Underlying Yield:	4.6%
Distribution Yield:	6.5%

Top 10 Holdings |

	%
Short Exp to Long Dec Gilt Future	31.03
Short Exp to Long Dec Bund Future	9.38
Henderson Group 6.5% 02/05/2012	3.10
Lloyds 7.5884% 12/05/2020	3.08
Invesco Leverage Ord	3.08
ICAP Group 7.5% 28/07/2014	2.80
Barclays Bank 10% 21/05/2021	2.55
Santander 7.3% 27/07/2019	2.37
Enterprise Inns 6.5% 06/12/2018	2.33
Unique Pub Finance 5.659% 30/06/27	2.24
TOTAL	61.96

Credit Rating Exposure |

	%
AA	5.71
A	20.31
BBB	24.44
BB	16.35
B	3.03
CCC	0.71
Non Rated High Yield	18.61
Non Rated Equities	10.85

Maturity |

	%
Under 1 year	2.20
1-5 years	11.97
5-10 years	43.07
10-15 years	7.32
15 years +	18.82
Undated	16.62

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Fund developments and comments

**Premier High Income Bond Fund, Senior Investment Manager - Paul Smith**

Over the last month the Fund returned 1.86% as compared to a 0.43% from the IMA Sterling Strategic Bond Sector. The Fund continues to provide a relatively high yield in comparison to the sector.

The Monetary Policy Committee (MPC) has maintained the UK base rate at 0.5%. The MPC remains alert to the two key risks facing the UK economy and at present remains undecided as to which poses the greater threat. The first risk to

the economy is that the current prolonged period of elevated inflation will further increase inflation expectations, subsequently making it more difficult to rein in inflation in the future. The second risk is that the private sector will not grow sufficiently to replace the reduced level of public sector growth, as cuts are implemented to reduce the UK's budget deficit. Gilt yields have fallen over the quarter as some disappointing macroeconomic releases have led to increased concerns over a double dip recession. More recently one member of MPC, Adam Posen, has spoken in favour of further quantitative easing which has driven yields lower. This position is in contrast to Andrew Sentence, the only obvious hawk on the MPC, who has voted for a rise in the interest rate in the past three meetings.

The Fund's hedge against the returns of Gilts and Bunds has been maintained. The hedge acts to reduce the duration of the fund, limiting interest rate risk. With the hedge in place the Fund's return is more aligned with credit spread performance. The Fund is positioned to protect capital if government bond yields rise and to benefit from credit spreads tightening.

Credit spreads tightened over the month as equity markets increased. Credit spreads remain wide relative to the start of the year and relative to historic averages. We do not expect spreads to tighten into pre crisis levels, however we do believe they have further to go and as such offer good value. We do not anticipate the UK will suffer from a double dip recession and, although it may be volatile, we believe corporates will lead the recovery.

Aside from the hedge against government bonds, a secondary key positioning we have maintained in the Fund is an overweight exposure to financials. We anticipate that the continued recapitalisation of financial institutions and a broad economic recovery will be to the benefit to debt holders. This positioning has led to attractive returns since the depths of the credit crisis and we believe more value remains in both senior and subordinated financial debt.

Buying activity over the month was focussed on increasing the Fund's small position in Greek sovereign debt as yields rose. In my view, yields available on peripheral European sovereigns are too high, particularly as the IMF/EU bailout has afforded them time to make headway to reduce their budget deficit. A default seems unlikely and although debt restructuring is a possibility, the news out of Greece is much more bond friendly. A new high yield holding has also been introduced in the form of debt securitised on the returns from Tees and Hartlepool Port Authority. These high yield purchases were funded through the sale of lower yielding bonds.

There will be volatile movements whilst investors remain nervous to news flows; the recent concerns over fiscal deficits and bank funding illustrates that there are still stumbling blocks to overcome. However, governments, central banks, financials and corporates finally appear alert to such risks and therefore able to nullify any pain quicker than they did two years ago.

Source: Premier Fund Managers Limited.

Fund Information

Annual Management Charge	1.50%
Initial Charge	5.25%
Accounting Dates	30 Nov, 28 Feb, 31 May, 31 Aug
Payment Dates	31 Jan, 30 Apr, 31 Jul, 31 Oct
Valuation Point	12 noon, daily
Published Price	The Financial Times
Share Class	Accumulation & Income
Sedol Code	Acc: B15F6J7, Inc: 0567345
ISA eligible	yes, stocks & shares
Min. Investment	£1,000 / £50pm

Investment Team

I Premier Asset Management Limited I

Premier Asset Management is a privately owned, dynamic and progressive asset management company that designs and distributes innovative investments, predominantly through financial advisers. Via its FSA regulated subsidiaries, Premier Portfolio Managers Ltd and Premier Fund Managers Ltd, Premier manages a range of authorised UK and offshore funds as well as providing bespoke discretionary management services for retail and corporate clients.

I Paul Smith, Senior Investment Manager I

Paul manages fixed income securities at Premier. His responsibilities include the management of open and closed end funds as well as managing various private client portfolios. Paul has a 1st class BA (Hons) degree in Economics and an MA in Finance and Investment (with distinction) from Exeter University.

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