

# The Hurlingham Managed Income Portfolio,

a sub-fund of The Hurlingham Fund  
Annual Short Report for the period from 1st November 2006 to 31st October 2007

The information in this report is designed to enable investors to make an informed judgement on the activities of the sub-fund during the period. Copies of the Long-Form Annual Report & Accounts are available free of charge by calling Premier on 01483 306 090, or can be downloaded from the Premier website, [www.premierassetmanagement.co.uk](http://www.premierassetmanagement.co.uk)

## Investment Objective and Policy

The investment objective of the Hurlingham Managed Income Portfolio is to provide income together with some long-term capital growth from a portfolio of investments. The sub-fund will achieve this by investing in units in collective investment schemes, but may also invest in equities, fixed interest securities, money market instruments and warrants.

## Fund Facts

**Launch date:** 5th January 2006  
**Ex-dividend dates:** 31st October, 30th April  
**Income dates:** 28th February, 30th June

## Total Expense Ratios

31/10/2007

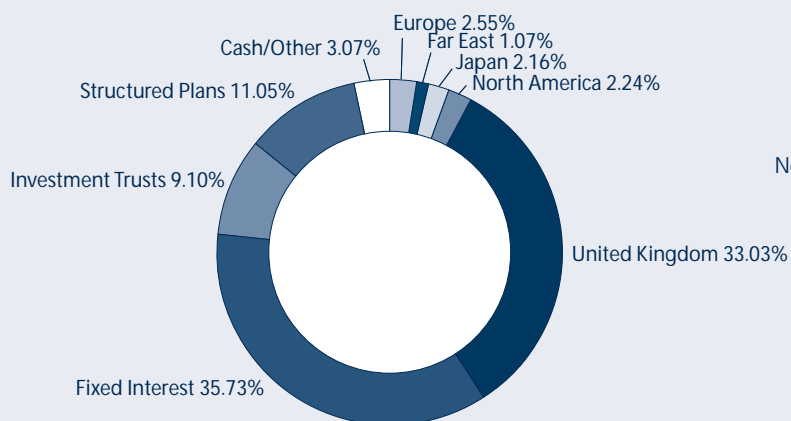
2.90%

The TERs show the annual operating expenses of the sub-fund, including the annual management charge and other expenses. They do not include transaction charges. Funds highlight the TER to help you compare the annual operating expenses of different schemes. The TER for income and accumulation shares is the same.

## Dividend Distribution

XD date	Payable	Share Class	Distribution per Share (p)
30/04/2007	30/06/2007	Income	1.5160
		Accumulation	1.0042
31/10/2007	28/02/2008	Income	1.6965
		Accumulation	1.6263

## Asset Allocation as at 31/10/2007



## Top Ten Holdings as at 31/10/2007

Resolution Corporate Bond	5.27%
Jupiter Income	5.10%
Aegon Sterling Corporate Bond	4.97%
Marlborough UK Large Capital Growth	4.88%
Rensburg UK Equity Income	4.88%
Rathbone Income	4.79%
Royal London Income	4.79%
Standard Life Higher Income	4.73%
Baillie Gifford Corporate Bond	4.64%
AXA Framlington Monthly Income	4.62%

## Risk Profile

The sub-fund deducts all charges, including the annual management charge from capital rather than income. This may result in the income being higher than would otherwise have been the case and the growth in the capital may be constrained.

## Performance Record

Year	Share Class	Highest price	Lowest Price
2006	Income <sup>1</sup>	102.74	96.29
	Accumulation <sup>2</sup>	102.74	102.00
2007 <sup>3</sup>	Income	105.17	97.39
	Accumulation	106.36	98.98

<sup>1</sup>5th January 2006 to 31st December 2006.

<sup>2</sup>8th December 2006 to 31st December 2006.

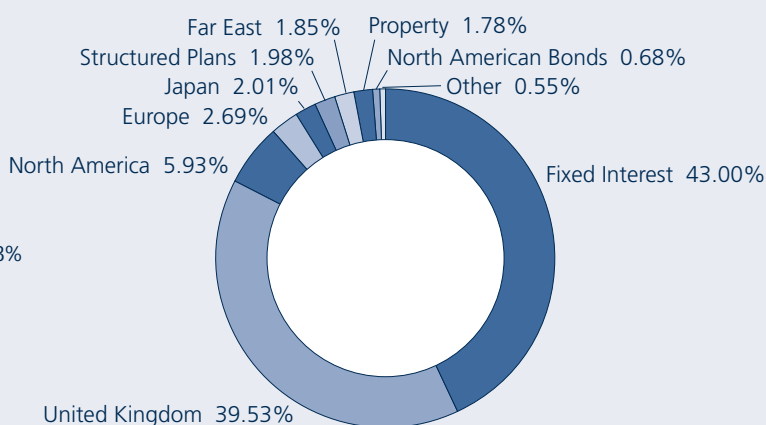
<sup>3</sup>To 31st October 2007.

Past performance is not a guide to future returns. The price of units and shares and the return from them may go down as well as up and you may get back less than you invested.

## Net Asset Values

As at	Share Class	Net Asset Value per Share (p)
31/10/2006	Income	100.26
31/10/2007	Income	99.54
	Accumulation	102.65

## Asset Allocation as at 31/10/2006



## Top Ten Holdings as at 31/10/2006

Henderson Preference & Bond	4.99%
Baillie Gifford Corporate Bond	4.96%
Liontrust First Income	4.94%
Baillie Gifford British 350	4.89%
F&C Extra Income Bond	4.89%
AXA Framlington Monthly Income	4.86%
M&G High Yield Corporate Bond	4.80%
Legal & General High Income	4.63%
Resolution Corporate Bond	4.60%
Legg Mason US Equity	4.50%

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## Investment Review

### Performance

Over what has been a volatile period for the world's financial markets, the sub-fund registered a return of 2.3%. This was behind the sector average which returned 4.7% and the Fund's benchmark, which gained 6.8%.

### Portfolio Activity

Since November 2006, we have raised our equity weighting, whilst reducing our fixed income exposure. On an international basis, we increased our exposure to Japan and Europe and trimmed back our US and Asian weightings. Within bonds, we reduced our gilt exposure to zero in favour of high-yield and investment-grade corporate bond funds. In addition, we increased our alternative investments at the expense of cash.

In Europe at the end of January, we replaced our holding in Artemis European Growth with the less aggressively managed Resolution Argonaut European Income Fund. Meanwhile, overseas, we switched from Martin Currie Japan to Societe Generale Japan Core Alpha, a more stock-focused manager running the portfolio from the bottom-up.

Within the UK, we increased our exposure to large caps with new funds, such as, Marlborough UK Large Cap Growth, and Schroder Income Maximiser. In addition, we also sold among others, Baillie Gifford British 350 and Investec UK Smaller Companies.

Amid the market turmoil, we increased our equity exposure with defensive structured plans such as Elders 26A Capital V. This is a structured plan that has 50% downside protection with the potential to generate an attractive 14.5% one-year return.

We also increased our alternative investments with the purchase of Acencia Debt Strategies. This is an exchange-listed fund that invests in asset-backed distressed debt. We believe this can generate attractive returns while acting as a useful alternative to equities and bonds. Moreover, we added PSource Structured Debt for its low correlation to equity and traditional debt markets.

With regards to property, we replaced MedicX with Matrix European and Summit Germany, with high expectations of a rebound in the European property market, particularly in Germany.

Within bonds, we reduced our exposure to government bond funds to zero, locking in profits, following their strong run during the summer. In addition, we reduced the Fund's risk profile, selling the F&C Extra Income and Henderson Preference & Bond and replacing them with Aegon Sterling Corporate Bond.

### Outlook

At the end of October, global equities have taken the long way around to get back to pretty much where they started. The US continues to dominate sentiment in most markets, with each snippet of news on the American economy and in particular, any issues linked to its beleaguered housing market conspiring to knock share prices off their previous course. This newsflow has, as expected, been more bad than good, but it has not been bad enough to materially alter our view that the US is more likely to avoid recession than slide into it. Under this scenario, the medium-term outlook for equities is positive, and so we have decided to raise our exposure to this asset class, albeit through cautious investments.

Gilts have had another reasonable run on the back of investors' jittery nerves, pushing yields down to even less attractive levels than in September. As an asset class, bonds offer little appeal at present, and with prices rising throughout October, we are certainly not minded to increase exposure from our current heavily-underweighted position. However, should we see a rise in gilt yields back to more reasonable levels, we will look to re-establish exposure as an insurance against any further negative equity shocks.

Source: Premier Fund Managers Limited, November 2007.

Performance figures are taken from Financial Express Analytics and are quoted on a bid to bid, total return, UK sterling basis.

The full Investment Review is available in the Long-form Annual Report & Accounts, which is available on request, or from the Premier website, [www.premierassetmanagement.co.uk](http://www.premierassetmanagement.co.uk).

## Other Information

*Authorised Corporate Director (ACD) & Registered Office:*

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You should remember that past performance is not a guide to future returns and the price of shares and the income from them may go down as well as up and you may get back less than you invested. Investment in these funds should be viewed as a long term investment. Exchange rates will also cause the value of underlying investments to fall as well as rise. Tax concessions are not guaranteed and may be changed at any time, their value will depend on your individual circumstances. Reference to any particular stock does not constitute a recommendation to buy or sell the stock. Details of the nature of the investments, the commitment required and fund specific risk warnings are described in the Simplified Prospectus document which is available on request. Monthly cash withdrawals may lead to erosion of the capital value of your investment should you take a higher cash withdrawal than the growth or income generated.

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