

FUND FACTSHEET



CF IM BOND FUND
Q4 Quarterly Review - January 2012

FUND AIM AND PROCESS

The CF IM Bond Fund seeks to produce a level of income (yield) in excess of that generally available to investors who require free access to their capital at short notice by investing in a range of fixed interest investments that are of good quality. The fund adopts the trend-following methodology used in all our decision making so that it is positioned in areas of the fixed income market most likely to achieve its objectives.

MARKET BACKGROUND

With the New Year came the usual slew of economic forecasts which almost universally predict a contraction in Global economic growth and an outright recession in Europe. Recent economic numbers from the US have been generally stronger than forecast with the key barometer of the current cycle, employment growth, showing real signs of a positive tone. Allied to this, early reports from US companies such as aluminium producer ALCOA indicate that business conditions are showing signs of improving sufficiently to give rise to positive outlook statements for the next 12 months. The most recent economic survey from the Federal Reserve Board concluded that the pace of economic expansion improved in December albeit it at a level slower than they would like to see.

Within Europe Mario Draghi, new President of the ECB, undertook a quite dramatic move to secure the banking system by offering unlimited loans to any bank that needed funds for a period of three years. This is monetary stimulus by any name and had a very positive impact on the banks and government bonds. It is not in itself a solution but it is the first real sign of action to address current problems. At the margin, it is a sign of a positive economic development.

In a similar vein recent news out of China has indicated, albeit tentatively, that the moves to slow economic activity have come to an end and efforts are now being made to stimulate the economy. If both these two initiatives are sustained then the momentum will shift back in favour of a recovery in global economic activity, yet again confounding the forecasters.

If we look at various developments in the equity markets some support can be found for the notion that the real economy is improving and things aren't as bad as the pessimists would have us believe.

A key measure of market sentiment is the level of volatility within the market. This began to rise mid way through last year and was one of the reasons we became more defensive but has been declining since October of last year. This means that investors are no longer as willing to pay as much to protect the value of their portfolio as they were earlier in the year. This stands in stark contrast to the popular view that everyone is afraid to invest and caution is the key to successful investing this year. Maybe what this is saying is that those who are scared have already sold leaving the long term investors holding stocks they are happy with.

Another positive sign has been the fact that both the US and UK markets have risen above their 200 day moving averages. By any definition this means that the trend in the equity markets has moved from negative to positive.

Finally, we have started to see sector rotation pick up quite significantly. This began late last year but so far in 2012 the defensive sectors such as food and pharmaceuticals have started to under-perform the market while the cyclical and commodity sectors have performed much better. This could be a temporary valuation driven event or it could represent a sign that the economic prospects are much better than had been anticipated.

FUND FACTS

AT 31 DECEMBER 2011

Fund Aim
To generate a consistent level of income

Launched
21/04/2011

IMA Sector
IMA Sterling Strategic Bond

Mid Price
228.16p

Fund Size
£45.6M

Fund Charges
1.4% annual management charge

Initial Charge
Up to 5%

Administrator
Capita Financial Administrators Limited
Ibex House
42-47 Minorities
London, EC3N 1DX

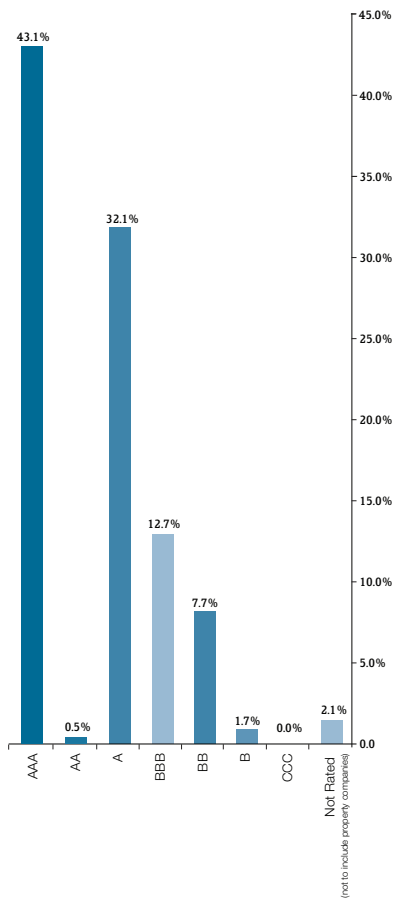
Authorised Corporate Director
Capita Financial Managers Limited

Registered/Operating Address
Ibex House
42-47 Minorities
London
EC3N 1DX

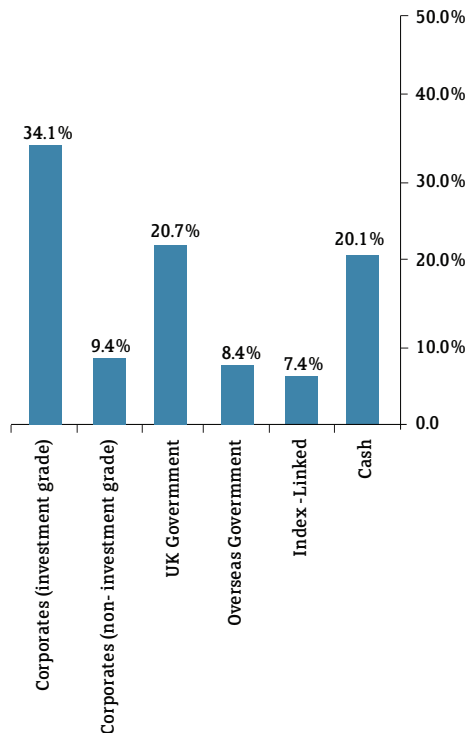
Domicile
UK. The fund is structured as an Open-Ended Investment Company (OEIC) and complies with the EU requirements relating to Undertaking for Collective Investments in Transferable Securities (UCITS).

Investment Manager
IM Asset Management Limited

CREDIT RATING BREAKDOWN (%)



ALLOCATION (%)



INVESTMENT THEMES

As mentioned above the combination of lower volatility, improved economic statistics, high levels of pessimism and signs of sector rotation has caused us to begin to alter the investment themes being followed. For much of last year we favoured so called defensive stocks such as pharmaceutical and food companies as well as high yielding utility companies. While we still retain holdings in these sectors we have been marginally reducing them and investing into sectors which are more sensitive to the overall level of economic activity such as industrial engineers, manufacturers and mining stock.

TOP 10 HOLDINGS (%) AS AT 31 DECEMBER 2011

1. ISHARES MARKIT IBOXX GBP CR BD	8.5
2. ISHARES JPM EMERG MRKT BOND	8.4
3. UK TSY 3 3/4% 2020	7.0
4. UK TSY 3 3/4% 2019	4.5
5. TSY 1 1/4% 2027 I/L GILT	4.5
6. LLOYDS TSB BANK PLC	3.4
7. NATIONAL GRID PLC	2.9
8. LBG CAPITAL NO.1 PLC	2.5
9. ITV PLC	2.5
10. UK TSY 4 1/4% 2027	2.3

SECTOR AND STOCK SELECTION

Quantitative easing, that is the Bank of England buying up large amounts of government bonds in order to reduce interest rates has provided a major distortion to the bond markets. Very few investors, ourselves included, have been interested in buying bonds yielding below the rate of inflation. Since October this distortion has been much less pronounced and the return to gilts and corporate bonds has been broadly similar. Towards the end of the year signs began to emerge that corporate bonds, which have much higher yield levels, are beginning to do much better than government gilts. We have preferred the certain yield available from corporate bonds and have been adding to this area at the margin while maintaining a core holding in gilts. We favour long dated gilts at the expense of short dated holdings and have been selling the few short dated bonds we have held.

IMPORTANT INFORMATION

This document is issued by IM Asset Management Limited. The CF IM Bond Fund is authorised by the Financial Services Authority in the UK and qualifies as a UCITS scheme under its rules. A simplified prospectus and full prospectus are available and can be obtained from Capita Financial Administrators Limited. Should you require the current price or details of the fund holdings please contact Capita Financial Managers Limited, Ibex House, 42-47 Minories, London, EC3N 1DX.

Nothing on this factsheet should be construed as advice and is therefore not a recommendation to buy or sell shares in the fund.

FOR MORE INFORMATION PLEASE CONTACT US ON:

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or email clientservices@imassetmanagement.com