

FUND FACTSHEET



CF IM BOND FUND

Q3 Quarterly Review - October 2011

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

The third quarter was brutal for risk assets. Global equities and high yield bonds suffered their greatest losses since the fourth quarter of 2008 driven by fears of a global recession, EU debt default and policy impotence. Commodity prices collapsed, the 10-year Treasury yield fell to a record low, and equity volatility surged to its highest level since March 2009.

Over the medium term, we remain convinced that a backdrop of low growth, low interest rates, and high liquidity to offset deleveraging means portfolios must be tilted toward assets that generate high growth, high yields and high quality. In the short term, while we acknowledge the downside risk to markets, we believe the biggest reasons to underweight equities and commodities today – a disorderly Greek debt default, a hard landing in China, or a slump in global earnings growth – are still low probability events. And, as stated recently, in the absence of a full-blown global recession, we believe we are close to levels in global risk markets that represent good entry points rather than exit points. A new policy easing cycle has begun, sentiment is already very bearish and valuations argue that the relative opportunity in equities over bonds will soon be much more attractive.

The following three factors could trigger a reversal of fortune and a recovery in equity and commodity prices relative to fixed income:

Economic data in the US, Europe and Asia has failed to validate the recession fears embedded in the prices of government bonds and bank stocks. US consumer spending has been resilient in recent months, aided by lower oil and gasoline prices. Indeed, recent macro data in the US has actually surprised to the upside – particularly on manufacturing and employment – suggesting that the next move in government bond yields will be up rather than down.

Central bank liquidity continues to expand dramatically with the aim of supporting asset prices and alleviating the impact of consumer, bank and government deleveraging. This liquidity is the key reason equity and commodity prices did not fall a lot further this summer.

Valuations across risk assets are consistent with a recessionary outlook. Relative to the 2% level of 10-year government bond yields in the US, UK and Germany, equity and corporate bond yields look attractive assuming the macro backdrop can be stabilized: the global equity dividend yield is 3%, US investment grade and high yield bond yields are 4% and 10% respectively, the earnings yield on EM equities is 12%, and the EM corporate bond yield is 14%.

One of the big questions on everyone's mind is what happens if Greece defaults. A disorderly default has the potential to derail the base case of no recession and would lead to a European banking crisis and massive global contagion. We believe there will be an orderly resolution to the crisis in the European periphery. An orderly outcome would present an entry point into risk assets; a disorderly Greek default would cause a mass exit.

FUND FACTS

AT 30 SEPTEMBER 2011

Fund Aim

To generate a consistent level of income

Launched

21/04/2011

IMA Sector

IMA Sterling Strategic Bond

Mid Price

224.87p

Fund Size

£33.9M

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

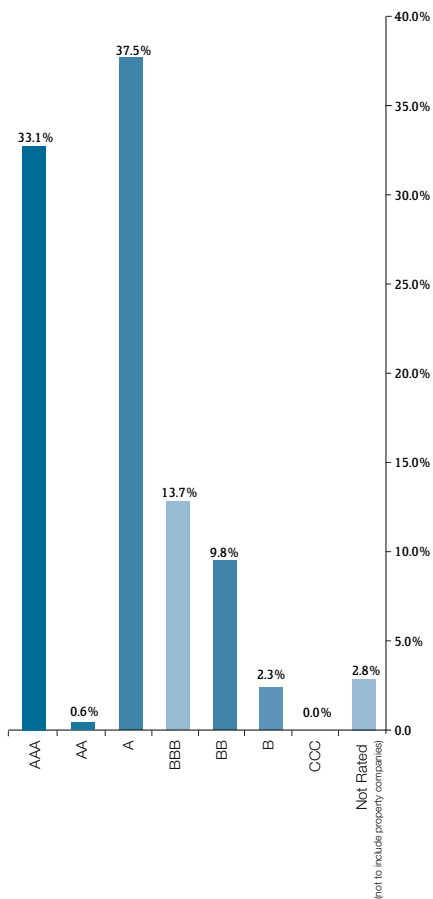
Domicile

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).

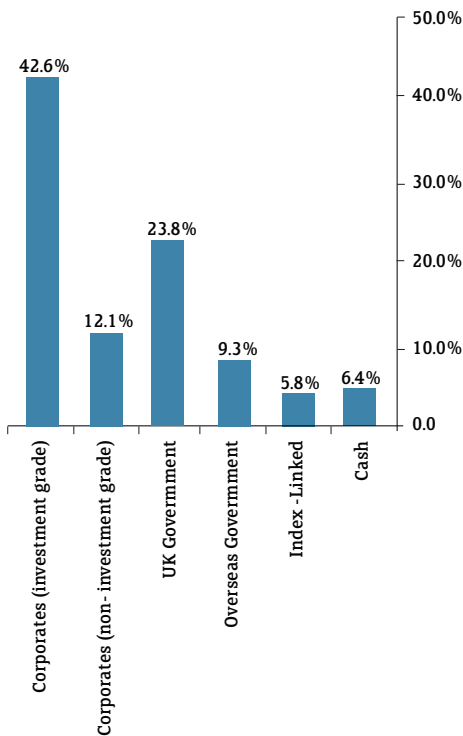
Investment Manager

IM Asset Management Limited

CREDIT RATING BREAKDOWN (%)



ALLOCATION (%)



INVESTMENT THEMES

The signal to reduce equity exposure which was generated in late July saw no follow through and so although cash levels were allowed to rise to higher levels than normal we held back from additional measures. There were a number of reasons for this including the high dividend yields we can obtain on equities, especially in the UK, when compared to cash or fixed income investments, the widespread pessimism acting as a contrarian indicator and signs of improving economic activity in the US and other parts of the World.

This approach has been vindicated, at least in the short term, as we got a buy signal for a number of major markets in the third week of October as confidence began to return based on attention being paid to better economic numbers and limited progress to address the problems in Europe. If, as seems likely at the moment, the risk of another global recession can be avoided in the short term then a combination of low relative valuations, positive earnings and improving sentiment should see equity markets provide a positive return over the final quarter of the year.

TOP 10 HOLDINGS (%) AS AT 30 SEPTEMBER 2011

1. ISHARES JPM EMERG MRKT BOND	9.3
2. ISHARES MARKIT IBOXX GBP CR BD	7.5
3. UK TSY 3 3/4% 2019	6.0
4. TSY 1 1/4% 2027 I/L GILT	5.8
5. UK TSY 2 1/4% 2014	4.6
6. LLOYDS TSB BANK PLC	4.4
7. UK TSY 3 3/4% 2020	3.9
8. ITV PLC	3.3
9. LBG CAPITAL NO.1 PLC	3.2
10. UK TSY 5% 2014	2.5

SECTOR AND STOCK SELECTION

It has been a quarter of two halves with the first half seeing very positive momentum and returns to gilt markets based on concerns about the European financial crisis and the threat it posed to global growth. However, from late September to early October signs of this rally have come to an end. While gilts have yet to pose declines other bonds are beginning to produce better returns. Our strategy has been to favour higher yielding corporate and emerging market bonds which provide certainty of a regular income without any dependency on capital gains to provide an adequate return. This approach is now being vindicated and the return provided by this fund will be maintained.

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:

0870 1500 900 visit imassetmanagement.com
or email clientservices@imassetmanagement.com

IM Asset Management

Registered office IM Asset Management, Riverside East, 2 Millsands, Sheffield, S3 8DT