

FUND FACTSHEET


CF IM CAPITAL UK EQUITY & BOND INCOME FUND

Q2 Quarterly Review - July 2011

FUND AIM AND PROCESS

Asset allocation is the most important decision in the investment process. The CF IM Capital UK Equity & Bond Income Fund seeks to generate returns by dynamically adjusting its asset allocation in accordance with our investment model. Exposure to each asset class is by way of funds and shares that satisfy our investment criteria. Although we look to produce a return in excess of the UK stock market, the fund can invest in a range of assets including commodities, property, fixed-income securities as well as equity-linked funds.

MARKET BACKGROUND

Resolution of the two themes dominating the Global economy (and hence financial markets), Greece and economic slowdown, appears as far away as ever. It is difficult to conclude the management of the Greek problem could have been handled in a less effective manner. Well into the second year of the problem and still there is no consensus about how to go about finding a solution let alone implementing it. Instead Greece is allowed to stumble from one crisis to another with the risk of the problems spreading to other countries. Fundamentally the difference of approach between European Finance Ministers and the ECB remains. At its heart is politics and who ultimately will fund a long-term solution. Belatedly, there does appear to be increased recognition that the only way out of the current situation is a partial default. The role of the European Financial Stability Fund in this is being more widely discussed and does appear to offer a workable, long-term solution rather than the series of stop-gap liquidity measures which have been implemented thus far. While this is encouraging, and the financial markets would respond very positively, it is the first step on the road to fiscal integration and so is likely to meet some resistance.

The slow-down in Global economic activity seen for most of this year is showing tentative signs of ending. Most significantly Japanese economic growth is recovering rapidly from the effects of the earthquake. While growth for the year as a whole will be negative it is expected that growth in the third quarter will be just short of 4%. This improved level of economic activity is already being seen with improved levels of consumer consumption and higher levels of demand for cars.

In a similar fashion growth in the US it appears to be picking up from the slow-down seen in recent months. Manufacturing numbers such as the Institute for Supply Management are re-accelerating following three months of decline, chain store sales are growing and consumer expenditure is holding up reasonably well despite the poor state of the employment market. Negotiations between the two parties about raising the debt ceiling are increasingly acrimonious and seemingly stuck but this is an almost annual affair and has until now always been resolved. We see no reason to believe that this time will be any different.

Growth problems remain in Europe with the combination of uncertainty over Greek debt and rising interest rates acting as a depressant on activity. Despite this inflationary pressures remain and as these are the sole target of the ECB the prospect of further rate rises remains. Continued downward revisions to growth appear not to concern the authorities. Resolution of the Greek debt issue would act as a major boost to confidence and most likely growth but there is a danger that, once again, the ECB is fighting yesterday's battles.

China, now the second biggest economy in the World, continues to see slowing growth, all be it to the 8% level, as higher interest rates and tighter reserve restrictions have an impact. There may be more rate increases but most are behind us and going forward the rate of change in Chinese growth will be positive.

FUND PERFORMANCE

	Q2 2010 - Q2 2011	Q2 2009 - Q2 2010	Q2 2008 - Q2 2009	Q2 2007 - Q2 2008	Q2 2006 - Q2 2007
CF IM Capital UK Equity & Bond Income Fund	+14.77%	+19.80%	-30.04%	N/A	N/A

Source: Financial Express
Based on single price after deduction of fees, with net income reinvested.

Important Information: Past performance is not a guide to future performance and may not be repeated. The value of investments and income from them can go down as well as up and investors may not get back the amounts originally invested.

FUND FACTS
AT 30 JUNE 2011
Fund Aim

To seek a high yield and some capital growth

Launched

01/10/2007

IMA Sector

IMA UK All Equity and Bond Income

Mid Price

101.74p*

Fund Size

£24.6M

Type of Shares

Accumulation or Income

Fund Charges

1.4% annual management charge

Tax Efficient Schemes

ISA - Eligible

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

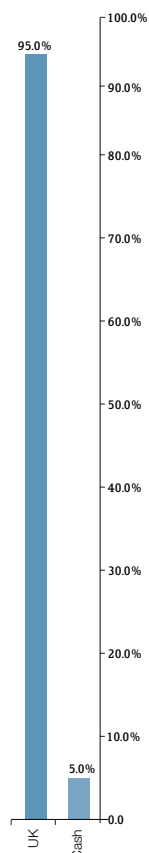
UK. The fund is structured as an open-ended Investment Company (OEIC) and complies with the EU requirements relating to Undertaking for Collective Investment in Transferable Securities (UCITS).

Investment Manager

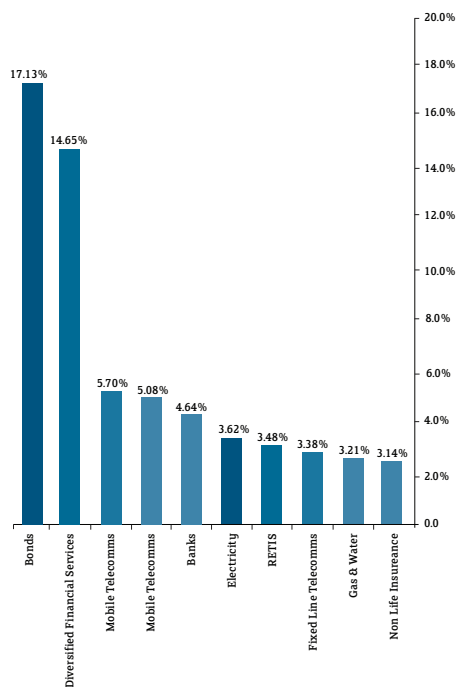
IM Asset Management Limited

*price is for the income units.

FUND ALLOCATION (%)



TOP SECTORS (%)



INVESTMENT THEMES

Cash remains at relatively high levels although down from last month. While the economic fundamentals have improved marginally over the last month problems remain which could easily undermine this. Risk or "real" markets, which we define as equities, commodities and property, have demonstrated a great deal of resilience despite the political indecision and economic risks. The primary trend, which has been positive since July of last year, has been tested and held thereby creating the expectation that the market will continue in an up trend. Twice in the last two weeks (making it three times this year) we have seen various markets bounce off levels where market theory suggests they should. The secondary trend is less encouraging with the indicator moving sideways which it has been doing for most of the year in the equity markets.

Fixed income markets have proven to be safe havens during the acute periods of the Greek crisis but have failed to make a sustained break up on a relative basis. Valuation levels look unattractive with 10 year gilts yielding less than the dividend yield on the All Share, a ratio which has historically represented an attractive buying opportunity in the past.

Property both in the UK and throughout the World has moved into a positive trend (which we have taken advantage of). This, together with the upward move in certain key commodities such as copper, inclines us to the view that economic activity is re-accelerating and that real assets are the place to invest.

TOP 10 HOLDINGS (%) AS AT 30 JUNE 2011

1. ISHARES GBP CORPORATE BOND	9.0
2. ROYAL DUTCH SHELL PLC-B SHS	9.0
3. LBG CAPITAL NO.1 PLC	7.8
4. VODAFONE GROUP PLC	5.7
5. BRITISH AMERICAN TOBACCO PLC	5.1
6. HSBC BANK PLC	4.6
7. TSY 3 3/4% 2019	4.3
8. TSY 1 7/8% 2022 I/L GILT	3.8
9. BT GROUP PLC	3.4
10. ASHMORE GROUP PLC.	3.0

SECTOR AND STOCK SELECTION

Our indicators turned cautious and prompted us to modestly increase our allocation to bonds within this fund at the expense of equities. Should the macro environment deteriorate further then we will increase our bond weighing further.

Within the bond allocation our preference has been to hold corporate bonds, especially those of the part nationalised banks, where very attractive yields can be obtained together with bonds issued by so called emerging economies. Ironically, the credit ratings of emerging economies are significantly higher than that of the developed economies despite the former's higher yield.

Within the equity portion of the fund we have been able to find a large number of high yielding equities that have positive growth trends such as manufacturing company Morgan Crucible, REIT British Land and transport company Stagecoach. In the volatile market we have seen so far this year equities with high dividend yields have been among the strongest performers. Additionally, with interest rates so low the case for investing in high quality equities with good dividend yields continues to be very strong.

IMPORTANT INFORMATION

This document is issued by IM Asset Management Limited. The CF IM Capital UK Equity & Bond Income 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 it is therefore not a recommendation to buy or sell shares in the fund.

Please note that prior to 17th September 2010, the name of the fund was CF IM Portfolio Fund and the fund had a different investment objective. As a result, past performance figures may not be representative of current objectives.

FOR MORE INFORMATION PLEASE CONTACT US ON:

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IM Asset Management

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