

**FUND FACTSHEET**


## CF IM CAPITAL UK GROWTH FUND

Q2 Quarterly Review - July 2011

### FUND AIM AND PROCESS

The CF IM Capital UK Growth Fund utilises our strategy of 'strategic thinking' by investing in stocks that have positive earnings and price momentum in combination with our proprietary timing technique. Our analysis confirms that by combining these factors the probability of superior performance is enhanced.

### 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 FACTS

AT 30 JUNE 2011

**Fund Aim**

To seek long-term capital growth

**Launched**

21/04/2011

**IMA Sector**

IMA UK all companies

**Mid Price**

273.92p

**Fund Size**

£80.6M

**Fund Charges**

1.4% annual management charge

**Initial Charge**

Up to 5%

**Administrator**

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

**Authorised Corporate Director**

Capita Financial Managers Limited

**Registered/Operating Address**

Ibex House  
42-47 Minories  
London  
EC3N 1DX

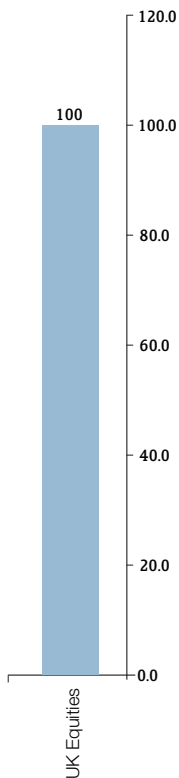
**Domicile**

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).

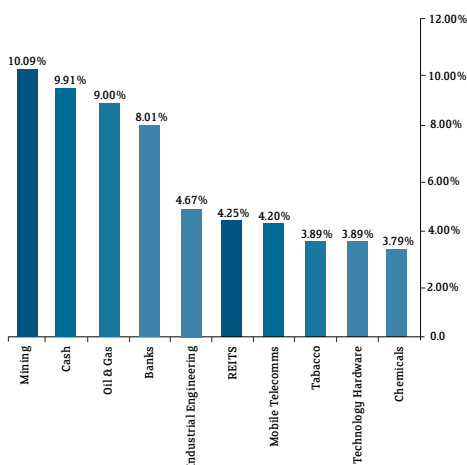
**Investment Manager**

IM Asset Management Limited

## 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. ROYAL DUTCH SHELL PLC-B SHS	9.0
2. HSBC HOLDINGS PLC	5.3
3. RIO TINTO PLC	4.8
4. VODAFONE GROUP PLC	4.2
5. BRITISH AMERICAN TOBACCO PLC	3.9
6. ARM HOLDINGS PLC	3.2
7. XSTRATA PLC	3.0
8. BURBERRY GROUP PLC	2.9
9. BT GROUP PLC	2.5
10. WEIR GROUP PLC/THE	2.4

## SECTOR AND STOCK SELECTION

Sector rotation has been the theme for this year and there appears to be no end in sight to this. That's how we began last month's comments and we see no reason to change that view. Within the last month the mining sector has given a buy signal and so the sector joins other cyclical sectors such as chemicals, forestry and industrial engineering on the buy list. Equally electricity, pharmaceuticals and tobacco are buys. This combination of disparate groups illustrates the uncertainty within the market. Seemingly, the only area to avoid is banks although we suspect that if the Greek situation is resolved then this would reverse rapidly.

## IMPORTANT INFORMATION

This document is issued by IM Asset Management Limited. The CF IM Capital UK Growth 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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**IM Asset Management**

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