

FUND FACTSHEET


CF IM CAPITAL UK EQUITY & BOND INCOME FUND

Q4 Quarterly Review - January 2012

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

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 PERFORMANCE

	Q4 2010 - Q4 2011	Q4 2009 - Q4 2010	Q4 2008 - Q4 2009	Q4 2007 - Q4 2008	Q4 2006 - Q4 2007
CF IM Capital UK Equity & Bond Income Fund	-3.05%	+14.12%	+13.60%	-31.66%	N/A

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

FUND FACTS

AT 31 DECEMBER 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

98.05p*

Fund Size

£22.7M

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).

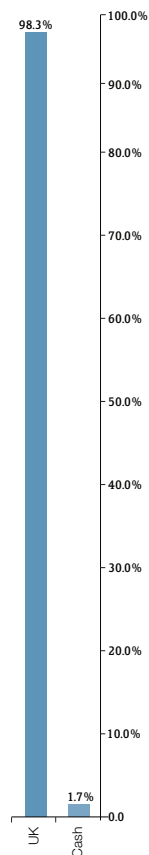
Investment Manager

IM Asset Management Limited

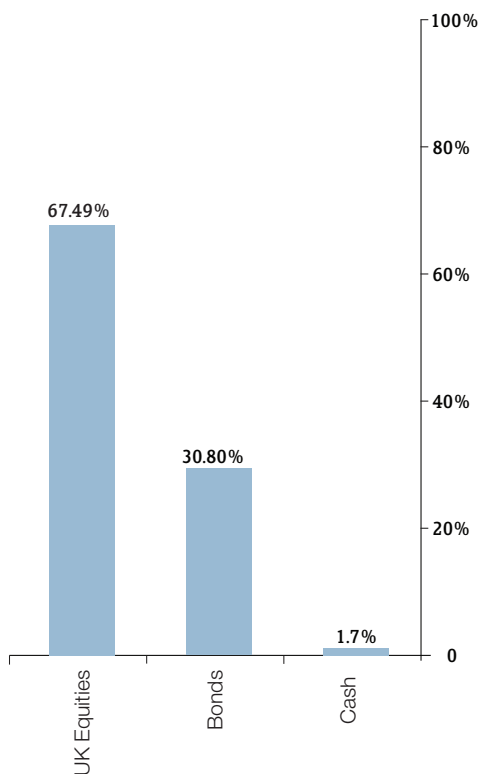
*price is for the income units

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 ALLOCATION (%)



TOP SECTORS (%)



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. ROYAL DUTCH SHELL PLC-B SHS	11.2
2. ISHARES GBP CORPORATE BOND	9.8
3. GLAXOSMITHKLINE PLC	7.4
4. LBG CAPITAL NO.1 PLC	6.9
5. VODAFONE GROUP PLC	6.5
6. BP PLC	5.5
7. HSBC BANK PLC	4.9
8. BRITISH AMERICAN TOBACCO PLC	4.8
9. UK TSY 4% 2022	4.7
10. UK TSY 3 3/4% 2021	4.6

SECTOR AND STOCK SELECTION

Fixed income securities, which had formed a substantial proportion of this fund for a considerable part of last year are now being gradually reduced with the proceeds going into high yielding shares.

Within the share part of the fund we have followed the strategy of buying high yield with positive momentum and selling these positions when the yield declines below the market average. This has been a successful strategy with holdings such as Royal Dutch Shell, Unilever and Tate all posting solid gains. Recent purchases such as Balfour Beatty and CRH show how the market has moved to favour more cyclically focused stocks with the defensive stocks no longer offering as good value.

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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