

FUND FACTSHEET


CF IM CAPITAL UK EQUITY & BOND INCOME FUND

Q3 Quarterly Review - October 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

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 overweight 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 PERFORMANCE

	Q3 2010 - Q3 2011	Q3 2009 - Q3 2010	Q3 2008 - Q3 2009	Q3 2007 - Q3 2008	Q3 2006 - Q3 2007
CF IM Capital UK Equity & Bond Income Fund	-3.01%	+11.35%	-10.69%	N/A	N/A

Source: Financial Express

Based on single price after deduction of fees, with net income reinvested.

FUND FACTS

AT 30 SEPTEMBER 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

93.59p*

Fund Size

£21.1M

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).

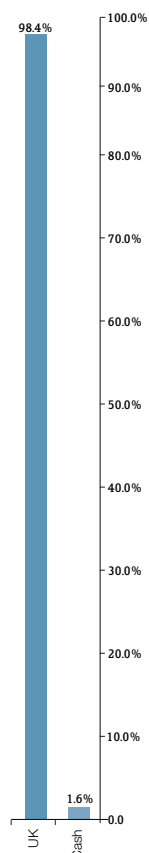
Investment Manager

IM Asset Management Limited

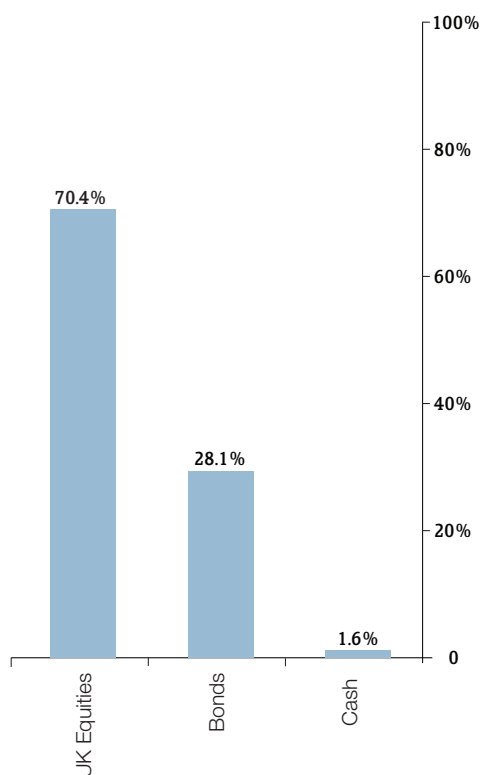
*price is for the income units.

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

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 GBP CORPORATE BOND	10.4
2. ROYAL DUTCH SHELL PLC-B SHS	10.3
3. LBG CAPITAL NO.1 PLC	7.4
4. BRITISH AMERICAN TOBACCO PLC	6.9
5. GLAXOSMITHKLINE PLC	6.5
6. HSBC BANK PLC	5.4
7. VODAFONE GROUP PLC	5.1
8. TSY 1 7/8% 2022 1/L GILT	4.9
9. NATIONAL GRID PLC	3.8
10. BT GROUP PLC	3.7

SECTOR AND STOCK SELECTION

During July and August we increased the allocation to bonds and cash within the fund to approximately 40% as uncertainty around Greece dominated financial markets. As it transpires the worst case scenario for the World appears to have been avoided, for the time being at least. By October signs were emerging of improved financial market conditions and we used this as an opportunity to invest back into equities and in particular into some high yielding companies. We have recently made significant investments into insurance companies which have very attractive yield which in the case of Aviva are as high as 9%.

In aggregate the fund continues to have a very attractive yield as well as the potential for dividend growth and capital gains.

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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