

CF Canlife Balanced Unit Trust
Manager's Annual Short Report
for the year ended 15 January 2010

Investment Objective and Policy

The CF Canlife Balanced Unit Trust ('the Trust') aims to provide capital growth from a balanced portfolio of units in other collective investment schemes, covering markets throughout the world. Investment will be across a range of unit trusts, both UK and international, the weighting in each sector being dependent on our views of the market. The Trust may invest in the following categories of schemes; securities and money market schemes. However, the Trust will not invest in money market funds while it remains part of an ISA. Investment may include units in unit trusts of other managers. It is not intended that the Trust will have an interest in any immovable property or tangible movable property.

Risk Profile

The Trust has little exposure to credit or cash flow risk. There are no borrowings or unlisted securities of a material nature and so there is little exposure to liquidity risk. The main risks it faces from its financial instruments are market price, foreign currency and interest rate risk. The Manager reviews the policies for managing these risks in order to follow and achieve the Investment Objective as summarised above.

Accounting and Distribution Dates

	Accounting	Distribution
Interim	15 July	–
Final	15 January	15 March

Total Expense Ratio

Expense Type	15.01.10 %	15.01.09 %
Manager's periodic charge	0.25	0.25
Other expenses	0.11	0.11
	<u>0.36</u>	<u>0.36</u>
Collective investment scheme costs	1.38	1.23
Total expense ratio	1.74	1.59

Portfolio Turnover Rate

	15.01.10 %	15.01.09 %
Portfolio turnover rate	7.52	-2.62

Distributions

	Final 15.01.10 pence per unit
Accumulation	2.0225

Price and Income History

Accumulation units

Calendar Year	Highest Buying Price p	Lowest Selling Price p	Distribution per unit p
2005	106.57	85.17	1.2600
2006	114.95	97.99	1.2723
2007	120.44	103.15	1.2473
2008	116.64	77.09	1.5305
2009	109.42	77.72	1.8452
2010*	110.70	103.68	2.0225

* To 15 January 2010.

Net Asset Value

Date	Net Asset Value £	Units in Issue	Net Asset Value pence per unit
15.01.08	73,607,140	69,072,703	106.56
15.01.09	58,074,228	68,866,764	84.33
15.01.10	72,895,263	70,068,579	104.03

Net Asset Value Performance to 15 January 2010 (%)

	1 year	3 years	5 years
CF Canlife Balanced Unit Trust	23.36	-2.80	19.95

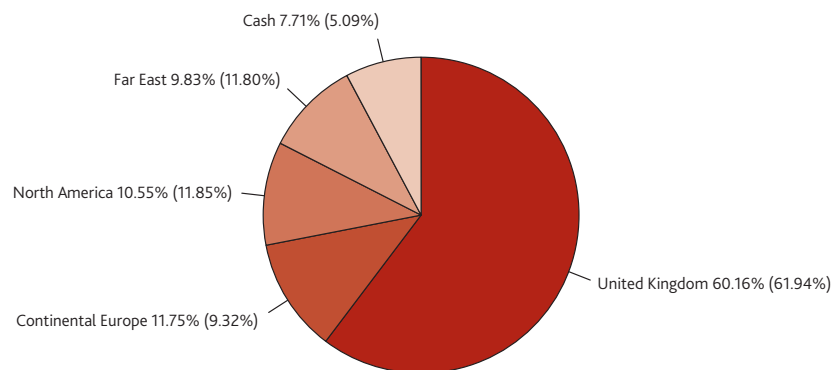
The performance of the Trust is based on the net asset value per Accumulation unit which includes revenue reinvested.

Risk Warning

Please remember that past performance should not be seen as a guide to future performance and that the value of an investment and the income from it can fall as well as rise and may be affected by exchange rate variations.

INVESTMENT MANAGER'S REPORT

Sector Spread of Investments



The figures in brackets show allocations at 15 January 2009.

Major Holdings

All of the holdings at the end of each year are shown below.

Holding	% of Trust as at 15.01.10	Holding	% of Trust as at 15.01.09
CF Canlife Growth	17.91	CF Canlife Bond	18.87
CF Canlife High Income	17.52	CF Canlife High Income	17.24
CF Canlife Bond	16.97	CF Canlife Growth	17.19
CF Canlife European	11.75	CF Canlife North American	11.85
CF Canlife North American	10.55	CF Canlife European	9.32
CF Canlife Far East	7.47	CF Canlife UK Smaller Companies	8.64
CF Canlife UK Smaller Companies	5.56	CF Canlife Japanese	6.40
CF Canlife Japanese	2.36	CF Canlife Far East	5.40
CF Canlife Income	2.20		

Investment Review

During the period of review, 16 January 2009 to 15 January 2010, world stock markets recovered strongly from their lows. This is reflected in the unit price of the Fund increasing by 23.1% over the period.

All of the underlying funds in the CF Canlife Balanced Unit Trust provided positive returns over the period.

Market Review

UK – The housing market recovered in 2009 and mortgage approvals increased. This helped improve consumer confidence. However, Government borrowings are rocketing. Paying for this later will likely prove painful. A general election is due by May 2010 – policy changes loom.

The FTSE All-Share Index is up over 34% over the year to 15 January 2010. Forecasts for company earnings in 2010 have been increasing. Lloyds Bank raised £13.5 billion in new capital from the stock market in the final quarter of 2009. This was a UK record and indicated a return of confidence in the banking sector.

The share prices of UK smaller companies did particularly well during the recovery, partly because they had been hit the worst during the downturn.

UK corporate bonds provided good returns over the period as the price of bonds recovered from very low levels. Low interest rates continued to support the price of bonds. The CF Canlife Bond Unit Trust achieved a positive return of 13.2% over the period. We believe the best of the returns have been made and it is unlikely such good returns will be seen in 2010.

OVERSEAS – Overseas stock markets recovered strongly in 2009. The U.S economy showed signs of recovery in 2009, helped by Government stimulus packages and schemes such as 'cash for clunkers', which supported car sales. There are concerns about how strong and sustainable this economic recovery will be. The CF Canlife North American Unit Trust was up 28.5% over the period.

The major European economies of France and Germany recovered earlier than expected in 2009. This helped drive European stock markets and the CF Canlife European Unit Trust was up 35.7% over the period. There are concerns about prolonged weakness in peripheral countries such as Spain, Ireland, Greece and the Baltic's.

The Japanese stock market, in line with other global markets, recovered in 2009. However it was the laggard and the CF Canlife Japanese Unit Trust was only up 13.7% over the period of review. Japanese exports benefited from global economic recovery but domestic economic conditions remained poor, with unemployment reaching an historic high.

The Far East ex Japan region produced the most dramatic turnaround. The CF Canlife Far East Unit Trust was up 75.2% over the period. This was driven by strong economic growth, particularly from China, which achieved 8.7% growth in 2009. In 2010 there are signs the authorities are taking action to slow growth and this could have a negative effect on stock markets.

Trust Activity

The main changes to the portfolio over the period were a further reduction in the exposure to UK smaller companies and the introduction of a holding in the CF Canlife Income Unit Trust. Within the overseas markets the target weighting for Japan was decreased from 5% to 2% over the period, while the target for the Far East holding increased from 5% to 7%. The target weighting for cash was also increased from 6% to 7%.

Outlook

There are still significant risks in financial markets.

We are cautious on the outlook for the UK economy. With unemployment still rising and political change ahead, companies exposed to the UK consumer will face a challenging year. However, many companies have overseas earnings and significant exposure to high growth regions. This could continue to provide support for the UK stock market.

We expect interest rates to remain low for sometime and this will be a support for fixed interest investments. On the other hand, with the end of Quantitative Easing and the need for the Government to borrow large amounts, this could put pressure on the value of gilts and corporate bonds.

Asian markets have produced the best returns spurred on by good economic growth in the region. Despite this, the current value of stock markets is still fair by historical standards. We expect stock markets in the region to be volatile in the short to medium term.

Economic growth in some European countries has returned sooner than many expected and as a result company earnings are being revised upward. If this trend continues then we could see positive returns from European markets over the year. Nonetheless there are still concerns about Government debt and global growth, which may hold stock markets back.

In the U.S. we have concerns about the sustainability of economic recovery and if growth slows then the stock market is vulnerable to a correction.

The Japanese market was one of the worst performers in 2009. Most of the bad news has already been accounted for and so there is potential for the Japanese stock market to do better than other global markets.

Canada Life Asset Management Limited

Investment Manager

9 February 2010

Buying and Selling Units

The Manager will accept orders to deal in the units on normal business days between 8.30am and 5.30pm. Instructions to buy or sell units may be either in writing to: 2 The Boulevard, City West One Office Park, Gelderd Road, Leeds LS12 6NT or by telephone on 0845 922 0044. A contract note will be issued by close of business on the next business day after the dealing date to confirm the transaction.

Reports and Accounts

This document is a short report of the CF Canlife Balanced Unit Trust for the year ended 15 January 2010. The full Report and Accounts for the Trust is available free of charge upon written request to Capita Financial Managers Limited, Ibex House, 42 – 47 Minorities, London EC3N 1DX.

Other Information

The information in this report is designed to enable you to make an informed judgement on the activities of the Trust during the year it covers and the results of those activities at the end of the year.

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