

CF Canlife Gilt and Fixed Interest Unit Trust
Manager's Annual Short Report
for the year ended 1 February 2010

Investment Objective and Policy

The investment objective of the CF Canlife Gilt and Fixed Interest Unit Trust ('the Trust') is to ensure above-average secure income plus capital growth in the longer term. The Trust aims to achieve this objective by investing in British Government or other public securities. It is not intended that the Trust will have an interest in any immovable property or tangible movable property.

Risk Profile

Fixed interest securities are particularly affected by trends in interest rates and inflation. If interest rates go up, the value of the capital may fall and vice versa. Inflation will also decrease the real value of capital.

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	1 August	1 October
Final	1 February	1 April

Total Expense Ratio

Expense Type	01.02.10 %	01.02.09 %
Manager's periodic charge	1.00	1.00
Other expenses	0.07	0.07
Total expense ratio	1.07	1.07

Portfolio Turnover Rate

	01.02.10 %	01.02.09 %
Portfolio turnover rate	69.36	32.53

Distributions

Unit Class	Interim 01.08.09 pence per unit	Final 01.02.10 pence per unit
Income	0.7174	0.6730

Price and Income History

Income units

Calendar Year	Highest Buying Price p	Lowest Selling Price p	Distribution per unit p
2005	47.95	43.13	1.8498
2006	48.90	42.61	1.7527
2007	45.35	40.16	1.6196
2008	47.83	40.29	1.4982
2009	47.79	41.95	1.4704
2010*	45.23	42.47	0.6730

* To 1 February 2010.

Net Asset Value

Date	Net Asset Value £	Units in Issue	Net Asset Value pence per unit
01.02.08	31,875,768	75,732,941	42.09
01.02.09	32,363,619	76,146,737	42.50
01.02.10	30,945,186	73,031,193	42.37

Net Asset Value Performance to 1 February 2010 (%)

	1 year	3 years	5 years
CF Canlife Gilt and Fixed Interest Unit Trust	2.97	12.56	14.53

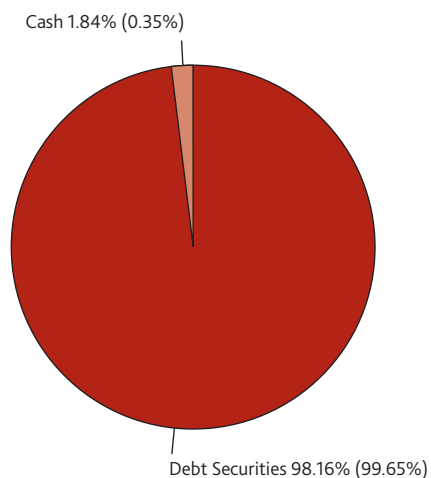
The performance of the Trust is based on the net asset value per Income unit with income reinvested.

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 1 February 2009.

Major Holdings

The top ten holdings at the end of each year are shown below.

Holding	% of Trust as at 01.02.10	Holding	% of Trust as at 01.02.09
Treasury 5% 2012	10.40	Treasury 4% 2016	11.17
Treasury 5% 2018	8.82	Treasury 5% 2012	10.04
Treasury 4% 2016	6.71	Treasury 4.25% 2032	9.61
Treasury 4% 2022	6.35	Treasury 5% 2018	8.49
Treasury 4.5% 2013	6.05	Treasury 4.25% 2055	6.87
Treasury 4.75% 2010	4.92	Treasury 5% 2025	6.58
Treasury 4.25% 2027	4.78	Treasury 4.75% 2010	6.49
Treasury 4.25% 2032	4.44	Treasury 4.25% 2046	5.21
Treasury 4.5% 2019	4.22	Treasury 5% 2014	5.14
Treasury 4.25% 2055	4.02	Treasury 4.25% 2027	4.47

The Economy and Market

With a meltdown from the most serious financial crisis since the Great Depression successfully avoided due to the extraordinary efforts of governments and central banks, optimism returned to the markets towards the end of the first quarter of 2009. The sell off in risky assets sparked by the crisis, which took their values to levels not seen for decades, enticed investors back into equities and corporate bonds causing those markets to make big gains for the year as a whole. Government bonds on the other hand which had benefited from safe haven flows during the crisis, saw the reverse effect, which contributed to their decline in value.

The second half of 2009 saw growth in the US and the Eurozone returning to positive territory after several quarters of deep contraction. With consumer demand remaining weak, the improvement was mainly due to substantial fiscal and monetary stimulus. Coupled with a recovery in the rest of the world, this helped economic activity make a comeback. The downside of this however was the dramatic deterioration evidenced in public finances and the substantial increase in the supply of government bonds, which also contributed to their fall in value.

The UK economy lagged the recovery in the rest of the world, and continued to shrink in the third quarter. Although the recession ended in the fourth quarter, the rate of growth was much weaker than expectations. For 2009 as a whole the economy shrank by an estimated 4.8%. Interest rates, having fallen from 2% at the start of 2009 to 0.5%, remained stable at that level since March, supporting economic activity. In addition to keeping interest rates at a record low, the Bank of England extended its quantitative easing programme – the buying of government securities with the creation of new money – to £200 billion from the initial £75 billion announced in March. Recent data, such as industrial surveys have shown steady improvement in activity suggesting that the UK will continue to recover in 2010. Still, growth is expected to be moderate, with the consensus forecast for 2010 at 1.5%. On the prices front, the performance in UK inflation has been disappointing, with the fall in sterling likely to have prevented a more sizable drop. Having reached a low of 1.1% in September 2009 the Consumer Price Index (CPI) has been rising, and is likely to be well over 3% in January reflecting value added tax (VAT) rising back up to 17.5%.

Gilts had a disappointing performance in 2009. Although other markets also fell, the surge in UK government borrowing to an estimated £178 billion or 12.6% of Gross Domestic Product (GDP), and the reluctance of the government to take adequate steps to reduce the deficit before the election, caused the market to underperform core European markets. The move by one rating agency to put the UK's triple A sovereign rating on negative outlook, coupled with downgrades in some Eurozone countries, caused sovereign risk concerns to escalate. This further dampened investor demand. The buying by the Bank of England through its quantitative easing programme supported the market, but investors looked ahead to the end of the programme and worried about the massive prospective supply estimated at £225 billion in 2009/10 fiscal year, and £200 billion the year after. Following the sell off in the second quarter, gilt prices rose in August on news of the extension of quantitative easing and even though prices rallied further in October, gilts sold off heavily in December with yields much higher by year end.

Activity

The much larger than expected contraction in activity in the first quarter of 2009, increased our concern about the outlook for growth and encouraged us to maintain a long position versus our benchmark. We were not surprised by the turnaround in prices of risk assets after such a big sell off, but did not expect the rally to be sustainable or so powerful. Also, we did not expect bonds to weaken as much as they did in the second quarter, and believed the fall was overdone. We held our positive position and on several occasions bought bonds on weakness subsequently selling at a profit. However by June as the extent of the deterioration in public finances became apparent, we became more cautious and reduced our duration overweight. We took advantage of the rally in August to trim our exposure to long dated bonds which had outperformed, and switched into shorter dated bonds. A recovery in international bond markets subsequently encouraged us to become more positive and thus made some fresh purchases. The market made some further small gains, but the consistent improvement in global economic activity, coupled with the lack of action by the UK government in the Pre-budget Report to tackle public borrowing made us nervous. As a result in early December we decided to sell long dated bonds and move the Trust position closer to neutral versus its benchmark. This proved to be a timely move given the subsequent fall in prices, and enabled us to start the new year with a more cautious stance. In view of the negative returns from gilts, our Trust's total return for 2009, on a bid to bid basis with net income reinvested, amounted to -3.07%.

Outlook

Major economies are expected to continue to recover in 2010, but at a weak pace. With governments unable to repeat the substantial fiscal support given in 2009, and consumers facing high unemployment, little or no wage rises and rising taxes, this recovery will be a very fragile one. Longer term prospects are also very worrying as governments will need to take drastic action to cut public borrowing. Inflation is expected to stay low as a large amount of excess capacity will help fend off upward price pressures in Western economies. Still to avoid longer term inflationary issues, central banks which have flooded the markets with liquidity during the crisis, are likely to act to gradually mop it up. By the second half of the year, interest rates are likely to head higher, but rises should be small, given the weak nature of the recovery. We expect the Bank of England not to carry out further quantitative easing, and by year end to proceed with a small rise in interest rates. Gilts are likely to have a difficult time in 2010. Election uncertainty, heavy supply, the end of quantitative easing, slow progress on the fiscal front and worries of a sovereign downgrade are likely to keep investors cautious. On the positive side, demand from banks is expected to be much higher due to new regulatory requirements. Failure of the recovery to gather momentum should also be supportive. Overall gilts could lose some ground in 2010, but we expect losses to be moderate.

Canada Life Asset Management Limited

Investment Manager
8 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 Gilt and Fixed Interest Unit Trust for the year ended 1 February 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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