

**CF Canlife Bond Unit Trust**  
**Manager's Interim Unaudited Short Report**  
for the half year ended 15 August 2009

**Investment Objective and Policy**

The CF Canlife Bond Unit Trust ('the Trust') aims to maximise returns and to provide a half-yearly income mainly from investment in sterling-denominated fixed interest securities. The Trust will not invest in companies which manufacture products containing tobacco. 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**

	<b>Accounting</b>	<b>Distribution</b>
Interim	15 August	15 October
Final	15 February	15 April

**Total Expense Ratio**

<b>Expense Type</b>	<b>15.08.09</b> %	<b>15.02.09</b> %
Manager's periodic charge	1.00	1.00
Other expenses	0.09	0.09
Total expense ratio	<u>1.09</u>	<u>1.09</u>

### Portfolio Turnover Rate

	15.08.09 %	15.02.09 %
Portfolio turnover rate	44.92	66.64

### Distributions

Unit Class	Interim 15.08.09 pence per unit
Income	4.3156

### Performance Record

Calendar Year	Highest Buying Price P	Lowest Selling Price P	Distribution per unit P
2004	209.40	187.80	9.0900
2005	210.79	189.71	8.8463
2006	214.04	186.61	8.3702
2007	198.08	174.77	7.8119
2008	193.45	163.92	7.5710
2009*	200.79	170.92	8.4057

\* To 15 August 2009.

### Net Asset Value Per Unit

Date	Net Asset Value £	Units in Issue	Net Asset Value pence per unit
15.02.07	66,096,082	36,066,081	183.26
15.02.08	68,981,342	39,504,279	174.62
15.02.09	78,928,696	44,981,254	175.47
15.08.09	104,391,038	55,935,244	186.63

### Net Asset Value Performance to 15 August 2009 (%)

	6 months	1 year	3 years	5 years
CF Canlife Bond Unit Trust	8.82	12.28	13.22	23.14

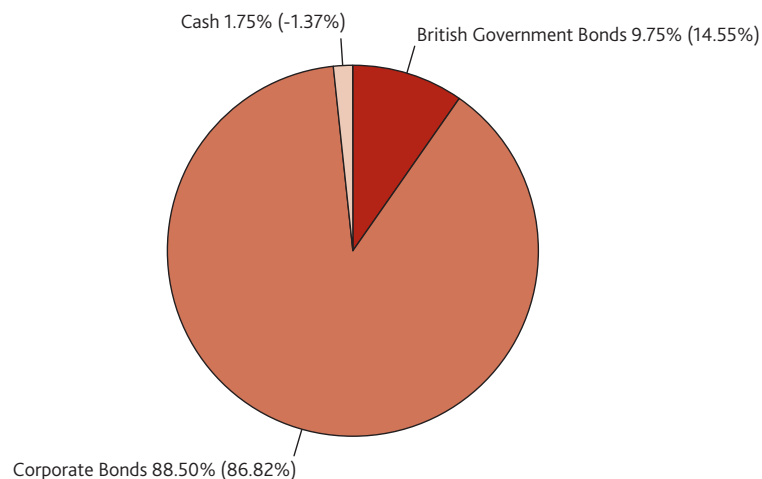
The performance of the Trust is based on the net asset value per Income unit with income reinvested.

### 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 15 February 2009.

### Major Holdings

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

Holding	% of Trust as at 15.08.09	Holding	% of Trust as at 15.02.09
Iberdrola Finanzas 7.375% 2024	3.10	Treasury 4.25% 2055	4.59
Tesco 5.5% 2019	2.98	Tesco 5.5% 2019	3.89
Treasury 4.25% 2055	2.70	Iberdrola Finanzas 7.375% 2024	3.64
Treasury 4.25% 2046	2.67	Treasury 4.25% 2046	3.52
Pfizer 6.5% 2038	2.52	GE Capital UK 6.75% 2018	3.06
GE Capital UK 6.75% 2018	2.44	Southern Gas Networks 4.875% 2020	2.97
Southern Gas Networks 4.875% 2020	2.44	GDF Suez 7% 2028	2.82
GDF Suez 7% 2028	2.32	Telefonica Emisiones 5.375% 2018	2.47
Southern Water Services 6.125% 2019	2.01	Land Securities 5.292% 2015	2.45
John Lewis 8.375% 2019	1.99	Centrica 7% 2018	2.39

### The Economy and Market

The credit crisis which caused a near meltdown of the financial system in 2008 showed some signs of easing in the first half of 2009, following an unprecedented series of measures taken by governments and central banks across the globe. Although financial markets had a much calmer period, the extent of the fall in economic activity as a result of the crisis caught many by surprise. Consumer spending, business spending and world trade saw substantial falls causing growth in major economies to contract massively. Interest rates were slashed aggressively to zero or near zero and governments implemented substantial packages of fiscal measures to boost spending and cut taxes. As a result public finances saw a dramatic deterioration.

In the UK, the recession deepened, with growth down by 2.4% in the first quarter of 2009 compared to the previous quarter. Consumer spending fell as unemployment rose and households faced a significant fall in their financial wealth. Lending to both companies and households remained weak which put a further dampener on domestic demand. The big fall in growth, coupled with measures to boost economic activity amplified the deterioration in public finances, causing the public sector net borrowing to shoot up to an estimated £175 billion or 12.4% of Gross Domestic Product for the fiscal year 2009/10. The precariousness of the situation was highlighted further with the move by one credit rating agency to put UK's AAA credit rating on negative outlook.

Having cut interest rates all the way from 5.75% to 0.5%, the Bank of England felt it was necessary to use quantitative easing to boost the growth of money and credit, as well as nominal demand, so that inflation was on target in the medium term. As a result, since March it has implemented a programme of buying £125 billion in government securities as well as other assets which included corporate bonds, and financing it with creation of bank reserves. In August with a move that was not expected by the markets, the Bank of England announced a £50 billion extension to this programme, increasing its total size to £175 billion.

Government bond yields climbed from the low levels reached at the end of 2008 pushing government bond returns into negative territory. Corporate bonds on the other hand delivered an outstanding performance in 2009, achieving large positive returns, thus significantly outperforming gilts. After the sell off in risk assets in 2007 and 2008, which drove spreads to record wide levels, and with returns from cash not much above zero, investors piled into corporate bond funds causing a surge in demand. The continuous huge flows of new money coming to the market sparked a massive rally in corporate bonds, and caused a substantial compression of spreads. Non financial bonds of good quality saw the benefit initially while financial bonds continued to struggle until the end of the first quarter. However, as banking concerns eased, on the back of substantial government support for the banking sector, financials joined in the rally also making big gains. In response to high demand and easier access to funding through the bond markets, new issuance reached record levels. This, which often came at very attractive levels to secondary markets, offered investors a further route to capture substantial performance from corporate bonds.

### Activity

The focus of our activity during the review period was to find attractive assets to invest the large inflows of new money into the Trust, while we kept the Trust duration close to that of the benchmark. With limited liquidity in the secondary market, and less generous spreads available, we concentrated on new issues which came at attractive spreads. This proved to be a very rewarding strategy, as new issues saw substantial spread tightening and achieved very large gains. Defensive names with good credit ratings continued to appeal to us, as we believed these would fare well in a difficult economic environment. Given our pessimism about growth prospects, maintaining the high quality of our Trust remained our key driver. Several new names were added via the new issue market. Among these were Roche, Pfizer, Vattenfall, Statoil, BP and AT&T. New issues in The London Stock Exchange, John Lewis and RWE also gave us the opportunity to add to our holdings in these names. While small purchases of financial bonds were made, we remained cautious about the sector.

Having delivered an outstanding performance in 2008, our Trust performed well in the first quarter of 2009, but as higher yielding lower quality bonds started to do well it lagged slightly in the second quarter. Still for the seven months to end July, our Trust maintained an above average performance versus the peer group. The Trust's total return for the seven months to end July on a bid to bid with net income reinvested amounted to 6.09%.

### Outlook

Although government measures had the desired effect of pushing growth into positive territory in some economies in the second quarter, we remain pessimistic and would not be surprised to see a relapse back into negative growth. We expect the recovery when it eventually arrives to be slow and gradual. Rising unemployment, weak lending to consumers and companies as well as a collapse in world trade is likely to continue to dampen economic activity. The UK economy remained in recession in the second quarter, though the contraction moderated. For 2009 as a whole, UK growth is likely to contract by 4.3% before turning slightly positive in 2010.

UK government bonds will remain well supported by economic fundamentals. However in view of the substantially higher supply, further progress might be limited. The supply factor favours corporate bonds versus gilts. Nonetheless, given how much spreads have narrowed, the attractiveness of corporate bonds versus other asset classes such as equities is far less compelling, which might cause demand to wane. With the recession dragging and the expected recovery likely to be below trend, corporate prospects are expected to suffer, with earnings likely to stay subdued. Some low grade companies are also likely to face refinancing problems. The global speculative default rate has already risen sharply this year and is expected to head much higher. Overall, bearing in mind the substantial gains already achieved, corporate bonds are likely to see little further spread tightening over the next few months.

### Canada Life Asset Management Limited

Investment Manager  
18 August 2009

### Buying and Selling Units

The Manager will accept orders to deal in the units on normal business days between 9.00am 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 Bond Unit Trust for the half year ended 15 August 2009. 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 half year it covers and the results of those activities at the end of the half year.

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