

CF Canlife Far East Unit Trust
Manager's Annual Short Report
for the year ended 15 June 2009

Investment Objective and Policy

The CF Canlife Far East Unit Trust ('the Trust') aims to provide capital growth mainly from investment in shares quoted on Far East markets, excluding Japan. 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

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 December | – |
| Final | 15 June | 15 August |

Total Expense Ratio

| Expense Type | 15.06.09 % | 15.06.08 % |
|---------------------------|---------------|---------------|
| Manager's periodic charge | 1.50 | 1.50 |
| Other expenses | 0.13 | 0.12 |
| Total expense ratio | 1.63 | 1.62 |

Distributions

| Unit Class | Final 15.06.09 pence per unit |
|--------------|-------------------------------------|
| Accumulation | 5.8447 |

Price and Income History

Accumulation units

| Calendar Year | Highest Buying Price P | Lowest Selling Price P | Distribution per unit P |
|---------------|------------------------|------------------------|-------------------------|
| 2004 | 285.20 | 221.10 | 2.4247 |
| 2005 | 369.92 | 260.81 | 4.1990 |
| 2006 | 445.16 | 332.65 | 3.7600 |
| 2007 | 774.10 | 402.63 | 1.2114 |
| 2008 | 688.35 | 354.61 | 1.8190 |
| 2009* | 586.52 | 417.49 | 5.8447 |

* To 15 June 2009.

Net Asset Value

| Date | Net Asset Value £ | Units in Issue | Net Asset Value pence per unit |
|----------|-------------------|----------------|--------------------------------|
| 15.06.07 | 97,906,703 | 18,868,111 | 518.90 |
| 15.06.08 | 91,773,096 | 16,883,560 | 543.56 |
| 15.06.09 | 77,728,683 | 14,798,710 | 525.24 |

Net Asset Value Performance to 15 June 2009 (%)

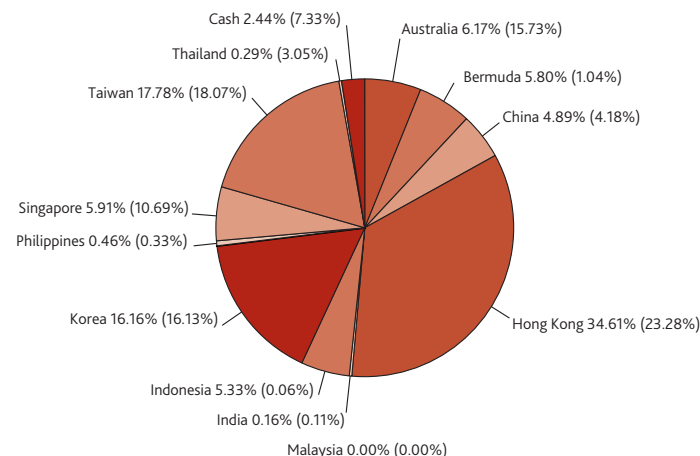
| | 1 year | 3 years | 5 years |
|--------------------------------|--------|---------|---------|
| CF Canlife Far East Unit Trust | -3.37 | 56.62 | 130.78 |

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

Sector Spread of Investments



The figures in brackets show allocations at 15 June 2008.

Major Holdings

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

| Holding | % of Trust as at 15.06.09 | Holding | % of Trust as at 15.06.08 |
|---|---------------------------|---------------------------------------|---------------------------|
| Samsung Electronics Company | 3.34 | Taiwan Fertilizer | 3.82 |
| C C Land Holdings | 2.65 | Woolworths | 3.17 |
| Hyundai Department Store | 2.64 | Hang Seng Bank | 2.90 |
| NetEase.com ADRs | 2.48 | Rio Tinto | 2.84 |
| Li Ning Company | 2.38 | Telstra Corporation | 2.40 |
| Australia and New Zealand Banking Group | 2.16 | Industrial & Commercial Bank of China | 2.39 |
| Yuanta Financial Holding | 2.12 | Samsung Electronics Company | 2.31 |
| Shui On Land | 1.99 | Shinsegae Company | 2.31 |
| DBS Group Holdings | 1.94 | Wharf Holdings | 2.26 |
| Hon Hai Precision Industry Company | 1.93 | Hysan Development | 2.16 |

INVESTMENT MANAGER'S REPORT

Investment Review

The year under review witnessed dismal performance by Far East equities. All markets retreated. The worst performing market was Australia (-25%), followed by Taiwan (-24%), Singapore (-24%), Thailand (-22%), Korea (-20%), Hong Kong (-20%), Indonesia (-14%), China H shares (-13%) and Malaysia (-12%). The best performing market was the Philippines (-0.3%), followed by India (-3%) and China B shares (-5%).

The Economy

Far East markets slowed sharply over the year. A number of economies contracted during the last six months with Hong Kong, Singapore, Korea, Taiwan, Malaysia and Thailand particularly badly hit. This is because their economies are very exposed to financial sector services or export growth. The weak external environment has led to a total collapse in exports from the Far East with domestic demand not strong enough to offset this.

The region has strong fiscal balance sheets. Fiscal stimulus has been introduced across the region to cushion the slowdown, with the two most favoured options being infrastructure spending and tax cuts.

The most aggressive stimulus is from China. The State Council of China introduced and implemented a USD586bn package to be spent on infrastructure, public housing, rural developments and public goods. The programme spans over two years and it represents 16% of China's GDP. A second package was subsequently announced which includes tax cuts, civil servant pay rises, housing subsidies and healthcare spending. In addition, the Chinese government introduced ten industry specific measures to help out the local industries. The region also cut interest rates and reserve requirement ratios aggressively during the past twelve months. China cut its rates four times in ten weeks which was an unprecedented move.

Asian banks are healthy and do not have liquidity problems, unlike some western banks. Hence, they are able to extend credit freely. In China, the banks responded to the government's directive to increase lending which subsequently meant we saw a credit explosion in the first five months of 2009.

Economic releases from the region for the first five months of this year are very encouraging. China is showing signs of growing again which is earlier than expected. Investment is growing at around 30%, led mainly by government infrastructure spending. Consumer sentiment turned much more positive; property transactions surged and car sales grew at 35%.

Other economies that were growing robustly in the first quarter of this year were Indonesia and India. In both cases, growth was driven by domestic demand. The successful conclusion of election bodes well for consumer sentiment in both countries. Industrial production for both Korea and Taiwan for the first few months of this year rebounded strongly. The worst is now probably over for both economies. In Korea, exports recovered slightly as a result of the weak currency. Taiwan's improving relationship with China is encouraging as it showed willingness and determination to help Taiwan get through the global recession by providing economic support. This includes capital flows, investment, transportation, travel and financial cooperation.

The Stock Market

Far East equities were extremely volatile during the second half of 2008. Poor investor sentiment drove most developed and emerging markets to a low point in October 2008. The various stimulus packages in the region and in particular the one from China gave rise to a much better sentiment into the year end. Positive economic data releases during the first few months of this year drove investor sentiment up further. Global and regional funds switched more assets into the region, causing a strong rally in all markets in the region.

The Trust started the year in question in a defensive position. It was overweight low beta markets like Malaysia and Australia and underweight cyclical markets like Korea and Taiwan. Defensive stocks held include Telekom Malaysia, Petronas Dagangan, CLP, Telstra and Woolworth.

China's announcement of its fiscal policy prompted the Trust to take a more positive view. China's weighting was increased and Chinese stocks bought included China Railway Construction, China National Building Materials and Maanshan Iron & Steel.

The much better than expected economic data in China, Taiwan and Korea at the beginning of the year prompted the Trust to take a more bullish view. Cash levels were depleted. Weightings in China, Hong Kong, Korea and Taiwan were increased, while those in Australia and Malaysia were reduced. Stocks bought included Chinese property stocks like COLI, CC Land and China Resources Land plus Chinese consumption stocks Anta Sports and Li-ning. Taiwanese stocks such as Yuanta, Cathay FHC, Hon Hai and Korean stocks like Hyundai Motor, LG Electronics were also purchased by the Trust.

Outlook

It is too early to conclude that Far East economies have bottomed. However, there are signs that economic activities have picked up across the region. Consumer sentiment has recovered and property transactions have surged. While the external environment remains uncertain, the economic fundamentals for the Far East are attractive. It is still a safe haven relative to the western economies. Although companies have strong balance sheets with little gearing, their current valuations need to be supported by the underlying earnings growth. Valuation for the region – at 14X 2008 earnings – is fair. The recent rally in the stock market is very overdone and a reasonable correction in the near term is thus expected.

Canada Life Asset Management Limited

Investment Manager

25 June 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 Far East Unit Trust for the year ended 15 June 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 Minories, 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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