

**CF Canlife North American Unit Trust**  
**Manager's Annual Short Report**  
for the year ended 15 July 2009

**Investment Objective and Policy**

The CF Canlife North American Unit Trust ('the Trust') aims to provide capital growth mainly from investment in shares quoted on North American markets. 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 January	-
Final	15 July	15 September

**Total Expense Ratio**

Expense Type	15.07.09 %	15.07.08 %
Manager's periodic charge	1.50	1.50
Other expenses	0.06	0.05
Total expense ratio	1.56	1.55

## Distributions

There were no distributions throughout the year.

## Price and Income History

Accumulation units

Calendar Year	Highest Buying Price P	Lowest Selling Price P	Distribution per unit P
2004	401.00	340.00	-
2005	440.86	340.29	-
2006	447.72	369.24	-
2007	453.33	390.24	-
2008	459.79	304.41	-
2009*	431.68	312.69	-

\* To 15 July 2009.

## Net Asset Value

Date	Net Asset Value £	Units in Issue	Net Asset Value pence per unit
15.07.07	125,822,713	30,471,788	412.92
15.07.08	97,837,467	26,895,393	363.77
15.07.09	96,957,579	25,806,101	375.72

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

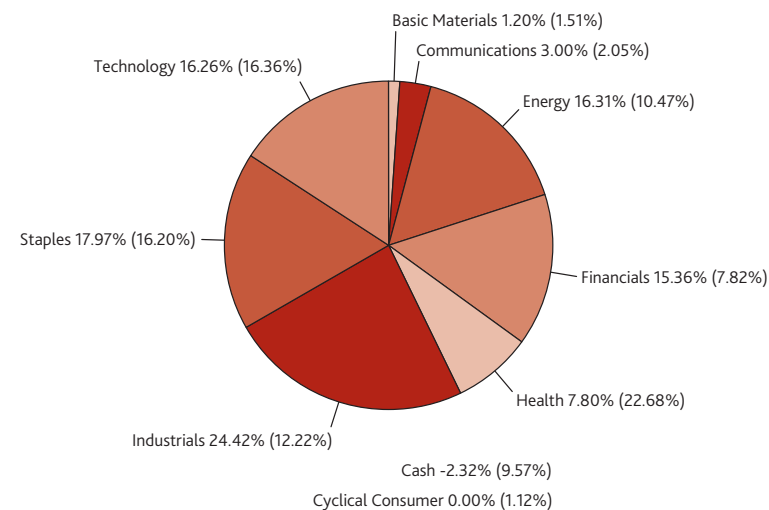
	1 year	3 years	5 years
CF Canlife North American Unit Trust	3.29	(0.48)	6.68
S&P 500 Index	(3.75)	(9.81)	5.39

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 July 2008.

## Major Holdings

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

Holding	% of Trust as at 15.07.09	Holding	% of Trust as at 15.07.08
Financial Select Sector SPDR	8.34	TiVo	4.63
TiVo	4.12	Microsoft Corporation	4.47
Itron	3.29	Energy Select Sector SPDR	3.86
Exxon Mobil Corporations	2.62	Covidien	3.11
MetLife	2.21	Amdocs	2.93
Badger Meter	2.18	Pall Corporation	2.75
Procter & Gamble Company (The)	2.06	Automatic Data Processing	2.54
Rockwell Automation	1.90	Exxon Mobil	2.51
Microsoft Corporation	1.84	Beckman Coulter	2.51
Wal-Mart Stores	1.83	Duke Energy Corporation	2.50

# INVESTMENT MANAGER'S REPORT

## Investment Review

The review period turned out to be one of the most difficult and volatile for markets in a very long time. The backdrop was dominated by a global financial crisis and a dramatic slowdown in all major economies. Despite markets that bounced following the March low, returns remained very poor with the benchmark S&P Index falling by 23.2% in US dollars. Once the impact of the much weaker pound is included, the decline was a somewhat less unpleasant 6.2%.

The review period was dominated by a global credit crisis unprecedented in recent times. With roots in the US housing boom and subsequent bust, a succession of household financial names fell by the wayside and were either nationalised or taken over. Stories of boom and bust filled the newspapers on a near daily basis. With this backdrop, there was a sudden and steep decline in economic activity from September onwards. The combination of a simultaneous financial and economic crisis was extremely dangerous. It was only the aggressive action taken by central banks and stimulus packages announced by governments that prevented an even worse outcome.

The closely followed ISM Index, a measure of industrial activity, illustrates the decline nicely. It was ticking along near the boom/bust line of 50 until August but in the remaining months of the calendar year fell sharply to near record lows of 32.9. These levels are consistent with a recession and indicative of sharply lower growth. This was later confirmed by the overall GDP numbers which fell by 2.7% in the September quarter (seasonally adjusted, annualised), followed by declines of 5.4% and 6.4% in the ensuing three month periods.

Whilst the outlook in the midst of this could easily be described as grim, policy actions were becoming increasingly aggressive. The Federal Reserve slashed interest rates to near zero. A vast rescue plan was put in place to save and protect the financial system. An almost equally large fiscal package was put in place to directly stimulate the economy. The key questions are has enough now been done and in turn will this allow the economy to grow again?

The signs are encouraging. Economic data has been getting marginally better for some months now and some indicators are nudging into positive territory. The ISM Index has returned to levels close to 50 indicating that the industrial landscape is looking rather better. Car sales are increasing from very low levels. It would seem that the impact of low interest rates, financial rescue and the stimulus package are indeed stimulating the economy. Our view is that growth in the present September quarter may be surprisingly strong as the economy recovers from a low base. The more important question for us is whether that growth is sustained into the future which is as yet unclear.

## The Stock Market

The market was actually fairly stable for the first three months of the review period but fell sharply from late September onward as it became clear the economy was rapidly deteriorating. Given a succession of poor economic data releases, it was easy to draw the obvious conclusion that we were heading for recession. The declines continued until early March after which the market staged a partial, though still significant, recovery. Even with the worst of the falls mitigated, returns for the review period were strikingly weak. Overall, the benchmark S&P500 Index registered a notable decline of 23.2% in US dollars although the weaker pound mitigated this decline, resulting in a fall of 6.2% once translated into sterling.

All sub sectors fell over the year. Worst performers were energy (-36.8%, US dollars) because of the weak oil price, basics materials (-35.7%) following very weak commodity prices and industrials (-33.1%) due to their economic sensitivity. The defensive sectors were generally a little better but all still fell. Best was consumer staples (-11.7%) because of its comparatively stable earnings profile.

## Trust Activity

This was a period of elevated turnover for the Trust due to extreme volatility in underlying markets and a change of fund positioning. For the first part of the review period we adopted a highly defensive posture which allowed the Trust to perform much better than the average of its peers. Later we moved away from this view, initially to a neutral posture and ultimately to a stance that would benefit from an anticipated recovery.

We began with a reduction in the large overweight positions in consumer staples and healthcare facilitating a move into industrials. This involved sales of some former favourites such as Amerisourcebergen, Covidien, Beckman Coulter and Omrix (healthcare) and in consumer staples names including Proctor & Gamble and Kellogg. Purchases included United Technology (aircraft parts, lifts & air conditioning) Badger Meter and Itron (water & electrical metering, smart grid applications) and Mueller Water (water infrastructure). In a second phase we added Alcoa and US Steel in basic materials whilst in financials, acquisitions included Metlife and Bank of America.

## Outlook

Whilst markets have bounced strongly, we are not out of the woods yet. There remains significant risk for the global economy and the recovery process will take a long time. However, we believe that prospects will continue to improve over the next couple of quarters and the market can rally further yet. This is unlikely to be the beginning of a new bull market but more of an extended phase of range trading. As such, there will continue to be returns available for nimble, flexible investors.

## Canada Life Asset Management Limited

*Investment Manager*

6 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 North American Unit Trust for the year ended 15 July 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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