

CF Canlife Far East Unit Trust

Manager's Interim Short Report

for the half year ended 15 December 2008

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	15.12.08 %	15.06.08 %
Manager's periodic charge	1.50	1.50
Other expenses	0.12	0.12
Total expense ratio	1.62	1.62

Distributions

Surplus income is allocated annually to unitholders in accordance with the prospectus.

Price and Income History

Accumulation units

Calendar Year	Highest Buying Price p	Lowest Selling Price p	Distribution per unit p
2003	278.30	170.80	2.0302
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

* To 15 December 2008.

Net Asset Value

Date	Net Asset Value £	Units in Issue	Net Asset Value pence per unit
15.06.06	70,053,531	20,888,996	335.36
15.06.07	97,906,703	18,868,111	518.90
15.06.08	91,773,096	16,883,560	543.56
15.12.08	65,917,575	16,266,659	405.23

Net Asset Value Performance to 15 December 2008 (%)

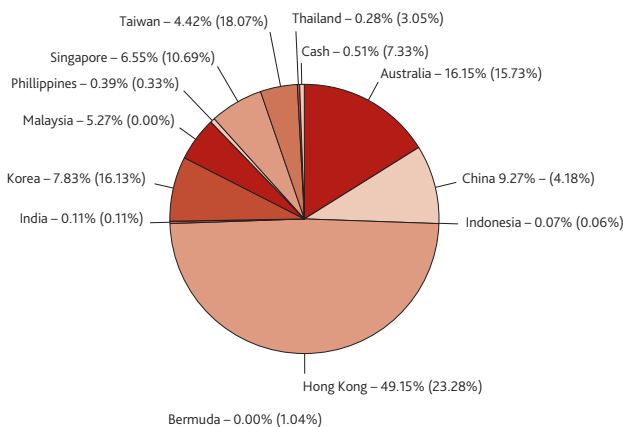
	6 months	1 year	3 years	5 years
CF Canlife Far East Unit Trust	-25.45	-34.06	21.43	62.85

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 period are shown below.

Holding	% of Trust as at 15.12.08	Holding	% of Trust as at 15.06.08
Beijing Enterprises Holdings	5.52	Taiwan Fertilizer	3.82
China South Locomotive and Rolling Stock Corporation	4.76	Woolworths	3.17
Woolworths	4.69	Hang Seng Bank	2.90
Tencent Holdings	4.17	Rio Tinto	2.84
Telstra Corporation	3.59	Telstra Corporation	2.40
Maanshan Iron and Steel Company	3.42	Industrial & Commercial Bank of China	2.39
CLP Holdings	3.36	Samsung Electronics Company	2.31
Want Want China Holdings	3.13	Shinsegae Company	2.31
CSL	2.85	Wharf Holdings	2.26
China National Building Machinery	2.80	Hysan Development	2.16

INVESTMENT MANAGER'S REPORT

Investment Review

The period under review witnessed negative performance by Far East equities. The best performing market is the Philippines (-27%). This is followed by Malaysia (-32%), Australia (-33%), Korea (-34%), Hong Kong (-35%), China H shares (-36%) and India (-36%). The worst performers are Thailand (-45%), Taiwan (-44%), Indonesia (-43%) and Singapore (-42%).

The Economy

Economic growth for the whole region over the past six months deteriorated rapidly as exports slowed on the back of weak external growth. Domestic demand was not able to significantly offset the slowdown in external demand.

Both Hong Kong and Singapore registered two quarters of negative quarter-on-quarter economic growth (in Quarter 2 and Quarter 3) and hence, technically are in recession. Both economies are very open and exposed to the financial sector and consequently suffered more than the rest of the region in the current round of credit crisis.

China's preoccupation with overheating issues and inflationary pressure has prompted the authority to over tighten during the past twelve months. Economic data subsequently showed a very weak economy: industrial production, retail sales, fixed asset investment, loan growth and the purchasing managers' index have all fallen sharply. The rising bankruptcy among small and medium sized enterprises and discontent among its citizens prompted the government to take unprecedented aggressive stimulative measures as well as monetary easing to cushion the slowdown.

A massive infrastructural spending programme totalling 4 trillion Renminbi or US\$586 billion was announced to build railways, ports, airports, roads, rural development and other public goods. This is to be financed by the central government together with the local governments, banks and state owned enterprises. Interest rates and reserve requirement ratio were cut several times within a short span of time, coinciding with global rate cuts. A second package was subsequently announced which includes an income tax cut, salary increases for civil servants, subsidized housing, improved healthcare, a stock market stabilisation fund and investment fund for small and medium sized enterprises. The government has also indicated that they will continue to pursue proactive fiscal policy as well as expansionary monetary policy to promote and generate growth, hinting at more interest rate and bank reserve requirement ratio cuts.

With inflationary pressure subsiding, policy easing has gathered pace and fiscal stimulus has also been announced in the other countries across the region, some more aggressive than others. While all these measures may cushion the recessionary impact, they are unlikely to reverse the slowdown.

The Stock Market

Stock markets in the Far East were extremely volatile during the past six months. Global funds turned risk averse and sold emerging market assets including Far East equities. There were numerous hedge funds and long only funds liquidating over the period in question.

The Trust took a defensive stance at the beginning of the period and underweighted Hong Kong, Singapore, Korea and Taiwan. The cash level was raised and weightings in Malaysia and China were increased. The latter was seen as a safe haven during times of crisis.

Korean cyclical stocks such as Samsung Heavy, Samsung Engineering and Hyundai Engineering were sold. Singapore property stocks Capitaland and Capita Commercial Trust, as well as Singapore banks such as DBS, OCBC and UOB were also sold. Defensive stocks like SMRT, CLP, HKE, Digi.com, Resorts World, PLUS expressway, Petronas Dagangan, Telekom Malaysia and Beijing Enterprise were bought.

The defensive stocks that the Trust bought into outperformed. Towards the end of the period in question, the Trust took a more balanced view and switched out of some defensive stocks such as Telekom Malaysia and Resorts World into more growth oriented stocks such as COLI, Agile and China High Speed. The Trust also took advantage of the low valuations and bought stocks that have been oversold such as Sinoland and Sun Hung Kai Properties.

Outlook

The economic fundamentals for the Far East remain much more attractive than other emerging and developed markets. Most Far East economies have high current account surplus, low national debt and corporates have strong balance sheets with low gearings and positive free cash flows. Going forward, the policy makers in the region are likely to use fiscal stimulus more extensively to spur growth while maintaining an easy monetary policy. Valuation for Far East equities at 9.0x forward earnings is a record low. Far East stock markets are likely to remain volatile as the credit crisis and its aftermath continues to unfold. Over the medium to long-term, Far East equities look attractive and offer value.

Canada Life Asset Management Limited

Investment Manager

16 December 2008

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 CF Canlife Far East Unit Trust for the half year ended 15 December 2008. 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 period it covers and the results of those activities at the end of the half year.

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