

**CF Canlife European Unit Trust**  
**Manager's Interim Short Report**  
for the half year ended 15 December 2008

**Investment Objective and Policy**

The CF Canlife European Unit Trust ('the Trust') aims to provide capital growth mainly from investment in shares quoted on European markets (usually this will exclude the United Kingdom). 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**

	<b>Accounting</b>	<b>Distribution</b>
Interim	15 December	–
Final	15 June	15 August

**Total Expense Ratio**

<b>Expense Type</b>	<b>15.12.08</b> %	<b>15.06.08</b> %
Manager's periodic charge	1.50	1.50
Other expenses	0.09	0.09
Total expense ratio	1.59	1.59

## 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	126.30	83.59	1.1747
2004	141.73	112.00	1.0211
2005	177.54	127.54	1.0685
2006	216.02	167.03	0.2701
2007	247.03	199.13	0.7310
2008*	235.13	124.97	2.1354

\* To 15 December 2008.

## Net Asset Value

Date	Net Asset Value £	Units in Issue	Net Asset Value pence per unit
15.06.06	238,431,576	137,280,899	173.68
15.06.07	285,553,692	123,421,705	231.36
15.06.08	205,205,872	99,739,426	205.74
15.12.08	133,207,597	95,173,141	139.96

## Net Asset Value Performance to 15 December 2008 (%)

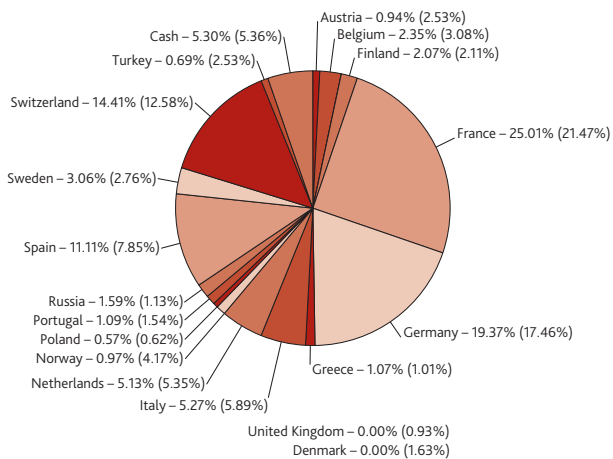
	6 months	1 year	3 years	5 years
CF Canlife European Unit Trust	-31.97	-35.18	-13.51	18.55

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
Union Fenosa	4.77	Nestlé	3.79
Électricité dé France (EDF)	3.61	Roche Holding	3.06
France Telecom	3.58	Technip	3.05
Roche Holding	2.86	Électricité dé France (EDF)	2.49
Muenchener Rueckversicherungs Gesellschaft	2.77	StatoilHydro	2.42
Total	2.70	Repsol	2.38
Nestlé	2.66	E.ON	2.23
Gaz de France	2.44	Telefonica	2.22
E.ON	2.41	BNP Paribas	1.93
Repsol	2.05	Unicredito Italiano	1.89

# INVESTMENT MANAGER'S REPORT

## **Investment Review**

The last six months has seen a very sharp decline in the global economy and the European stock markets have suffered steep falls. During the summer, the oil price hit new all time highs of US\$147 per barrel and with it other commodity prices raced up creating an inflationary surge and forced several central banks to raise interest rates. However, it wasn't until the collapse of Lehman Brothers in September, that investor sentiment, consumer confidence and business confidence was shattered. Credit markets were already fragile, but this changed the landscape dramatically. The invasion by Russia into Georgia had a similar effect on emerging markets and from this point, a flood of redemptions at highly leveraged hedge funds had to be unwound causing panic selling across markets. Commodity prices have since collapsed, bringing emerging markets down with them and forcing banks and investors to become even more risk averse, taking money out of the equity market and switching into government bonds.

Economic growth has been revised down sharply as consumers stop buying cars and manufacturers in turn are forced to reduce production. Businesses have suspended new investment spending and this again forces other manufacturers to reduce activity. With recessions in the USA, Europe and Japan, export markets have become very difficult. In a European context, Germany will feel these negative effects quickly. Other countries who supply Germany, such as Italy, Scandinavia and Eastern Europe will also soon experience sharp slowdowns.

Russia, in recent years, has made tremendous progress, but with oil prices falling from US\$147pb to US\$37pb this will begin to have a very negative effect on GDP as tax revenues shrink and the government is forced to contain spending. Governments around the world are now focused on addressing problems faced by the severity of our current economic condition and this should provide some optimism that despite the bleak outlook, eventually the economic prospects can improve. Interest rates have been forced down and huge government spending packages used to keep the drop in overall economic demand from becoming too severe.

However, the current economic environment should not be underestimated. Companies will be forced to restructure, emerging market economies will be reliant on IMF support, consumers will remain nervous about employment prospects and the global economy will have to undergo a period of rehabilitation before our debt fuelled addiction to growth has been cured.

## **Trust Activity**

Despite dramatic government initiatives to prop up the banking sector, vulnerable sectors to the economic cycle continued to perform poorly and our exposure to commodities and emerging markets were cut back dramatically. Finding safe heavens for the proceeds proved to be equally challenging, as investors abandoned even the defensive sectors of utilities, pharmaceuticals and food manufacturers for the security of cash.

## **Outlook**

The performance of stock markets this year has been truly grim, but with the pound so weak, international investment returns could fare better and following such severe market falls, it is usual to see significant rebounds long before the economic outlook improves.

## **Canada Life Asset Management Limited**

*Investment Manager*

22 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 European 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 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 period it covers and the results of those activities at the end of the half year.





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