

CF Canlife Gilt and Fixed Interest Unit Trust
Manager's Annual Short Report
for the year ended 1 February 2009

Investment Objective and Policy

The investment objective of the CF Canlife Gilt and Fixed Interest Unit Trust ('the Trust') is to ensure above-average secure income plus capital growth in the longer term. The Trust aims to achieve this objective by investing in British Government or other public securities.

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	1 August	1 October
Final	1 February	1 April

Total Expense Ratio

Expense Type	01.02.09 %	01.02.08 %
Manager's periodic charge	1.00	1.00
Other expenses	0.07	0.06
Total expense ratio	<u>1.07</u>	<u>1.06</u>

Distributions

Unit Class	Interim 01.08.08 pence per unit	Final 01.02.09 pence per unit
Income	0.7513	0.7530

Price and Income History

Income units

Calendar Year	Highest Buying Price p	Lowest Selling Price p	Distribution per unit p
2004	47.42	42.78	1.8994
2005	47.95	43.13	1.8498
2006	48.90	42.61	1.8055
2007	45.35	40.16	1.6196
2008	47.83	40.29	1.4982
2009*	47.49	42.73	0.7530

* To 1 February 2009.

Net Asset Value

Date	Net Asset Value £	Units in Issue	Net Asset Value pence per unit
01.02.07	28,681,447	69,013,479	41.56
01.02.08	31,875,768	75,732,941	42.09
01.02.09	32,363,619	76,146,737	42.50

Net Asset Value Performance to 1 February 2009 (%)

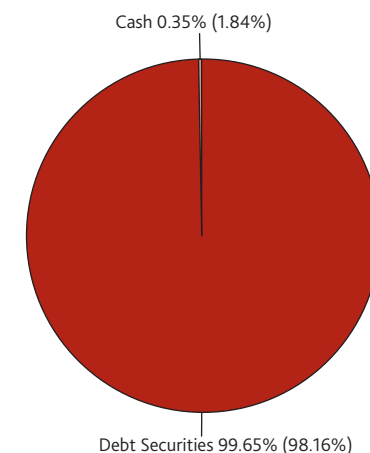
	1 year	3 years	5 years
CF Canlife Gilt and Fixed Interest Unit Trust	4.55	5.19	16.64

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.

Sector Spread of Investments



The figures in brackets show allocations at 1 February 2008.

Major Holdings

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

Holding	% of Trust as at 01.02.09	Holding	% of Trust as at 01.02.08
Treasury 4% 2016	11.17	Treasury 4.25% 2032	12.28
Treasury 5% 2012	10.04	Treasury 5% 2012	11.29
Treasury 4.25% 2032	9.61	Treasury 5% 2025	9.16
Treasury 5% 2018	8.49	Treasury 4% 2016	9.11
Treasury 4.25% 2055	6.87	Treasury 4.25% 2027	6.86
Treasury 5% 2025	6.58	Treasury 4.75% 2010	6.34
Treasury 4.75% 2010	6.49	Treasury 5.75% 2009	5.63
Treasury 4.25% 2046	5.21	Treasury 4.25% 2055	5.52
Treasury 5% 2014	5.14	Treasury 4.25% 2046	5.44
Treasury 4.25% 2027	4.47	Treasury 5% 2014	4.86

INVESTMENT MANAGER'S REPORT

The Economy and Market

The credit crisis which was triggered by the turmoil in the US sub-prime mortgage sector remained the key focus for financial markets in 2008. Losses and write-downs in excess of \$1,000bn caused the collapse, or near collapse of several large financial institutions which included Lehman Brothers and AIG in the US and Bradford and Bingley in the UK. Many banks had to be bailed out, with governments having to intervene to inject billions in new capital. In the UK the government had to step in to inject £37bn of capital into HBOS, Lloyds and RBS and thus ended up owning large parts of those companies. The financial crisis which has been ongoing since mid 2007 brought the world financial system to near meltdown post the Lehman Brothers bankruptcy on 15 September. Money market rates rocketed, banks refused to lend to each other and investors sold risky assets causing massive falls in prices.

In this environment, Central banks took drastic action delivering large reductions in official interest rates. The US Federal Reserve cut rates as low as 0 – 0.25%, whereas the Bank of England cut to 1% on the 5 February 09; the lowest rate since 1694. The rapid deterioration in economic performance across the globe in the last few months of the year sparked concerns that the recession that had taken hold, was likely to be deep and prolonged, and raised fears of a 1930's style depression. Deflation started to be seen as a real threat, especially in light of the falls in energy and food prices. Governments across the major economies, including the UK, acted quickly and decisively announcing large fiscal packages of tax cuts and spending to alleviate the situation. The UK given its current account deficit position, its reliance on the financial sector and the importance of the housing market was perceived as one of the most vulnerable economies, leading to predictions of a contraction in output as high as 2.5% for this year. This took its toll on sterling which fell by around 25% during 2008.

Government bonds sold off sharply in the second quarter of 2008 as risky assets recovered post the bailout of Bear Stearns in the US. The intensification of inflation worries due to the climb in the oil price to near \$150, reinforced negative sentiment. However, this proved to be short lived and government bonds returned into favour in the face of deteriorating economic prospects and renewed falls in share prices. The Lehman bankruptcy sent shockwaves in markets, with government bonds benefiting from a massive flight to quality. As central banks used cuts in interest rates as well as a significant number of other measures to avert financial disaster, the realisation that a serious blow to global growth had been inflicted, caused government bond prices to rally sharply. The last two months of the year saw gilts achieve substantial gains, lifting overall returns for 2008, to over 10%.

Activity

We had a positive view of bonds at the start of the year and positioned the Trust overweight versus its benchmark. However the surge in commodity prices raised significant inflationary concerns, which led us to trim our position. In the second half of the year, as oil prices collapsed inflation worries dissipated, which combined with the sharpness of the economic downturn and the meltdown in financial markets, made us optimistic on bonds. Hence we raised the fund duration, concentrating purchases in medium dated bonds. The Trust stance became more cautious in late October, expecting short term recovery in risky assets. Increased supply of government bonds was also seen as a negative. By late November though, we became convinced that the outlook for risky assets remained bleak, and that government bonds would continue to rally. Thus we added to our exposure in the long end of the market, which turned out to be very profitable given the double digit returns in long dated bonds in the last few weeks of the year. Other activity in the Trust during the year included an increase in exposure to medium maturities and a reduction in exposure to 15 – 20 year bracket. The large fall in prices in January 2009, enabled the fund to take advantage of the underperformance of long dated bonds to increase exposure to 40 year maturities.

Overall, gilts made significant gains in 2008, hence our Trust performed well. On a bid to bid basis with net income re-invested our Trust's total return amounted to 10.86%.

Outlook

The recession in all advanced economies looks set to deepen in 2009, and the downturn in emerging economies is also likely to gather pace. Although the quick actions of policy makers have been helpful, in both the US and the UK the problem of limited access to bank lending by households and companies remains unresolved despite cuts in interest rates to near zero. This remains our key concern, and we believe its consequences on activity are underestimated. We are also pessimistic about the slowdown in emerging economies which we believe will surprise on the downside. In the UK, growth is set for a dramatic fall as both consumer spending and investment contract. The Bank of England is likely to cut interest rates further, possibly to as low as zero. Inflation is likely to move temporarily into negative territory around mid year, reflecting falls in energy prices, and subsequently stay at low levels. Gilts rose sharply in 2008, but concerns about increased supply as a result of the jump in government borrowing have raised concerns about the sustainability of the strength in prices. We remain positive that gilts will remain well underpinned given favourable economic fundamentals, very low levels of return by bank deposits and the still negative outlook for equities. The falls in gilt prices at the start of 2009 has made them more attractive and should offer the opportunity for some gains in the year ahead.

Canada Life Asset Management Limited

Investment Manager

10 February 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 CF Canlife Gilt and Fixed Interest Unit Trust for the year ended 1 February 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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