

**CF Canlife Gilt and Fixed Interest Unit Trust**  
**Manager's Interim Unaudited Short Report**  
for the half year ended 1 August 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	01.08.09 %	01.02.09 %
Manager's periodic charge	1.00	1.00
Other expenses	0.07	0.07
Total expense ratio	1.07	1.07

### Portfolio Turnover Rate

	01.08.09 %	01.02.09 %
Portfolio turnover rate	38.31	32.53

### Distributions

Unit Class	Interim 01.08.09 pence per unit
Income	0.7174

### Performance Record

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	1.7527
2007	45.35	40.16	1.6196
2008	47.83	40.29	1.4982
2009*	47.79	42.17	1.4704

\* To 1 August 2009.

### Net Asset Value Per Unit

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
01.08.09	31,616,589	74,897,316	42.21

### Net Asset Value Performance to 1 August 2009 (%)

	6 months	1 year	3 years	5 years
CF Canlife Gilt and Fixed Interest Unit Trust	1.01	7.52	8.74	17.82

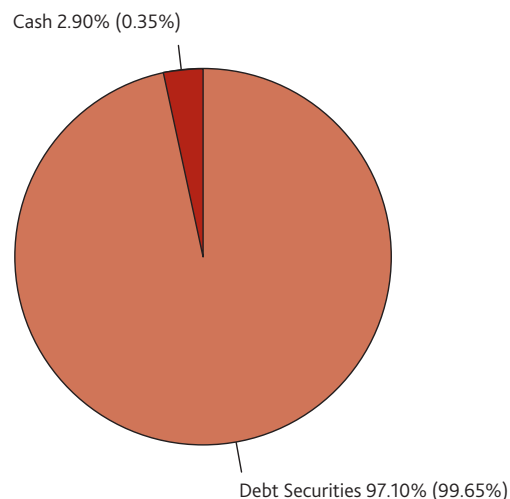
The performance of the Trust is based on the net asset value per income unit with income reinvested.

### 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.

## INVESTMENT MANAGER'S REPORT

### Sector Spread of Investments



The figures in brackets show allocations at 1 February 2009.

### Major Holdings

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

Holding	% of Trust as at 01.08.09	Holding	% of Trust as at 01.02.09
Treasury 4% 2016	11.50	Treasury 4% 2016	11.17
Treasury 5% 2012	10.16	Treasury 5% 2012	10.04
Treasury 5% 2018	8.77	Treasury 4.25% 2032	9.61
Treasury 4.25% 2055	6.85	Treasury 5% 2018	8.49
Treasury 4.75% 2010	4.91	Treasury 4.25% 2055	6.87
Treasury 4.5% 2042	4.74	Treasury 5% 2025	6.58
Treasury 4.25% 2027	4.61	Treasury 4.75% 2010	6.49
Treasury 4.25% 2046	4.55	Treasury 4.25% 2046	5.21
Treasury 4.25% 2032	4.26	Treasury 5% 2014	5.14
Treasury 5% 2025	4.22	Treasury 4.25% 2027	4.47

### The Economy and Market

The credit crisis which caused a near meltdown of the financial system in 2008 showed some signs of easing in the first half of 2009, following an unprecedented series of measures taken by governments and central banks across the globe. Although financial markets had a much calmer period, the extent of the fall in economic activity as a result of the crisis caught many by surprise. Consumer spending, business spending and world trade saw significant falls causing growth in major economies to contract massively. Interest rates were slashed aggressively to zero or near zero and governments implemented substantial packages of fiscal measures to boost economic activity. As a result public finances saw a dramatic deterioration.

In the UK, the recession deepened, with growth down by 2.4% in the first quarter compared to the previous quarter. This was the fourth consecutive quarterly contraction in output since the start of this recession. Consumer spending fell as unemployment rose and households, faced with falling financial wealth, increased their savings rates. The availability of credit remained restricted and lending to both companies and households remained weak, putting a dampener on domestic demand. The larger than expected fall in growth, coupled with measures to boost economic activity amplified the deterioration in public finances. This was highlighted in the Budget which predicted that public sector net borrowing was likely to shoot up to £175 billion or 12.4% of Gross Domestic Product in the current fiscal year, and stay at very high levels in years to come. The precariousness of the situation was highlighted further with the move by one rating agency to put the UK's AAA credit rating on negative outlook.

Having cut interest rates all the way from 5.75% to 0.5%, the Bank of England felt it was necessary to use quantitative easing to boost the growth of money and credit, as well as nominal demand so that inflation met its target in two years time. As a result, since March it has implemented a program of buying £175 billion in government securities, corporate bonds and commercial paper and financing it with creation of bank reserves.

Government bonds rallied sharply in the second half of last year but yields had reached extremely low levels. This made the market vulnerable to a correction and as investors locked in profits and looked for other asset classes, prices fell sharply in January 2009. Also contributing to the fall was an easing of financial worries and fears that low inflation was not going to last. The substantial contraction in growth provided little support as this was offset by the prospect of substantially higher supply of gilts. The second quarter saw an improvement in economic data and risky assets rallied reducing the appeal of bonds as a safe haven, thus falls in prices accelerated. The extensive buying of gilts by the Bank of England gave only a temporary boost to prices, with investors continuing to be concerned by the prospect of considerable amounts of issuance to fund the ballooning budget deficit.

### Activity

The sell off in government bonds in January which made them a lot cheaper, combined with our negative view on risky assets, encouraged us to maintain our long position versus our benchmark. This was backed by our fundamental view that the recession was likely to be long and deep, while inflation was going to stay low. In terms of trading, while maintaining the overall positive stance, we reduced exposure to 5 year maturities and lengthened into 15 years in February. In March we took advantage of the sell off in long dated bonds after an auction, and bought bonds which we subsequently sold at a big profit. In April, with the market selling off again, we decided to add to our overweight position by switching out of 1 year bonds into 10 year maturities. In May we purchased long dated bonds for a short term trade and saw the market fall subsequently. However after hitting a low in June, a big rally enabled us to sell at a profit. With markets regaining a lot of the ground lost in the second quarter, and with large issuance of bonds expected to remain an ongoing hurdle to further progress, we became more cautious and reduced our duration overweight. The Trust still maintains a bias in favour of long dated bonds.

Overall, government bonds had a disappointing performance in the first half of 2009, with returns in negative territory. As a result our Trust's total return for the seven months to the end of July 2009 on a bid to bid basis with net income re-invested amounted to -2.63%.

### Outlook

Though economic data has turned more positive recently, the global recession is far from over and the best we can hope for at the moment is a moderation in the pace of contraction. The improvement in the banking sector has been a decisive step in the right direction. However lending to households and firms is likely to stay restrained which will remain an impediment to activity. Further big rises in unemployment are likely to hold back consumer spending and firms are likely to remain reluctant to increase investment. Among major economies the US is likely to fare better as the benefits of substantial stimulus package come into effect. Europe which has been hit by high exposure to the collapsing world trade is likely to take longer to recover.

In the UK, growth is likely to contract by 4% in 2009 and turn slightly positive in 2010 according to consensus estimates. Though the housing market has shown signs of stabilisation, rising unemployment and difficult access to borrowing as well as heavy levels of consumer debt, will make this recession hard to exit from. Government bonds will remain well supported by economic fundamentals, as a protracted period of weak growth will push inflation to very low levels. However the massive amount of issuance – £220 billion sales of gilts planned for this fiscal year – plus the end to gilt buybacks by the Bank of England might cause the market to struggle. Overall, progress in other major bond markets will help sentiment, hence further modest gains are possible.

### 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 Gilt and Fixed Interest Unit Trust for the half year ended 1 August 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 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 half year it covers and the results of those activities at the end of the half year.

MANAGER

Capita Financial Managers Limited  
Head Office:  
Ibex House  
42 – 47 Minories  
London EC3N 1DX  
Telephone: 0870 607 2555  
Fax: 0870 607 2550  
Email: [enquiries@capitafinancial.com](mailto:enquiries@capitafinancial.com)  
(Authorised and regulated by the  
Financial Services Authority)

DIRECTORS OF THE MANAGER

C. Addenbrooke  
L. Everitt  
C. Hayes  
K.J. Midl  
J. Millan

INVESTMENT MANAGER

Canada Life Asset Management Limited  
Canada Life Place  
Potters Bar  
Hertfordshire EN6 5BA  
(Authorised and regulated by the  
Financial Services Authority)

TRUSTEE

BNY Mellon Trust & Depository (UK) Limited  
The Bank of New York Mellon Centre  
160 Queen Victoria Street  
London EC4V 4LA  
(Authorised and regulated by the  
Financial Services Authority)

REGISTRARS

Capita Financial Administrators Limited  
Customer Service Centre:  
2 The Boulevard  
City West One Office Park  
Gelder Road  
Leeds LS12 6NT  
Telephone: 0845 922 0044  
Fax: 0113 224 6001  
(Authorised and regulated by the  
Financial Services Authority)

INDEPENDENT AUDITORS

Ernst & Young LLP  
1 More London Place  
London SE1 2AF