CF Canlife Bond Unit Trust

Manager's Annual Short Report

for the year ended 15 February 2009

Investment Objective and Policy

The CF Canlife Bond Unit Trust ('the Trust') aims to maximise returns and to provide a half-yearly income mainly from investment in sterling-denominated fixed interest securities. 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 August	15 October
Final	15 February	15 April

Total Expense Ratio

Expense Type	15.02.09 %	15.02.08 %
Manager's periodic charge	1.00	1.00
Other expenses	0.09	0.07
Total expense ratio	1.09	1.07

Distributions

Unit Class	Interim 15.08.08 pence per unit	Final 15.02.09 pence per unit
Income	3.8506	4.0901

Price and Income History

Income units

Calendar Year	Highest Buying Price P	Lowest Selling Price P	Distribution per unit P
2004	209.40	187.80	9.0900
2005	210.79	189.71	8.8463
2006	214.04	186.61	8.3702
2007	198.08	174.77	7.8119
2008	193.45	163.92	7.5710
2009*	192.49	170.92	4.0901

* To 15 February 2009.

Net Asset Value

Date	Net Asset Value £	Units in Issue	Net Asset Value pence per unit
15.02.07	66,096,082	36,066,081	183.26
15.02.08	68,981,342	39,504,279	174.62
15.02.09	78,928,696	44,981,254	175.47

Net Asset Value Performance to 15 February 2009 (%)

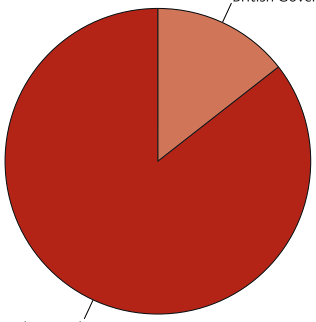
	1 year	3 years	5 years
CF Canlife Bond Unit Trust	5.03	1.57	12.31

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 15 February 2008.

Major Holdings

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

Holding	% of Trust as at 15.02.09	Holding	% of Trust as at 15.02.08
Treasury 4.25% 2055	4.59	Treasury 4.25% 2032	6.21
Tesco 5.5% 2019	3.89	Treasury 4.25% 2027	5.85
Iberdrola Finanzas Sau 7.375% 2024	3.64	Treasury 4.75% 2038	4.52
Treasury 4.25% 2046	3.52	Treasury 5% 2025	4.15
GE Capital UK 6.75% 2018	3.06	Tesco 5.5% 2019	4.09
Southern Gas Networks 4.875% 2020	2.97	Treasury 4.25% 2046	3.48
GDF Suez 7% 2028	2.82	Land Securities 5.292% 2015	2.80
Telefonica Emisiones 5.375% 2018	2.47	EDF Energy Networks EPN 8.75% 2012	2.42
Land Securities 5.292% 2015	2.45	Treasury 5% 2014	2.39
Centrica 7% 2018	2.39	France Telecom 8% 2017	2.38

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 in the financial sector caused the collapse, or near collapse of several large financial institutions and many banks had to be bailed out. 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 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 all risky assets causing massive falls in prices. In an effort to alleviate the economic impact of the crisis, the US Federal Reserve cut interest rates as low as 0 – 0.25% whereas the Bank of England cut rates to 1%, the lowest rate since 1694. By year end though, it became clear that advanced economies had fallen into a deep recession. Deflation also started to be seen as a real threat especially in light of falls in commodity prices. As a result, governments including the UK were forced to abandon fiscal discipline and announced large fiscal packages of tax cuts and spending to boost economic activity. The UK, due to the poor state of the housing market and the turmoil in the financial sector, combined with a current account deficit position and a serious deterioration in public finances, was perceived as one of the most vulnerable economies. With predictions of a contraction in output as high as -3%, sterling suffered, falling by around 25% in 2008.

Government bonds performed very strongly in 2008 with returns in excess of 10%. However, this was little consolation to corporate bond investors, who suffered heavy losses as credit spreads over gilts widened dramatically during the year. Financial bonds were at the centre of the sell off and suffered the heaviest losses, as investors fled from the sector in view of dismal news of defaults, near collapses and bail-outs by governments. Uncertainty about further bank losses and mounting worries about the economic outlook kept investors away from corporate bonds despite their continuous cheapening. With spreads at historic wides in the last weeks of the year, significant inflows in corporate bond funds began to make an impact on the market and non-financial spreads started to grind in. This trend accelerated in January as strong demand for new issues marked a turnaround in the fortunes of non-financial corporate bonds. As a result, the last month saw a dramatic tightening in non-financial credit spreads with defensive sectors such as utilities and telecoms seeing a very strong performance.

Trust Activity

Prior to the credit crisis, we held the view that corporate bond spreads relative to gilts were tight thus the Trust was positioned overweight gilts and underweight credit. This cautious stance paid off for a second successive year in 2008, enabling our Trust to achieve substantial outperformance versus its peers. Our Trust's total return for 2008 on a bid to bid basis with net income reinvested amounted to 2.58%, when most other funds had negative returns. With spreads at historically wide levels, the bulk of our activity was to switch some of our gilt exposure into corporate bonds. The Trust had a low weight in financials during the crisis which was beneficial to performance, thus given the dramatic cheapening of financial bonds, we decided to gain some further exposure to the sector. This was done by buying new issues, in names such as Bank of Ireland, AIB, GE, ING and Alliance & Leicester. Apart from the investment rational to buy corporate bonds when cheap, new sector definitions in our peer group required our Trust to hold a minimum of 80% in corporate bonds by year end. Therefore, in the last few months of the year we accelerated our purchases. Quality remained paramount in this process and given our nervousness about the economic outlook, we concentrated our purchases in quality names in defensive sectors such as utilities and telecoms which subsequently performed very well. Some of the names added were United Utilities, Severn Trent, GDF Suez and Vodafone.

Outlook

The recession in all advanced economies looks set to deepen in 2009. Although the quick actions of policy makers have been helpful, the problem of limited access to bank lending by households and companies remains unresolved. This remains our key concern, and we believe its consequences on activity are underestimated. We are also pessimistic about the slowdown in emerging economies. In the UK, growth is set for a big fall while inflation is likely to move temporarily into negative territory and subsequently stay low. With interest rates so close to zero, the Bank of England has indicated it is ready to proceed with unconventional measures to boost money supply. The slump in economic activity is positive for gilts, but is negative for corporate bonds and other risky assets. Default rates are expected to rise sharply, exceeding the levels reached in the previous downturn in 2002 when they hit 10.4%. Investors are also concerned about the prospect of sharp falls in company earnings and about the ability of companies to refinance debt. With the banking sector still in distress it is difficult to see credit fundamentals improving anytime soon. However, in terms of valuations, given the wide level of credit spreads, investors are well compensated for the extra risk. The demand/supply balance is also likely to be favourable for sterling corporate bonds. Thus, we see the potential for modest tightening of spreads in the months ahead with investors continuing to focus on high quality.

Canada Life Asset Management Limited
Investment Manager
20 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 the CF Canlife Bond Unit Trust for the year ended 15 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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