

**CF Canlife Japanese Growth Unit Trust**  
**Manager's Interim Unaudited Short Report**  
for the half year ended 15 September 2009

**Investment Objective and Policy**

The CF Canlife Japanese Growth Unit Trust ('the Trust') aims to provide capital growth mainly from investment in shares quoted on Japanese markets. 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 September	–
Final	15 March	15 May

**Total Expense Ratio**

<b>Expense Type</b>	<b>15.09.09</b> %	<b>15.03.09</b> %
Manager's periodic charge	1.50	1.50
Other expenses	0.10	0.10
Total expense ratio	1.60	1.60

### Portfolio Turnover Rate

	15.09.09 %	15.03.09 %
Portfolio turnover rate	89.60	106.12

### Distributions

Distributions are allocated annually on 15 March.

### Performance Record

Accumulation units

Calendar Year	Highest Buying Price p	Lowest Selling Price p	Distribution per unit p
2004	33.34	28.64	–
2005	49.67	30.14	–
2006	50.50	37.00	–
2007	43.01	32.64	–
2008	38.49	26.05	–
2009*	39.89	28.68	0.1161

\* To 15 September 2009.

### Net Asset Value Per Unit

Date	Net Asset Value £	Units in Issue	Net Asset Value pence per unit
15.03.07	50,753,819	131,024,002	38.74
15.03.08	37,785,506	125,302,386	30.16
15.03.09	37,231,526	126,240,945	29.49
15.09.09	39,616,058	107,804,771	36.75

### Trust Performance to 15 September 2009 (%)

	6 months	1 year	3 years	5 years
CF Canlife Japanese Growth Unit Trust	24.62	15.06	-6.32	15.13

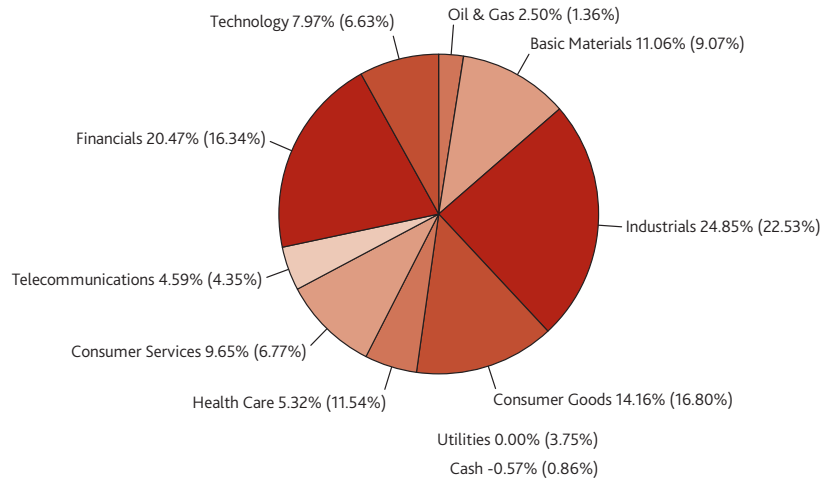
The performance of the Trust is based on the net asset value per Accumulation unit which includes income reinvested.

### 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.

## INVESTMENT MANAGER'S REPORT

### Sector Spread of Investments



The figures in brackets show allocations at 15 March 2009.

### Major Holdings

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

Holding	% of Trust as at 15.09.09	Holding	% of Trust as at 15.03.09
Toyota Motor Corporation	4.13	Toyota Motor Corporation	3.76
Mitsubishi UFJ Financial Group	3.25	Mitsubishi UFJ Financial Group	3.34
JAFCO	3.13	Tokio Marine Holdings	3.17
Tokio Marine Holdings	3.03	Mizuho Financial Group	2.96
Oiles Corporation	2.84	Nippon Telegraph & Telephone	2.48
Mizuho Financial Group	2.79	Sysmex Corporation	2.33
Sharp Corporation	2.51	Sumitomo Mitsui Financial Group	2.27
Sumitomo Mitsui Financial Group	2.49	Miura	2.21
Nissan Motor Company	2.28	Oiles Corporation	2.15
Miura	2.25	Sharp Corporation	2.08

### Japanese Growth Report 16/03/09 to 15/09/09

Global markets bounced strongly off historic low valuations over the review period. In Japan, the Topix rallied some 25%, although weakness of the yen against the pound limited gains to slightly above 15% in sterling terms.

#### Investment Review

The investment period saw a sharp pick up in both market and economic conditions. Having fallen almost consistently since mid-2007, the Topix hit its low point in mid-March 2009 and has since been rising. Although Japan began the year in recession, it officially came out of this in the second quarter of 2009.

Economic growth was hit by both weak exports and domestic demand at the start of 2009. As overseas demand for goods fell, Japanese companies had to cut costs and restructure operations. They cut wages and shed staff, leading to a spike in unemployment. Although economic stimulus, including cash handouts, supported private consumption to a certain degree, the difficult labour market resulted in further deterioration of the economy.

External demand has greatly improved since March. Having bottomed in February, both exports and industrial production have since bounced strongly, driven by rising overseas demand for Japanese goods. These factors drove an economic recovery in Japan in the second quarter of 2009, with quarter-on-quarter annualised economic growth rising 2.3% (having fallen 12.4% in Q1 of 2009 and 12.8% in Q4 of 2008). Exports and industrial production remain robust. However, domestic economic conditions remain difficult.

We have also seen political changes in Japan. On 30 August, the historically dominant Liberal Democrat Party lost power to the opposition Democratic Party of Japan. The new leading party has announced its intention to continue to offer fiscal support to the Japanese economy. Should they be able to implement efficient economic support policies then the change in government could benefit the Japanese equity market.

#### The Stock Market

Global markets have rallied from historic low valuations since March. Japan has been no exception, with the Topix moving some 25% higher between mid-March and mid-September.

Leveraged Sectors, such as real estate and financials, were strong from the start of the period. These sectors benefited from improving economic conditions, a rise in risk appetite, government support policies and solid earnings. The real estate sector shot up 80%, whilst brokerages and consumer finance companies both gained over 55%.

Over time, fiscal stimulus led to improved economic conditions. There were signs that the US economy was bottoming, whilst government policies in China led to surging consumption. Commodity prices and demands for Japanese goods started to rise as a result, and this led to gains in cyclical and economically sensitive sectors. The electrical appliance sector gained 40% over the investment review period, whilst the non-ferrous metal sector jumped 55%. The only sector to fall over the period was air transport, which lost 20% of its value due to solvency concerns at major airlines. Defensive sectors generally underperformed the market, in particular utilities, which managed only a small gain of around 1%.

### **The Stock Market (continued)**

Many companies in Japan prepared their earnings forecasts in February and March, when economic conditions were extremely weak. Since then we have seen a vast improvement in the business environment, driven by better overseas conditions. Should the business environment remain firm then this will provide support for Japanese company earnings. This could support the domestic economy, as companies will be able to hire back workers and raise wages. Since market valuations remain low on a number of measures, we feel that Japanese markets can continue to rise from these levels.

### **Trust Activity**

Having adopted a highly defensive stance in 2008, we began to take a more aggressive standpoint for the portfolio at the start of 2009. We have continued this process in the review period, and have given the portfolio a more pro-cyclical structure. Sells have included stable earners, such as utility company Kyushu Electric Power and food producer Ajinomoto. These have been replaced by companies whose earnings are more economically sensitive. Such companies include electronic materials and synthetic rubber maker JSR and steel producer Yamato Kogyo. Believing that the domestic economy may be approaching its low point, we have also added some domestic names such as Yamato Holdings, a parcel delivery operator, and Jupiter Telecom, a company that provides cable television broadcast services.

### **Outlook**

Domestic economic conditions in Japan are tough, despite the recovery in overseas demand that has helped to pull the economy out of recession. However, we believe that as the global economy continues to get better then this will support company earnings, which could lead to an improvement in domestic economic conditions. Many valuations metrics, such as the price-to-book ratio, remain well below historic levels. As a result, we feel that the market can continue to perform well as economic conditions improve.

### **Canada Life Asset Management Limited**

Investment Manager

5 October 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 Japanese Growth Unit Trust for the half year ended 15 September 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.

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