

CF Canlife UK Smaller Companies Unit Trust
Manager's Annual Short Report
for the year ended 15 May 2009

Investment Objective and Policy

The CF Canlife UK Smaller Companies Unit Trust ('the Trust') aims to provide capital growth mainly from investment in the shares of smaller companies quoted on UK markets, which have a capitalisation below the average of the FTSE All-Share Index. 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 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 November	–
Final	15 May	15 July

Total Expense Ratio

Expense Type	15.05.09 %	15.05.08 %
Manager's periodic charge	1.50	1.50
Other expenses	0.14	0.09
Total expense ratio	1.64	1.59

Distributions

Unit Class	Final 15.05.09 pence per unit
Accumulation	3.3402

Price and Income History

Accumulation units

Calendar Year	Highest Buying Price P	Lowest Selling Price P	Distribution per unit P
2004	456.58	369.10	1.1959
2005	519.76	409.34	-
2006	558.00	418.71	-
2007	509.46	361.08	-
2008	404.22	210.95	1.8979
2009*	263.29	210.69	3.3402

* To 15 May 2009.

Net Asset Value

Date	Net Asset Value £	Units in Issue	Net Asset Value pence per unit
15.05.07	74,852,950	15,994,429	467.99
15.05.08	51,104,706	13,814,915	369.92
15.05.09	30,874,137	12,960,287	238.22

Net Asset Value Performance to 15 May 2009 (%)

	1 year	3 years	5 years
CF Canlife UK Smaller Companies Unit Trust	-35.60	-52.37	-38.30

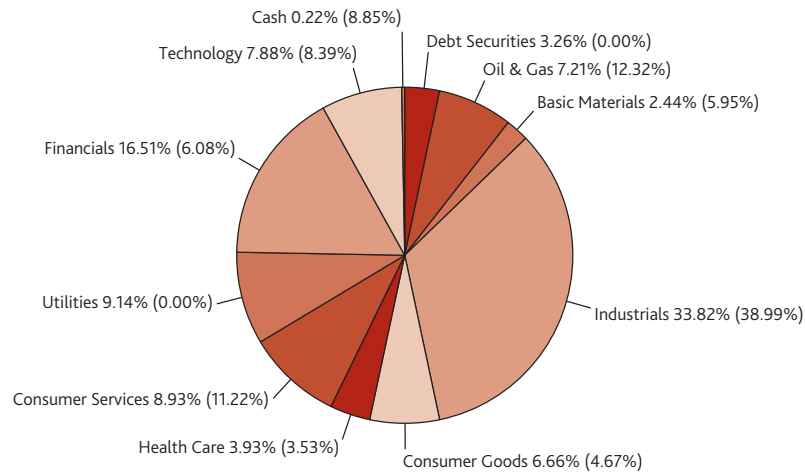
The performance of the Trust is based on the net asset value per Accumulation unit which includes income reinvested.

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 May 2008.

Major Holdings

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

Holding	% of Trust as at 15.05.09	Holding	% of Trust as at 15.05.08
Northumbrian Water Group	5.93	Expro International Group	3.90
BlackRock Institutional Sterling Liquidity Fund	4.85	Lamprell	3.38
Jardine Lloyd Thompson Group	4.64	Bowleven	2.83
De La Rue	4.46	Senior	2.60
Rotork	3.85	Nord Anglia Education	2.55
SSL International	3.74	Kewill Systems	2.40
Pennon Group	3.21	Chemring Group	2.39
EAGA	2.59	Laird	2.38
Treasury 4.25% 2011	2.53	Ultra Electronics Holdings	2.27
Hunting	2.51	Hyder Consulting	2.26

Investment Review

Over the last twelve months the stock market has been weak. Global GDP has fallen significantly with no country immune to the slowdown. With the majority of economies in recession, global stock markets have been sold off heavily. However, towards the end of the review year there have been some signs the world economy has stabilised at lower levels.

Stock Market

There are some indicators pointing to growth recovering towards the end of the year. Due to signs of stabilisation, the stock market has gone up significantly from the lows of March 2009 with the FTSE Small Cap Index up 35%.

Surveys tracking various factors such as house prices, consumer confidence, retail sales etc have improved. The depreciation of sterling versus the US\$ of 25% should help UK exporters and encourage people to spend on cheaper local goods, which in turn will help boost the UK economy. Very loose monetary policy (interest rates at historic lows of 0.5%) and quantitative easing (Bank of England printing money) has ensured that the UK economy hasn't suffered a fall in output that would have been similar to the great depression. Over the next few years these policy actions will need to be reversed to avoid high levels of inflation. The UK government and households will be forced to pay down debt.

Despite the evidence of conditions improving we still expect markets to be volatile. There are signs of some improvement but this could prove to be temporary. Unemployment is still rising and the high levels of consumer and government debt are terrifying. Savings also need to be rebuilt. This will slow economic growth over the next several years.

The market is enjoying a strong bounce hoping for a quick and early recovery in the economy. At the start of the year we had expected a lot of companies to face significant challenges from reduced demand for their products and also financial difficulties because of increased borrowing over the last few years. This has been the case, but at the same time a lot of companies have managed to raise new funds through equity issues (British Land, Hammerson, Shaftesbury, Great Portland, Taylor Wimpey, Sheffield Insulation Group and Innovation Group to name a few) or have managed to extend their banking facilities but at a higher cost. However, as companies have managed to prove they can survive, the share prices have gone up significantly. We unfortunately have tended not to focus on the highly leveraged or consumer focused companies. As the year progresses we anticipate companies will struggle once again.

Trust Activity

We continue to have a defensive portfolio given the sharp deceleration in UK growth. We have focused on buying companies that have diversified geographically and should benefit from the weakening sterling currency. Companies that we have bought or added to include Aveva Group, Mothercare, Mouchel Group and De La Rue. Over the last six months there has been no merger activity or any noticeable initial public offerings (IPOs). Stocks that have disappointed include Wellstream Holding, Hyder Consulting and Communis. Significant disposals over the year include Senior, Spirent and Mitie Group amongst others.

Outlook

With only tentative signs of the difficult economic environment improving over the medium term we continue to be cautious. There has been very little corporate activity and companies continue to tap markets to repair stretched balance sheets. We continue to take a cautious approach in adding new companies to the portfolio and still hold significant cash balances. We have seen interest rates collapse and there is no scope of more reductions. The fear of high inflation, low wage growth, increasing job losses and further falls in house prices is worrying.

Canada Life Asset Management Limited

Investment Manager

11 June 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 UK Smaller Companies Unit Trust for the year ended 15 May 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 year it covers and the results of those activities at the end of the year.

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