

**CF Canlife UK Smaller Companies Unit Trust**  
**Manager's Interim Unaudited Short Report**  
for the half year ended 15 November 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, 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 November	–
Final	15 May	15 July

**Total Expense Ratio**

Expense Type	15.11.09 %	15.05.09 %
Manager's periodic charge	1.50	1.50
Other expenses	0.14	0.14
Total expense ratio	1.64	1.64

### Portfolio Turnover Rate

	<b>15.11.09</b> %	<b>15.05.09</b> %
Portfolio turnover rate	55.49	106.73

### Distributions

Distributions are allocated annually on 15 May.

### Performance Record

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*	318.88	210.69	3.3402

\* To 15 November 2009.

### Net Asset Value Per Unit

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
15.11.09	37,151,160	12,536,179	296.35

### Net Asset Value Performance to 15 November 2009 (%)

	6 months	1 year	3 years	5 years
CF Canlife UK Smaller Companies Unit Trust	24.40	26.85	-32.71	-25.78

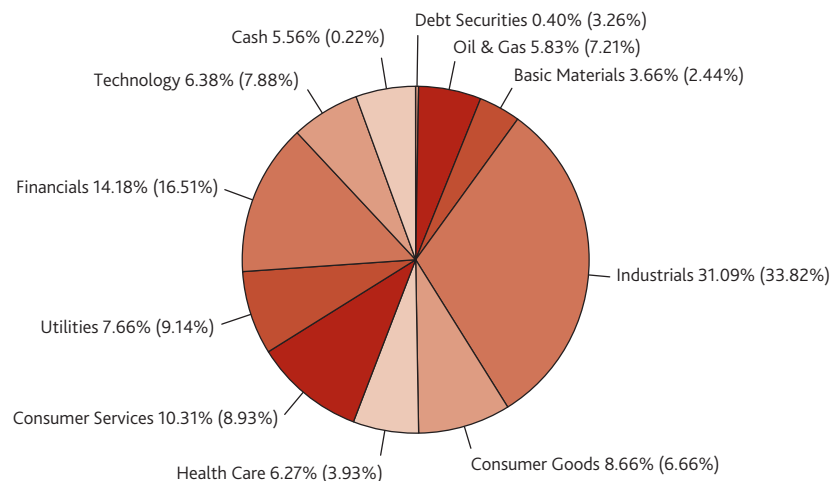
The performance of the Trust is based on the net asset value per Accumulation unit which includes income reinvested.

### 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 2009.

## Major Holdings

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

Holding	% of Trust as at 15.11.09	Holding	% of Trust as at 15.05.09
Northumbrian Water Group	5.02	Northumbrian Water Group	5.93
Rotork	3.82	BlackRock Institutional Sterling	
SSL International	3.73	Liquidity Fund	4.85
Jardine Lloyd Thompson Group	3.63	Jardine Lloyd Thompson Group	4.64
De La Rue	2.84	De La Rue	4.46
Pennon Group	2.64	Rotork	3.85
Vectura Group	2.49	SSL International	3.74
Spirax-Sarco Engineering	2.42	Pennon Group	3.21
Shaftesbury	2.00	EAGA	2.59
EAGA	1.94	Treasury 4.25% 2011	2.53
		Hunting	2.51

## Investment Review

Over the last six months the stock market has enjoyed a very strong period. Global GDP has stabilised. Investors seem less worried and global GDP will be positive next year.

## Stock Market

The FTSE Small Cap Index is up 27% over six months. The market has performed well due to a number of factors. Company trading has improved, access to credit and equity markets is better, investor sentiment has improved and macro data is stronger.

In the UK, surveys continue to show a recovery in the mortgage market, house prices and consumer confidence, as well as good retail sales. Government action namely loose monetary policy (interest rates held at 0.5%) and quantitative easing (printing money) to support the economy has helped.

However, policy action will need to be reversed. The current levels of debt are neither sustainable nor manageable. Households also have to repay large amounts of debt. The rate at which households and the government cut spending to rebuild savings will impact UK GDP growth adversely over the next few years.

Companies have recently been busy rebuilding balance sheets through rights issues (e.g. Barratts, Taylor Wimpey, Redrow, Laird, Galliford Try, Aquarius Platinum, Afren, EZV to name but a few). Many companies with too much debt were at risk of going bankrupt and capital raisings ensured they would survive. There will be further capital calls on existing unitholders to support businesses.

The frail fundamental outlook for the UK has weakened the pound. A weaker sterling, combined with stronger global GDP will help UK exporters. Expensive imports will also encourage consumers to buy local products.

## Trust Activity

Over the last six months we have continued to invest more of the Trust's cash. We continue to hold a defensive portfolio. We have bought high quality companies with strong business models. Our recent purchases include Shaftesbury, Berkeley Group, Robert Wiseman, Fidessa and Intec Telecom. Goldshield was taken over by management. There haven't been any noticeable initial public offerings (IPOs) over the period. Disposals over the period include Hunting, Morgan Sindall and Mitie.

## Outlook

The stock market has enjoyed a strong recovery and is pricing in strong growth for the UK economy. Trading continues to be difficult and our concerns regarding debt levels are noted above. The fear of high inflation, low wage growth, increasing job losses and lower consumption over the next few years make it hard to expect strong share price returns. Signs of the global economy improving driven by emerging economies will help UK exporters mitigate weaker domestic conditions. The election next year also complicates the outlook further.

## Canada Life Asset Management Limited

Investment Manager  
14 December 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 half year ended 15 November 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 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 & Depositary (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  
Gelderd 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