

Strategic Gilt Fund

31 DECEMBER 2011

KEY POINTS

- The fund invests only in UK gilts. There is no corporate exposure of any kind.
- The fund aims to offer a superior risk-adjusted return over that of passively holding a conventional gilt portfolio with similar risk characteristics.
- The fund utilises Charteris' process of writing options on the underlying portfolio, with the aim of enhancing the total risk-adjusted return of the portfolio and reducing volatility.
- The fund was launched on 8 December 2006 and is managed by Ian Williams of Charteris Treasury Portfolio Managers.
- Sector: IMA UK Gilts

CURRENT VIEWS

Across global financial markets, December was marked by the breakdown of a number of correlations, with bond yields trading much lower than equities would indicate and the USD index more in line with bonds than either equities or oil prices. The opposing forces in the eurozone of systemic risks and an easy money policy response continue to rage with the political overtones making markets very skittish.

The major political event of the month was the Euro-group summit which fell short of concrete actions for bolstering IMF/EU backstops in the near term and of clarifying the ultimate goal of fiscal union for the Eurozone. In turn, Italian and Spanish bond spreads vs. Germany widened in the wake of this disappointment. While enhanced fiscal discipline was a step in the right direction, this paved the way for the ECB to extend liquidity support to banks rather than to signal an open-ended programme of government bond purchases, which had been broadly expected by markets. In addition the ECB instigated another 25 bps cut, as economic activity measures provided a green light.

In the UK, the rebalancing of the economy through exports as reflected in external trade data looked unlikely to be sustained given weak prospects for the eurozone and domestic demand showing renewed weakness, reflecting fiscal tightening and rising unemployment. New lows were reached by gilt yields as a result driven by recession fears and continued BoE buying.

During the month the fund's value remained unchanged despite an end-of-year squeeze in the gilt market which saw the FT Government Securities Index rise over 1%. This squeeze has driven yields down to the lowest level since the 1940's and leaves the market offering extreme levels of potentially unrewarded risk. As such the fund is positioned to protect investors capital rather than chase further gains, which given the extremely low level of yields will be difficult to achieve.

AWARDS



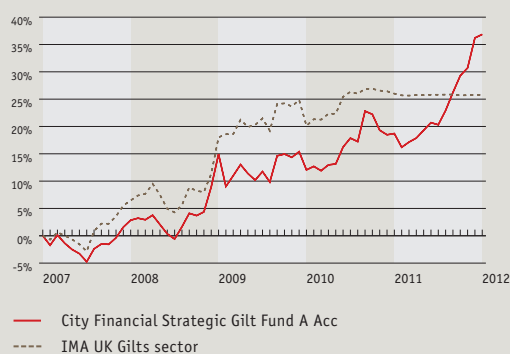
TOP HOLDINGS

UKT 5.00% 2012
 UKT 5.25% 2012
 UKT 4.50% 2013
 UKT 2.25% 2014
 UKT 8.00% 2013
 Gov Bond 2.50% 2013 IDX-LKD

FINANCIAL INFORMATION

NAV Class A Acc	145.81
NAV Class A Inc	135.07
NAV Class B Acc	148.97
NAV Class B Inc	135.33
Total net assets	£81.5m
Modified duration	0.80 years

PERFORMANCE VS IMA UK GILTS SECTOR



	Calendar year	2011	2010	2009	2008	2007	Since launch
Class A (%)	-0.20	4.90	1.79	10.85	6.47	24.52	
Class B (%)	0.05	5.25	2.26	11.90	6.63	27.22	
Sector (%)	15.28	5.94	-2.51	11.76	2.85	35.06	
Sector rank	28/28	26/28	1/24	19/25	1/24	20/20	
Quartile	4	4	1	3	1	4	

• Please see over for additional details

ENQUIRIES

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FUND FACTS

ISIN – Class A Acc	GB00B1GVSD23
ISIN – Class A Inc	GB00B1GVQ612
ISIN – Class B Acc	GB00B1GVZG47
ISIN – Class B Inc	GB00B1GVWL84
Bloomberg tickers	
Class A Acc	CFILQAA LN
Class A Inc	CFILQAI LN
Class B Acc	CFILQBA LN
Class B Inc	CFILQBI LN
Distribution	Semi-annual 31 May and 30 November
Dealing and valuation frequency	Daily
Accounting year-end	30 September
Settlement	T+4
EU Savings Directive	In scope
Currency	GBP
Annual charge Class A	1.25%
Minimum initial Class A	£1,000
Annual charge Class B	0.75%
Minimum initial Class B	£7.5m
Initial charge	5.00%
ISA wrapper	Yes
ISA transfer	Yes
Savings plan	Yes
Sector	IMA UK Gilts
Depository	BNY Mellon Trust & Depository (UK) Limited
Registrar	Capita Financial Administrators

Fund performance vs IMA UK Gilts sector excludes the effect of initial charge and assumes any income reinvested net of UK tax.

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