

CF Noble UK Smaller Companies Fund

a sub-fund of CF Noble Investment Funds

ACD's Annual Short Report

for the period from 29 July 2008 to 31 January 2009

Investment Objective and Policy

The investment objective of the CF Noble UK Smaller Companies Fund ('the Fund') is to achieve long-term capital growth. The Fund invests in UK smaller companies though there may be occasions when the Investment Manager chooses to hold large degrees of cash or money market instruments. The Fund will primarily invest in companies which are either incorporated in the UK or are listed in the UK and have the majority of their economic activity in the UK. The Fund may also invest in companies which are listed in the UK but are not incorporated and do not have the majority of their economic activity in the UK.

The Fund may invest up to 100% of its assets in collective investment schemes and over 35% of its assets in certain government and public securities.

Risk Profile

The Fund 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 ACD 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	31 July	30 September
Final	31 January	31 March

Total Expense Ratio

Expense Type	31.01.09 %	'A' Accumulation	'B' Accumulation
ACD's periodic charge		1.50	0.85
Other expenses		0.29	0.29
Total expense ratio		<u>1.79</u>	<u>1.14</u>

Distributions

Share Class	Final 31.01.09 pence per share
'A' Accumulation	0.7352
'B' Accumulation	1.3900

Price and Income History

'A' Accumulation shares

Calendar Year	Highest Price P	Lowest Price P	Distribution per share P
2008#	214.04	135.16	–
2009*	145.39	139.68	0.7352

'B' Accumulation shares

Calendar Year	Highest Price P	Lowest Price P	Distribution per share P
2008#	232.51	147.08	–
2009*	158.30	149.94	1.3900

From 29 July 2008.

* To 31 January 2009.

Net Asset Value

Date	Share Class	Net Asset Value £	Shares in Issue	Net Asset Value pence per share
31.01.09	'A' Accumulation 'B' Accumulation	3,357,965 188,102	2,440,350 125,501	137.60 149.88

Fund Performance to 31 January 2009 (%)

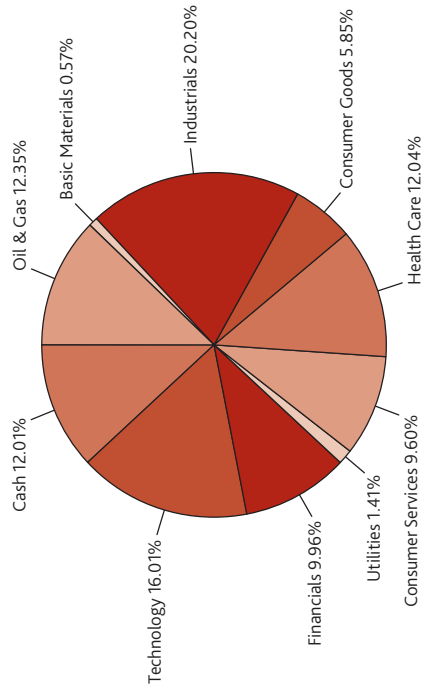
As the Fund was launched less than one year ago, in accordance with FSA rules, no performance figures are permitted to be reported.

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



Major Holdings

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

Holding	% of Fund as at 31.01.09
Chemring Group	7.13
PureCircle	5.85
Eco Animal Health Group	5.24
System C Healthcare	5.03
London Capital Group Holding	4.28
Hargreaves Services	3.67
SQS Software Quality Systems	3.07
Vectura Group	3.01
AMEC	2.95
Hallin Marine Subsea International	2.88

Market Commentary (From 29 July 2008 to 31 January 2009)

The past twelve months have been characterised by extreme economic and financial market disruption on a global scale. Major global stockmarket indices fell dramatically from their highs of 2007 as we witnessed the greatest banking crisis in decades. 2008 was the worst year for UK equities since 1974. Against this backdrop, during the period to 31 January 2009, the Fund fell 36.1% but still outperformed its benchmark the Hoare Govett Smaller Companies Index (including AIM but excluding Investment Trusts) which fell 43.8%. During the corresponding period the UK Smaller Companies IMA sector fell 35.6%. Whilst the first half of the financial year was testing with banks facing acute liquidity problems, it became apparent during October that most of the Western banking institutions were effectively insolvent with balance sheets in desperate need of additional capital and deteriorating rapidly.

Performance

As we have seen before during the various crises of the last ten years smaller companies were de-rated more severely than large as investors sought to increase liquidity in their portfolios. The FTSE 100 fell 29.4% during the period to 31 January 2009 whilst the FTSE Small Cap Index fell 43% and AIM All Share fared even worse falling 58.3% during the period. Small caps were hit hard, as redemptions and forced liquidations lead to indiscriminate selling during the fall of 2008. October turned out to be the worst month of the crisis – Bank stocks reached new lows whilst the cyclical commodity related sector which had held up reasonably until then followed the suit and fell sharply. It was the worst month for the fund with the NAV falling 17.8% during the month in comparison to the fund's benchmark which fell 22%. However, this kind of sharp de-rating has also proven to be very fertile ground for smaller company investors in the past, where stocks are often at extreme low valuations just because of their illiquidity. When the mood turns their share prices tend to rebound fast.

Declines were seen even in good quality companies unaffected by the economic problems such as **Chemring group** (our largest holding) which manufactures decoy systems and energetics, predominantly for the US and UK military. It fell over 30% during the latter part of the period but reported strong results in January and gave an upbeat outlook statement. The stock recovered sharply in January and ended the financial year up 6.5%. **PureCircle**, our second largest holding, was marked down heavily due to forced selling in November, but then proceeded to rally by 95% during December as it received a key product approval in the US just before Christmas. PureCircle develops, produces and supplies a naturally derived zero calorie sweetener from the Stevia plant. It is the clear market leader in this fast growth market and has secured contracts with several global drinks manufacturers, including Pepsi and Coca Cola. **EcoAnimal Health**, our third largest holding, which sells veterinary pharmaceuticals likewise fell sharply in the first half, but rallied strongly to finish only 4% down during the period.

Some investments did manage to rise in absolute terms amidst the carnage of the credit crunch including **Netstore** which received and accepted a long-awaited bid approach increasing over 44% from the start of the period, and **Amlin**, the Lloyds insurer which is from one of the very few sectors of the market (non-life insurance) which has strengthened as a whole over the last six months, benefiting from the general lack of capital availability and the woes of AIG, whose troubles have changed an environment of softening prices to one of hardening.

Performance (continued)

On the negative side the timing of taking our position in **Globus Maritime**, the dry bulk shipping company, proved very poor as dry bulk shipping rates collapsed in October when the Baltic Dry Index fell from an all time high in May to record lows which meant that charter rates were actually below the cost of running the vessels. We had a number of other stocks which were directly or indirectly related to the resources sector, and these also performed very poorly. **Caza Oil & Gas** fell 85% after postponing further drilling operations. **Rambler**, which is developing a Copper mine in Canada, fell in sympathy with most of the junior mining sector. **Prosperity Mineral Holdings Ltd** fell over 83% on the back of slowing demand for cement and iron in China. **MDM Engineering**, **Valiant Petroleum** and **Hallin Marine** which provides sub-sea diving vessels to the oil and gas industry, also fell despite performing robustly, and in the case of Hallin Marine seeing substantial earnings upgrades. We had one company fail during the period, **Vianet Group**, which saw a sudden withdrawal of expected funding in December.

Portfolio Activity

In lieu of the unfolding crisis, the primary objective was to position the Fund defensively and take positions in oversold stocks we believe offered outstanding long term prospects. We raised a substantial level of cash, with net assets at 12.01% as at 31 January 2009.

We raised cash by selling **Charter** and **Immediate Capital Group** since 29 July 2008. In addition cash was also raised earlier in the year from **Interbulk Group Plc**, **OPG Ventures Plc**, **Helphire Group**, **Roc Oil** and **Jelf Group**, before the assets of the sub-fund were transferred from the First State British Smaller Companies Fund to the CF Noble UK Smaller Companies Fund. We also received a bid for kitchen manufacturer Omega International. The bid was completed in January giving us a gain of over 20% on our purchase in August. We also took profits on our holding in **Amlin**, the Lloyd's insurer, registering a 18% gain on our purchase price.

During the second half we re-established a weighting in the oil and gas sector, and on stocks which we believe can do well through the global economic turmoil. These additions include **Amecc**, an engineering services company operating in the oil and gas, mining, water and nuclear industries and **Emerald Energy**, an oil and gas exploration company. We also took positions in **Abcam**, which has become a leading distributor and manufacturer of antibodies and reagents for pharmaceutical research, and **XP Power**, a provider of power devices for the electronics industry. Other new positions included **Cineworld**, operator of cinemas in the UK, and inter dealer broker **Tullett Prebon**.

Outlook

The current financial crisis is undoubtedly without a recent precedent. Companies are still finding it difficult to finance themselves and financial markets are still not functioning efficiently. The tsunami of bad debts and credit related write-downs has overwhelmed banks and it will take a while before their difficulties are fully resolved. The rebuilding of consumer and business confidence will also take time. However, the global response to the crisis has been impressive. Central banks and Governments have pumped the financial system with liquidity, injected huge amounts of capital into banks; guaranteed inter-bank deposits and bank debt. Most major Central Banks have set interest rates close to zero and embarked on quantitative easing to reduce the cost of capital, increase economic activity and reflate the price of financial assets. The correction in the small cap sector has created some very low valuations of good quality companies. We believe current conditions provide attractive entry levels for small company investing, and that the portfolio is well placed being focussed on companies which have been able to make good progress through the economic turmoil, and whose prospects look attractive. Historically the emergence from recession has been an attractive point in the economic cycle in which to invest in smaller companies as an asset class.

Noble Fund Managers Limited

Investment Manager

15 April 2009

Buying and Selling Shares

The ACD will accept orders to deal in the shares on normal business days between 9.00am and 5.30pm. Instructions to buy or sell shares 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 CF Noble UK Smaller Companies Fund for the period 29 July 2008 to 31 January 2009. The full Report and Accounts for the Fund 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 Fund during the period it covers and the results of those activities at the end of the period.

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