

## CF Noble UK Smaller Companies Fund

a sub-fund of CF Noble Investment Funds

### ACD's Interim Unaudited Short Report

for the half year ended 31 July 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.

The Hoare Govett Smaller Companies plus AIM excluding Investment Trusts Index is the benchmark comparison against which the performance of the Fund is measured.

#### 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	31.07.09 %		31.01.09 %	
	'A' Acc	'B' Acc	'A' Acc	'B' Acc
ACD's periodic charge	1.50	0.85	1.50	0.85
Other expenses	0.29	0.29	0.29	0.29
Total expense ratio	1.79	1.14	1.79	1.14

### Portfolio Turnover Rate

	31.07.09 %	31.01.09 %
Portfolio turnover rate	184.78	17.10

### Distributions

Share Class	Interim 31.07.09 pence per share
'A' Accumulation	0.5655
'B' Accumulation	1.1779

### Performance Record

#### 'A' Accumulation shares

Calendar Year	Highest Price p	Lowest Price p	Distribution per share p
2008#	214.04	135.16	-
2009*	180.70	135.80	1.3007

#### 'B' Accumulation shares

Calendar Year	Highest Price p	Lowest Price p	Distribution per share p
2008#	232.51	147.08	-
2009*	197.46	148.03	2.5679

# From 29 July 2008.

\* To 31 July 2009.

### Net Asset Value Per Share

Date	Share Class	Net Asset Value £	Shares in Issue	Net Asset Value pence per share
31.01.09	'A' Accumulation	3,357,965	2,440,350	137.60
	'B' Accumulation	188,102	125,501	149.88
31.07.09	'A' Accumulation	3,761,695	2,121,754	177.29
	'B' Accumulation	248,194	128,108	193.74

### Fund Performance to 31 July 2009 (%)

	6 months	Since launch*
CF Noble UK Smaller Companies Fund	28.84	-13.51
Benchmark Hoare Govett Smaller Companies Index (including AIM but excluding Investment Trusts)	36.39	-11.51

\* Launch date 29 July 2008.

The performance of the Fund is based on the net asset value per 'A' Accumulation share which includes income reinvested.

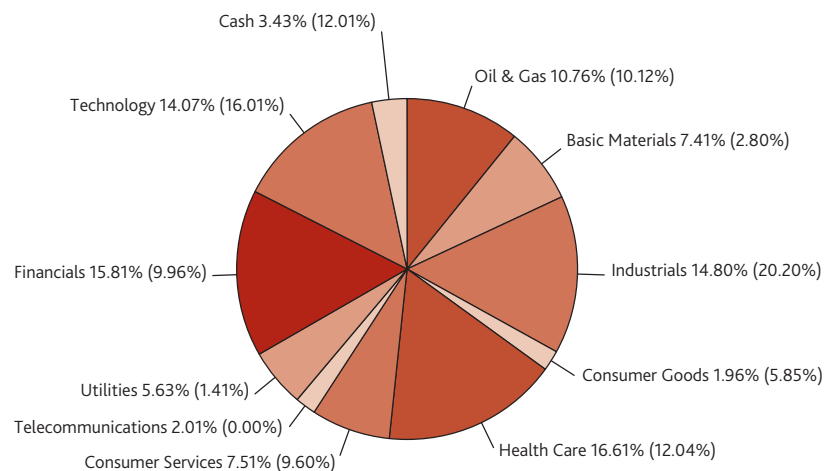
The CF Noble UK Smaller Companies Fund was seeded by the transfer of the First State British Smaller Companies Fund to CFM on 29 July 2008. Those investors who held shares in First State British Smaller Companies Fund and transferred their holdings to the CF Noble UK Smaller Companies Fund at this date may benefit from the additional performance data shown on page 6 which shows the aggregated data of both funds.

### 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 31 January 2009.

### Major Holdings

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

Holding	% of Fund as at 31.07.09	Holding	% of Fund as at 31.01.09
Chemring Group	5.31	Chemring Group	7.13
System C Healthcare	4.84	PureCircle	5.85
Eco Animal Health Group	4.12	Eco Animal Health Group	5.24
Alterian	3.74	System C Healthcare	5.03
Vectura Group	3.29	London Capital Group Holding	4.28
MDM Engineering Group	3.25	Hargreaves Services	3.67
Hallin Marine Subsea International	3.10	SQS Software Quality Systems	3.07
Great Eastern Energy	3.01	Vectura Group	3.01
Iofina	2.75	AMEC	2.95
Rurelec	2.67	Hallin Marine Subsea International	2.88

### Market Comment

The UK market reached a low point in mid-March this year. Market sentiment at that point plumbed new depths, with almost all the commentary in the press being negative. Such a bearish consensus turned out to be a strong contrary indicator for the direction of the market. From March onwards equity markets around the world have surprised almost everyone with their strength. During the late spring and summer several of the leading economic indicators picked up, which combined with an ending of the de-stocking cycle has led companies generally to report an improving trading backdrop, or at least one which is no longer deteriorating. Against this backdrop the market has rallied consistently and rapidly. This suggests that the record amount of cash being held in money market funds during March gradually is in part seeking to find its way back into higher returning investments. There was a brief pull back in early July which was quickly reversed.

### Performance

The Fund performed strongly during the six month period to 31 July 2009, rising by 29%, although this was less than the rise in the benchmark index of 36%. We have chosen to keep the Fund invested in higher quality companies where we see attractive value due to the fact that the companies are small, rather than being due to the companies being distressed or highly leveraged. This has meant that the Fund has risen less fast than the benchmark index, which has been led by cyclical stocks recovering from near bankruptcy levels, but that we have taken significantly less risk in achieving the gains. We have not been assuming a strong economic recovery will take place in the UK, and we anticipate difficult times ahead when the next government begins to tackle the rapidly rising government deficit, which will involve cuts in spending and tax rises. As a result we have regarded highly leveraged or cyclical companies as generally too risky, albeit that these would have been the most profitable investments as it turned out.

There have been plenty of good opportunities, however, to buy companies that are performing well despite the recession, which are well financed, but where few investors wanted to take the liquidity risk and the prices were very low. Examples of this, where we have made very strong returns, are **Chime Communications, Alterian, McBride, Brewin Dolphin Holdings, Hamworthy, StatPro** and **AMEC**. With the exception of McBride, all of these companies were ungeared, and in some cases have very large amounts of cash on their balance sheets. The negatives in the first half were **London Capital Group Holdings**, which had to downgrade expectations twice due to a drop in spend per customer, and the fall in interest rates, and **SQS**, a software testing business, which issued a surprisingly negative trading update in June. We exited from **SQS**, being concerned that trading could remain poor, but have maintained the position in **London Capital**, where the underlying metrics of the business in terms of customer base and customer deposits held have continued strengthen throughout the period.

## Outlook

Market dynamics remain very strong for equities in internationally, and against this backdrop smaller companies should continue to perform well. Historically the early stages of a recovery have proven the most fruitful periods for smaller company investing, and we are optimistic that this will be the case again this time around. We still see good value in the portfolio, despite the rally in the first half, and prefer to take liquidity risk over cyclical risk, remaining concerned about how the excess of leverage in the financial system, which has now been transferred to government, will play out. The anniversary of last year's market tumble in October will prove an important testing ground for market sentiment.

Dr Paul Jourdan  
Investment Manager  
**Noble Fund Managers Limited**  
25 August 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 the CF Noble UK Smaller Companies Fund for the half year ended 31 July 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 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 Fund during the half year it covers and the results of those activities at the end of the half year.

## Additional Performance Information

	6 months	1 year	3 years	5 years
CF Noble UK Smaller Companies Fund*	28.32	-11.64	-16.74	11.71
Benchmark Hoare Govett Smaller Companies Index (including AIM but excluding Investment Trusts)	36.39	-12.57	-22.18	15.55

\* Source: Morningstar and Noble Fund Managers Ltd.

# CAPITA

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