

CF Noble UK Smaller Companies Fund

a sub-fund of CF Noble Investment Funds

ACD's Annual Short Report

for the year ended 31 January 2010

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 Ratios

Expense Type	31.01.10 %		31.01.09 %	
	'A'	'B'	'A'	'B'
ACD's periodic charge	1.50	0.85	1.50	0.85
Other expenses	0.69	0.69	0.58	0.58
Total expense ratios	2.19	1.54	2.08	1.43

Portfolio Turnover Rate

	31.01.10 %	31.01.09 %
Portfolio turnover rate	207.30	92.04

Distributions

Share Class	Interim 31.07.09 pence per share	Final 31.01.10 pence per share
'A' Accumulation	0.5655	–
'B' Accumulation	1.1779	–

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	228.55	135.80	1.3007
2010**	242.07	230.19	–

'B' Accumulation shares

Calendar Year	Highest Price P	Lowest Price P	Distribution per share P
2008*	232.51	147.08	–
2009	250.43	148.03	2.5679
2010**	265.31	252.25	–

* From 29 July 2008.

** To 31 January 2010.

Net Asset Value

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
31.01.10	'A' Accumulation	4,545,306	1,961,251	231.76
	'B' Accumulation	330,166	129,945	254.08

Fund Performance to 31 January 2010 (%)

	1 year	Since launch*
CF Noble UK Smaller Companies Fund	68.4	13.0
Benchmark Hoare Govett Smaller Companies Index (including AIM but excluding Investment Trusts)#	64.3	6.6

* Launch date 29 July 2008.

Source: Lipper.

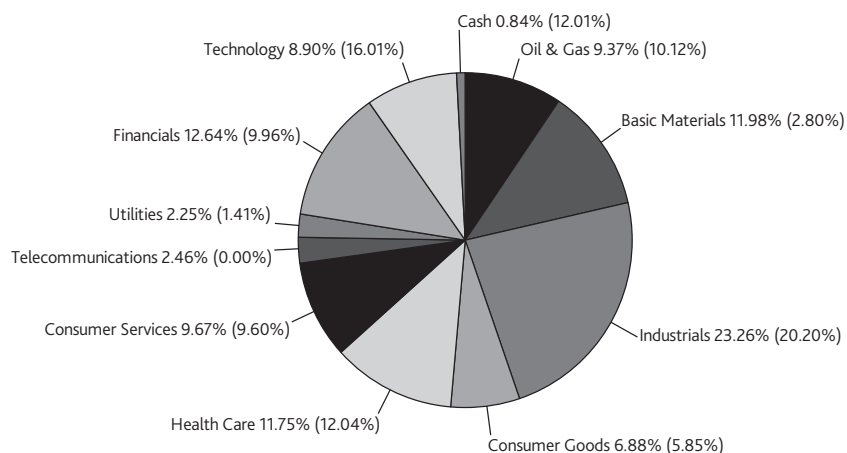
The CF Noble UK Smaller Companies Fund was seeded by the transfer of the First State British Smaller Companies Fund to CFM on 29 July 2008. Those investors who held shares in First State British Smaller Companies Fund and transferred their holdings to the CF Noble UK Smaller Companies Fund at this date should refer to the additional performance data shown on Page 7 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 year are shown below.

Holding	% of Fund as at 31.01.10	Holding	% of Fund as at 31.01.09
Entertainment One	3.81	Chemring Group	7.13
Great Eastern Energy	3.73	PureCircle	5.85
System C Healthcare	3.69	Eco Animal Health Group	5.24
Asian Citrus Holdings	3.55	System C Healthcare	5.03
Gulfsands Petroleum	3.30	London Capital Group Holding	4.28
MDM Engineering Group	3.29	Hargreaves Services	3.67
StatPro	3.26	SQS Software Quality Systems	3.07
Hargreaves Services	3.17	Vectura Group	3.01
Chemring Group	2.95	AMEC	2.95
China Shoto	2.58	Hallin Marine Subsea International	2.88

Investment Review

After two of the worst years on record for the relative performance of smaller companies, 2009 proved to be the best year since 1977. A year ago we wrote about the extreme sell off, noting that 'this kind of sharp de-rating has also proven to be very fertile ground for smaller company investors in the past'. By March the market had overshot to the downside in classic fashion, and a rally of unprecedented speed and magnitude followed, albeit that the market is still a significant way down from its previous highs. Overall it was a year of reversals, where the biggest fallers of the previous two years were the strongest risers. During January 2010 the publication of the RBS HGSC Index 2010 study brought to light some interesting features of the first decade of the century. The long run trend of outperformance by smaller companies remains firmly intact. Whilst large-cap equity returns were below inflation (18% return vs. 28% inflation), that of the main HGSC Index (excluding investment trusts) was well ahead at 66%. Interestingly the performance of UK micro-caps (the bottom 1% of the market) across this period was better still at 102%.

Performance

Whilst a majority of funds, including this one, outperformed their benchmarks during 2008, far fewer were able to keep pace with the rapid bounce during 2009. At the larger-cap end of the small-cap spectrum this rally was led by over-leveraged cyclical businesses, which had been close to bankruptcy, but which were able to raise equity finance in the rising market, fixing their balance sheets enough to survive. These were very risky investments, and not part of our strategy. Rather we focused on the smaller-cap end of the spectrum, where, as in 2003, many robust, growing and well financed businesses had sold off along with the rest of the market, falling to extreme low levels simply on the grounds of illiquidity. The idea was to find stocks where if the market recovery didn't happen the businesses would continue to trade strongly anyway. We saw this approach as being lower risk than trying to invest in the 'fallen angels' of 2008, and historically one that generates rapid returns during a market recovery. In the event it proved an effective strategy. The Fund posted a return of 68.4%, which compares with the benchmark return of 64.3%, and the median return for all UK smaller company funds at 47.9%. The Fund also benefited from the uplift in corporate activity amongst smaller companies as two companies we bought during the year were taken over, **Hallin Marine**, which supplies diving support vessels to the oil and gas industry, and **Novera Energy**, which produces electricity in the UK from landfill gas and wind farms.

Portfolio Activity

At the start of the year under review we had built up a substantial cash position (12.0% of the portfolio) whilst looking for signals of the market bottoming out. By the end of March this had reduced to 3.4% as we began adopting the strategy outlined above. We took positions in companies such as **Biocompatibles**, **Immunodiagnostic Systems**, **Ambrian Capital**, **StatPro**, and **XP Power**. Biocompatibles was a good case in point. During March the valuation had fallen to a level where the business was valued at cash plus about £6m, having just reported sales of £18 million, with modest losses due to a substantial ongoing investment in research and development. With an expanding and increasingly valuable product base this valuation was absurd, and had been arrived at by forced selling into an illiquid market. At mid-year the company reported sales growth of 54% and the shares moved rapidly back to more realistic levels. In addition we also focused on companies with overseas earnings streams, especially those with an Asian angle. Hence in February we also bought a position in **Severfield-Rowan**, a leading manufacturer of structural steel, whose UK business was diminishing, but which has established a new JV in India, and which can export UK production to the Middle East. We also bought a holding in **OPG Power Ventures**, an Indian electricity generator when the valuation had fallen close to its cash level, and **Kentz**, an oil and gas engineering company which had cash equal to 50% of its market capitalisation in March. Later in the year and into the early part of this year we have been increasing exposure to Asian focused businesses further with new holdings such as **Asian Citrus**, China's largest orange grower, and **China Shoto**, a manufacturer of back-up power supplies for telecom equipment and other types of battery. We have been active in the natural resources sector, buying and selling holdings in various oil and gas stocks, and taking new positions in **Centamin Egypt**, a gold miner, **Rambler Metals**, a copper miner, **Iofina**, an iodine producer, and **Sylvania Resources**, a platinum producer.

Outlook

We are pessimistic about the outlook for the UK economy, believing that the Treasury forecasts for revenue are too high, and therefore concerned that the chronic budget deficit will be structural rather than cyclical. Any incoming government will be caught on the horns of a dilemma: cut government spending voluntarily, fight adverse public opinion and get the blame for slowing down the economy; or continue with an unsustainable budget deficit, risk a crisis of confidence in the gilts and currency markets, and bring in the IMF to do the spending cuts by proxy. However it ends up, at some point government spending has to fall, and this will have far reaching and painful consequences. Contrary to popular myth, being a UK small cap investor doesn't mean being wedded to the fortunes of the UK economy. We have skewed the portfolio towards overseas earning streams, and Asia in particular, where UK listed companies are often sitting at substantially lower valuations than stocks listed on the local markets, especially those in China and India. We remain positive on the outlook for these companies, albeit mindful of the risks presented by a double dip recession in Western economies.

Change of Name

In January 2010 Paul Jourdan and Douglas Lawson, together with the team directly involved in the day-to-day running of the CF Noble UK Smaller Companies Fund and Noble AIM VCT, completed the acquisition of Noble Fund Managers, which has been renamed Amati Global Investors. This move re-emphasises the commitment of the management team to the long-term future of the funds under management, and allows them to invest in their ambition to develop Amati Global Investors into a dynamic, innovative and investor-friendly fund management company.

As a result of this it is proposed that the name of this fund be changed to CF Amati UK Smaller Companies Fund, and a letter will be sent to investors shortly about this.

Amati Global Investors aims to excel in investor communications, and to this end we maintain an up-to-date and informative website at www.amatiglobal.com. Investors can see monthly investment reports here, or can request to join an email distribution list for these reports.

Dr Paul Jourdan
Amati Global Investors Limited

Investment Manager
24 February 2010

Buying and Selling Shares

The ACD will accept orders to deal in the shares on normal business days between 8.30am 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 year ended 31 January 2010. 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 year it covers and the results of those activities at the end of the year.

Additional Performance Information

	1 year	3years	5 years	10 years
CF Noble UK Smaller Companies Fund*	66.39	-6.34	9.72	62.13
Hoare Govett Smaller Companies Index (including AIM but excluding Investment Trusts)	63.75	-20.53	17.01	32.74

* Source: Morningstar and Amati Global Investors Ltd.

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