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**Amati**  
Global Investors



**CAPITA**  
FINANCIAL GROUP

## CF Amati Investment Funds

**Annual Report and Financial Statements**  
31 January 2011

**CF Amati UK Smaller Companies Fund**

### Investment Objective and Policy

The investment objective of the CF Amati 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	31.01.11		31.01.10	
	% 'A'	'B'	% 'A'	'B'
ACD's periodic charge	1.50	0.85	1.50	0.85
Other expenses	0.54	0.54	0.69	0.69
Total expense ratios	2.04	1.39	2.19	1.54

## Performance Record

### '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	339.82	229.96	–
2011**	365.65	343.53	–

### '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	374.79	252.16	–
2011**	403.47	378.90	–

\* From 29 July 2008.

\*\* To 31 January 2011.

## 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
31.01.11	'A' Accumulation	9,118,760	2,533,094	359.99
	'B' Accumulation	420,562	105,866	397.26

## Fund Performance to 31 January 2011 (%)

	1 year	Since launch*
CF Amati UK Smaller Companies Fund	55.01	78.02
Benchmark Hoare Govett Smaller Companies Index (including AIM but excluding Investment Trusts)#	31.39	39.60

\* From 29 July 2008.

# Source: Amati Global Investors Ltd.

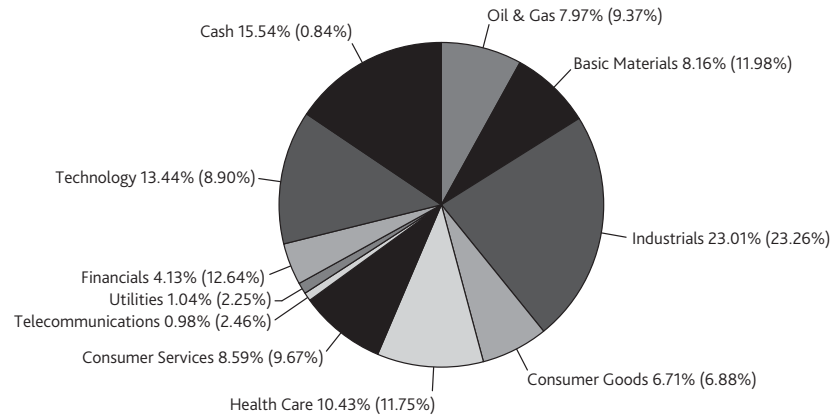
The CF Amati UK Smaller Companies Fund was seeded by the transfer of the First State British Smaller Companies Fund to CFM on 29 July 2008. Those investors who held shares in First State British Smaller Companies Fund and transferred their holdings to the CF Amati UK Smaller Companies Fund at this date should refer to the additional performance data shown on page 9 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.

## ACD'S REPORT

### Sector Spread of Investments



The figures in brackets show allocations at 31 January 2010.

### Major Holdings

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

Holding	% of Fund as at 31.01.11	Holding	% of Fund as at 31.01.10
Entertainment One	5.48	Entertainment One	3.81
XP Power	3.42	Great Eastern Energy	3.73
Asian Citrus Holdings	2.85	System C Healthcare	3.69
Optos	2.52	Asian Citrus Holdings	3.55
Andor Technology	2.43	Gulf sands Petroleum	3.30
RPC Group	2.42	MDM Engineering Group	3.29
Advanced Medical Solutions Group	2.42	StatPro	3.26
New Britain Palm Oil	2.09	Hargreaves Services	3.17
Skywest Airlines	2.07	Chemring Group	2.95
Anglo Pacific Group	2.05	China Shoto	2.58

During the period under review, the Investment Manager of the Company, Noble Fund Managers Limited, changed ownership and changed its name to Amati Global Investors Limited.

As a result of the acquisition, with effect from 14 July 2010, the Company and the sub-fund were renamed as follows:

Company: CF Amati Investment Funds.

Sub-fund: CF Amati UK Smaller Companies Fund.

The following policies were changed were effective 1 October 2010:

- In specie redemptions; and
- Dilution levy.

Full details of the changes can be found in the revised Prospectus dated 14 July 2010.

### Capita Financial Managers Limited

ACD of CF Amati Investment Funds

23 May 2011

# INVESTMENT MANAGER'S REPORT

## Investment Review

After a somewhat nervous and patchy first half overshadowed by the debt crisis in Greece, equity markets rose strongly in the second half of 2010, despite the need for a further bailout of Ireland in the autumn. The clearest and arguably most significant trend of the second part of the year was that of rising commodity prices. The CRB Index, which measures a basket of commodities, had fallen in the first half of 2010. It staged a dramatic rally from June onwards, rising by more than 30%. This rally has given renewed credence to the commodity super-cycle theory, as it is now very clear that commodity prices across the board are behaving in a way that is far from the norm of previous cycles, driven by the underlying increases in Chinese consumption. With commodity prices having run up to such heights the resources sector has regained the ground it lost during the credit crunch, and has been making new highs. For investors the risks of holding positions in this sector rise as it becomes more fashionable and high prices inevitably attract hot money, which can lead to sharp setbacks as evidenced at the end of April 2011. In addition, the rising price of commodities is pushing up inflation rates around the world, which in turn raises the prospect of higher interest rates.

However, the underlying problem of matching commodity supply to rising demand is such that higher interest rates may not make much impact on inflation at the moment, unless it brings about a very sharp slowdown which would be counter-productive, and possibly de-stabilising. For the UK it is becoming clear that the multi-decade period of rising living standards based on manufactured goods becoming ever cheaper and better as a result of deflation exported from China is now over. Both wages and input prices in China are now rising sharply, and UK consumers will find prices rising at a time when wages and GDP may be falling. Given this backdrop, we have retained the portfolio bias away from the UK, in terms of sales destination, towards stronger international markets.

## Performance

During the year under review the Fund performed very strongly, rising by 55%, compared to a rise in the benchmark index of 31.4%, and a rise of 32.2% for the IMA sector peer group of funds. We pursued a strategy of 'running winners', that is, continuing to hold strong performers in the expectation of further gains, rather than taking profits. This proved successful and several of our largest holdings arose as a consequence. Most notable amongst there was EnCore Oil & Gas, which was valued only for its cash when we bought it at 18p per share in May, despite having two free-carried wells in north sea blocks due to be drilled from June. As it turned out both wells came good, and the only difficult thing we had to do with the stock was not sell it too soon (our first sale was at 115p). XP Power, which we bought during the previous year, continued its rapid rise on the back of earnings upgrades, trebling during the year. In our view it continues to look attractive. Likewise there were strong performances from Cove Energy (+347%), Andor Technology (+224%), Skywest Airlines (+130%), New Britain Palm Oil (+104%), Asian Citrus (+58%), Vectura (+114%), Cape (+105%) and Avon Rubber (+83%). Chief amongst the disappointments were MDM Engineering (-39%), a mining engineering company based in South Africa which had significant delays to its order book, and Promethean World (-55%), which we purchased in September, shortly before its US business slowed down sharply.

## Portfolio Activity

During the year, and especially towards the end of the year under review, we have been re-positioning the portfolio towards larger, more liquid companies. In line with this strategy more recent purchases include companies such as Chemring, the energetics and decoys group; Elementis, the speciality chemicals business; and RPC, the European based rigid plastics manufacturer. Other notable new investments during the period included Avon Rubber, which makes high performance gas masks and other specialist products; Anglo Pacific, which has cultivated a portfolio of mining royalties; and Hutchison China Medtech, a Chinese pharmaceutical business. Companies we took profits in or disposed of during the period included Encore Oil & Gas, Gulfsands Petroleum, StatPro, and McBride. The portfolio as a whole now has significantly greater liquidity than a year ago, which we believe is more appropriate for the second half of the current business cycle. Whereas a year ago close to 50% of the portfolio would have been invested in companies capitalized at less than £100 million, this figure is now below 20%.

## Outlook

We are expecting 2011 to be more difficult than 2009 or 2010, and we are changing strategy to one we believe fits best with the second half of a business cycle. This involves moving the portfolio towards larger companies in our spectrum (which is stocks capitalised at up to £2 billion), and lowering our risk tolerance. With the reality of spending cuts about to dawn, and the honeymoon period of the Coalition Government coming to an end, we continue to be cautious about the outlook for the UK economy. Fortunately the collection of smaller companies quoted in the UK is highly international, and we are able to diversify our exposure across the globe in terms of where our investee companies sell their products. We remain biased towards Asia, and China in particular, where we have a number of investments focussed on the development of the domestic economy.

**Dr Paul Jourdan**  
**Amati Global Investors Limited**  
*Investment Manager*  
17 May 2011



**Dr. Paul Jourdan**  
**CEO**



**Douglas Lawson**  
**Director**

### Buying and Selling Shares

The ACD will accept orders to buy or sell shares on normal business days between 8.30am and 5.30pm and transactions will be effected at prices determined by the next following valuation. 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 Amati UK Smaller Companies Fund for the year ended 31 January 2011. 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 year it covers and the results of those activities at the end of the year.

### Appendix

	1 year	3 years	5 years	10 years
CF Amati UK Smaller Companies Fund	55.01	64.71	61.17	165.22
Hoare Govett Smaller Companies Index (including AIM but excluding Investment Trust)	31.39	20.97	21.94	70.61

Source: Amati Global Investors Ltd.

# CAPITA

## FINANCIAL GROUP

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### DIRECTORS OF THE ACD

C. Addenbrooke  
N. Boyling (from 7 February 2011)  
L. Everitt (to 18 February 2011)  
C. Hayes  
K.J. Midl  
J. Millan  
R. M. Short (from 22 November 2010)

### INVESTMENT MANAGER

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