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CF Amati UK Smaller Companies Fund

a sub-fund of CF Amati Investment Funds

ACD's Interim Unaudited Short Report
for the half year ended 31 July 2011

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	31.07.11 % 'A'	31.07.11 % 'B'	31.01.11 % 'A'	31.01.11 % 'B'
ACD's periodic charge	1.50	0.85	1.50	0.85
Other expenses	0.54	0.54	0.54	0.54
Total expense ratios	2.04	1.39	2.04	1.39

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**	377.03	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**	417.28	378.90	–

* From 29 July 2008.
** To 31 July 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
31.07.11	'A' Accumulation	10,471,493	2,840,851	368.60
	'B' Accumulation	1,371,664	336,096	408.12

Distributions

There were no distributions for the half year.

Fund Performance to 31 July 2011 (%)

	6 months	1 year	Since launch*
CF Amati UK Smaller Companies Fund+	2.13	47.64	81.81
Benchmark Hoare Govett Smaller Companies Index (including AIM but excluding Investment Trusts)#	0.50	24.71	40.47

* Launch date 29 July 2008.
+ Source: Morningstar.
# Source: Amati Global Investors Ltd.

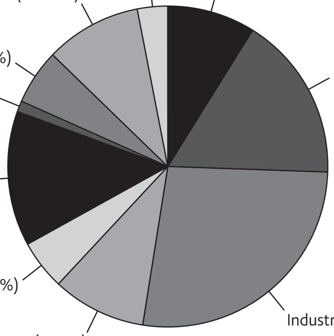
The performance of the Fund is based on the net asset value per 'A' Accumulation share which includes reinvested income.

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.

Sector Spread of Investments



The figures in brackets show allocations at 31 January 2011.

Major Holdings

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

Holding	% of Fund as at 31.07.11	Holding	% of Fund as at 31.01.11
RPC Group	4.93	Entertainment One	5.48
Asian Citrus Holdings	4.01	XP Power	3.42
XP Power	3.84	Asian Citrus Holdings	2.85
Elementis	3.78	Optos	2.52
Anglo Pacific Group	3.54	Andor Technology	2.43
Eros International	3.43	RPC Group	2.42
Hargreaves Services	3.42	Advanced Medical Solutions Group	2.42
Senior	2.91	New Britain Palm Oil	2.09
Sportingbet	2.80	Skywest Airlines	2.07
New Britain Palm Oil	2.36	Anglo Pacific Group	2.05

INVESTMENT MANAGER'S REPORT

Market Review

The six month period from February to July showed little overall direction in markets. The period encompassed some momentous events, all of which served to cool market sentiment. The most significant were the swathe of uprisings across the Middle East, which began in February; the tragic earthquake in Japan during March; the renewed crisis in the Eurozone over the solvency of Greece during May; and finally the pantomime in Washington concerning the raising of the US debt ceiling, which in turn spilled over into a crisis of confidence in stock markets during early August.

These events have cast a range of economic shadows. The uprisings in the Middle East caused the oil price to spike upwards sharply as supplies from some countries were disrupted, which acted as a brake on the global economy. The Japanese earthquake had a widespread impact on some key industrial supply chains, causing some industries to slow, and tending to result in slower economic growth than forecast in the first half of this year. Both the series of crises surrounding Greece's inability to service its financing requirements and the lack of political consensus in the US to start tackling its budget deficit are serving to cause investors to question the very structure of the financial landscape as it is currently mapped out, and thus to become more cautious. Meanwhile China has been making strenuous efforts to dampen down inflation with a long series of steps aimed at restricting credit.

By May it became evident that forecasts for economic growth were unlikely to be met in much of Europe and the US. Talk of companies seeing a slowdown in business appeared during May and June. More importantly, commodity prices rolled over, in some cases sharply from May onwards, while interest rate expectations in both the UK and the US fell significantly as it became clear that economic conditions were too fragile to withstand rate rises, and looked like they would continue to be so for a long time.

Performance

The Fund rose by 2.1% during the period, as compared to a rise in the benchmark index of 0.5%, and a rise of 3.3% for the IMA sector group of funds. In response to the challenging market conditions which have prevailed for much of the period under review, we have modified our strategy of 'running winners', and have started taking profits in some cases, in order to increase cash levels in the portfolio. This strategy has been successful and has helped cushion the portfolio from market volatility and militated against disproportionate losses. The biggest contributor to performance was from our largest holding, RPC Group, which rose by 30%. The company, which makes rigid plastic packaging, has had a record year, with results ahead of expectations and cost savings from their acquisition of Superfos already beginning to enhance profitability. Cupid, the online dating business, also performed strongly during the period, rising by 86%, having begun to expand its international operations successfully. Several other portfolio companies performed strongly, including Andor Technology (+48%), Elementis (+26%), Sportingbet (+32%), Hargreaves Services (+18%), eServGlobal (+33%), Discovery Metals (+37%), Senior (+19%), Advanced Medical Solutions (+14%) and African Barrick Gold (+30%). The most disappointing performer, surprisingly for us, was Asian Citrus, which fell by 29% despite making very strong progress as a business. Our view is that this remains a very attractive investment, and we saw the decline in share price as an opportunity to add to the position. Sterling Resources fell by 59% after a disappointing well result on the Cladhan field, and we subsequently sold our holding. OPG, the Indian power company, also weakened, falling by 37% after experiencing delays on construction projects as well as disruptions to coal supplies. Nonetheless we remain positive about the company, which is rapidly expanding its generation capacity and is set to benefit from India's structural energy shortage.

Portfolio Activity

The broad equity market rally of late 2010 has given way to uncertainty and volatility, and in response we continued with more urgency the process of re-positioning the portfolio so as to increase liquidity and to lower our risk tolerances. In line with this strategy we began to focus on the higher end of the small cap spectrum, concentrating on those companies capitalised at over £500 million, which we believe will be better placed to perform well during the second half of the business cycle. In line with this strategy we added holdings in midcaps such as Senior, a supplier of components to the aerospace industry; and Spectris, a designer and manufacturer of instrumentation used to enhance productivity. Other new investments included Eros International, which is the largest producer and distributor of 'Bollywood' films, both in India and internationally; Software Radio Technology, which sells Automatic Identification Systems (AIS) for marine vessels; and Sportingbet, the online bookmakers. Towards the end of the period, sensing that the business cycle could be turning faster than we thought, we also bought a holding in African Barrick Gold, a Tanzanian gold miner. Sales included Chemring, Dechra Pharmaceuticals and Promethean World.

Outlook

The recent market turmoil has led us to take a more cautious view of the business cycle, which may have already ended. It reflects the build up of very significant macro-economic and political risks, which are difficult to analyse and predict. At the root of these risks lies excess debt. The credit crunch of 2008 was caused by excess debt in the private sector, with much of the focus being on over-leveraged banks. This has now morphed into a problem of excess debt in the public sector, where its trajectory is much less predictable, because nations, unlike the banks, cannot be bailed out. Something else has to happen, but it is not clear what. Whilst the 2008 crisis itself was responsible for pushing up government debt levels in Western markets to unprecedented levels, as governments bailed out the banking sector while at the same time experiencing a significant fall in tax revenue, the real difficulty is that there is a forty year underlying trend in place of rising government debt and rising budget deficits in most developed economies. This very long-term trend has been called the 'Debt Supercycle', and there appears to be no reverse gear. Instead, successive generations have devised ways of postponing the problem of reducing deficits. Hence we have arrived at a situation where over-leveraged government finances have little capacity to deal with a recession, and less still to deal with deflation. As a consequence, both Europe and the US appear locked into close to zero interest rates for the foreseeable future, in order to ward off the spectre of deflation, with few levers left to pull in order to stimulate the economy, other than quantitative easing (the technical term for printing money).

This leaves an acute dilemma for investors. The stock market will be prone to sudden panic attacks, as we have seen during August, and these may well get worse. However, many of the companies we analyse and hold have been trading exceptionally well, have very strong balance sheets, and good prospects. Where possible we have invested in companies exposed to the major Far Eastern economies, where we see stronger prospects for growth. It would take a severe and protracted financial meltdown for such equity investments to fare worse than cash or government bonds over a medium term time-frame. Therefore, although we expect further bumps on the road, we believe that good equity investments will prove their worth over time. However, we have added to our cash weighting significantly since the period end for shorter term tactical reasons, so as to provide some cushion against the situation deteriorating further, and to have the ability to take advantage of sharp sell-offs if they look overdone.

Dr Paul Jourdan & Douglas Lawson
Amati Global Investors Limited
Investment Manager
24 August 2011

Dr. Paul Jourdan
Fund Manager

Douglas Lawson
Fund Manager

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 half year ended 31 July 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 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	10 years
CF Amati UK Smaller Companies Fund	2.13	47.64	81.39	70.91	231.11
Hoare Govett Smaller Companies Index (including AIM but excluding Investment Trust)	0.50	24.71	38.62	23.37	105.14

Source: Amati Global Investors Ltd.

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