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Amati
Global Investors



CAPITA

CF Amati UK Smaller Companies Fund
a sub-fund of CF Amati Investment Funds

ACD's Annual Short Report
for the year ended 31 January 2012

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 Numis Smaller Companies (plus AIM excluding Investment Trusts) Index (formerly RBS Hoare Govett) 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	31.01.12 %		31.01.11 %	
	'A'	'B'	'A'	'B'
ACD's periodic charge	1.50	0.85	1.50	0.85
Other expenses	0.35	0.35	0.54	0.54
Total expense ratios	1.85	1.20	2.04	1.39

Distributions

Share Class	Interim 31.07.11 pence per share	Final 31.01.12 pence per share
'A' Accumulation	0.0000	0.3894
'B' Accumulation	0.0000	3.1523

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	313.84	-
2012**	347.90	325.32	0.3894

'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	347.89	-
2012**	386.46	361.24	3.1523

* From 29 July 2008.

** To 31 January 2012.

Net Asset Value

Date	Share Class	Net Asset Value £	Shares in Issue	Net Asset Value pence per share
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
31.01.12	'A' Accumulation	9,183,434	2,672,491	343.63
	'B' Accumulation	1,368,778	358,587	381.71

Fund Performance to 31 January 2012 (%)

	1 year	3 years	Since launch*
CF Amati UK Smaller Companies Fund	-4.48	143.68	69.72
Benchmark Numis Smaller Companies Index (formerly RBS Hoare Govett) (including AIM but excluding Investment Trusts)#	-6.74	100.66	30.19

* Launch date 29 July 2008.

Source: Bloomberg.

The performance of the Fund is based on the published price 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 8.

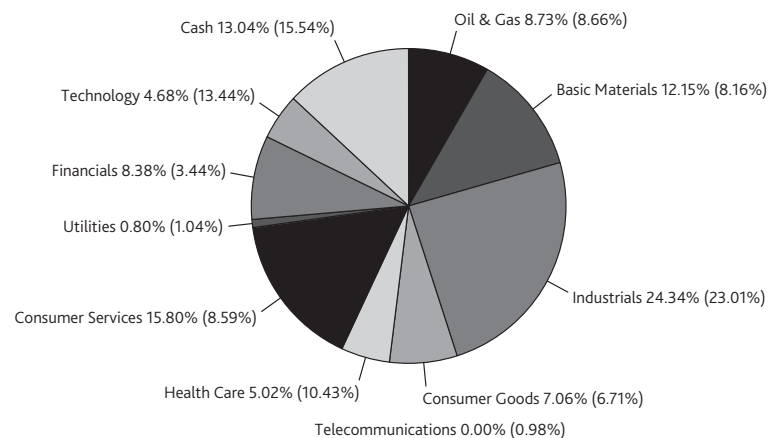
Risk Warning

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

for the year ended 31 January 2012

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 year are shown below.

Holding	% of Fund as at 31.01.12	Holding	% of Fund as at 31.01.11
Hargreaves Services	4.40	Entertainment One	5.48
Asian Citrus Holdings	4.07	XP Power	3.42
XP Power	3.96	Asian Citrus Holdings	2.85
Eros International	3.94	Optos	2.52
Anglo Pacific Group	3.58	Andor Technology	2.43
Sabien Technology Group	3.48	RPC Group	2.42
RPC Group	3.23	Advanced Medical Solutions Group	2.42
Sportingbet	2.67	New Britain Palm Oil	2.09
Entertainment One	2.65	Skywest Airlines	2.07
Faroe Petroleum	2.53	Anglo Pacific Group	2.05

Market Review

The year to 31 January 2012 proved more difficult and turbulent than the previous two, beginning with the tragedy of the Japanese earthquake and the uprisings in the Middle East, and moving on to real concerns about a hard landing in the Chinese economy, a sluggish US, and the looming prospect of the collapse of the euro. Fears intensified over the summer, leading to a substantial market setback in August, which rolled on through the autumn. For several months it looked like the politics of the leading European states would prohibit a second Greek bail out. Only at the end of December did sentiment begin to recover with the Long-Term Refinancing Operation ('LTRO') announced by the European Central Bank ('ECB'), which saw €489 billion of liquidity being made available to European banks at very low cost. The eurozone banks used this cheap money to buy their national sovereign debt at much higher yields, thus bringing these interest rates back to sustainable territory (with the exception of Portugal). In addition the US economy has shown encouraging signs over the last two months, which has led investors sitting on large amounts of cash or ultra-low yielding government bonds back towards equities. As a result the year ended on a strong note, and markets have surprised many by continuing in this vein since.

Performance

The Fund fell by 4.5% during the year, which compares to a fall in the benchmark index of 6.7%, and a median fall for the IMA peer group of 4.3%. However, the fall during August was sharper, with much of the recovery happening in January, during which the Fund rose by 7.1%, and the benchmark by 8.3%. For much of the second half of the year we have carried increased cash levels, reflecting the uncertainty prevailing during this period. Strong performances came from: RPC Group, the European-based manufacturer of rigid plastic containers which continued to make strong progress after its acquisition of Superfos during 2010; Cupid, which operates a number of online dating websites in the UK and internationally; Entertainment One, the film distribution and TV production business; and Sabien Technology Group, a holding which we acquired during distressed market conditions in November at a very attractive price. On the negative side, our large holding in Asian Citrus Holdings fell by over 50% during the year due to anonymous and essentially groundless scare stories posted online in the Far East, which were anticipated by abnormal selling pressure. However, the company itself had a fantastic year, completing a major acquisition, and achieving strong production growth. As a result we have used the weak share price to add to our holding considerably during the year, and continue to do so. XP Power also fell sharply as the weakening economic conditions in the US and Europe saw its order book growth stall. However, we also added to this holding on weakness, believing that the longer-term outlook for the company remains strong.

Portfolio Activity

During the first half of the year we continued to focus on companies capitalised at over £500 million, and those which we believe are positioned to perform well during the second half of a business cycle. Some of these holdings were sold to raise cash during the heightened uncertainty of the autumn period, however, we later returned to them when we saw exceptional value on offer, or recovery in prospect. These included companies like E2V Technologies, an industrial electronics and sensors business; ITE Group, an exhibitions business based mainly in Russia; Paragon Group Companies, the consumer finance and buy-to-let mortgage business, and the copper miner, Metminco, which we purchased as the company raised funds during November. For the first time since early 2009 we found ourselves adding a holding right at the smallest end of our market cap range during a period of market panic, because we saw a particular opportunity arise. We generally refer to this as adding liquidity risk, which, as small cap managers, we try to do when others are selling holdings just because the companies are too small. In this case the company was Sabien Technology Group, which makes a device called M2G designed to be retrofitted onto commercial gas boilers, with a view to cutting energy usage by around 15-20% through controlling the boiler in a more efficient manner. We purchased this holding at a 35% discount on the prevailing market price at the time.

Companies we sold during the year included: Promethean World, which we felt was in for a further period of tough trading; African Barrick Gold, where we saw further cost increases and power issues impacting margins, Andor Technology, where the price seemed to run ahead of itself over the summer; Gooch & Housego, for the same reason; and May Gurney Integrated Services, which held up very well in the market downturn. Collins Stewart Hawkpoint, the investment banking and wealth management business, which we bought during the year for its inherent value, was bid for, and taken over by Canaccord Genuity at a reasonable premium.

Outlook

Much of the gloom and despondency which characterised markets during the autumn last year has now lifted on the back of stronger than anticipated economic news from the US, the threat of a hard landing in China having receded, and the massive liquidity being pumped into the financial system in Europe by the ECB in conjunction with the new financial stability pact signed by most EU nations. However, there remain profound problems with the balance sheets of most Western nations, and this is not something likely to be fixed quickly. Hence, we see the market sentiment as being vulnerable to deterioration again later in the year, and don't wish to extrapolate a straight line upwards from the first two months of this calendar year. We see the next sea-change event in financial markets as being yields of major government bonds starting to trend upwards. We see the current super-low yields as artificially influenced by a range of buyers who are doing so for non-investment reasons. These include central banks conducting quantitative easing or LTRO-type operations, state-controlled domestic private banks buying local government bonds, and China buying bonds to neutralise its own currency appreciation. We don't know when these factors will go into reverse, but we know it has to happen at some point. We think the first will probably be the Chinese stepping away from massive bond purchases on the basis that its currency is no-longer over-valued, and its manufacturing has lost a good deal of competitiveness. The longer that this can all be put off, of course, the better providing that the delaying tactics don't turn out to be too expensive in the longer run. Nonetheless it is very striking how well many UK quoted smaller companies have been doing since the credit crunch, and, if we can remain alert to the pitfalls, it should continue to be rewarding to invest in this area of the market.

Dr Paul Jourdan & Douglas Lawson

Amati Global Investors Limited

Investment Manager

27 February 2012



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 year ended 31 January 2012. 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 and can be found on our website, www.capitafinancial.com, by following the link 'Fund Information'.

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	3 years	5 years	10 years
CF Amati UK Smaller Companies Fund	-4.48	143.68	38.67	193.31
Numis Smaller Companies Index (formerly RBS Hoare Govett) (including AIM but excluding Investment Trusts)	-6.74	100.66	-2.61	100.09

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 3.

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