

CF Chelverton UK Equity Income Fund

a sub-fund of CF Chelverton UK Equity Fund

ACD's Annual Short Report

for the year ended 31 December 2008

Investment Objective and Policy

The objective of the CF Chelverton UK Equity Income Fund ('the Fund') is to provide a progressive income stream and achieve long-term capital growth by investing primarily in a portfolio of fully listed and AIM traded UK equities.

The Fund will invest primarily in UK companies which aim to provide a high initial dividend; progressive dividend payments, and long-term capital appreciation.

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
First Interim	31 March	31 May
Half Year	30 June	31 August
Third Interim	30 September	30 November
Final	31 December	28 February

Total Expense Ratio

Expense type	31.12.08		31.12.07	
	%		%	
	Retail	Institutional	Retail	Institutional
ACD's periodic charge	1.50	0.75	1.50	0.75
Refund of expenses	(1.36)	(0.90)	(0.59)	(0.15)
Other expenses	1.11	1.15	0.34	0.40
Total expense ratio	1.25	1.00	1.25	1.00

Distributions

Share Class	First Interim 31.05.08 pence per share	Second Interim 31.08.08 pence per share	Third Interim 30.11.08 pence per share	Final 28.02.09 pence per share
Retail Income	1.0500	1.0500	1.0500	1.9300
Institutional Income	1.0500	1.0500	1.0500	2.0933
Retail Accumulation	1.0647	1.1579	1.1261	2.1680
Institutional Accumulation	1.0729	1.1620	1.1302	2.2200

Price and Income History

Retail income

Calendar Year	Highest Price P	Lowest Price P	Distribution per share P
2006#	103.72	99.16	–
2007	108.76	82.65	3.0000
2008	80.50	41.82	5.8636
2009*	–	–	1.9300

Institutional income

Calendar Year	Highest Price P	Lowest Price P	Distribution per share P
2006#	103.77	99.17	–
2007	109.12	83.23	3.0000
2008	81.08	42.25	5.8747
2009*	–	–	2.0933

Retail accumulation

Calendar Year	Highest Price P	Lowest Price P	Distribution per share P
2007##	105.12	83.40	1.0000
2008	83.95	45.10	5.9607
2009*	–	–	2.1680

Institutional accumulation

Calendar Year	Highest Price P	Lowest Price P	Distribution per share P
2007##	105.54	83.92	1.0000
2008	84.52	46.28	5.9771
2009*	–	–	2.2200

From 1 December 2006.

From 2 July 2007.

* Payable on 28 February 2009.

Net Asset Value

Date	Share Class	Net Asset Value £	Shares in Issue	Net Asset Value pence per share
31.12.07	Retail Income	946,001	1,175,133	80.50
	Institutional Income	5,838,318	7,260,402	80.41
	Retail Accumulation	207	250	82.80
	Institutional Accumulation	208	250	83.20
31.12.08	Retail Income	85,781	213,473	40.18
	Institutional Income	3,709,167	9,188,772	40.37
	Retail Accumulation	114	250	45.60
	Institutional Accumulation	117	250	46.80

Fund Performance to 31 December 2008 (%)

	1 year	Since launch*
CF Chelverton UK Equity Income Fund		
– Retail Income	(43.78)	(49.03)
– Institutional Income	(43.27)	(48.66)

The performance of the Fund is based on the net asset value per 'Retail' Income and 'Institutional' Income share with income reinvested.

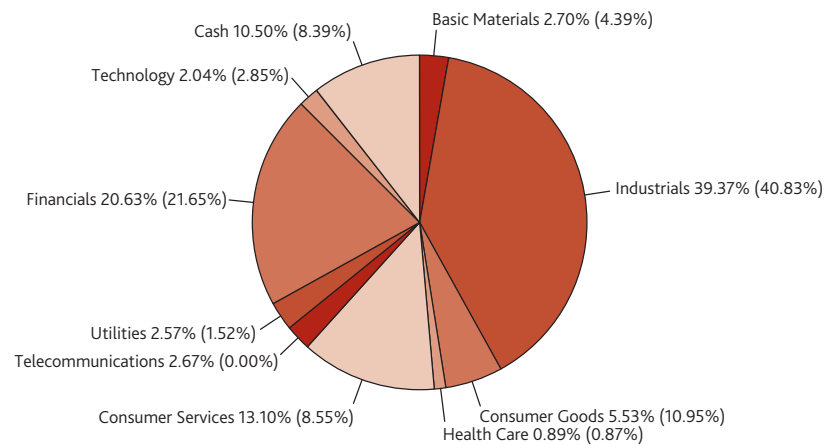
* From 1 December 2006.

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 ADVISER'S REPORT

Sector Spread of Investments



The figures in brackets show allocations at 31 December 2007.

Major Holdings

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

Holding	% of Fund as at 31.12.08	Holding	% of Fund as at 31.12.07
Chesnara	6.22	Avesco Group	4.05
Dawson Holdings	4.89	Hilton Food Group	3.95
Cineworld Group	4.70	Braemar Shipping Services	3.30
T Clarke	3.62	T Clarke	3.13
Diploma	3.24	Dawson Holdings	3.11
Hansard Global	3.08	Sanderson Group	2.85
Macfarlane Group	3.04	Personal Group Holdings	2.83
Jarvis Securities	2.96	Wogen	2.76
Braemar Shipping Services	2.87	TT Electronics	2.58
Restaurant Group	2.80	ATH Resources	2.17

Investment Review

In the last year our Fund returned (43.78)% compared to the FTSE Small Cap XIT Index (50.42)% and the FTA All share Index (29.61)%.

The second half of our financial year was dominated by increasing turmoil in Global financial markets and dramatic falls in economic activity and stock markets. At the heart of the problem was the rapid escalation of the crisis in the banking sector despite a co-ordinated effort by monetary authorities globally to get the banks lending again. The scale of the Global economic slowdown was evidenced by the sheer number of cautious trading statements and earnings downgrades in the UK market in the last quarter, which applied across all sectors.

The knock on effects of the lack of liquidity for the corporate sector have severely exaggerated the magnitude of the cyclical downturn as share prices have reacted to the prospect of Companies not being able to 'roll-over' lines of credit. Income stocks have been vulnerable in the face of uncertain short term funding as Companies have sought to preserve cash in many instances by cutting dividend payments. One disappointing effect on our Fund has been that in a number of cases Directors have used the macro background as a one-off opportunity to 'rebase' their dividends downwards. As managers we have spent considerable time engaging with our Companies about the importance of dividend payments and to stress that they cannot be cut with impunity.

In the latter part of the year, against the background of a rapidly deteriorating economy and investor confidence, small cap underperformed and September and October were particularly difficult months. Historically, smaller companies have tended to fall to a level where takeover activity by either larger corporates or management has put a floor under valuations but the lack of available capital has undermined this support for the foreseeable future. Yield support has unusually also proved to be ineffective as there is increasingly widespread uncertainty over dividend sustainability.

In the past six months the level of turnover in our Fund was relatively low and we had higher than normal cash balances to provide a cushion against rapidly falling markets. We bought two new Companies in the period, Severfield, a leading structural steel business and Waterman, an engineering and environmental consultancy. We made additional purchases of Chesnara, Cineworld, Diploma and Marshalls and we raised funds from the partial sale of our holdings in Braemar, Dawson and Chamberlin, the latter after a dividend cut. We have seen a larger proportion of our portfolio cut their dividends than in previous cycles due to the problems associated with bank funding, and will now focus any new monies on those companies where we believe the dividend to be most secure.

Domestic interest rates have fallen to their lowest ever levels highlighting the magnitude of the current economic problems. Companies of all market caps across the whole spectrum of sectors are highlighting an unprecedented uncertainty with regard to their trading outlooks. This uncertainty has led to increased volatility and risk premiums and provides a barrier to a substantial funds flow into equities in the short term. One consequence of the current level of domestic rates is the shortage of income available to the substantial number of investors who require regular income receipts. As a result of this we believe that income stocks with security of dividends will be the first to recover when investor confidence eventually returns.

Chelverton Asset Management Limited

Investment Adviser
10 February 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 CF Chelverton UK Equity Income Fund for the year ended 31 December 2008. 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.

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