

CF Chelverton UK Equity Income Fund

ACD's Annual Short Report

for the year ended 31 December 2009

Investment Objective and Policy

The investment 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 May
Second Interim	30 June	31 August
Third Interim	–	30 November
Final	31 December	28 February

Total Expense Ratios

Expense Type	31.12.09 %		31.12.08 %	
	Retail	Institutional	Retail	Institutional
ACD's periodic charge	1.50	0.75	1.50	0.75
Refund of expenses from Investment Adviser	-1.69	-1.19	-1.36	-0.90
Other expenses	1.44	1.44	1.11	1.15
Total expense ratios	1.25	1.00	1.25	1.00

The refund of expenses from the Investment Adviser includes those expenses payable out of the property of the Fund which exceeds 1.25% of the net assets attributable to Retail shares and 1.00% in relation to Institutional shares.

It has been confirmed by the Investment Adviser that the capping of the TER will be removed during the next accounting period following appropriate notification to shareholders.

Portfolio Turnover Rate

	31.12.09 %	31.12.08 %
Portfolio turnover rate	49.42	-14.72

Distributions

Share Class	First Interim 31.03.09 pence per share	Second Interim 30.06.09 pence per share	Third Interim 30.09.09 pence per share	Final 31.12.09 pence per share
Retail Income	0.5000	0.7500	0.7500	1.4932
Institutional Income	0.5000	0.7500	0.7500	1.5173
Retail Accumulation	0.5562	0.8530	0.8625	1.7160
Institutional Accumulation	0.5666	0.8706	0.8773	1.7920

Price and Income History

Retail Income shares

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	56.88	37.02	3.9300
2010***	–	–	1.4932

Institutional Income shares

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	57.40	37.31	4.0933
2010***	–	–	1.5173

Retail Accumulation shares

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	65.59	41.84	4.4397
2010***	–	–	1.7160

Price and Income History (continued)

Institutional Accumulation shares

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	68.21	42.94	4.5345
2010***	–	–	1.7920

* From 1 December 2006.

** From 2 July 2007.

*** Payable on 28 February 2010.

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
31.12.09	Retail Income	83,966	157,022	53.47
	Institutional Income	5,516,864	10,218,505	53.99
	Retail Accumulation	159	250	63.50
	Institutional Accumulation	166	250	66.32

Fund Performance to 31 December 2009 (%)

	1 year	Since launch*
CF Chelverton UK Equity Income Fund		
– Retail Income	41.77	-32.24
– Institutional Income	42.45	-31.52

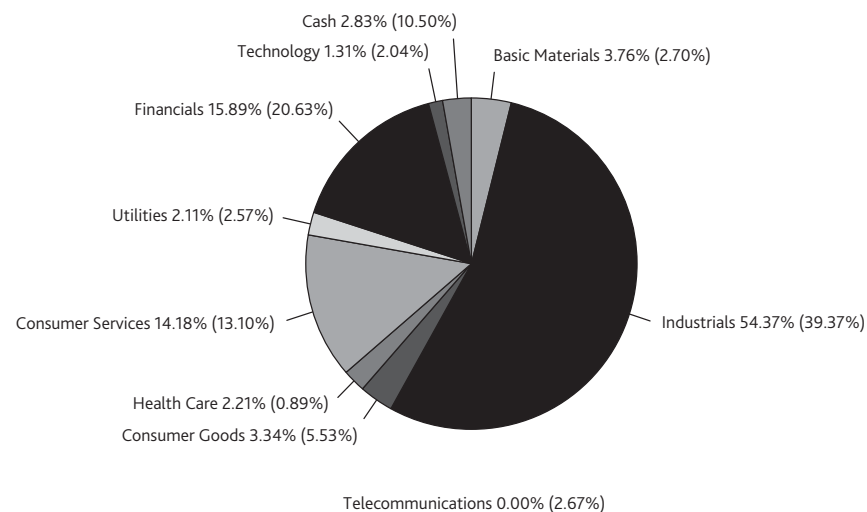
The performance of the Fund is based on the net asset value per 'Retail' Income share and 'Institutional' Income share with income reinvested.

* Launch date 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.

Sector Spread of Investments



The figures in brackets show allocations at 31 December 2008.

Major Holdings

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

Holding	% of Fund as at 31.12.09	Holding	% of Fund as at 31.12.08
Diploma	4.73	Chesnara	6.22
Chesnara	4.65	Dawson Holdings	4.89
Cineworld Group	4.02	Cineworld Group	4.70
Smiths News	3.86	T Clarke	3.62
Braemar Shipping Services	3.79	Diploma	3.24
Office2Office	3.57	Hansard Global	3.08
Fiberweb	3.37	Macfarlane Group	3.04
Senior	3.30	Jarvis Securities	2.96
Melrose	3.21	Braemar Shipping Services	2.87
Hilton Food Group	2.84	Restaurant Group	2.80

INVESTMENT MANAGER'S REPORT

Investment Review

In the last year our Fund returned 41.77% compared to the FTSE Small Cap XIT Index return of 58.21% and the FTSE All-Share Index 30.12%.

The second half of our year saw a continuation of the improving trend in the UK equity market. Whilst, at the interim stage, we characterised the first half of the year as benefiting from a 'relief bounce' from overly depressed equity valuations, the second half of the year reflected the anticipation of an earnings recovery. At the same time, with interest rates falling to historically low levels, equities were buoyed by the lack of available returns on alternative assets classes.

At the Corporate level the real feature of the last six months has been the sheer scale of the improving cash generation from a combination of cost cutting and working capital improvements. This has underpinned increased investor confidence and has had the additional effect of increasing the gearing of Company earnings to relatively small changes in the top line. As expectations are for turnover growth moving forward, valuations have moved ahead in anticipation of upgrades.

One feature of the latter part of the year was the relative deterioration in the outlook of the domestic economy compared to other major and emerging economies around the world. This led to an inevitable run in the shares of overseas earners as investors sought exposure to 'growth'. Whilst the nature of our investments tends to make us more domestically orientated than the market as a whole, we do hold a range of Companies such as Senior, Melrose and Braemar Shipping Services that have substantial overseas exposure. We have had a relatively balanced portfolio with respect to both style bias and sector exposure over the past six months and continue to believe that this remains appropriate for the foreseeable future.

In the last six months we have added a number of new holdings to our portfolio. Wincanton is a European transport and distribution business, Beazley is an insurance business, Vp is an equipment rental business, Abbey Protection is a leading supplier of legal and professional fees insurance to UK SME's, Wilmington Group is a professional training and publishing company, Consort Medical provides medical device technology for drug delivery and Domino Printing Sciences provides printing solutions, including bar and traceability codes to the food, beverage and pharmaceutical industries. All Companies were purchased on yields in excess of 5%.

Funds were raised from the sale of our holdings in Brit Insurance Holdings, Spectris and Arbuthnot Banking Group, and in Wogen after a bid from the management team. One feature of the last period, which has probably now run its course, was Companies announcing heavily discounted rights issues. Brammer, Holidaybreak, Marston's and Marshalls all raised funds in this way.

Investor confidence is improving and Company managements are more optimistic than for some time. However, the macro picture remains uncertain and the banks still need to continue to rebuild their balance sheets before liquidity within the economy can return to more normal levels. Although Company earnings are now on an upward trend, valuations have been anticipating this for some time and the risk in equity markets is that the magnitude of any upgrades are insufficient to provide continued momentum to share prices. Against this backdrop the premium income we can deliver should continue to be attractive to investors.

Chelverton Asset Management Limited

Investment Adviser

20 January 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 Chelverton UK Equity Income Fund for the year ended 31 December 2009. 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.

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