

CF OCTOPUS UK MICRO CAP GROWTH FUND



MONTHLY UPDATE

AS AT 31 OCTOBER 2011

FUND DETAILS

| | |
|---------------------------|---------------------------------------|
| Launch Date | 12 July 2007 |
| Fund Type | OEIC |
| IMA Sector | UK Smaller Companies |
| Fund Size | £18.120m |
| Type of Shares | Accumulation |
| Fund Price | |
| A Share Class | 97.66p |
| S Share Class | 102.17p |
| P Share Class | 101.14p |
| Minimum Investment | |
| A Share Class | £1,000 |
| S Share Class | £1,000 |
| P Share Class | £250,000 |
| Fund Charges (A Share) | |
| Initial Fee | 5% |
| Management Fee | 1.5% |
| Performance Fee | 20% of annualised returns above LIBOR |
| SEDOL | |
| A Share Class | B1VKID5 |
| Dealing | Daily |
| | 08459 220044 |
| ISA/SIPP Qualifying | Yes |
| Monthly Savings Available | Yes |

FUND MANAGER



Richard Power
Richard has 14 years' experience in smaller company investing. Richard joined Octopus in 2004 having previously worked at Duncan Lawrie and Close Brothers. Whilst at Duncan Lawrie, Richard ran the number one performing UK smaller companies fund over one, three and five years to February 2000.

Supported by **Edward Griffiths** and **Paul Stevens**.

To view Richard's blog visit:
www.octopusinvestments.com/blogs



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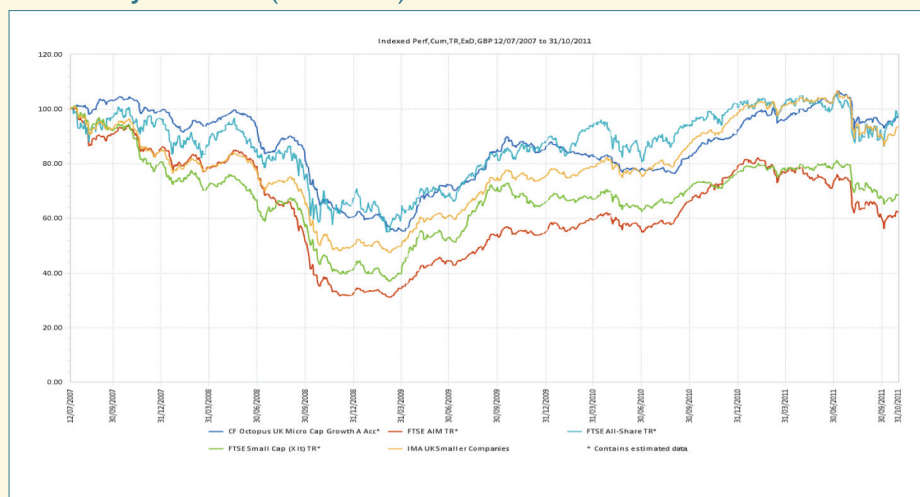
MONTHLY COMMENTARY

October was another lively month for equity markets. The FTSE 100, with a swing of more than 15% confirmed its status as the most volatile index in the UK market during 2011. In performance terms, the FTSE All-Share led the way during October with a rise of 7.8%, the FTSE SmallCap rose 0.5% and AIM All-Share by 3.8%. The Fund increased by 3.2% over the month.

There were several positive contributors to performance during the month. **Endace** (+16.7%) announced an upbeat interim trading statement. **Hamworthy** (+10.1%) also gave a trading update, confirming a healthy order book and the acquisition of AW Flow Holdings, which should enhance earnings. **Hargreaves Services** (+10.7%) continues to make progress following a good set of results in September, although we believe the shares remain undervalued at these levels. **Renew Holdings** (+12.6%) delivered a positive trading update and **Restore** (+16.4%) announced the acquisition of Thoroughshed. **Avingtrans** (+11.1%) followed up last month's results with a further significant contract win and **Next Fifteen** (+16.0%) released its final results, reporting an increase in profits of 42% to £7.5 million over the year. There were no disappointing announcements from the Fund's holdings. However, there was share price weakness at **Immunodiagnostic Systems** (-11.0%) following news of new product launches by competitors and questions about the sustainability of growth in the Vitamin D market. **Cyprotex** was down 14.8% on very little news flow, while **Silverdell** fell 6.9% despite a positive trading update.

We expect news flow to be positive during November, with four of the fund's top ten holdings due to release results; both Endace and Hamworthy are due to release interim results, Silverdell will report final results and Hargreaves Services an AGM statement. We continue to believe that smaller companies offer investors good value and that the Fund is well positioned to benefit from an improvement in investor sentiment.

CF OCTOPUS UK MICRO CAP GROWTH FUND VS FTSE ALL-SHARE SINCE 12 JULY 2007 (LAUNCH)



Source: Lipper, 31 October 2011. Past performance is no guide to future performance.

PERFORMANCE SINCE LAUNCH (%)

| | Launch 12/07/07 – 31/10/11 | Annualised 31/10/10 – 31/10/11 |
|---|----------------------------------|--------------------------------------|
| CF Octopus UK Micro Cap Growth Fund (A Share) | -2.45% | 11.62% |
| FTSE AIM TR | -37.76% | -10.02% |
| FTSE Small Cap (X IT) TR | -31.61% | -6.87% |
| IMA UK Smaller Companies | -6.37% | 2.73% |

The above table shows performance including annualised figures for a complete 12 month period.



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FUND OBJECTIVES

The CF Octopus UK Micro Cap Growth Fund aims to achieve capital growth by investing in a portfolio of 40-60 high quality UK smaller companies quoted on the official list of the London Stock Exchange, AIM and PLUS Markets.

Over 70% of quoted UK companies have a market value of less than £100m and in comparison to larger companies this is a relatively under researched area of the UK market. We believe that this smaller end of the market is becoming increasingly inefficient providing the opportunity to invest in fast growing companies at attractive valuations which have the potential to offer investors substantial upside.

ASSET ALLOCATION

| | | |
|-------------|----------|--------|
| Equities | £17.889m | 98.53% |
| Cash | £0.231m | 1.47% |
| Index Short | 0 | 0.0% |

| | |
|--------------------------|----------|
| Total number of holdings | 52 |
| Fund size | £18.120m |

SECTOR BREAKDOWN

| | |
|-----------------------------------|-------|
| Support Services | 30.1% |
| Software & Computer Services | 16.9% |
| Healthcare | 9.9% |
| Media | 8.8% |
| Engineering | 8.4% |
| Pharmaceuticals & Biotechnology | 6.1% |
| Construction & Building Materials | 4.2% |
| General Retailers | 3.4% |
| Oil Equipment & Services | 2.6% |
| Other Financial | 2.6% |

Source: Octopus Investments (internal), 31 October 2011.

TOP TEN HOLDINGS

| | | |
|---------------------|------------------------------|------|
| Hamworthy | Engineering | 4.5% |
| Hargreaves Services | Support Services | 4.1% |
| Endace | Software & Computer Services | 3.7% |
| Staffline Group | Support Services | 3.3% |
| Renew Holdings | Construction & Materials | 3.3% |
| IDS | Healthcare | 3.1% |
| May Gurney | Support Services | 3.1% |
| DDD Group | Software | 3.0% |
| Silverdell | Support Services | 2.9% |
| Mycelx | Oil Equipment & Services | 2.9% |

STOCK IN FOCUS

| Cyprotex | | Pharma | | | | |
|-----------------------|-----------------|---|---------|------|---------|-----------|
| Price (p) | 3.00 | BUSINESS PROFILE Specialist preclinical research company, focusing on the provision of ADMET services to the life sciences industry. (ADMET = Absorption, Distribution, Metabolism, Excretion and Toxicity). | | | | |
| Shares in Issue (m) | 223.70 | | | | | |
| Market Cap (£m) | 6.70 | | | | | |
| Net Cash (£m) | 1.30 | | | | | |
| Enterprise Value (£m) | 5.40 | | | | | |
| Broker | Singers Capital | | | | | |
| Year End December | Sales (£m) | PBT (£m) | EPS (p) | PE | DPS (p) | Yield (%) |
| 2010A | 5.9 | 0.2 | 0.30 | 10.0 | 0.00 | 0.0% |
| 2011E | 8.3 | 0.8 | 0.40 | 7.5 | 0.00 | 0.0% |
| 2012E | 9.6 | 1.3 | 0.60 | 5.0 | 0.00 | 0.0% |

Source: Singers Capital, October 2011

FOR UK RETAIL INVESTORS ONLY

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