

# CF OCTOPUS PARTNER FUND (UK SMALLER COMPANIES)



MONTHLY UPDATE

FEBRUARY 2010



## MONTHLY COMMENTARY

Equity markets are reluctant to make progress this year, particularly smaller companies, despite a striking improvement in the news flow. As a result, the FTSE SmallCap index fell again in February, with the Fund registering a fall of 2.5%. Investors have become mesmerised by the forthcoming election, and the UK's rather sluggish emergence from recession, and ignored the steady flow of profits upgrades and upbeat trading statements from businesses. Our job is to focus on the latter. The good news is our confidence in the Fund's future prospects has taken a major lift; as the answers to the macro uncertainties become clearer, the store of value within genuine growth companies will be recognised.

The main contributors to performance in February were **Maxima Holdings** (interim results ahead and 58 new client wins), **Renew Holdings** (positive trading update), **Advanced Computer Software** (£100 million acquisition of COA) and **LiDCO Group** (positive trading update). The major contributors to underperformance were; **Healthcare Locums** (profit taking despite upbeat trading update), **Omega Diagnostics** (no news reported), **System C** (profit taking post positive interim results) and **Augean** (trading statement warns that H1 2010 volumes will be hit by adverse weather).

The market is certainly open for business for good companies. We met with 18 companies attempting to raise further new capital. The Fund participated in three placings which will start trading in March; **Jelf Group**, which raised £19 million as part of a refinancing, **Michelmersh Brick**, which raised £3 million to complete an acquisition and **SuperGroup**, an IPO, and one of the fastest growing UK retailers. March is an important month for results across the Fund. All the indications are that the numbers will surprise on the upside. We are confident that the stock market will recognise this progress in due course.

## FUND DETAILS

Launch Date	12 July 2007
Launch Price	100p
Price (A Shares)	83.81p
Fund Size	£17.839m

## FUND EXPOSURE

Equities	£16.972m	95.1%
Cash	£0.867m	4.9%
Index Short	0	0.0%
Total	£17.839m	100.0%

## TOP TEN SECTORS

Support Services	30.8%
Software & Computer Services	18.7%
Healthcare	12.6%
Engineering	9.5%
Media	6.2%
Construction & Building Materials	5.3%
Real Estate	2.4%
General Retailers	2.3%
Pharmaceuticals & Biotechnology	2.2%
Food & Drug Retailers	1.6%

## TOP TEN HOLDINGS

IDS	7.7%
Interior Services Group	4.2%
Redhall Group	4.1%
Hamworthy	3.6%
Healthcare Locums	3.6%
Education Development Int'l	3.5%
Endace	3.4%
System C	3.2%
Matchtech Group	3.0%
Bond International Software	2.8%

Source: Octopus Investments (internal), 26 February 2010

## STOCK IN FOCUS

InterQuest Group (ITQ.L)		Support Services					
<b>Price (p)</b>	48.00	<b>BUSINESS PROFILE</b> Founded in 2001, InterQuest is a provider of specialist IT recruitment services. 80% of net fee income is from contract staffing services.					
<b>Shares in Issue (m)</b>	30.58						
<b>Market Cap (£m)</b>	14.68						
<b>Net Cash (£m)</b>	(3.00)						
<b>Enterprise Value (£m)</b>	17.68						
<b>Broker</b>	Cenkos						
Year End	December	Sales (£m)	PBT (£m)	EPS (p)	PE	DPS (p)	Yield (%)
2009A		97.4	2.9	6.6	7.6	2.0	4.2%
2010E		101.8	3.6	8.0	6.2	2.2	4.6%
2011E		106.4	3.9	8.8	5.7	2.3	4.8%

Source: Cenkos, February 2010

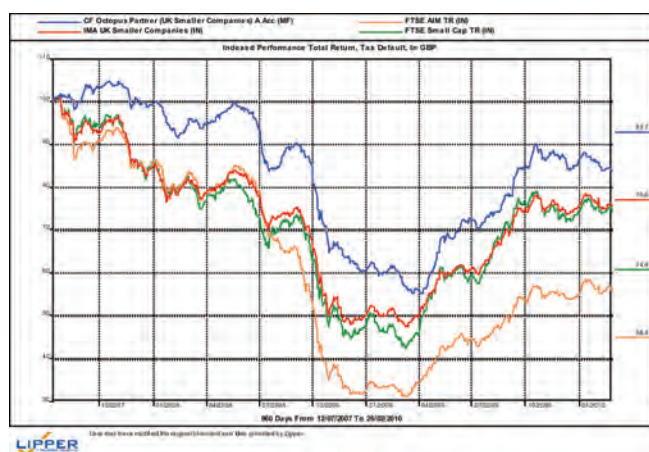
## CF OCTOPUS PARTNER FUND (UK SMALLER COMPANIES) INFORMATION

### FUND OBJECTIVES

To achieve capital growth by investing in a portfolio of 30-50 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 £100 million. We believe that the 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.

### CF OCTOPUS PARTNER FUND (SMALLER COMPANIES) VS FTSE ALL-SHARE SINCE 12 JULY 2007 (LAUNCH)



Source: Lipper, 26 February 2010. Past performance is no guide to future performance.

### FUND MANAGER



**Richard Power** 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 **Kate Tidbury** and **Andrew Buchanan**.

### FUND PERFORMANCE SINCE LAUNCH (%)

	Launch 12/07/07 - 28/02/10	Annualised 28/02/09 - 28/02/10
CF Octopus Partner Fund (Smaller Companies)	-16.3	41.6
FTSE AIM TR	-43.6	73.9
FTSE Small Cap TR	-25.1	68.2
IMA UK Smaller Companies	-24.4	54.3

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

### KEY DETAILS

Dealing Line	08459 220044
SEDOL A Shares Acc	B1VK1D5
Fund Type	OEIC
IMA Sector	UK Smaller Companies
Initial Fee	5%
Management Fee	1.5%
Performance Fee	20% of annualised returns above LIBOR
ISA/PEP/SIPP Qualifying	Yes
Minimum Investment	£1,000
Monthly Savings Available	Yes

### IMPORTANT INFORMATION

The value of an investment may go down as well as up and an investor may not get back the full amount invested. The fund will invest in securities issued by smaller companies and the market for these securities may be less liquid than the market for securities issued by larger companies. Please note that past performance is no guide to future performance. An investment into the fund may only be made on the basis of the information set out in the prospectus. This material is directed only at persons in the UK and is not an offer or invitation to buy or sell securities. Performance table has been annualised for MIFID purposes. Octopus Investments Ltd is not able to provide advice on your suitability for an investment in this fund. Opinions expressed in this document represented the views of Octopus Investments Ltd at the time of publication, are subject to change, and should not be interpreted as investment advice. Octopus Investments Limited is authorised and regulated in the UK by the Financial Services Authority, 25 The North Colonnade, London E14 5HS. Registered office: 8 Angel Court, London EC2R 7HP. Registered in England & Wales under No. 3942880. All information correct as at 26 February 2010.