

CF OCTOPUS PARTNER FUND (UK SMALLER COMPANIES)



MONTHLY UPDATE

JANUARY 2010



MONTHLY COMMENTARY

The Fund fell 0.7% in what was a turbulent first month of 2010. Stock markets made good progress over the first two weeks but uncertainty over government intervention into banking operations in the US, and tighter monetary policy in China caused the markets to decline over the second fortnight, leaving the FTSE All-Share down 3.6% on the month.

Although macroeconomic factors continue to drive sentiment, with corporate budgets now in place for 2010, the newsflow from many sectors is that trading conditions are showing signs of improvement. Despite this, in the short term we anticipate that the market will be characterised by nervous trading patterns as we await the most important budget of all; that of the next government.

The performance of the Fund was also held back in January by what we see as a profit-taking exercise by the market in some of the better performing stocks of the last six months. Immunodiagnostic Systems, the largest holding on the portfolio, which increased 26% in December (and 433% in the whole of 2009), declined 5.5% in January. Education Development, which increased 23.8% in December (and 339% in the whole of 2009), declined 10.8% in January. The two companies are set for very strong growth in 2010 and we remain excited about the prospects for both. Colliers Cre (positive trading statement) and Hamworthy both increased in value over the month.

FUND DETAILS

Launch Date	12 July 2007
Launch Price	100p
Price (A Shares)	85.93p
Fund Size	£18.277m

FUND EXPOSURE

Equities	£17.828m	97.8%
Cash	£0.398m	2.2%
Index Short	0	0.0%
Total	£18.277m	100.0%

TOP TEN SECTORS

Support Services	33.6%
Software & Computer Services	19.0%
Healthcare	12.5%
Engineering	9.3%
Media	6.2%
Construction & Building Materials	5.1%
Real Estate	2.3%
Pharmaceuticals & Biotechnology	2.2%
General Retailers	2.2%
IT Hardware	1.7%

TOP TEN HOLDINGS

IDS	7.5%
Education Development Int'l	4.7%
Redhall Group	4.2%
Interior Services Group	4.2%
Healthcare Locums	4.0%
Hamworthy	3.5%
System C	3.5%
Endace	3.4%
Matchtech Group	3.1%
Bond International Software	3.0%

Source: Octopus Investments (internal), 31 January 2010

STOCK IN FOCUS

Redhall Group (RHL.L)

Engineering

Price (p)	169.00
Shares in Issue (m)	29.49
Market Cap (£m)	49.83
Net Cash (£m)	8.70
Enterprise Value (£m)	41.13
Broker	Altium Capital Ltd

BUSINESS PROFILE

Redhall is a specialist engineering support services group operating in market sectors where support of critical assets is a client priority. Key markets remain nuclear, oil and gas, petrochemical and defence.

Year End September	Sales (£m)	PBT (£m)	EPS (p)	PE	DPS (p)	Yield (%)
2009A	129.0	6.5	16.0	10.6	4.4	2.6%
2010E	138.4	7.1	16.9	10.0	4.8	2.8%
2011E	145.4	7.8	18.5	9.1	5.3	3.1%

Source: Altium Capital Ltd, January 2010

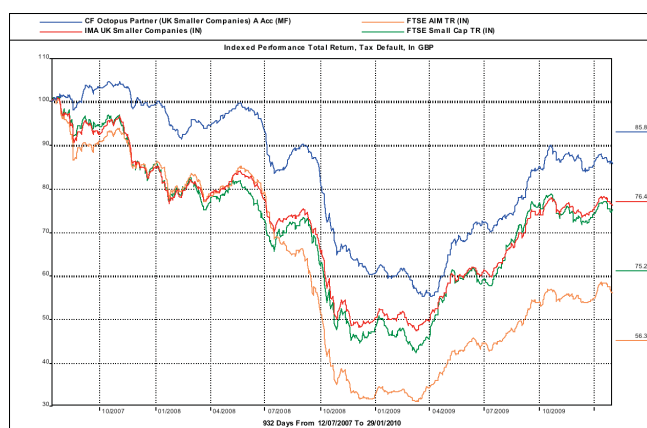
CF OCTOPUS PARTNER FUND (UK SMALLER COMPANIES) INFORMATION

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, 31 January 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 - 31/01/10	Annualised 31/01/09 - 31/01/10
CF Octopus Partner Fund (Smaller Companies)	-14.2	42.7
FTSE AIM TR	-43.7	67.0
FTSE Small Cap TR	-24.8	62.3
IMA UK Smaller Companies	-23.6	52.0

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 31 January 2010.