

CAZENOVE INVESTMENT FUND COMPANY



Annual short report
31 December 2010

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*These together with the Authorised Corporate Director's investment report for each sub-fund, collectively comprise the Authorised Corporate Director's report.

Introduction & general information

I have pleasure in presenting the annual short report and financial statements for the Cazenove Investment Fund Company for the year ended 31 December 2010.

I hope you will find this report informative. In the following pages my colleagues have provided information on global economies, world markets and individual sub-fund performance.



Andrew Ross
Chairman

Cazenove Investment Fund Management Limited
On behalf of the Authorised Corporate Director
24 February 2011

Cazenove Investment Fund Company

Cazenove Investment Fund Company ('CIFCo' or 'the Company') is an umbrella company comprising a number of sub-funds which have their own investment objectives and policies. Its investment and borrowing powers and restrictions are prescribed by the Financial Services Authority's ('FSA') Collective Investment Schemes Sourcebook ('COLL') and the Open-Ended Investment Companies Regulations 2001 (as amended) ('the OEIC Regulations'). At 31 December 2010 CIFCo had the following sub-funds:

Cazenove Multi-Manager Diversity Balanced Fund

Cazenove UK Opportunities Fund

Cazenove UK Smaller Companies Fund

Cazenove UK Corporate Bond Fund

Cazenove European Fund

Cazenove UK Growth and Income Fund

Cazenove UK Dynamic Fund

Cazenove UK Equity Income Fund

Cazenove Strategic Bond Fund

This document has been designed to show the aggregated results of all the sub-funds followed by their individual financial statements and other information. The long form version of the report is available on written request to the Corporate Communications Department, Cazenove Investment Fund Management Limited, 12 Moorgate, London EC2R 6DA.

Pricing

Each sub-fund can have several share classes with different characteristics. As a consequence, each share class has a different price. There is a single price for buying, selling and switching shares in each share class of the sub-funds of CIFCo. This price is derived from the net asset value of each sub-fund attributable to the relevant share class.

Risk factors

Equities

Funds investing in equities tend to be more volatile than funds investing in bonds, but also offer greater potential for growth. The value of the underlying investments in the equity sub-funds may fluctuate quite dramatically in response to activities and results of individual companies, as well as in connection with general market and economic conditions.

Bonds

Funds investing partly or wholly in bonds will tend to be less volatile than pure equity funds, as bonds are generally considered to be more secure, usually include a condition to repay the original sum at a specified date in the future and normally provide a fixed level of revenue. However, the capital value of a bond fund and the level of its revenue will

Introduction & general information (continued)

still fluctuate. Investments in higher yielding bonds issued by borrowers with lower credit ratings may result in a greater risk of default and have a negative impact on revenue and capital value. Revenue payments may constitute a return of capital in whole or in part. Revenue may be achieved by foregoing future capital growth.

Certain sub-funds may invest in debt securities which are rated below investment grade or which are unrated. Shareholders should note that these securities may have a higher degree of risk than debt securities of investment grade. Investments in debt securities below investment grade may result in a sub-fund having a greater risk of loss of principal and interest than investments in debt securities which are deemed to be investment grade or higher.

Fixed interest securities are particularly affected by trends in interest rates and inflation. If interest rates go up, the value of capital may fall, and vice versa. Inflation will also decrease the real value of capital.

The value of a fixed interest security will fall in the event of the default or reduced credit rating of the issuer. Generally, the higher the rate of interest, the higher the perceived credit risk of the issuer. High yield bonds with lower credit ratings (also known as sub-investment grade bonds) are potentially more risky (higher credit risk) than investment grade bonds. A sub-investment grade bond has a Standard & Poor's credit rating of below BBB or equivalent.

Currency exchange rates

Funds investing in overseas securities will be affected by currency fluctuations, in addition to usual stock market fluctuations. Currency fluctuations may adversely affect the value of a fund's investments and the revenue thereon and, depending on an investor's currency of reference, currency fluctuations may adversely affect the value of his investment in shares. A significant portion of a sub-fund's assets may be denominated in a currency other than the base currency of a sub-fund or class. There is the risk that the value of such assets and/or the value of any distributions from such assets may decrease if the underlying currency in which assets are traded falls relative to the base currency in which shares of the relevant sub-fund are valued and priced. Sub-funds are not required to hedge their foreign currency risk, although they may do so through foreign currency exchange contracts, forward contracts, currency options and other methods. To the extent that a sub-fund does not hedge its foreign currency risk or such hedging is incomplete or unsuccessful, the value of that sub-fund's assets and revenue could be adversely affected by currency exchange rate movements. There may also be circumstances in which a hedging transaction may reduce currency gains that would otherwise arise in the valuation of the sub-fund in circumstances where no such hedging transactions are undertaken.

Emerging markets

Funds investing in emerging markets around the world, which can be extremely volatile, involve a higher than average risk compared with funds covering established markets. For

example, the systems and standards of trading, settlement, registration and custody of securities in these markets may not be as high as those of developed markets. In particular, some of the markets in which these funds may invest do not provide for settlement on a delivery versus payment basis and the risk in relation to such settlements has to be borne by the fund.

In addition, lack of liquidity and inefficiency in certain emerging stock markets and foreign exchanges may mean that securities are less marketable than in more developed markets, resulting in greater price fluctuation. Such markets can also experience significant currency volatility and, accordingly, the country may have exchange controls (types of controls that governments put in place to ban or restrict the amount of foreign or local currency that is allowed to be traded or purchased).

It should be remembered that the legal infrastructure and accounting, auditing and reporting standards in emerging markets may not provide the same degree of shareholder protection or information to investors as would generally apply internationally. In particular, valuation of assets, depreciation, exchange differences, deferred taxation, contingent liabilities and consolidation may be treated differently from international accounting standards.

Liquidity consideration

The ACD's ability to invest and to liquidate the assets of the sub-funds invested in smaller companies may, from time to time, be restricted by the liquidity of the market for smaller company securities.

Effect of preliminary charge

Where a preliminary charge is imposed, an investor who redeems his shares may not get back the amount originally invested (even if the value of the relevant investments has not fallen). The shares should therefore be viewed as a medium- to long-term investment.

Charges to capital

Where the Prospectus states that all or part of the ACD's fee and/or other charges in respect of a sub-fund and/or class may be charged against capital rather than revenue, this will enhance revenue returns but may constrain future capital growth and/or result in an erosion of capital. Details of whether charges are made to capital or revenue for each sub-fund are detailed in Appendix 1 of the Prospectus.

Liabilities of the Company

Each sub-fund, under normal circumstances, is treated as a separate entity, with its own assets and liabilities. However, the sub-funds are not "ring-fenced" and, if the assets of any sub-fund are insufficient to meet the liabilities attributable to it, the excess liabilities may have to be met out of the assets of the other sub-funds.

Shareholders are not liable for the debts of the Company. Shareholders are not liable to make any further payment to the Company after they have paid the purchase price of the shares.

Introduction & general information (continued)

Credit and settlement risk

Sub-funds will be exposed to credit risk on parties with whom they trade and may also bear the risk of settlement default. The ACD may instruct the Custodian to settle transactions on a delivery versus payment basis where the ACD believes that this form of settlement is appropriate. Shareholders should be aware, however, that this may result in a loss to the sub-fund if a transaction fails to settle and the Custodian will not be liable to the sub-fund or shareholders for such a loss.

Inflation risk

Inflation erodes the real value of investments and changes in the anticipated rate of inflation could lead to capital losses in the sub-fund's investments.

Political risks

The value of the sub-fund's assets may be affected by uncertainties, such as political developments, changes in government policies, taxation and currency repatriation and restrictions on foreign investment in some of the countries in which the sub-fund may invest.

Derivative instruments

Funds may employ certain derivative instruments and forward transactions for efficient portfolio management.

The Cazenove UK Corporate Bond Fund and the Cazenove Strategic Bond Fund may use derivative instruments and forward transactions for efficient portfolio management and to meet the investment objectives of those sub-funds. The use of derivative and forward transactions for investment purposes involves special risks which may:

- significantly raise the risk profile of the sub-fund;
- increase the volatility of the sub-fund when taking additional market or securities exposure;
- depend on the ability of the ACD to predict movements in the prices of securities;
- place some reliance on the imperfect correlation between instruments and the underlying securities; and
- involve investing in instruments not traded on exchanges and not standardised, which in turn may involve negotiations on transactions on an individual basis.

Volatility

The following generic risks are particularly relevant in terms of the use of derivatives and forward transactions in the Cazenove UK Corporate Bond Fund and the Cazenove Strategic Bond Fund:

- Market risk: the risk of loss due to adverse market movements in assets held by the sub-fund or changes in the anticipated or calculated volatility of these movements.
- Interest rate risk: the risk associated with changes in interest rates which will impact the market value of assets held in the sub-fund.
- Credit risk: the risk that issuers of bonds and other credit instruments default.
- Foreign exchange risk: investing in overseas securities will be affected by currency fluctuations, in addition to usual stock market fluctuations. Where an asset is held in a currency denomination other than Sterling, the assets value will be affected by changes in exchange rates between the United Kingdom and the currency of the country in which the security is held.

Taxation

Derivatives held in the Cazenove UK Corporate Bond Fund and the Cazenove Strategic Bond Fund will be accounted for and taxed in accordance with the Statement of Recommended Practice for Open-Ended Investment Companies. The way in which HM Revenue & Customs taxes derivatives held in collective investment schemes may change, which could adversely affect the tax paid by these sub-funds.

Director's report & Directors' statement

The Authorised Corporate Director ("ACD") presents its report and financial statements of the Company for the year ended 31 December 2010.

Authorised status

CIFCo is an investment company with variable capital under Regulation 12 of the OEIC Regulations, incorporated with limited liability in England and Wales and authorised by the FSA under Regulation 14 of the OEIC Regulations.

For information on the Company's ACD, Depositary, Independent Auditors, Administrator and Registrar please refer to page 27.

Incorporation and share capital

CIFCo is an investment company with variable capital incorporated with limited liability in England and Wales under number IC000030 and authorised by the FSA on 6 May 1999.

The maximum share capital of the Company is £500,000,000,000 and the minimum share capital is £100. The shares have no par value. The share capital of the Company at all times equals the net asset values of its sub-funds.

The base currency for the Company is United Kingdom Pounds Sterling ("Sterling"). The Company is of unlimited duration.

Significant events

A new Prospectus was issued on 1 April 2010.

The X Income share class was launched in the Cazenove European Fund on this date.

On 29 November 2010 the Bank of New York Mellon (International) Limited ceased to be the registrar and transfer agent (the provider of share dealing facilities) for the Company and from this date these services are provided by J.P. Morgan Europe Limited. This change has been made in a new and revised Prospectus, effective from 29 November 2010. This change was made with the knowledge of the Depositary.

Principal activities

The Company's principal activity is to carry on business as an open-ended investment company. The Company is structured as an umbrella company and different sub-funds may be established by the ACD from time to time with the agreement of the Depositary and approval from the FSA.

The sub-funds are operated separately and the assets of each sub-fund are managed in accordance with the investment objective and policy applicable to that sub-fund.

Director's report & Directors' statement (continued)

Economic and market overview

The economic backdrop

With the benefit of hindsight, we were too cautious too early in 2010, but were correct in our underlying argument that those economies still deleveraging from pre-crisis excesses would see lower growth than economies with low levels of debt. In fact, one of the major characteristics of 2010 was the overwhelming gap in economic performance between indebted western economies, with some notable exceptions, and relatively well financed emerging economies. It is likely that this growth differential will remain high throughout 2011 as tight fiscal policy in the West detracts from growth while imported loose monetary policy continues to fuel investment-led growth in emerging economies.

2011 is likely to see a shift in focus away from the ability of the global economy to provide a sustainable recovery towards the consequences of higher growth. As economies begin to close output gaps, it is likely that inflation will start to rise. Early signs of building price pressures can be seen in the commodities markets, where prices have risen across a broad spectrum of both hard and soft products. Part of these increases is probably due to speculation, but the remainder can be attributed to increased underlying demand. Rising inflation will start to put pressure on monetary policy makers to increase interest rates. At the same time, fiscal policy makers will be attempting to normalise deficit positions built up during the crisis, acting as a downwards pull on household disposable income and expenditure. Fiscal austerity will hit those households with high levels of debt particularly hard, making loose monetary policy all that much more necessary. We anticipate that the balance between fiscal and monetary policies will become a major focus for markets in the second half of the year.

After a positive start to 2010, confidence in the ability of developed economies to leave behind the 2008/09 recession saw a sharp decline when Greece sparked the Eurozone debt crisis, which rumbled through the rest of the year, hitting both investor and consumer confidence in Europe. A combined EU and IMF bail-out package created in April has had very limited effect in easing fears of a peripheral Eurozone default. Outside the monetary union, the UK has been viewed as a relative safe haven and government bond yields remain low. The economy performed better than expected in 2010, boosted by a record expansion in the construction sector. On the expenditure side, government current expenditure continued to increase, while households ran down savings in order to maintain their spending levels. The Emergency Budget and subsequent spending review mark the beginning of a severe decline in government expenditure and have resulted in a renewed decline in already fragile consumer sentiment and it is likely that the UK economy saw a slowdown towards the end of the year. This has been in contrast to the US economy, which has seen an

almost opposite economic pattern through 2010. Consumer and business sentiment saw a sharp correction in the second and third quarters and housing market activity plummeted back to previous lows after the homebuyers tax credit expired at the end of June. Fears of a double dip prompted the Federal Reserve to begin a second phase of quantitative easing (QE2) and the government agreed a further stimulus package as part of the deal between the Democrat and Republican Parties over extended tax cuts. In fact, US economic activity in fourth quarter now looks to have been stronger than expected.

The underperformance of developed economies and the debt crisis has meant that monetary policy remained exceptionally loose in all major economic areas throughout 2010. This has led to strong money inflows into emerging economies, particularly those with fixed exchange rates, as investors seek an improved return. Strong growth in Latin America and particularly Asia has led to tighter capital controls as policy makers chose tightened regulation over lower exports. The vast 2009 stimulus package in China was continued to a slightly lesser extent through 2010 and Asia's largest economy ran with negative real interest rates throughout the year providing huge monetary stimulus. High growth in imports of commodities in China has fuelled price rises in almost every area of the asset class, sparking fears over rising inflation.

Looking into 2011, it seems likely that the two tier growth story will continue. Economies in Europe are likely to struggle to reach trend output growth as fiscal consolidation begins to detract from expenditure and investment growth. This is likely to be particularly true in peripheral Eurozone economies where market factors have forced governments to announce severe austerity packages. The other notable austerity package is in the UK, where the Coalition Government has laid out plans to cut the fiscal deficit by £83bn (excluding debt interest savings) by 2015. The Office for Budget Responsibility has forecast that cuts to government spending and investment will detract 0.5% from GDP in each year from 2011 to 2014. In addition, increased taxes are also likely to dampen consumer expenditure growth. In fact, the outlook for UK households is uniquely poor in that UK consumers have seen negative real earnings growth since September 2009. This is likely to continue as RPIX inflation is forecast to remain above 4%. Up until the third quarter, UK inflation expectations had remained anchored, allowing the Bank of England to maintain loose monetary policy. Any signs that the rise in expectations has become permanent will cause a considerable conundrum for the MPC as they attempt to boost real growth without allowing inflation to rise. We anticipate that inflation pressures in the UK will remain higher than expected and that monetary policy risks will become an increasingly prominent feature of the economic debate.

Director's report & Directors' statement (continued)

As in 2010, there are likely to be exceptions in the western economies' underperformance in 2011. We anticipate that the growth prospects for the US, Germany and possibly Japan are rather more positive than many European economies. US policy makers have stated that they view austerity as the incorrect policy. It is likely, therefore, that both fiscal and monetary policy will remain accommodative until after the unemployment rate has begun to fall. This, along with the improving outlook for smaller companies, suggests that the US may see stronger than trend growth. The NFIB Small Business Optimism Index has begun to show tentative signs of life suggesting that we could begin to see a pick up in small company payrolls. This should create a positive feedback loop into household finances, confidence and expenditure. Germany's exposure to what is expected to be continued outperformance by emerging markets combined with a weak euro and loose ECB monetary policy mean that the outlook for the Euro area's largest economy remains positive. The two-tier growth outlook for the global economy is likely to be played out on a smaller stage within the EMU. The opposite has so far been true in Japan, where the yen's appreciation in 2010 has acted as an early monetary tightening. This has hampered Japanese exports and the economy has begun to suffer as a result. For as long as the yen remains strong, the Japanese recovery will remain difficult.

Elsewhere in Asia, emerging economies will continue to see stronger relative economic growth with some areas seeing rising inflation tension. We see the potential for considerable policy tightening through a combination of increased interest rates, reserve ratios and capital controls across the majority of emerging market economies. This attempt to rein in credit-fuelled activity should instigate a slowdown from 2010 growth rates, but the outperformance of emerging markets is likely to continue.

Financial markets

Equities saw a reasonable 12 months, with the UK, US and European markets returning 14.5%, 15.1% and 11.0% over 2010 as a whole. In the UK, it was another good year for cyclicals, with industrials providing the strongest performance, increasing by 39.9% over the year. Defensives continued to lag behind with the value defensive group returning just 9.9%. The divergence between cyclical and defensive stocks, which started in 2009, has continued to widen through the year with the only notable change being in financials, which underperformed on fears over the Eurozone debt crisis. In fact, the PER (price earning ratio) premium of cyclical stocks over defensives has reached an all-time high. Overall, equity markets, on a historical trend PE (price earning) basis, do not look as cheap as they did at the beginning of 2010. However, improved global economic growth prospects, a higher inflation outlook and a backing up in bond yields all point to a more positive outlook for equities.

In terms of individual market areas, we would favour the US equity market over Europe on the basis of an improving domestic economic outlook. Emerging market equities look expensive on a historical PE basis and we would be cautious about increasing direct exposure to these markets, particularly in those areas with increasing political risk of tightening capital controls and wider monetary policy. Though we remain positive on the medium term outlook for emerging markets, in the shorter term, we anticipate a setback from current levels and would therefore wait for a better opportunity to add to any position. Within Europe, we favour the core, particularly Germany, over the periphery. The UK market should continue to benefit from world growth, but we would be cautious of holding domestic facing equities, particularly those exposed to government or households.

Director's report & Directors' statement (continued)

Bond markets have seen record inflows over the past two years and we are now becoming more cautious on the outlook for the asset class as a whole. Spreads over government bond yields for investment grade companies are extremely tight on a historic basis, while government yields in 'safe' economies remain at exceptionally low levels. The bond market looks very vulnerable to any increase in inflation and interest rates and we are reducing our exposure to the better quality end. Regulatory risks remain a potential problem particularly in financials. Relative to equities, many corporate bonds look expensive with some companies seeing their dividend yield rise above their corporate bond yields. In fact, some corporates are now priced as higher quality than their sovereigns. The outlook is not universally negative and we remain selectively optimistic further up the risk scale in the high yield category.

As economic performance diverges in 2011 and as monetary policies become more differentiated as the homogenising effects of the global crisis fade, it is likely that currencies will see some movement in 2011. Of the major currencies, the US dollar looks likely to be the strongest, with a reasonably low starting point and relatively strong economic outlook creating some upwards momentum. The euro is likely to see continued volatility as the opposite pulls from the peripheral debt crisis and strong German outperformance create abrupt swings in sentiment. Given the UK's relatively weak growth outlook, sterling looks vulnerable, particularly if the UK government struggles to push through its proposed austerity measures. We expect that emerging market currencies will see controlled appreciations as monetary pressures build up.

Results

The results for each sub-fund are set out in detail in the relevant section of the report.



Robin Minter-Kemp

Cazenove Investment Fund Management Limited

On behalf of the Authorised Corporate Director

24 February 2011

This report was approved for publication on 24 February 2011.



Robin Minter-Kemp

Carolyn Sims

Directors of Cazenove Investment Fund Management Limited

Cazenove Multi-Manager Diversity Balanced Fund

Authorised Corporate Director's investment report

Investment objective and policy

The Cazenove Multi-Manager Diversity Balanced Fund's ("the Fund") investment objective is to deliver long term capital growth from a diversified portfolio of investments including equities, bonds, fixed interest, cash and any other permitted assets deemed appropriate to meet the investment objective. The Fund will seek to achieve a moderate income.

The Fund will invest both in the United Kingdom and in overseas markets.

The Fund will invest primarily through authorised unit trusts, open-ended investment companies, exchange-traded funds and other collective investment schemes. Where it is considered appropriate, the Fund may also invest in closed-ended funds, individual transferable securities, money market instruments, deposits and/or other securities and instruments in which the Fund may invest.

The Fund may seek investment diversification by obtaining exposure to alternative asset classes including hedge funds, private equity, property and commodities through investment in closed-ended funds and other securities and instruments in which the Fund may invest.

The Fund may utilise derivatives for efficient portfolio management purposes and may seek to protect capital through active asset allocation and the use of derivatives where appropriate.

Performance

The Fund returned 10.6% (B Accumulation share class) versus a benchmark return of 13.9%, to underperform by 3.3% over the year. Key positive performance came from investing in areas that were also favourable during 2009, in particular Asia excluding Japan which led to a strong contribution from the First State Asia Pacific Leaders Fund, which appreciated by 26.7%. Another key contributor was the GLG Japan CoreAlpha Fund which has managed to prosper in an unfashionable market, delivering 24.2% over the year as a whole.

The detractors in the Fund were largely in the alternatives part of the portfolio, which were unable to keep pace with the returns that were on offer from the equity market. The Cazenove UK Absolute Target Fund was positioned for weakness in the themes that were strong in 2009, however this proved to be incorrect and the fund returned -8.1%. Another fund that was following a similar strategy was the Gartmore European Absolute Return Fund (-0.3%) which was sold during the period due to the manager announcing he was to leave the company.

Market review

The year to the end of December 2010 saw the return of volatility where an overly optimistic entry to the year turned pessimistic pretty quickly. The initial part of the year saw continued optimism regarding the trajectory of economic growth globally and therefore the expected earnings of corporates tied to the economic cycle, such as mining and industrials. The optimism helped risk assets rise strongly until the emergence of sovereign debt concerns in Europe, bought on principally by Greece. European governments were perceived to react slowly to a rapidly deteriorating situation, but eventually a temporary solution was found that eased the markets concern.

Once concerns relating to Europe were eased it became clear that the Global economy had entered a soft patch, leading some commentators to point to the possibility of a "Double Dip" into renewed recession. The combination of European distress and slowing economic growth led to the Federal Reserve openly discussing the possibility of further stimulus, via additional Quantitative Easing, which was finally enacted in November. This policy is widely viewed as an attempt to keep asset

prices high, so that the wealth effect encourages consumers to spend and therefore generate a rebound in economic activity. The policy appears to have worked over the shorter term as risky assets such as equities had a strong move upwards into the end of the year, leading to positive returns for the year as a whole.

Portfolio activity

There were some transactions that were undertaken as a result of a change of view due to asset allocation decisions, such as the reduction of Cazenove European Equity, Occam Global Emerging Markets Fund and Thames River Multi Hedge PCC Fund as the portfolio was made more defensive in the anticipation of weaker markets. These assets were reinvested in funds that were thought to be better positioned, such as Jupiter Absolute Return Fund.

There was a change in the bond fund selection where the portfolio sold its holding in the Invesco Perpetual Corporate Bond Fund to purchase the Invesco Perpetual Tactical Bond Fund. This was undertaken as the Tactical Fund was new and felt to be more nimble than the Corporate Bond Fund.

The Gartmore European Absolute Fund was sold completely due to the announcement made by its manager Roger Guy that he was leaving the company.

Outlook

The Fund is positioned relatively cautiously due to ongoing concerns relating to many of the issues that arose over the course of 2010. It is clear that the European sovereign debt crisis has not been resolved, but there is optimism that a longer term solution can be found if the political will could be established. The global economic recovery continues to be unbalanced with very strong growth in the Far East offsetting disappointing growth in the Western economies. There are emerging concerns relating to inflation, which may require higher interest rates globally even in countries that have weak economic growth, so this will need to be monitored closely as it will clearly impact all asset markets.

Fund facts

	Accounting date	Distribution payment date
Interim	30 June	31 August
Final	31 December	28 February

Performance record

	31.12.10 £	31.12.09 £	Capital return % change	Total return % change
FTSE All Share Index*	3,062.85	2,760.80	10.94	14.51
FTSE All World Ex UK Index*	357.85	314.19	13.90	16.69
FTSE A Govt. All Stocks Index*	156.38	152.13	2.79	7.20
UK IPD Property Index*	772.66	674.93	14.48	14.48
HFRI Fund of Funds Composite^**	197.13	181.02	8.90	8.90
Goldman Sachs Commodity Index^^	3,157.42	2,807.80	12.45	1.45
Benchmark (Calculated in-house)**	-	-	-	13.85

* Source: DATASTREAM. Total return includes reinvested income; capital return excludes income.

^ Source: Website (www.hedgefundresearch.com).

^^ Source: Bloomberg.

** Due to the nature of the pricing of these investments, the indices are subject to change.

*** Benchmark Description: 50% FTSE All Share, 15% FTSE All World Ex UK, 10% FTSE A Govt All Stock, 10% UK IPD, 10% HFRI, 5% GS Commodity.

Performance record (continued)

	31.12.10 p	31.12.09 p	Share price % change	Total return % change (net of tax)
A Income****	139.57	126.47	10.36	10.91
A Accumulation****	172.60	155.65	10.89	10.89
B Accumulation****	164.87	149.04	10.62	10.62
X Accumulation****	177.96	160.10	11.16	11.16

**** Source: Lipper. Total return includes net income reinvested (mid-mid, basic tax); capital return excludes income.

Net asset value record

	Net asset value per share	
	31.12.10 p	31.12.09 p
A Income	138.60	126.24
A Accumulation	171.85	155.65
B Accumulation	164.16	149.05
X Accumulation	177.19	160.09

Top ten holdings

As at 31.12.10	Percentage of net assets %
First State Asia Pacific Leaders Fund (B Income)	11.10
J O Hambro UK Opportunities Fund (Retail Income)	9.72
Findlay Park American Smaller Companies Fund (USD)	9.31
Invesco Perpetual Income Fund (Income)	6.88
CF Walker Crips UK Growth Fund (Income)	6.62
M&G Optimal Income Fund (I Income)	6.36
Jupiter Absolute Return Fund (Accumulation)	4.64
GLG Japan CoreAlpha Fund (Professional Income)	4.15
Investec UK Special Situations Fund (Income)	4.07
Cazenove Absolute Equity	3.87

As at 31.12.09	Percentage of net assets %
First State Asia Pacific Leaders Fund (B Accumulation)	9.53
J O Hambro UK Opportunities Fund (Retail GBP Accumulation)	8.80
Findlay Park American Smaller Companies (USD)	6.15
Invesco Perpetual Income Fund (Income)	5.92
M&G Optimal Income Fund (I Income)	5.69
CF Walker Crips UK Growth Fund (Accumulation)	5.54
Gartmore US Growth Fund (Retail Accumulation)	4.61
Occam Global Emerging Markets Fund (C GBP Accumulation)	3.99
Cazenove European Equity (ex UK) Fund (EUR Income)	3.89
GLG UK Select (C Accumulation)	3.51

Total expense ratio

A total expense ratio ("TER") is shown which takes into account the management fee and all other operating expenses over the year and is expressed as a percentage of average daily assets over the same period. The TER calculation includes a synthetic adjustment for the year to 31 December 2010 of 0.76% (31 December 2009: 0.80%) in respect of investments in other funds.

	31.12.10 %	31.12.09 %
A Income	1.88	1.92
A Accumulation	1.89	1.96
B Accumulation	2.13	2.18
X Accumulation	1.64	1.69

Fund performance summary

Calendar year	Lowest price p	Highest price p	Distribution per share p
A Income			
2010	122.54	139.69	0.7507
2009	98.55	126.69	0.6610
2008	101.51	149.30	4.2722
2007	143.64	156.10	3.7025
2006	135.99	148.99	3.3840
A Accumulation			
2010	151.13	172.76	0.9113
2009	120.86	155.93	0.7574
2008	122.34	176.94	5.1297
2007	168.19	180.69	4.2762
2006	153.53	170.53	3.8055
B Accumulation			
2010	144.68	165.03	0.5127
2009	115.91	149.30	0.5528
2008	117.31	169.97	4.9973
2007	161.69	173.65	4.2439
2006	148.29	164.23	3.6383
X Accumulation			
2010	155.50	178.12	1.3427
2009	124.07	160.38	1.0833
2008	125.66	181.43	5.1136
2007	172.34	185.22	4.1934
2006	156.68	174.48	4.1211

A Income and A Accumulation shares were first issued on 2 July 1999 at a price of 134.46p.

X Accumulation shares were first issued on 22 February 2000 at a price of 154.46p.

B Accumulation shares were first issued on 25 February 2002 at a price of 119.02p.

Portfolio summary

	As at 31.12.10		As at 31.12.09	
	Market value £	Net assets %	Market value £	Net assets %
United Kingdom equities	22,066,897	33.25	23,815,901	30.13
Alternatives	8,942,950	13.48	12,737,229	16.12
Fixed income	8,850,752	13.34	9,555,154	12.09
North American equities	8,359,150	12.60	8,510,767	10.76
Asia Pacific equities	7,787,701	11.74	11,001,873	13.92
European equities	4,049,348	6.10	4,967,311	6.29
Japanese equities	3,447,069	5.19	3,658,800	4.63
Global equities	-	-	1,617,895	2.05
Net investment assets	63,503,867	95.70	75,864,930	95.99
Net other assets	2,854,859	4.30	3,171,068	4.01
Net assets attributable to shareholders	66,358,726	100.00	79,035,998	100.00

Cazenove UK Opportunities Fund

Authorised Corporate Director's investment report

Investment objective and policy

The Cazenove UK Opportunities Fund ("the Fund") aims to achieve an income return, together with long term capital growth, by investing in any economic sector of the UK market. The ACD invests predominantly in UK equities.

Performance

Over the year ended 31 December 2010 the Fund returned 20.1% (B Accumulation share class) against a rise in the benchmark (FTSE All Share Index) of 14.5%.

Market review

The FTSE All Share returned 14.5% versus 12.6% for the FTSE 100, and 27.4% and 16.9% for the FTSE 250 and Small Cap Indices respectively. Cyclical and high beta growth sectors continued to lead the market higher as investors sought out recovery stocks likely to benefit from the massive monetary and fiscal stimuli poured into global economies by governments. Electronics and autos led the way both up 71.2%, with personal goods +58.8%, industrials +57.5% and technology hardware +48.5%. A mixture of defensive and financials sectors including banks fell 10%, healthcare and pharmaceuticals both fell 11% and general retailers ended the year down 12.8%.

Portfolio activity

Our cautious outlook on the strength and durability of global economic recovery led us to maintain a defensive core to your portfolio throughout the year. We continued to add to positions in lowly rated and highly cash generative business such as GlaxoSmithKline and Morrison (WM) and stayed underweight mining stocks where high commodity prices – which we think are unsustainable – give the illusion of value. During the year, we sold cyclical assets BBA Aviation, Wolseley and Rio Tinto. We also sold holdings in more defensive assets which had done well - Smith & Nephew, Synergy Health, SSL International and Pearson.

The key drivers of the Funds' positive return for the year came from judicious asset turn in cyclical stocks such as Elementis and Melrose and a bid for VT was also beneficial. Significant underweights in BP and HSBC, which performed poorly, were also key contributors to the Fund's positive return for the year.

Outlook

The UK market has rallied hard into signs of an improving US economy and ignored both further monetary tightening in the east and rapidly rising bond yields in the west.

We wrote last year that we expected central banks would start to raise interest rates to more normal levels as growth recovered. The east is responding as inflation has appreciated to potentially destabilising levels but the Federal Reserve continues to hold interest rates down at pre-crisis levels despite firmer signs of recovery.

Recent trends in US economic data are encouraging with private sector jobs growth strengthening signs that credit is starting to reach smaller businesses and recent ISM (Institute for Supply Management) data has indicated that demand is recovering, thereby reducing the risk of a double-dip inventory correction. At present the Federal Reserve say they do not see price pressures building rapidly but US treasury yields have had a big move up (about 100 basis points) since the second round of quantitative easing in the US, as improving growth sits uneasily with very loose monetary policy.

As a consequence we are not minded to materially change our defensive portfolio structure. We expect growth rates to ease in the east whilst the west should continue to gently improve. Many economically sensitive stocks have recovered strongly and bullish earnings forecasts will need to be exceeded if current multiples are to hold. Whilst we are finding fewer opportunities in this area of the market we are becoming more interested in financials which have significantly lagged the recovery in risk assets.

Fund facts

	Accounting date	Distribution payment date
Interim	30 June	31 August
Final	31 December	28 February

Performance record

	31.12.10 £	31.12.09 £	Capital return % change	Total return % change
FTSE All Share Index*	3,062.85	2,760.80	10.94	14.51

* Source: DATASTREAM. Total return includes reinvested income; capital return excludes income.

	31.12.10 p	31.12.09 p	Share price % change	Total return (net of tax) % change
A Income**	188.28	159.60	17.97	20.68
A Accumulation**	234.82	194.57	20.69	20.69
B Accumulation**	219.42	182.71	20.09	20.09
X Accumulation**	244.36	201.95	21.00	21.00

** Source: Lipper. Total return includes net income reinvested (mid-mid, basic tax); capital return excludes income.

Total expense ratio

A total expense ratio ("TER") is shown which takes into account the management fee and all other operating expenses over the year and is expressed as a percentage of average daily assets over the same period.

	31.12.10 %	31.12.09 %
A Income	1.25	1.22
A Accumulation	1.22	1.23
B Accumulation	1.71	1.76
X Accumulation	0.96	0.95

Net asset value record

	Net asset value per share	
	31.12.10 p	31.12.09 p
A Income	186.11	158.28
A Accumulation	233.62	194.65
B Accumulation	218.30	182.79
X Accumulation	243.10	202.03

Fund performance summary

Calendar year	Lowest price p	Highest price p	Distribution per share p
A Income			
2010	153.10	189.06	3.4019
2009	97.91	160.67	3.5787
2008	102.29	162.99	4.6563
2007	153.30	174.07	3.7123
2006	141.65	162.53	3.1501
A Accumulation			
2010	188.29	235.79	4.2525
2009	117.21	195.87	4.3204
2008	120.35	188.01	5.5025
2007	175.11	196.47	4.1950
2006	156.61	181.96	3.4925
B Accumulation			
2010	176.72	220.35	3.0089
2009	110.55	183.94	3.2843
2008	113.74	178.54	4.3319
2007	166.64	187.20	2.9904
2006	150.02	173.78	2.4632
X Accumulation			
2010	195.49	245.35	4.9779
2009	121.38	203.30	4.9426
2008	124.48	194.07	6.1116
2007	180.57	202.53	4.8598
2006	160.97	187.30	4.0622

A Income, Accumulation and X Accumulation were first issued on 2 July 1999 at a price of 135.27p.
B Accumulation shares were first issued on 25 February 2002 at a price of 110.56p.

Top ten holdings

As at 31.12.10	Percentage of net assets %
GlaxoSmithKline	6.76
Barclays	4.86
Howden Joinery	4.14
Melrose	3.99
AstraZeneca	3.90
Babcock International	3.70
RSA Insurance	3.61
Unilever	3.37
BP	3.36
Morrison (WM)	3.24

As at 31.12.09	Percentage of net assets %
GlaxoSmithKline	8.12
Rio Tinto	5.38
AstraZeneca	4.73
Diageo	4.07
British American Tobacco	3.67
Reed Elsevier	3.66
Morrison (WM)	3.39
Legal & General	3.07
RSA Insurance	3.02
Unilever	3.01

Portfolio summary

	As at 31.12.10		As at 31.12.09	
	Market value £	Net assets %	Market value £	Net assets %
Financials	12,981,041	23.16	5,485,093	18.75
Industrials	11,495,184	20.52	4,850,143	16.57
Consumer services	11,113,729	19.83	5,932,963	20.26
Health care	6,487,207	11.58	4,100,385	14.01
Consumer goods	4,488,376	8.02	5,344,406	18.25
Oil and gas	4,371,398	7.80	761,838	2.60
Basic materials	2,143,440	3.83	1,967,968	6.72
Technology	1,792,471	3.20	508,905	1.74
Net investment assets	54,872,846	97.94	28,951,701	98.90
Net other assets	1,150,483	2.06	321,663	1.10
Net assets attributable to shareholders	56,023,329	100.00	29,273,364	100.00

Cazenove UK Smaller Companies Fund

Authorised Corporate Director's investment report

Investment objective and policy

The Cazenove UK Smaller Companies Fund's ("the Fund") investment objective is to achieve long-term capital growth by investing primarily in UK smaller companies. The Fund will invest at least 80 per cent of its assets in UK listed companies that form the bottom 10 per cent by market capitalisation. The Fund may also invest in companies which are headquartered or have significant activities in the UK which are quoted on a stock exchange outside the UK.

The ACD seeks to invest in high quality smaller companies that are capable of producing shareholder value through above average growth in earnings and dividends over the medium-to long-term. The Fund should benefit from holding a broadly spread portfolio of such companies which will dilute the specific risk inherent in smaller company investment. The Fund will usually maintain a portfolio predominantly invested in equities. It is the intention of the ACD that transactions in derivative instruments may be entered into for efficient portfolio management purposes. Any transaction in derivatives would be undertaken on a covered basis. The borrowing powers permitted by the FSA Rules may be utilised from time to time.

Performance

Over the year to 31 December 2010, the Fund returned 33.1% (B Accumulation share class) against its benchmark of 16.9% (FTSE Small Cap Index (excluding investment trusts)).

Market review

After the sharp recovery from the lows of 2009 the smaller companies market continued the positive trend; being risky assets they fared well as the 'risk on' trade gained more sustained momentum as the year progressed. Overall market expectations for earnings growth in 2010 were too low at the beginning of the year and persistent upgrading of forecasts was the order of the day for most companies. The sector and fund performance was weighted to the second half, as investor confidence in full year earnings expectations increased. Larger cap fund managers appear to be showing some more interest in the sector and quarter four saw more retail investors being active which is a supportive trend. It was those positions with international exposure with some improving self help trends that performed most strongly for us. We did also benefit from some Merger and Acquisition (M&A) in the year, although perhaps the level of activity here was lower than many had expected at the beginning of the year.

Portfolio activity

In a year when the market's upward move was not always that convincing long term positions such as Xaar, Domino Printing Sciences, Elementis and Scapa were the most beneficial. All of these are international growth beneficiaries and the latter two definitively benefited from investors becoming much more comfortable with risk and legacy liabilities when they occur in company with improving profitability. A number of new entrants into the Fund such as Andor Technology, MP Evans and XP Power all had strong share price performance. The Fund also benefited from bid approaches for Nestor Healthcare and Scott Wilson in the year, both of which were good quality companies where the value to a trade buyers was much greater than that attributed by the public markets. We sold our position in e2v Technologies after a successful refinancing and Dignity after strong performance. We also exited Pace and Caretech as we expected a tougher trading environment in 2011.

Outlook

Currently the UK Smaller Companies Index, excluding loss makers, trades on a median forward price earning (p/e) multiple of 10.0x, with 13% earning per share (eps) growth and a forecast 3.8%*. This is clearly not an extravagant valuation but with earnings having grown over 60% last year on average for the majority of companies in the Fund we need to be diligent about the repeatability of earnings growth this year. Moreover we are unlikely to see the tailwind of low interest rates, restocking, favourable currency and analyst forecasts consistently too low that has driven so much of the performance in 2010. A reversal of some of these trends may well create headwinds for many of our investments in 2011. We may have called the return of M&A somewhat early last year but as the recovery proceeds and if large companies with strong balance sheets seek to bolster their own profits and market positions, this may be an important performance driver in 2011.

*Source: Altium securities (as at 31 December 2010).

Fund facts

	Accounting date	Distribution payment date
Interim	30 June	31 August
Final	31 December	28 February

Performance record

	31.12.10 £	31.12.09 £	Capital return % change	Total return % change
FTSE Small Cap Index (excluding investment trusts)*	2,631.48	2,327.93	13.04	16.90

* Source: DATASTREAM. Total return includes reinvested income; capital return excludes income.

	31.12.10 p	31.12.09 p	Share price % change	Total return % change (net of tax)
A Income**	149.13	112.79	32.22	33.80
A Accumulation**	160.25	119.78	33.79	33.79
B Accumulation**	152.12	114.28	33.11	33.11
X Accumulation**	167.43	124.82	34.14	34.14

** Source: Lipper. Total return includes net income reinvested (mid-mid, basic tax); capital return excludes income.

Total expense ratio

A total expense ratio ("TER") is shown which takes into account the management fee and all other operating expenses over the year and is expressed as a percentage of average daily assets over the same period.

	31.12.10 %	31.12.09 %
A Income	1.25	1.30
A Accumulation	1.26	1.41
B Accumulation	1.77	1.80
X Accumulation	1.00	1.03

Fund performance summary

Calendar year	Lowest price p	Highest price p	Distribution per share p
A Income			
2010	106.50	149.13	1.6183
2009	60.59	113.81	0.8874
2008	64.70	114.52	0.6807
2007	111.94	138.43	0.1345
2006*	87.24	118.86	0.0000
A Accumulation			
2010	113.49	160.25	1.7104
2009	64.00	120.88	0.8689
2008	68.18	120.21	0.6045
2007	117.46	145.18	0.0831
2006*	91.60	124.68	0.0000
B Accumulation			
2010	108.08	152.12	1.0353
2009	61.28	115.43	0.4561
2008	65.28	115.59	0.3622
2007*	113.00	140.05	0.0000
2006*	88.74	120.51	0.0000
X Accumulation			
2010	118.40	167.43	2.1431
2009	66.52	125.89	1.2186
2008	70.70	124.47	1.0583
2007	121.48	149.90	0.5001
2006	94.12	128.57	0.2195

* The share class did not pay a distribution during the year.

A Income, A Accumulation and X Accumulation shares were first issued on 2 July 1999 at a price of 59.98p.
B Accumulation shares were first issued on 25 February 2002 at a price of 72.11p.

Net asset value record

	Net asset value per share 31.12.10 p	31.12.09 p
A Income	146.36	110.62
A Accumulation	158.00	117.90
B Accumulation	149.98	112.49
X Accumulation	165.11	122.86

Top ten holdings

As at 31.12.10	Percentage of net assets %
Elementis	5.21
Xaar	5.18
John Menzies	3.80
Scapa	3.79
Booker	3.10
Patsystems	2.99
Cineworld	2.92
Filtrona	2.89
Holidaybreak	2.87
Andor Technology	2.86

As at 31.12.09	Percentage of net assets %
Immunodiagnostic Systems	4.58
Booker	4.41
Elementis	3.74
Omega Insurance	3.53
John Menzies	3.52
Novae	3.23
Filtrona	3.21
e2v Technologies	3.12
Pace	2.94
Patsystems	2.87

Portfolio summary

	As at 31.12.10		As at 31.12.09	
	Market value £	Net assets %	Market value £	Net assets %
Industrials	18,312,570	41.54	8,006,711	27.20
Technology	5,899,441	13.38	3,804,364	12.92
Financials	5,982,703	13.58	5,716,281	19.42
Consumer services	5,302,470	12.03	4,605,636	15.65
Basic materials	3,967,149	9.00	1,629,358	5.53
Health care	2,690,959	6.11	5,028,014	17.08
Consumer goods	889,688	2.01	133,000	0.45
Net investment assets	43,044,980	97.65	28,923,364	98.25
Net other assets	1,033,763	2.35	513,840	1.75
Net assets attributable to shareholders	44,078,743	100.00	29,437,204	100.00

Cazenove UK Corporate Bond Fund

Authorised Corporate Director's investment report

Investment objective and policy

The Cazenove UK Corporate Bond Fund ("the Fund") aims to achieve a high income return together with capital growth by investing primarily in fixed income instruments including bonds, notes of fixed and variable interest, preference shares, convertible and other securities issued by government, quasi-government, supranational, bank and corporate entities, and derivative instruments.

The Fund may use forward foreign currency exchange transactions, credit default swaps, interest rate and government bond futures, and other exchange traded and off exchange traded derivative contracts for the purposes of efficient portfolio management and/or meeting the investment objectives of the Fund. Such derivative contracts have the potential to significantly increase the Fund's risk profile.

The ACD employs a risk management process that seeks to control the volatility of Fund returns.

The Fund's net exposure to non-investment grade instruments, as determined by the ACD, may not exceed 20 per cent of net asset value.

Performance

The Fund returned 8.5% (B income share class) over the year compared to the Merrill Lynch 5-15 Year Gilt Index return of 9.0%. This was primarily attributable to the Fund's duration being shorter than the benchmark as yields fell.

Market review

After a bullish start to the year, credit markets began to panic over the credit worthiness of certain sovereign states and the possible negative implications for the European banking system. Greek 10 year government bonds traded at yields almost 10% higher than German bonds. With several countries announcing very tight fiscal plans to combat their ballooning deficits, investors pushed growth and inflation expectations lower. This saw credit spreads widen dramatically. Investors started pricing in more monetary easing, particularly in the US and gilt yields collapsed as investors sought "safe havens". The 10 year gilt yields fell from 4% to a trough of 2.8% in August – an all time low. The final push down coincided with Ireland tapping the EU and the IMF for emergency funding.

On average, investment grade credit spreads were largely unchanged on the year. Banks and sectors with high peripheral European exposures were the laggards with property related sectors doing the best.

Portfolio activity

The Fund reduced its exposure to gilts over the year as yields fell. The allocation to non-financial high yield bonds was increased. The sterling new issue market was much quieter than the previous year but the Fund did take part in several deals. Investment grade deals included: Rabobank, Tesco Property Finance, Great Rolling Stock, senior Co-op debt and National Express deals. Exposure to high yield was increased via purchases of Thomas Cook, Infinis (renewable energy), Ineos (chemicals), Eco-Bat (lead recycling), Wind (Italian telecom) and Convatec Healthcare (medical supplies).

The Fund built up holdings in Annington Finance (AAA rated and A rated tranches secured on MOD properties), BBB-rated, 16 year and Telereal (secured on BT phone exchanges). The duration fell from 6.4 to 6.2 versus the benchmark's 7.1.

Outlook

The global economic picture remains mixed but overall leading indicators have been strengthening modestly and inflationary pressures seem to be building.

Fundamentally, most AAA rated government bond markets look expensive compared to the consensus forecasts for growth and inflation over the next few years.

But, the UK has not yet started to feel the effects of the sharpest fiscal tightening in recent history.

Sterling bonds are likely to continue benefiting from enhanced safe-haven status given the still large uncertainties surrounding the health of some sovereign and bank debt markets.

Our views on corporate bonds have not changed substantially. That is, investment grade corporate bonds offer spreads above gilts that more than compensate for the likely level in defaults, but the majority of excess returns have been earned. We remain overweight in higher quality financial and asset backed bonds subject to extensive due diligence.

Fund facts

	Accounting date	Distribution payment date
Interim	N/A	31 May
Interim	30 June	31 August
Interim	N/A	30 November
Final	31 December	28 February

Performance record

	31.12.10 £	31.12.09 £	Capital return % change	Total return % change
Merrill Lynch 5-15 Yr Gilt Index*	105.16	100.83	4.29	9.03

* Source: DATASTREAM. Total return includes reinvested income; capital return excludes income.

	31.12.10 p	31.12.09 p	Share price % change	Total return (net of tax) % change
A Income**	54.96	52.85	3.99	8.78
A Accumulation**	93.57	86.01	8.79	8.79
B Income**	56.47	54.44	3.73	8.51
X Accumulation**	97.56	89.45	9.07	9.07

** Source: Lipper. Total return includes net income reinvested (mid-mid, basic tax); capital return excludes income.

Total expense ratio

A total expense ratio ("TER") is shown which takes into account the management fee and all other operating expenses over the year and is expressed as a percentage of average daily assets over the same period.

	31.12.10 %	31.12.09 %
A Income	0.85	0.86
A Accumulation	0.84	0.88
B Income	1.09	1.09
X Accumulation	0.57	0.58

Fund performance summary

Calendar year	Lowest price p	Highest price p	Distribution per share p
A Income			
2010	52.31	57.33	2.4939
2009	46.94	53.71	2.2507
2008	47.02	55.19	2.5935
2007	53.13	57.10	2.4802
2006	56.81	60.68	2.4601
A Accumulation			
2010	86.10	96.89	4.1845
2009	74.48	87.42	3.5967
2008	73.03	82.58	3.9476
2007	77.68	82.05	3.5947
2006	79.41	83.19	3.4054
B Income			
2010	53.89	58.95	2.5697
2009	48.45	55.34	2.3325
2008	48.58	57.14	2.6890
2007	55.08	59.24	2.5763
2006	59.04	63.13	2.5648
X Accumulation			
2010	89.55	100.90	4.3663
2009	77.28	90.91	3.7691
2008	75.70	85.38	4.1271
2007	80.20	84.83	3.7571
2006	81.72	85.48	3.5639

A Income and A Accumulation shares were first issued on 2 July 1999 at a price of 57.66p.
X Accumulation shares were first issued on 19 December 2000 at a price of 62.13p.
B Income shares were first issued on 25 February 2002 at a price of 60.15p.

Net asset value record

	Net asset value per share 31.12.10 p	31.12.09 p
A Income	54.03	51.87
A Accumulation	93.04	85.38
B Income	55.51	53.44
X Accumulation	97.02	88.80

Top ten holdings

As at 31.12.10	Percentage of net assets %
Coventry Building Society 6% Senior Unsecured Notes 16/10/2019	1.91
Svenska Handelsbanken 5.375% Undated Subordinated Step-Up Notes	1.68
National Bank of Abu Dhabi 5.875% European Medium Term Notes 27/02/2012	1.67
BUPA Finance 7.5% Senior Unsecured Notes 04/07/2016	1.62
Royal Bank of Scotland 6.934% Subordinated Notes 09/04/2018	1.61
GE Capital UK Funding 5.625% Bonds 25/04/2019	1.59
Nationwide Building Society 5.625% Medium Term Notes 09/09/2019	1.51
Iberdrola 7.375% European Medium Term Notes 29/01/2024	1.50
Treasury 5% Stock 07/03/2025	1.49
UBS 6.375% Senior Medium Term Notes 20/07/2016	1.46

As at 31.12.09	Percentage of net assets %
European Investment Bank 8.75% Bonds 25/08/2017	3.29
Treasury 5% Stock 07/03/2018	2.27
Coventry Building Society 6% Senior Unsecured Notes 16/10/2019	1.53
QBE Insurance 6.125% Medium Term Notes 28/09/2015	1.43
GE Capital UK Funding 5.125% Bonds 03/03/2015	1.38
JPMorgan Chase & Co 6.125% Bonds 01/04/2014	1.33
Nationwide Building Society 5.625% Medium Term Notes 09/09/2019	1.28
European Investment Bank 4.125% Medium Term Notes 07/12/2017	1.28
Svenska Handelsbanken 5.375% Undated Subordinated Step-Up Notes	1.28
Iberdrola 7.375% European Medium Term Notes 29/01/2024	1.27

Portfolio summary

	As at 31.12.10		As at 31.12.09	
	Market value £	Net assets %	Market value £	Net assets %
United Kingdom corporate bonds	154,099,638	58.65	137,983,170	43.73
Overseas corporate bonds	90,299,640	34.44	138,679,814	43.95
United Kingdom government bonds	3,901,382	1.49	10,494,130	3.33
Overseas government bonds	1,985,212	0.76	14,410,408	4.57
United Kingdom equities	178,100	0.07	252,200	0.08
Derivatives	(1,523,217)	(0.59)	(499,323)	(0.17)
Net investment assets	248,940,755	94.82	301,320,399	95.49
Net other assets	13,591,180	5.18	14,232,010	4.51
Net assets attributable to shareholders	262,531,935	100.00	315,552,409	100.00

Cazenove European Fund

Authorised Corporate Director's investment report

Investment objective and policy

The Cazenove European Fund's ("the Fund") investment objective is to achieve long term capital growth by investing in any or all European markets, excluding the UK, and any or all economic sectors.

The Fund aims to maximise the overall rate of return with capital growth as the primary goal. The ACD seeks to invest in a diversified list of companies. Industry groups exhibiting above average growth prospects, strong financial characteristics and proven management are emphasised. A stock selection process seeks to balance value and growth without imposing restrictions upon the size of market capitalisation. Additional diversification is provided by a flexible country allocation strategy.

Performance

Over the year the Fund returned +0.8% (B Accumulation share class) compared to the FTSE W Europe (ex. UK Index), return of +5.8.

Market review

2010 was a more difficult year for equities after the big recovery in 2009. However, the dispersions in returns were large, especially by country, but also by sector. The peripheral markets in Spain, Ireland, Italy, and Portugal suffered badly as sovereign debt fears surfaced, while the northern European countries such as Sweden and Germany flourished. Cyclical and global growth sectors also performed very well with autos and luxury goods leading the charge, while more domestic industries such as pharmaceuticals, utilities, telecommunications, and financials were left behind. The Euro crisis remains unresolved as we enter 2011.

Portfolio activity

Having brought the beta back in January of 2010 in anticipation of weaker returns, the portfolio was left with too little cyclical and global growth exposure for the year. As we moved into the second half of 2010 we did start to increase our holdings in the growth and consumer business cycle styles, which tend to perform best immediately after the recovery phase. Within the domestic defensive sectors we have narrowed and concentrated our stock exposure, for example focusing on Novartis and Bayer in the pharmaceutical industry. During the year, holdings were increased in Novartis and Bayer, while Danone and BBVA were added to the portfolio. Investments in Roche were reduced and Societe Generale was completely sold.

Outlook

2009–10 saw the biggest pro-cyclical relative price move in our careers, and to expect a precise continuation in 2011 is risky. Real bond yields are rising in the west, while inflation is picking up in the east. We expect this to crimp the performance of 2010's success sectors, so we enter 2011 with a mixture of defensive and global consumer growth stock in our top ten overweight positions.

Fund facts

	Accounting date	Distribution payment date
Interim	30 June	N/A
Final	31 December	28 February

Performance record

	31.12.10 £	31.12.09 £	Capital return % change	Total return % change
FTSE W Europe (Ex. UK) Index*^	382.26	373.74	2.28	5.75

* Source: DATASTREAM. Total return includes reinvested income; capital return excludes income.
^ This relates to the FTSE World Index.

	31.12.10 p	31.12.09 p	Share price % change	Total return % change (net of tax)
A Accumulation**	439.17	433.52	1.30	1.30
B Accumulation**	422.72	419.47	0.77	0.77
X Income**	454.21	464.66†	(2.25)	(1.96)
X Accumulation**	454.19	447.16	1.57	1.57

** Source: Lipper. Total return includes net income reinvested (mid-mid, basic tax); capital return excludes income.

† As at 1 April 2010, the share class launch date.

Total expense ratio

A total expense ratio ("TER") is shown which takes into account the management fee and all other operating expenses over the year and is expressed as a percentage of average daily assets over the same period.

	31.12.10 %	31.12.09 %
A Accumulation	1.09	1.11
B Accumulation	1.58	1.59
X Income	0.82	–
X Accumulation	0.83	0.84

Net asset value record

	Net asset value per share	
	31.12.10 p	31.12.09 p
A Accumulation	435.80	431.68
B Accumulation	419.47	417.38
X Income	443.74	–
X Accumulation	450.70	445.56

Fund performance summary

Calendar year	Lowest price p	Highest price p	Distribution per share p
A Accumulation			
2010	378.59	453.29	6.5225
2009	286.82	451.01	8.1319
2008	300.14	431.00	8.3659
2007	364.37	421.29	4.8513
2006	301.44	365.14	3.9065
B Accumulation			
2010	365.30	437.93	4.4935
2009	278.38	436.76	6.1607
2008	291.71	419.54	6.8863
2007	356.78	410.74	2.9440
2006	295.87	357.65	2.3532
X Income			
2010	391.04	466.49	7.0550
X Accumulation			
2010	391.03	467.87	7.6064
2009	295.32	464.99	9.5080
2008	308.80	443.03	9.1835
2007	373.44	432.85	6.0873
2006	308.44	374.18	5.0614

A Accumulation and X Accumulation shares were first issued on 2 July 1999 at a price of 241.21p.

B Accumulation shares were first issued on 25 February 2002 at a price of 217.60p.

X Income shares were first issued on 1 April 2010 at a price of 464.66p.

Top ten holdings

As at 31.12.10	Percentage of net assets %
Novartis (Registered)	5.63
Danone	3.55
Sanofi-Aventis	3.46
Nestle	3.44
France Telecom	3.14
Total	3.05
Bayer	2.95
Heineken	2.77
Svenska Handelsbanken 'A'	2.72
Unilever	2.70

As at 31.12.09	Percentage of net assets %
Novartis (Registered)	4.40
Roche	3.60
Sanofi-Aventis	3.51
France Telecom	3.01
Reed Elsevier	2.68
Heineken	2.66
Red Electrica de Espana	2.65
Enagas	2.54
Julius Baer Gruppe	2.54
Allianz (Registered)	2.53

Portfolio summary

	As at 31.12.10		As at 31.12.09	
	Market value £	Net assets %	Market value £	Net assets %
France	285,258,527	27.92	165,933,423	21.64
Switzerland	209,891,176	20.54	135,579,945	17.68
Germany	138,845,932	13.59	114,474,728	14.92
Netherlands	117,602,926	11.51	100,641,004	13.12
Spain	54,721,291	5.35	93,232,151	12.16
Italy	47,109,463	4.61	31,319,714	4.08
Sweden	43,090,343	4.22	-	-
Belgium	38,485,267	3.77	14,424,411	1.88
Norway	11,841,030	1.16	17,647,969	2.30
Finland	11,217,308	1.10	14,040,607	1.83
Luxembourg	9,581,220	0.94	-	-
Portugal	6,057,707	0.59	3,400,380	0.44
United Kingdom	4,202,114	0.41	-	-
Austria	2,098,033	0.21	-	-
United States of America	63	-	61	-
Denmark	-	-	8,397,715	1.09
Greece	-	-	8,525,139	1.12
Ireland	-	-	2,486,835	0.32
Derivatives	-	-	(132,424)	(0.02)
Net investment assets	980,002,400	95.92	709,971,658	92.56
Net other assets	41,722,489	4.08	57,054,132	7.44
Net assets attributable to shareholders	1,021,724,889	100.00	767,025,790	100.00

Cazenove UK Growth and Income Fund

Authorised Corporate Director's investment report

Investment objective and policy

The Cazenove UK Growth and Income Fund ("the Fund") aims to achieve long term capital and income growth through investment primarily in the United Kingdom. Investments will be made predominantly in UK equities, fixed interest and other securities.

Performance

The Fund returned +15.5% (B Accumulation share class) against a total return rise in the benchmark of +14.5% (FTSE All Share Index).

Key positive sector influences included overweights in the outperforming personal goods and oil services sectors while strong stock contributions included overweights in Supergroup and VT. Sector negatives included the overweight in pharmaceuticals and underweight in outperforming mining and mobile telecommunications. Overweight in Eaga and Premier Foods were negatives and the underweight in BHP Billiton was unsuccessful.

Market review

The FTSE All Share returned +14.5% against +12.6% for the FTSE 100 and +27.4% and +16.9% for the FTSE 250 and Small cap respectively. The best performing sectors were electronic and electrical (+89.9%), automobiles (+89.9%) and personal goods (+76.1%) as investors sought earnings upside. General retailers (-3.3%) and pharmaceuticals (-1.3%) underperformed, the latter because of its defensiveness. (All performance numbers are stated on an absolute basis).

Portfolio activity

Feeling that economic growth was likely to be subdued, we increased exposure to the inexpensive growth, value defensive and growth defensive style groupings with new holdings in stocks such as Sage, Carphone Warehouse, Compass, Smith & Nephew and additions to Unilever and GlaxoSmithKline. Given this economic view, we sold expensive looking cyclicals such as Wolseley, Ashtead and Smiths. Mid-year market weakness provided the opportunity to buy some cheap late cyclical stocks such as Charter International and Invensys including undervalued commodity plays EnQuest and BP. Towards the end of the year we took profits on successful high-beta investments in GKN, Jupiter Fund Management and Xstrata and also bought growth stock Regus and growth defensives Compass and G4S.

Outlook

We continue to believe that the burden of debt will lead to sluggish medium-term economic growth and note that globally loose monetary and fiscal policies cannot continue indefinitely. Inflationary pressures are likely to prompt rising bond yields and interest-rate rises while deficit reduction will bring fiscal tightening. In this environment, we will continue to be overweight growth, growth defensives and value defensives with resilient prospects and cheap valuations.

Fund facts

	Accounting date	Distribution payment date
Interim	30 June	31 August
Final	31 December	28 February

Performance record

	31.12.10 £	31.12.09 £	Capital return % change	Total return % change
FTSE All Share Index*	3,062.85	2,760.80	10.94	14.51

* Source: DATASTREAM. Total return includes reinvested income; capital return excludes income.

	31.12.10 p	31.12.09 p	Share price % change	Total return % change (net of tax)
A Income**	164.73	146.77	12.24	16.13
A Accumulation**	213.18	183.62	16.10	16.10
B Income**	158.35	141.80	11.67	15.55
B Accumulation**	205.32	177.72	15.53	15.53
X Income**	168.23	149.51	12.52	16.43
X Accumulation**	217.94	187.22	16.41	16.41

** Source: Lipper. Total return includes net income reinvested (mid-mid, basic tax); capital return excludes income.

Total expense ratio

A total expense ratio ("TER") is shown which takes into account the management fee and all other operating expenses over the year and is expressed as a percentage of average daily assets over the same period.

	31.12.10 %	31.12.09 %
A Income	1.08	1.08
A Accumulation	1.09	1.11
B Income	1.58	1.57
B Accumulation	1.58	1.56
X Income	0.82	0.81
X Accumulation	0.82	0.81

Fund performance summary

Calendar year	Lowest price p	Highest price p	Distribution per share p
A Income			
2010	131.33	165.89	4.5146
2009	94.77	149.06	4.7272
2008	103.00	172.80	6.4183
2007	162.35	188.03	5.5733
2006	152.71	175.73	5.2351
A Accumulation			
2010	169.95	214.67	5.7545
2009	116.01	186.49	5.7885
2008	123.12	201.51	7.5220
2007	186.70	212.61	6.3246
2006	167.34	196.02	5.7223
B Income			
2010	126.56	159.48	4.3481
2009	91.94	144.09	4.5725
2008	100.10	168.64	6.2493
2007	158.74	184.02	5.4588
2006	150.21	172.40	5.1459
B Accumulation			
2010	164.09	206.79	5.5770
2009	112.70	180.61	5.6630
2008	119.81	196.79	7.3766
2007	182.71	208.22	6.2222
2006	164.68	192.44	5.6752
X Income			
2010	133.97	169.41	4.6111
2009	96.34	151.80	4.8184
2008	104.61	175.15	6.5204
2007	164.39	190.32	5.6441
2006	154.17	177.65	5.2995
X Accumulation			
2010	173.53	219.46	5.9146
2009	118.00	190.07	5.9598
2008	125.09	204.38	7.7004
2007	189.15	215.30	6.4349
2006	168.92	198.23	5.8453

All share classes were first issued on 31 December 2002 at a price of 100.00p.

Net asset value record

	Net asset value per share 31.12.10 p	31.12.09 p
A Income	161.98	144.63
A Accumulation	212.06	183.62
B Income	155.71	139.74
B Accumulation	204.25	177.72
X Income	165.42	147.34
X Accumulation	216.80	187.22

Top ten holdings

As at 31.12.10	Percentage of net assets %
BP	6.18
GlaxoSmithKline	5.08
Anglo American	3.90
BG	3.76
Royal Dutch Shell 'B'	3.63
British American Tobacco	3.52
HSBC	3.41
AstraZeneca	3.31
Tesco	3.19
Xstrata	2.98

As at 31.12.09	Percentage of net assets %
BP	6.98
GlaxoSmithKline	5.97
HSBC	4.08
BG	3.85
AstraZeneca	3.60
British American Tobacco	3.58
Royal Dutch Shell 'B'	3.55
Tesco	3.30
Anglo American	2.65
Vodafone	2.50

Portfolio summary

	As at 31.12.10		As at 31.12.09	
	Market value £	Net assets %	Market value £	Net assets %
Oil and gas	95,375,615	18.81	92,697,587	18.03
Financials	81,816,243	16.15	65,494,388	12.75
Consumer services	63,202,916	12.46	79,975,580	15.57
Industrials	53,142,359	10.49	70,607,139	13.74
Health care	52,029,142	10.27	53,675,170	10.45
Basic materials	51,652,671	10.19	32,480,443	6.32
Consumer goods	49,200,705	9.71	50,788,196	9.88
Telecommunications	22,740,509	4.49	29,800,041	5.80
Technology	18,005,115	3.56	-	-
Utilities	11,458,615	2.26	26,093,591	5.08
Net investment assets	498,623,890	98.39	501,612,135	97.62
Net other assets	8,168,940	1.61	12,250,352	2.38
Net assets attributable to shareholders	506,792,830	100.00	513,862,487	100.00

Cazenove UK Dynamic Fund

Authorised Corporate Director's investment report

Investment objective and policy

The investment objective of the Cazenove UK Dynamic Fund ("the Fund") is to achieve long-term capital growth by investment in an actively managed portfolio of United Kingdom equities. Investment will be made primarily in any economic sector of the UK market but may extend to other geographic areas.

Performance

Over the year ended 31 December 2010, the Fund (B Accumulation share class) returned 8.3% against a total return rise in the benchmark (FTSE All Share Index) of 14.5%.

Market review

The FTSE All Share Index returned 14.5% versus 12.6% for the FTSE 100 Index, and 27.4% and 16.9% for the FTSE 250 and Small Cap Indices respectively. Cyclical and high beta growth sectors continued to lead the market higher as investors sought out recovery stocks likely to benefit from the massive monetary and fiscal stimuli poured into global economies by governments. Electronics and autos led the way both up 71.2%, with personal goods +58.8%, industrials +57.5% and technology hardware +48.5%. A mixture of defensive and financials sectors including banks fell 10%, healthcare and pharmaceuticals both fell 11% and general retailers ended the year down 12.8%. (All performance numbers are relative to the FTA All Share Index)

Portfolio activity

Following the departure of the Fund's previous manager Neil Pegrum in April, it is our intention to manage the Fund on the same model as the UK Opportunities Fund. This Fund is run without sizeable exposure to the small cap sector of the market but returns are competitive with the UK Dynamic Fund, notably on a risk adjusted basis. Since the previous manager's departure the Fund's assets have shrunk from £123m to £69m at the year end. Most of the redemptions were made in the last week of April and we acted swiftly to raise cash levels and sought minimal share price disruption. Commonality between the two funds is now over 98% up from 32% when I took over the Fund. Details of the UK Opportunities Fund can be found on our website www.cazenovecapital.com.

Our cautious outlook on the strength and durability of global economic recovery led us to maintain a defensive core to your portfolio throughout the year. We continued to add to positions in lowly rated and highly cash generative business such as GlaxoSmithKline, Morrison (WM) and Unilever and stayed underweight mining stocks where high commodity prices – which we think are unsustainable – give the illusion of value. During the year, we sold cyclical assets BBA Aviation, Wolseley and Rio Tinto. We also sold holdings in more defensive assets which has done well - Smith & Nephew, Synergy Health, SSL International and Pearson. In addition, as part of the changes referred to above, we sold most of the portfolio exposure to smaller companies. This included sales of AEA Technology, British Polythene Industries, Cosalt, CVS, Johnson Service, May Gurney, Micro Focus International, Pace and Trinity Mirror.

Weak stock selection amongst smaller companies was unhelpful with poor returns from Record, Trinity Mirror, Promethean World and Rotala. These offset good returns from cyclical stocks such as Elementis and Melrose and also from significant under weight positions in BP and HSBC, which performed poorly over the year.

Outlook

The UK market has rallied hard into signs of an improving US economy and ignored both further monetary tightening in the east and rapidly rising bond yields in the west.

We wrote last year that we expected central banks would start to raise interest rates to more normal levels as growth recovered. The east is responding as inflation has appreciated to potentially destabilising levels but the Federal Reserve and the Bank of England continue to hold interest rates down at pre-crisis levels despite firmer signs of recovery.

Recent trends in US economic data are encouraging with private sector jobs growth strengthening signs that credit is starting to reach smaller businesses and recent ISM (Institute for Supply Management) data has indicated that demand is recovering, thereby reducing the risk of a double-dip inventory correction. At present the Federal Reserve say they do not see price pressures building rapidly but US treasury yields have had a big move up (about 100 basis points) since the second round of quantitative easing in the US, as improving growth sits uneasily with very loose monetary policy.

As a consequence we are not minded to materially change our defensive portfolio structure. We expect growth rates to ease in the east whilst the west should continue to gently improve. Many economically sensitive stocks have recovered strongly and bullish earnings forecasts will need to be exceeded if current multiples are to hold. Whilst we are finding fewer opportunities in this area of the market we are becoming more interested in financials which have significantly lagged the recovery in risk assets.

Fund facts

	Accounting date	Distribution payment date
Interim	30 June	N/A
Final	31 December	28 February

Performance record

	31.12.10 £	31.12.09 £	Capital return % change	Total return % change
FTSE All Share Index*	3,062.85	2,760.80	10.94	14.51

* Source: DATASTREAM. Total return includes reinvested income; capital return excludes income.

	31.12.10 p	31.12.09 p	Share price % change	Total return % change (net of tax)
B Accumulation**	180.98	167.09	8.31	8.31
X Accumulation**	186.97	171.77	8.85	8.85

** Source: Lipper. Total return includes net income reinvested (mid-mid, basic tax); capital return excludes income.

Total expense ratio

A total expense ratio ("TER") is shown which takes into account the management fee and all other operating expenses over the year and is expressed as a percentage of average daily assets over the same period.

	31.12.10 %	31.12.09 %
B Accumulation	1.67	1.65
X Accumulation	1.17	1.13

Net asset value record

	Net asset value per share	
	31.12.10	31.12.09
	p	p
B Accumulation	179.95	166.18
X Accumulation	185.91	170.84

Fund performance summary

Calendar year	Lowest price	Highest price	Distribution per share
	p	p	p
B Accumulation			
2010	150.24	181.73	2.4477
2009	86.71	170.31	2.3062
2008	102.10	159.70	1.6245
2007*	153.82	186.63	0.0000
2006	129.77	157.76	0.1842
X Accumulation			
2010	154.83	187.73	3.3788
2009	88.76	174.97	3.0732
2008	104.36	162.45	2.3727
2007	156.43	189.40	0.8023
2006	131.07	159.63	0.8799

* The share class did not pay a distribution during the year.
All share classes were first issued on 1 October 2004 at a price of 100.00p.

Top ten holdings

As at 31.12.10	Percentage of net assets
	%
GlaxoSmithKline	6.54
Barclays	4.83
Galiform	4.09
AstraZeneca	4.04
Melrose	4.01
Babcock International	3.66
RSA Insurance	3.62
Unilever	3.49
Morrison (WM)	3.26
BP	3.26

As at 31.12.09	Percentage of net assets
	%
GlaxoSmithKline	8.39
Booker	7.99
Reed Elsevier	5.05
BP	4.56
Filtrona	4.53
Hansteen	3.82
Royal Dutch Shell 'B'	3.27
Pace	3.22
Omega Insurance	3.14
RSM Tenon	2.74

Portfolio summary

	As at 31.12.10		As at 31.12.09	
	Market value	Net assets	Market value	Net assets
	£	%	£	%
Financials	16,055,198	23.19	25,298,781	21.75
Consumer services	14,096,249	20.36	30,393,519	26.14
Industrials	13,973,423	20.17	16,295,062	13.99
Health care	7,663,047	11.07	10,617,157	9.13
Consumer goods	5,629,270	8.13	-	-
Oil and gas	5,298,838	7.65	13,984,900	12.02
Basic materials	2,590,038	3.74	4,111,853	3.53
Technology	2,570,787	3.71	9,311,985	8.00
Net investment assets	67,876,850	98.02	110,013,257	94.56
Net other assets	1,371,213	1.98	6,323,162	5.44
Net assets attributable to shareholders	69,248,063	100.00	116,336,419	100.00

Cazenove UK Equity Income Fund

Authorised Corporate Director's investment report

Investment objective and policy

The UK Equity Income Fund ("the Fund") aims to provide a high level of income together with long term capital growth by investing predominantly in United Kingdom equities. Whilst the Fund will invest primarily in United Kingdom equities it may also invest in fixed interest securities, cash, deposits and money market instruments and in other markets.

Performance

Over the year to 31 December 2010 the Fund returned 17.3% (B Income share class) against a rise in the benchmark of 14.5% (FTSE All Share Index).

Market review

Markets delivered another positive return in 2010 boosted by strong economic growth in China and a recovery in US activity aided by another phase of "quantitative easing" and the maintenance of the Bush era tax cuts.

Despite the deterioration of European sovereign debt markets which required bail-outs for both Greece and Ireland, UK equities delivered a solid return of over +10% led higher by the Mid Cap +24% and Small Cap +13% in capital terms. The more defensive FTSE 100 remained the laggard, up only +9% in the year. At the sector level industrial and commodity cyclicals outperformed with electronics, autos and chemicals amongst the best performers. Underperformers included general retailers, oil & gas producers and pharmaceuticals.

Portfolio activity

Over the year the Fund has added to more growth orientated positions; a new holding in AZ Electronic Materials and additions to core holdings in Filtrona, Babcock International and Sage. Within financials the holding in Barclays was sold and the Fund established a position in Jupiter Fund Management at initial public offering (IPO). The Fund remains broadly defensive, with an above market yield portfolio, positioned albeit, with selective growth orientated holdings.

Outlook

While industrial and commodity cyclicals have led the market in 2009 and 2010 we expect this momentum to wane into 2011 as the impact of government programmes to support growth begin to fade and interest rates globally tighten as inflation moves higher. In this environment we anticipate that the more growth and growth-defensive assets, which are less dependent on the cycle for earnings growth, should start to outperform.

Fund facts

	Accounting date	Distribution payment date
Interim	30 June	31 August
Final	31 December	28 February

Performance record

	31.12.10 £	31.12.09 £	Capital return % change	Total return % change
FTSE All Share Index*	3,062.85	2,760.80	10.94	14.51

* Source: DATASTREAM. Total return includes reinvested income; capital return excludes income.

	31.12.10 p	31.12.09 p	Share price % change	Total return (net of tax) % change
A Income**	119.86	106.73	12.30	17.88
B Income**	116.45	104.20	11.76	17.32
X Income**	121.78	108.32	12.43	18.08

** Source: Lipper. Total return includes net income reinvested (mid-mid, basic tax); capital return excludes income.

Total expense ratio

A total expense ratio ("TER") is shown which takes into account the management fee and all other operating expenses over the year and is expressed as a percentage of average daily assets over the same period.

	31.12.10 %	31.12.09 %
A Income	1.23	1.27
B Income	1.71	1.77
X Income	0.91	0.91

Net asset value record

	Net asset value per share	
	31.12.10 p	31.12.09 p
A Income	117.44	104.29
B Income	114.10	101.85
X Income	119.38	105.79

Fund performance summary

Calendar year	Lowest price p	Highest price p	Distribution per share p
A Income			
2010	96.46	120.76	4.6527
2009	72.70	107.56	4.9468
2008	78.21	129.15	5.2322
2007	119.00	136.94	4.4618
2006	112.11	129.75	4.2207
B Income			
2010	93.93	117.33	4.5533
2009	71.29	105.07	4.8361
2008	76.81	127.38	5.1228
2007	117.60	135.44	4.4036
2006	111.44	128.63	4.1553
X Income			
2010	98.00	122.68	4.6758
2009	73.59	109.11	5.0891
2008	79.12	130.33	5.3976
2007	119.97	138.02	4.5647
2006	112.70	130.61	4.3480

All share classes were first issued on 6 May 2005 at a price of 100.00p.

Top ten holdings

As at 31.12.10	Percentage of net assets %
GlaxoSmithKline	5.35
Vodafone	5.27
Rio Tinto	5.10
British American Tobacco	4.48
BP	4.23
Royal Dutch Shell 'B'	3.36
AstraZeneca	3.32
BT	2.87
Imperial Tobacco	2.68
Compass	2.64

As at 31.12.09	Percentage of net assets %
BP	6.87
GlaxoSmithKline	5.74
Vodafone	5.42
AstraZeneca	4.53
British American Tobacco	4.52
Rio Tinto	3.65
HSBC	3.25
Centrica	2.31
Daily Mail & General Trust 'A'	2.15
Compass	2.04

Portfolio summary

	As at 31.12.10		As at 31.12.09	
	Market value £	Net assets %	Market value £	Net assets %
Financials	7,390,901	16.79	8,333,689	19.08
Industrials	6,838,415	15.54	6,662,671	15.24
Consumer services	5,580,845	12.67	6,635,898	15.21
Oil and gas	4,856,630	11.03	4,473,145	10.24
Consumer goods	4,583,925	10.42	3,216,165	7.36
Basic materials	3,953,350	8.98	3,457,481	7.92
Health care	3,816,750	8.67	4,482,520	10.27
Telecommunications	3,586,800	8.14	3,599,400	8.24
Utilities	1,918,370	4.35	2,614,012	5.99
Technology	1,126,250	2.56	-	-
Net investment assets	43,652,236	99.15	43,474,981	99.55
Net other assets	372,615	0.85	196,960	0.45
Net assets attributable to shareholders	44,024,851	100.00	43,671,941	100.00

Cazenove Strategic Bond Fund

Authorised Corporate Director's investment report

Investment objective and policy

The Cazenove Strategic Bond Fund ("the Fund") aims to generate a total return above Sterling cash interest rates, primarily through a flexible allocation to investment grade bonds, non-investment grade bonds and derivative instruments. The Fund may invest in rated and unrated securities including bonds, notes of fixed and variable interest, preference shares, equities, convertible and other securities issued by government, quasi-government, supranational, bank and corporate entities, and derivative instruments. The Fund may invest in cash, near cash and deposits without limitation.

The Fund may use forward foreign exchange transactions, futures, credit default swaps and other exchange traded and off-exchange traded derivative contracts for the purposes of efficient portfolio management and/or meeting the investment objectives of the Fund. Such derivative contracts have the potential to significantly increase the Fund's risk profile and may create leveraged exposure to the credit market. Investment in lower rated bonds or non-investment grade debt instruments may also expose the Fund to greater risk of default on individual securities than would normally be the case for a fund invested in higher grade fixed interest securities.

The ACD employs a risk management process that seeks to control the volatility of the Fund. Information about this process is available from the ACD.

Performance

The Fund (B Accumulation share class) returned +6.4% over 2010, compared to a return of 0.5% on three month UK Treasury Bills. The Fund's positive return came from a variety of sectors, including banks, services, and basic industries. Within the banking sector, our holding of Lloyds Enhanced Capital Notes and Royal Bank of Scotland bonds contributed positively, especially in the first quarter of 2010. In June the bond market's reaction to the Macondo oil spill provided an opportunity for the Fund to take new exposure to BP. This position, together with Pemex and Infinis helped make the energy sector an outperformer in 2010. The cyclical recovery of CMA, Eco-Bat and British Airways helped performance in the services sector.

Market review

Corporate bond prices rose sharply in 2010, outperforming the expectations of most market participants. The total gain on Merrill Lynch's Index of European high yield debt (HPC4) was 13%, compared to a loss of 2% on the DJ Euro-Stoxx 50 Index of leading shares. The recovery in global bond prices was supported by low interest rates and Central Bank purchases of government debt. Within the high yield market, insurance bonds lead the rally with a total return of +35%. Of the larger non-investment grade sectors, automotives returned +12%, banks +10% services +13%, basic industries +12% and media +12%.

Portfolio activity

During 2010 we added the first lien bonds of several high yield issuers. By way of example, we purchased the senior secured debt of Care UK, Sunrise Communications, Oxea, Ardagh Glass, Ineos Finance, New World Resources, Cable & Wireless, Virgin Media, Unity Media and TMD Friction.

We reduced bank exposure during 2010 from 22% to 18%, as investors were not fully compensated for subordination risks. While Basle-3 regulations are generally favourable for bond holders, the proposed European bank resolution directive may permit forced restructuring of fixed income securities.

Outlook

In 2011 economists expect stable interest rates and 3.5% global growth, led by the U.S. and emerging markets. But the tail risks are rising. The equity and credit markets are in 'risk-on' mode, but there are three possible events that could seriously derail a conventional recovery in investment appetite:

- (1) Debt restructuring in Europe may extend from the periphery to Spain and Italy. It is now accepted wisdom that Ireland and Greece will restructure bank or sovereign liabilities over the next three years. If Spain or Italy do the same, risk appetite will evaporate overnight.
- (2) Fiscal austerity programmes may trigger recession in northern Europe. UK and European growth forecasts are +2% and +1.6% respectively. But severe cut backs in the public sector need to be managed carefully, to avoid another recession.
- (3) Commodity-led inflation may force central banks to tighten aggressively in 2011. The US futures market is not pricing in any Federal Reserve Funds rate increase until 2012.

These three outcomes are described as tail risks, because they are each a low probability event. We therefore start the year with a constructive approach to credit markets, but a slightly lower average life. The portfolio term is currently 4.5 years, down from 5.4 years in January 2010.

Fund facts

	Accounting date	Distribution payment date
Interim	30 June	31 August
Final	31 December	28 February

Performance record

	31.12.10	31.12.09	Total return % change
3 month UK Treasury Bills*	0.50	0.52	0.50

* Source: DMO (Debt Management Office). Total return has been calculated on the duration of the year.

	31.12.10 p	31.12.09 p	Share price % change	Total return % change (net of tax)
A Income**	100.92	99.35	1.58	6.67
A Accumulation**	126.74	118.83	6.66	6.66
B Income**	100.07	98.78	1.31	6.39
B Accumulation**	126.38	118.78	6.40	6.40
X Income**	102.15	100.31	1.83	6.95
X Accumulation**	128.39	120.07	6.93	6.93

** Source: Lipper. Total return includes net income reinvested (mid-mid, basic tax); capital return excludes income.

Total expense ratio

A total expense ratio ("TER") is shown which takes into account the management fee and all other operating expenses over the year and is expressed as a percentage of average daily assets over the same period.

	31.12.10 %	31.12.09 %
A Income	0.84	0.86
A Accumulation	0.85	0.89
B Income	1.09	1.10
B Accumulation	1.09	1.10
X Income	0.59	0.60
X Accumulation	0.59	0.60

Fund performance summary

Calendar year	Lowest price p	Highest price p	Distribution per share p
A Income			
2010	95.99	102.05	4.7468
2009	79.81	99.45	4.7645
2008	80.38	97.93	5.7561
2007	97.58	101.67	5.0967
2006	99.41	101.92	3.5939
A Accumulation			
2010	117.87	128.16	5.8895
2009	93.01	118.95	5.6025
2008	90.20	106.82	6.3603
2007	103.02	105.64	5.3322
2006	99.93	102.99	3.6012
B Income			
2010	95.31	101.22	4.7117
2009	79.53	98.88	4.7510
2008	80.13	97.75	5.7643
2007	97.58	101.72	5.1076
2006	99.35	102.09	3.6099
B Accumulation			
2010	117.81	127.84	5.8863
2009	93.16	118.90	5.6559
2008	90.37	107.11	6.4085
2007	103.14	105.83	5.3492
2006	99.93	103.11	3.5418
X Income			
2010	97.04	103.24	4.8111
2009	80.37	100.40	4.8132
2008	80.93	98.47	5.8057
2007	97.93	101.98	5.1302
2006	99.48	102.11	3.6151
X Accumulation			
2010	119.10	129.78	5.9633
2009	93.71	120.18	5.6842
2008	90.86	107.45	6.4260
2007	103.24	106.10	5.3797
2006	99.93	103.20	3.6405

All share classes were first issued on 4 April 2006 at a price of 100.00p.

Net asset value record

	Net asset value per share 31.12.10 p	31.12.09 p
A Income	97.86	95.28
A Accumulation	125.92	116.84
B Income	97.04	94.72
B Accumulation	125.57	116.79
X Income	99.05	96.23
X Accumulation	127.56	118.06

Top ten holdings

As at 31.12.10	Percentage of net assets %
Allied Domecq Financial Services 6.625% Notes 18/04/2011	2.68
Treasury 0% Stock 17/01/2011	2.20
Treasury 0% Stock 10/01/2011	2.18
Impress Metal Packaging Floating Rate Notes 15/09/2013	2.08
3i 3.625% Convertible Bonds 29/05/2011	1.82
RSA Insurance 8.5% Cumulative Step-Up Perpetual Notes	1.74
UPC Germany GmbH 8.125% Senior Secured Notes 01/12/2017	1.67
Henderson 6.5% Bonds 02/05/2012	1.65
Treasury 0% Stock 21/02/2011	1.64
Bombardier 7.25% Senior Notes 15/11/2016	1.60

As at 31.12.09	Percentage of net assets %
Petroleos Mexicanos 8.25% Bonds 02/06/2022	2.14
3i 3.625% Convertible Bonds 29/05/2011	2.01
Allied Domecq Financial Services 6.625% Notes 18/04/2011	1.85
Impress Metal Packaging Floating Rate Notes 15/09/2013	1.80
F&C Finance 9% Notes 20/12/2016	1.79
Cable & Wireless 8.75% Bonds 06/08/2012	1.71
Vedanta Resources 6.625% Bonds 22/02/2010	1.70
Bombardier Floating Rate Notes 15/11/2013	1.66
UPC Germany GMBH 8.125% Senior Secured Notes 01/12/2017	1.60
HCA-Healthcare 8.75% Senior Notes 01/11/2010	1.58

Portfolio summary

	As at 31.12.10		As at 31.12.09	
	Market value £	Net assets %	Market value £	Net assets %
Overseas debt securities	250,977,618	43.81	142,641,805	45.26
United Kingdom corporate bonds	246,136,046	42.89	153,329,187	48.65
United Kingdom government bonds	34,510,098	6.02	-	-
Overseas equities	1,500,547	0.27	-	-
United Kingdom equities	741,569	0.12	447,040	0.14
Derivatives	(3,339,667)	(0.59)	3,073,976	0.97
Net investment assets	530,526,211	92.52	299,492,008	95.02
Net other assets	42,892,674	7.48	15,708,253	4.98
Net assets attributable to shareholders	573,418,885	100.00	315,200,261	100.00

Regulatory information and risk warnings

The contents of the Authorised Corporate Director's report are based upon sources of information believed to be reliable, however, save to the extent required by applicable law or regulations, no guarantee, warranty or representation (express or implied) is given as to its accuracy or completeness and Cazenove Investment Fund Management Limited, its directors, officers and employees do not accept any liability or responsibility in respect of the information or any recommendations expressed herein which, moreover, are subject to change without notice.

Nothing in this document should be deemed to constitute the provision of financial, investment or other professional advice in any way. Past performance is not a guide to future performance. The value of investments and the revenue from them can go down as well as up and an investor may not get

back the amount invested and may be affected by fluctuations in exchange rates. The levels and bases of, and reliefs from, taxation may change. You should obtain professional advice on taxation where appropriate before proceeding with any investment. You should be aware that investments in higher yielding bonds issued by borrowers with lower credit ratings may result in a greater risk of default and have a negative impact on revenue and capital value. Revenue payments may constitute a return of capital in whole or in part. Revenue may be achieved by foregoing future capital growth. You should be aware of the additional risks associated with investment in emerging and developing markets.

Cazenove Investment Fund Management Limited can only promote its own products and services.

Stamp duty reserve tax

The redemption of shares by a shareholder may result in CIFCo incurring a liability for stamp duty reserve tax ("SDRT"). The SDRT liability (if any) will be determined by reference to the nature of the relevant sub-fund's underlying investments and by the number of shares issued in the relevant sub-fund during the week in which the redemption occurs and in the following week.

The Authorised Corporate Director ("ACD") will, as permitted by the COLL and the Regulations, pay any liability for SDRT out of the capital property of the relevant sub-fund. The maximum amount of SDRT which will be due is 0.5% of the value of the shares redeemed.

The ACD may also, where it believes that it is in the overall best interests of shareholders to do so, impose an SDRT provision on large deals. The imposition of an SDRT provision will have the effect of increasing the cost of buying shares or reducing the proceeds on selling shares. The ACD does not at present intend to charge an SDRT provision on other transactions.

The amount of the SDRT provision will not exceed 0.5% of the value of the transaction before the imposition of the provision. If the ACD receives an SDRT provision in respect of any share bought or sold it shall, forthwith upon receipt of that SDRT provision, pay it to the Depositary to become part of the Company property.

Other information

Prospectus

The Prospectus for the Company has been prepared and is available from the ACD on request.

Report and Accounts

The long form version of the report is available on written request to the Corporate Communications Department, Cazenove Investment Fund Management Limited, 12 Moorgate, London EC2R 6DA.

The Company

Cazenove Investment Fund Company
12 Moorgate, London EC2R 6DA.

Authorised Corporate Director

Cazenove Investment Fund Management Limited
Registered office: 12 Moorgate, London EC2R 6DA.

The ACD is authorised and regulated by the Financial Services Authority.

Directors of Cazenove Investment Fund Management Limited

A J S Ross (Chairman)
R Jeffrey
R Minter-Kemp
C Sims
J W J Turnbull

Depositary

J.P. Morgan Trustee and Depositary Company Limited
Chaseside, Bournemouth BH7 7DA.

The Depositary is authorised and regulated by the Financial Services Authority.

Independent Auditors

PricewaterhouseCoopers LLP
Hay's Galleria, 1 Hay's Lane, London SE1 2RD.

Registrar

J.P. Morgan Europe Limited
Finsbury Dials, 20 Finsbury Street
London EC2Y 9AQ.

The Registrar is authorised and regulated by the Financial Services Authority.

Prior to 29 November 2010, the registrar was
The Bank of New York Mellon (International) Limited
12 Blenheim Place, Edinburgh EH7 5JH.

Administrator

J.P. Morgan Europe Limited
3 Lochside View, Edinburgh Park, Edinburgh EH12 9DH.

The Administrator is authorised and regulated by the Financial Services Authority.

For more information

Please telephone the Business Development Department at Cazenove Investment Fund Management Limited, on 020 3479 1000, or access the website at www.cazenovecapital.com.

