CAZENOVE
CAPITAL MANAGEMENT

CAZENOVE INVESTMENT FUND COMPANY

Interim short report (unaudited)
30th June 2011

Contents

* 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 interim report and financial statements for the Cazenove Investment Fund Company for the period ended 30 June 2011.

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
18 August 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 30 June 2011 CIFCo had the following sub-funds:

Cazenove Multi-Manager Diversity Balanced Fund

Cazenove UK Growth and Income Fund

Cazenove UK Opportunities Fund

Cazenove UK Dynamic Fund*

Cazenove UK Smaller Companies Fund

Cazenove UK Equity Income Fund

Cazenove UK Corporate Bond Fund

Cazenove Strategic Bond Fund

Cazenove European Fund

This document has been designed to show the individual results of all the sub-funds.

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.

*This sub-fund merged into the Cazenove UK Opportunities Fund on 20 May 2011.

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.

Introduction & general information (continued)

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 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 their 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 their 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.

Introduction & general information (continued)

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.

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

The Authorised Corporate Director ("ACD") presents its report and financial statements of the Company for the period ended 30 June 2011.

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 31.

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

On 20 May 2011, the Cazenove UK Dynamic Fund merged into the Cazenove UK Opportunities Fund. A new Prospectus was issued on this date.

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.

Economic and market overview

The economic backdrop

In the midst of the 2008/09 recession, we suggested that the ensuing recovery phase was likely to be characterised by two features: sub-trend growth in economies saddled by still excessive levels of debt and shorter economic cycles. Initially, as world manufacturing activity kicked in, it seemed as if growth would exceed our rather downbeat assessment prospects. However, the strength of the early upswing was misleading and almost entirely the result of companies rebuilding inventories. Since then, the pace of growth has slowed, in a development that has taken many economists and strategists by surprise. In part, this has reflected the impact of rising commodity prices (especially, but not only, oil). Against the backdrop of relatively low wage growth in western industrialised economies, rising inflation has had a widespread deflationary impact on demand. When quantitative easing was first introduced by central banks desperately seeking a solution, we cautioned that it was likely to have more impact on asset prices and wider inflationary trends than on real economic activity. We would argue that trends in commodity prices have been the proof of this. Indeed, these trends can be seen as providing evidence that quantitative easing is essentially self-defeating, if not counter-productive. Even in the absence of QE, however, it was to be expected that growth trends would eventually prove disappointing. In effect, during the credit boom, households and governments (and also some companies) increased consumption spending on the basis that this would be justified by future income growth and/or capital gains from rising asset prices. However, neither proved of sufficient strength to support the colossal amounts of debt that built up during that period. So, borrowing could have but one effect: that is, rather that being a one-off boost to consumption, it merely brought forward spending that otherwise would have taken place at a later time; that later time being, of course, now.

Nowhere is this more true than in Greece, which has dominated both newspaper headlines and market sentiment in Q2 2011. A government reshuffle prompted by the failure of the incumbent party to establish a 'unity government' with the opposition and a subsequent positive confidence vote, led to a narrow passing of an additional €28bn medium-term austerity package. It is arguable that this new austerity plan will be unachievable given the depth of the ongoing recession in Greece. However, at the current time, there remains sufficient political will to continue to push through austerity measures, but at a cost of increasing social unrest and it is possible that, for all the protestations over terms and conditions of the bail-out from Germany, Finland and other EMU politicians, it will eventually be Greece that opts itself out of the rescue plan. At the moment, this is not our base case, but it is a scenario that is gaining traction. For now, the medium-term plan has allowed the release of a €12bn disbursement from the EU and IMF bail-out funds, staving off the crisis until the next IMF compliance check in September. Before then, the Eurozone

Director's report (continued)

needs to agree a second package to cover the funding gap that still remains. An agreement that there now needs to be some private sector involvement (PSI) in any further (and necessary) bail-out for Greece has so far delayed negotiations. Positively, French and German banks have indicated that they would be prepared to rollover a reasonable proportion of shorter dated debt, while the Institute of International Finance (IIF) has announced that buybacks of Greek debt and resulting write-downs could be acceptable. All have certain conditions attached, but these proposals could well represent a step in the right direction. The nature of any PSI currently hinges on the ECB and ratings agencies. At the moment, Greek banks are able to borrow liquidity from the ECB using Greek government debt as collateral. This process will continue so long as the Greek government is not considered to be in default. At the time of writing, two of the three major agencies had hinted that they would consider current proposals for PSI as a credit event and rate Greek bonds as in 'selective default'. Whatever the outcome of ongoing negotiations, it now appears that there is a general and growing acceptance that the volume of Greek debt must be reduced if a disorderly default is to be avoided.

Outside Greece, the global economy has shown signs of slowing over the second quarter. This has been particularly true in the US, where recent real and survey data have been disappointing. Private payrolls, which had increased by an average of 240k over the three months from February to April, rose by just 83k in May. Job numbers can be volatile from month to month, but when combined with a slowdown in industrial output and a weakening in retail sales numbers, it appears that the US economy is experiencing a softening in economic activity. Disappointment in economic data has fed through to forecasts and Consensus Economics have shown downgrades to expectations for US GDP in 2011 to 2.5% in June from a high of 3.3% in February. More positively, the ISM manufacturing PMI for June surprised on the upside, increasing to 55.3 from 53.5 in May, giving some hope that the softness has been due to temporary factors of high oil prices and disruptions to the supply chain caused by the earthquake in Japan. It is still hoped that, as these factors fade, the nascent recovery in the smaller companies space will show signs of regaining some momentum.

Elsewhere in the US economy, although the initial agreement to raise the debt ceiling before the 2nd August deadline avoided a default, this did not reflect political unanimity on the fiscal changes that are required to return the US government's financial position to a sustainable level. It failed to lift the already fragile global sentiment and did not provide the needed confidence on political commitment to a long-term resolution. The equity market slumped subsequent to the unprecedented S&P downgrade of US debt rating from AAA to AA+. The debt limit debate comes at the same time as the end of the Federal Reserve's second round of quantitative easing (QE2). It currently seems unlikely that there will be a QE3, but we have been in a similar position to this before. Approximately 12 months ago, the global economy began to show signs of a slowdown until Chairman Ben Bernanke announced QE2 in August 2010 and we would therefore refrain from ruling out any further monetary expansion altogether. It is highly likely that any fiscal austerity measures will be postponed until after the presidential election in 2012 and we therefore expect fiscal policy in the US to remain accommodative over the near term.

Looking back at the UK, austerity measures are already beginning to look difficult to achieve. Low growth, high inflation and persistent high unemployment mean that the countercyclical automatic stabilisers which provide support during downturns, increasing the deficit, and then reduce the deficit in times of economic growth have remained a drag on deficit reduction. In fact, due to higher debt interest payments and tough comparisons with the one-off banks' bonus tax last year, government net borrowing in the current fiscal year has so far exceeded borrowing last year. This should improve as new measures begin to take effect and the bank levy begins to bring in additional revenues, but some slippage in the scale of the deficit reduction plan is anticipated. Whatever the outcome on the actual deficit reduction figures, reduced government expenditure is likely to provide a negative contribution to GDP growth over the medium term. On the other side, monetary policy is now expected to remain unchanged into 2012 despite the continuing rise in inflation. The weakening outlook for growth in the UK means that any chance the Bank of England had to raise interest rates seems to have diminished and we now feel that it is unlikely that the voting pattern on the MPC will change until past the end of the year.

Elsewhere in the economy, expenditure continues to look weak. Consumer sentiment has fallen through 2011 and expenditure, with the exception of goodwill surrounding the Royal Wedding in April, has remained subdued. Retail sales fell by -1.4% in May and early indicators for June suggest that the trend is for a reduction in household expenditure. As we have highlighted on a number of occasions, the gap between consumer price increases and average earnings growth continues to act as a squeeze on households' real purchasing power. Utilities price increases mean that CPI inflation is expected to rise to 5% over the summer from an already high 4.5% in May. It therefore remains extremely difficult to envisage a positive domestic consumption environment. More positively, one of the offsets to lower domestic consumption has been lower import growth and, over the first four months of 2011, the deficit has seen a reduction of £2.8bn. In fact, the reduction in the net trade deficit in Q1 2011 contributed +1.0% to first quarter GDP. Contributions to Q2 and beyond are likely to be somewhat smaller, but we continue to expect net trade to make a positive contribution to GDP for 2011. The other area for the economy which may see positive growth would come from a pick up in business investment. Corporate activity has so far been almost entirely within M&A, meaning a transfer rather than a creation of wealth. However, high cash balances on corporate balance sheets combined with very low levels of investment over the recessionary period should mean that we see a pick up in capital investment spending over the second half of the year. Overall, this means that we continue to expect low, but positive growth in the UK in 2011.

Director's report (continued)

Financial markets

Equities

Equity markets saw a difficult six months on the back of a weakening macroeconomic outlook combined with continuing high uncertainty surrounding the Eurozone debt crisis and ongoing political unrest in the MENA region. A sharp rally in the final week of June after the successful passing of the Greek austerity package meant that the half year was marginally positive overall for equities. The FTSE All Share returned +3.0%, slightly outperforming the Euro1st 300, which returned +1.7% and underperforming the S&P 500, which returned +6.0%. Market rotation towards defensive stocks away from cyclicals continued to be the overriding trend. Commodity and consumer cyclicals were the weakest style grouping, returning -3.8% and -8.5% relative to the FTSE All Share, while growth was the strongest grouping, returning +8.2% relative to the wider market.

Given the weakening global macroeconomic picture combined with a continued inflationary outlook, we would maintain our favour for developed market over emerging market equities. Within the developed market space, we would continue to look for exposure to faster growing areas of the global economy, thus avoiding western consumers, particularly those in the Eurozone periphery and the UK. Germany and northern Europe remain the areas with the strongest growth outlook, while the US may see a reacceleration over the second half of the year making these the most attractive investment areas on a relative basis. The international exposure of the UK equity market continues to make us feel more positive on the outlook for UK equities than we do for the domestic economy. Equities currently look fairly valued on an historical basis, but given the poor return offered by fixed income and the increasingly inflationary outlook, we would continue to favour equities over bonds. In the current environment of high uncertainty, we feel that our defensive bias will prove to be the correct one.

Fixed Income

After a poor start to the year, government bonds saw a positive second quarter, particularly in short to medium term maturities. The 10 year gilt yield fell to 3.4% from 3.7%, while two year yields are now below 1.0%. It is likely that the uncertainty surrounding the Eurozone sovereign debt crisis and the faltering economic outlook provided some support for 'safe-haven' government bonds and for as long as Greece continues to remain at the forefront of market news, we would expect government bond yields to remain low. However, we continue to view current yields as unattractive on both an inflation outlook and excess supply basis. The Debt Management Office is set to sell £162bn of gilts this year after £165bn last year. This is at the same time as the US Treasury will have to sell a glut of Treasuries to catch up on the current lack of debt issuance as a result of reaching the debt limit. With the Federal Reserve now no longer a large buyer of Treasuries, it is difficult to see further upside to government bonds. Aside from sovereign debt, selective issues of corporate bonds continue to present opportunities, particularly further up the risk scale in high yield bonds. Corporate bond spreads have widened over the second quarter due to the outperformance of government bonds and we see scope for a narrowing of spreads over the second half of the year.

Currencies

Expansionary monetary policy relative to other economies has meant that the dollar has underperformed the majority of other major currencies over the last twelve months. Now that QE2 has ended and we do not currently anticipate a QE3, we feel that the downward pressure on the dollar may ease. When combined with higher uncertainty over the global economic outlook, we feel that the dollar may begin to experience some positive momentum as investors seek the safe-haven status of the reserve currency. We therefore maintain our view that the dollar is likely to strengthen over 2011 as a whole. The outlook for the euro is rather more difficult to call given the range of pulls and drags from differing areas of the Monetary Union. So far, the positive growth outlook for the core combined with an increasing interest rate environment has outweighed the struggles in the periphery and the euro has remained relatively strong against other major currencies. Meanwhile, sterling continues to look vulnerable against a backdrop of low interest rates, a poor economic growth outlook and an extremely high government budget deficit.

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
18 August 2011

Directors' statement

This report was approved for publication on 18 August 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 0.3% (B Accumulation share class) versus the inhouse benchmark return of 2.1%, to underperform by 1.8% over the 6 months to 30th June 2011. Key positive performance came from investing in western equity markets, particularly holdings in Europe, UK and North America. In particular the Invesco Perpetual Income Fund (+5.6%), JO Hambro UK Opportunities Fund (+4.0%), JP Morgan US Equity Income Fund (+3.7%) and Neptune European Opportunities Fund (+5.7%) really captured the resurgence of these markets.

The porfolio's positions in fixed interest funds also proved to be beneficial, with good returns from M&G Optimal Income Fund (+3.1%) and Invesco Perpetual Tactical Bond Fund (+3.0%).

The detractors in the Fund were largely due to weaker Asian markets. During the period Japan experienced a huge earthquake which in itself was tragic, but the situation was worsened by the subsequent Tsunami which caused a nuclear meltdown at the Fukushima nuclear facility. The holding in GLG Japan Core Alpha Fund unsurprisingly struggled as the Japanese market fell strongly, to record -7.9% over the period. Asia ex Japan equity markets were weak following concerns about Chinese inflation, but the First State Asia Pacific Leaders Fund managed to limit losses to -0.5% over the period to beat the vast majority of funds in this area.

Market review

The 6 month period to the end of June 2011 saw two very distinct market environments. Firstly, the initial phase continued the strong returns seen towards the end of 2010 caused by the stimulative US economic policy of quantitative easing. Furthermore investors were heartened by companies' financial results as they delivered stronger than expected profits. March saw markets respond to an enormous earthquake that devastated part of Japan's north eastern seaboard, which was compounded further by a subsequent Tsunami which flooded the nuclear facility at Fukushima, causing a meltdown.

The Japanese equity market slid strongly, as Japanese corporations struggled to maintain logistics and many were forced to shutdown. Power shortages are still evident 3 months on from the incident.

The second environment may be characterised as very volatile as investors turned their attention to the deficits that came to prominence in Europe, particularly in Portugal and Greece. The European equity markets began to worry that there was no political will to prevent a situation of default on government debt, which would seriously undermine the European banking system since this is where most of the debt is owned. The end of the period saw a strong rally as optimism returned, but ultimately this is an issue that is likely to return many times, as the proper solution is probably too expensive, and too unpalatable to voters, to be contemplated.

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 addition in holdings of Cazenove European Equity (ex UK) Fund and Neptune European Opportunities Fund. JPM Japan Fund was sold to reduce exposure to Japanese smaller companies.

There was a change in the North American equity fund selection where the portfolio reduced its holding in the Gartmore US Growth Fund to establish a new holding in the JPM US Equity Income Fund, which was felt to offer an attractive way to gain exposure to the US equity market.

Another addition to the Fund was the Majedie Tortoise Fund, which is a long/short equity strategy that has many of the characteristics of a hedge fund that may be able to prosper in challenging markets as a result.

Outlook

The portfolio is positioned relatively cautious, given some lingering concerns about the investment outlook. Improving economic data late in the quarter may be a welcome signal to markets. If markets move upwards from here with a broad sector spread we will feel relatively comfortable in increasing the risk levels of the Fund. However, if such rises are dominated once again by the more cyclical commodity related areas we will have cause to doubt the longevity of such a move. To us, many of these areas still look over-valued, despite the recent pull back.

In equity markets, our preference remains for 'quality' stocks, with strong balance sheets and pricing power – particularly those with growing and durable income streams.

In fixed interest, credit still looks relatively attractive in relation to government bonds. The pull back of the "risk on" trade through the quarter obviously saw some relatively strong performance from government bonds. However, we remain underweight on this space on a longer-term view.

Heightened volatility and a lack of a clear direction to markets mean we continue to look for 'relative value' trades in our alternatives book. Funds such as Majedie Tortoise Fund will likely play an important role if we remain in this pattern for the near term.

Fund facts

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

Net asset value record

	Net asset value per share 30.06.11 p	31.12.10 p
A Income	140.11	138.60
A Accumulation	174.46	171.85
B Accumulation	166.44	164.16
X Accumulation	180.06	177.19

Performance record

	30.06.11 £	31.12.10 £	Capital return % change	Total return % change
FTSE All Share Index*	3,096.72	3,062.85	1.11	2.96
FTSE All World Ex UK Index*	361.71	357.85	1.08	2.59
FTSE A Govt. All Stocks Index*	155.68	156.38	(0.45)	1.66
UK IPD Property Index*	801.20	772.66	3.69	3.69
HFRI Fund of Funds Composite^**	191.26	197.13	(2.98)	(2.98)
Goldman Sachs Commodity Index^^	3,162.51	3,157.42	0.16	0.16
Benchmark (Calculated in-house)***	-	-	-	2.11

* 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.

	30.06.11 p	31.12.10 p	Share price % change	Total return % change (net of tax)
A Income****	139.79	139.57	0.16	0.42
A Accumulation****	173.33	172.60	0.42	0.42
B Accumulation****	165.38	164.87	0.31	0.31
X Accumulation****	178.94	177.96	0.55	0.55

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

Top ten holdings

As at 30.06.11	Percentage of net assets %
First State Asia Pacific Leaders Fund (B Income)	10.49
J O Hambro UK Opportunities Fund (Retail Income)	9.98
Findlay Park American Smaller Companies Fund (USD)	8.57
Invesco Perpetual Income Fund (Income)	7.59
M&G Optimal Income Fund (I Income)	5.69
CF Walker Crips UK Growth Fund (Income)	5.09
Jupiter Absolute Return Fund (Accumulation)	4.70
Cazenove Absolute Equity	4.61
Cazenove European Equity (ex UK) Fund (EUR Income)	4.30
Neptune European Opportunities Fund (B Income)	4.20

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 Core Alpha Fund (Professional Income)	4.15
Investec UK Special Situations Fund (Income)	4.07
Cazenove Absolute Equity	3.87

Total expense ratio

A total expense ratio ("TER") is shown which takes into account the management fee and all other operating expenses over the period and is expressed as a percentage of average daily assets over the same period (annualised). The TER calculation includes a synthetic adjustment for the period to 30 June 2011 of 0.82% (31 December 2010: 0.76%) in respect of investments in other funds.

	30.06.11 %	31.12.10 %
A Income	1.93	1.88
A Accumulation	1.93	1.89
B Accumulation	2.18	2.13
X Accumulation	1.68	1.64

Fund performance summary

Calendar year	Lowest price p	Highest price p	Distribution per share p
A Income			
2011*	134.39	141.39	0.5799
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			
2011*	166.64	175.31	0.7216
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			
2011*	159.10	167.31	0.4818
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			
2011*	171.90	180.92	0.9507
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

* To 30 June 2011.
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 30.06.11 Market value £	Net assets %	As at 31.12.10 Market value £	Net assets %
United Kingdom equities	19,639,059	31.55	22,066,897	33.25
Alternatives	9,602,020	15.42	8,942,950	13.48
Fixed income	8,187,327	13.15	8,850,752	13.34
North American equities	8,024,300	12.89	8,359,150	12.60
Asia Pacific equities	6,958,946	11.18	7,787,701	11.74
European equities	5,292,492	8.50	4,049,348	6.10
Japanese equities	2,490,325	4.00	3,447,069	5.19
Net investment assets	**60,194,469**	**96.69**	**63,503,867**	**95.70**
Net other assets	**2,058,121**	**3.31**	**2,854,859**	**4.30**
Net assets attributable to shareholders	**62,252,590**	**100.00**	**66,358,726**	**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 six months ended 30 June 2011, the Fund returned 8.3% (B Accumulation share class) outperforming the 3.0% increase in the benchmark (FTSE All Share Index) by 5.3%.

Market review

The FTSE All Share returned 3.0%. The FTSE 100 returned 2.7%, underperforming the FTSE 250 and FTSE Small Cap Indices, which returned 4.7% and 2.8%, respectively. Sector performance within the market broadened over the first half of 2011, with a mixture of cyclical and defensive sectors towards the top of the leader board. Growth and industrial cyclical sectors led the market with technology hardware +18.9%, electronics +18.7%, personal goods +17.8% and technology +10.0%. Both life insurance +9.3% and non-life insurance +6.7% were near the top end of sector performances on the back of improved sentiment surrounding the recapitalisation of financials. Large cap defensive sectors also performed strongly, with electricity +13.4%, tobacco +8.0% and pharmaceutical +7.2% all making it into the top ten. Laggards were mining -7.2% and banks -7.9%.

Portfolio activity

Our cautious outlook on the strength and durability of the global economic recovery led us to maintain a defensive core to your portfolio during the first half of 2011. We added to holdings such as Babcock International and Booker, but sold holdings in AstraZeneca and Imperial Tobacco, reinvesting in other defensives such as Reed Elsevier and Centrica. Within the cyclical portion of the portfolio we sold holdings in AZ Electronic Materials, Bunzl and Filtrona and added later cycle businesses such as Rolls Royce and Chemring. Within consumer cyclicals, we added Easyjet and Daily Mail & General Trust. We took profits in some of our successful cyclicals such as GKN and used the proceeds to take advantage of opportunities in Charter International.

The key drivers of the Fund's positive returns were a selection of industrial cyclicals: Filtrona, Melrose and Elementis. This came alongside some good performances from defensives: Babcock International, Imperial Tobacco and GlaxoSmithKline. At the sector level, our overweight industrial engineering and support services combined with an underweight position in mining and banks had a positive impact on performance.

Outlook

To date, the business cycle has developed broadly as we have anticipated. Our pragmatism has led us to take advantage of some risk asset price weakness into the latter half of the second quarter – predominantly tactical purchases of financials – but strategically we do not anticipate changing the current shape of your portfolio, which has a defensive tilt.

Credit growth, employment growth and consumption growth are still the missing ingredients in this business cycle. The tactical release of some of the IEA's (International Energy Agency) strategic oil stocks would act as a tax cut for consumers but the oil price has mostly recovered from losses caused by this action. It does suggest that the US authorities recognise that they have exhausted the possibilities of monetary policy and underscores their resistance to QE3. It is clear that strength seen in manufacturing so far in this recovery has not flowed through into consumption. US consumer sentiment slipped well below expectations in June and employment growth remains sclerotic. The extent to which we are experiencing a traditional mid-cycle pause around an inventory correction and the trajectory of the recovery from this point will depend on the direction of commodity prices, credit growth and corporate investment. The latest reading from the Federal Reserve's Beige Book points to a slow and steady recovery, with loan demand 'steady to stronger' and a 'widespread improvement in credit quality'. After the liquidity cycle, will we get a traditional credit cycle?

Fund facts

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

Performance record

	30.06.11 £	31.12.10 £	Capital return % change	Total return % change
FTSE All Share Index*	3,096.72	3,062.85	1.11	2.96

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

	30.06.11 p	31.12.10 p	Share price % change	Total return % change (net of tax)
A Income**	203.07	188.28	7.86	8.54
A Accumulation**	254.91	234.82	8.56	8.56
B Accumulation**	237.65	219.42	8.31	8.31
X Accumulation**	265.61	244.36	8.70	8.70

** 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 period and is expressed as a percentage of average daily assets over the same period (annualised).

	30.06.11 %	31.12.10 %
A Income	1.09	1.25
A Accumulation	1.09	1.22
B Accumulation	1.54	1.71
X Accumulation	0.84	0.96

Net asset value record

	Net asset value per share 30.06.11 p	31.12.10 p
A Income	202.87	186.11
A Accumulation	256.88	233.62
B Accumulation	239.47	218.30
X Accumulation	267.63	243.10

Top ten holdings

As at 30.06.11	Percentage of net assets %
GlaxoSmithKline	7.35
Babcock International	5.01
BP	4.83
Melrose	4.23
Reed Elsevier	3.86
RSA Insurance	3.62
Howden Joinery	3.35
BG	3.16
GKN	3.01
Centrica	2.97

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

Fund performance summary

Calendar year	Lowest price p	Highest price p	Distribution per share p
A Income			
2011*	184.04	204.34	1.7682
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			
2011*	231.04	256.50	2.2185
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			
2011*	215.67	239.23	1.5398
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			
2011*	240.54	267.17	2.6235
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

* To 30 June 2011.
A Income, A 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.

Portfolio summary

	As at 30.06.11 Market value £	Net assets %	As at 31.12.10 Market value £	Net assets %
Consumer services	41,191,064	25.20	11,113,729	19.83
Financials	37,845,763	23.14	12,981,041	23.16
Industrials	32,517,983	19.89	11,495,184	20.52
Health care	15,497,250	9.49	6,487,207	11.58
Oil & gas	15,496,033	9.49	4,371,398	7.80
Consumer goods	4,919,375	3.01	4,488,376	8.02
Utilities	4,849,500	2.97	-	-
Technology	3,730,680	2.28	1,792,471	3.20
Basic materials	3,295,658	2.02	2,143,440	3.83
Net investment assets	**159,343,306**	**97.49**	**54,872,846**	**97.94**
Net other assets	**4,106,612**	**2.51**	**1,150,483**	**2.06**
Net assets attributable to shareholders	**163,449,918**	**100.00**	**56,023,329**	**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 period to 30 June 2011, the Fund returned 19.4% (B Accumulation share class) against a rise in the benchmark of 2.8% (FTSE Small Cap Index (excluding investment trusts)).

Market review

The first half of the year has been a volatile one for the small companies market, ending in a small positive for indices. To some extent this has been due to a war of attrition between relatively strong corporate reporting trends and macro uncertainty due to the Greek debt crisis. As the second quarter evolved corporate outlooks appeared to become more challenged and the number of profits warnings increased markedly, however in conjunction with this we have also seen a marked uptick in mergers and acquisitions ("M&A") activity. This is not totally illogical as large companies who are perhaps finding profit growth more difficult to deliver may turn to acquisitive growth instead. We have generally been on the right side of these trends in the period. Those companies where the market is confident of further earnings growth and profit upgrades have been particularly strong and our stock picking approach generally favours those characteristics.

Portfolio activity

We have benefited from a number of very strong performers in the first half of the year. Cupid is a company that we looked at the initial public offering ("IPO") last year but felt we wanted to see it prove its public market credentials. We invested via a placing in the second quarter and the shares have since performed very strongly on the back of a good trading update and a German acquisition. Investors have also warmed to the rehabilitation of Hogg Robinson the corporate travel agency business, where the valuation remains modest and the recovery in their customer demand is ongoing. Technical tapes specialist Scapa has also had a positive start to the year and there appears to be a growing investors understanding of their niche market opportunity and margin growth story. Andor Technology has been very strong, as have many companies where the market feels there is scope for earnings upgrades to still be beaten.

We have traded the portfolio quite actively during the period. The portfolio has welcomed back Walker Greenbank where we feel this business is being valued as a textiles company not a luxury brands business. DS Smith, the cardboard packaging specialist, has made a very useful contribution with a strong trading update and a well received disposal in the period. Gooch and Housego Placing has also returned to the portfolio as we see it will benefit from many of the same positive trends as Andor Technology. We have exited Filtrona after an excellent period of performance on the back of the appointment of a new CEO. Paypoint bounced strongly on the decision by the National Lottery Commission not to allow Camelot to enter its market, we exited on this good news. We exited Nestor Healthcare after the bid that arrived late last year and PV Crystalox Solar as we were nervous on the outlook. This was prescient as the latter has recently had a profit warning.

Outlook

While this has been an excellent start to the year for the Fund we are very conscious of the continuing macro headwinds and external shocks that may yet occur. We will continue to seek to be on the right side of earnings upgrades and M&A and seek to reduce the risks where we see downgrades being more likely. There are some similarities with last year in how the market is behaving but this does not mean that such a strong rally in smaller companies that we saw last year will be repeated. We will continue to meet the management teams of a broad range of companies and overall we are optimistic for a reasonable outcome to the year.

Fund facts

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

Performance record

	30.06.11 £	31.12.10 £	Capital return % change	Total return % change
FTSE Small Cap Index (excluding investment trusts)*	2,658.71	2,631.48	1.03	2.77

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

	30.06.11 p	31.12.10 p	Share price % change	Total return % change (net of tax)
A Income**	177.69	149.13	19.15	19.69
A Accumulation**	191.82	160.25	19.70	19.70
B Accumulation**	181.65	152.12	19.41	19.41
X Accumulation**	200.67	167.43	19.85	19.85

** 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 period and is expressed as a percentage of average daily assets over the same period (annualised).

	30.06.11 %	31.12.10 %
A Income	1.13	1.25
A Accumulation	1.13	1.26
B Accumulation	1.63	1.77
X Accumulation	0.89	1.00

Net asset value record

	Net asset value per share 30.06.11 p	Net asset value per share 31.12.10 p
A Income	172.24	146.36
A Accumulation	187.45	158.00
B Accumulation	177.51	149.98
X Accumulation	196.09	165.11

Top ten holdings

As at 30.06.11	Percentage of net assets %
Scapa	3.90
John Menzies	3.86
Xaar	3.75
Elementis	3.37
Domino Printing Sciences	3.08
Andor Technology	2.65
Gooch & Housego	2.65
Low & Bonar	2.53
British Polythene Industries	2.48
Diploma	2.40

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

Fund performance summary

Calendar year	Lowest price p	Highest price p	Distribution per share p
A Income			
2011*	146.60	177.69	1.3995
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	-
A Accumulation			
2011*	158.25	191.82	1.5086
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	-
B Accumulation			
2011*	150.07	181.65	1.0634
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	-
2006**	88.74	120.51	-
X Accumulation			
2011*	165.43	200.67	1.7957
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

* To 30 June 2011.
** 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.

Portfolio summary

	As at 30.06.11 Market value £	As at 30.06.11 Net assets %	As at 31.12.10 Market value £	As at 31.12.10 Net assets %
Industrials	28,888,206	41.06	18,312,570	41.54
Technology	9,735,798	13.83	5,899,441	13.38
Financials	8,876,181	12.62	5,982,703	13.58
Consumer services	7,259,070	10.31	5,302,470	12.03
Basic materials	5,118,661	7.27	3,967,149	9.00
Health care	3,311,107	4.71	2,690,959	6.11
Consumer goods	3,054,570	4.34	889,688	2.01
Telecommunications	1,195,400	1.70	-	-
Net investment assets	**67,438,993**	**95.84**	**43,044,980**	**97.65**
Net other assets	**2,927,283**	**4.16**	**1,033,763**	**2.35**
Net assets attributable to shareholders	**70,366,276**	**100.00**	**44,078,743**	**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 3.3% (B Income share class) over the half year compared to the Merrill Lynch 5-15 Year Gilt Index return of 2.7%. This was primarily attributable to the Fund's holdings of corporate bonds which had a higher total return than gilts. Banks, Asset Backed and Insurers were key contributors to this outperformance.

One of the Fund's high yield holdings, Sino-Forest, a leading forestry company in China, suffered a very large fall in price after a short-selling research firm (Muddy Waters), released a very emotive report citing accounting irregularities and pushing the offer price on Sino-Forest 2017 bonds down from around 95 to 50c. This sharp move has cost the Fund's unit price approximately 0.4% of NAV.

Market review

Gilt yields continued the rise that began in October 2010 after the bail out of Ireland led investors to be more risk tolerant and to expect a sooner return to monetary normality. Having risen 0.4% to 3.8% in April, 10 year Gilt yields started falling sharply again as it became clear that the Sovereign debt crisis in Europe was far from over and the yield premia for Greek and Portuguese bonds hit all time highs. Portugal applied for and received its own bail out package of €78bn but with a lack of agreement across EU member states, particularly regarding the need for private sector burden sharing, investors continued to seek the relative safety of gilts.

Short maturity gilt yields fell by around 0.2% over the period. Longer maturities were unchanged or slightly higher in yield.

Portfolio activity

The exposure to Annington Finance (secured on MoD properties) was increased.

Four new covered bonds were bought in the Fund – Lloyds TSB Bank and Yorkshire, Coventry and Leeds Building Societies. The average increase in yield compared to Gilts was over 1.5%.

The Fund also bought a new 11 year subordinated issue from Friends Provident yielding 4.3% more than Gilts, an 8 year BB rated bond for Thames Water also at a spread of 4.3% over Gilts and a 21 year BBB rated bond for Western Power at a spread of 1.6% above Gilts.

The main sales included AT&T, Deutsche Telekom International, QBE Insurance, Goldman Sachs and RaboBank Nederland contingent capital notes.

The Fund lengthened its exposure to high yield bonds by switching out of some of the shortest maturity bonds and into longer maturity Care UK Health & Social Care (health care services), Henderson (asset management) and Edcon Proprietary (South African retailer).

Duration was reduced to 6.0 from 6.2 versus 7 for the benchmark.

Outlook

The problems faced by much of the developed world are likely to be long term in nature and therefore require long term solutions. The key problems include lack of competitiveness (e.g. in Greece, Portugal, Spain) and high levels of debt (add Italy, Belgium, Ireland). The risk is that with economies too weak to grow out of their problems, the likelihood of insolvency/default increases. So far, the piecemeal policies of fiscal cuts, international aid and liquidity provision are not addressing these longer term issues and the markets now fully realise this. Efforts to disguise some of these countries' insolvency will continue to promote wild swings in government bond prices and credit spreads.

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

	30.06.11 £	31.12.10 £	Capital return % change	Total return % change
Merrill Lynch 5-15 Yr Gilt Index*	105.70	105.16	0.52	2.70

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

	30.06.11 p	31.12.10 p	Share price % change	Total return % change (net of tax)
A Income**	55.56	54.96	1.09	3.42
A Accumulation**	96.77	93.57	3.42	3.42
B Income**	57.02	56.47	0.97	3.30
X Accumulation**	101.03	97.56	3.56	3.56

** 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 period and is expressed as a percentage of average daily assets over the same period (annualised).

	30.06.11 %	31.12.10 %
A Income	0.83	0.85
A Accumulation	0.84	0.84
B Income	1.08	1.09
X Accumulation	0.59	0.57

Net asset value record

	Net asset value per share 30.06.11 p	Net asset value per share 31.12.10 p
A Income	54.51	54.03
A Accumulation	96.03	93.04
B Accumulation	55.94	55.51
X Accumulation	100.26	97.02

Top ten holdings

As at 30.06.11	Percentage of net assets %
RSA Insurance 8.5% Cumulative Step-Up Perpetual Notes	1.81
Coventry Building Society 6% Senior Unsecured Notes 16/10/2019	1.72
Old Mutual 7.125% Medium Term Notes 19/10/2016	1.70
Royal London Finance Variable Perpetual Bonds	1.66
BUPA Finance 7.5% Senior Unsecured Notes 04/07/2016	1.59
UBS 6.375% Senior Medium Term Notes 20/07/2016	1.58
ENW Finance 6.125% Medium Term Notes 21/07/2021	1.57
Telecom Italia 7.375% Medium term Notes 15/12/2017	1.57
Iberdrola 7.375% European Medium Term Notes 29/01/2024	1.55
GE Capital UK Funding 5.625% Bonds 25/04/2019	1.51

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

Fund performance summary

Calendar year	Lowest price p	Highest price p	Distribution per share p
A Income			
2011*	53.72	56.03	1.2463
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			
2011*	92.52	97.59	2.1572
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			
2011*	55.19	57.52	1.2787
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			
2011*	96.48	101.86	2.2496
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

* To 30 June 2011.

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.

Portfolio summary

	As at 30.06.11		As at 31.12.10	
	Market value £	Net assets %	Market value £	Net assets %
United Kingdom corporate bonds	144,159,146	68.67	154,099,638	58.65
Overseas corporate bonds	58,086,185	27.67	90,299,640	34.44
Overseas government bonds	1,969,611	0.94	1,985,212	0.76
United Kingdom equities	178,100	0.08	178,100	0.07
United Kingdom government bonds	-	-	3,901,382	1.49
Derivatives	(638,943)	(0.31)	(1,523,217)	(0.59)
Net investment assets	**203,754,099**	**97.05**	**248,940,755**	**94.82**
Net other assets	**6,193,441**	**2.95**	**13,591,180**	**5.18**
Net assets attributable to shareholders	**209,947,540**	**100.00**	**262,531,935**	**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

The Fund returned 6.5% (B Accumulation share class) for the first half of 2011, against the benchmark index return of 9.0% (FTSE W Europe (Ex. UK) Index).

Market review

The two strong recovery years of 2009 and 2010 saw a very clear investment message, namely the outperformance of the global cyclical sectors such as chemicals, autos, and engineering at the expense of the domestic value sectors such as financials, utilities, and telecommunications. However, since the start of 2011, the investment message has become less clear. Some of the winning sectors continue to perform well, such as autos and chemicals, but others have been clear disappointments, such as basic resources and consumer discretionary. Meanwhile some of the losers are still losing, especially the banks, but others have bounced sharply this year, especially insurance. We believe there are two factors at work here. First rising inflationary pressures, especially in emerging economies, is putting pressure on demand and profitability in some sectors that cannot pass on the higher costs. Second, the valuations of some of the domestic sectors have become very depressed. So despite continued bad news regarding the euro crisis, sectors such as insurance have started to outperform. From a business cycle perspective the momentum of the recovery which started in 2009 is beginning to moderate, and argues for a less cyclical stance. The complicating factor in this cycle is the escalating euro crisis which continues to exert a negative influence on the European financial sector.

Portfolio activity

Our view this year was that of a market which would rotate between high and low risk sectors as investors await clearer evidence that the global recovery will not be derailed by either Asian inflation or euro crisis. We have shifted between neutral and underweight European financial stocks as they have oscillated from oversold to overbought. However, outside of financial stocks, we have steadily increased our exposure to companies with sound growth characteristics such as Davide Campari, Novartis (Registered), and Danone. We are still carrying an underweight in industrial and commodity cyclicals operating at peak profitability. Until we have greater clarity that Asian inflation has come under control, we find it unlikely that the market will re-rate these stocks.

During the period, holdings in PPR, L'Oreal and Telecom Italia were sold.

Outlook

There is a huge disconnect between the valuation of global growth stocks and domestic industries such as financials. We do not underestimate the crisis in the Eurozone but such massive valuation discrepancies have a habit of mean-reverting very sharply despite continuing poor newsflow. Our first half nimbleness in portfolio activity will likely have to be continued in the second half. Market risk (wide valuations) and policy risk (too loose) are still very high, yet short term business cycle risk is probably less worrisome as corporates remain in rude health. The trick for policy makers is to extend this health to the household sector without stoking higher inflation.

Fund facts

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

Performance record

	30.06.11 £	31.12.10 £	Capital return % change	Total return % change
FTSE W Europe (Ex. UK) Index*^	404.69	382.26	5.87	9.01

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

	30.06.11 p	31.12.10 p	Share price % change	Total return % change (net of tax)
A Accumulation**	468.71	439.17	6.73	6.73
B Accumulation**	450.03	422.72	6.46	6.46
X Income**	477.84	454.21	5.20	6.85
X Accumulation**	485.33	454.19	6.86	6.86

** 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 period and is expressed as a percentage of average daily assets over the same period (annualised).

	30.06.11 %	31.12.10 %
A Accumulation	1.08	1.09
B Accumulation	1.58	1.58
X Income	0.83	0.82
X Accumulation	0.83	0.83

Net asset value record

	Net asset value per share 30.06.11 p	Net asset value per share 31.12.10 p
A Accumulation	472.73	435.80
B Accumulation	453.89	419.47
X Income	481.98	443.74
X Accumulation	489.48	450.70

Top ten holdings

As at 30.06.11	Percentage of net assets %
Novartis (Registered)	5.56
Allianz (Registered)	3.23
Total	3.14
Sanofi-Aventis	3.07
Nestle	2.83
Bayer	2.83
Davide Campari	2.65
Enel	2.43
Unilever	2.36
AXA	2.34

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

Fund performance summary

Calendar year	Lowest price p	Highest price p	Distribution per share p
A Accumulation			
2011*	421.33	479.53	-
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			
2011*	405.49	460.78	-
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			
2011*	435.76	496.34	-
2010	391.04	466.49	7.0550
X Accumulation			
2011*	429.05	488.68	-
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

* To 30 June 2011.
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.

Portfolio summary

	As at 30.06.11 Market value £	As at 30.06.11 Net assets %	As at 31.12.10 Market value £	As at 31.12.10 Net assets %
France	279,325,057	25.70	285,258,527	27.92
Germany	208,605,723	19.19	138,845,932	13.59
Switzerland	203,528,571	18.72	209,891,176	20.54
Italy	116,649,119	10.73	47,109,463	4.61
Netherlands	96,150,723	8.84	117,602,926	11.51
Sweden	59,519,994	5.47	47,292,457	4.63
Spain	45,188,597	4.16	54,721,291	5.35
Belgium	21,946,509	2.02	38,485,267	3.77
Norway	11,347,166	1.04	11,841,030	1.16
Portugal	6,992,766	0.64	6,057,707	0.59
Finland	6,371,429	0.59	11,217,308	1.10
United States of America	80	-	63	-
Luxembourg	-	-	9,581,220	0.94
Austria	-	-	2,098,033	0.21
Derivatives	(60,715)	(0.01)	-	-
Net investment assets	**1,055,565,019**	**97.09**	**980,002,400**	**95.92**
Net other assets	**31,621,479**	**2.91**	**41,722,489**	**4.08**
Net assets attributable to shareholders	**1,087,186,498**	**100.00**	**1,021,724,889**	**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 +0.6% (B Accumulation share class) versus +3.0% for the FTSE All Share Index. Key positive sector influences included overweights in the outperforming Tobacco, Pharmaceuticals and Media sectors and the underweight in Mining while strong stock contributions included overweights in Babcock International, Resolution and Aegis. Sector negatives included the underweight in outperforming Utilities. Overweights in Essar Energy and Lloyds Banking were negatives and the underweight in National Grid was also unsuccessful.

Market review

The FTSE All Share returned +3.0% versus +2.7% for the FTSE 100 and +4.7% and +2.8% for the FTSE 250 and Small Cap respectively. The best performing sectors were Forestry & Paper (+20% relative), Technology Hardware (+19%) and Electronics & Electricals (+19%). Industrial Metals (-11%), Banks (-8%) and Mining (-7%) were the weakest sectors.

Portfolio activity

We increased exposure to the Growth style grouping, where stocks should outperform in a low-growth environment. We bought Inmarsat and Capita and increased Carphone Warehouse, Telecity and Regus. We like the earnings resilience and valuations of the Defensive stocks and added to the Value Defensives: Vodafone, Unilever and GlaxoSmithKline, as well as the Growth Defensives: Compass, Informa and Smith & Nephew. We believe that Financials and Cyclicals look vulnerable to slowing economic growth and sold out of London Stock Exchange, Legal & General, Wood (John) and Charter International. Notwithstanding these views, there are some undervalued opportunities in Consumer Cyclicals and in this respect we bought Carnival and WPP and increased Aegis and Daily Mail & General Trust. Equally, some selected Defensives looked fully valued and in this respect we sold Tesco and G4S and reduced British American Tobacco. Elsewhere, other trades included purchases of Smiths and the sale of Ladbrokes.

Outlook

Our central case is that economic growth will be subdued on account of high debt levels but this ought eventually to be accompanied by low inflation and, despite the end of QE2, ongoing low interest rates in the UK and USA. While undoubtedly a dull fundamental outlook, this combination should nonetheless be supportive for equity markets with overweights in the Growth, Growth Defensive and Value Defensive style groupings the best approach for a low growth world.

Fund facts

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

Performance record

	30.06.11 £	31.12.10 £	Capital return % change	Total return % change
FTSE All Share Index*	3,096.72	3,062.85	1.11	2.96

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

	30.06.11 p	31.12.10 p	Share price % change	Total return % change (net of tax)
A Income**	164.16	164.73	(0.35)	0.80
A Accumulation**	214.91	213.18	0.81	0.81
B Income**	157.41	158.35	(0.59)	0.55
B Accumulation**	206.48	205.32	0.56	0.56
X Income**	167.86	168.23	(0.22)	0.93
X Accumulation**	219.98	217.94	0.94	0.94

** 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 period and is expressed as a percentage of average daily assets over the same period (annualised).

	30.06.11 %	31.12.10 %
A Income	1.06	1.08
A Accumulation	1.06	1.09
B Income	1.57	1.58
B Accumulation	1.56	1.58
X Income	0.82	0.82
X Accumulation	0.82	0.82

Net asset value record

	Net asset value per share 30.06.11 p	31.12.10 p
A Income	162.36	161.98
A Accumulation	216.35	212.06
B Income	155.69	155.71
B Accumulation	207.87	204.25
X Income	166.02	165.42
X Accumulation	221.46	216.80

Cazenove Investment Fund Company
Period ended 30th June 2011

Top ten holdings

As at 30.06.11	Percentage of net assets %
Vodafone	6.94
BP	6.63
GlaxoSmithKline	5.94
BG	4.07
Royal Dutch Shell 'B'	3.84
Anglo American	3.75
AstraZeneca	3.56
Barclays	3.55
Xstrata	3.34
Unilever	3.06

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

Fund performance summary

Calendar year	Lowest price p	Highest price p	Distribution per share p
A Income			
2011*	156.77	169.05	2.8934
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			
2011*	205.24	221.32	3.7888
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			
2011*	150.55	162.40	2.7782
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			
2011*	197.48	213.03	3.6444
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			
2011*	160.19	172.70	2.9559
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			
2011*	209.94	226.34	3.8737
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

* To 30 June 2011.
All share classes were first issued on 31 December 2002 at a price of 100.00p.

Portfolio summary

	As at 30.06.11 Market value £	Net assets %	As at 31.12.10 Market value £	Net assets %
Oil and gas	95,349,686	18.94	95,375,615	18.81
Consumer services	75,051,246	14.91	63,202,916	12.46
Financials	60,389,469	11.99	81,816,243	16.15
Health care	59,041,039	11.73	52,029,142	10.27
Telecommunications	57,850,480	11.49	22,740,509	4.49
Industrials	50,074,900	9.95	53,142,359	10.49
Basic materials	47,719,136	9.48	51,652,671	10.19
Consumer goods	31,056,440	6.17	49,200,705	9.71
Technology	14,429,258	2.87	18,005,115	3.56
Utilities	-	-	11,458,615	2.26
Net investment assets	**490,961,654**	**97.53**	**498,623,890**	**98.39**
Net other assets	**12,412,482**	**2.47**	**8,168,940**	**1.61**
Net assets attributable to shareholders	**503,374,136**	**100.00**	**506,792,830**	**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.

Significant events

The Fund merged into the Cazenove UK Opportunities Fund on 20 May 2011.

Performance

From 1 January to 20 May, the UK Dynamic Fund (B Accumulation share class) returned 9.0% against a rise in the benchmark (FTSE All Share Index) of 2.7%. The UK Opportunities Fund (B Accumulation share class) returned 8.3% over the six months to 30 June 2011, outperforming the 3.0% increase in the benchmark (FTSE All Share Index) by 5.3%.

Market review

The FTSE All Share returned 3.0%. The FTSE 100 returned 2.7%, underperforming the FTSE 250 and FTSE Small Cap Indices, which returned 4.7% and 2.8%, respectively. Sector performance within the market broadened over the first half of 2011, with a mixture of cyclical and defensive sectors towards the top of the leader board. Growth and industrial cyclical sectors led the market with technology hardware +18.9%, electronics +18.7% personal goods +17.8% and technology +10.0%. Both life insurance +9.3% and non-life insurance +6.7% were near the top end of sector performances on the back of improved sentiment surrounding the recapitalisation of financials. Large cap defensive sectors also performed strongly, with electricity +13.4%, tobacco +8.0% and pharmaceutical +7.2% all making it into the top ten. Laggards were mining -7.2% and banks -7.9%.

Portfolio activity

Our cautious outlook on the strength and durability of the global economic recovery led us to maintain a defensive core to your portfolio during the first half of 2011. We added to holdings such as Babcock International and Booker, but sold holdings in AstraZeneca and Imperial Tobacco, reinvesting in other defensives such as Reed Elsevier and Centrica. Within the cyclical portion of the portfolio we sold holdings in AZ Electronic Materials, Bunzl and Filtrona and added later cycle businesses such as Rolls Royce and Chemring. Within consumer cyclicals, we added Easyjet and Daily Mail & General Trust.

The key drivers of the Fund's positive returns were a selection of industrial cyclicals: Filtrona, Melrose and Elementis. This came alongside some good performances from defensives: Babcock International, Imperial Tobacco and GlaxoSmithKline. At the sector level, our overweight industrial engineering and support services combined with an underweight position in mining and banks had a positive impact on performance.

Outlook

To date, the business cycle has developed broadly as we have anticipated. Our pragmatism has led us to take advantage of some risk asset price weakness into the latter half of the second quarter – predominantly tactical purchases of financials – but strategically we do not anticipate changing the current shape of your portfolio, which has a defensive tilt.

Credit growth, employment growth and consumption growth are still the missing ingredients in this business cycle. The tactical release of some of the IEA's (International Energy Agency) strategic oil stocks would act as a tax cut for consumers but the oil price has mostly recovered from losses caused by this action. It does suggest that the US authorities recognise that they have exhausted the possibilities of monetary policy and underscores their resistance to QE3. It is clear that strength seen in manufacturing so far in this recovery has not flowed through into consumption. US consumer sentiment slipped well below expectations in June and employment growth remains sclerotic. The extent to which we are experiencing a traditional mid-cycle pause around an inventory correction and the trajectory of the recovery from this point will depend on the direction of commodity prices, credit growth and corporate investment. The latest reading from the Federal Reserve's Beige Book points to a slow and steady recovery, with loan demand 'steady to stronger' and a 'widespread improvement in credit quality'. After the liquidity cycle, will we get a traditional credit cycle?

Fund facts

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

Performance record

	20.05.11*** £	31.12.10 £	Capital return % change	Total return % change
FTSE All Share Index*	3,099.97	3,062.85	1.21	2.71

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

	20.05.11*** p	31.12.10 p	Share price % change	Total return % change (net of tax)
B Accumulation**	197.27	180.98	9.00	9.00
X Accumulation**	204.20	186.97	9.22	9.22

** Source: Lipper. Total return includes net income reinvested (mid-mid, basic tax); capital return excludes income.
*** The Fund merged into the Cazenove UK Opportunities Fund on 20 May 2011.

Total expense ratio

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

	20.05.11*** %	31.12.10 %
B Accumulation	1.64	1.67
X Accumulation	1.14	1.17

Net asset value record

	Net asset value per share 30.06.11 p	31.12.10 p
B Accumulation	-	179.95
X Accumulation	-	185.91

Top ten holdings

As at 30.06.11***	Percentage of net assets %
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-

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

Portfolio summary

	As at 30.06.11*** Market value £	Net assets %	As at 31.12.10 Market value £	Net assets %
Financials	-	-	16,055,198	23.19
Consumer services	-	-	14,096,249	20.36
Industrials	-	-	13,973,423	20.17
Health care	-	-	7,663,047	11.07
Consumer goods	-	-	5,629,270	8.13
Oil and gas	-	-	5,298,838	7.65
Basic materials	-	-	2,590,038	3.74
Technology	-	-	2,570,787	3.71
Net investment assets	**-**	**-**	**67,876,850**	**98.02**
Net other assets	**-**	**-**	**1,371,213**	**1.98**
Net assets attributable to shareholders	**-**	**-**	**69,248,063**	**100.00**

*** The Fund merged into the Cazenove UK Opportunities Fund on 20 May 2011.

Fund performance summary

Calendar year	Lowest price p	Highest price p	Distribution per share p
B Accumulation			
2011*	176.54	196.29	1.2501
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	-
2006	129.77	157.76	0.1842
X Accumulation			
2011*	182.57	203.17	1.6657
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

* To 20 May 2011. The Fund paid a final distribution on 23 May 2011 as part of the merger into the Cazenove UK Opportunities Fund.
** 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.

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

The Fund returned 4.1% (B Income share class) against a rise in the benchmark of 2.9% (FTSE All Share Index). Performance benefited from key overweight positions in the Chemicals, Tobacco and Support Services sectors and from the underweight position in the underperforming Mining sector. Negative impacts were delivered by selected financial holdings including Jupiter Fund Management and Barclays and from poor stock selection in consumer related stocks.

Market review

The market struggled to make significant progress in the period with total returns of 3.0% led by higher cyclical sectors such as Technology, Paper and Electronics. Selected defensive sectors did well with Electricity, Tobacco and Pharmaceuticals all outperforming although Food Producers and Mobile Telecoms lagged the rising market. Mining and Banks were the worst performing sectors in the period impacted by concerns over slowing Chinese economic growth and further problems for troubled Eurozone economies such as Greece.

Portfolio activity

The Fund continued its move towards a more defensive positioning overall with further reductions of both Commodity Cyclicals and Industrial Cyclicals in preference for positions in Growth and Growth Defensive holdings. Key purchases therefore included additions to Vodafone, Reed Elsevier, Tate & Lyle and selected Financials. Additions also included after weak share price performance, both Barclays and Standard Chartered. Sales activity covered the full disposal of both Rio Tinto and Royal Dutch Shell and the partial disposal of Filtrona. Selected defensive assets were also sold including AstraZeneca and Imperial Tobacco.

Outlook

As the positive impact from ultra-low interest rates, government fiscal interventions and inventory restocking starts to fade, the rate of economic growth has already started to slow. In this environment we believe companies that are able to grow their earnings and dividends consistently over the cycle, without the benefit of the abnormal economic support mechanisms, will outperform the wider equity market.

Fund facts

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

Performance record

	30.06.11 £	31.12.10 £	Capital return % change	Total return % change
FTSE All Share Index*	3,096.72	3,062.85	1.11	2.96

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

	30.06.11 p	31.12.10 p	Share price % change	Total return % change (net of tax)
A Income**	123.04	119.86	2.65	4.33
B Income**	119.24	116.45	2.40	4.06
X Income**	125.22	121.78	2.82	4.45

** 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 period and is expressed as a percentage of average daily assets over the same period (annualised).

	30.06.11 %	31.12.10 %
A Income	1.12	1.23
B Income	1.62	1.71
X Income	0.87	0.91

Net asset value record

	Net asset value per share 30.06.11 p	31.12.10 p
A Income	121.42	117.44
B Income	117.60	114.10
X Income	123.59	119.38

Top ten holdings

As at 30.06.11	Percentage of net assets %
GlaxoSmithKline	7.18
Vodafone	5.82
BP	4.98
British American Tobacco	4.52
Barclays	3.45
Babcock International	3.32
Compass	2.80
BG	2.63
BT	2.50
Legal & General	2.44

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

Fund performance summary

Calendar year	Lowest price p	Highest price p	Distribution per share p
A Income			
2011*	113.95	124.79	2.6680
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			
2011*	110.61	121.02	2.5818
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			
2011*	115.91	126.96	2.7018
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

* To 30 June 2011.
All share classes were first issued on 6 May 2005 at a price of 100.00p.

Portfolio summary

	As at 30.06.11 Market value £	Net assets %	As at 31.12.10 Market value £	Net assets %
Financials	10,525,150	21.79	7,390,901	16.79
Consumer services	9,097,000	18.84	5,580,845	12.67
Industrials	5,519,330	11.43	6,838,415	15.54
Oil & gas	4,565,981	9.45	4,856,630	11.03
Telecommunications	4,376,350	9.06	3,586,800	8.14
Health care	4,133,400	8.56	3,816,750	8.67
Consumer goods	3,694,225	7.65	4,583,925	10.42
Utilities	2,592,900	5.37	1,918,370	4.35
Basic materials	1,542,200	3.19	3,953,350	8.98
Technology	722,250	1.50	1,126,250	2.56
Net investment assets	**46,768,786**	**96.84**	**43,652,236**	**99.15**
Net other assets	**1,524,175**	**3.16**	**372,615**	**0.85**
Net assets attributable to shareholders	**48,292,961**	**100.00**	**44,024,851**	**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 Cazenove Strategic Bond (B Accumulation share class) returned 1.5% over the first half of 2011, compared to a return of 0.3% on three month UK Treasury Bills. The Fund's positive return came from a variety of sectors, including banking, media, insurance and other services.

One of the best performing issuers was ABN Amro Bank, which offered to repurchase subordinated bonds at 97 cents, generating a capital gain for the Fund.

High yield cable issuers: Unity, Virgin Media and Kabel Baden-Württemberg, contributed a positive return over Q2. Over the past year these companies have maintained strong earnings by cross-selling internet services to existing TV and telephone customers.

Longer duration Sterling bonds like Coventry Building Society 2022 and Daily Mail & General Trust 2021 benefitted from a rally in Gilts. We hedged out some of the interest rate risk in higher quality bonds, but the residual duration generated a positive return in Q2.

Unfortunately, these positive events were offset by a 0.6% loss on Sino-Forest, which was accused of accounting irregularities by short-selling research firm Muddy Waters.

Market review

The total gain on Merrill Lynch's index of European high yield debt (HPC4) was 4.6%, compared to a gain of 5.5% on the DJ Euro-Stoxx 50 index of leading shares. The debt crisis in Portugal, Ireland and Greece continues to weigh on the fragile European banking sector, with some financial institutions struggling to fund themselves. The average credit spread on Merrill Lynch's index of European high yield debt decreased from 550bp to 525bp.

Portfolio activity

During 2011 we have purchased several two and three year floating rate notes, including HSBC, Rabobank, National Australia Bank and WestPac. We consider this a defensive segment of the portfolio, given senior status, short life and low price volatility. Similar positions were taken in Credit Suisse and UBS through credit default swaps. Within the high yield market, our largest purchases were Fresenius, Jaguar Landrover, Henderson and Boparan Holdings.

The Cazenove Strategic Bond Fund continued to receive substantial inflows from investors, so the majority of our activity was buying corporate debt securities. Our largest bond sales went back to the issuers Citigroup and ABN Amro Bank. Both of these banks tendered for their own notes, at attractive prices.

Outlook

Global capital markets are currently supported by 0.25% Federal Reserve funds. It is hard to see risky assets collapsing, whilst monetary policy is so loose. Credit spreads continue to offer value compared to long term default rates, although European sovereign defaults may create volatility. The Fund has 4.9 years of average life and 2.5 years of modified duration. The distribution yield is currently 6.0% per annum.

Fund facts

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

Performance record

	30.06.11	31.12.10	Total return % change
3 month UK Treasury Bills*	0.51	0.50	0.27

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

	30.06.11 p	31.12.10 p	Share price % change	Total return % change (net of tax)
A Income**	100.05	100.92	(0.86)	1.57
A Accumulation**	128.74	126.74	1.58	1.58
B Income**	99.09	100.07	(0.98)	1.46
B Accumulation**	128.22	126.38	1.46	1.46
X Income**	101.40	102.15	(0.73)	1.70
X Accumulation**	130.58	128.39	1.71	1.71

** 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 period and is expressed as a percentage of average daily assets over the same period (annualised).

	30.06.11 %	31.12.10 %
A Income	0.82	0.84
A Accumulation	0.82	0.85
B Income	1.07	1.09
B Accumulation	1.07	1.09
X Income	0.57	0.59
X Accumulation	0.57	0.59

Net asset value record

	Net asset value per share 30.06.11 p	Net asset value per share 31.12.10 p
A Income	97.41	97.86
A Accumulation	128.33	125.92
B Income	96.47	97.04
B Accumulation	127.80	125.57
X Income	98.72	99.05
X Accumulation	130.16	127.56

Top ten holdings

As at 30.06.11	Percentage of net assets %
Treasury 0% 15/08/2011	2.13
UPC Germany GmbH 8.125% Senior Secured Notes 01/12/2017	1.59
National Australia Bank Floating Rate Notes 12/11/2013	1.59
Boats Investments 11% European Medium Term Notes 31/03/2017	1.53
Crown Newco 7% Senior Notes 15/02/2018	1.48
Rabobank Nederland Floating Rate Notes 06/06/2014	1.43
Bombardier 7.25% Senior Notes 15/11/2016	1.41
Alliance & Leicester 9.625% Subordinate Call Step-Up Notes 30/10/2023	1.37
RSA Insurance 8.5% Cumulative Step-Up Perpetual Notes	1.36
Rhodia Floating Rate Bonds 15/10/2013	1.32

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	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

Fund performance summary

Calendar year	Lowest price p	Highest price p	Distribution per share p
A Income			
2011*	98.51	101.55	2.3210
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			
2011*	126.76	130.67	2.9869
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			
2011*	97.68	100.60	2.3001
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			
2011*	126.40	130.17	2.9765
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			
2011*	99.71	102.88	2.3508
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			
2011*	128.42	132.50	3.0279
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

* To 30 June 2011.

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

Portfolio summary

	As at 30.06.11 Market value £	As at 30.06.11 Net assets %	As at 31.12.10 Market value £	As at 31.12.10 Net assets %
Overseas debt securities	346,567,510	47.99	250,977,618	43.81
United Kingdom corporate bonds	299,524,184	41.48	246,136,046	42.89
United Kingdom government bonds	27,382,380	3.79	34,510,098	6.02
Overseas equities	1,581,480	0.22	1,500,547	0.27
United Kingdom equities	1,214,585	0.17	741,569	0.12
Derivatives	(4,293,016)	(0.60)	(3,339,667)	(0.59)
Net investment assets	**671,977,123**	**93.05**	**530,526,211**	**92.52**
Net other assets	**50,216,978**	**6.95**	**42,892,674**	**7.48**
Net assets attributable to shareholders	**722,194,101**	**100.00**	**573,418,885**	**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.

F11002_UK OEIC_Interim report_30 June 2011

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
7 More London Riverside, London SE1 2RT.

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.

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.