

## FUND FACTS

**Lead Manager**  
Peter Thomson

**Fund Size**  
£12m

**Price of 'A' Acc**  
154.94p

**Launch Date**  
17 June 2002

**Benchmark**  
FTSE All-share 80%  
FT UK Gilts 15%  
Cash 5%

**Yield of 'A' Acc**  
3.3%

**Number of Holdings**  
30

**Morningstar Rating**  
4\*

**IMA Sector**  
UK Equity Income

**SEDOL Number**  
3172478 ('A' Acc shares)  
3168518 ('A' Inc shares)

**Structure**  
Open Ended Investment  
Company

**Pricing Frequency**  
Daily at 12:00 (noon)

**Listings**  
Financial Times ('A' shares),  
IMA, Capita Financial

**Performance**  
Mid price, sterling basis,  
inclusive of net reinvested  
income, shown after  
deduction of charges

**Dividend Payment Date**  
End February, end August

**Accounting Period**  
1 July to 30 June

**Initial Charge**  
5%

**Annual Management Fee**  
1.5%

**Minimum Investment**  
£7,000 minimum

**Share Classes**  
Accumulation & Income  
classes of A shares

**Authorised Corporate  
Director**  
Capita Financial Managers  
Ibex House, 42-47 Minories  
London, EC3N 1DX  
0870 607 2555

## CF Taylor Young Equity Income Fund – 30 June 2010

### Investment Objective

To generate an income yield before charges, which is in excess of 110% of the yield of the FTSE All-Share Index, together with some capital growth by investing in a diversified portfolio of mainly FTSE 100 Companies using a thematic, research-led investment process.

### Fund Commentary

#### Review

The Fund has performed well over the last twelve months, having exceeded what has been a strong recovery in the benchmark, following on from the low point in UK equities that was struck in March 2009. The Fund has returned 23.1% over the last twelve month period, whilst the Fund benchmark has returned 17.5%. The latest quarter has nonetheless been a difficult period for markets. The Fund has in the second quarter of the year been marginally weaker than the benchmark, having fallen by a disappointing 9.1%, whilst the benchmark is down by a comparable 9.0%.

A number of companies within the Fund have generated notably good returns over the last three months. These include IMI, Pennon and AstraZeneca. However, the Fund has not escaped the difficulties at BP, be it that this position is an underweight one. It seems that BP may now be trading at about half the sum of its parts, whilst the decision to suspend BP's dividend for the remainder of 2010, at least, has left a large hole in the dividend yield expected from the UK market this year.

We have elected to come away from one holding during the last quarter, GKN, which has formed part of the 'barbell' strategy adopted within the Fund, which was designed to capitalise on the recovery from depressed businesses and those that suffered a major, but arguably unwarranted, price/earnings compression. The level of fixed interest investment has been raised and a new holding of Land Securities, the leading property company, has been introduced.

#### Outlook

We have held exposure to various businesses that have enjoyed a substantial re-rating over the last twelve months, but which do not produce as much income as the Fund's target yield. We continue to adjust the balance of the portfolio to ensure that the desired market yield premium is preserved and consider that we have positioned the portfolio more defensively in a period of increased market volatility, during a patchy and bumpy recovery in economic conditions.

Whilst we are not looking to chase income at this point in the cycle, we believe payouts from UK companies should generally begin to improve and that exposure to international blue chips, with powerful global franchises and stronger balance sheets is, in the main, preferable to most other areas. Thematically, we continue to favour areas of the market, such as support services, specialist international engineers and security businesses, where valuations seem, for the most part, very attractive following some recent weakness.

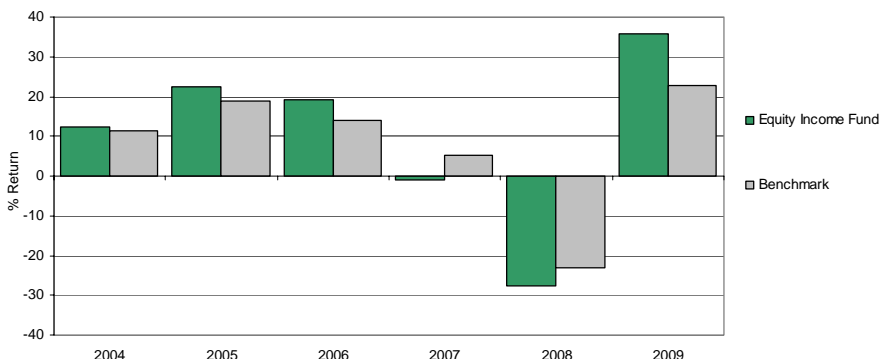
### Cumulative Performance - 17 June 2002 to 30 June 2010

'A' Acc Shares	3 Months	6 Months	1 Year	3 Years	5 Years	Inception
Equity Income Fund	(9.1)%	(5.2)%	23.1%	(11.9)%	25.6%	54.9%
Equity Income Benchmark	(9.0)%	(4.1)%	17.5%	(10.2)%	20.3%	46.5%

Over 1 year, the Equity Income Fund was 1<sup>st</sup> quartile in the UK Equity Income sector, 1<sup>st</sup> quartile over 3 years and 1<sup>st</sup> quartile over 5 years\*.

### Discrete Annual Performance

'A' Acc Shares	2009	2008	2007	2006	2005	2004
Equity Income Fund	35.7	(27.6)%	(1.1)%	19.1%	22.3%	12.3%
Equity Income Benchmark	22.9	(23.2)%	5.3%	14.0%	19.0%	11.4%



**RISK WARNING:** The value of the investments and the income from them may go down as well as up and past performance is no guarantee of future performance. Rates of exchange may affect the value of the investment.

## Top 10 Holdings (30/06/10)

	Stock	Weight	Industry Sector
1	Vodafone	6.3%	Telecommunications
2	Royal Dutch Shell 'B'	6.0%	Oil & Gas
3	IMI	5.9%	Industrials
4	National Grid	4.7%	Utilities
5	Carillion	4.6%	Industrials
6	Prudential	4.1%	Financials
7	Scottish & Southern Energy	4.0%	Utilities
8	GlaxoSmithKline	4.0%	Health Care
9	RSA	4.0%	Financials
10	Standard Chartered	4.0%	Financials
		<b>47.6%</b>	

## Portfolio Composition (30/06/10)

Sector	Fund	Benchmark
Industrials	18.0%	6.1%
Financials	16.8%	18.7%
Utilities	12.4%	3.1%
Oil & Gas	11.6%	12.3%
Gilts	8.2%	15.0%
Basic Materials	7.6%	9.2%
Consumer Goods	6.8%	9.6%
Telecommunications	6.3%	4.9%
Health Care	6.0%	6.5%
Cash	3.4%	5.0%
Consumer Services	2.9%	8.1%
Technology	-	4.9%

## Key Themes

### Equities v Fixed Income

Whilst we are positioning the portfolio more defensively, we continue to believe that the risk-reward trade off is better in equities than fixed income and both are considerably better than cash. We also believe that the dollar will strengthen and have skewed the portfolio accordingly.

### Dividend Sustainability

Whilst questions remain over how much dividends can prop up total returns and whether the payouts from UK companies can be sustained in the current economic environment, we believe that exposure to large UK blue chips with stronger balance sheets is preferable to most other sectors. Additionally the majority of our holdings are in major UK firms with international reach, thus leaving them less exposed to sterling's misfortune.

### Quality of Earnings

With continued uncertainty in the UK economy as to the effect of the emergency Budget, we are continuing to reduce our exposure to companies that are reliant on domestic earnings, focusing rather on those with greater international exposure.

### Resources Super-cycle

As global growth returns and the increasing demand on resources from countries, such as China, proves to be robust, we have continued to increase our exposure to the resources sector.

### Tactical Approach

Performance has been driven by the barbell approach, adopted within our core equity income strategy following the collapse of Lehman Brothers in September 2008. This strategy has enabled us to gain access to the recovery in cyclicals, where we felt that the pricing was significantly disproportionate. We are now unwinding this position and trading away to a more conventional approach.

## Fund Manager

### Peter Thomson - CEO and CIO of Taylor Young Investment Management Limited

Peter Thomson, born 1965, graduated with a BSc (Honours) in Mathematics and Statistics from University of London in 1986. He joined Taylor Young in 2004 from Gerrard Limited where he spent eighteen years managing Private Client, Trust and Charity mandates. At Gerrard he chaired the Investment Process Committee and, latterly, was Head of the Global Strategies Division. At Taylor Young he leads the Investment Team and Research functions and in May 2006 was appointed as Chief Executive Officer and Head of the Executive Committee. He is a Member of the Stock Exchange specialising in Investment Analysis, Private Client Investment Management and Regulation and is a Fellow of the Chartered Institute for Securities and Investment.

In addition to his responsibilities at Taylor Young, Peter is an experienced Trustee acting for a number of Family and Charitable Trusts and is a Non-Executive Director of a number of businesses. Peter is married with two daughters.



**RISK WARNING:** The value of the investments and the income from them may go down as well as up and past performance is no guarantee of future performance. Rates of exchange may affect the value of the investment. Investment in the Fund may not be suitable for everyone. If you are in any doubt about any of the information in this Fact Sheet, please consult your financial advisor or contact Taylor Young Investment Management Limited for advice. Please bear in mind that by the time you read the Fact Sheet, the past performance may no longer be up-to-date. The most recent information including price and latest prospectus is available from Capita Financial Managers Ltd on 0870 607 2555.

This document is issued by **Taylor Young Investment Management Limited**  
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