



**WAY Fund Managers Limited**

**WAY Global Cautious  
Portfolio Fund**

Interim Report and Unaudited Financial Statements  
for the accounting period ended 30th September 2008

Issue date 30th November 2008

# WAY GLOBAL CAUTIOUS PORTFOLIO FUND

Authorised Corporate Director's Report and Accounts  
for the period ended 30th September 2008

<b>Contents</b>	<b>Page</b>
Management and Professional Service Details	2
Constitution	3
Investment Objective and Policy	3
Report of the Investment Adviser	4
Performance record	7
Authorised Status	8
Director's statement	8
Statement of total return	9
Statement of change in shareholders' net assets	9
Portfolio statement	10
Balance sheet	12
Summary of material portfolio changes	13
Notes to the financial statements	14
General information	24

## WAY GLOBAL CAUTIOUS PORTFOLIO FUND

### **Authorised Corporate Director (“the ACD”)**

WAY Fund Managers Limited  
Cedar House  
3 Cedar Park  
Cobham Road  
Wimborne  
Dorset BH21 7SB  
Telephone: 01202 855 856

### **Independent Auditors**

Grant Thornton UK LLP  
30 Finsbury Square  
London EC2P 2YU

### **Directors of WAY Fund Managers Limited**

P Wilcox (Chairman)  
D Pook (Chief Executive)  
P Legg (Finance)  
V Hoare (Operations)

### **Investment Adviser\***

FundQuest UK Limited  
77 Queen Victoria Street  
London EC4V 4AY

### **Depository**

State Street Trustees Limited  
One Canada Square  
London E14 5AF

### **Registrar\*\***

WAY Fund Managers Limited  
Cedar House  
3 Cedar Park  
Cobham Road  
Wimborne  
Dorset BH21 7SB  
Telephone: 01202 855 856

\* With effect from 6 October 2008, the Investment Adviser Investment Manager Selection Limited (“IMS”) was re-branded FundQuest UK. This followed the acquisition of the Company in April 2008 by BNP Paribas Ltd. The business becomes the UK arm of the global FundQuest business which advises on £32bn throughout the world.

\*\* With effect from 1st November 2008 the responsibility for the maintenance of the register of holders was transferred from Northern Trust International Fund Administration Services (UK) Limited to the ACD, WAY Fund Managers Limited at the address of the ACD. All enquiries, changes of address or alteration to the register should now be addressed to WAY Fund Managers Limited. The ACD's address is also the address at which the register of holders may be inspected.

# REPORT OF THE DIRECTOR

## CONSTITUTION

The WAY Global Cautious Portfolio Fund ("the Company" or "Fund") is an open-ended investment company with variable capital incorporated in England and Wales (number: IC000381) under the OEIC Regulations. It is a "Non-UCITS Retail Scheme" which complies with the requirements of Chapter 5 of the COLL Sourcebook. The authorisation of the Company by the FSA was made effective on 25th February 2005. The Company has an unlimited duration. Shareholders are not liable for the debts of the Company.

## INVESTMENT OBJECTIVE AND POLICY

The objective of the Fund is total investment return, through conservative investment in a diversified portfolio of collective investment schemes, investment trusts, other listed securities, cash or near cash, deposits and money market instruments.

Subject to the requirements of the Regulations, the portfolio will normally remain fully invested. There will, however, be no restrictions on the underlying content of the investments held, in terms of investment type, geographical or economic sector, other than those imposed by the Regulations, meaning that the investment adviser has the absolute discretion to weight the portfolio towards any investment type or sector, including cash, at any time. Unregulated collective investment schemes may be used up to the full extent permitted by the Regulations.

The portfolio will be actively managed. Derivatives will not be used. Currency hedging transactions may be used where appropriate, and borrowing will be permitted on a temporary basis under the terms of the Regulations.

# REPORT OF THE INVESTMENT ADVISER

for the period ended 30th September 2008

## Performance Report

Over the six month period to 30 September 2008 the WAY Global Cautious Portfolio Trust returned -4.50%, having outperformed the IMA Cautious Managed Sector average return of -7.07%. Since the inception of this fund in 2005 the Trust has returned 1.70% on an annualised basis, compared to the peer group return of 1.50%.

## Performance to 31st March 2008

	6 Months	12 Months	2 Year	3 Year	Since Launch 28/02/05
WAY Global Cautious Portfolio Fund Acc	-4.50%	-9.39%	-4.84%	0.76%	1.70%
WAY Global Cautious Portfolio Fund Inc	-4.58%	-9.46%	-4.84%	0.76%	1.70%
IMA Cautious Managed Sector Average Index	-7.07%	-11.73%	-7.92%	-1.63%	1.50%

## Discrete Performance

	12 Months	2 Year	3 Year	YTD
WAY Global Cautious Portfolio Fund Acc	9.10%	4.95%	2.01%	-9.08%
WAY Global Cautious Portfolio Fund Inc	9.10%	4.95%	2.10%	-9.15%

Source: Lipper Hindsight. Total return in £, income reinvested.

## Portfolio Review

Worries about the health of the global financial system have dominated markets over the period. From mid-July, global equity market indices fell below their previous lows for the year observed in March, when under the guidance of the monetary authorities, Bear Stearns was taken over by JP Morgan. Although the flight to quality did benefit sovereign debt, corporate bonds sold off sharply along with equities as investor sentiment and global economic conditions deteriorated sharply over the period. Early in the period we moved from overweight to underweight equities: we came out of Europe ex UK and trimmed back Asia ex Japan and global emerging markets. US and Japanese equity exposure was kept broadly unchanged.

The allocation to bonds remained broadly unchanged, and biased towards sovereign debt and within corporate bonds, higher quality issues. Instead, as equity exposure was reduced we raised cash, introducing a US dollar cash fund, and introduced additional cash proxy and absolute return vehicles.

## **REPORT OF THE INVESTMENT ADVISER**

for the period ended 30th September 2008 - continued

There were a number of trades made during the period, several of which were on performance grounds, such as the sale of GAM UK Diversified, and Rensburg UK Select Growth. We also wanted more of a bias towards defensive or more pragmatic managers and therefore brought in SG Japan CoreAlpha and First State Global Resources. We also added the Absolute Return Trust and JPM Income Opportunity (formerly known as JPM Highbridge Income).

### **Outlook**

The economic environment remains very uncertain and the recent deterioration in growth, especially in Europe and Japan, coupled with the ongoing financial turmoil, accelerated the fall of all risky assets. Market perception has moved from fears of higher inflation to expectations of recession in the major developed economies. These new developments had at least one positive impact in allowing a sharp reversal in commodity prices and a decrease in inflation expectations. If commodity prices stay at their current levels, then inflation should slow down significantly in the coming months and allow a stabilisation in core inflation, which should be beneficial for equities and even better for bonds.

Despite this expected improvement on the inflation front, the continuing slowdown will probably weigh on equities. Consensus earning expectations remain too high and there will need to be downward revisions. This could be particularly severe in the financial sector as the de-leveraging process leads to even more write-downs. The consumer sector will also be further affected as the US fiscal stimulus fades and the housing sector remains depressed. Even if we believe the market has already discounted this fall in earnings, further negative revisions from analysts will weigh on the market. A more positive impact can be expected from valuation and technical indicators – the market is certainly cheap according to many indicators, but the uncertainty of future earnings makes us more cautious at this stage of the cycle. Technical indicators tell us that the trend remains negative, but the recent sell-off and surge in market volatility, the jump in risk aversion indicators and high cash positions in investors' portfolios give a very positive signal.

Bonds should be the preferred asset class in the current macro environment as growth slows and inflation falls. Financial conditions are also supportive with abundant liquidity provided by Central Banks and expectations of more accommodative monetary policies. The ECB and BoE are expected to lower interest rates once the decline in inflation materialises. On a valuation front, bonds are somewhat expensive, and technical indicators are also negative following the recent rally, but should become more attractive as inflation eases.

In terms of corporate credit, the crisis is by no means over and tightening credit conditions will probably remain as a result of increasing balance sheet constraints in the banking sector. However, the spreads offered on investment grade and high yield debt look attractive and offer value, and investment grade debt also benefits from better liquidity and lower volatility.

## **REPORT OF THE INVESTMENT ADVISER**

for the period ended 30th September 2008 - continued

After rising strongly in the first half of this year, commodity prices reversed sharply in July and have fallen almost 20% since then. Fears about declining global demand and the rise in risk aversion were the major reasons to take profits on this asset class. Despite this recent fall, commodities do not look attractive yet, as valuation and macro indicators are negative.

The global slowdown in economic growth should have a bigger impact on more cyclical markets like Japan. The US is likely to be the first developed market to show an improvement in its earnings evolution due to its leading position in the economic cycle. Despite this clear relative macro advantage however, valuations in the US look less attractive compared to other markets. The situation is different in emerging markets where Asia looks in a better position to withstand a global economic slowdown and where earnings have already been significantly downgraded (compared to Latin America and emerging Europe).

Tight credit conditions and growing concerns about growth should favour large caps over small caps. Stronger balance sheets (excluding financials) and lower debt ratios should also be supportive of large caps. This could be particularly interesting in the US given the outperformance of small caps over the year to date and the US dollar recovery, which started in July and is likely to continue over the medium term.

**FundQuest UK Limited**

# PERFORMANCE RECORD

## Fund Size

Date	Net asset value (£)	Net asset value pence per share			No. of shares in issue		
		'A' Acc	'B' Acc	'B' Inc	'A' Acc	'B' Acc	'B' Inc
31st March 2006	39,542,440	-	112.46	112.46	-	12,015,304	23,145,527
31st March 2007	75,293,684	-	114.94	114.94	-	21,305,054	44,201,955
31st March 2008	97,519,741	111.30	111.20	111.20	3,233,523	53,300,522	29,991,113
30th September 2008	90,977,000	106.32	106.00	106.05	6,241,860	48,473,989	31,078,059

## Share Price Range

Calendar Year	'A' Acc		'B' Acc		'B' Inc**	
	Highest (pence)	Lowest (pence)	Highest (pence)	Lowest (pence)	Highest (pence)	Lowest (pence)
2005*	-	-	109.10	98.26	109.10	98.26
2006	-	-	114.60	107.10	114.60	107.10
2007	-	-	119.70	111.50	119.70	111.50
2008**	115.60	106.45	117.60	106.13	117.60	106.20

## Other Relevant Prices

Date		'A' Acc***	'B' Acc	'B' Inc
		Pence per Share	Pence per Share	Pence per Share
28th February 2005	Launch	-	100.00	100.00
21st January 2008	Launch	100.00	-	-
30th September 2008	Accounts	106.40	106.10	106.20
18th November 2008	Latest Date	101.70	101.40	101.40

## Net Accumulation Income/Distribution

Calendar Year	'A' Acc		'B' Acc		'B' Inc	
	Pence per share	Per £1,000 invested 21/01/2008	Pence per share	Per £1,000 invested 28/02/2005	Pence per share	Per £1,000 invested at 28/02/2005
2005*	-	-	-	-	-	-
2006	-	-	-	-	-	-
2007	-	-	-	-	-	-
2008**	-	-	-	-	-	-

\*28th February 2005 to 31st December 2005

\*\*1st January 2008 to 30th September 2008

\*\*\*Share Class 'A' was launched 21st January 2008

## Total Expense Ratio (TER)

The TER of the Fund as at 31st March 2008 was 2.37%

**Authorised Status**

The WAY Global Cautious Portfolio Fund is an Investment Company with Variable Capital incorporated under the Open-Ended Investment Companies Regulations 2001 and is regulated by the Financial Services Authority as a Non-UCITS Retail Scheme pursuant to the Collective Investment Schemes Sourcebook ("COLL").

**Directors' Statement**

The financial statements on pages 9 to 23 were approved by the ACD and signed on its behalf by:

D Pook (Chief Executive)  
V Hoare (Operations Director)

WAY Fund Managers Limited  
30th November 2008

## STATEMENT OF TOTAL RETURN

(unaudited) for the period ended 30th September 2008

		30/09/08		30/09/07	
	Notes	£'000	£'000	£'000	£'000
Net gains on investments					
during the period	2		(4,478)		1,607
Other gains	3		22		-
Income	4	591		690	
Expenses	5	(731)		(673)	
Finance costs: Interest	7	-		(2)	
Net expense before taxation		(140)		15	
Taxation	6	6		(13)	
Net expense after taxation			(134)		2
Total return before distributions			(4,590)		1,609
Finance costs: Equalisation	7		8		8
Change in net assets attributable to shareholders			(4,582)		1,617

## STATEMENT OF CHANGE IN UNITHOLDERS' NET ASSETS

(unaudited) for the period ended 30th September 2008

	30/09/08		30/09/07	
	£'000	£'000	£'000	£'000
<b>Net assets at the start of the period</b>		<b>97,476</b>		<b>75,294</b>
Movement due to sales and repurchases of shares				
Amounts receivable on issue of shares	6,632		23,787	
Less: Amounts payable on cancellation of shares	(8,665)		(2,189)	
		(2,033)		21,598
Change in net assets attributable to shareholders (see above)		(4,582)		1,617
Stamp Duty Reserve Tax		(8)		(6)
Capita Trailer Commissions		124		
Net assets at the end of the period		<b>90,977</b>		<b>98,503</b>

## PORTFOLIO STATEMENT

(unaudited) as at 30th September 2008

Holding	Bid- Market Value £	Percentage of total net assets %
<b>Continental Europe 11.50% (1.74%)</b>		
60,891 JPMorgan AM Europe Highbridge (Inc) A	4,674,026	5.14
1,241,488 HSBC Investment Funds (Luxembourg) US Dollar Reserve	5,784,968	6.36
	<b>10,458,994</b>	<b>11.50</b>
<b>Far East 6.20% (5.45%)</b>		
745,403 CF Morant Wright Japan 'B' (Inc)	1,128,465	1.24
197,467 Fidelity South East Asia (Acc)	727,467	0.80
725,349 First State Asia Pacific Leaders 'B' (Acc)	1,573,356	1.73
3,311,620 Societe Generale Japan Core Alpha Prof (Acc)	2,209,844	2.43
	<b>5,639,132</b>	<b>6.20</b>
<b>Global 14.44% (23.25%)</b>		
1,099,482 Franklin Templeton Global Bond 'I' (Acc)	8,519,181	9.36
364,179 New Star Investment Global Financial 'B' (Acc )	758,950	0.83
30,368 Schroder Agricultural Fund 'C' (Acc)	2,103,588	2.31
1,669,034 Schroder Global Property 'A' (Acc)	848,537	0.93
29,750 Thameside River - Global Emerging Markets	915,707	1.01
	<b>13,145,963</b>	<b>14.44</b>
<b>United Kingdom 62.01% (61.22%)</b>		
1,388,000 Absolute Return Trust	1,735,000	1.91
1,834,826 Advance Frontier Markets Fund	784,941	0.86
594,120 Baillie Gifford High Yield Bond 'B' (Acc)	616,102	0.68
1,249,215 Blackrock UK Dynamic Fund (Acc)	1,596,497	1.75
3,362,228 Close UK Escalator 100 (Acc)	5,425,627	5.96
8,018,409 Fidelity Money Builder Income (Inc)	2,198,648	2.42
510,646 First State Global Resources 'B' (Acc)	1,270,998	1.40
410,689 Invesco Perpetual Income (Inc)	4,650,480	5.11
27,808,475 Legal & General All Stocks Gilt Index (Acc)	18,729,008	20.59
6,960,244 New Star Diversified Return 'Retail' (Acc)	4,085,663	4.49
4,480,260 New Star Property (Acc)	2,047,479	2.25
2,680,162 New Star Sterling Bond (Inc)	1,335,793	1.47
10,951,722 Premier Absolute Growth 'I' (Acc)	5,649,993	6.21
7,407,718 Schroder UK Alpha Plus (Acc)	6,289,153	6.91
	<b>56,415,382</b>	<b>62.01</b>

## PORTFOLIO STATEMENT

(unaudited) as at 30th September 2008 - continued

<b>Holding</b>	<b>Bid- Market Value £</b>	<b>Percentage of total net assets %</b>
<b>United States 2.16% (1.03%)</b>		
68,268 Findlay Park US Smaller Companies	1,404,121	1.54
1,082,343 Skandia Specialist American (Acc)	555,350	0.62
	<b>1,959,471</b>	<b>2.16</b>
<b>Portfolio of Investments 96.31% (92.75%)</b>	<b>87,618,942</b>	<b>96.31</b>
Net other assets	3,358,058	3.69
<b>Net assets</b>	<b>90,977,000</b>	<b>100.00</b>

Note: Comparative figures shown in brackets relate to 31st March 2007

All holdings are Collective Investment Schemes unless stated

## BALANCE SHEET

(unaudited) as at 30th September 2008

	Notes	30/09/08 £'000	31/03/08 £'000
<b>Assets</b>			
Portfolio of Investments		<b>87,619</b>	90,350
<b>Current Assets</b>			
Debtors	8	<b>4,229</b>	853
Cash and bank balances		<b>907</b>	7,501
Total other assets		<b>5,136</b>	8,354
Total assets		<b>92,755</b>	98,704
<b>Liabilities</b>			
Creditors	9	<b>(1,343)</b>	(2,321)
Bank overdraft		<b>(435)</b>	(289)
Total liabilities		<b>(1,778)</b>	(2,610)
<b>Net assets attributable to shareholders</b>		<b>90,977</b>	96,094

## SUMMARY OF MATERIAL PORTFOLIO CHANGES

(unaudited) for the period ended 30th September 2008

<b>Purchases</b>	<b>Costs</b>	<b>Note</b>	<b>Sales</b>	<b>Proceeds</b>
	<b>£'000</b>			<b>£'000</b>
HSBC Investment Funds			Legal & General All Stocks	
(Luxembourg) US Dollar Reserve	6,882		Gilt Index (Acc)	3,727
JP Morgan AM Europe			JP Morgan Natural	
Highbridge (Inc)	5,116		Resources A (Acc)	3,360
Legal & General All Stocks			GAM UK Diversified A (Acc)	2,999
Gilt Index (Acc)	3,301		Rensburg UK Select	
Societe Generale Japan Core			Growth (Inc)	1,944
Alpha Prof (Acc)	2,250		Franklin Templeton Global	
Premier Absolute Growth I (Acc)	2,000		Bond I (Acc)	1,901
Blackrock AM UK Dynamic (Acc)	1,990		Prusik Asia 'C'	1,680
Absolute Return Trust	1,822		Nevsky Global Emerging	
First State Investment Global			Markets	1,500
Reserve B (Acc)	1,439		Schroders Global Property	
Close UK Escalator 100 (Acc)	1,222		'A' (Acc)	1,300
Fidelity South East Asia (Acc)	1,002		Close Uk Escalator 95 (Acc)	
New Star Absolute Return	1,000		HSBC Investment Funds	1,222
Advance Frontier Markets Fund	999		(Luxembourg) US Dollar	
			Reserve	1,029
Findlay Park US Smaller			Schroder UK Alpha A (Acc)	1,000
Companies	974		First State Asia Pacific	
CF Morant Wright Japan 'B' (Inc)	973		Leaders 'B' (Acc)	989
First State Asia Pacific Leaders			IVI European	922
'B' (Acc)	675		Premier Absolute Growth	
Skandia Specialist American (Acc)	500		I (Acc)	900
Franklin Templeton Global			New Star Absolute Return	900
Bond I (Acc)	402		Fidelity South East Asia	
			(Acc)	795
Fidelity Moneybuilder Income (Inc)	349		Schroders AS Agricultural	
Cazenove European Fund 'X' (Acc)	300		Fund C (Acc)	703
New Star Property (Inc)	39		Baillie Gifford High Yield	
			Bond 'B' (Acc)	700
			Cazenove European Fund	
			'X' (Acc)	639
			JP European Dynamic	
			(Ex UK) 'A' (Acc)	517
Other	33		Other	2,737
Total for the period	<u>33,268</u>	<b>16</b>	Total for the period	<u>31,464</u>

Note: The summary of material portfolio changes identifies those purchases or sales exceeding 2% of the net assets of the Fund at the start of the accounting period, subject to a minimum disclosure of the 20 largest purchases and sales.

# NOTES TO THE FINANCIAL STATEMENTS

(unaudited) as at 30th September 2008

## 1. Accounting Policies

### **Basis of accounting**

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for Financial Statements of Authorised Funds issued by the IMA in December 2005.

### **Income**

Distributions are included in the property when the investment is quoted ex-distribution. Income from holdings of accumulation shares or units by the Fund is recognised gross in the income account. Bank interest is accounted for on an accruals basis. Renewal commission is accounted for on a receipt basis.

### **Expenses**

All expenses, other than those relating to the purchase and sale of investments are charged against income.

### **Equalisation Policy**

The first distributions received from investments in collective investment schemes may include an element of equalisation which represents the average amount of income included in the price paid for shares. The equalisation is treated as a return of capital for taxation purposes and does not carry a tax credit. Equalisation received from the underlying investments has been treated as a reduction in the book cost of the investments and not distributed.

### **Distribution/Accumulation Policy**

When appropriate the Scheme will pay any surplus income as a distribution/accumulation.

### **Valuations**

All investments, which are collective investment schemes, are shown at the bid market value, or in the case of shares in open-ended investment companies, their single price at 12 noon on the last working day of the accounting period. Prior to adopting the IMA SORP 2005, all investments were valued at their mid market price. In accordance with paragraph 1.15 of the IMA SORP 2005 the Fund has not restated comparative information to reflect the change in accounting policy. If comparative information had been restated, the main adjustments required would be to reduce the value of investments by the spread between mid and bid market value with an equal reduction in net gains on investments. The opening position at 1st April 2007 has not been restated as the adjustment is not deemed material.

## NOTES TO THE FINANCIAL STATEMENTS

(unaudited) as at 30th September 2008 - continued

### 1. Accounting Policies - *continued*

#### Foreign Currencies

Assets and liabilities in currencies other than Sterling are translated into Sterling at the exchange rates prevailing at 12 noon on the last working day of the accounting period. Transactions in foreign currencies are translated at the exchange rate prevailing at the transaction date.

#### Taxation

Any relevant tax is deducted from the property of the Scheme.

The charge for taxation is based on income for the period.

Deferred taxation is provided on a full provision basis on timing differences arising from the different treatment of items for accounting and taxation purposes. Potential future liabilities and assets are recognised where the transactions or events giving rise to them occurred before the balance sheet date.

### 2. Net (losses)/gains on investments

The net (losses)/gains on investments during the period comprise:

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Non-derivative securities	<b>(4,478)</b>	1,607
Net (losses)/gains on investments	<b>(4,478)</b>	1,607

### 3. Other gains

Other gains comprise:

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Currency gains	<b>22</b>	-

**NOTES TO THE FINANCIAL STATEMENTS**  
(unaudited) as at 30th September 2008 - continued

**4. Income**

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Franked dividend distributions	<b>152</b>	88
Unfranked dividend distributions	<b>248</b>	290
Bank interest	<b>191</b>	185
Renewal commssion	-	127
	<b>591</b>	690

**5. Expenses**

	<b>2008</b>	2007
	<b>£'000</b>	£'000
<b>Payable to the Authorised Corporate Director or associates of the Authorised Corporate Director:</b>		
ACD's periodic charge	<b>693</b>	638
Registration fees	<b>4</b>	3
	<b>697</b>	641

**Payable to the Depositary or associates of the Depositary:**

Depositary's fee	<b>19</b>	18
Security transaction charges	<b>4</b>	2
Safe custody charges	<b>8</b>	5
	<b>31</b>	25

**Other expenses:**

Audit fees	<b>3</b>	5
FSA and other regulatory fees	-	-
Legal fees	-	2 *
	<b>3</b>	7
Total expenses	<b>731</b>	673

\*The prior period legal fee accrual was written back to 2007.

**NOTES TO THE FINANCIAL STATEMENTS**  
(unaudited) as at 30th September 2008 - continued

**6. Taxation**

	<b>2008</b>	2007
	<b>£'000</b>	£'000
a) Analysis of charge in period:		
UK income tax irrecoverable	<b>(6)</b>	13
Current tax charge (note 6b)	<b>(6)</b>	13
Deferred tax (note 6c)	-	-
Total Taxation	<b>(6)</b>	13
b) Factors affecting taxation charge for the period:		
Net expense before taxation	<b>(140)</b>	15
Corporation tax at 20% (2007 - 20%)	<b>(28)</b>	3
Effects of:		
Franked UK dividends	<b>(30)</b>	(18)
Current period expenses not utilised	<b>32</b>	15
Effect on capital trailer commission	<b>25</b>	-
UK income tax irrecoverable	<b>(6)</b>	13
Security transaction charges	<b>1</b>	-
Current tax charge (note 6a)	<b>(6)</b>	13
c) Deferred tax		
Provision at the start of the period	-	-
Deferred tax charge in the period	-	-
Provision at the end of the period	-	-

The Fund has not recognised a deferred tax asset of £32,884 (2007: £45,299) arising as a result of having unutilised management expenses. The unutilised management expenses will only be recoverable to the extent that the Fund has sufficient future taxable revenue. It is unlikely the Fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the period or the prior period

**NOTES TO THE FINANCIAL STATEMENTS**  
(unaudited) as at 30th September 2008 - continued

**7. Finance Costs**

**Distributions and Interest**

The distributions take account of income received on the creation of shares and income deducted on the cancellation of shares, and comprise:

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Add: Income deducted on cancellation of shares	<b>2</b>	-
Deduct: Income received on issue of shares	<b>(10)</b>	(8)
Net equalisation	<b>(8)</b>	(8)
Interest	-	2
Total finance costs	<b>(8)</b>	(6)

**8. Debtors**

	<b>30/09/08</b>	31/03/08
	<b>£'000</b>	£'000
Amounts receivable for issue of shares	<b>272</b>	89
Sales awaiting settlement	<b>2,831</b>	424
Accrued income	<b>60</b>	233
Currency Deals awaiting settlement	<b>907</b>	-
CIS Income Tax recoverable	<b>159</b>	-
Income tax recoverable	-	107
	<b>4,229</b>	853

**9. Creditors**

	<b>30/09/08</b>	31/03/08
	<b>£'000</b>	£'000
Amounts payable on cancellation of shares	<b>268</b>	1,978
Purchases awaiting settlement	<b>35</b>	206
Accrued expenses	<b>133</b>	137
Currency deals awaiting settlement	<b>907</b>	-
	<b>1,343</b>	2,321

## **NOTES TO THE FINANCIAL STATEMENTS**

(unaudited) as at 30th September 2008 - continued

### **10. Equalisation**

Equalisation is the accrued income included in the price of shares purchased during the accounting period (Group 2 shares) which is refunded as part of a shareholders' first distribution/accumulation, so as to provide the same distribution/accumulation for all shares of the same type. As a repayment of capital it is not liable to Income Tax and should be deducted from the cost of shares for Capital Gains Tax purposes.

### **11. Related parties**

WAY Fund Managers Limited, together with State Street Trustees Limited are regarded as controlling parties by virtue of having the ability to act in concert in respect of the operations of the Fund.

WAY Fund Managers Limited, a related party, acts as principal on all the transactions of shares in the Fund. The aggregate monies received through issues and cancellations are disclosed in the statement of change in shareholders' net assets, amounts due to/from WAY Fund Managers Limited in respect of share transactions at the period end are disclosed in the balance sheet.

Amounts payable to WAY Fund Managers Limited in respect of ACD's periodic charges are disclosed in note 5. £110,264.05 (31/03/08: £120,671) was due at the period end.

Amounts payable to State Street Trustees Limited in respect of Depository fees, safe custody charges and security transaction charges are disclosed in note 5. £16,870.66 (31/03/08: £3,709) was due at the period end.

Cash balances on deposit with State Street Trustees Limited are disclosed in the balance sheet together with interest due.

Neither WAY Fund Managers Limited nor State Street Trustees Limited entered into any other transactions with the Fund during the period.

### **12. Share Classes**

The Fund currently has two share classes; Income and Accumulation shares. The annual management charge on each share class is as follows:

Income shares: 1.45% (plus Value Added Tax, if applicable)

Accumulation shares: 1.45% (plus Value Added Tax, if applicable)

The net asset value of each share class, the net asset value per share, and the number of shares in each class are given in the performance record on page 7. Both classes have the same rights on winding up.

## NOTES TO THE FINANCIAL STATEMENTS

(unaudited) as at 30th September 2008 - continued

### 13. Financial Instruments

In pursuing its investment objective set out on page 3 the Fund may hold a number of financial instruments. These comprise:

- units and shares in collective investment vehicles. These are held in accordance with the Fund's investment objective and policies;
- equity and non-equity shares, fixed income securities, and floating rate securities. These are held in accordance with the investment objectives and policies of the Fund.
- cash, liquid resources and short-term debtors and creditors that arise directly from its operations;
- shareholders' funds which represent investors' monies which are invested on their behalf; and
- temporary borrowings used to finance investment activity.

### 14. Risks of Financial Instruments

The main risks arising from the Fund's financial instruments are market price, foreign currency, interest rate, liquidity and credit risks. The ACD reviews (and agrees with the Depositary policies for managing each of these risks and they are summarised below. These policies have remained unchanged since the beginning of the period to which these financial statements relate:

- *Market risk* - arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Fund might suffer through holding market positions in the face of price movements;

The Investment Adviser regularly considers the asset allocation of the portfolio in order to minimise the risk associated with particular countries or industry sectors whilst continuing to follow the investment objective. An individual fund manager has responsibility for monitoring the existing portfolio selected in accordance with the overall asset allocation parameter described above and seeks to ensure that individual stocks also meet the risk/ reward profile that is acceptable.

The ACD does not use derivative instruments in accordance with Fund's investment policy to hedge the investment portfolio against market risk, as in their opinion the cost of such a process would result in an unacceptable reduction in the potential for capital growth.

- *Foreign currency risk* - the Fund's financial assets and liabilities are invested in a variety of asset classes, some of which may be valued in currencies other than Sterling. As a result, the Fund may have both direct and indirect exposure to foreign currency movement which may affect the Sterling value of the portfolio.

## NOTES TO THE FINANCIAL STATEMENTS

(unaudited) as at 30th September 2008 - continued

### 14. Risks of Financial Instruments - *continued*

Net foreign currency assets at 30th September 2008 was as follows:

Currency	Monetary exposure 30/09/08 £'000	Non-Monetary exposure 30/09/08 £'000	Total 30/09/08 £'000
Euro	907	8,519	9,426
US Dollar	-	10,078	10,078
	<b>907</b>	<b>18,597</b>	<b>19,504</b>

Net foreign currency assets at 31st March 2008 was as follows:

Currency	Monetary exposure 31/03/08 £'000	Non-Monetary exposure 31/03/08 £'000	Total 31/03/08 £'000
Euro	-	9,736	9,736
US Dollar	-	3,299	3,299
	-	13,035	13,035

*Interest rate risk* - the majority of the Fund's financial assets do not pay interest nor have a maturity date. The Fund's financial liabilities are non-interest bearing which mature within one year. However, the Fund may invest in bond funds, with underlying investments in assets which are subject to risk from interest rate

Interest rate risk profile of financial assets and financial liabilities as at 30th September 2008

Currency	Floating Rate financial assets 30/09/08 £'000	Financial assets not carrying interest 30/09/08 £'000	Total 30/09/08 £'000
Sterling	-	73,251	73,251
Euro	907	8,519	9,426
US Dollar	-	10,078	10,078
	<b>907</b>	<b>91,848</b>	<b>92,755</b>

## NOTES TO THE FINANCIAL STATEMENTS

(unaudited) as at 30th September 2008 - continued

### 14. Risks of Financial Instruments - continued

	Floating Rate financial assets 31/03/08 £'000	Financial assets not carrying interest 31/03/08 £'000	Total 31/03/08 £'000
Currency			
Euro	-	9,736	9,736
Sterling	7,501	78,169	85,670
US Dollar	-	3,299	3,298
	<b>7,501</b>	<b>91,204</b>	<b>98,704</b>

	Floating Rate financial liabilities 30/09/08 £'000	Financial liabilities not carrying interest 30/09/08 £'000	Total 30/09/08 £'000
Currency			
Sterling	<b>435</b>	<b>1,343</b>	<b>1,778</b>

	Floating Rate financial liabilities 31/03/08 £'000	Financial liabilities not carrying interest 31/03/08 £'000	Total 31/03/08 £'000
Currency			
Sterling	289	2,321	2,610

Tax debtors have been excluded from the above interest rate risk profiles as they are not classified as financial assets.

The floating rate assets and liabilities comprise bank balances and overdrafts whose rates are determined by reference to LIBOR or international equivalent borrowing

- *Liquidity risk* - the Fund's assets comprise mainly realisable securities, which can be readily sold. The Fund may also hold unregulated funds and/or unapproved securities, the liquidity of which may be lower than their regulated and approved equivalents. The main liability of the Fund is the redemption of any shares that investors wish to sell.

## NOTES TO THE FINANCIAL STATEMENTS

(unaudited) as at 30th September 2008 - continued

### 14. Risks of Financial Instruments - *continued*

- *Credit risk* - certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment (purchase) or cash (sale) after the Fund has fulfilled its responsibilities.

Where applicable the Fund only buys and sells investments through brokers which have been approved as an acceptable counterparty. In addition, limits are set as to the maximum exposure to any individual broker that may exist at any time, these limits are reviewed regularly.

- *Fair value* - there is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.
- *Derivatives and other financial instruments* - The Fund does not hold any derivatives that could impact the value of the Fund significantly.

### 15. Contingent liabilities

There were no contingent liabilities at the period end.

### 16. Portfolio Transaction Costs

As the Fund has not invested in non-collectives during the reporting period, there are no associated transaction costs. Portfolio transaction costs are generally referred to as brokerage fees, commissions, stamp duty reserve taxes and interest charges for purchases or sales of securities held in the portfolio. These costs exclude security transaction charges which are paid to the Depositary as shown in note 5.

## **GENERAL INFORMATION**

### **The Fund**

WAY Global Cautious Portfolio Fund is an Investment Company with Variable Capital (ICVC). It was authorised by the Financial Services Authority with effect from 25th February 2005 and is categorised as a Non-UCITS Retail Scheme.

### **The Authorised Corporate Director ('ACD')**

The ACD is the sole director of WAY Global Cautious Portfolio Fund and is responsible for all aspects of administration and management within the ICVC. The ACD is WAY Fund Managers Limited, Cedar House, 3 Cedar Park, Cobham Road, Wimborne, Dorset, BH21 7SB.

WAY Fund Managers Limited is authorised and regulated by the Financial Services Authority and is a member of the IMA (Investment Management Association).

### **The Depositary**

The Depositary acts as the custodian for all assets relating to WAY Global Cautious Portfolio Fund. The Depositary is State Street Trustees Limited, One Canada Square, Canary Wharf, London, E14 5AF. The Depositary is authorised and regulated by the Financial Services Authority.

### **Prospectus**

Copies of the Fund's Prospectus are available free of charge from the ACD upon request.

### **Share Type**

The Fund issues Income and Accumulation shares.

### **Pricing and Dealing**

Mid prices are always quoted for shares in the Fund.

Dealing in all ICVCs operated by WAY Fund Managers Limited may be carried out between 09:00 and 17:00 hours on any business day. Investors and advisers may normally buy and sell shares over the telephone. Prices are quoted on a 'forward' basis. This means that all deals are based on a price that is calculated at the next valuation point (which is 12:00 hours on each business day) following receipt of instructions. Instructions received before 12:00 hours will be priced at 12:00 hours that day, whilst those deals taken later in the day will receive the next dealing price which is fixed at 12:00 hours on the following business day.

## **GENERAL INFORMATION - continued**

In respect of large deals, which for the purpose is defined as a single purchase or redemption of shares equivalent to more than 2% of the Net Asset value of the Fund, the ACD may charge a dilution levy on the price of shares. In respect of a purchase, this is added to the cost and, in respect of a redemption, this is deducted from the proceeds. The amount is not retained by the ACD but is paid into the Fund.

The minimum initial lump sum investment in the Fund is £5,000 (£100,000 for the WAY Inheritor Plan) and the minimum amount you may sell back to the ACD at any one time is £1,000, providing you maintain a balance of £5,000 (£100,000 for the WAY Inheritor Plan). At its absolute discretion, the ACD may accept a lower minimum amount for the purchase and sale of shares.

A contract note in respect of any purchase will be issued immediately and full settlement, in cleared funds, is due within four business days of the purchase date (for the WAY Inheritor Plan, full settlement is required before shares can be purchased). Share certificates will not be issued. Instructions to sell your shares may be required to be given in writing to WAY Fund Managers Limited, Cedar House, 3 Cedar Park, Cobham Road, Wimborne, Dorset BH21 7SB. A contract note confirming the instruction to sell will be issued immediately. Following receipt of a correctly completed Form of Renunciation, a cheque in settlement will be sent direct to you or your bank/building society within four business days.

### **Dilution**

The actual cost to the Fund of purchasing or selling its investments may be higher or lower than the mid-market value used in calculating the share price, e.g., due to dealing charges or through dealing at prices other than the mid-market price. In normal circumstances these costs are charged to the Fund. Under certain circumstances (e.g. large volumes of deals) this may have an adverse effect on the interests of shareholders generally. In order to prevent this effect, called 'dilution', WAY Fund Managers has the power to charge a dilution levy on the sale and/or redemption of shares. The dilution levy will be applied at outset and will be paid into and will become part of the Fund. The dilution levy for the Fund will be calculated by reference to the costs of dealing in the underlying investments of the Fund, including any dealing spreads, commission and transfer taxes.

### **Management Charges, Spreads and Yields**

The initial charge for the Fund is 5.25% and the periodic charge is 1.45%.

Certain other expenses are met by the Fund, the nature of which are detailed in the Fund's Prospectus.

## **GENERAL INFORMATION - continued**

### **Reports**

Reports, in their “short-form”, will be sent to all shareholders on an annual and half-yearly basis. The “long-form” accounts are available free of charge on request from the ACD.

### **Publication of Prices**

The price of shares in the Fund is quoted daily on the web pages of Financial Express at [www.fundlistings.com](http://www.fundlistings.com).

### **Stamp Duty Reserve Tax**

Stamp Duty Reserve Tax (“SDRT”) is a 0.5% tax that may be payable by the ACD, for which the Depositary may become liable when shareholders sell their shares in the Fund. This may have an effect on you as the shareholder depending on how the ACD will be treating this particular charge. Subject to limits contained within the Fund’s Prospectus, any SDRT liability incurred by WAY Global Cautious Portfolio Fund will be charged to the Fund, which could mean that less of your money will be invested for potential capital and income growth.

### **Capital Gains Tax**

As an ICVC, the Fund is exempt from UK Capital Gains tax. An individual’s first £9,600 of net gains on disposals in the 2008/2009 tax year are exempt from tax. Gains in excess of £9,600 for 2008/2009 will be taxed according to how long the investment has been held for years after 6th April 1998.

### **Important Information**

It is important to remember that the price of shares, and the income from them, can fall as well as rise and is not guaranteed and that investors may not get back the amount originally invested. Past performance is not a guide to future performance. Changes in the rate of exchange of currencies, particularly where overseas securities are held, may also affect the value of your investment. The issue of shares may be subject to an initial charge and this is likely to have an impact on the realisable value of your investment, particularly in the short term. You should always regard ICVC investment as long term.