

Elite Fitzwilliam Strategic Bond Fund

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2009 - A year in review

2009 provided some exceptional opportunities across the fixed income asset class. This followed the extremely challenging environment in 2008. As a result, the Elite Fitzwilliam Strategic Bond Fund was in a position to benefit from the opportunities and generate a return of 21.82% over the year, ahead of the 20.73% return for the IMA Sterling Strategic Bond sector.

The year started off on a negative note as financial bonds (particularly subordinated paper) continued to fall sharply as investors continued to be concerned about extension risk and possibility of coupon deferral. However, sentiment turned in March as the rate of the economic slowdown started to moderate leading investors to believe that the worst of the recession may soon be over. Furthermore, following the sharp sell-off in corporate bonds, yields started to look very attractive relative to cash rates. In addition, a large amount of new issues came to the market at attractive prices. As a result, demand for corporate bonds improved substantially leading to an improvement in market liquidity. Consequently, the spread (or premium above government bonds) tightened substantially.

This theme continued throughout the year as global macro-economic data improved in the second half of the year leading to a sharp rally in risk assets. Investors regained the confidence to re-build exposure to risk assets and to continue to take advantage of the attractive yields on offer while issuers took the opportunity to raise cash by issuing new bonds. Indeed, the worst affected sectors in the fixed income market, such as subordinated financial debt and high yield bonds delivered the strongest returns whilst developed government bond markets did not generate attractive returns.

	2009 (%)	Qtl	Since 19/12/2006 (%)	Qtl
Elite Fitzwilliam Strategic Bond	+21.82	2	+3.78	2
IMA £ Strategic Bond sector	+20.73		+4.50	

Performance

Most fund holdings delivered a positive contribution to performance in 2009. The five best contributors to performance were Templeton Global Total Return, M&G Optimal Income, AEGON High Yield Bond, BlueBay Emerging Market Corporate Bond and M&G European Loan. Four funds detracted from performance: Thames River Global Bond, Newton International Bond, Gartmore Corporate Bond and Morgan Stanley FX Alpha. The holdings in the latter two funds were sold early in 2009.

During the year we made a number of changes to the Portfolio. In the first half of the year we sold holdings in three funds: Morgan Stanley FX Alpha, as we felt that the current market environment would not suit the fund's investment strategy; Gartmore Corporate Bond Fund following a manager change. We switched out of M&G Leveraged European Loan Fund into M&G European Loan Fund as the former fund

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was wound up in January. Meanwhile we added three new funds – Newton International Bond, Cazenove Strategic Bond Fund and Legal & General Dynamic Bond Trust. The first fund invests in government bond markets while the latter two funds invest primarily in investment grade credit.

In the second half of the year we focused on increasing the Fund's exposure to high yield bonds by adding the BlueBay High Yield Bond Fund and Threadneedle High Yield Bond Fund. In addition we also added Thames River Global Credit, a new fund which invests across credit markets globally. We also held the Legal & General All Stocks Gilt Index Trust in order to participate in the gilt rally in the summer months. In November we sold the RWC Global Convertibles Bond Fund following the fund manager's departure.

Looking forward

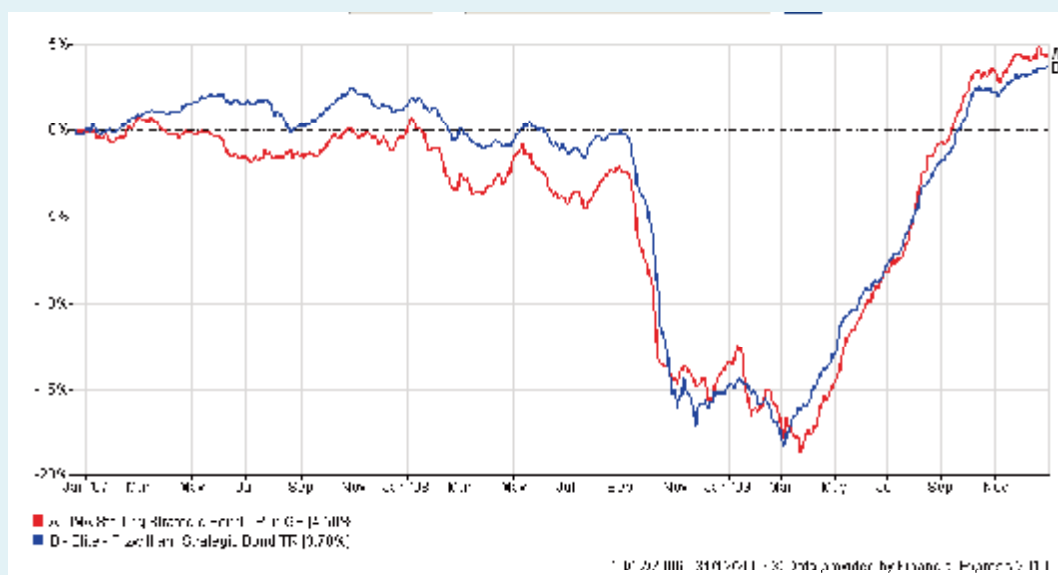
Throughout 2010, markets will be strongly influenced by decisions taken by government and monetary authorities to seek a credible path to fiscal and monetary discipline as they seek to withdraw the aggressive policy measures which have been in place for the past year.

Central banks in the main developed markets are likely to keep interest rates on hold at current low levels throughout the first half of 2010 in order to ensure that the current recovery is not undermined and brought to a premature halt. 2010 is likely to provide a challenge to Central banks as they seek tread a fine line between allowing the recovery to gain momentum and preventing inflationary pressures from building without jeopardising the recovery by withdrawing quantitative easing too soon or raising interest rates too early.

We do not anticipate strong economic growth in 2010 as developed market economies face a number of severe headwinds over the next year or so from high unemployment, modest consumer spending and limited credit availability. In addition, as consumers and corporates adjust to this new economic reality they will be faced with fiscal austerity as governments seek to reign in fiscal deficits either through higher taxation or lower spending.

Nevertheless, this environment should be relatively benign for credit markets as interest rates are set to remain at relatively low levels while credit spreads (particularly on lower quality names) remain appealing. However, we are cautious on developed government bonds as we expect more volatility as markets react to fiscal and monetary developments. As a result, returns in 2010 will be driven primarily by income generation while capital gains will be less of a driver.

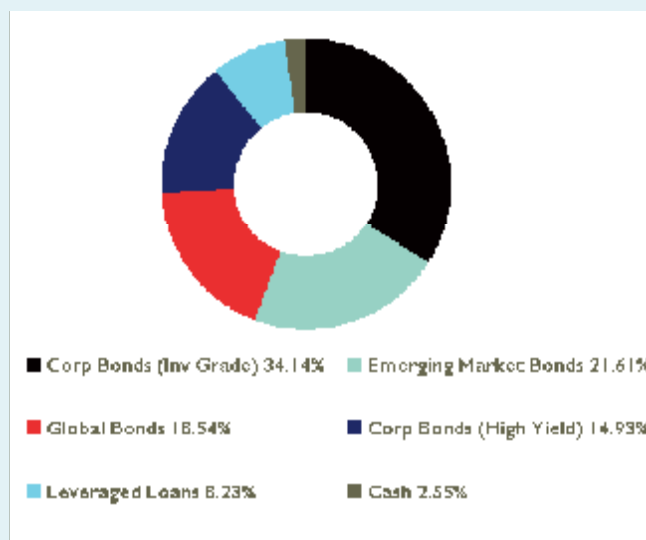
Fund performance since inception



Past performance should not be taken as an indication of future performance.

Top 10 holdings and portfolio breakdown as at 31 December 2009

Thames River Sterling Global Bond	8.58%
M&G European Loan	8.23%
Templeton Global Total Return	8.14%
Legal & General Dynamic Bond	7.92%
European Credit Fund - Danube	5.65%
M&G Optimal Income	5.63%
Thames River High Income	5.43%
AEGON High Yield Bond	5.43%
BlueBay Investment Grade Bond	5.30%
Thames River Global Credit	4.98%



Source: Fitzwilliam Asset Management Limited

Discrete performance

% Growth TR GBP	IY 31/12/08 to 31/12/09	IY 31/12/07 to 31/12/08	IY 31/12/06 to 31/12/07	IY 31/12/05 to 31/12/06	IY 31/12/04 to 31/12/05
Elite Fitzwilliam Strategic Bond	21.82%	-15.88%	1.44%		

Cumulative performance

% Growth TR GBP	6 Months	1 Year	3 Years	5 Years	Since 19 December 2006
Elite Fitzwilliam Strategic Bond	12.77%	21.82%	3.96%		3.78%
IMA £ Strategic Bond	13.69%	20.73%	4.57%		4.50%
Quartile	3	2	2		2
Annualised return		21.82%	1.30%		1.23%

Source: Financial Express. The performance figures above have been calculated using data as at 31 December 2009 and are on a bid to bid basis (no initial charge) with net income reinvested. Past performance should not be taken as an indication of future performance.

Important information

* Net of fees, 12 month trailing yield. The investments described are intended as long-term investments. Please remember that the value of investments and the income from them can fall as well as rise. Past performance should not be seen as an indication of future performance. A proportion of the Fund's assets may be held in foreign currencies and therefore may be affected by fluctuations in currency markets. If interest rates increase substantially when compared to inflation, this may affect the competitiveness of the Fund's fixed interest assets in comparison to alternative investments such as deposits. The Manager's views and opinions may change.

Please refer to the latest full prospectus, key features, annual and interim reports as appropriate for more information. Further information is also available from the contact details. You should seek independent financial advice before proceeding with any investment. This fact sheet is not an invitation to invest and is for information purposes only.

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