

CF TC Income Portfolio

a sub-fund of CF Turcan Connell Investment Funds

ACD's Interim Unaudited Short Report

for the half year ended 15 May 2010

Investment Objective and Policy

The investment objective of the CF TC Income Portfolio ('the Fund') is to provide a relatively high level of income along with some long term capital growth from a global portfolio of equities, bonds and collective investment schemes. There may be occasions when the Investment Manager chooses to hold a high level of cash or money market instruments. There will be no particular emphasis on any geographical area or any industrial or economic sector.

Change in Prospectus

The following policy changes are effective 1 May 2010:

The ACD may require a dilution levy on the purchase and redemption of shares if, in its opinion, the existing shareholders (for purchases) or remaining shareholders (for redemptions) might otherwise be adversely affected. Under the current policy the ACD does not charge dilution levy. Should dilution levy be applicable the estimated rate of the levy will be up to 0.75% of the share value of the transaction or transactions. This policy is intended to mitigate the dilutive effect of shareholder transactions on the future growth of the Company.

The application of 'large deals' on in-specie redemptions has changed. If a shareholder requests the redemption of shares the ACD may, where it considers that deal to be substantial in relation to the total size of the Company or in some way detrimental to the Company, arrange for scheme property having the appropriate value to be transferred to the shareholder (an 'in specie transfer'), in place of payment for the shares in cash. Previously, the ACD may consider a deal to be substantial if the relevant shares constitute 5% (or a lesser or higher percentage if considered appropriate) of those in issue. The COLL Sourcebook does not require the inclusion of this specific figure and the change in policy wording removes it leaving the ACD to exercise its general discretion in relation to any detrimental effects on the Company.

In addition to that, there is an increase of Registration fees charged on the Company. The Company previously has registration fees payable to Capita Financial Administrators Limited as follows: 0 – 100 shareholders: £1,500 per annum, 101 – 250 shareholders: £2,900 per annum, greater than 250 shareholders: £11.50 per annum per shareholder. A £11.50 charge per annum is also payable per holder on an ISA sub-registered.

These are being increased, as follows:

The new registration fees payable to Capita Financial Administrators Limited will be: 0 – 100 shareholders: £1,900 per annum per sub-fund, 101 – 250 shareholders: £3,700 per annum per sub-fund, greater than 250 shareholders: £17.50 per annum per shareholder. These are being increased to realign the registration fees with current market rates. A £17.50 charge per annum is also payable per holder on an ISA sub-registered. The impact of these changes is a minimal reduction in the net asset value of the Company.

Change in Prospectus (continued)

For switching between Sub-funds the prospectus of the Company currently states that no charge will be made. This policy is changing. Under the revised policy a charge may be made for switching between sub-funds that is no more than the excess of the initial charge applicable to new shares over the initial charge applicable to the original shares. Under the current policy there is no charge for switching shares in one class of a sub-fund for shares in another class of the same sub-fund, and this remains unchanged.

Risk Profile

The Fund has little exposure to credit or cash flow risk. There are no borrowings or unlisted securities of a material nature and so there is little exposure to liquidity risk. The main risks it faces from its financial instruments are market price, foreign currency and interest rate risk. The ACD reviews the policies for managing these risks in order to follow and achieve the Investment Objective as summarised above.

Accounting and Distribution Dates

	Accounting	Distribution
First Interim	15 February	15 April
Second Interim	15 May	15 July
Third Interim	15 August	15 October
Final	15 November	15 January

Total Expense Ratio

Expense Type	15.05.10 %	15.11.09 %
ACD's periodic charge	1.25	1.25
Other expenses	0.50	0.50
	<u>1.75</u>	<u>1.75</u>
Collective investment scheme costs	0.46	0.53
Total expense ratio	<u>2.21</u>	<u>2.28</u>

Portfolio Turnover Rate

	15.05.10 %	15.11.09 %
Portfolio turnover rate	73.69	97.56

Distributions

Share Class	Interim 15.05.10 pence per share
Income	0.3712

Performance Record

Income shares

Calendar Year	Highest Price p	Lowest Price p	Distribution per share p
2005	110.11	104.76	3.6108
2006	115.44	110.60	4.7109
2007	114.88	105.80	4.6088
2008	107.16	86.10	4.7004
2009	103.08	83.16	3.9491
2010*	106.75	102.54	1.5757

* To 15 May 2010.

Net Asset Value

Date	Net Asset Value £	Shares in Issue	Net Asset Value per share pence per share
15.11.07	3,421,396	3,204,450	106.77
15.11.08	3,849,511	4,375,011	87.99
15.11.09	4,195,007	4,132,447	101.51
15.05.10	6,862,387	6,609,796	103.82

Fund Performance to 15 May 2010 (%)

	6 months	1 year	3 years	5 years
CF TC Income Portfolio	2.96	17.59	1.42	16.67
IMA Cautious Managed Sector*	5.05	18.83	-0.41	21.97

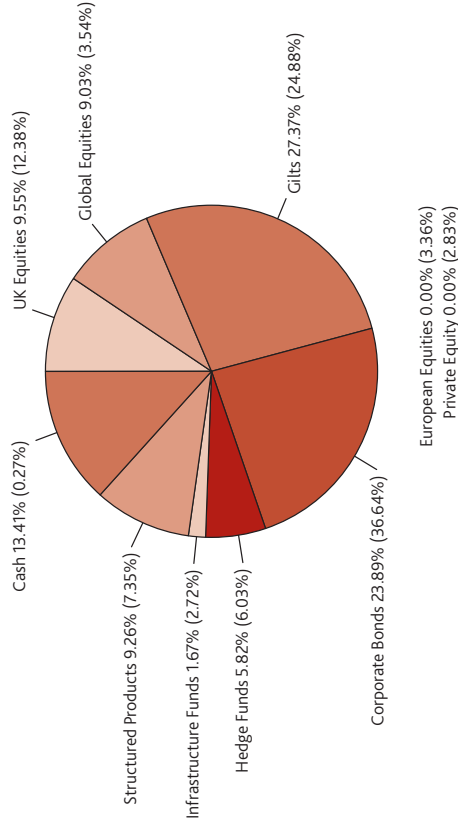
Source: Morning Star.

The performance of the Fund is based on the net asset value per Income share with income reinvested.

Risk Warning

Please remember that past performance should not be seen as a guide to future performance and that the value of an investment and the income from it can fall as well as rise and may be affected by exchange rate variations.

Sector Spread of Investments



The figures in brackets show allocations at 15 November 2009.

Major Holdings

The top ten holdings at the end of each period are shown below.

Holding	% of Fund as at 15.05.10	Holding	% of Fund as at 15.11.09
Treasury 2.5% index-linked 2013	10.13	Treasury 1.25% index-linked 2017	8.85
Treasury 1.25% index-linked 2017	8.81	Treasury 2.5% index-linked 2016	8.03
Treasury 2.5% index-linked 2016	8.43	Treasury 2.5% index-linked 2013	8.00
Legal & General Dynamic Bond	6.09	Investec Sterling Bond	6.05
Schroder International		Schroder International	
Selection Strategic Bond	5.86	Selection Strategic Bond	5.58
Templeton Global Total Return	5.68	M&G Optimal Income	5.18
Threadneedle Specialist		Templeton Global Total Return	4.86
Absolute Return Bond	5.09	Threadneedle Specialist	
Invesco Perpetual Income	4.78	Absolute Return Bond	4.78
CF Walker Cripps Equity Income	4.77	Legal & General Dynamic Bond	4.77
Aberdeen World Growth and Income	4.59	PIMCO Global Investment Grade Credit	4.70

INVESTMENT MANAGER'S REPORT

Investment Review

The half-year to 15 May 2010 saw the Income Portfolio's net asset value per share rise from 101.51p to 103.82p after two distributions totalling 1.5757p. The increase on a total return basis over the period of 2.96% compares with a 5.05% increase in the IMA Cautious Managed Sector. Equity markets began the period on a bright note, building on the rally which started in March last year. While infrastructure spending and monetary stimulus in China fuelled Eastern economies to a point dangerously close to overheating, signs of recovery in the West remained sporadic. The main impetus came from the cash released by Quantitative Easing and markets took heart from the corporate profit enhancement afforded by rapid if brutal cost-cutting. It remains to be seen if we are entering a period of sustained recovery or whether the recent improvement in economic data have simply resulted from restocking.

Towards the middle of April there appeared the first signs of a crisis which was to dominate the first half of the year. The precarious state of the Greek economy threatened the whole European economic structure, built on 10 years of easy money and lax regulation. Whilst the Greeks try to implement appropriate austerity measures the markets remain unconvinced at their ability to implement them successfully and the potential knock-on implications of this across other parts of Europe have led to a sharp reduction in investors' appetite for risk. The resulting flight to quality brought widening credit spreads and sharp rallies in both gold and the US Dollar. Even the UK, where we have major concerns about the state of the economy, the Gilt market rallied. The Euro and European assets on the other hand slumped.

The UK's plight proved a major factor in a General Election which resulted in the first coalition Government since the War. The new Administration's determination to tackle the deficits has impressed the Gilt market along with the constant purchasing by UK banks looking to shore up their own balance sheets. Equities remain torn between the prospects of lower economic growth and inflation. As you would expect in this heightened risk environment for sovereign states, currency has been a significant contributor to returns

Given our concerns regarding inflationary pressures in the UK we currently have a large weighting in index linked gilts. This exposure has been increased over the last six months at the expense of conventional corporate bonds which we believe are more exposed to potential capital depreciation. The remaining fixed interest exposure is predominately invested in strategic bond funds which tend to be managed more actively and are more flexible which can enable the manager to deliver positive returns regardless of the market environment.

These changes to the portfolio have reduced the headline income yield but are consistent with the long term objective of the fund which is to deliver a high level of income but also preserve the capital value of the portfolio and we believe the portfolio is well positioned to achieve this.

Turcan Connell Solicitors & Asset Managers

Investment Manager

23 June 2010

Buying and Selling Shares

The ACD will accept orders to deal in the shares on normal business days between 8.30am and 5.30pm. Instructions to buy or sell shares may be either in writing to: 2 The Boulevard, City West One Office Park, Gelderd Road, Leeds LS12 6NT or by telephone on 0845 922 0044. A contract note will be issued by close of business on the next business day after the dealing date to confirm the transaction.

Reports and Accounts

This document is a short report of the CFTC Income Portfolio Fund for the half year ended 15 May 2010. The full Report and Accounts for the Fund is available free of charge upon written request to Capita Financial Managers Limited, IbeX House, 42 – 47 Minorities, London EC3N 1DX.

Other Information

The information in this report is designed to enable you to make an informed judgement on the activities of the Fund during the half year it covers and the results of those activities at the end of the half year.

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INVESTMENT MANAGER

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