

IFDS Chartwell Open Ended Investment Company Cautious Growth Fund

Investment Objective

The Cautious Growth Fund aims to provide steady returns over the medium to longer term by investing in a balanced and well diversified portfolio of asset classes. The Fund aims to deliver a return which is greater than the return provided by cash over the medium to longer term whilst maintaining a cautious approach to risk.

From 01 June 2009 an Income share class was introduced to sit alongside the existing Accumulation share class. This will allow those shareholders who require a regular income to enjoy monthly distributions. Existing shareholders can switch between Accumulation shares and Income shares at no cost.

Investment Manager & Philosophy

Since inception on 18 September 2006 the investment management of the Fund has been provided by Berry Asset Management. On 01 May 2009 Sarasin and Partners LLP took on the responsibility for investment management.

Sarasin & Partners believes in traditional techniques of investment applied in a modern way. They approach these and all other investment issues with three clear principles in mind. They believe that:

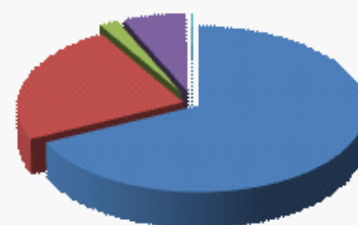
Asset Allocation is the key to a balanced investment policy. A genuine understanding of any client's objectives is the key to setting the long-term "natural" mix of a portfolio - equities, bonds and cash - as well as some of the newer asset classes such as global real estate, quasi-public sector bonds and alternative assets. They are prepared to make substantial shifts in asset allocation

away from this "natural mix" over time in the light of stock market conditions with the objective of securing competitive investment returns but dampening down volatility.

Recurring income with a sustainable yield is the most important source of long-term investment return from all asset classes. Current income and future income growth is the key to successful long-term investment.

Equity investment is best approached on a global basis. Sarasin's pioneering Global Thematic Equities investment process adds an important new dimension, selecting those companies on the world stage that have superior business models, superior cash flow, clear pricing power, strong research and development and a sharp focus on delivering attractive returns to their shareholders.

Breakdown by Asset Class



- Fixed Interest, 67.77%
- Equities, 23.64%
- Property, 1.9%
- Alternative Assets, 6.51%
- Liquid Assets (inc. Cash), 0.18%

As at December 2009

Source: Chartwell Fund Management

Cumulative Performance (%) as at 31-12-09

| | 1 mth | 3 mnths | 6 mnths | 1 yr | Since Launch |
|---------------------|-------|---------|---------|--------|--------------|
| Fund Return | 0.48% | 1.20% | 9.94% | 15.09% | -8.23% |
| IMA Cautious Sector | 1.47% | 2.00% | 14.19% | 16.21% | N/A |

Sources: Chartwell Fund Management Limited. Morningstar 31st December 2009, bid to bid total return

Discrete Performance (%) as at 31-12-09

| | 31/12/08-31/12/09 |
|--------------------|-------------------|
| Fund Performance % | 15.09% |

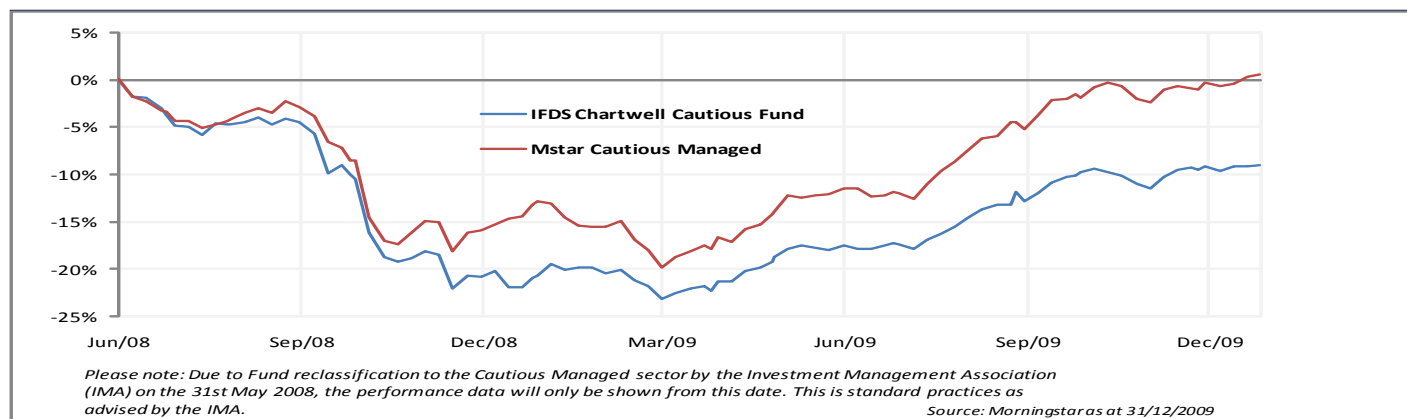
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Top 15 Holdings

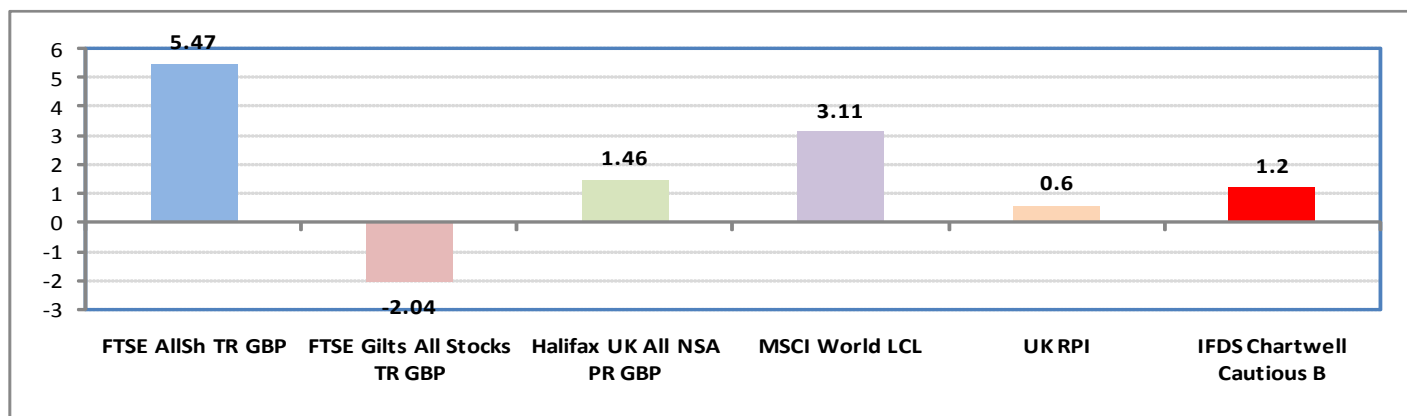
| | (%) |
|---|-------|
| 1. Sarasin Int Equity Inc CLS "B" Inc. | 14.9% |
| 2. Elder 28A Capital Acc VI SR | 5.3% |
| 3. Rensburg UK Eq Income-Inc | 5.3% |
| 4. i-Shares FTSE UK Gilt All Stocks | 4.6% |
| 5. Invesco Perp Mthly Pl-Inc | 3.4% |
| 6. Treasury 2.2500% 07/03/14 GBP | 2.6% |
| 7. Treasury 4.7500% 07/03/15 GBP | 2.2% |
| 8. Treasury 5.0000% 07/03/18 GBP | 1.9% |
| 9. Sarasin CI Real Estate Rquity (GBP)Inc | 1.9% |
| 10. Barc Bank Plc 14.0000% 15/06/19 | 1.9% |
| 11. GE Capital UK 4.6250% 18/01/16GBP | 1.7% |
| 12. Enel Fin Int SA 4.0000% 14/09/16 eur | 1.6% |
| 13. Anheuser-Busch Inbev SA 6.5000% | 1.6% |
| 14. Vattenfall AB 6.1250% 16/12/19 GBP | 1.6% |
| 15. Roche Hldgs Inc 5.5000% 04/03/15 | 1.6% |

Source: Chartwell Fund Management Limited

Performance History



3 Month Relative Return



Source: Chartwell Fund Management as at 31st December 2009

Fund Manager Commentary

The final month of 2009 was significant in setting the agenda for bond markets for the first part of 2010. The problems with Dubai World debt re-financing that emerged at the end of November were followed by more detailed scrutiny of the peripheral eurozone countries with large budget deficits (chiefly Portugal, Italy, Ireland, Spain and Greece.) Greece was downgraded to BBB+ by Standard & Poor's and Fitch. The UK, too, suffered as Moody's stated that although the AAA rating was safe for now, "the assumed capacity for fiscal adjustment ... will have to be validated by actions in the not too distant future." The situation was not helped by the Chancellor's Pre-Budget Report which left unclear the means by which the budget deficit would be reduced. There appeared to be an assumption that economic growth would be above trend from 2011 onwards – about which the market remained sceptical. In any case, measures are not likely to have any impact before 2011 and that might not be soon enough to avoid a downgrade of UK government debt. Differentiation of government yields is, therefore, likely to be a major threat and opportunity as we enter the new decade.

Contemplation of sovereign risk coupled with a consensus view that Quantitative Easing will come to a halt in 2010 painted an uncertain picture for the year ahead and yields rose to reflect the market's anxieties. UK government yields rose around 55 basis points (bp) in the middle of the curve. The Fund has been hedged against just such a sell-off and this counterbalanced falling gilt prices. We added an interest rate hedge to guard against any unexpected rise in LIBOR as the UK heads into a General Election.

We continued to look for opportunities outside the UK and re-entered the Norwegian Government Bond market after that currency had weakened somewhat and we bought into Irish Government debt once the NAMA (bad bank) bill was approved by parliament and the situation had stabilised. New issue purchases were limited to bonds from Aegon, Stagecoach and Lafarge. Whilst government bonds have been the focus in the market, corporate bonds continue to outperform handsomely. A recovering global economy in 2010 will continue to support the credit market. For the same reason equities continued to perform in the latest month adding over 4%. Our equity allocation remains at around 23%.

| Contact Details | Fund Information | How to Invest | Applications |
|---|--|---|---|
| IFDS Managers Ltd - Chartwell PO Box 10077 Chelmsford CM99 2UW email: info@triinvestments.com | Launch Date Fund Size (as at 31 Dec 2009) £16.9 million Price as at 31 Dec 2008 Class B Share Price Acc (NAV) 91.24p Annual Management Charge 1.50% Initial Charge 5.00% | Investments can be made by - Lump sum (min £4,000) - ISA's or ISA Transfer - Regular Saving Plan (min £50 per fund per month) | For an Application Form: Telephone: 020 7290 9490 Or Email: info@triinvestments.com Or go to: www.triinvestments.com |

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