

## Closing Short Report 1st September 2010 to 23rd June 2011

The information in this report is designed to enable shareholders to make an informed judgement on the activities of the Fund during the period it covers, and the results of those activities. For more information about the activities and performance of the Fund, please contact Family Investments customer service team on **0808 100 7654** (calls may be monitored or recorded for training purposes).

### Market review

Shares rallied in response to a wave of stronger-than-expected company results and economic data. The rally was underpinned by loose monetary policy as central banks such as the US Federal Reserve maintained record low short-term interest rates and continued to inject liquidity into their domestic financial systems in an effort to boost economic activity and fend off deflationary pressures. Share prices received an extra boost from increased bid activity across a wide range of industries.

Higher-rated corporate bonds delivered negative returns as the prospect of rising global inflation and renewed concern over the record fiscal deficits currently being run by many western governments combined to unsettle investors. But by contrast, the high-yield segment continued to advance as record low interest rates continued to encourage investors to seek out assets offering incremental returns.

### Fund performance

The Fund rose by 8.10 per cent over the period 1st September 2010 to 24th May 2011, which is when Family Equity Plan Limited decided to redeem its entire holding in the fund.

### Fund activity

Below are the individual rationales for the asset positions that were held in the FI Post Office® Cautious Managed Investment Fund:

Overweight UK equities – Long-term expected return is higher than other developed markets driven by a higher dividend yield than US equities and better dividend growth prospects than European equities.

Underweight European equities – Fiscal tightening is constraining the recovery and sovereign debt problems linger. Moreover, our equilibrium foreign exchange model suggests the euro is 18% overvalued vs. sterling which further hampers return prospects for unhedged sterling investors.

Overweight (on aggregate basis) World excluding UK Equities – Reduce current home bias within equity space and diversify across international markets (US, Japan, Asia-Pacific & Emerging Markets). Especially for Asia-Pacific and Emerging Markets, lower dividend yields are compensated with higher dividend growth prospects providing expected returns above (Emerging Markets) or in line (Asia-Pacific) with UK equities.

Overweight UK fixed interest – Although spreads have almost normalised, UK corporate bonds still offer attractive yields relative to government bonds and cash on a default-adjusted basis.

Underweight Cash – Very low interest rates and a steep yield curve make return from cash unattractive from an opportunity cost viewpoint.

Underweight Alternatives – Absolute Tactical Asset Allocation is at the moment the only alternative asset allowed in the investment universe and high concentration on a single alpha-dependent strategy should be avoided.

### Outlook

The FI Post Office® Cautious Managed Investment Fund closed on the 23rd June 2011. The reasons are explained in "significant changes".

Jason Josefs, CFA  
Multi Asset Fund Manager  
Aviva Investors Limited

18th October 2011

### Investment Objective

The investment objective of the FI Post Office® Cautious Managed Investment Fund was to aim to provide medium to long-term capital growth by investing primarily in collective investment schemes that in turn invest in equities and bonds predominantly in the UK with some overseas exposure. The ACD may also invest at its discretion in other collective investment schemes (including unregulated schemes) transferable securities, money market instruments, deposits as well as cash and near cash.

### Fund facts

Sector:	IMA Cautious Managed	
Fund Size: (millions)	At Jun 23rd 2011	—
	At Aug 31st 2010	\$5.3
Initial Charge:	2.5%	
Annual Management Charge:	1.25%	
Accounting Dates:	Interim is the last day of February Final 31st August	
Distribution Due Dates:	Interim 30th April Final 31st December	

### Risk profile

The main risks arising from the Fund's financial instruments are market price, interest rate, liquidity and currency rate risks. The Manager reviews (and agrees with the Depositary) policies for managing each of these risks. The value of investments and the income from them is not guaranteed and can go down as well as up.

## Net asset value per share and comparative table

### Fund size

At period ended	Bid Net asset value (£)	No. of shares in issue	Net asset value per share (pence)
August 2009	2,831,535	1,937,748.84	146.12
August 2010	5,287,709	3,301,307.21	160.17
June 2011*	—	—	—

\* to 23rd June only, on the 24th May 2011 Family Equity Plan Limited decided to redeem its entire holding in the Fund.

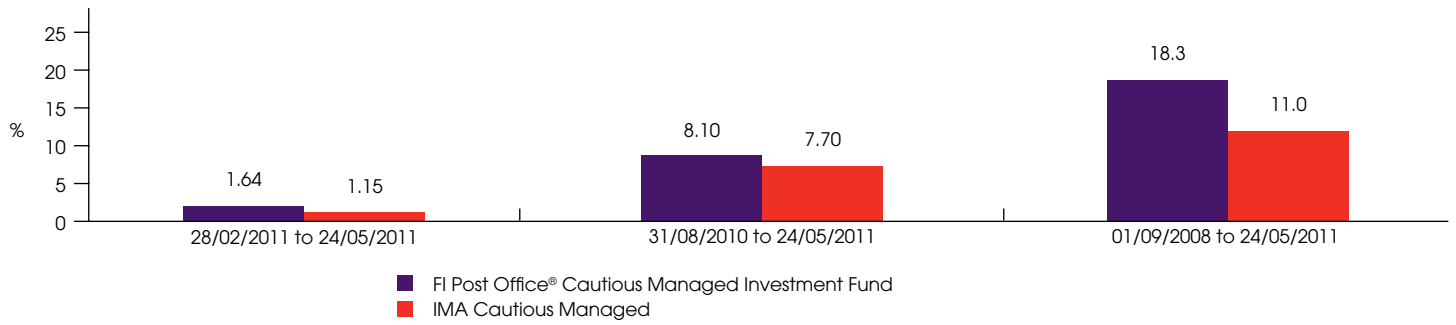
### Share price range and income history

Year	Highest buying (pence)	Lowest selling (pence)	Annual income (net allocations) per share (pence)
2008#	150.00	119.68	—
2009	160.00	115.60	1.6157
2010	174.20	153.50	3.3379
2011*	175.60	165.20	3.1474

# since launch 1st September 2008

\* to 23rd June 2011 date of closure

## Cumulative Trust Performance at 23rd June 2011



The above performance is to the 24th May 2011, which is when Family Equity Plan Limited decided to redeem its entire holding in the Fund.

Source: Lipper, basis bid to bid net of tax on dividends

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

Investors are reminded that the price of units, and the income from them is not guaranteed and may go down as well as up.

## Distribution table

### For the period ended 23rd June 2011

Distribution (in pence per share)

28th February 2011	Current year	Prior year
Group 1	1.2289	1.8559
23rd June 2011	Current year	Prior year
Group 1	1.9185	1.4820

## Total Expense Ratio (TER)

At period ended	TER %
August 2010	1.44
June 2011*	1.36

\*Annualised

## Significant changes

Family Investment Management Limited, the ACD for the FI Post Office® Cautious Managed Investment Fund, was advised by Aviva Investors Limited, who was appointed by the ACD to provide investment management and related advisory services, of their wish to resign as investment managers to the Fund from 31st May 2011 because the Fund was too small and therefore uneconomic for them to manage. Various alternatives to appoint a replacement manager were explored over a period of time but due to the Fund size being only £6.7m it was difficult for the ACD to achieve cost effective investment fees elsewhere.

As such, a decision was made to close the Fund and an application was made to the FSA to request approval for such action. This was received on the 17th June 2011 and the Fund commenced termination on the 23rd June 2011.

## Report and Accounts

Copies of the annual and half-yearly full Report and Accounts of the F1 Post Office® Cautious Managed Investment Fund are available free of charge on request to the Managers. Alternatively they are also available on the Family Investments website [www.family.co.uk](http://www.family.co.uk)

## Short Reports

This document is available in large print or Braille on request by calling **0800 100 7654** (telephone calls may be monitored or recorded).

## Authorised Corporate Director and Registrar

Family Investment Management Limited  
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Registered in England No. 1915516  
The Director is authorised and regulated by the Financial Services Authority.

The Director is a member of the IMA (Investment Management Association).

This report is issued and approved by the Director.

## Investment Advisor

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Authorised and regulated by the Financial Services Authority.

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