



FUND AIMS AND OBJECTIVES

The investment objective of Cenkos Income is to provide investors with a total return and a focus on delivering an income yield that competes with prevailing cash rates while delivering some capital growth. The Fund will invest in a global portfolio comprising of a range of fixed, floating and inflation-linked debt securities, property and equities.

Cenkos Income is a sub-fund of the Cenkos Channel Islands Investment Fund; an open-ended, multi-class, Unit Trust authorised as a Class B Scheme by the Guernsey Financial Services Commission.

FUND MANAGER COMMENTARY

Since the low formed at the start of August, markets have lurched around violently without establishing any clear direction, as investors grappled with the twin issues of Euro zone debt and global economic slowdown. In bond markets, riskier assets have also been hit hard, with high yield and emerging market bonds both down significantly. The winner has been safe haven assets such as US Treasuries.

The Fund has no exposure to the traditional AAA assets. With Treasuries paying a negative real yield (nominal yield minus inflation) at present, we feel that the risk of capital loss outweighs the benefits of reduced volatility. Having said that, we do like to have such in-built

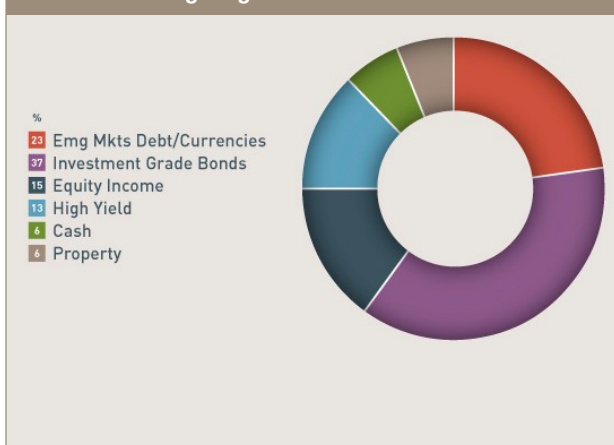
hedges in the portfolio, and so have been looking for opportunities. We settled on high-quality US Dollar corporate debt: the likes of Microsoft and Johnson & Johnson both rated AAA. These offer better yields, strong cash flows and a safe-haven currency but without the debt sustainability issues.

Markets are increasingly priced around a binary question: will the global economy escape a second recession? We, like any other investor, have no way of predicting the future and so, after reducing our direct exposure to Europe at the start of August, have held our overall weightings largely unchanged. Within those weightings, however, we have been trying to use the range-bound market to reduce more volatile positions and switch into more defensive assets.

In this area, we favour the equity of large global businesses with stable cash flows and sustainable dividends. These companies have the reach to access economic growth outside of the indebted West, the cash flow to weather economic storms, and proven commitment to rewarding shareholders. While these companies have been growing earnings over the last decade, market forces have meant that share prices have not reflected this. We will look to add to this area cautiously over the coming months.

The Income Fund fell by 2.5% in September.

Asset Class Weightings



Performance % Growth Since Inception (£)



CENKOS INCOME FUND



Key Points

Annual Management Fee

0.75%

Managers

Cenkos Channel Islands Investment Management Limited

Administrators

Bordeaux Services (Guernsey) Limited

Trustees

Kleinwort Benson (Guernsey) Limited

Auditors

Saffery Champness Guernsey Audit & Tax Partnership

Further information

A copy of the Trust Instrument and Scheme Particulars can be obtained by contacting:

Bordeaux Services (Guernsey) Limited

Bordeaux Court, Les Echelons, St Peter Port, Guernsey

T: 01481 715167

Cenkos Channel Islands Investment Management Limited

PO Box 222, Level 5, The Market Buildings,

Fountain Street, St Peter Port, Guernsey

T: 01481 732769

Top 10 Holdings

M&G Corporate Bond	10.01%
New Capital Wealthy Nations Bond	9.76%
Thames River High Income	9.08%
Cazenove Strategic Debt	8.71%
Franklin Templeton Global Total Return	8.40%
M&G (Offshore) Property	5.65%
CIF Global High Income	5.51%
Cash	4.69%
Invesco Offshore UK Equity Income	4.56%
RWC Enhanced Income	4.52%
Total	70.89%

Performance Analysis

1 Month	-2.50%
3 Month	-5.07%
6 Month	-4.49%
1 Year	-2.50%
Inception	7.27%
Annual Compound Growth Rate	3.59%

1 Year Dividend History

Quarter 4 2010	83.00p
Quarter 1 2011	87.00p
Quarter 2 2011	112.00p
Quarter 3 2011	94.00p

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD
2009	-	-	-	-	-	-	-	-	-	0.71%	0.68	0.82%	2.22%
2010	0.78%	0.60%	2.74%	0.27%	-2.54%	0.44%	2.36%	0.89%	1.94%	0.61%	-1.26%	1.18%	8.19%
2011	0.35%	0.10%	1.10%	0.99%	-0.25%	-0.12%	0.53%	-3.15%	-2.50%	-	-	-	-3.00%

For further information, including the prospectus and application form, please see www.cenkos-ci.com

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