

CF Eclectica Agriculture Fund

ECLĒCTICA
ASSET MANAGEMENT

30 SEPTEMBER 2013

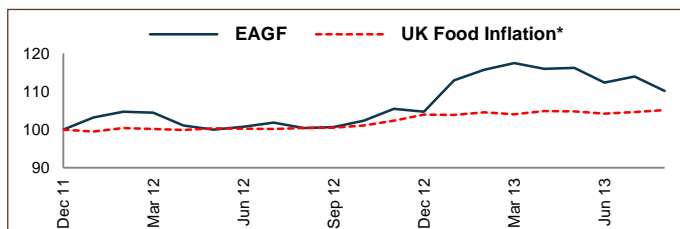
The Fund was down 1.0% in September, taking performance for the first nine months of the year to 4.2%. Equity markets were generally strong in September, but the much stronger pound (up 4.4% against the US dollar) weighed on Sterling returns. The biggest negative performers were US listed agribusinesses and food processors, costing 0.3% and 0.5% respectively, while seed and agricultural chemical companies added 0.2%.

As September marks the end of the quarter, we have again prepared the following table with an update on the risk adjusted performance of the Fund since we implemented the lower volatility approach to investing in agricultural equities in January 2012, and a chart of the Fund's performance relative to UK Food CPI.

Lower volatility approach: Performance from 1 January 2012

	EAGF	DaxAgri Index*
Return	9.1%	5.2%
Volatility	8.9%	11.9%
Max Drawdown	-8.1%	-15.0%
Sharpe Ratio	0.60	0.30
Beta (vs DaxAgri)	0.60	-
Alpha (vs DaxAgri)	6.0%	-

Fund Performance vs. UK Food CPI



*A' £ shares net of fees and expenses

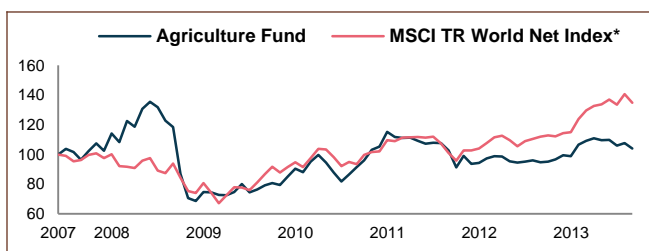
Soft commodities continued to drift lower in September as harvest pressure began to tell, and there was little good news in the September 30th US Department of Agriculture inventory report which suggested that American stocks of corn and soybeans were higher than previously thought.

However, at this point it is worth taking a step back from the minutiae of crop report data. Since the summer of 2012, the S&P 500 is up 17% and the FTSE 100 is up 13%. Over that period the corn price has halved, the Rogers Agricultural Index (all softs and grains) is off 21%, the DaxAgri Index of agricultural equities has been flat, urea prices have fallen 30% and the potash cartel has broken up. Our Fund is up 8.4% during the 12 months to September 30th.

So clearly this has been a pretty tough period for the sector, and despite very good relative performance within agriculture we have of course underperformed relative to non-agricultural assets. Looking to the future, the global trends backing the sector remain intact – the growth in demand for grain and protein hasn't changed. And having fallen 50%, it is unlikely that corn can repeat that. The spot price today is \$4.40 and the marginal producers probably have to cut back on acreage if that gets down to \$4 (remember domestic prices in China are still around \$10). We should also see demand improve - cash corn prices have only recently fallen to this \$4.40 level with the arrival of the new harvest, so until late August people still had to buy expensive old crop corn. Consumers may well have held back from on purchases over the summer, hence the higher September grain stocks, and will

Performance (%) - 'A' £ shares net of fees and expenses

	EAGF	MSCI World*	Relative
1 Month	-1.0	+0.4	-1.4
3 Months	-2.9	+1.5	-4.4
1 Year	+8.4	+20.0	-11.6
Year to date	+4.2	+17.7	-13.5
Since launch	+3.0	+35.5	-32.5
CAGR since inception	+0.5	+4.9	-4.4
Calendar Years			
2007 (from 08 June)	+14.2	+0.0	+14.2
2008	-34.6	-19.3	-15.3
2009	+21.1	+17.3	+3.8
2010	+27.4	+15.8	+11.6
2011	-18.1	-5.0	-13.1
2012	+4.7	+10.6	-5.9

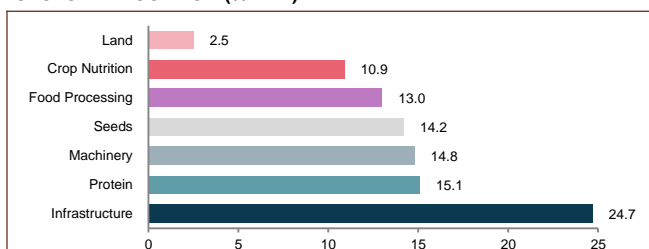


Past performance is not a guide to future returns

Calculation on NAV basis with net income reinvested. Excludes the effect of initial charge.

NAV	\$c	£p	€c
A Shares	166.04	103.00	123.40
C Shares	169.23	105.75	126.54
AUM	\$76.6m		

SECTOR ALLOCATION (% NAV)



TOP 10 HOLDINGS (% NAV)

1	Archer Daniels	4.5	6	BRF	3.2
2	Amsterdam Comms	4.2	7	Monsanto	3.2
3	Syngenta	4.2	8	Kubota	3.1
4	Bunge	3.9	9	FMC Corp.	3.0
5	CF Industries	3.2	10	Nestle	3.0

Total number of holdings: 51

*Source: Bloomberg

All stock/sector performance from Bloomberg



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now be able to stock up on cheaper new crop material. On a medium term view, the risk/return in buying corn here is far better now than it was last year.

In terms of the portfolio today, it's not all defensive food processors as it was in the first half of this year. These developed market food companies make up only around 10% of the portfolio now, compared with almost 30% going into the summer. We're also starting to sell down some of the US protein names, where we are seeing producers start to grow supply again, normally bad news for future profitability.

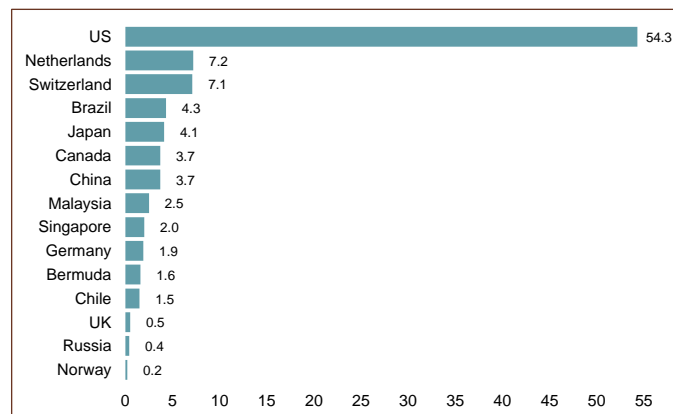
However, we still like Brazilian meat exporters, compound feed producers and the agribusiness area (especially ethanol), as well as some companies exposed to growth sectors such as livestock vaccines, and we even started to buy selected low cost potash names, where valuations are reflecting a commodity price below the likely production cost of the marginal players.

Stock Insight: Ingredient

Ingredient, a producer of corn based starches and sweeteners, has been a good performer in recent years but has had a 20% correction over the last couple of months. This has mostly been driven by issues in emerging markets - they had to downgrade profits due to a perfect storm of rising input prices, price controls and a devaluing currency in Argentina and the impact of brewers in Brazil trading down to cheaper corn extracts (consumers have been hit by large tax increases on beer).

These problems are now known, and the worst of the destocking should be factored in. As corn prices come down then, Ingredient's products should get cheaper both absolutely and relative to sugar, which should help boost demand. We believe they will also see earnings growth as new capacity comes online, together with cost savings in the core North American business. With this in mind, the stock is modestly priced on 0.9x sales for 11% margins and a 7% FCF yield after growth capex, which looks too cheap to us.

COUNTRY BREAKDOWN (% NAV)



MANAGER DETAILS

Investment manager	Eclectica Asset Management LLP
ACD	Capita Asset Services Managers Ltd
Administrator	Capita Asset Services Administrators Ltd
Fund Manager	George Lee
Benchmark	MSCI TR World Net Index
Launched	08 June 2007

FUND DETAILS

Share classes	£/€//\$
Structure	UCITS IV sub fund of CF Eclectica Funds
Dividends	Accumulated
ISA/PEP eligible	Yes
Price reporting	Daily in the Financial Times
Prospectus & KIID	www.capitaassetservices.com

FUND IDENTIFIERS

	ISIN	SEDOL
'A' Shr (£)	GB00B1XGDS05	B1XGDS0
'A' Shr (€)	GB00B1XGDP73	B1XGDP7
'A' Shr (\$)	GB00B39WY943	B39WY94
'C' Shr (£)	GB00B3B02F88	B3B02F8
'C' Shr (€)	GB00B3B02P86	B3B02P8
'C' Shr (\$)	GB00B39WYQ11	B39WYQ1

FEES, COSTS AND REDEMPTION STRUCTURE

Initial charges	Up to 5% (class A); up to 1% (class C)
Anti-dilution levy	Up to 0.75% on subs/reds over 5% of NAV
Annual charges	1.75% (class A); 1.25% (class C)
Minimum investment	£5,000 (class A); £2m (class C) (equivalent for € and \$)
Dealing	Daily at 12pm
Dealing line	0845 608 0941

SERVICE PROVIDERS

Depository	BNY Mellon
Auditors	Ernst & Young
Accounts date	Financial year-end 31 December

SALES AND MARKETING

Joe Rouncefield (UK)

T. (0)20 7792 6420 / joe@eclectica-am.com

Maria Johansson (Non-UK)

T. (0)20 7792 6423 / maria@eclectica-am.com

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