

CF ECLECTICA AGRICULTURE FUND

MONTHLY REPORT

30 January 2009

Hopes for a fresh start in the New Year for financial markets were dashed in January, with the American stock market suffering its worst January ever and global markets falling 5.6% in Sterling terms. By contrast, the fund was basically flat, losing only 0.1%. The best performers were Terra Nitrogen (of which more below) and Monsanto, contributing 0.2% apiece, with Syngenta also adding 0.1%. The seed companies' performance was driven by strong results from Monsanto, showing the resilience and growth potential of their GM seed franchise. Laggards consisted of CNH Global and Bunge, who both reported disappointing numbers during the month.

Collectively agricultural commodities fell by 2.9% in January, with corn and wheat giving back some of December's sharp gains. One of the strongest performers was cocoa, which rose 4% with supply in West Africa under threat from a plague of armyworms. In protein, the most notable performer was chicken, with Georgia Dock breast meat prices up 15% in the month as the industry slashes supply in the wake of the bankruptcy of Pilgrim's Pride late last year.

Drought in Latin America and China

The main fundamental driver was the continuing drought in Latin America. Argentina is suffering the worst drought since 1950 with production of corn and soybeans to be down 35% and 10% respectively when compared with last year. Wheat export permits have been temporarily scrapped as the wheat harvest is looking like the worst in twenty years. Brazil is also suffering, with the corn and soy harvests likely to be down 10-15% on last year.

Meanwhile, a large area of Northern China is also suffering from drought which has the potential to damage the winter wheat crop. China is the world's largest wheat producer: their winter wheat crop accounts for over 10% of global production. Almost half of this winter crop is in areas suffering from the drought. It is too early to know the full extent of the damage as this land won't be harvested until June, but should this drought continue to affect an already water-poor area of the world, it could cause a major deficit in the wheat market later this year, especially given the lower plantings of winter wheat we have already seen in Russia and Ukraine.

Theme: Fertiliser - M&A and Rising Prices

Falling share prices have spurred M&A activity in the American fertiliser industry, with CF Industries launching a bid for rivals Terra Industries. CF claims that Terra is trading at less than 50% of replacement cost. Slightly disappointingly given the strength of both companies' balance sheets they are offering shares rather than cash for Terra, although as the two companies are roughly the same size CF would need a lot of spare cash given the freeze in debt markets. The new entity would only have 4% of global nitrogen capacity, but the main

attraction of the deal lies in the combination of CF's world-scale Louisiana facilities and Terra's assets further up the Mississippi, which would give them a powerful 23% market share in America. The benefit of controlling this infrastructure can be seen in relative pricing of fertiliser between the Corn Belt and the Gulf Coast; while Gulf prices for urea have fallen as low as \$190/t, farmers further inland have been paying over \$350/t. The rationale for this local premium lies in the market infrastructure: to get from the Gulf to the Corn Belt, ammonia must travel either up the ammonia pipeline or on a barge up the length of the Mississippi, and storage in the Corn Belt is limited and controlled by the producers. So while Gulf prices are highly volatile, reflecting small shifts in the global urea market, Corn Belt prices tend to be much stickier.

As of the beginning of February, the Chinese have re-instituted their 110% tax on exports of urea, calming market fears that China will swamp the world market with surplus nitrogen fertiliser. Gazprom and Ukraine finally agreed to resolve their gas price conflict, signing a new long-term supply contract at a price based on prevailing European market prices. Although the Ukrainian fertiliser industry is now receiving supplies of gas, the new price set by Gazprom means that their cost of production of urea is now over \$250/t, 20% above the distressed spot prices seen in recent months. As the whole Ukrainian economy has been constructed to run on subsidised gas prices, this price hike is likely to lead to some form of rationalisation of their fertiliser industry with less efficient facilities being closed. Globally, spot urea fertiliser prices rose strongly in January from \$200/t to \$300/t as traders began to restock ahead of the spring application season. With the following winds of M&A support and rising prices, we have taken the weighting of the fund in fertiliser companies back up to nearly 30% as of the beginning of February.

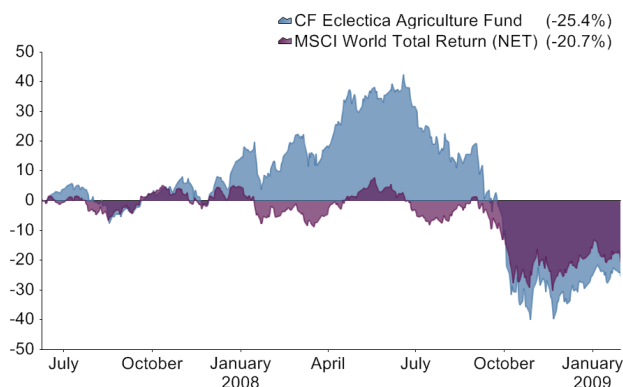
NET ASSET VALUES

| | £p | €c |
|------------|-------|-------|
| 'A' Shares | 74.57 | 83.33 |
| 'C' Shares | 74.80 | 83.49 |

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FUND PERFORMANCE



TOP EQUITY HOLDINGS

| | | | |
|----|-----------------------------------|------|------|
| 1 | MONSANTO CO (UN*) | Long | +9.5 |
| 2 | SYNGENTA AG (VX*) | Long | +9.0 |
| 3 | POTASH CORP OF SASKATCHEWAN (CT*) | Long | +5.4 |
| 4 | ARCHER-DANIELS-MIDLAND CO (UN*) | Long | +5.4 |
| 5 | TERRA NITROGEN COMPANY LP (UN*) | Long | +3.6 |
| 6 | BUNGE LIMITED (UN*) | Long | +3.3 |
| 7 | WILMAR INTERNATIONAL LTD (SP*) | Long | +3.3 |
| 8 | KWS SAAT AG (GY*) | Long | +2.5 |
| 9 | AGRIUM INC (CT*) | Long | +2.4 |
| 10 | CORN PRODUCTS INTL INC (UN*) | Long | +2.4 |

PERFORMANCE SUMMARY

| % | EAGF | Relative | MSCI World |
|------------------------|-------|----------|------------|
| Month to date | -0.1 | +5.4 | -5.6 |
| One year | -31.6 | -15.5 | -16.1 |
| Year to date | -0.1 | +5.4 | -5.6 |
| 2008 | -34.6 | -14.7 | -19.9 |
| 2007 (from June 8th) | +14.2 | +9.3 | +4.9 |
| Since launch | -25.4 | -4.8 | -20.7 |
| C.A.R. since inception | -16.3 | -3.2 | -13.1 |

ASSETS UNDER MANAGEMENT

| | |
|-----|--------|
| AUM | £89.9m |
|-----|--------|

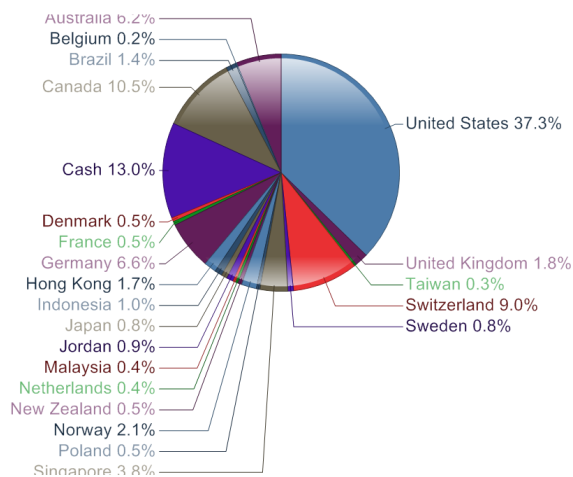
ASSET ALLOCATION

| | |
|--------|--------|
| Cash | +13.0 |
| Equity | +87.0 |
| Total | +100.0 |

TOTAL POSITIONS

| | |
|-----------------|----|
| Total Positions | 66 |
|-----------------|----|

COUNTRY BREAKDOWN



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Investment Objective

The investment objective of the fund is to achieve long-term capital growth through investment in a diversified portfolio of global quoted equity investments that are involved in, related to, concerned with or affected by agriculture and farming related issues. The fund may also invest in collective investment schemes and cash and near cash in the interests of achieving its objective of capital growth. The fund may utilise currency hedging in the interests of achieving that objective.

Comparative

MSCI World Total Return (NET) index.

Structure

The fund is a sub-fund of CF Eclectica Funds which is an investment company with variable capital established pursuant to an authorisation order of the Financial Services Authority ("FSA") on 24 March 2006 and falls in the category of being a "UCITS scheme" and which is also an umbrella company for the purposes of the Open-Ended Investment Companies Regulations 2001.

Accounts Date

Financial year end 31st December.

Dealing

Class A and Class C £ accumulation shares and Class A and Class C € accumulation shares are available for subscription daily at 12pm based on applications received before 12pm.

Pricing

In order to protect the interests of existing shareholders the fund applies an anti-dilution levy of 0.5% to subscriptions or redemptions over 1% of the fund's value.

Launch date

8th June 2007.

Dividends

Income is accumulated within the fund.

Charges

Management fee: 1.75% for Class A Shares; 1.25% for Class C Shares. Subscription Charge: 5% (3% of which may be paid to qualifying intermediaries).

Subscription

Minimum of £5,000 and its equivalent in Euros for Class A Shares and £2m and its equivalent in Euros for Class C Shares.

Price Reporting

NAVs are published daily in the Financial Times (Managed Funds Service under Eclectica Asset Management LLP);

Class A: SEDOL and ISIN identifiers are B1XGDS0 and GB00B1XGDS05 for £ Shares, B1XGDP7 and GB00B1XGDP73 for € Shares respectively.

Class C: SEDOL and ISIN identifiers are B3B02F8 and GB00B3B02F88 for £ Shares, B3B02P8 and GB00B3B02P86 for € Shares respectively.

Authorised Corporate Director

Capita Financial Managers Ltd.

Investment Manager

Eclectica Asset Management LLP.

Administrator

Capita Financial Administrators Limited. Dealing line 0845 608 0941.

Depository

Bank of New York.

Auditors

Ernst & Young.

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ECLECTICA
ASSET MANAGEMENT

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