CAPITA
FINANCIAL GROUP

THIS LETTER IS IMPORTANT – PLEASE READ IT CAREFULLY

7 December 2009

Dear Shareholder

CF Arch cru Investment Portfolio (a sub-fund of the CF Arch cru Investment Funds, an Investment Company with Variable Capital) (the "Fund")

In this letter we summarise the key points arising out of our review of the Fund. A more detailed explanation of the review is contained in the enclosed briefing note which is intended to give you a full understanding of the issues.

Background

As previously advised, dealings in the Fund were suspended on 13 March 2009. The suspension took place because of concerns about the illiquidity of the assets of the Fund.

The Fund's shareholdings in the Cells

The Fund is substantially invested in the shares of various Guernsey incorporated cell companies (the "Cells"), which are listed on the Channel Islands Stock Exchange ("CISX"). The Fund, taken together with the other sub-fund of the CF Arch cru Investment Funds and the sub-funds of the CF Arch cru Diversified Funds, which are other funds for which Capita Financial Managers Limited ("CFML") is the Authorised Corporate Director ("ACD") and Arch Financial Products LLP ("Arch") is the investment manager delegate, is a sole or majority investor in a significant number of the Cells. There are relatively few third party investors in these Cells and relatively little external liquidity.

The main reason for suspension of dealings in the Fund was the illiquidity in the shares of the Cells. This illiquidity meant that it was very difficult for the Fund to sell its shares in the Cells if required to raise cash to meet redemption requests. On 27 July 2009, i.e. subsequent to the suspension of the dealings in the Fund in March 2009, the listing of the shares in the Cells on the CISX was also suspended, pending publication of the net asset values ("NAVs") of the Cells as at March 2009.

The shares in the Cells remain illiquid, and we believe that there is no reasonable prospect of adequate liquidity returning to the shares of the Cells in the foreseeable future. We therefore do not believe that lifting the suspension of dealings in the Fund is a viable option.

In order to obtain further information regarding the value of the Fund's investments in the Cells, we have reviewed the value and liquidity of the underlying assets of the Cells.

Ibex House, 42-47 Minories, London, EC3N 1DX
Tel 0870 607 2555 Fax 0870 607 2550 www.capitafinancial.com
A trading name of Capita Financial Managers Ltd

The review

With the assistance of external specialists, including PricewaterhouseCoopers LLP, CFML has:

- reviewed the existence and ownership of the underlying assets of the Cells in which the Fund is invested;
- reviewed the value and liquidity of the underlying assets of the Cells; and
- evaluated the options available for the future of the Fund, and decided on the actions to take in the best interests of shareholders.

The existence and ownership of the Cells' assets

As part of our review, we were keen to ensure that there was adequate evidence of the existence and ownership of the underlying assets of the Cells. As reported in our previous letter, this aspect of our review was completed in October 2009 and did not give rise to concerns. The information we obtained through our review was that there is evidence that the assets of the Cells exist and are owned by the Cells. This gives us, and you, significant comfort.

The liquidity and value of the Cells' assets

As stated above, the Fund is substantially invested in shares in the Cells. The underlying assets of the Cells, taken as a whole, are investments in a range of assets, such as private equity, hedge funds, asset backed loans linked to ships, real estate linked investments, direct investments in various entities, including investments in a fine wine investment company, and other investments. Certain of the Cells have also invested in other Cells. The Fund and the other funds for which CFML is the ACD and Arch is the investment manager delegate each have differing exposures to the various Cells, and therefore differing exposures to the underlying assets. The underlying assets are medium to long-term in nature and are generally illiquid.

Our specialist advisers have been working with the directors of the Cells, Arch (in its capacity as investment manager of the Cells), and Bordeaux Services (Guernsey) Limited ("Bordeaux") (the administrator of the Cells) in relation to the valuation of these assets. The nature of the underlying assets has meant that this review work has taken considerable time.

The audit of the Cells as at 31 March 2009 by Moore Stephens is still not yet complete. We understand from the directors of the Cells that the audited financial statements as at 31 March 2009 of the Cells and finalised NAVs for the Cells for the period from March to September 2009 will be published by no later than 31 December 2009. Once these finalised NAVs have been published, the NAV of the Fund and the price of shares in the Fund will be calculated. These updated prices will be used to prepare investor statements setting out the value of your individual holdings in the Fund; we currently expect to issue these by no later than February 2010, subject to there being no further delay in completion of the audit of the Cells.

However, the directors of the Cells have now published estimated NAVs for the Cells for 31 March 2009 and 30 September 2009. Based on these figures, we estimate that the NAV of the Fund as at 30 September 2009 was £144,055,230. This represents an estimated 40.68% reduction from the last published NAV of £242,840,283 on 13 March 2009. Shareholders should note that these figures are necessarily only estimated NAVs for the Funds, and should read the important qualifications contained in the briefing note regarding the basis of their calculation.

The estimated NAVs that have been published by the directors of the Cells show that there has been a fall in the value of the Cells, and consequently a fall in the value of the Fund. CFML continues to work with relevant parties involved with the Cells to understand the timing of the fall in the value of the Cells. In particular, we are pressing the Cells and Arch, as investment manager of the Cells, for an explanation of the reasons for the fall in value of the

Cells. We are also continuing to investigate whether the previously published NAVs of the Cells were accurately reported in the period prior to 13 March 2009.

The future of the Fund

Given the continuing illiquidity of the Fund's investments in the shares of the Cells, we and the depositary to the Fund, BNY Mellon Trustee & Depositary Services (UK) Limited, do not believe that lifting the suspension of dealings in the Fund is a viable option – the Fund is unlikely to be able to meet redemptions and a further suspension would, in all likelihood, be necessary. We have therefore investigated, with assistance from our specialist advisers, the alternative options available to the Fund and assessed their merits.

As part of our review, we have considered a number of possible options with our specialist advisers. Many of these were not practically feasible or legally possible. Details of these are set out in the enclosed briefing note. We have therefore concluded that the only available option which is in the best interests of all shareholders is for the Fund to be wound up on an "orderly realisation" basis. This will involve the assets of the Cells being sold or realised in an orderly manner over a sufficient period of time to achieve a fair value for shareholders (having regard to the current value of the Cells), whilst at the same time generating liquidity. The Fund will receive a proportion (reflecting the size of the Fund's shareholding in the Cells) of the proceeds of the realisation generated by the Cells and the Fund will in turn pay these proceeds on to shareholders in the Fund. There will not be a "fire sale" of the assets of the Cells (i.e. a sale to realise the assets as quickly as possible at any price), as we believe this would significantly reduce the return for shareholders. An orderly realisation will, however, release value to shareholders sooner than if the assets of the Cells were held to their maturity. The information we have obtained through our review indicates that holding the assets to maturity would not substantially increase their value above that which would be achieved under an orderly realisation. We therefore do not believe that an orderly realisation would be detrimental to shareholders when compared with allowing the Cells to continue to hold their assets to maturity.

How will the orderly realisation be achieved?

We will shortly be seeking the approval of the Financial Services Authority ("FSA") for the winding up of the Fund. However, due to the illiquid nature of the assets of the Cells in which the Funds are invested, we anticipate that the orderly realisation process is likely to take between 3 and 5 years to complete. We intend to make periodic payments ("distributions") to shareholders in the Fund as assets are realised and cash becomes available. We anticipate that shareholders will receive their first distribution by no later than February 2010.

In order to facilitate an orderly realisation, certain key changes are being made to the management of the Fund and the Cells, namely:

- CFML, as ACD to the Fund, has assumed investment management of the Fund in place of Arch – this will essentially involve receiving cash on behalf of the Fund from the Cells and making distributions to shareholders.
- Spearpoint Limited ("Spearpoint"), an independent investment firm regulated by the Guernsey Financial Services Commission and the Jersey Financial Services Commission, has been appointed by the boards of the Cells as investment manager of the Cells in place of Arch, with the intention of managing the assets to achieve value through an orderly realisation. Spearpoint will be paid an investment management fee by the Cells – we understand that, taking the Cells as a whole, Spearpoint's fee entitlements will be lower than those to which Arch was previously entitled from the Cells. Spearpoint is employing the services of some current Arch employees to assist with the management of the Cells' assets.
- The consent of the shareholders in the Cells will be requested to change the investment objectives of the Cells so that the objectives state that the Cells will be managed to achieve an orderly realisation of the assets whilst balancing the need to achieve a fair value for the investments (having regard to their current values) against the need to generate liquidity for the Cells' shareholders. We expect this consent to be sought at

meetings of the shareholders in the Cells, which are currently scheduled to take place in January 2010.

- Changes are also being made to the composition of the boards of the Cells. Three new directors are being appointed to the boards and, over a period of time to allow for an orderly transition, the existing directors will resign. Further details about the new directors are contained in the enclosed briefing note.

Compensation review and hardship arrangements

We appreciate that shareholders may be concerned about the implications of the fall in the value of the Cells on their investment in the Fund, and their ongoing inability to sell their shares in the Fund. In view of this, we are working to assess whether shareholders have suffered detriment and, if so, to what extent any of the parties involved should be responsible for compensating shareholders for any such detriment. This is a complex exercise, and involves looking at the role of a number of different parties, as well as considering to what extent any fall in value is simply due to market performance. We anticipate being in a position to report on the results of this review by the end of March 2010, along with details of any proposals for addressing any investor detriment.

We are conscious that some shareholders may have a pressing need to access their investments on grounds of financial hardship. We are therefore putting in place a scheme to address the needs of shareholders who are suffering genuine financial hardship and need immediate access to their investment(s). Details of the hardship scheme, eligibility criteria and how to apply are set out in the enclosed factsheet.

We strongly recommend that any shareholder who is concerned about his/her financial position consult with their independent financial adviser ("IFA"). If investors invested via an insurance product, pension product or fund supermarket they should also contact their product or service provider about their position.

Fees and charges

Given the continuing suspension, CFML, the administrator, depositary and custodian have each agreed to waive their unpaid fees which are calculated by reference to the value of the fund, for the period from 1 April 2009 to the date of commencement of the winding up. Given the continued circumstances of the Fund and, in particular, the continued inability of shareholders to realise their investment(s), we have reviewed whether renewal or trail commission should be paid to IFAs, and have written to IFAs with our proposals on this issue.

Report and Accounts

The audit of the accounts of the Fund for the year ended 15 June 2009 will be completed by Ernst & Young LLP once the final NAVs for the Cells have been published and all necessary audit work for the Cells completed by Moore Stephens. This includes completion of the audited financial statements for the Cells as at 31 March 2009. The interim audit of the Cells as at 31 December 2008 will also assist our work in understanding the value of the Cells in December 2008, and therefore the timing of the fall in the value of the assets of the Cells.

Conclusion

The enclosed briefing note contains more information about the points covered in this letter and a timeline of the next steps in relation to the Fund. We strongly recommend that you read this briefing note. In order to determine the value of the Fund the most immediate steps are the finalisation and publication of the Cells' audited financial statements and subsequent NAVs for the period from March to September 2009. Following this, and once the necessary steps have been taken in Guernsey (including the meetings of the shareholders of the Cells to seek their consent to the changes to the investment objectives of the Cells), the orderly realisation process will commence. As stated above, we hope to make our first distribution to shareholders by no later than February 2010.

We strongly recommend that you consult your IFA if you are unsure about the implications of this information for your investment in the Fund or your financial planning in general.

We have set up a dedicated helpline to deal with any questions you have regarding the outcome of our review of the Fund and the contents of this letter. Please email us at cfarchcru@capitafinancial.com or alternatively telephone us on 0845 6080958, if you have any queries.

Yours faithfully

Chris Addenbrooke
Chief Executive Officer
Capita Financial Managers Limited

CAPITA
FINANCIAL GROUP

7 December 2009

CF Arch cru Investment Portfolio (a sub-fund of the CF Arch cru Investment Funds, an Investment Company with Variable Capital) (the "Fund")

BRIEFING NOTE: DETAILED RESULTS OF CAPITA FINANCIAL MANAGERS LIMITED'S REVIEW OF THE FUND

This briefing note provides you with further details of the results of our review of the Fund.

Background

Dealings in the Fund were suspended on 13 March 2009. The suspension took place because of a lack of liquidity in the assets of the Fund. This led to a concern that the Fund would not be able to sell its assets in order to meet potential requests by shareholders to redeem their shares in the Fund.

The Fund's shareholdings in the Cells

The Fund is substantially invested in the shares of various Guernsey incorporated cell companies ("the Cells"). The Fund, taken together with the other sub-fund of the CF Arch cru Investment Funds and the sub-funds of the CF Arch cru Diversified Funds, which are other funds for which Capita Financial Managers Limited ("CFML") is the Authorised Corporate Director ("ACD") and Arch Financial Products LLP ("Arch") is the delegated investment manager, is a sole or majority investor in a significant number of the Cells. There are relatively few third party investors in these Cells and relatively little external liquidity.

The shares in the Cells were listed and traded on the Channel Islands Stock Exchange ("CISX"). The Fund's holdings in the Cells were valued on the basis of the quoted CISX prices of the shares of the Cells.

The recent turmoil in global financial markets exacerbated a lack of trading or liquidity in the shares of the Cells. This lack of liquidity meant that it was difficult for the Fund to sell its shares in the Cells if required to raise cash to meet redemption requests or to invest in other assets. This was the main reason for the suspension of dealings in the Fund in March 2009. Given the continued illiquidity of the shares in the Cells, and the absence of other readily realisable non-cash assets within the Fund, we do not believe that lifting the suspension of dealings in the Fund is a viable option.

On 27 July 2009, the listing of the shares of the Cells was suspended pending publication of their net asset values ("NAVs") as at March 2009. The suspension of the listing means that the Fund cannot trade shares in the Cells on the CISX while the suspension continues.

In order to obtain further information about the value of the Fund's investments in the Cells, we have reviewed the value and liquidity of the underlying assets of the Cells.

The review

We have conducted a review into the circumstances leading to suspension and have also been considering carefully options for the future of the Fund. With the assistance of external specialists, including PricewaterhouseCoopers LLP, CFML has carried out detailed and extensive reviews of:

- the existence and ownership of the underlying assets of the Cells;
- the value and liquidity of the underlying assets of the Cells; and

- the options available for the future of the Fund, in order to decide on the actions to take to optimise the position of all shareholders in the Fund.

The review has been carried out in consultation with Arch, the Financial Services Authority ("FSA") and the Guernsey Financial Services Commission ("GFSC"). BNY Mellon Trustee & Depositary Services (UK) Limited ("BNY Mellon"), the depositary to the Fund, has not been a direct participant in the review, but has been kept informed of the progress and findings of the review. The depositary concurs with the approach adopted and the options identified. As part of our review, we have also engaged with and obtained information from several parties involved with the management and operation of the Cells, including Arch in its capacity as investment manager to the Cells, the directors of the Cells, Bordeaux Services (Guernsey) Limited ("Bordeaux") (the administrator to the Cells), the custodian for the Cells' assets, and Moore Stephens (the auditors to the Cells).

We are now able to tell you that our review is essentially complete, and to set out its detailed results below.

The existence and ownership of the assets of the Cells

As part of our review, we were keen to ensure that there was adequate evidence of the existence and ownership of the underlying assets of the Cells. As reported in our previous letter, this aspect of our review was completed in October 2009 and did not give rise to concerns. The information we obtained through our review was that there is evidence that the assets of the Cells exist and are owned by the Cells. This gives us, and you, significant comfort.

The liquidity and value of the assets of the Cells

Having addressed the existence and ownership of the Cells, one of the major aspects of our review has, as indicated above, been to assess the liquidity and value of the assets of the Cells. The Cells, taken as a whole, hold a large number of investments in a range of asset classes, including private equity, hedge funds, asset backed loans linked to ships, real estate linked investments, direct investments in various entities, including investments in a fine wine investment company, and other investments. Certain of the Cells have also invested in other Cells. The Fund and the other funds for which CFML is the ACD and Arch is the investment manager delegate each have differing exposures to the various Cells, and therefore differing exposures to the underlying assets.

Our specialist advisers have been working with the directors of the Cells, Arch (in its capacity as investment manager of the Cells) and Bordeaux (the administrators of the Cells) in relation to this valuation work. Many of the assets of the Cells are private investments which are medium to long term and illiquid in nature and do not have any readily available price or value. The nature of the underlying assets has meant that it has taken a considerable time for the review to be completed.

The publication on the CISX of the audited financial statements of the Cells as at 31 March 2009 and subsequent NAVs for the Cells for the period from March to September 2009 had, as previously reported to you, been delayed. This in turn delayed our ability to assess the impact of the updated valuation information on the Fund.

On 2 December 2009, Arch Guernsey ICC Limited, the umbrella company under which the Cells sit, announced a further delay in the publication of the audited financial statements of the Cells and finalised NAVs of the Cells. We understand from the directors of the Cells that the audited financial statements of the Cells as at 31 March 2009 and finalised NAVs for the Cells from March to September 2009 will be published by no later than 31 December 2009. We will use these figures to prepare an updated NAV and share prices, as well as individual investor statements setting out the value of your individual holdings in the Fund. We expect to issue these by no later than February 2010, subject to there being no further delay in completion of the audit of the Cells.

The directors of the Cells have now, however, published estimated NAVs for the Cells for 31 March 2009 to 30 September 2009. Based on these estimated NAVs and the size of the Fund's holdings in the Cells, we estimate that the price of shares in the Fund at 31 March and 30 September 2009 was as follows:

Share class	**Last published share price (as at 13 March 2009) (based on published CISX price of Cells)**	**Estimated share price as at 30 September 2009 (based on published estimated NAVs of Cells)**	**% change since 13 March 2009**
A Accumulation	£1.0181	£0.6024	-40.84%
A Income	£1.0116	£0.5990	-40.79%
B Accumulation	£1.0452	£0.6222	-40.47%
B Income	£1.0342	£0.6118	-40.84%
C$ Accumulation	$1.4041	$0.9954	-29.11%
C$ Income	$1.3657	$0.9682	-29.11%
D Accumulation	£1.0325	£0.6131	-40.62%
D Income	£1.0261	£0.6093	-40.62%

We estimate that the NAV of the Fund was £144,055,230 as at 30 September 2009. This represents a reduction of 40.68% compared to the last published NAV of £242,840,283 as at 13 March 2009.

Shareholders should note that these figures are necessarily only estimated share prices for the shares in the Funds, as they are based on estimated, rather than finalised, NAVs for the Cells. For example, the estimated share prices for the Funds do not take account of adjustments that will be made in light of the decision by various parties to waive their entitlement to certain fees from the Funds. Updated NAVs and share prices for the Funds will be prepared upon finalised NAVs being published by the Cells. It is also important to note that the percentage decline in the price of any particular share class will not be the same as the overall estimated percentage decline in the NAV of the Fund as a whole. This is principally because the charges applied to the Fund vary across share classes, and because the value of non-sterling share classes may also be impacted by currency fluctuations.

Reasons for the decline in the value of the Fund

It is clear from the estimated NAVs for the Cells that there has been a fall in the value of the Cells, and in turn the value of the Fund, compared to the last published price of the Fund on 13 March 2009.

CFML continues to work with relevant parties involved with the Cells to understand the reasons for and timing of the fall in the value of the Cells. In particular, we are pressing the Cells and Arch, as investment manager of the Cells, for an explanation of the reasons for the fall in value of the Cells. We are also continuing to investigate whether the previously published NAVs of the Cells were accurately reported in the period prior to 13 March 2009. The completion of an interim audit of the Cells as at 31 December 2008 will assist in understanding whether there had been a fall in the value of the Cells relative to the previously published NAVs and CISX share prices for the Cells between December 2008 and March 2009.

The future of the Fund

As indicated above, in light of the continuing illiquidity of the Fund's assets, we and BNY Mellon do not believe that simply lifting the suspension of dealings in the Fund is a viable option. The Fund would be unlikely to be able to meet redemption requests and a further suspension would become necessary. We have therefore been considering the alternative future options available for the Fund, with assistance from specialist advisers. The aim is to treat all investors fairly whilst optimising their position. In reaching our decisions as to the future options for the Fund, we have taken the following key factors into account:

- The Fund is predominantly invested in the shares of the Cells.
- The shares of the Cells remain illiquid, and there does not appear to be any reasonable prospect of adequate liquidity returning in the foreseeable future.
- The underlying assets of the Cells are illiquid, medium to long term investments, with little free cash. Many of these assets are indivisible in nature, making partial disposals of such assets very difficult.
- Selling the shares in the Cells, or the underlying assets of the Cells, on a "fire sale" basis, would significantly reduce the value of these assets to shareholders in the Fund.
- The information we have obtained through our review indicates that holding the assets to maturity would not substantially increase their value above that which would be achieved under an orderly realisation.

We have carefully considered a number of options for the future structure of the Fund, including their pros and cons and the legal, regulatory and tax implications of each option. The main options that we considered and eliminated are set out below, with a brief summary of each option and the main reason for eliminating it. These options have been discussed with the FSA and Arch. BNY Mellon has also been informed of our consideration of these options, and is in agreement with the approach adopted and the conclusions reached.

Option	**Main reason for eliminating option**
Transferring the assets of the Fund to a new Open-Ended Investment Company ("OEIC"), with a new investment manager.	Would not address the liquidity issues in the Fund and therefore would not permit suspension to be lifted. Merely transfers the existing liquidity issues to the new OEIC.
Attempting to obtain a capital injection into the Fund from a third party (e.g. buying shares in the Cells from the Fund), to increase liquidity in the Fund.	Likely to be a temporary measure, and would likely involve the sale of assets at a significant discount for the Fund, which would adversely affect the value of units for shareholders.
Merging the Fund with another OEIC.	Unlikely to be an attractive option to the other OEIC, given the illiquidity of the assets of the Fund.
Converting the Fund into a closed ended investment vehicle, either on an "opt in" (i.e. shareholders receive cash and can elect to reinvest into a closed ended vehicle) or an "opt out" (i.e. shareholders' funds are reinvested into a closed ended vehicle unless the shareholder elects otherwise) basis.	Not permitted by relevant legislation and FSA rules. The shares in the closed ended vehicle would also likely trade at a discount to their NAV, and therefore would not be likely to provide shareholders with the certainty of an opportunity to exit, at least in the short term, at a price close to NAV.
Partial cash exit for shareholders wishing to exit the Fund.	Unlikely to be capable of being met out of the Fund, given the illiquidity of the underlying assets of the Fund.

Having eliminated these options, our conclusion is that, in all the circumstances, the only available option which is in the best interests of shareholders as a whole is for the Fund to be wound up in an orderly manner. This will involve the assets of the Cells being sold or realised over a reasonable timeframe and the proceeds returned to shareholders in the Cells (including the Fund), and in turn by the Fund to its shareholders, through periodic payments ("distributions").

We anticipate that some of the assets of the Cells can be realised reasonably quickly (i.e. within 6 months of the orderly realisation commencing) and the proceeds returned to the shareholders in the Cells, including the Fund, in a proportion reflecting the size of the Fund's shareholding in the Cells. However, given the medium to long term nature of many of the underlying assets of the Cells, we anticipate that the orderly realisation of the assets of the Cells is likely to take between 3 and 5 years to be fully completed. Whilst it might be possible to sell the Fund's shares in the Cells or the underlying assets of the Cells on a much more accelerated basis, it is necessary to balance the need to generate liquidity with the need to achieve a fair value for shareholders. We consider that a "fire sale" of this nature would not be in the best interests of shareholders, as it would significantly reduce the value of any return for shareholders. An orderly realisation will, however, release value to shareholders sooner than if the assets were held to their maturity. The information we have obtained through our review indicates that holding the assets to maturity would not substantially increase their value above that which would be achieved under an orderly realisation.

How will the orderly realisation be achieved?

The Fund

We will be seeking the FSA's consent to a solvent winding up of the Fund, on an orderly realisation basis. The winding up of the Fund can only commence once the FSA has provided its consent to this arrangement.

Given the illiquid nature of the Fund's main assets, i.e. the shares in the Cells, and given that the Fund (when taken with the other UK funds managed by Arch) has a significant majority holding in many of the Cells, we believe that the most effective way of realising the Fund's investments in the Cells is for the investment objectives of the Cells to be amended, so that their assets may be realised on an orderly basis, with the Cells then being wound up following completion of the orderly realisation exercise. As set out above, we expect that this process will take between 3 and 5 years to complete.

The investment management required at Fund level will be very limited going forward – it will essentially be limited to collecting the realised proceeds of the Fund's investments in the Cells, and making distributions to shareholders in the Fund as cash becomes available. We anticipate that shareholders will receive their first distribution by no later than February 2010. As of 4 December 2009, Arch's investment management mandate for the Fund has ended, and the limited cash management activity that is required while the Fund is being wound up will be undertaken by CFML.

The Cells

As you will be aware, Arch was also the investment manager to the Cells, having been appointed to this role by the directors of the Cells in Guernsey. With effect from 1 December 2009, the directors of the Cells replaced Arch as investment manager of the Cells with Spearpoint Limited ("Spearpoint"). Details of this change were announced on the CISX website on 7 December 2009. Spearpoint is an independent investment boutique and is regulated by the Jersey Financial Services Commission and the GFSC.

The boards of the Cells are in agreement with us that, subject to obtaining the consent of all the shareholders in the Cells, the assets of the Cells should be managed by Spearpoint so that they are realised on an orderly basis and the proceeds returned to the shareholders of the Cells (including the Fund). Accordingly:

- The boards of the Cells will propose that the investment objective of the Cells be amended so that the Cells are managed to achieve an orderly realisation, balancing the need to achieve a fair value for the investments (having regard to their current values) against the need to generate liquidity for the Cells' shareholders. Meetings will be called by the boards of the Cells to seek the necessary consents from shareholders in the Cells, and it is likely that these meetings will take place in January 2010;
- Assuming that these consents are obtained, the directors of the Cells and Spearpoint will then manage the assets of the Cells to achieve this orderly realisation, and subsequently redeem or buy back shares in the Cells as assets are realised. Despite the Fund and the other funds for which CFML is the ACD and Arch is investment manager delegate being significant shareholders in the Cells, the directors of the Cells and Spearpoint will, of course, be under a duty to consider the interests of all the shareholders in the Cells, and not just the position of the Fund.

In order to ensure an orderly handover of the investment management of the Cells, and to ensure that Spearpoint is best able to safeguard the value of the assets of the Cells, we understand that Spearpoint is employing the services of some Arch employees to assist with the management of the Cells' assets.

The Cells have also announced on the CISX that there will be changes to their boards. Three new directors are being appointed to the boards of the Cells. These are:

- William Scott. Mr Scott is a director of a number of specialist investment companies including funds run by Financial Risk Management Limited, Flight & Partners Limited and BC Asset Management Limited. He formerly worked for FRM Investment Management Limited and Close Asset Management Limited in Guernsey;
- Andrew Duquemin. Mr Duquemin is Chairman of Elysium Fund Management Limited, which acquired the business interests of Collins Stewart Fund Management Limited in Guernsey, and is responsible for the strategic development of the company; and
- Hugh Aldous. Mr Aldous is non-executive chairman of Capita Sinclair Henderson Limited and is a director of a number of specialist investment trusts.

The existing directors are resigning from the boards of the Cells over a period of time, allowing for an orderly transition period between the outgoing board members and the new directors.

We welcome these developments, and will be pressing the new board and Spearpoint to take all available steps to protect the interests of shareholders in the Cells, and consequently, shareholders in the Fund.

Compensation review

We appreciate that shareholders may be concerned about the fall in the value of the Cells, and in turn the Fund, and the ongoing inability of shareholders to sell their shares in the Fund. We have been carefully scrutinising the circumstances leading to the suspension of dealings in the Fund. We are working to assess whether shareholders have suffered detriment and if so, to what extent any of the parties involved should be responsible for compensating shareholders for any such detriment. We have engaged specialist advisers to assist us with this review and will be liaising with the FSA and, where appropriate and possible, each of the other relevant parties. This is a complex exercise, and involves looking at not only the roles of a number of different parties, but also considering the impact of the recent unprecedented financial turmoil on market performance generally, and on the Fund/Cells in particular (e.g. to see to what extent any fall in the value of the Cells and the Fund is simply due to market performance).

Please be assured that we are working to complete this review as quickly as possible. We expect to be in a position to report to you on its results by the end of March 2010, including any proposals for addressing any investor detriment.

Hardship arrangements

As indicated above, the orderly realisation process for the Fund is likely to take 3-5 years to complete. We strongly recommend that any shareholder who is concerned about his/her financial position consult with their independent financial adviser ("IFA"), who will be able to advise them in light of the advice previously given by the IFA to them regarding their investment needs and objectives. As we do not generally hold individual details for investors who have invested via an insurance or pension product or through a fund supermarket, they should contact their product or service provider about their position.

We are conscious that some shareholders may have a pressing need to access their investments on grounds of financial hardship. We have, therefore, made arrangements to establish a hardship scheme for shareholders. This will enable shareholders who can demonstrate a pressing need to access their investments because of genuine financial hardship to have some or all of their investment returned to them on an accelerated basis. The hardship scheme is being funded by CFML, who will buy back the shares in the Fund from shareholders whose claims are approved, in exchange for a payment based on the last calculated NAV of the Fund at the point at which the hardship claim is approved.

Details of the scheme and how to claim are set out in the enclosed factsheet. This includes details of the eligibility criteria for making a claim on the hardship scheme, the process for making a claim and how any claim will be handled.

Fees and charges

The Fund

We explained in our letter of 28 July 2009 that we had decided to suspend, with effect from 1 April 2009, payment of the periodic charges which were ordinarily payable out of the Fund and which are calculated by reference to the net asset value of the Fund. These charges include the annual management charge payable to CFML (the majority of which is in turn paid on to Arch as an investment management fee), as well as the administration/accounting fee, depositary fee and custody fee. In addition, the payment by CFML to IFAs of the renewal or trail commission which IFAs earn from amounts invested by their customers in the Fund was also suspended.

The decision to suspend these charges, which was taken in consultation with BNY Mellon and other relevant parties, was for two main reasons:

- it was not considered appropriate to continue to collect these fees whilst shareholders were unable to access their investments; and
- given the uncertainty over the value of the Fund, it was not possible to calculate the amount of the fees payable accurately.

The money that would otherwise have been used to meet these payments was left in the Fund until such time as our review could be completed and the NAVs calculated.

As indicated above, the audited financial statements and NAVs for the Cells will now be published in final form by no later than 31 December 2009. However, in view of the expected fall in the value of the Fund since its last published value on 13 March 2009, we have been liaising with the depositary, custodian and administrator to the Fund, and have now agreed with them that each of us should waive the payment of the annual management charge, depositary fees, NAV-based custodian fees and administration fees respectively for the period from 1 April 2009 up to the commencement of the winding up of the Fund. The waiver of these fees will increase the amount of money available for distribution to shareholders in the Fund.

Given the continued circumstances of the Fund and, in particular, the continued inability of shareholders to realise their investment(s), we have reviewed whether renewal or trail commission should be paid to IFAs, and have written to IFAs with our proposals on this issue.

In view of the circumstances, and taking account of the limited investment management activity required going forward, we are re-examining the fee structure to be applied to the Fund between now and completion of the winding up of the Fund. We will provide shareholders with an update in relation to this issue separately. Some fixed fees, such as the audit fees and annual FSA authorisation fees, will still need to be charged, despite the Fund being wound up.

The Cells

We have been informed that, as part of the arrangements put in place between the Cells, Arch and Spearpoint for the replacement of Arch as investment manager of the Cells with Spearpoint, Arch has agreed to waive any entitlement to accrued management fees in respect of the Cells for the period from March to November 2009. We understand that Spearpoint is receiving an implementation fee in connection with its appointment as investment manager of the Cells. We also understand from the directors of the Cells that the implementation fee is lower than the accrued management fees that have been waived by Arch. Payment of a lower fee by the Cells will be of benefit to the Cells.

Under the new investment management agreements in place between the Cells and Spearpoint, Spearpoint will generally be entitled to an annual investment management fee from each Cell of 1.5% of the value of the Cell's assets. This is the same as (or in relation to a number of the Cells lower than) the investment management fee previously payable to Arch. Where a Cell paid Arch an investment management fee that was lower than 1.5%, that Cell will continue to pay the lower amount to Spearpoint. In addition, where a Cell currently pays a performance fee to Arch, it will continue to pay a performance fee to Spearpoint. The performance fee will be payable upon certain performance criteria being achieved, and will be equal to a percentage (ranging from 10-30%) of a relevant increase in the value of the assets of the Cell following Spearpoint's appointment. The fee arrangements recognise that the process of achieving value for shareholders in the Cells will be complex, but also incentivise Spearpoint to achieve an increased value for shareholders whilst at the same time charging the Cells a lower management fee than was previously charged by Arch.

Update on production of report and accounts for the Funds

As we reported in our last letter, pending clarification of the value of the Cells, we and the auditors of the Fund, Ernst & Young LLP ("E&Y"), were not able to finalise and issue the audited annual report and accounts for the year ended 15 June 2009, which were due to be published by 15 October 2009. Once the finalised NAVs for the Cells have been published and Moore Stephens has completed its audit of the financial statements of the Cells as at 31 March 2009, E&Y will be able to complete its audit of the report and accounts for the Fund. We will publish the annual report and accounts for the Fund as soon as possible thereafter.

Next steps

The next steps in relation to the Fund are as follows:

- 31 December 2009: Deadline for publication of audited financial statements and finalised NAVs for the Cells
- January 2010: Estimated commencement of the winding up at Fund level
- January 2010: Meetings of the shareholders in the Cells, to seek their consent to a change in the investment objectives of the Cells
- February 2010: Estimated commencement of the orderly realisation of the assets of the Cells
- February 2010: Individual investor statements issued
- February 2010: Anticipated date for first interim distribution of orderly realisation proceeds to shareholders in the Fund
- March 2010: Update to shareholders in relation to compensation review

We strongly recommend that you consult your IFA if you are unsure about the implications of this information for your investment in the Fund or your financial planning in general.

Capita Financial Managers Limited

CAPITA
FINANCIAL GROUP

December 2009

CF Arch cru Investment Funds and CF Arch Cru Diversified Funds

Hardship Scheme

Capita Financial Managers Limited ("CFML") has established a hardship scheme for investors in the CF Arch cru funds (the "Funds"). The hardship scheme is available to shareholders who can demonstrate a pressing need to access their investment in the Funds due to genuine financial hardship. It will enable those shareholders to have access to all or part of their investment on an accelerated basis. CFML will buy back shares in the Funds from shareholders whose hardship claim is approved at the last calculated net asset value ("NAV") of the relevant Fund at the time the claim is approved.

Eligibility criteria

Shareholders in the Funds may be entitled to make a claim under the hardship scheme where they can demonstrate hardship falling within one or more of the following categories:

- severe financial hardship
- medical costs
- accommodation or transport modifications
- funeral and related expenses
- care for terminally ill
- home mortgage foreclosure
- binding financial obligation made prior to suspension
- other compassionate grounds
- permanent incapacity

How to make a hardship claim

If you believe you may be entitled to payment under the hardship scheme, please contact us by one the methods set out below to request a copy of (i) the detailed eligibility criteria and (ii) the application form that you will need to complete.

In the application form, you will need to explain the basis on which you need funds to meet your financial hardship. To make a claim you must have exhausted all other reasonable means of accessing funds to meet your needs, including realising other liquid assets where it is reasonable for you to do so. You will also need to provide documentary evidence showing your financial position and the reasons why you need access to the hardship scheme. We will only be able to consider applications if we have a fully completed form and all necessary supporting documentation. If you need help completing the application form or are uncertain about the eligibility criteria, please speak to your independent financial adviser ("IFA") for advice or assistance. If you do not have an IFA, please contact us using the details set out below. Please note that CFML is not authorised to, and will not, give financial advice to shareholders about their investments or financial position. Please also refer to the notes set out below for shareholders who invested in the Funds via an IFA or via an insurance or pension product or fund supermarket.

How we will deal with your claim

1. We will consider hardship claims on a case by case basis, by reference to the eligibility criteria.

2. We will process hardship claims as they are received. We will aim to provide you with a substantive decision in relation to your claim within 30 days of receiving a fully completed application form with all necessary documentation.

3. The maximum payment under the hardship scheme will be the value of your investment in the Funds, based on the last calculated NAV of the relevant Fund at the time the claim is approved. Depending on the nature and circumstances of your claim, CFML may determine that you should receive an amount that is lower than this maximum value.

4. If your claim is accepted, you will be sent a confirmation letter setting out the terms and conditions upon which your claim under the hardship scheme will be met. You will also be asked to complete and return a confirmation form to record your agreement to these terms and conditions. Payment will be made to your nominated bank account within 14 days of receipt of a signed confirmation letter.

5. In exchange for the payment out of the hardship scheme, CFML will buy back from you the number of shares you hold in the Funds which is equivalent to the value of that payment, based on the last calculated NAVs of the Funds at the time your hardship payment is approved.

6. Periodic distributions are to be made to shareholders in the Funds as the orderly realisation of the Funds is progressed. You will still be entitled to receive these distribution payments in respect of your holdings in the Funds whilst your claim under the hardship scheme is being assessed.

7. Unless there is a material change in your personal circumstances, a shareholder should generally only make one application to the hardship scheme.

Seeking hardship relief if you have invested via an IFA

We strongly recommend that any shareholders who are concerned about their financial position consult with their IFA, who will be able to advise them in light of the advice previously given to them by the IFA regarding their investment needs and objectives.

Seeking hardship relief if you have invested via an insurance or pension product or fund supermarket

If you invested via an insurance or pension product or through a fund supermarket, we will not hold details of your individual investment. The named shareholder in our records will be your product or service provider, which will not itself be eligible to claim under the criteria set out above. You should therefore contact your product or service provider, as well as your IFA, if you are concerned about your financial position and need assistance.

How to contact us regarding the hardship scheme

Telephone:	CFML Technical Services: 0845 6080958
Email:	cfarchcru@capitafinancial.com
Post:	Capita Financial Managers Limited, Technical Services, 2 The Boulevard, City West One Office Park, Gelderd Road, Leeds LS12 6NT