



T.BAILEY

T. Bailey Cautious Managed Fund Annual Short Report

For the year ended 31 March 2010

Masters of Funds

T. BAILEY CAUTIOUS MANAGED FUND

INVESTMENT OBJECTIVE & POLICY

The aim of the T. Bailey Cautious Managed Fund is to outperform the Investment Management Association Cautious Managed Sector average on a total return basis via a combination of income and long-term capital growth derived from a mix of asset classes.

The Fund invests in a range of asset classes, predominantly via underlying Regulated Collective Investment Schemes. In other words, it is a fund of funds.

FUND FACTS

Launch date: 2 May 2006

Ex-dividend dates: 1 July, 1 October, 1 January, 1 April

Dividend payment dates: 31 August, 30 November, 28 February, 31 May

Total Expense Ratios¹

| | |
|-----------------------|------------|
| Institutional units – | 1.72% p.a. |
| Retail units – | 2.47% p.a. |

¹ To 31 March 2010. As calculated in accordance with the FSA handbook COLL 4, Annex 1. The total expense ratio ('TER') includes annual management charges ('AMCs') and other operating expenses (Trustee's fee, audit fee etc). As the Fund invests in other funds, the weighted average costs of the underlying funds have also been taken into account.

T. BAILEY CAUTIOUS MANAGED FUND

INVESTMENT REVIEW

| Performance | Cumulative returns for the periods ended 31 March 2010 (%) | | | | Discrete returns for the 12 month periods ended 31 March 2010 (%) | | |
|---------------------------------------------------|------------------------------------------------------------|---------|---------|-------------|-------------------------------------------------------------------|---------|--------|
| | 1 year | 2 years | 3 years | From launch | 2010 | 2009 | 2008 |
| Institutional units ² | 29.18 | 5.31 | (2.74) | 2.00 | 29.18 | (18.48) | (7.64) |
| Retail units ² | 28.19 | 3.72 | (4.88) | (0.70) | 28.19 | (19.09) | (8.29) |
| IMA Cautious Managed Sector Mean TR ¹ | 27.28 | 6.33 | 1.05 | 5.45 | 27.28 | (16.46) | (4.96) |
| IMA Cautious Managed Sector Quartile ¹ | 2 | 3 | 4 | 4 | 2 | 3 | 4 |

¹ Source: T. Bailey, Lipper Hindsight. Total return, bid to bid. As the T. Bailey Cautious Managed Fund is a fund of funds, index figures and IMA quartile figures are to 30 March.

² Performance based on Income units. Accumulation classes were created on 2 January 2007.

Note: Past performance is not a reliable indicator of future results. Investors are reminded that the price of units and the revenue derived from them is not guaranteed and may go down as well as up.

The T. Bailey Cautious Managed Fund invests in a mix of asset classes to provide a more cautious type of collective investment vehicle which seeks to offer investors with some protection from the volatility of equity markets by the inclusion of less risky assets in its portfolio. However, we also recognise that the returns from equities are the most likely to drive longer-term performance so around half of the fund's assets are normally held in equities.

The World economy proved much stronger than most economic predictions of a year ago and the immediate need of investors for risk free assets abated considerably. In this environment equity markets made an impressive recovery from their lows of a little over one year ago and highlighted the risks associated with selling out at times of greatest fear – a Sterling based investor selling the World market, as measured by the MSCI World Index (Total Return), would have suffered a 29% fall from the market peak to 31 March 2009 and missed the 45% rebound in the following 12 months.

T. BAILEY CAUTIOUS MANAGED FUND

However this recovery has not been without volatility in asset prices and at several stages during the period markets paused or pulled back, at times quite considerably. At T. Bailey we maintained a cautiously optimistic approach during the period, participating in the improving outlook but cognisant of the economic and financial risks still faced.

Equities have not been the only asset class to rally strongly. Other risk assets improved as fear has abated. Indeed industrial commodities performed very strongly as fiscal stimulus packages, perhaps most notably in China, targeted the building of new infrastructure. In addition, the more positive outlook for the World economy and the realisation that global trade would continue prompted the need for companies and economies to rebuild their inventories.

Corporate bonds are another area that posted impressive returns during the period, particularly from the financial sector where government intervention brought about some stability and thwarted the bleakest of outcomes. This asset class was particularly in vogue with retail investors and recorded net retail sales of £5.9bn in 2009 according to the Investment Management Association, accounting for almost a quarter of all net retail fund sales. However, the last 6 months have been somewhat lacklustre, particularly in investment grade credit where yield spreads over government bonds have narrowed considerably as default risks have subsided.



T. BAILEY CAUTIOUS MANAGED FUND

| Asset Class | Index | 6 months Ended 31 March 2010 (%) | 12 months Ended 31 March 2010 (%) |
|--------------------|-----------------------------------------------|---------------------------------------------|----------------------------------------------|
| UK Equities | FTSE All Share | 11.57 | 58.34 |
| Global Equities | FTSE World | 13.93 | 48.67 |
| Corporate Bonds | FTSE Sterling Corporate Bond | 3.29 | 14.87 |
| Index Linked Gilts | FTSE A (Index Linked) British Govt All Stocks | 3.21 | 9.60 |
| Gilts | FTSE A British Govt All Stocks | (1.26) | 0.39 |
| Property | IPD UK All Property Monthly | 15.32 | 11.08 |
| Gold | - | 18.01 | 12.03 |

Source: T. Bailey, Lipper Hindsight. Total return, Sterling terms. Bid to bid.

As risk appetite progressed up the scale we rotated the portfolio through asset classes, firstly from Gilts in favour of investment grade corporate bonds, and then from investment grade corporate bonds into high yield and strategic bond funds. We also allocated a small part of the portfolio to commercial property after a long period of absence.

A specific, long-standing tactical decision to allocate to Gold performed extremely well in the last calendar quarter of 2009 and, while remaining positive on the longer-term outlook for real stores of value such as gold, we took profits from this position as positive economic news from the US saw the short-term momentum of this asset class come to an end.

Holdings in the BlueBay High Yield Bond, Henderson Strategic Bond and Vanguard US Opportunities funds, amongst others, were notable performers in their sectors over the periods they were held. However it remained evident to us that many active management strategies were still facing difficulties and thus we continued to make use of passive vehicles where we considered appropriate.

The recent fall-off in the number of funds outperforming their respective indices has been a headwind for the fund, and indeed for many funds of funds, over recent times but we remain confident that active management is beginning to add value again and will do well over the remainder of 2010 and beyond.

T. BAILEY CAUTIOUS MANAGED FUND

OUTLOOK

Countries are leaving their recessions at different times and different speeds. The differing states of health of the World's major economies and the policy options that are open to them will provide a number of investment opportunities over the medium to long-term.

There is a distinct widening of fiscal and monetary policies between governments. Some are raising their central bank rates while others tightening monetary policy more subtly. As well as those taking swift action to tighten policy there are also a large number of ditherers where loosening has stopped but the policy makers are unsure whether they should now tighten.

Ironically many of the emerging market economies have much stronger finances with less debt, more output and a growing population of working age. We remain convinced of the longer-term prospects from the emerging market regions even if in the short term we feel that they have got ahead of themselves. In the developed markets concerns about the strength of countries' own balance sheets are again undermining confidence in equity markets. We find it ironic that in a crisis brought on by sovereign debt concerns, the price of sovereign debt should go up, not down. We remain, unlike many funds in this sector, aggressively underweight to sovereign debt.

We feel that an active, flexible approach to asset allocation that can react to the changing circumstances is a sensible way of investing and why fund of funds will continue to reward long-term investors. The investment approach we first laid down at the end of the last century continues to work and we remain confident it will navigate us through the current short-term noise.



Jason Britton
Fund Manager
15 July 2010

T. BAILEY CAUTIOUS MANAGED FUND

TOP TEN HOLDINGS

Top Ten Holdings as at 31 March 2010 (%)

| | |
|-------------------------------------|-----|
| iShares S&P 500 ETF | 9.4 |
| Veritas Global Income | 6.3 |
| Legal & General US Index | 5.5 |
| Db x-Trackers MSCI Emerging Markets | 5.3 |
| Henderson Strategic Bond | 5.0 |
| Fidelity Sterling Bond | 4.8 |
| Neptune Income | 4.8 |
| JOHCM UK Opportunities | 4.7 |
| Majedie UK Equity | 4.7 |
| ETFS Agriculture | 4.5 |

Top Ten Holdings as at 31 March 2009 (%)

| | |
|----------------------------------------|-----|
| Lyxor Gold Bullion Securities | 9.5 |
| Fidelity Sterling Bond | 6.7 |
| Thames River Sterling Global Bond | 6.6 |
| M&G Corporate Bond | 6.4 |
| Schroder All Maturities Corporate Bond | 5.7 |
| Newton Global Higher Income | 5.4 |
| Invesco Perpetual Corporate Bond | 5.3 |
| DB X-Trackers MSCI Emerging Markets | 5.2 |
| Veritas Global Income | 5.2 |
| City Financial Strategic Gilt | 4.7 |

T. BAILEY CAUTIOUS MANAGED FUND

PERFORMANCE

Unit Prices and Revenue

| Calendar year | Institutional Income units | | | Retail Income units | | |
|-------------------|----------------------------|-------------------------|---------------------------------------------|--------------------------|-------------------------|---------------------------------------------|
| | Highest price (pence) | Lowest price (pence) | Net revenue distributed per unit (pence) | Highest price (pence) | Lowest price (pence) | Net revenue distributed per unit (pence) |
| 2006 ¹ | 51.04 | 46.44 | 0.0040 | 50.88 | 46.42 | 0.0040 |
| 2007 | 52.77 | 49.10 | 1.3025 | 52.48 | 48.65 | 1.1346 |
| 2008 | 50.23 | 35.82 | 1.2337 | 49.73 | 35.24 | 1.2192 |
| 2009 | 44.44 | 35.81 | 1.2231 | 43.33 | 35.14 | 1.1999 |
| 2010 ³ | 46.21 | 43.30 | 0.7367 | 44.97 | 42.18 | 0.7191 |

| Calendar year | Institutional Accumulation units | | | Retail Accumulation units | | |
|-------------------|----------------------------------|-------------------------|---------------------------------------------|---------------------------|-------------------------|---------------------------------------------|
| | Highest price (pence) | Lowest price (pence) | Net revenue accumulated per unit (pence) | Highest price (pence) | Lowest price (pence) | Net revenue accumulated per unit (pence) |
| 2007 ² | 53.27 | 49.38 | 1.0375 | 52.96 | 49.46 | 1.0449 |
| 2008 | 51.58 | 37.57 | 1.2679 | 51.05 | 36.96 | 1.2560 |
| 2009 | 48.07 | 37.82 | 1.2933 | 46.88 | 37.11 | 1.2729 |
| 2010 ³ | 50.38 | 47.22 | 0.8005 | 49.04 | 46.01 | 0.7810 |

¹ From 2 May. ² With effect from 1 January, Accumulation units were made available for issue by the Fund. ³ Prices to 31 March and net revenue accumulated to 31 May.

Note: Past performance is not a reliable indicator of future results. Investors are reminded that the price of units and the revenue derived from them is not guaranteed and may go down as well as up.

T. BAILEY CAUTIOUS MANAGED FUND

Dividend Distributions/Accumulations For The Year Ended 31 March 2010

| Unit Class | Quarter Ended | | | |
|----------------------------|-------------------------------------|------------------------------------------|-----------------------------------------|--------------------------------------|
| | 30 June 2009 (pence per unit) | 30 September 2009 (pence per unit) | 31 December 2009 (pence per unit) | 31 March 2010 (pence per unit) |
| Institutional Income | 0.2501 | 0.3806 | 0.3488 | 0.3879 |
| Retail Income | 0.2442 | 0.3730 | 0.3406 | 0.3785 |
| Institutional Accumulation | 0.2613 | 0.4083 | 0.3775 | 0.4230 |
| Retail Accumulation | 0.2601 | 0.3996 | 0.3688 | 0.4122 |

Note: Past performance is not a reliable indicator of future results. Investors are reminded that the price of units and the revenue derived from them is not guaranteed and may go down as well as up.

T. BAILEY CAUTIOUS MANAGED FUND

Net Asset Values

| Date | Institutional Income units | | | Retail Income units | | |
|-------------|----------------------------|----------------------------|------------|-------------------------|----------------------------|------------|
| | Total units in issue | NAV per unit (pence) | NAV (£) | Total units in issue | NAV per unit (pence) | NAV (£) |
| 31 Mar 2008 | 33,039,342 | 46.13 | 15,242,037 | 25,362,577 | 45.58 | 11,560,617 |
| 31 Mar 2009 | 31,379,668 | 36.62 | 11,492,397 | 22,666,554 | 35.91 | 8,140,459 |
| 31 Mar 2010 | 37,017,661 | 45.69 | 16,913,127 | 18,335,772 | 44.47 | 8,153,061 |

| Date | Institutional Accumulation units | | | Retail Accumulation units | | |
|-------------|----------------------------------|----------------------------|------------|---------------------------|----------------------------|------------|
| | Total units in issue | NAV per unit (pence) | NAV (£) | Total units in issue | NAV per unit (pence) | NAV (£) |
| 31 Mar 2008 | 12,793,688 | 47.79 | 6,113,742 | 26,227,615 | 47.22 | 12,383,488 |
| 31 Mar 2009 | 13,654,755 | 39.02 | 5,327,454 | 25,604,728 | 38.26 | 9,796,482 |
| 31 Mar 2010 | 7,525,604 | 50.24 | 3,780,731 | 21,410,832 | 48.90 | 10,470,548 |

Note: Past performance is not a reliable indicator of future results. Investors are reminded that the price of units and the revenue derived from them is not guaranteed and may go down as well as up.

T. BAILEY CAUTIOUS MANAGED FUND

RISK PROFILE

Please remember that both the price of units and the revenue derived from them may go down as well as up and that you may not get back the amount originally invested. Furthermore, changes in foreign currency exchange rates may cause the value of your investment to increase or diminish. Capital appreciation in the early years will be adversely affected by the impact of initial charges (Retail class units only), which by their nature are not levied uniformly throughout the life of the investment. You should, therefore, regard your investment as medium to long term. Past performance is not a reliable indicator of future results.

OTHER INFORMATION

The Manager

T. Bailey Fund Managers Limited
64 St. James's Street
Nottingham NG1 6FJ

Tel: 0115 988 8200
Fax: 0115 988 8222
Website: www.tbailey.co.uk

Authorised and regulated by the Financial Services Authority.

Investment Manager

T. Bailey Asset Management Limited
64 St. James's Street
Nottingham NG1 6FJ

Tel: 0115 988 8200
Fax: 0115 988 8222
Website: www.tbailey.co.uk

Authorised and regulated by the Financial Services Authority.

Trustee

The Royal Bank of Scotland plc
Trustee & Depository Services
Ground Floor
15 Bishopsgate
London EC2P 2AP

Authorised and regulated by the
Financial Services Authority.

Auditors

Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU

Registered to carry out audit work by
the Institute of Chartered
Accountants in England and Wales.

Copies of the Annual and Interim Report and Financial Statements are available on request from the Manager.



T.BAILEY

Issued by T. Bailey Fund Managers Limited ('TBFM'). TBFM is a Regulated Collective Investment Scheme Manager and is authorised and regulated by the Financial Services Authority. Registered in England & Wales No: 3720363.
