



T.BAILEY

T. Bailey Defensive Cautious Managed Fund & T. Bailey Dynamic Cautious Managed Fund

One investment process, two options.

Masters of Funds

The value of your investment can go down as well as up, and you may not get back the money you have invested. Full details of the T. Bailey Funds, including risk warnings and charges are published in the T. Bailey Funds' Simplified Prospectus, which should be read and understood prior to making an investment. Past performance is not a reliable indicator of future results.



T. Bailey Cautious Managed Funds. Available in two flavours.

Our Defensive Cautious Managed Fund and our Dynamic Cautious Managed Fund are both global in scope – which is particularly prudent in these tough times.

Although many sectors, regions and businesses are finding things difficult, others are flourishing. The news is never universally grim. Great opportunities are always there for the vigilant to spot.

The wide geographical reach of these particular funds and the fact that they don't limit themselves to just equities and bonds make them more flexible than many other cautious managed funds.

Exploiting this freedom, our investment team works hard to try to achieve steady long-term capital growth. Those investors to whom a pure equity or other single-asset product would not appeal may find these funds especially attractive.

The 'cautious' part of the funds' names sets out our stall in one respect. To be included in the IMA Cautious Managed sector, which both of these funds are, funds can have a maximum equity exposure of 60% and must hold at least 30% in fixed interest and cash.

'Defensive' and 'dynamic' simply give an indication of the degree to which the two differ in their cautiousness. Dynamic is a relative term here, of course, it is certainly not a synonym for gung-ho.

The funds.

The T. Bailey Defensive Cautious Managed Fund and the T. Bailey Dynamic Cautious Managed Fund both seek to outperform their peers in the Investment Management Association (IMA) Cautious Managed sector over the medium to long-term on a total return basis.

They are global funds that invest in a diverse range of asset classes (equities, fixed-interest assets, property and cash), largely via underlying collective investment schemes.

We are keen advocates of fund of funds. We believe they have a number of advantages. Not least their great flexibility, because no capital gains tax is incurred for internal transactions within the portfolio.

And, being global, they give us the opportunity to aim to literally select from the best managers in the world.

The difference between the two funds can be summarised by the following approaches:

The T. Bailey Defensive Cautious Managed Fund

The typical investor profile would be one who wants access to long-term growth from a portfolio invested across a broad range of assets, with no single asset class dominating. The current strategic exposure to equities is therefore 25%.

The T. Bailey Dynamic Cautious Managed Fund

The typical investor profile would be one who recognises the potential for outperformance of equities over other asset classes over the longer-term whilst wanting to retain a degree of protection from the volatility associated with equities. The current strategic exposure to equities is therefore 50%.

Some investors prefer income units where the income is paid quarterly and others would rather invest in accumulation units, whereby all the income is reinvested in the fund. The choice is entirely yours. The income allocation dates are listed below.

Quarterly distributions

Distribution:	Accounting end date:	Income allocation date:
Final	31 March	31 May
Interim	30 June	31 August
Interim	30 September	30 November
Interim	31 December	28/29 February



Elliot Farley
Fund Manager

Elliot Farley
Fund Manager

Elliot is Fund Manager of the T. Bailey Defensive Cautious Managed Fund and the T. Bailey Dynamic Cautious Managed Fund. He attained this position in summer 2010 after being involved with the T. Bailey funds since 2000.

Elliot has been instrumental in refining and improving the investment process upon which the T. Bailey Cautious Managed Funds are built.

Elliot was previously an ACA with Deloitte & Touche and is a Warwick University Mathematics graduate.



T. Bailey Defensive & Dynamic Cautious Managed Fund investment process:

Step 1. Strategic asset allocation.

We generally employ a number of different asset classes. This initial stage in the investment process establishes how much we feel should be allocated to each asset class.

The amount typically allocated to equities will be around 25% with our Defensive Cautious Managed Fund, and 50% with our Dynamic Cautious Managed Fund.

The diagrams on the next page show the current strategic weighting of the funds to each asset class. They also show the permitted ranges for both funds to operate within.

Periodically, we will review our strategic asset allocation weightings to ensure they remain relevant and will take some medium to long-term views of individual asset classes.

Accordingly, we will also review the minimum and maximum permitted ranges periodically. This is all done in the interests of the portfolios' longer-term performance and volatility.

Step 2. Tactical asset allocation.

During the course of a long-term investment, assets will experience stronger and weaker periods. There will be an inevitable ebbing and flowing in performance that will offer additional risks and opportunities.

Whilst the strategic asset allocation is revisited periodically, we appreciate that allocations need reviewing more regularly; therefore the next stage is our tactical asset allocation. This involves constantly reviewing the allocations held, and altering these to reflect our views and the prevailing market conditions – subject to the permitted ranges put in place by the strategic asset allocation.

Whenever we recognise shorter-term opportunities in certain sectors, regions or asset classes, we will seek to exploit those. Because, although we closely adhere to a very specific investment strategy, it would be foolish to be inflexible.

It requires experience and insight to decide when the moment to act has arrived. Then, once we have taken advantage of this opportunity, we move on to the next. This is likely to be a brief tactical diversion from the overarching investment plan.

For the latest published asset allocation position, please visit www.tbailey.co.uk to view the current factsheet. Or contact us on **0115 988 8213**.

T. Bailey Defensive Cautious Managed Fund

Asset Class	Strategic Asset Allocation	Permitted Range
UK Equities	10.0%	0-20%
Global (ex. UK) Equities	10.0%	0-20%
Emerging Market Equities	5.0%	0-10%
Global Corporate Bonds	10.0%	0-20%
Gilts	10.0%	0-20%
Index Linked Gilts	10.0%	0-20%
Global High Yield Bonds	10.0%	0-20%
Hedge Funds	5.0%	0-10%
Property	10.0%	0-20%
Commodities	10.0%	0-20%
Cash	10.0%	0-30%

T. Bailey Dynamic Cautious Managed Fund

Asset Class	Strategic Asset Allocation	Permitted Range
UK Equities	15.0%	0-30%
Global (ex. UK) Equities	20.0%	0-40%
Emerging Market Equities	15.0%	0-30%
UK Corporate Bonds	10.0%	0-20%
Gilts	10.0%	0-20%
Index Linked Gilts	5.0%	0-10%
Property	10.0%	0-20%
Commodities	10.0%	0-20%
Cash	5.0%	0-30%

To be included in the IMA Cautious Managed sector, funds can have a maximum equity exposure of 60% and must hold at least 30% in fixed interest and cash.



T. Bailey Defensive & Dynamic Cautious Managed Fund investment process:

Step 3.

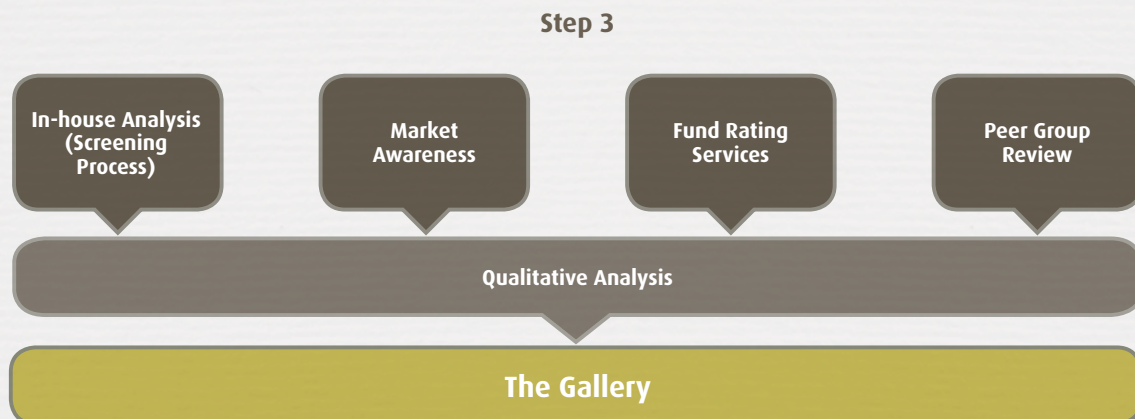
Fund selection: quantitative analysis.

We use a cold, objective eye to scan and screen the universe of available funds. And that universe is expanding all the time.

Fusing the disciplines of finance, mathematics, statistics and computer science, our 'quant' screen dispassionately assesses funds for the consistency to outperform in their region.

We measure the performance of any given fund against our chosen benchmark for it and compare that to other available funds for that region.

We refer to the shortlist thus compiled as 'The Gallery', and these funds are then subjected to further scrutiny in the next stage of the investment process.





Victoria Davies
Senior Investment Analyst



T. Bailey Defensive & Dynamic Cautious Managed Fund investment process:

Step 4. Fund selection: qualitative analysis.

Number-crunching is obviously essential – and we excel at it – but we require more than this to feel truly confident that an investment will meet our expectations. This is where detailed due diligence comes in.

To satisfy our hunger for the finer details, we research fund literature; we use questionnaires; and we meet fund managers. We then either a) interview or b) grill the managers. Whether it is an interview or a grilling depends on which side of the desk the person you ask is sitting.

The key criteria we investigate are:

- 1) **Performance.** Is it strong and consistent in the long-term?
- 2) **Process.** Is it clear, understandable and repeatable?
- 3) **People.** Is the manager committed and experienced; does the investment house have stable, long-term ownership?

The fact that we invest our own money, as well as that of our clients, only sharpens our resolve to be convinced of fund managers' abilities and a fund's potential to produce the required returns.

A fund that makes it through to this stage will be added to 'The Masters' list. This list includes funds we are happy in principle to hold within our portfolios; although whether or not they are selected is a matter for the next stage of the process.

Step 5. Portfolio construction/ risk control.

Eventually, we find that we have sorted the wheat from the chaff. And that we have a shortlist of funds; be they unit trusts, OEICs, ETFs, investment trusts or other financial assets.

We create a blend that we feel best suits the prevailing market conditions, as well as hitting the right balance of style and risk profile. Above all, we seek to hold funds that share our outlook for that region, but not to have a portfolio with the same traits throughout.

Other risk-control measures include: using passive funds where markets are uncertain or have difficulties, but where we still see some value; and having a smaller exposure to high-risk funds.

The result of all this labour is only the beginning. Now the ceaseless assessment starts. If the market's open, we will be monitoring it.

There is a clear correlation between fastidious attention to detail and success. So we certainly won't be relaxing our standards any time in the near future.

Nor in the medium to long-term, come to that.



Peter Letley
CEO

How to invest with T. Bailey.

For investors, choosing the right fund requires some research. Weighing up the pros and cons of what is available before making a commitment is so important.

It should be like a less intense version of what we do when compiling a fund of funds. We have laid bare our working methodology in this brochure. It is painstaking and time-consuming. But it has yielded some great results over the years.

As a result of making fund comparisons and reading the Simplified Prospectus, certain investors will find they feel most comfortable about either the T. Bailey Defensive Cautious Managed Fund or the T. Bailey Dynamic Cautious Managed Fund, both led by our fund manager, Elliot Farley.

So what now? How should they – or you – invest? Well, we would be delighted to hear from you if you decide to call us directly. But we recommend you make contact through an Independent Financial Adviser instead if you are unsure whether or not a fund is for you.

You should be able to access the funds through sources such as investment platforms, fund supermarkets and so on. But if, for whatever reason, you can't do this, please let us know and we will seek to put that right.

Any investment can be made either in or out of an ISA wrapper according to your requirements. And we are happy to accept transfers in. We also have a regular savers scheme with a minimum investment of £50 investment per month by direct debit. For full details of the charging structure please refer to the Simplified Prospectus.

I believe that our Defensive and Dynamic Cautious Managed Funds have been important additions to our range of funds and are fine choices for those seeking medium to long-term growth, but with a reduced exposure to equities compared to our other funds.

It is beyond the remit of this brochure to provide you with current news or the latest details about our funds' returns. But, of course, we can give you the latest information at www.tbailey.co.uk

We at T. Bailey benefit personally from investing our money in the funds that bear the company's name. We hope that the T. Bailey Cautious Managed Funds prove to be rewarding for you, too.

Peter Letley
CEO

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Please note: calls may be recorded.

The views and opinions contained in this document are those of T. Bailey Asset Management Limited at the time of going to press and these views are not intended to be construed as investment advice. If you are unsure of the suitability of this investment, please contact your Independent Financial Adviser.

Full details of the T. Bailey Funds, including risk warnings and charges are published in the T. Bailey Funds' Simplified Prospectus, which should be read and understood prior to making an investment. The T. Bailey Funds are exposed to global financial markets and therefore are subject to market fluctuations and other risks inherent in such investments. The manager may enter into derivative transactions for efficient portfolio management purposes (including hedging). The value of your investment can go down as well as up, and you may not get back the money you have invested. Investments in overseas equities may be affected by changes in exchange rates, which could 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 and you should therefore consider your investment as medium-to-long term. The investment methodology and risk controls defined here stand as guidelines and not rules. Occasional deviations from these parameters may occur.

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