



T.BAILEY

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## T. Bailey Growth Fund

### Interim Short Report

For the six month period ended  
30 September 2011

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# T. BAILEY GROWTH FUND

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## INVESTMENT OBJECTIVE & POLICY

The aim of T. Bailey Growth Fund is to provide capital growth over the medium-to-long term and to outperform the IMA Global Sector over rolling three-year periods.

The assets of the Fund will predominantly be invested in equities, largely through underlying Regulated Collective Investment Schemes which are themselves invested in UK and international equity markets.

The Fund will invest largely in UK and global equity funds in order to achieve its objective and typically the managers anticipate at least 80% of the fund to be invested in this way. The remaining part of the portfolio (typically not more than 20%) may be invested in other assets as permitted by the Sourcebook in order to achieve its objective. These assets will include transferable securities, warrants and partly paid securities, money market instruments and deposits, as well as collective investment schemes.

It should be noted that whilst the underlying funds may have a geographical focus the managers of those funds may choose from time to time to allocate parts of their funds to a different region (provided such action is in line with the investment powers afforded to the managers of those funds).

The Manager may use the powers given by the Sourcebook to enter into derivative transactions for hedging or efficient portfolio management purposes.

Cash and near cash are held as necessary to enable redemption of units, efficient management within the scheme objectives, and other ancillary purposes. Apart from cash held for these purposes, or within the underlying funds, the Fund will normally be fully invested.

## FUND FACTS

<b>Launch date:</b>	13 December 1999
<b>Ex-dividend date:</b>	1 April
<b>Dividend payment date:</b>	31 May
<b>Total Expense Ratio<sup>1</sup></b>	
	Institutional units – 1.74% p.a.
	Retail units – 2.49% p.a.

<sup>1</sup> To 30 September 2011. 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.

## CHANGE OF TRUSTEES

On 21 October 2011 National Westminster Bank Plc replaced the Royal Bank of Scotland plc as Trustee of the Fund.

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# T. BAILEY GROWTH FUND

## INVESTMENT REVIEW

Performance	Cumulative returns for the periods ended 30 September 2011 (%)				Discrete returns for the 12 month periods ended 30 September 2011 (%)				
	6 months	1 year	3 years	5 years	2011	2010	2009	2008	2007
Institutional units	(13.04)	(5.88)	14.99	10.33	(5.88)	8.67	12.42	(19.96)	19.88
Retail units	(13.36)	(6.59)	12.44	6.34	(6.59)	7.87	11.59	(20.58)	19.07
IMA Global Sector Mean TR	(14.41)	(4.90)	15.66	6.07	(4.90)	8.61	11.98	(19.30)	13.64
FTSE All-Share Index TR	(11.84)	(4.36)	19.19	3.97	(4.36)	12.49	10.80	(22.25)	12.19
FTSE All- World Index TR GBP	(14.72)	(4.84)	18.75	14.76	(4.84)	10.62	12.81	(15.61)	14.52
IMA Global Sector Quartile	2	3	3	3	3	3	3	3	1

Source: *Financial express. Total return, bid to bid.*

Equity markets experienced one of the most torrid times of recent years through the period under review. Policy makers in the western developed nations have struggled to generate growth post the Great Recession amidst the problems besieging their weak financial institutions and as consumers have looked to deleverage following many years of spending on credit.

In such fragile times the danger of falling back into a recession is never too far away. During the period the structural problems facing the members of the Euro currency re-surfaced with the peripheral countries, most notably Greece, at significant risk of defaulting on their debts. Other hazards have included disruptions to modern supply chains caused by the Tōhoku earthquake, tsunami and subsequent nuclear disaster at the start of the period, and an unease around political jostling and inaction both in Europe and on the other side of the Atlantic in the debacle of getting the US debt ceiling raised. All of this was sufficient for markets to price in significant risk of these economies falling prey to a double dip recession.

Global equities, as measured by the FTSE All-World Index, fell by 14.7% over the period, most of which was in the last three months. All equity markets were affected with the Far East ex Japan and emerging markets in aggregate falling the most despite their stronger economies and growth prospects. The equity market region which held up best for Sterling based investors was that of Japan which began the process of picking itself up more successfully than many commentators of the time would have had us believe.

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Overall for the period, the T. Bailey Growth Fund (Retail Accumulation Class) fell by 13.4% while its benchmark, the IMA Global Sector Average, fell by 14.4%. The table below shows recent returns for the major equity regions in which the T. Bailey Growth Fund invests.

Region (Equities)	Index	6 months ended	12 months ended
		30 September 2011 (%)	30 September 2011 (%)
United Kingdom	FTSE All-Share	(11.8)	(4.4)
United States	S&P 500	(11.6)	1.7
Europe (ex. UK)	FTSE Europe (ex. UK)	(21.9)	(13.6)
Japan	Topix	(2.0)	3.0
Pacific Basin (ex. Japan)	MSCI AC Far East (ex. Japan)	(18.3)	(12.2)
Emerging Markets	MSCI Emerging Markets	(21.2)	(15.2)

Source: T. Bailey, Financial Express. Total return, Sterling terms. Bid to bid.

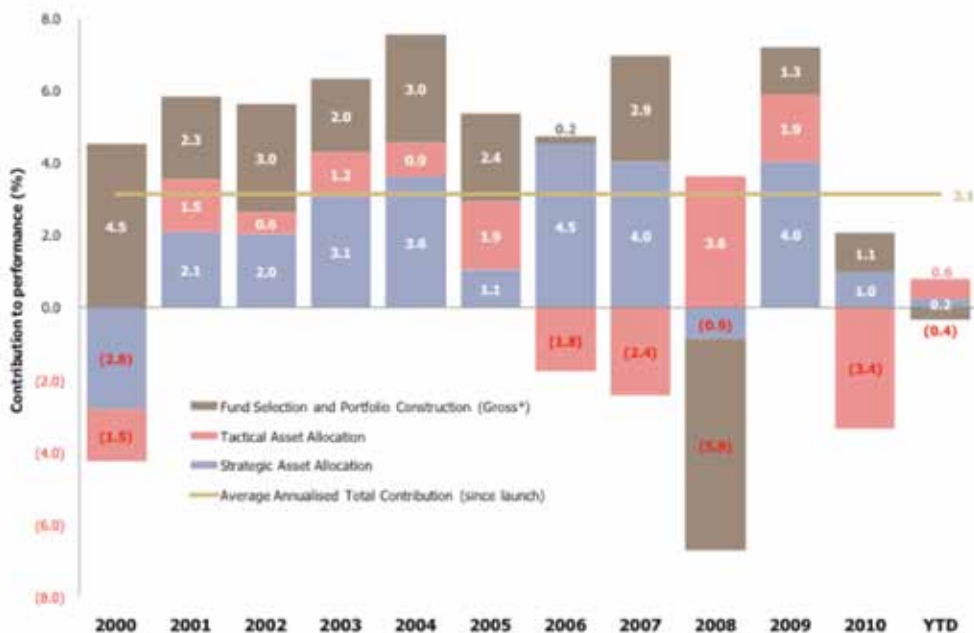
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# T. BAILEY GROWTH FUND

Below we show the calendar year performance of the T. Bailey Growth Fund (gross of the annual management charge, but including the fees associated to the underlying investments) against its benchmark, the IMA Global Growth Sector, and the contribution to performance made by the each part of our investment process:

- Strategic Asset Allocation (i.e. the choosing a longer-term asset allocation for an exposure to global equities);
- Tactical Asset Allocation (short term movements around the Strategic Asset Allocation); and,
- Fund Selection (the actual choosing of funds and managers we are backing).

## Calendar Year Performance Attribution



Source: Financial Express. For the T. Bailey Growth Fund. Total return, Sterling Terms.

Performance annualised since launch versus that of the IMA Global Sector Average.

\* Includes the charges of the underlying sub funds but excludes the annual management charge for the T. Bailey Growth Fund.

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 GROWTH FUND

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## BENCHMARK

We show the performance since launch of the T. Bailey Growth Fund against the IMA Global Sector Average below. For completeness we also include the FTSE All-World Index, a broad based global equity index.

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### Calendar Year Performance Attribution

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Source: Financial Express. Total return, Sterling Terms.

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# T. BAILEY GROWTH FUND

## STRATEGIC ASSET ALLOCATION

The Fund adopts a Strategic Asset Allocation for its longer-term positioning and provides permitted ranges for shorter-term tactical movements around this. We formally review this Strategic Asset Allocation on a triennial basis (or more frequently if required). The review is undertaken by T. Bailey's investment team drawing on advice from leading economists and investment professionals where necessary, and takes account of geo-political, economic and market trends.

In the table below we show the changes made to this positioning since the launch of the T. Bailey Growth Fund

### History of Strategic Asset Allocation weightings for the T. Bailey Growth Fund

Sector	Index	SAA 1	SAA 2	SAA 3	SAA 4
		13 Dec 99 to 31 Jan 03 (%)	01 Feb 03 to 31 Mar 06 (%)	01 Apr 06 to 31 Mar 09 (%)	01 Apr 09 to present (%)
United Kingdom	FTSE All-Share	50.0	50.0	40.0	25.0
United States	S&P 500	17.5	20.0	15.0	25.0
Europe (ex. UK)	FTSE Europe (ex. UK)	17.5	10.0	15.0	15.0
Japan	Topix	10.0	5.0	7.5	7.5
Pacific Basin (ex. Japan)	MSCI AC Far East (ex. Japan)	5.0	5.0	7.5	10.0
Emergency Markets	MSCI Emerging Markets	-	10.0	15.0	17.5
		<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Through the sequence of revisions we have increased the exposure of the fund to equities in the emerging market regions where we have a strong bias relative to our peers. We believe that this bias to emerging economies is as relevant today as it was in 2003 when it was first introduced as part of the Strategic Asset Allocation.

## TACTICAL ASSET ALLOCATION

Tactical Asset Allocation is perhaps the hardest part of our investment process to get right consistently. Indeed, it can absorb a great deal of time while contributing the least to longer-term performance. With this in mind as we face such uncertain times, we sought to take smaller short-term tactical asset allocation positions. We did however stick for much of the period with our overweight position to Japan that we had started the period with. The country has shown great resilience and determination since the Tohoku earthquake and its equity markets rebounded significantly prior to the wider economic malaise that impacted equities globally in the latter half of the period.

While we consider companies in the region still offer attractive value, the strength of the Yen through this period of volatility has become more of a cause for concern and recently we have trimmed our exposure back.

# T. BAILEY GROWTH FUND

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At the start of the period we also held an underweight position to emerging market equities. This was predicated on fears that valuations had become stretched and the region was showing continuing signs of overheating. This proved correct. However, now, following the events of the period we have moved to a more neutral position. Inflation in the region appears to be moderating and the tightening cycle in monetary policy seems at a late stage. Unlike policy makers in the developed nations, many of those in the emerging region have the scope to cut interest rates in order to stimulate growth.

Halfway through the period we introduced a defensive cash position of 6.5%, trimming back some of the more market sensitive positions in the US and Europe as well as exiting a specific exposure to global resource stocks. This proved to be well timed and prior to the period end, with better opportunities presenting themselves in equity markets, we allocated some of this cash to the Far East ex Japan region.

The asset allocations at the balance sheet date are shown below:

Sector	Asset allocation as at 30 September 2011 (%)	Asset allocation as at 31 March 2011 (%)
United Kingdom	25.2	24.3
United States	25.9	27.6
Europe (ex. UK)	9.9	14.7
Japan	6.5	9.9
Pacific Basin (ex. Japan)	12.9	10.0
Emerging Markets	16.6	10.3
Other	-	2.5
Cash	3.0	0.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

## FUND SELECTION

Greater emphasis has been placed on fund selection during the period with a reduction in the number of index tracking funds and ETFs within the portfolio. Markets have been very volatile over the past three years but we feel in many ways the picture is clearer than in 2008. In particular, this is the time when good active managers come to the fore and we can exploit our strengths and resources in identifying these managers. Over the period the passive exposure in the fund has been reduced from 30% to 16% with plans for further reductions to follow. To date we have introduced the Baring Europe Select Fund in place of the L&G European Index Trust, the Franklin UK Mid Cap Growth Fund (formerly known as the Rensburg UK Mid Cap Growth Fund) in place of the iShares FTSE 250 ETF and the Polar Capital Japan Fund in place of the iShares MSCI Japan SmallCap ETF. Other new funds have been introduced as our tactical asset allocation views have progressed. These include the Aberdeen Emerging Markets Fund (thereby reducing the sizable underweight to emerging market equities that we started the period with) the Wells Fargo All Cap Growth Fund in the US and the Aberdeen Global Asian Smaller Companies Fund.

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## OUTLOOK



**Elliot Farley**  
Fund Manager

While it has been the traditional safe assets such as UK gilts and US treasuries that have surged in value in recent months these look thoroughly unappealing for longer-term investors. Offering nominal returns of around 2% p.a. for a 10-year term and with inflation running around 5% per annum, investors in such assets are committing to a 3% real loss per annum in their capital. In these circumstances the corporate world looks to be generally in a much stronger position having learnt the lessons of the Great Recession many companies are well capitalised and continue to report strong results through lean operations. While it is difficult to conclude that risk assets will remain anything other than challenging and unpredictable in the near term until convincing economic plans are put forward by politicians in dealing with the latest round of crises, for the longer term investor equity markets appear more bearishly priced and attractive.

17 November 2011

## TOP TEN HOLDINGS

Top Ten Holdings as at 30 September 2011 (%)		Top Ten Holdings as at 31 March 2011 (%)	
Liontrust Special Situations	8.3	Blackrock European Dynamic	8.3
Schroder US Mid Cap	6.9	GLG Japan CoreAlpha	7.7
Blackrock European Dynamic	6.1	Blackrock UK Equity	7.4
Baring ASEAN Frontiers	5.1	Liontrust Special Situations	7.3
First State Global Emerging Market Leaders	5.0	Standard Life UK Equity Recovery	7.2
iShares S&P 500	5.0	Schroder US Mid Cap	6.7
Blackrock UK Equity	4.7	iShares S&P 500	6.7
AXA Framlington American Growth	4.2	Vanguard US Opportunities	6.5
Aberdeen Emerging Markets	4.2	Legal & General European Index	6.4
Wells Fargo All Cap Growth	4.1	HSBC Pacific Index	5.1

# T. BAILEY GROWTH FUND

## PERFORMANCE

Although the Fund has the power to issue both income and accumulation units, as at 30 September 2011 only accumulation units were available to investors.

## UNIT PRICES AND REVENUE

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)
2006	71.26	59.26	0.3306	77.87	64.69	0.0897
2007	81.01	68.88	0.0732	87.67	74.91	-
2008	79.22	49.03	-	85.38	52.67	-
2009	73.11	47.58	0.1168	77.85	50.97	-
2010	82.99	68.48	0.3416	87.71	72.64	-
2011 <sup>1</sup>	84.79	70.03	0.1050	89.26	73.66	-

## NET ASSET VALUES

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 2009	173,477,020	52.13	90,434,251	63,060,065	55.82	35,200,253
31 Mar 2010	147,380,874	77.12	113,662,269	61,788,238	81.97	50,644,806
31 Mar 2011	147,406,777	82.16	121,115,799	64,705,049	86.68	56,084,478
30 Sep 2011	146,072,648	70.60	103,134,214	57,304,036	74.20	42,517,990

<sup>1</sup> Prices to 30 September and net revenue accumulated to 30 November.

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

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## RISK PROFILE

Please remember that both the price of units and the income 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  
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Fax: 0115 988 8222  
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Authorised and regulated by the Financial Services Authority

### TRUSTEE

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### AUDITORS

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



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