T.BAILEY

T. BAILEY CAUTIOUS MANAGED FUND

Interim Short Report

For the six month period ended 30 September 2009

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 Mean (Total Return) 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 Ratios [1]

Institutional units	–	1.63%
Retail units	–	2.38%

[1] To 31 March 2009. 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 30 September 2009 (%)				Discrete returns for the 12 month periods ended 30 September (%)		
	6 months	1 year	3 years	From launch	2009	2008	2007
Institutional units[2]	17.76	5.73	(5.20)	(7.02)	5.73	(15.90)	6.62
Retail units[2]	17.29	4.92	(7.21)	(9.14)	4.92	(16.53)	5.95
IMA Cautious Managed Sector Mean TR[1]	18.73	5.50	(1.64)	(1.64)	5.50	(10.79)	4.50
IMA Cautious Managed Sector Quartile[1]	4	4	3	3	4	1	4

[1] Source: 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 29 September.

[2] Performance shown for 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 income derived from them is not guaranteed and may go down as well as up.

T. BAILEY CAUTIOUS MANAGED FUND

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 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 the heart of longer-term performance and as a result around half of the Funds' assets are normally held in equities.

Equity markets started the period strongly prompting many market commentators to warn of a short-lived bear market rally. However, heeding these comments and adopting the old adage "Sell in May and go away, come back on St. Leger day" would have proved a very disappointing strategy. We certainly hope that those who suffered the worst of the bear market joined in with at least some of the 42% returns for UK equities and 31% for global equities that have been seen over the last six months.

Not that it has been plain sailing and without its ups and downs along the way. At T. Bailey we remained cautiously optimistic through the period, participating in the improving outlook but cognisant of the economic and financial risks still faced. Indeed, many thought that equity markets had run out of steam during May and into June, when they paused for breath. Yet they recovered at pace in July and continued their onward and upward trend through August and September. The pace of the turnaround in equity markets has been startling but perhaps only, in a historic context, as startling as the sharp falls we saw 12 months ago.

Equities have not been the only asset class to rally strongly. Other risk assets have improved as fear has abated. With the reopening of credit markets and a realisation that global trade will continue, prompting the need for companies and economies to restock, commodities rebounded sharply. These have been further fuelled by the political will of China to continue to develop its infrastructure which it has backed with its own economic stimulus packages.

Corporate bonds are another area that have posted impressive returns during the period, particularly from the financial sector where government intervention has brought about some stability and thwarted the bleakest of outcomes.

As the global economic landscape has improved the defensive assets of 2008 have looked less attractive. Cash has appealed to investors less as the need for risk free assets has abated and they are faced with low levels of returns from this asset class in the current low interest rate environment. Similarly government debt too has looked less attractive in recent months, as a result of the increased sovereignty risk resulting from the immense stimulus packages introduced by the Western, debt burdened economies.

T. BAILEY CAUTIOUS MANAGED FUND

Asset Class	Index	Six months Ended 30 September 2009 (%)
UK Equities	FTSE All Share	41.92
Global Equities	FTSE World	30.50
Corporate Bonds	FTSE Sterling Corporate Bond	11.21
Index Linked Gilts	FTSE A (Index Linked) British Govt All Stocks	6.20
Gilts	FTSE A British Govt All Stocks	1.67
Property	IPD UK All Property Monthly	(3.67)
Gold	-	(5.07)

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

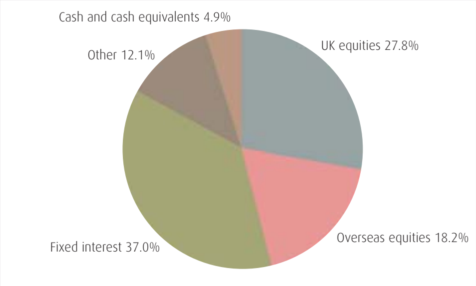
In a reversal of fortunes the equity component of the Fund proved a very significant contributor to the positive returns for the period.

In addition the Fund has maintained a c.35% allocation to fixed interest funds. However we removed our exposure to Gilts in favour of corporate bonds through the period by selling the holding in the City Financial Strategic Gilt Fund and adding the iShares Corporate Bond Fund.

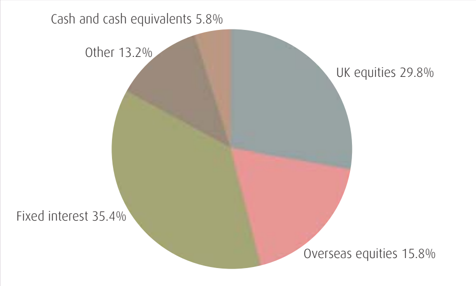
The largest single holding in the portfolio is gold, held via an ETF, representing approximately 8% of the portfolio. This has detracted from the performance over the period. However, we remain of the opinion that the monetary stimuli put into place by western governments, such as quantitative easing, will ultimately devalue western currencies against other stores of value (e.g. gold).

The actual asset allocations at the period end are shown below:

Asset Allocation as at 30 September 2009



Asset Allocation as at 31 March 2009



T. BAILEY CAUTIOUS MANAGED FUND

Outlook

The world has come a long way from the overwhelming fear that dominated capital markets less than a year ago. Much of this follows from the swift action taken by governments globally. Furthermore there has been the anticipation of a return to more favourable, or at least more respectable, economic conditions which have, in many areas, stabilised or even showed signs of a marginal improvement.

But we are certainly not out of the woods just yet. The cost to governments around the globe has been immense and they have used every tool at their disposal, tested or untested, to bring about the current air of stability.

However, the root causes of the current financial woes have yet to be properly addressed and the real hard work and policies that are sorely needed have yet to be done. Western governments have taken onboard a mountain of corporate debt and backed it with their nation's reputations. Further, in the short-term at least, they have been the spenders of the last resort in an effort to kick start their economies.

Nevertheless, as a whole, the western nations remain just as indebted as they were heading into the financial crisis but now with lower levels of economic output. The cost of the stimuli put in place by western governments has been great. These factors are burdens and risks to future growth as are the western governments' more recent realisations that they need to restrain and cut their levels of spending.

To this end measures such as quantitative easing, an abstract form of printing money, have had their obvious attractions, but they are not a free-ride. If all goes well, they are perhaps just a more palatable way for western governments to address the global imbalances that have led us to today's economic climate. In the meantime emerging market economies look better positioned relative to western nations while the very same western nations continue in their game of competitive devaluation.

Such themes are very close to our hearts at T. Bailey and feature in our portfolios.

The T. Bailey Cautious Managed Fund currently has a specific exposure to Emerging Markets and a significant allocation to gold as a real store of value in light of the untested monetary policies currently being undertaken by western governments. It is here that we seek to capture the longer-term effects of the drain of power from the West to the East as some of the global imbalances unwind.

Jason Britton
Fund Manager
17 November 2009

T. BAILEY CAUTIOUS MANAGED FUND

TOP TEN HOLDINGS

Top Ten Holdings as at 30 September 2009 (%)

Lyxor Gold Bullion Securities	8.3
Schroder All Maturities Corporate Bond	7.9
Fidelity Sterling Bond	6.9
DB X-Trackers MSCI Emerging Markets	6.7
iShares Corporate Bond	6.5
M&G Corporate Bond	6.4
iShares FTSE 100 ETF	5.9
Newton Global Higher Income	5.8
Invesco Perpetual Corporate Bond	5.8
Veritas Global Income	5.7

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 Income

	Institutional Income units			Retail Income units		
Calendar year	Highest price (pence)	Lowest price (pence)	Net income distributed per unit (pence)	Highest price (pence)	Lowest price (pence)	Net income distributed per unit (pence)
2006[1]	51.04	46.44	0.0040	50.88	46.42	0.0040
2007[2]	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[3]	42.80	36.65	1.2231	41.81	35.94	1.1999

	Institutional Accumulation units			Retail Accumulation units		
Calendar year	Highest price (pence)	Lowest price (pence)	Net income accumulated per unit (pence)	Highest price (pence)	Lowest price (pence)	Net income 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[3]	45.89	39.04	1.2933	44.84	38.28	1.2729

[1] From 2 May. [2] With effect from 1 January, Accumulation units were made available for issue by the Fund.
[3] Prices to 30 September and net income accumulated/distributed 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.

T. BAILEY CAUTIOUS MANAGED FUND

Dividend Distributions/Accumulations For The Six Months Ended 30 September 2009

	Quarter Ended	
Unit Class	**30 June 2009[1] (pence per unit)**	**30 September 2009[2] (pence per unit)**
Institutional Income	0.2501	0.3806
Retail Income	0.2442	0.3730
Institutional Accumulation	0.2613	0.4083
Retail Accumulation	0.2601	0.3996

[1] Pay date 31 August 2009.

[2] Pay date 30 November 2009.

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.

T. BAILEY CAUTIOUS MANAGED FUND

Net Asset Values

	Institutional Income units			Retail Income units		
Date	**Total units in issue**	**NAV per unit (pence)**	**NAV (£)**	**Total units in issue**	**NAV per unit (pence)**	**NAV (£)**
31 Mar 2007	840,141	51.51	432,720	14,210,799	51.27	7,286,235
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
30 Sep 2009	37,179,663	42.49	15,797,072	20,894,195	41.51	8,672,515

	Institutional Accumulation units			Retail Accumulation units		
Date	**Total units in issue**	**NAV per unit (pence)**	**NAV (£)**	**Total units in issue**	**NAV per unit (pence)**	**NAV (£)**
31 Mar 2007	4,801,571	51.57	2,476,095	10,129,408	51.28	5,194,185
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
30 Sep 2009	8,005,692	45.96	3,679,505	23,979,863	44.91	10,768,788

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.

T. BAILEY CAUTIOUS MANAGED FUND

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
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 & Depositary Services
Waterhouse Square
138 - 142 Holborn
London EC1N 2TH

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.