



T.BAILEY

T. BAILEY EQUITY INCOME FUND

Interim Short Report

For the six month period ended 30 September 2009

T. BAILEY EQUITY INCOME FUND

INVESTMENT OBJECTIVE & POLICY

The aim of the T. Bailey Equity Income Fund is to provide a yield in excess of 110% of the yield on the FTSE All-Share Index whilst outperforming the FTSE All-Share Index on a Total Return Basis. Some capital growth is anticipated over the longer term as a result of the equities asset class.

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

FUND FACTS

Launch date: 23 November 2004

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	-	2.33%
Retail units	-	3.08%

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 EQUITY INCOME 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	2006
Institutional units ²	27.02	2.92	(12.30)	18.75	2.92	(23.06)	10.76	14.96
Retail units ²	26.55	2.14	(14.19)	15.51	2.14	(23.64)	10.02	14.58
FTSE All-Share Index TR ¹	41.92	13.15	(2.96)	33.79	13.15	(23.68)	12.38	14.84
IMA UK Equity Income Sector Mean ¹	32.84	6.11	(12.40)	20.67	6.11	(23.43)	7.83	15.46
IMA UK Equity Income Sector Quartile ¹	3	4	4	4	4	3	3	2

¹ Source: Lipper Hindsight. Total return, bid to bid. As the T. Bailey Equity Income 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 EQUITY INCOME FUND

It has been an interesting time over the last six months for all equity markets, perhaps even more so for funds in the IMA UK Equity Income sector where interest rates remain low and dividend cuts have taken place even to the extent of non-payment. Even so, UK equity income funds started the six month period (to 30 September 2009) well in relation to the FTSE All-Share Index. Indeed, by the end of Q2 the sector had outperformed the FTSE All-Share Index by 0.7%; but by the end of the six month period the sector had significantly lagged the FTSE All-Share Index.

Over the period there were a few changes to the core holdings of the portfolio. We had been invested in the AVIVA UK Equity Income Fund but sold on the announcement of the fund manager leaving, thus demonstrating one of the advantages that the fund of funds strategy has – the ability to act expediently on a change of circumstance. The CF OLIM UK Equity, Threadneedle UK Equity Alpha and UBS UK Equity funds were sold due to what we felt was disappointing performance and in replacement we bought BlackRock UK Income Fund and the iShares FTSE 100 ETF. The best performing core holding over the period was the Schroder Income Maximiser Fund which returned 44.9%, outperforming the IMA UK Equity Income sector by 18.4%.

At present the iShares FTSE 100 ETF is our largest holding. Since we bought the iShares FTSE 100 on 14 August 2009 it has outperformed the IMA UK Equity Income sector by 1.2% (to 30 September 2009), justifying our stance, and highlighting what a difficult period this has been for active management.

We have continued to keep the T. Bailey Equity Income Fund, with just under 80% of its portfolio, invested in higher yielding UK equity income funds. Reflective of our concern about dividends earlier in the year, and in order to help preserve the yield, we held two corporate bond funds, a decision that with the benefit of hindsight has proved too defensive. We have also retained exposure to high yielding global income funds; Newton Global Higher Income Fund and Veritas Global Income Fund

Income Distribution

We remain very confident that we will meet the income objective of the Fund to achieve in excess of 110% of the yield of the FTSE All-Share Index, which on 1 October 2009 stood at 3.33%. As at 1 October 2009 the historic annual yield of the portfolio was 6.2% (Retail Income class).

T. BAILEY EQUITY INCOME 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. Further 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. Nonetheless the more stable economic backdrop that we are enjoying one year on from the worst of the financial crisis should allow income strategies and income funds to perform better in the next 12 months than they have in the last year.



Jason Britton
Fund Manager
17 November 2009

T. BAILEY EQUITY INCOME FUND

TOP TEN HOLDINGS

Top Ten Holdings as at 30 September 2009 (%)

iShares FTSE 100 ETF	19.3
Schroder Income Maximiser	11.9
Standard Life UK Equity High Income	11.5
Neptune Income	11.4
Invesco Perpetual Income	10.7
Blackrock UK Income	10.2
Artemis Income	7.9
Veritas Global Income	5.0
Newton Global Higher Income	5.0
M&G Corporate Bond	3.8

Top Ten Holdings as at 31 Mar 2009 (%)

Threadneedle UK Equity Alpha	11.5
Invesco Perpetual Income	10.9
Neptune Income	10.9
Standard Life UK Equity High Income	10.8
UBS UK Equity Income	10.1
Schroder Income Maximiser	8.0
CF OLIM UK Equity	7.7
Aviva UK Equity Income	6.3
Artemis Income	6.2
Newton Global Higher Income	4.4

T. BAILEY EQUITY INCOME FUND

PERFORMANCE

Unit Prices and Income

Calendar year	Institutional Income units			Retail Income units		
	Highest price (pence)	Lowest price (pence)	Net income distributed per unit (pence)	Highest price (pence)	Lowest price (pence)	Net income distributed per unit (pence)
2004 ¹	52.05	49.76	-	52.03	49.76	-
2005	60.44	51.95	1.3500	60.23	51.85	1.3500
2006	69.10	59.10	2.1718	68.61	58.82	2.1659
2007 ²	73.47	64.19	2.3372	72.74	63.31	2.3174
2008	66.78	39.59	2.7643	65.82	38.77	2.7127
2009 ³	48.86	39.10	2.9693	47.52	38.17	2.9008

Calendar year	Institutional Accumulation units			Retail Accumulation units		
	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	74.32	65.74	1.6946	73.59	64.87	1.6806
2008	68.62	42.56	2.8697	67.62	41.68	2.8212
2009 ³	55.48	43.71	3.2702	53.98	42.68	3.1949

¹ From 23 November. ² With effect from 2 January, Accumulation units were made available for issue by the Fund.

³ Prices to 30 September and net income distributed/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.

T. BAILEY EQUITY INCOME FUND

Dividend Distributions/Accumulations for the Six Months Ended 30 September 2009

Unit Class	Quarter Ended	
	30 June 2009 ¹ (pence per unit)	30 September 2009 ² (pence per unit)
Institutional Income	0.6662	0.6675
Retail Income	0.6500	0.6500
Institutional Accumulation	0.7449	0.7579
Retail Accumulation	0.7268	0.7381

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 EQUITY INCOME 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 2007	1,939,645	70.02	1,358,140	7,877,324	69.41	5,467,318
31 Mar 2008	1,788,754	58.09	1,039,162	10,859,447	57.14	6,205,428
31 Mar 2009	1,850,279	39.04	722,260	10,674,954	38.11	4,067,774
30 Sep 2009	2,144,971	48.17	1,033,134	10,773,940	46.84	5,046,583

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 2007	2,038,684	70.04	1,427,805	4,248,709	69.40	2,948,809
31 Mar 2008	2,377,834	60.91	1,448,400	7,172,515	59.92	4,297,885
31 Mar 2009	2,164,847	43.64	944,681	7,428,563	42.61	3,165,100
30 Sep 2009	1,763,791	55.45	978,076	7,023,522	53.94	3,788,668

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 EQUITY INCOME 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.

T. BAILEY EQUITY INCOME FUND

This page has been intentionally left blank.



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.
