Wise Investment

TB Wise Strategic

Annual Short Report

For the year ended 28 February 2014

TB WISE STRATEGIC

INVESTMENT OBJECTIVE & POLICY

The investment objective of TB Wise Strategic is to provide capital growth over the medium-to-long term in excess of deposit account returns and inflation by investing in collective investment schemes although other investments may also be held including money market instruments and deposits. These will include funds investing in UK and overseas equities, fixed interest securities and cash.

FUND FACTS

Launch date: 1 April 2004
Ex-dividend dates: 1 September, 1 March
Dividend payment dates: 31 October, 30 April
Synthetic Risk and Reward Indicator Ranking[1]: 5
Ongoing Charges Figures[2]

B Shares – 2.15% p.a.

A Shares – 2.80% p.a.

[1] As calculated in accordance with CESR guidelines. It is based on historical data and uses a scale of 1 to 7. The higher the rank the greater the potential reward but the greater the risk of losing money.

[2] To 28 February 2014. As calculated in accordance with CESR guidelines. The Ongoing Charge Figure ('OCF') includes annual management charges ('AMCs') and other operating expenses (Depositary'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.

OTHER INFORMATION

Following the end of the period, on April 22nd 2014 , the daily pricing point for Wise Strategic was changed to noon from 8am. The new time brings the fund into line with many other firms in the fund management industry.

INVESTMENT REVIEW

Performance	Cumulative returns for the periods ended 28 February 2014 (%)		
	1 year	3 years	5 years
B Shares	11.66	24.58	98.48
A Shares	10.94	22.15	92.10
IMA Flexible Investment Sector Mean	6.75	16.70	79.82

Source: Financial Express. Total return, bid to bid.

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

TB WISE STRATEGIC

After the previous years' excellent returns it was always going to be difficult to put on a repeat performance. However that is exactly how the year started with the equity markets continuing their upward march. An abrupt stop to this move happened in late May when Ben Bernanke, the soon to retire Federal Reserve governor, focussed the markets attention on the possibility that they may start to reduce the amount of Quantitative Easing (QE) that they were doing. This should not have come as any surprise.

Without actually doing anything, just the thought that the Federal Reserve may not continue indefinitely buying $85 billion of Bonds every month was enough to give the markets a serious bout of indigestion. Nowhere was this felt more than in the US treasury market where the yield on 10 year government bonds rose from 1.6% to 2.4% in a matter of weeks leading to steep losses for bond investors.

Equity investors also reacted negatively, fearing that the supply of cheap money was going to dry up. The FTSE 100 fell by more than 10% over the next few weeks but the largest fall of any major market was Japan which suffered a 20% reversal partly because it had been the biggest gainer previously which had encouraged many shorter term speculators such as Hedge funds to invest. It soon became apparent that the rhetoric was aimed at subduing the markets rather than an imminent change in policy. The tone of the markets had been altered and for the rest of the year equity indices were fairly range bound with the FTSE 100 trading between 6400 and 6800.

The markets were now resigned to a reduction in the bond purchasing, the phrase 'tapering' being commonly used to describe this. It came as somewhat of a surprise when in September they did not start reducing the monthly bond purchases and this gave some stocks, especially the riskier ones, a new lease of life. Shares in smaller companies, technology and biotechnology rose particularly strongly towards the end of the period taking with them the US equity market into record high territory. This happened despite the announcement in December that tapering would eventually begin with a monthly reduction of $10 billion in the monthly asset purchase programme and that these reductions would continue as long as the US economy continued to recover.

Not everything performed strongly and it was a particularly poor year for Emerging Market and Asian equities. This was compounded by the dispute between the Ukraine and Russia which culminated in Russian forces moving into the Crimea as the period ended, causing further uncertainty in the worlds' financial markets. Commodity funds also performed poorly with concerns about the slowing Chinese economy adding to the negative sentiment.

I have generally kept the same strategy and themes throughout the year. It is noticeable that the US and UK economies are recovering stronger than elsewhere. The US in particular is seeing a renaissance in the energy sector with shale extraction reducing the US reliance on oil imports and even making it a potential exporter of natural gas. The big disappointment this year has been the failure of the Japanese equity market to consolidate its gains and since May it has become a very volatile market as investors continue to speculate as to whether Abenomics, the name given to the economic policy of the Japanese Prime Minister Shinzo Abe, will eventually work. I believe it must work and the Bank of Japan will do all it can to succeed. A failure to reflate the Japanese economy would risk deflation and the Japanese government would never be able to afford to service its already massive debt.

TB WISE STRATEGIC

One surprising feature of the year was the relative weakness of the US Dollar which has reduced the gains UK investors including ourselves could have made on Dollar priced assets such as US equities. Fundamentals present a good case for a stronger dollar with good economic growth, a falling trade deficit and expectations of earlier interest rate rises. It is particularly interesting that the Dollar has weakened over the year against the Euro despite the poor economic situation in Europe and continuous speculation that Europe will have to loosen policy further. I continue to expect the dollar to eventually strengthen.

Despite these issues I continue to follow the previous themes of investing in the stronger US economy, the recovery in the financial sector and the eventual success of Abenomics in Japan. To this you can now add the strengthening recovery in the UK and further support for the European economy.

The portfolios holdings can be split into three groups over the last year, the Good, the Average and the Ugly.

Good Group

These funds produced returns of more than 15% over the year and represented more than half the portfolios holdings. In general these were the more risk orientated equity finds. The star performance was achieved by the Cavendish AIM fund which rose an impressive 37.8%. A major catalyst for the improved performance of Aim shares was the announcement that they could be held in ISAs which because they can qualify for Business Property Relief if held for a minimum of 2 years, offers attractive potential inheritance tax savings.

All three of the Japanese funds held increased in excess of 20% although all these gains came in the period prior to late May 2013. Other funds that performed strongly were AXA Framlington Health and GLG Technology both of which invest in higher risk companies.

Other UK funds also produced strong returns, with the best coming from the more domestic focused lower capitalisation stocks. SLI UK Smaller Companies rose 31.9% and Old Mutual UK Mid cap was up 32.6%. Respectable returns were also achieved by some of the funds that had greater exposure to larger companies including Cazenove UK Opportunities, AXA Framlington UK Select Opportunities, Invesco Perpetual Higher Income and Liontrust Special Situations.

The US equity holdings had their gains reduced due to adverse currency effects. However both AXA Framlington American Growth and Schroder US Mid Cap achieved solid results. Others in this category include Invesco Perpetual Global Financial Capital and Blackrock European Dynamic.

Average Group

This group includes funds that made a positive return of up to 15%. The majority of the funds in the group were funds that invested in larger capitalised multinational companies. Some of the funds such as M&G Recovery, Jupiter International Financials, JPM US Equity Income and Legg Mason US Smaller Companies still achieved double digit returns. Others such as M&G Global Dividend, Newton Global Higher Income and Polar Capital Global Insurance had styles or strategies that were temporarily out of favour with the market but are still good funds that should perform well when the market changes at some point.

The other funds in this group are funds that are held to reduce risk and have much lower levels of volatility. These include M&G Optimal Income, Henderson UK Absolute and SLI Global Absolute Return Strategies all of which have a longer term volatility measure of well below half of the FTSE 100. These are funds that I use to consolidate gains when markets look overvalued.

Ugly Group

These funds produced a negative return over the year. Fortunately this is a small group that have the common theme of being very influenced by the Chinese Economy. They include First State Global Emerging Market Leaders, Schroder Asia Alpha Plus and M&G Global Basics. They have all suffered from slowing growth in China which has led to less demand for commodities and other services provided by Asian and Emerging Market suppliers. These funds still remain top quality. For instance over the last two years to 28 February, the First State fund has still outperformed the average Global Emerging Markets fund by 13.13%. Whilst currently out of favour emerging markets are still driving the bulk of world economic growth and as a result should not be unloved forever.

During the year I have done very little trading. Overall I have slightly reduced the total equity fund exposure and increased the exposure to Absolute Return Funds. Other than the funds previously mentioned I have reduced direct US exposure, replacing this with a position in the Schroder GAIA Sirios US equity fund, a long/short strategy fund that historically has protected capital in market sell offs but still provides upside potential.

The fund has also benefitted from the things it has not been invested in. Gold which was being used by some as a safe haven proved to be far from this. For instance the popular Blackrock Gold and General fund lost 32.25% over the period. Other resources performed only slightly better causing another popular fund, JPM Natural Resources, to lose 16%. Even the safe haven of the IMA Gilt sector, which we had no exposure to, lost 1.5%.

Overall it was another good year for the fund which outperformed its benchmark, the IMA Flexible Managed Sector, by a significant margin.

TB WISE STRATEGIC

Sector	Asset allocation as at 28 February 2014 (%)	Asset allocation as at 28 February 2013 (%)
Absolute Return	6.5	3.1
Emerging Markets	4.3	6.6
Europe	4.0	3.6
Far East (ex. Japan)	2.8	6.0
Global Bond	3.3	3.3
Global Growth	10.6	12.8
Healthcare	1.7	1.5
Japan	11.6	8.6
North America	12.1	12.6
Specialist - Financial	7.2	5.7
Specialist - Mining	-	2.2
Specialist – Technology	3.6	-
TMT	-	3.1
UK Bonds	3.3	3.3
UK Equity Income	2.0	1.8
UK Growth	18.2	18.8
UK Smaller Companies	6.5	5.3
Cash and Other	2.3	1.7
Total	**100.0**	**100.0**

Outlook

Looking ahead to the current year I see continued volatility as investors continue to try to predict the ending of record low interest rates. It may well be that they will still be doing so in 12 months' time. The biggest threat comes from deflation but I expect the worlds' central banks to use all the tools available to them to avoid this. This could keep interest rates lower for longer than the markets currently expect. Even when they do start to rise I do not expect them to do so rapidly. Eventually equities should become more popular. Company earnings will be the main driver and once the economy does start to improve, so should earnings. This should eventually allow equity markets to move on to new highs.

I would like to thank all our longer term holders for your continued support.

David Stephenson
Fund Manager

12 June 2014

TB WISE STRATEGIC

TOP TEN HOLDINGS

Top Ten Holdings as at 28 February 2014 (%)		Top Ten Holdings as at 28 February 2013 (%)	
Cazenove UK Opportunities	8.5	Cazenove UK Opportunities	7.5
M&G Global Dividend	6.2	M&G Global Dividend	6.3
Standard Life Global Absolute Return	5.3	Jupiter International Financials	4.9
Jupiter International Financials	5.0	Polar Capital Japan	4.3
Standard Life UK Smaller Companies	4.9	JPM US Equity Income	4.1
Polar Capital Japan	4.8	Standard Life UK Smaller Companies	4.0
Liontrust Special Situations	4.7	JPM Global Consumer Trends	4.0
First State Global Emerging Markets	4.3	AXA Framlington American Growth	3.6
Blackrock European Dynamic	4.0	Blackrock European Dynamic	3.6
Martin Currie Japan	3.9	Liontrust Special Situations	3.6

TB WISE STRATEGIC

PERFORMANCE

Share Prices and Revenue

	B Accumulation shares			A Accumulation shares		
Calendar year	Highest price (pence)	Lowest price (pence)	Net revenue accumulated per share (pence)	Highest price (pence)	Lowest price (pence)	Net revenue accumulated per share (pence)
2009	142.18	98.86	1.0823	136.95	95.72	0.0661
2010	166.65	137.34	0.9788	159.47	132.19	0.1059
2011	172.00	144.89	0.9637	164.03	137.95	-
2012	171.00	153.63	0.6941	162.35	145.68	-
2013	205.50	168.93	0.3444	192.81	159.54	-
2014[1]	208.77	197.72	-	192.74	192.75	-

[1] *Prices to 28 February and net revenue to 30 April.*

Dividend accumulations for the year ended 28 February 2014 (pence per share)

	Period Ended	
Share Class	31 August 2013 (pence per share)	28 February 2014 (pence per share)
B Accumulation	0.2448	-
A Accumulation	-	-

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TB WISE STRATEGIC

Net Asset Values

	B Accumulation shares			A Accumulation shares		
Date	Total shares in issue	NAV per share (pence)	NAV (£)	Total shares in issue	NAV per share (pence)	NAV (£)
29 Feb 2012	2,965,571	167.65	4,971,752	8,198,768	159.21	13,053,048
28 Feb 2013	4,440,524	185.61	8,242,111	4,731,406	175.11	8,285,165
28 Feb 2014	5,317,977	206.15	10,962,889	3,639,137	193.21	7,031,167

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RISK PROFILE

Please remember that both the price of shares 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 (A class shares 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.

TB WISE STRATEGIC

OTHER INFORMATION

The Company

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ACD

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Authorised and regulated by the Financial Conduct Authority.

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Authorised and regulated by the Financial Conduct Authority.

Depositary

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Authorised and regulated by the Financial Conduct Authority and by the Prudential Regulation Authority.

Auditors

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

Further information regarding the activities and performance of the Fund for this and previous periods is available on request from the ACD as are copies of the Annual and Interim Report and Financial Statements.