



T.BAILEY

---

## T. Bailey Growth Fund

### Annual Short Report

For the year ended  
31 March 2014

---

# T. BAILEY GROWTH FUND

---

## INVESTMENT OBJECTIVE & POLICY

The aim of the T. Bailey Growth Fund is to provide capital growth over the medium-to-long term and to outperform the IMA Global Sector average 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 close to fully invested.

## FUND FACTS

**Launch date:** 13 December 1999

**Ex-dividend date:** 1 April

**Dividend payment date:** 31 May

**Synthetic Risk and Reward Indicator Ranking<sup>1</sup>:** 5

**Ongoing Charges Figures<sup>2</sup>:**

Institutional units – 1.75% p.a.

Retail units – 2.65% p.a.

<sup>1</sup> 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.

<sup>2</sup> To 31 March 2014. As calculated in accordance with CESR guidelines. The Ongoing Charge Figure ('OCF') 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 GROWTH FUND

## CHANGES TO THE FUND

On 3 February 2014 the Annual Management Charge for the Institutional Units was reduced from 0.75% to 0.60%.

## INVESTMENT REVIEW

Performance	Cumulative returns for the periods ended 31 March 2014 (%)				
	6 months	1 year	2 years	3 years	5 years
TBGF - Institutional units	1.21	2.99	21.93	22.15	91.33
TBGF - Retail units	0.82	2.20	20.10	19.42	84.28
IMA Global Sector Mean (TR)	4.52	7.07	22.70	20.06	87.07
	Discrete returns for the 12 month periods ended 31 March (%)				
	2014	2013	2012	2011	2010
TBGF - Institutional units	2.99	18.39	0.18	5.79	48.06
TBGF - Retail units	2.20	17.51	(0.57)	5.01	46.95
IMA Global Sector Mean (TR)	7.07	14.60	(2.16)	7.69	44.69

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

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

---

Over the year ended 31 March 2014 the T. Bailey Growth Fund returned a modest positive performance of 3.0% (Institutional Accumulation unit class).

The fund's long-term strategic exposure to the Asia Pacific ex Japan and Emerging Market regions, representing almost one third of the portfolio at the beginning of the period, was at the heart of this lacklustre performance. Measured by their IMA sector averages these regions fell by -6.9% and -11.3% respectively, in stark contrast to the double digit positive returns seen in many developed, western equity markets.

A period of underperformance for the equity markets of these faster growing economies was sparked by talks of the US Federal Reserve Bank tapering its asset purchase program. Initially our choice of funds in these areas – generally those that place more emphasis on the prospects for individual companies than the vagaries of markets – held up admirably. However, later they struggled to overcome the extent of money leaving the region and flowing back to the West. To us, the extent of the move away from these regions seems overdone and ignores the longer-term growth opportunities these markets have to offer. Their underlying economies are varied, representing a broad range of stages of development, but many are typified by secular growth, trends of urbanisation, technological advances and rising incomes.

In contrast, the developed equity markets of the West are now 5 years beyond the point at which they "bottomed out" in the aftermath of the Great Financial Crisis (GFC). The involvement of various government authorities, and perhaps most notably the central banks, has played a great part in restoring confidence. This has boosted the price levels of many western equity markets to levels comparable with these immediately before the GFC. For further progress to be made without valuations becoming stretched, growth in corporate earnings will now need to take a dominant role in driving share prices forward.

Region (Equities)	Index	6 months ended	12 months ended
		31 March 2014	31 March 2014
		(%)	(%)
United Kingdom	IMA UK All Companies	7.51	14.24
United States	IMA North America	6.74	10.11
Europe ex. UK	IMA Europe ex. UK	9.54	17.39
Japan	IMA Japan	(7.00)	(1.77)
Pacific Basin ex. Japan	IMA Asia Pacific ex. Japan	0.36	(6.88)
Emerging Markets	IMA Global Emerging Markets	(2.68)	(11.32)

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

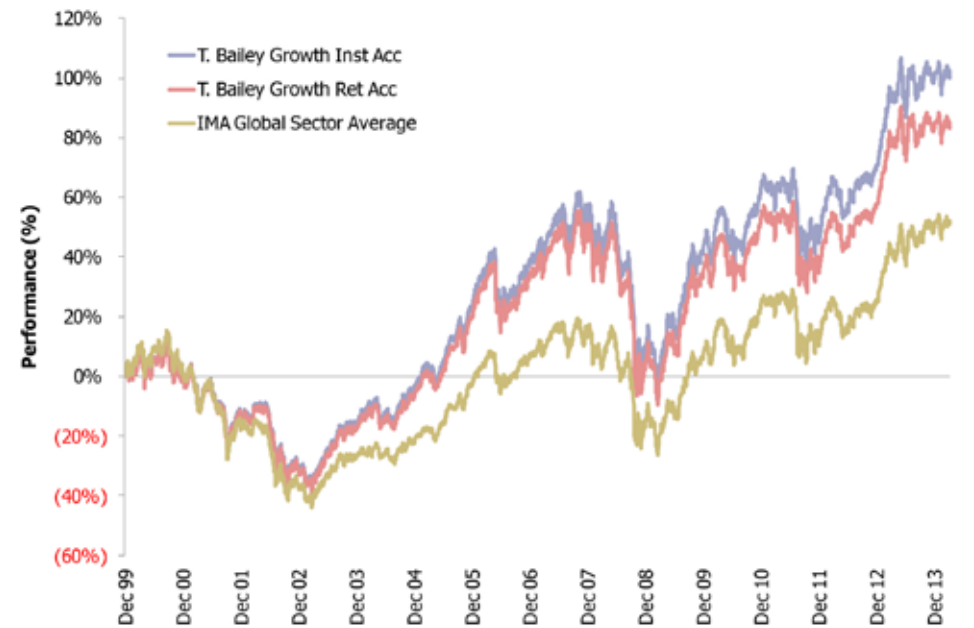
---

# T. BAILEY GROWTH FUND

## BENCHMARK

We show the performance since launch of the T. Bailey Growth Fund against its benchmark, the IMA Global Sector Average, below.

### Performance Since Launch



Source: T. Bailey, Financial Express. Total Return, Sterling Terms. Bid to Bid.  
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.

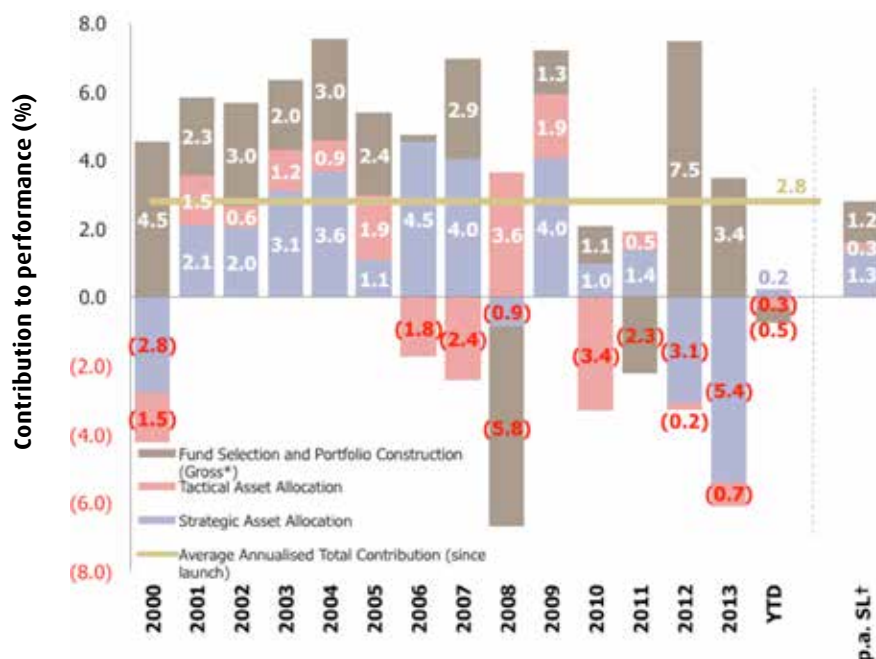
# T. BAILEY GROWTH FUND

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 Sector Average, and the contribution to this performance made by each part of our investment process:

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

These figures indicate that through the 2013 calendar year, the fund selection component of our investment process added value, while the asset allocation components, through their sizeable exposure to Asian and Emerging Market equities, were a significant headwind to performance.

## Calendar Year Performance Attribution



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

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

† Performance annualised since launch on 13 December 1999 versus that of the IMA Global Sector Average.

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

## STRATEGIC ASSET ALLOCATION

Those familiar with the investment process we adopt for the T. Bailey Growth Fund will recognise that our first step is to set out a Strategic Asset Allocation (SAA) for the Fund. This is an allocation to global assets that we review every three years to take into account changing economic, investment and geopolitical circumstances in order that we do not lose sight of longer-term trends. The SAA has provided a bedrock of performance for the fund over the longer-term, outperforming the fund’s benchmark, the IMA Global sector mean by 1.3% per annum on average since launch.

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					
Equity Market Region	SAA 1	SAA 2	SAA 3	SAA 4	SAA 5
	13 Dec 99	01 Feb 03	01 Apr 06	01 Apr 09	01 Apr 12
	to 31 Jan 03	to 31 Mar 06	to 31 Mar 09	to 31 Mar 12	to present
	(%)	(%)	(%)	(%)	(%)
United Kingdom	50.0	50.0	40.0	25.0	10.0
United States	17.5	20.0	15.0	25.0	25.0
Europe ex. UK	17.5	10.0	15.0	15.0	10.0
Japan	10.0	5.0	7.5	7.5	5.0
Pacific Basin ex. Japan	5.0	5.0	7.5	10.0	10.0
Emerging Markets	-	10.0	15.0	17.5	20.0
Global Thematic	-	-	-	-	20.0
	100.0	100.0	100.0	100.0	100.0

Source: T. Bailey

# T. BAILEY GROWTH FUND

## TACTICAL ASSET ALLOCATION

Tactical Asset Allocation (TAA) is perhaps the most difficult part of our investment process from which we can add value, particularly in these uncertain, politically driven times that we currently face where, save for the divide between developed and emerging markets, the degree of correlation remains high.

Our general TAA positioning through the period though has maintained a modest tactical overweight exposure to Japan where, following a change of leadership, measures were introduced to combat the weak growth and chronic deflation that have dogged the nation for two decades.

Equity Market Region	Asset allocation as at 31 March 2014 (%)	Asset allocation as at 31 March 2013 (%)
United Kingdom	10.7	12.0
United States	21.0	25.2
Europe (Ex. UK)	9.4	7.2
Japan	9.7	9.6
Pacific Basin (Ex. Japan)	15.5	15.5
Emerging Markets	14.2	17.0
Global Thematic	19.6	13.2
Cash and Other	(0.1)	0.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

## FUND SELECTION

Following the 'beta rally' that has brought valuations of western equity markets back close to historic norms we have taken a more discerning approach to the selection of funds within the T. Bailey Growth Fund through the course of the year. Exposure to passive funds such as the iShares S&P 500 ETF held at the start of the period have been replaced by active managers with strong conviction in the opportunities for the individual companies in which they invest rather than relying on a confirmation of positive market sentiment and improvement in economic data to lift valuations across the board.

In addition, within the Global Thematic components of the portfolio we have introduced biases to those sectors within global equity markets we believe have longer-term, secular growth tailwinds – notably healthcare and technology – that we consider will ultimately reward investors with stronger earnings.



# T. BAILEY GROWTH FUND

## OUTLOOK

Economic indicators point to continuing growth which may gain further momentum in the short term as the detrimental effects of weather related problems this winter, particularly for the US, work their way out of the system.



**Elliot Farley**  
Fund Manager  
11 July 2014



**Peter Askew**  
Fund Manager  
11 July 2014

As growth gains traction, pressure will mount on central banks to “normalise” their monetary policy and promote the allocation of capital to more productive and necessarily profitable ventures.

Such a change in the landscape for financial markets generally will likely prove destabilising in the shorter-term and always poses a risk of collateral damage to areas of the market beyond those obviously sensitive to rising interest rates. In short, the period of benign volatility experienced during the last couple of years may well be reaching an end. Nonetheless, this should favour our preference for higher conviction managers who are less preoccupied with short-term market sentiment and more focused on the opportunities for the individual companies in which they invest.

## TOP TEN HOLDINGS

Top Ten Holdings as at 31 March 2014	(%)	Top Ten Holdings as at 31 March 2013	(%)
Janus US Venture	5.5	Aberdeen Emerging Markets	5.8
First State Global Emerging Markets Leaders	5.0	Wells Fargo US All Cap Growth	5.7
CC Japan Alpha	4.9	First State Global Emerging Markets Leaders	5.5
Wells Fargo US All Cap Growth	4.9	Polar Capital North America	4.5
Schroder European Alpha Income	4.9	iShares S&P 500 ETF	4.2
Baillie Gifford Global Discovery	4.9	Aberdeen Asian Smaller Companies	4.2
Baillie Gifford Japanese Smaller Companies	4.8	GAM North American Growth	4.1
Baring Europe Select	4.5	Vanguard US Opportunities	4.0
Polar Capital Healthcare Opportunities	4.4	Prusik Asian Equity Income	4.0
Vulcan Value Equity	4.3	Henderson Global Technology	3.9

# T. BAILEY GROWTH FUND

## PERFORMANCE

Although the Fund has the power to issue both income and accumulation units, as at 31 March 2014 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)
2009	73.11	47.58	0.1168	77.85	50.97	-
2010	83.00	68.49	0.3416	87.72	72.65	-
2011	84.79	68.65	0.1050	89.26	72.14	-
2012	85.45	74.55	0.0889	88.97	78.19	-
2013	103.29	85.44	0.3187	107.23	88.96	-
2014 <sup>1</sup>	102.66	97.26	0.1257	106.06	100.44	-

<sup>1</sup> Prices to 31 March and net revenue accumulated to 31 May.

## 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 2012	144,929,478	81.96	118,778,276	49,989,896	85.80	42,893,247
31 Mar 2013	131,333,752	97.27	127,746,061	51,970,575	101.08	52,532,157
31 Mar 2014	99,778,123	101.03	100,806,207	63,718,207	104.19	66,386,555

*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 GROWTH 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](http://www.tbailey.co.uk)

Authorised and regulated by the Financial  
Conduct Authority

### TRUSTEE

National Westminster Bank Plc  
Trustee & Depositary Services  
135 Bishopsgate  
London EC2M 3UR

Authorised and regulated by the Financial  
Conduct Authority and by the Prudential  
Regulation 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](http://www.tbailey.co.uk)

Authorised and regulated by the Financial  
Conduct Authority.

### AUDITORS

Deloitte LLP  
4 Brindleyplace  
Birmingham B1 2HZ

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



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 Conduct Authority. Registered in England No: 3720363.

---