



T.BAILEY

T. Bailey Dynamic Fund

Annual Short Report

For the year ended
31 March 2014

T. BAILEY DYNAMIC FUND

INVESTMENT OBJECTIVE & POLICY

The aim of the T. Bailey Dynamic Fund is to outperform the Investment Management Association (IMA) Mixed Investment 20%-60% Shares Sector average on a total return basis over the medium-to-long term.

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.

ASSET ALLOCATION

The Fund may have both UK and non-UK investments and, in addition to units in collective investment schemes, may also invest in transferable securities (shares, including investment trusts, debentures, government and public securities, warrants or certificates representing certain securities), money market instruments, cash and near cash, deposits and gold as permitted by the Sourcebook in order to achieve its objective.

The Fund will not invest directly in immovables.

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

FUND SELECTION

The Fund expects to use a range of different active and passive managers in order to provide a diversity of style and to protect against possible periods of poor performance by any one manager or product.

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, 28/29 February, 31 May
Synthetic Risk and Reward Indicator Ranking¹:	4
Ongoing Charges Figures²:	
	Institutional units – 1.49% p.a.
	Retail units – 2.39% 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 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.

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CHANGES TO THE FUND

On 3 February 2014 the name of the Fund changed from T. Bailey Dynamic Cautious Managed Fund to T. Bailey Dynamic Fund. Also on this date the Annual Management Charge for the Institutional unit classes changed from 0.75% p.a. to 0.60% p.a.

INVESTMENT REVIEW

The T. Bailey Dynamic Fund invests in a mix of asset classes to provide a more cautious type of collective investment vehicle than through investing in equities alone. The fund 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 so around half the fund's assets are normally held in equities.

Performance	Cumulative returns for the periods ended 31 March 2014 (%)				
	6 months	1 year	3 years	5 years	
TBDYF - Institutional units ¹	3.38	4.66	16.50	57.61	
TBDYF - Retail units ¹	2.97	3.84	13.83	51.66	
IMA Mixed Investment 20%-60% Shares Sector Mean	3.09	3.64	16.01	55.06	
CPI +3%	2.21	4.71	10.85	34.82	
	Discrete returns for the 12 month periods ended 31 March (%)				
	2014	2013	2012	2011	2010
TBDYF - Institutional units ¹	4.66	12.33	(0.90)	4.72	29.18
TBDYF - Retail units ¹	3.84	11.45	(1.64)	3.94	28.19
IMA Mixed Investment 20%-60% Shares Sector Mean	3.64	10.20	1.58	4.79	27.55
CPI +3%	4.71	5.86	6.58	7.17	6.47

¹ Performance based on Income units.

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 units and the revenue derived from them is not guaranteed and may go down as well as up.

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The T. Bailey Dynamic Fund finished the one year period with a positive performance of 4.7% (Institutional Income unit class).

The most significant driver of returns over the period was through the funds allocation to developed equity markets, with UK, US and European regions all posting double digit returns in Sterling terms. Much less favourable however was the fund's modest exposure to the Emerging Market and Asian equity regions. 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. To us the extent of the move away from the region seems overdone and ignores the longer-term growth opportunities these markets have to offer.

In fixed income markets positive returns were harder to come by. UK Gilts, both conventional and index linked, fell in value as yields lifted a little from their historic lows. By design we have remained light in our exposure to these areas, typically favouring absolute return and strategic bond funds that have more tools at their disposal to protect from falling bond prices and which have the ability to invest in corporate bond markets where positive returns have been achievable as economic confidence has continued to strengthen.

Asset Class	Index/Sector	6 months ended	12 months ended
		31 March 2014 (%)	31 March 2014 (%)
UK Equities	IMA UK All Companies	7.51	14.24
Global Equities	IMA Global	4.52	7.07
Emerging Equities	IMA Global Emerging Markets	(2.68)	(11.32)
Corporate Bonds	IMA Sterling Corporate Bond	2.39	1.31
Index Linked Gilts	IMA UK Index-Linked Gilts	1.78	(4.49)
Gilts	IMA Gilts	0.36	(3.52)
Property	IMA Property	2.63	1.83
Gold	S&P GSCI Gold Total Return	(6.14)	(27.00)

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

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In addition, we have sought to diversify the 'income' component of the fund away from areas we believe to represent significant risk of capital losses in an increasing interest rate environment. To do this we have favoured alternative investments in higher yielding income products with a preference for asset backed or government supported income streams, particularly those we consider less economically sensitive, to provide some diversification benefit when paired alongside equity market investments.

Some of these were newly created funds in 2013 (e.g. Bluefield Solar Income) and are in the process of deploying the capital they have raised in suitable investments so their income generation will take a while to build up. Nonetheless we consider that they provide a margin of safety over many other traditional fixed income markets.

Sector	Asset allocation as at 31 March 2014 (%)	Asset allocation as at 31 March 2013 (%)
UK Equities	15.6	13.8
Global Equities	26.5	29.7
Emerging Markets Equities	7.7	9.5
Index Linked	6.5	-
Commodities/Alternatives	19.2	6.4
Property	2.3	8.6
Strategic/Global Fixed Income	11.1	19.0
Absolute Return Fixed Income (Funds)	5.9	6.5
Cash and Other	5.2	6.5
Total	100.0	100.0

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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.

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.



Elliot Farley
Fund Manager

11 July 2014



Peter Askew
Fund Manager

11 July 2014

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	(%)
Saracen Global Income and Growth	5.1	Henderson Strategic Bond	6.7
Fidelity Strategic Bond	4.9	Fidelity Strategic Bond	6.6
Polar Capital Healthcare Opportunities	4.9	Aberdeen Emerging Markets	6.3
Artemis Global Income	4.5	L&G Dynamic Bond	5.7
Standard Life Global Absolute Return Strategies	4.5	M&G Global Dividend	4.9
Unicorn UK Income	4.2	CF Lindsell Train UK Equity	4.6
Prusik Asian Equity Income	4.2	Vanguard US Opportunities	4.6
Baillie Gifford Global Discovery	4.2	Prusik Asian Equity Income	4.4
Polar Capital Global Insurance	4.1	Franklin UK Mid Cap	4.3
Schroder UK Opportunities	4.1	Standard Life Global Absolute Return Strategies	4.3

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PERFORMANCE

Unit Prices and Revenue

Calendar year	Institutional Income units			Retail Income units		
	Highest price	Lowest price	Net revenue distributed per unit	Highest price	Lowest price	Net revenue distributed per unit
	(pence)	(pence)	(pence)	(pence)	(pence)	(pence)
2009	44.44	35.81	1.2231	43.33	35.14	1.1999
2010	47.54	42.34	1.3002	46.01	41.12	1.2646
2011	47.54	40.64	0.9956	45.99	39.10	0.9706
2012	46.88	42.69	1.0280	44.61	40.99	1.0141
2013	51.02	46.53	1.1977	48.38	44.27	1.1796
2014 ¹	51.78	50.31	0.3701	48.79	47.45	0.3630

Calendar year	Institutional Accumulation units			Retail Accumulation units		
	Highest price	Lowest price	Net revenue accumulated per unit	Highest price	Lowest price	Net revenue accumulated per unit
	(pence)	(pence)	(pence)	(pence)	(pence)	(pence)
2009	48.07	37.82	1.2933	46.88	37.11	1.2729
2010	52.94	46.72	1.4215	51.25	45.39	1.3843
2011	53.37	46.26	1.1444	51.47	44.52	1.0870
2012	54.61	48.84	1.2181	52.07	46.92	1.1765
2013	60.87	54.62	1.4067	57.68	52.07	1.3817
2014 ¹	61.99	60.26	0.4442	58.57	56.98	0.4235

¹ Prices to 31 March and net revenue distributed/accumulated to 31 May.

Note: 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.

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Dividend Distributions/Accumulations for the Year Ended 31 March 2014 (pence per unit)

Unit Class	Quarter Ended			
	30 June 2013 (pence per unit)	30 September 2013 (pence per unit)	31 December 2013 (pence per unit)	31 March 2014 (pence per unit)
Institutional Income	0.2593	0.2921	0.1248	0.2453
Retail Income	0.2446	0.2761	0.1203	0.2427
Institutional Accumulation	0.3040	0.3468	0.1493	0.2949
Retail Accumulation	0.2899	0.3289	0.1421	0.2814

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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 2012	37,503,923	45.25	16,972,263	8,042,212	43.37	3,487,761
31 Mar 2013	37,464,228	49.59	18,578,193	4,834,012	47.07	2,275,236
31 Mar 2014	37,900,441	51.12	19,374,252	3,241,458	48.13	1,560,023

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 2012	1,998,213	52.03	1,039,700	9,611,720	49.89	4,795,604
31 Mar 2013	1,954,892	58.56	1,144,737	6,782,892	55.73	3,780,251
31 Mar 2014	2,100,174	61.49	1,291,316	6,009,425	58.07	3,489,514

Note: 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.

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RISK PROFILE

Please remember that both the price of units 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 (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.

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OTHER INFORMATION

THE MANAGER

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