TU British Trust
Short Report
For the six months to 15 February 2012

TU Fund Managers

FUND DETAILS

FUND MANAGER
Peter Cockburn

FUND SIZE
£36.78m
(as at 15.02.12)

EX-DIVIDEND DATES
15/2 (Interim),
15/8 (Final)

PAYMENT DATES
15/4, 15/10

TOTAL EXPENSE RATIO
1.11% *(as at 15.02.2012)*

TRUSTEE
HSBC Bank plc
8 Canada Square
London
E14 5HQ

AUDITORS
Shipleys LLP
Chartered Accountants
10 Orange Street
Haymarket
London
WC2H 7DQ

MANAGERS
TU Fund Managers Limited
Congress House
Great Russell Street
London
WC1B 3LQ

Copies of the annual and half-yearly Long Form Report and Accounts are available upon request or from our website www.tufm.co.uk

INVESTMENT OBJECTIVE & POLICY

This is a balanced fund. Its aim is to provide investors with a combination of long term capital growth together with a reasonable income. Investments will be made in British commercial companies and industrial companies and may be made in units in other collective investment schemes.

RISK PROFILE

This trust has a medium/low equity risk profile with no currency risk.

FUND PERFORMANCE

Net Asset Value
(Pence per unit)

15.08.11	469.67 p
15.02.12	487.06 p

Change in net asset value 3.70%

Past performance is not a guide to future performance.

INCOME DISTRIBUTIONS

	Pence per unit
15.04.12	3.463p

ANNUALISED PERFORMANCE (%)

12 Months ending:

15 Feb 12	15 Feb 11	15 Feb 10	15 Feb 09	15 Feb 08
-8.87	23.82	30.25	-32.58	-6.22

Source: Lipper, a Reuters company, bid to bid, net income reinvested as at 15.02.12. Past performance is not a guide to future performance.

TOP 10 HOLDINGS

	15 Feb 2012	15 Aug 2011
Cash	8.7	9.4
BP	8.1	4.9
HSBC	6.2	0.0
Sabmiller	5.2	0.0
Royal Dutch Shell	5.0	3.1
GlaxoSmithKline	5.0	0.0
Reed Elsevier	4.4	6.0
AstraZeneca	4.4	4.2
Berkeley	4.2	4.7
Indus Gas	4.1	3.3

SECTOR BREAKDOWN (%)

	15 Feb 2012	15 Aug 2011
Oil & Gas	31.4	26.6
Basic Materials		
Basic Resources	3.9	9.5
Mining	2.0	4.6
Industrials		
Construction & Materials	1.0	5.8
Industrial Goods & Services	1.4	1.7
Consumer Goods		
Food & Beverage	5.2	1.3
Personal & Household Goods	1.9	0.0
Tobacco	2.0	0.0
Healthcare	9.3	4.2
Consumer Services		
Broadcasting & Entertainment	3.5	0.0
Consulting Services	0.0	2.4
Media	4.4	6.0
Travel & Leisure	0.0	0.7
Financials		
Banks	8.4	5.3
Insurance	3.9	12.8
Real Estate	6.4	2.5
Technology	1.8	4.3
Utilities	4.8	2.9
Cash	8.7	9.4

IMPORTANT NOTE

The information in this report is designed to enable unitholders to make an informed judgement on the activities of the trust during the period it covers and the results of those activities at the end of the period. For more information about the activities and performance of the trust during this and previous periods, please contact the Manager.

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FUND MANAGER'S REPORT

For the first four months of this interim period equity markets, though volatile, remained virtually unchanged. Sentiment ebbed and flowed largely in response to developments around the sovereign debt crisis in Europe. However, equities surged higher in October as Europe's leaders appeared to make progress on a plan aimed at alleviating the mounting stress within the financial system. 2012 has started strongly, with markets buoyed by a positive reaction to the first of the ECB's long-term refinancing operations (LTRO). A second tranche of the LTRO, combined with improving economic data from the US have sustained the market rally into early March.

This was a challenging period for equity investors. Slowing global economic growth and renewed liquidity concerns surrounding European funding markets initially weighed heavily on investor risk appetite and triggered a violent rotation out of the more cyclical areas of the market into sectors with perceived 'safe haven' status such as pharmaceuticals, tobacco and telecoms. As funding concerns eased post the LTRO, market leadership reversed, with the banks rallying strongly. The benchmark rose 11.17% over the period, with the fund delivering a disappointing return of 4.47%.

The major detractor from performance was the holding in Essar Energy. The Indian based energy group suffered from a series of delays to the build out of its power project portfolio resulting in a slump in its share price. These delays were the result of a government dispute over the award of coal blocks to Essar and several other private sector companies. The sourcing of competitively priced domestic coal supplies is critical to the economics of the group's power business and the recent suspension of coal mining operations in India forced Essar to import much more expensive coal supplies from South Africa and Indonesia. The company remains confident that the dispute which centres round environmental issues will be resolved in the near future and we continue to hold the position within the portfolio. Holdings in a number of other oil & gas stocks, including Great Eastern Energy, Hardy Oil & Gas and Cadogan left the oil & gas producers as the largest detractor at the sector level. More positively, a number of our Conviction Buy ideas (including Indus Gas, iEnergizer and DS Smith) performed strongly over the period.

In response to the rapid deterioration in the prospects for the global economy which occurred midway through 2011 we began to reduce exposure to the mining and banking sectors, a process that continued into the early part of this review period. Proceeds were reinvested in companies with attractive dividend yields backed by strong balance sheets and resilient earnings streams, such as the pharmaceutical and utility companies. More recently we added a number of new positions to the portfolio including SABMiller, Invensys and Imperial Tobacco, replacing our holdings in Smiths Group, Tate & Lyle, Legal & General and RSA Insurance.

The portfolio is currently defensively positioned following the recent strong recovery in equity markets. Our short term caution reflects the view that several of the more cyclical areas of the market now appear to be discounting a lot of good news flow while earnings forecasts remain broadly risked to the downside. The macro economic and geopolitical backdrop also remains highly uncertain. The European sovereign debt crisis has much further to run with the recent bail-out packages for several member states deferring, rather than solving, the fundamental problems of over leverage and a lack of growth. The escalating political tension in the Middle East also represents a potent threat to equity markets in the short term with the continuing spike in the oil price suppressing growth potential.

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