



T.BAILEY

T. Bailey Growth Fund

INTERIM SHORT REPORT

For the six month period
ended 30 September 2013

T. BAILEY GROWTH FUND

INVESTMENT OBJECTIVE & POLICY

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

FUND FACTS

Launch date: 13 December 1999

Ex-dividend date: 1 April

Dividend payment date: 31 May

Synthetic Risk and Reward Indicator Ranking¹: 6

Ongoing Charges Figures²:

Institutional units – 1.85% p.a.

Retail units – 2.60% p.a.

¹ As calculated in accordance with the 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 30 September 2013. 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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INVESTMENT REVIEW

Performance	Cumulative returns for the periods ended 30 September 2013 (%)					
	3 months	6 months	1 year	2 years	3 years	5 years
TBGF - Institutional units	3.62	1.76	19.96	38.79	30.63	59.59
TBGF - Retail units	3.42	1.37	19.05	36.72	27.71	53.73
IMA Global Sector Mean (TR)	2.61	2.44	18.78	34.21	27.63	55.22
CPI +5%	1.95	3.44	7.79	15.60	27.72	46.67
	Discrete returns for the 12 month periods ended 30 September (%)					
	2013	2012	2011	2010	2009	
TBGF - Institutional units	19.96	15.70	(5.88)	8.67	12.42	
TBGF - Retail units	19.05	14.84	(6.59)	7.87	11.59	
IMA Global Sector Mean (TR)	18.78	12.99	(4.90)	8.61	11.98	
CPI +5%	7.79	7.25	10.48	8.20	6.14	

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.

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Over the six-month period to 30 September 2013 the fund returned 1.4% (Retail Accumulation unit class), a little off the 2.4% average returns of its IMA Global Sector peer group.

Developed western markets fared reasonably well and our choice of funds in those regions generally outperformed. However, market indices in the faster growing economies of the Asia Pacific ex Japan and Emerging Market regions underperformed on talks of the U.S. Federal Reserve Bank tapering its asset purchases. Initially our selection of funds in these regions held up admirably, but later struggled with the extent of money leaving the region and flowing back to the West. To us the extent of the move away from the region seems overdone and ignores the longer-term growth attractions of these markets.

Region (Equities)	Index	6 months ended 30 September 2013 (%)	12 months ended 30 September 2013 (%)
United Kingdom	IMA UK All Companies	6.26	22.49
United States	IMA North America	3.16	20.87
Europe ex. UK	IMA Europe ex. UK	7.17	27.21
Japan	IMA Japan	5.63	32.41
Pacific Basin ex. Japan	IMA Asia Pacific ex. Japan	(7.21)	7.21
Emerging Markets	IMA Global Emerging Markets	(8.87)	1.39

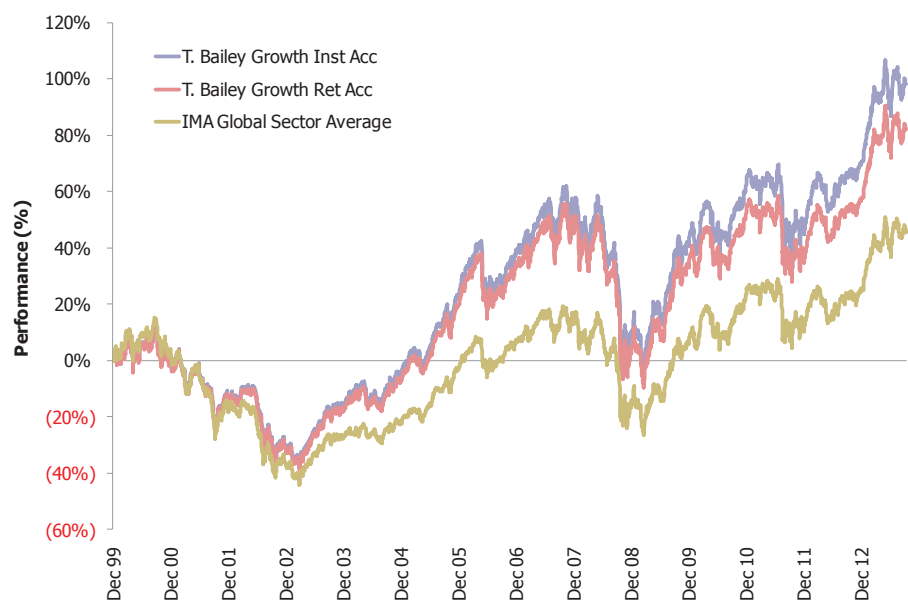
Source: T. Bailey, Financial Express. Total return, Sterling terms. Bid to bid.

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



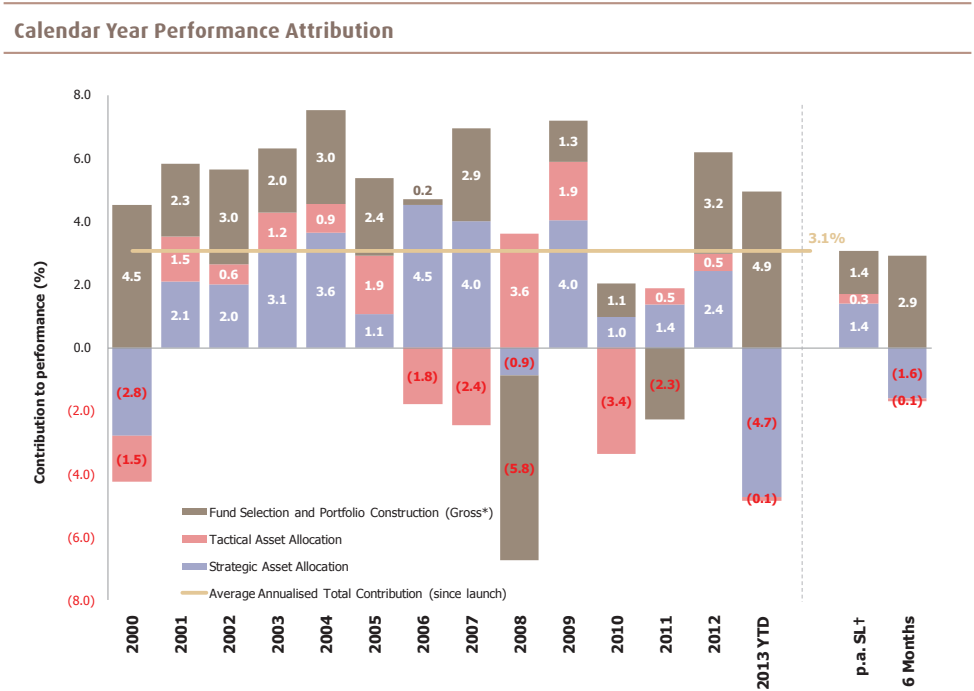
Source: T. Bailey, Financial Express. Total Return, Sterling Terms. Bid to Bid.
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T. BAILEY GROWTH FUND

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 period, Fund Selection has been the component of our investment process that has added value while Strategic Asset Allocation, in particular, has detracted from shorter-term performance.



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.
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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 it 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. Historically, 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 1.4% 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 to 31 Jan 03	01 Feb 03 to 31 Mar 06	01 Apr 06 to 31 Mar 09	01 Apr 09 to 31 Mar 12	01 Apr 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

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TACTICAL ASSET ALLOCATION

Tactical Asset Allocation is perhaps the most difficult part of our investment process from which we can add value, particularly so in recent years where sentiment has largely rested on political actions and interventions in financial markets.

The most significant move in Tactical Asset Allocation we made during the period was to reduce the underweight exposure to Europe ex UK, recognising that strengthening growth trends in the region were cause for a more optimistic view of asset prices. This was largely financed through a reduction in the overweight exposure to Japan that had served us well.

The assets allocations at the balance sheet date are shown below:

Equity Market Region	Asset allocation as at 30 September 2013 (%)	Asset allocation as at 31 March 2013 (%)
United Kingdom	13.2	12.0
United States	27.1	25.2
Europe (Ex. UK)	10.0	7.2
Japan	8.3	9.6
Pacific Basin (Ex. Japan)	14.6	15.5
Emerging Markets	14.7	17.0
Global Thematic	11.6	13.2
Cash and Other	0.5	0.3
Total	100.0	100.0

FUND SELECTION

Through the period we made greater use of active fund managers, selling out of holdings in the iShares S&P500 ETF, Source Russell 2000 ETF and the iShares MSCI Brazil ETF. With equity markets generally having had a strong run of performance and valuations reaching higher levels, we believe the choice of good active managers can provide greater comfort in the underlying quality and robustness of the companies around the world that T. Bailey Growth Fund ultimately invests in.

In the US this resulted in the introduction of three new funds: Hermes US SMID, Janus US Venture and Vulcan Value Equity, while in the emerging market portion of the portfolio we made a new introduction to frontier markets through the BlackRock Frontiers Investment Trust.

INVESTMENT TEAM CHANGES

In June we appointed a new fund manager, Peter Askew, to the team. Peter has led global fixed income teams at T. Rowe Price, Flemings and JP Morgan. Over the past decade he has held senior roles at fund of hedge funds specialist Aida Capital and Standard Life Investments.

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In 2008 he joined multi-family office Salisbury Partners LLP, where he was a member of the Investment Committee with responsibility for income, multi-asset and hedge fund strategies. In 2011 he launched his own consultancy advising asset management businesses, while continuing in his role with Salisbury Partners.

Working with the investment team over the summer in preparation, Peter has now been appointed co manager of all three of our fund of funds alongside Elliot Farley, while Richard Martin, who has been co-managing the T. Bailey Growth Fund, is stepping back from day-to-day management.

OUTLOOK

Financial markets anticipated much of the improvement we've seen in the growth of the developed world that has been confirmed by economic indicators during the last 6 months. Now that much of the developed world is synchronised in its growth path there are grounds for greater optimism that the world will break out of its recovery phase in the wake of the financial crisis.



Elliot Farley
Fund Manager



Peter Askew
Fund Manager

As a result, the rhetoric of central banks has moved on from the growth concerns that were prevalent a year ago and onto transitioning away from the economic stimuli measures that they put in place. This will not be easy and poses the real risk of a policy error being made that unsettles market participants.

Indeed, much of the weakness now seen in the emerging economies could be laid at the door of an overshoot in stimulative monetary and fiscal policies introduced to counter the effects of the financial crisis in the West. This created shorter-term imbalances in their economies, particularly through the growth in credit, but certainly not ones that are insurmountable given their longer-term growth rates, demographics and the prospects of a shorter-term lift from growth in the developed world.

15 November 2013 **15 November 2013**

TOP TEN HOLDINGS

Top Ten Holdings as at 30 September 2013 (%)		Top Ten Holdings as at 31 March 2013 (%)	
First State Global Emerging Markets	5.5	Aberdeen Emerging Markets	5.8
Wells Fargo All Cap Growth	5.2	Wells Fargo All Cap Growth	5.7
Janus US Venture	5.1	First State Global Emerging Markets	5.5
Hermes US SMID	5.0	Polar Capital North America	4.5
Aberdeen Emerging Markets	4.4	iShares S&P 500 ETF	4.2
Baillie Gifford Japanese Smaller Companies	4.3	Aberdeen Asian Smaller Companies	4.2
Cazenove European Income	4.1	GAM North American Growth	4.1
Vulcan Value Equity	4.0	Vanguard US Opportunities	4.0
Prusik Asian Equity Income	4.0	Prusik Asian Equity Income	4.0
Aberdeen Japan Growth	4.0	Henderson Global Technology	3.9

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PERFORMANCE

Although the Fund has the power to issue both income and accumulation units, as at 30 September 2013 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)
2008	79.22	49.03	-	85.38	52.67	-
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	74.92	0.0889	88.97	78.19	-
2013 ¹	103.29	85.44	0.3187	107.23	88.96	-

¹ Prices to 30 September and net revenue accumulated to 30 November.

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 2011	147,406,777	82.16	121,115,799	64,705,049	86.68	56,084,478
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
30 Sep 2013	98,885,657	98.08	96,986,054	71,407,676	101.55	72,514,040

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.

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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

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