Finely crafted investments

Amati
Global Investors

T.BAILEY

TB Amati Investment Funds

(Formerly CF Amati Investment Funds)

Interim Short Report
31 July 2012

TB Amati UK Smaller Companies Fund
(formerly CF Amati UK Smaller Companies Fund)

INVESTMENT OBJECTIVE & POLICY

The investment objective of the TB Amati UK Smaller Companies Fund is to achieve long-term capital growth. The Fund invests in UK smaller companies though there may be occasions when the Investment Manager chooses to hold large degrees of cash or money market instruments. The Fund will primarily invest in companies which are either incorporated in the UK or are listed in the UK and have the majority of their economic activity in the UK. The Fund may also invest in companies which are listed in the UK but are not incorporated and do not have the majority of their economic activity in the UK.

The Fund may invest up to 10% of its assets in collective investment schemes and over 35% of its assets in certain government and public securities.

The benchmark of the Fund is the Numis Smaller Companies (inc AIM ex investment trusts) index.

FUND FACTS

Launch date: 29 July 2008
Ex-dividend date: 1 February, 1 August
Dividend payment date: 31 March, 30 September
Synthetic Risk and Reward Indicator Ranking[1]**:** 6
Ongoing Charges figure[2]

A Accumulation Shares –	1.88% p.a.
B Accumulation Shares –	1.23% p.a.

[1] As calculated in accordance with the FSA Handbook, COLL 4. 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 July 2012. As calculated in accordance with the FSA handbook COLL 4, Annex 1. The Ongoing Charges Figure ('OCF') includes annual management charges ('AMCs') and other operating expenses (Depositary's fee, audit fee etc).

CHANGE OF AUTHORISED CORPORATE DIRECTOR (ACD)

From 1 August 2012 the Authorised Corporate Director (ACD) of the Fund changed from Capita Financial Managers Limited to T. Bailey Fund Managers Limited. As a result the name of the Company changed from CF Amati Investment Funds to TB Amati Investment Funds. Also on this date the Depositary of the Fund changed from BNY Mellon Trust & Depositary (UK) Limited to National Westminster Bank Plc and the Auditors changed from Kinetic Partners Audit LLP to Deloitte LLP.

The above changes were classified as a significant change under the FSA Handbook and were therefore notified to shareholders in advance.

As Capita Financial Managers Limited were the ACD for the period covered by the Interim Short Report, information has been provided by both Capita Financial Managers Limited and T. Bailey Fund Managers Limited.

INVESTMENT REVIEW

Performance	Cumulative returns for the periods ended 31 July 2012 (%)			
	6 months	1 year	3 years	From launch
A Accumulation Shares	(2.28)	(8.60)	87.63	66.17
Numis Smaller Companies Index (Inc AIM, ex Inv Trust) (Formerly RBS Hoare Govett)	0.19	(7.03)	47.40	30.44

Source: Financial Express. T. Bailey. 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.

Note: The TB Amati UK Smaller Companies Fund (formerly CF Amati UK Smaller Companies Fund) was seeded by the transfer of the First State British Smaller Companies Fund to CFM on 29 July 2008. Those investors who held shares in First State British Smaller Companies Fund and transferred their holdings to the CF Amati UK Smaller Companies Fund at this date should refer to the additional performance data shown in the appendix.

Manager's Review

The Eurozone sovereign debt crisis dominated the news during the six month period from February to July 2012. Equity markets started the period strongly on expectations of further ECB liquidity injections and an orderly resolution to the Greek crisis. Momentum continued into March, aided by improved sentiment in the US and China, however, by April the market was pausing for breath. An inconclusive Greek election and the re-surfacing of a banking crisis in Spain sent equity markets sharply lower in May. The 'risk-off' sentiment resulted in a broad sell-off although particular pain was felt by investors in commodities and natural resource stocks. By June a way out seemed plausible as Eurozone leaders agreed to recapitalise struggling banks directly. This action created a recognition that the sell-off in May had created buying opportunities, which sent equities higher in June and July, albeit on small volumes. However, the Eurozone crisis is still very much ongoing, and likely to become the source of further shocks later in the year. Asset allocation decisions in this environment are extremely difficult.

Performance

The fund has underperformed its benchmark by 2.5% over the six month period, falling 2.3% compared to a 0.2% rise for the benchmark index. We ended January with an overweight exposure to natural resources, which was a very strong sector in January and February, but fell back sharply in April as fears of a stalling Chinese economy hit sentiment, and commodity prices began to fall. Despite taking profits in this area, the fund remained with a higher weighting than the benchmark and this effected performance after April. Equally, we have adopted a cautious stance this year, in terms of building up liquidity and cash levels in anticipation of further problems from the Eurozone. We deployed this cash to some degree during the rally from May to July, but didn't participate as fully as we could have in it. Whilst this may have been overly cautious, we think the unsolved issues in Europe do justify this stance.

A number of the best performing stocks in the period were from the natural resources sector, in particular Cove Energy and Nautical Petroleum, both of which were the subject of takeovers. In addition two mining stocks which were relatively little known "special situations", namely Sierra Rutile and Gemfields, both also performed strongly, despite the weakness of the mining sector as a whole. This was offset by falls in Anglo Pacific, Kenmare, Petra Diamonds and Griffin, which were related to commodity price moves. Elsewhere GB Group, Idox, Sabien Technology, Sportech and Paypoint all performed well, and are representative of the kind of companies that can continue to grow in a recession.

On the negative side, the biggest disappointment was Hargreaves Services, which is one of the fund's core holdings, and a material position. During May Hargreaves announced that the works to prepare a new face at their underground coal mine in Maltby had hit a highly exceptional and completely unexpected problem, which would result in a four month delay in getting the face ready. This in turn means that once the current face finishes there is a hiatus in production for four months, with a significant loss of revenue. The resultant profit downgrade was around 30%, and although one-off in nature, it has shaken the confidence of the market. We hold Hargreaves because we believe it to be outstandingly well managed, and therefore remain confident that the problem will be fixed on schedule, and is unlikely to recur. The next period will provide confirmation one way or the other, and we are hopeful that the issues at the Maltby mine will be resolved soon. Other fallers during the period included Entertainment One, which fell back after expectations of a bid didn't materialise, and Software Radio Technology, which saw orders being delayed during the period. In addition, Asian Citrus declined following news that higher than expected rainfall resulted in greater than normal consumption of fertilizer and pesticides at its orange farms, which pushed up costs. This was compounded by lower concentrate prices worldwide, which impacted juicing margins. We see significant potential for these stocks to bounce back in due course.

Transactions

Signficant new purchases during the period included: the software companies, Aveva and Idox; the manufacturer of collagen sausage skins, Devro; the funeral provider and operator of crematoria, Dignity; the scientific instrument and nano-technology specialist, Oxford Instruments; the inkjet print head manufacturer Xaar; and the pre-eminent manufacturer of PEAK (a high-performance plastic), Victrex. We have sought to focus the fund on companies which we believe can grow through the current tough economic conditions.

Companies we sold (other than those which were taken over) included: Advanced Medical Solutions, GB Group, Kenmare Resources, and RPC. Sales were motivated either by valuations having run too high, or specific economic concerns.

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

Sector	Asset allocation as at 31 July 2012 (%)	Asset allocation as at 31 January 2012 (%)
Oil & Gas Producers	4.1	8.7
Chemicals	4.8	-
Mining	12.2	11.2
Electronic & Electronic Equipment	8.7	9.2
Industrial Engineering	1.6	0.5
Industrial Transportation	2.1	0.6
Support Services	7.6	10.9
Food Producers	8.2	7.1
Healthcare Equipment & Services	1.4	1.6
Pharmaceuticals & Biotechnology	3.8	3.5
General Retailers	1.7	-
Media	3.1	7.8
Travel & Leisure	5.5	7.9
Electricity	0.8	0.8
Real Estate Investment & Services	0.1	0.1
Real Estate Investment Trusts	0.9	1.2
Financial Services	5.8	6.3
Equity Investment Instruments	0.6	0.7
Software & Computer Services	7.5	2.9
Technology Hardware & Equipment	2.8	1.8
General Industries	-	3.2
Industrial Metals & Mining	-	1.0
Cash and Other	16.7	13.0
Total	**100.0**	**100.0**

Outlook

Unfortunately, the global economic outlook has not improved since we last wrote our Fund Manager's Review in February 2012. Whilst pedestrian US growth and a slowing China have dampened enthusiasm, the situation in the Eurozone remains the issue dominating newsflow and causing most consternation amongst investors. Political sound-bites as much as hard data have provided the catalyst for market lurches as sentiment has moved from 'risk off' to 'risk on' and back again, albeit on historically low trading volumes. The lack of a credible solution to the sovereign debt crises engulfing the southern states suggest that volatility will continue and this is undoubtedly holding back equities.

We maintain a focus on business models that can produce revenue and earnings growth in an environment of low or negative economic growth. This has led us to invest in businesses where we see compelling and resilient structural growth stories, often driven by the steadily increasing adoption of a relatively new technology, such as PEAK in the case of Victrex, or of piezoelectric drop-on-demand ink-jet print heads in the case of Xaar, or of something apparently simpler like collagen sausage skins in the case of Devro.

The outlook for stocks will also be influenced by fund flows, which continue to show a bias towards bonds, at the expense of equities. With low bond yields set against attractive equity dividend yields, repaired balance sheets following the onset of the financial crisis and the prospect for capital growth, it is reasonable to expect that this situation cannot persist and investors will begin to reallocate towards equities. This would, of course, be good news for share prices. In conclusion, whilst we remain pessimistic over the short to medium term outlook for the global economy, and would not rule out further shocks precipitated by a deterioration of the Eurozone sovereign debt situation, we continue to see good value and long-term growth opportunities in our portfolio.

Paul Jourdan
Fund Manager

Douglas Lawson
Fund Manager

David Stevenson
Fund Manager

14 September 2012

TOP TEN HOLDINGS

Top Ten Holdings as at 31 July 2012	(%)	Top Ten Holdings as at 31 January 2012	(%)
Sabien Technology Group	3.9	Hargreaves Services	4.4
Asian Citrus Holdings	3.7	Asian Citrus Holdings	4.1
Sportech	2.6	XP Power	4.0
Hargreaves Services	2.6	Eros International	3.9
Xaar	2.1	Anglo Pacific Group	3.6
Faroe Petroleum	2.1	Sabien Technology Group	3.5
Vectura Group	2.1	RPC Group	3.2
Entertainment One	2.0	Sportingbet	2.7
Victrex	2.0	Entertainment One	2.7
Devro	1.9	Faroe Petroleum	2.5

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)
2008[1]	232.51	147.08	–	214.04	135.16	–
2009	250.43	148.03	2.5679	228.55	135.80	1.3007
2010	374.79	252.16	–	339.82	229.96	–
2011	417.28	347.89	–	377.03	313.84	–
2012[2]	429.23	361.24	3.1523	386.10	325.32	0.3894

[1] From 29 July. [2] Prices to 31 July and net revenue to 30 September.

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 (£)
31 Jan 2010	129,945	254.08	330,166	1,961,251	231.76	4,545,306
31 Jan 2011	105,866	397.26	420,562	2,533,094	359.99	9,118,760
31 Jan 2012	358,587	381.71	1,368,778	2,672,491	343.63	9,183,434
31 Jul 2012	615,113	374.42	2,303,109	2,650,777	335.94	8,904,988

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.

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 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.

APPENDIX

Additional Performance Data

	Cumulative returns for the periods ended 31 July 2012 (%)				
	6 months	1 year	3 years	5 years	10 years
A Accumulation Shares	(2.28)	(8.60)	87.63	16.43	250.22
Numis Smaller Companies Index (Inc AIM, ex Inv Trust) (formerly RBS Hoare Govett)	0.19	(7.03)	47.40	(6.74)	138.65

Source: Amati Global Investors Ltd
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.

OTHER INFORMATION

The Company

TB Amati Investment Funds
64 St. James's Street
Nottingham NG1 6FJ

ACD (prior to 1 August 2012)

Capita Financial Managers Limited
Ibex House
42-47 Minories
London EC3N 1DX

ACD (from 1 August 2012)

T. Bailey Fund Managers Limited
64 St. James's Street
Nottingham NG1 6FJ

Tel: 0115 9888 200
Fax: 0115 9888 222
Website: www.tbailey.co.uk/amati

Authorised and regulated by the Financial Services Authority.

Investment Manager

Amati Global Investors Limited
18 Charlotte Square
Edinburgh EH2 4DF

Tel: 0131 503 9100
Email: info@amatiglobal.com
Website: www.amatiglobal.com

Authorised and regulated by the Financial Services Authority.

Depositary (prior to 1 August 2012)

BNY Mellon Trust & Depositary (UK) Limited
The Bank of New York Mellon Centre
160 Queen Victoria Street
London EC4V 4LA

Authorised and regulated by the Financial Services Authority

Depositary (from 1 August 2012)

National Westminster Bank Plc
Trustee & Depositary Services
7th Floor, 135 Bishopsgate
London EC2M 2UR

Authorised and regulated by the Financial Services Authority.

Auditors (from 1 August 2012)

Deloitte LLP
4 Brindleyplace
Birmingham B1 2HZ

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 period is available on request from the ACD as are copies of the Annual Report and Financial Statements.

TB
FUNDS