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T. BAILEY

TB Amati Investment Funds

Interim Short Report
31 July 2013

TB 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 Ranking¹: 6

Ongoing Charges figure²

A Accumulation Shares – 1.84% p.a.

B Accumulation Shares – 1.19% 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 31 July 2013. As calculated in accordance with the CESR guidelines. The Ongoing Charge Figure ("OCF") includes annual management charges ("AMCs") and other operating expenses (Depositary's fee, audit fee etc).

INVESTMENT REVIEW

| Performance | Cumulative returns for the periods ended 31 July 2013 (%) | | | |
|--|---|--------|---------|-------------|
| | 6 months | 1 year | 3 years | From launch |
| A Accumulation Shares | 7.00 | 21.43 | 63.87 | 101.33 |
| Numis Smaller Companies Index (Inc AIM, ex Inv Trust) | 10.92 | 31.13 | 52.04 | 69.00 |

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 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.

Market review

The strong momentum in equity markets which emerged in the second half of last year has continued into 2013. Central bank stimulus within western economies has been backed up by economic data indicating a recovery is taking place in the US and the UK, even if the picture in Europe remains fragile whilst emerging markets are now giving cause for concern. Such is the new-found confidence, debate has moved on to the likely timing of a reversal of bond buying activity, or so-called stimulus “tapering”. In fact, global bond yields are already rising sharply as markets anticipate a turning point in the interest rate cycle. Recent comments from the respective heads of both the US Federal Reserve and the Bank of England indicate that central banks are concerned that market rates have moved too far and too fast, but it is clear that these differing standpoints will be a major influence on stock market returns in the months ahead.

Performance

The fund rose 7.0% during the six month period, but this lagged a benchmark gain of 10.9%. Medium and smaller sized companies continued to show strong leadership in the UK stock market, but disappointingly the more junior AIM index saw declines over the period. With over 50% of the portfolio invested in AIM companies, this acted as a drag on performance.

Good diversity within the portfolio was reflected in a broad range of outperforming stocks. The biggest contribution came from Xaar, the manufacturer of patented inkjet print heads and peripherals, which announced strong growth particularly for digitalised ceramic tile decoration. The company anticipates a 50% growth in total revenues in the current financial year. Internet video search engine developer, Blinkx, was also a strong performer, again beating market expectations for revenue growth. The company continues to acquire premium content, and is developing leading edge advertising and video products. International Personal Finance provides unsecured, short term consumer credit in a range of Eastern European markets, and more recently in Mexico. The company, which also beat expectations, combines strong earnings growth with progressive dividends and a share buyback programme. Tribal is an international provider of software and related services to education and training markets. The company has a recent history of positive earnings surprise, and is enjoying growth from a range of school, university, government and corporate clients across the UK, North America, Asia Pacific and Middle East.

Other stock highlights included Lo-Q, the developer of patented virtual queuing technology for North American theme parks; Smart Metering, the industrial and commercial gas metering services company; and Perform, the multimedia sports content owner. In each case, these companies combined premium earnings growth with strong share price outperformance.

Disappointments in the period were similarly spread across a diverse range of holdings. Idox, the supplier of document management software and services to UK public sector and regulated private sector clients, announced poorer than expected interim results. This reflected delays in securing industrial licensing contracts, although the company remains confident about pipeline visibility for the full year. Silverdell, a specialist environmental and land remediation service company, had its shares suspended after one of its subsidiaries was put into administration. The cause of this appears to have been nothing other than management carelessness in failing to settle a claim from a small trade creditor on time. We remain dumbfounded by this. Silverdell has begun rectifying the situation, but no full explanation has yet been forthcoming. We have made a prudent provision against the carrying value of this investment pending its relisting. Cupid, the online dating services provider, had to respond to press allegations about its working practices towards existing and prospective users. An independent review was instigated, and whilst this subsequently found no evidence to support the allegations, the episode undermined our confidence in the company and the position was sold.

Portfolio Activity

Significant new purchases during the period included specialist software providers, EMIS (healthcare), and Aveva (engineering design); house builders, Telford Homes based in London only, and Crest Nicholson, which operates nationwide; coal mine methane power generator, Alkane Energy; motor distributor, Vertu; residential property website operator, Rightmove; Bank of Georgia; oil and gas exploration and production company Genel Energy; leading photo booth operator, Photo-Me; branded restaurant operator, Restaurant Group and energy procurement & management services provider, Utilitywise. Investment strategy behind these positions reflects a combination of sustained prospects for UK household spending, underpinned by government initiatives in the case of house builders, plus individual structural growth situations.

Following positive performance contributions we sold out of sausage skin manufacturer, Devro; data centre operator, Iomart; synthetic fuel developer, Oxford Catalysts; buy-to-let mortgage lending specialist, Paragon; business media services group, Progressive Digital; London property developer, Quintain Estates; health services outsourcer, Synergy Health; and wireless communications equipment developer, Telit Communications. In an environment of deteriorating commodity prices and tightening availability of finance, a risk control decision was taken to reduce the portfolio's exposure to resources by exiting some positions in more junior operators such as Goldplat, New World Oil & Gas, and Griffin Mining.

| Sector | Asset allocation as at 31 January 2013 (%) | Asset allocation as at 31 January 2012 (%) |
|-------------------------------------|--|--|
| Alternative Energy | 1.7 | - |
| Banks | 2.5 | - |
| Beverages | 2.0 | 1.5 |
| Chemicals | 4.0 | 7.2 |
| Electronic & Electrical Equipment | 4.2 | 5.9 |
| Equity Investment Instruments | 1.6 | 1.3 |
| Financial Services | 6.9 | 5.1 |
| Food Producers | 2.3 | 5.0 |
| General Retailers | 5.8 | 3.2 |
| Household Goods & Home Construction | 3.0 | - |
| Health Care Equipment & Services | - | 1.4 |
| Industrial Mining & Metals | 0.9 | 1.1 |
| Industrial Transportation | 0.7 | 0.8 |
| Leisure Goods | 2.1 | - |
| Media | 5.2 | 5.8 |
| Mining | 5.2 | 7.9 |
| Nonlife Insurance | 1.5 | - |
| Oil & Gas Producers | 5.8 | 8.1 |
| Personal Goods | 1.2 | 0.6 |
| Pharmaceuticals & Biotechnology | 4.1 | 5.3 |
| Real Estate Investment & Services | 1.5 | 2.7 |
| Real Estate Investment Trusts | - | 0.9 |
| Software & Computer Services | 20.5 | 16.8 |
| Support Services | 12.0 | 8.1 |
| Technology Hardware & Equipment | - | 3.4 |
| Travel & Leisure | 2.8 | 3.3 |
| Cash and Other | 2.5 | 4.6 |
| Total | 100.0 | 100.0 |

Outlook

In August, after the period end, the Bank of England announced it was moving towards US-style forward guidance on interest rates, with policy now linked to a combination of inflation and unemployment targets. This is likely to increase market volatility as investor sentiment will react to each announcement of economic data and every nuanced interpretation of policy guidance. The improved economic indicators are already prompting global bond markets to factor in an earlier reversal of stimulus than previously expected, with suggestions that the US Federal Reserve will make its first move in September. Recent stock market patterns show this is creating some headwinds for interest-rate sensitive, cyclical stocks, with a tendency also for investors to crystallise gains in areas which have had the greatest outperformance such as mid-caps. In contrast, the legislation change in early August which now allows AIM stocks to be held within ISA's has already had an impact on the traded volumes and relative performance of that index. Should these broader trends prove to be ongoing, then the fund is well-placed to benefit.



Paul Jourdan
Fund Manager



Douglas Lawson
Fund Manager



David Stevenson
Fund Manager

12 September 2013



TOP TEN HOLDINGS

| Top Ten Holdings as at 31 July 2013 | (%) | Top Ten Holdings as at 31 January 2013 | (%) |
|--|------------|---|------------|
| Blinkx | 4.0 | Idox | 4.8 |
| Tribal Group | 3.8 | Xaar | 3.0 |
| Idox | 3.5 | Asian Citrus | 3.0 |
| International Personal Finance | 3.3 | Sabien Technology | 2.9 |
| EMIS Group | 3.1 | Entertainment One | 2.8 |
| Elementis | 2.6 | Vectura | 2.4 |
| Xaar | 2.6 | Earthport | 2.3 |
| Bank of Georgia | 2.5 | Iomart Group | 2.3 |
| Asian Citrus | 2.3 | Anite | 2.1 |
| CVS Group | 2.2 | Victrex | 2.1 |

PERFORMANCE

Share Prices and Revenue

| Calendar year | A Accumulation shares | | | B Accumulation shares | | |
|-------------------|--------------------------|-------------------------|--|--------------------------|-------------------------|--|
| | 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 | 248.74 | 135.16 | – | 268.67 | 147.08 | – |
| 2009 | 228.55 | 135.80 | 1.3007 | 250.43 | 148.03 | 2.5679 |
| 2010 | 339.82 | 229.96 | – | 374.79 | 252.16 | – |
| 2011 | 377.03 | 313.84 | – | 417.28 | 347.89 | – |
| 2012 | 386.10 | 325.32 | 0.3894 | 429.23 | 361.24 | 3.1523 |
| 2013 ² | 413.36 | 367.76 | – | 463.69 | 411.02 | 0.6495 |

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

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.

Net Asset Values

| Date | A Accumulation shares | | | B Accumulation shares | | |
|-------------|-----------------------|--------------------------|------------|-----------------------|--------------------------|------------|
| | Total shares in issue | NAV per share (pence) | NAV (£) | Total shares in issue | NAV per share (pence) | NAV (£) |
| 31 Jan 2011 | 2,533,094 | 359.99 | 9,118,760 | 105,866 | 397.26 | 420,562 |
| 31 Jan 2012 | 2,672,491 | 343.63 | 9,183,434 | 358,587 | 381.71 | 1,368,778 |
| 31 Jan 2013 | 2,359,344 | 381.40 | 8,998,429 | 951,283 | 426.50 | 4,057,218 |
| 31 Jul 2013 | 2,125,572 | 412.78 | 8,773,886 | 577,908 | 463.05 | 2,676,014 |

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 2013 (%) | | | | |
|--|---|--------|---------|---------|----------|
| | 6 months | 1 year | 3 years | 5 years | 10 years |
| A Accumulation Shares | 7.00 | 21.43 | 63.87 | 101.33 | 237.05 |
| Numis Smaller Companies Index (Inc AIM, ex Inv Trust) | 10.92 | 31.13 | 52.04 | 69.00 | 169.83 |

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

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. The above performance data, for periods prior to this date, is relevant for 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.

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

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

Authorised and regulated by the Financial Conduct Authority.

Investment Manager

Amati Global Investors Limited
18 Charlotte Square
Edinburgh EH2 4DF

Authorised and regulated by the Financial Conduct Authority.

Depositary

National Westminster Bank Plc
135 Bishopsgate
London EC2M 2UR

Authorised and regulated by the Financial Conduct Authority and by the Prudential Regulation 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.



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